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A copy of this document, which has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("the Regulations") has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the Regulations. 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 Collins Stewart Limited, 21 New Street, Bishopsgate, London EC2M 4HR from the date of this document until the date on which Admission takes place, which is expected to be 2 March 2000.

Application has been made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to the Official List of the London Stock Exchange or for their admission to any other Stock Exchange. Further, the London Stock Exchange has not itself approved the contents of this document.

Your attention is drawn to the section entitled "Risk factors" on pages 17 and 18 of this document.

EINSTEIN CHANNEL PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3844023)

Placing
by
Collins Stewart



of 21,250,000 ordinary shares of 10p each at 40p per share

Admission to The Alternative Investment Market

The Ordinary Shares now being placed will rank *pari passu* in all respects with the existing issued ordinary share capital of the Company including the right to receive all dividends or other distributions hereafter declared, paid or made.

Collins Stewart Limited, which is a member of and regulated by The Securities and Futures Authority Limited, is acting exclusively for Einstein Channel PLC and no-one else in connection with the Placing. Collins Stewart Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart Limited nor for providing advice in relation to the transactions and arrangements detailed in this document.

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DEFINITIONS

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

"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the rules set out in Chapter 16 of the Rules of the London Stock Exchange
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Board"	the Board of Directors of the Company
"Channel" or "Einstein Channel"	the digital television channel which is expected to be launched in Germany by the Group in April 2000
"CIL"	Corporate Information Limited, a subsidiary of Ernst & Young
"Collins Stewart"	Collins Stewart Limited
"Company"	Einstein Channel PLC
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	The Uncertificated Securities Regulations 1995 (SI 1995 No. 3272)
"Directors"	the directors of the Company, whose names are set out on page 6 of this document
"Einstein Productions"	Einstein Productions Limited, a subsidiary of the Company
"Einstein Channel GmbH"	Der Europäische Wissenschafts Kanal GmbH, a subsidiary of the Company
"European Science Channel"	European Science Channel Limited, a subsidiary of the Company
"Existing Shares"	the existing issued ordinary shares of 10p each in the capital of the Company
"Group"	the Company and its subsidiaries
"London Stock Exchange"	London Stock Exchange Limited
"MSG"	MSG MediaServices GmbH
"Ordinary Shares"	ordinary shares of 10p each in the capital of the Company
"Placing Price"	40p per Placing Share
"Placing Shares"	the 21,250,000 new Ordinary Shares which are to be issued pursuant to the Placing
"Participant ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"Placing"	the placing arrangements for the procurement by Collins Stewart, on behalf of the Company, of subscribers for the Placing Shares pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 24 February 2000 between the Company, the Directors and Collins Stewart relating to the Placing, as described in paragraph 7 of Part IV of this document
"Share Option Scheme"	the Einstein Channel PLC 2000 Executive Share Option Scheme, further details of which are contained in paragraph 4 of Part IV of this document

GLOSSARY OF TERMS

"broadcasters"

The owner of a broadcasting system such as the BBC, BSkyB and the MSG division of Deutsche Telekom. Whereas terrestrial broadcasters like the BBC own all the channels on their "systems", Sky and other cable and satellite broadcasters act as a "gateway" to the viewer and channels like The Einstein Channel are "carried" by these broadcasters on their systems.

"channel manager"

Corporations such as BSkyB and MSG act as channel managers, collecting revenues on behalf of themselves and the channels they carry.

"carriage"

Channels like The Einstein Channel negotiate for broadcasters to deliver their service to their viewers. Once a carriage deal for a channel has been concluded, it is allocated a broadcast frequency and added to the broadcaster's programme guide.

"digitalisation"

Until the mid-1990s, television signals were delivered to receiving sets or dishes in analogue form. The advent of digital delivery has not only improved signal quality, but has meant that far more channels can be carried on a satellite transponder than before. This has reduced the cost of entry into the marketplace for new channels and has increased the choice for viewers. The move to digital broadcasting throughout Europe will largely be completed within the next five years.

"edu-tainment"

Educational programming with an element of entertainment.

"portal"

The term portal refers to a web site which includes a search engine and additional content, (such as current news and entertainment information), which is designed to keep the user at the portal for as long as possible such as, for example, Yahoo!, Netscape's Netcenter and AOL. The term portal can also include meta-search engines which allow the user to combine the results of other searchable sites with "superstores" like shopper.com (by CNet), which permits a search of multiple online computer hardware shops and provides a table of information about which online shops sell the requested item, their contact details, price and other details.

"strand"

Individual television programmes are now normally put into strands with recognisable brand names, for example, the BBC's individual science documentaries are combined beneath the Horizon banner.

ISSUE STATISTICS

Placing Price	40p
Number of Ordinary Shares in issue following the Placing	36,250,000
Market capitalisation at the Placing Price	£14.50m
Number of new Ordinary Shares being placed	21,250,000
Estimated expenses of the Placing	£0.62m
Net proceeds of the Placing receivable by the Company	£7.88m
Percentage of the enlarged issued ordinary share capital available in the Placing	58.62%

EXPECTED TIMETABLE

Trading to commence in the enlarged issued ordinary share capital on AIM	2 March 2000
Where applicable, definitive share certificates despatched	9 March 2000

DIRECTORS AND ADVISERS

Directors

Derek Murray Wyatt MP, *Non-executive Chairman*
Martin Jonathan Powell, *Executive Deputy Chairman*
Stephen Christopher Timmins, *Group Chief Executive Officer*
Peter Sean Boulton ACCA, *Group Finance Director*
John Frederick Waley Sanderson, *Non-executive Director*

Company Secretary

Peter Sean Boulton ACCA

all of:

Registered office

Centurion House
37 Jewry Street
London EC3N 2ER

**Nominated Adviser and
Nominated Broker**

Collins Stewart Limited
21 New Street, Bishopsgate
London EC2M 4HR

**Registered Auditors
and Reporting Accountants**

Baker Tilly
2 Bloomsbury Street
London
WC1B 3ST

Solicitors to the Company

Hardwick Stallards
Centurion House
37 Jewry Street
London EC3N 2ER

Solicitors to the Nominated Adviser

Nabarro Nathanson
Lacon House
84 Theobalds Road
London WC1X 8RW

Principal Bankers

Barclays Bank Plc
P.O. Box 415
14-16 Queen Square
Bristol BS99 2DG

Registrars

IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived. In particular, your attention is drawn to the paragraph in Part I which is entitled "Risk Factors".

It should be stressed that, as The Einstein Channel is in the process of negotiating to produce or acquire programmes for transmission, that all statements as to the likely programming content are statements of intent and subject to the Company being able to conclude negotiations satisfactorily to achieve these stated intentions.

INTRODUCTION

Einstein Channel PLC is a newly formed company created to develop a new multimedia brand – The Einstein Channel. The Directors intend that this will start with the launch of a digital TV channel in the major European territories and that The Einstein Channel will transmit a programme schedule of live and recorded, cutting edge science and technology launches, entertainment and education programmes across Europe.

The Directors intend, from The Einstein Channel's launch in Spring 2000, to develop internet, mobile and multimedia applications of The Einstein Channel brand to promote international awareness of The Einstein Channel and to exploit related additional sources of revenue.

The Directors expect that the primary sources of Group revenue will be derived from subscription income, production fees, advertising and sponsorship. However, the Directors also expect to generate additional revenues in the medium to longer term from science and technology based internet-related applications such as web TV, distance learning, chat rooms and e-commerce. It is the aim of the Directors for The Einstein Channel to become the brand for a key worldwide portal for science and technology.

THE OPPORTUNITY

Whilst there exist within the European digital TV market, channels for Sport (Euro Sport), News (Euro News) and the Arts (Arte), the Directors believe that there is no channel entirely focused upon science and technology. The Directors believe, therefore, that there is a gap in the current European digital TV market which can be filled by a channel which offers high quality science and technology programming through an entertainment based approach. It is intended that The Einstein Channel will exploit this gap, starting with the launch of The Einstein Channel in Germany in April 2000 and followed by launches in the United Kingdom, Italy and France respectively. By 2002, the Directors expect that The Einstein Channel will be broadcasting across Europe's major territories in 4 languages.

KEY STRENGTHS

The Directors have identified the following key strengths for the Einstein Channel:

- a readily identifiable and promotable brand
- marketing and distribution agreements for the provision of German digital TV carriage with MSG, a subsidiary of Deutsche Telekom, and possession of a TV broadcast licence which can be applied to the United Kingdom
- a rapidly expanding European digital TV market which does not yet have a dedicated European science and technology based TV channel and a dedicated science and technology portal
- a management team with combined experience in TV production, marketing, technology and the internet
- developing relationships with institutions such as ESA (the European Space Agency), NESTA (The National Endowment for Science Technology & the Arts), Cambridge University, the Max Planck Institutes and other European universities and scientific agencies
- developing a commercial relationship with the German state broadcaster, the ORB (OstDeutscher Rundfunk Brandenburg) part of the ARD (Germany's public service network)

REASONS FOR THE PLACING

The Company is issuing 21,250,000 new Ordinary Shares pursuant to the Placing at the Placing Price, which will raise approximately £7.88 million (net of expenses) and will represent approximately 58.62 per cent. of the enlarged issued share capital following the Placing. The net proceeds will provide the Group, in conjunction with the additional funding arrangements referred to in Part I of this document, with the necessary working capital required to finance the start-up costs of launching a digital TV channel, such as the initial production costs, the costs of buying in additional programming and the finance for launching the Group's internet operations.

The Directors have undertaken not to dispose of any of their Ordinary Shares following the Placing until the announcement of the preliminary results of the Company for the year ending 31 December 2001.

The Placing has been fully underwritten by Collins Stewart and is conditional upon Admission and the Placing Agreement becoming unconditional in all respects. Details of the Placing Agreement are contained in paragraph 7 of Part IV of this document.

INFORMATION ON THE COMPANY

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THE BROADCAST CONTRACT

On 23 February 2000, Einstein Channel GmbH entered into a marketing and distribution agreements with MSG, a subsidiary of Deutsche Telekom, under which Einstein Channel GmbH has been allocated a frequency on which to broadcast a digital TV channel on the MSG "Media Vision" package. Under this agreement, Einstein Channel GmbH will receive a monthly income per subscriber. Additionally, MSG will be responsible for all marketing of the Channel to its subscribers and to the German public.

THE BROADCAST LICENCE

In December 1999, Einstein Channel GmbH was awarded a licence to broadcast in Germany by the Medienanstalt für Berlin Brandenburg ("MABB") the broadcasting authority in Berlin. As The Einstein Channel concept will be rolled out across the major European territories, the Directors deemed it essential to have a central European production base. The Directors were attracted to Berlin by its geographic position and its system of grants, subsidies and loans for businesses of this nature, and intend to start transmission of The Einstein Channel from Berlin Brandenburg. The licence in Berlin Brandenburg will serve for the United Kingdom and as the Channel will broadcast from Berlin Brandenburg, it will be regulated by the MABB.

THE PAY TV MARKET IN GERMANY

Historically, the take-up of pay TV services by German consumers has been slower than anticipated. The Directors believe that current digital penetration is approximately 5.5 per cent, primarily due to the extensive free programming available. The pay TV market in Germany dates back to 1985 with the launch of "Teledub" by Kirch Group. This was followed by the launch of "Premiere" by Bertelsmann and Canal + (with Kirch Group subsequently obtaining a 25 per cent. stake in the consortium). In 1996, Kirch Group launched a rival digital pay TV service DF1 plus a set top box called the "D-Box". In March 1999 the merger of DF1 and Premiere took place with Kirch Group paying a total of approximately DM2.7 billion (including the purchase of Canal +'s interest) for a 95 per cent. stake in the merged entity and with Bertelsmann retaining a 5 per cent. holding. In August 1999, "Premiere World" was launched combining the programming content of Premiere Digital and DF1. In addition, in December 1999, it was announced that BSkyB had purchased a 24.9 per cent. stake in Premiere World which the Directors believe will have far-reaching consequences for the German pay TV market and provide a much needed stimulus and accelerate digital penetration in Germany.

Currently, cable remains the most important transmission mode for digital TV in Germany. Deutsche Telekom has launched its own digital TV service through its subsidiary MSG, therefore enabling it to become a seller of content as well as a carrier. Premiere World has carriage contracts with MSG for Deutsche Telekom's own cable networks and a joint marketing exercise by MSG and Premiere World is taking place with MSG marketing their "Media Vision" package (including The Einstein Channel) in conjunction with Premiere World's "Super" package at "T-shops" throughout Germany. It is intended that The Einstein Channel will begin transmission in Germany as part of the Media Vision package in April 2000.

Customers with a decoder and a MediaVision smartcard can choose from a variety of packages:

- MediaGlobe (free of charge) – a foreign speaking package with channels from Turkey, Poland, Greece and Portugal
- Premiere World "Family World" package for a monthly fee
- "Vision Select" – a package of six different channels for a monthly fee namely:
 - Fashion TV
 - Bet on Jazz
 - Bloomberg
 - The Landscape Channel
 - The Einstein Channel
 - Extreme Sports

The first four channels were launched in August 1999 and it is expected that all six channels will be available by the end of May 2000. The Directors believe that, with Deutsche Telekom (in the form of MSG) behind the MediaVision package and the expected impetus of BSkyB's recent entry to the German pay TV marketplace, The Einstein Channel is extremely well placed.

THE PAY TV MARKET IN THE UNITED KINGDOM

The UK pay TV market dates from the launch of Sky satellite system and that of a number of cable operators in the late 1980s. The merger of Sky and BSB in 1990 resulted in BSkyB becoming the largest single player in the pay TV market with subscriber numbers increasing rapidly during the 1990s. Consolidation of the cable operators during the 1990s together with the advances made towards completion of the cable networks meant

that, during 1997, the number of new customers who bought pay TV via cable exceeded those who chose a satellite dish for the first time. At around the same time, programme channel supply began to overtake the distribution capacity available. Cable services are now provided by three major operators, NTL, Cable & Wireless Communications and Telewest Communications. British Interactive Broadcasting ("BIB" – a consortium including BSkyB, British Telecom, HSBC and Matsushita) launched in the Spring of 1999 under the brand name "Open" offering retail services, travel, on-line betting, downloadable games and education services.

BSkyB launched Sky Digital in June 1998 and re-launched in October that year. The initial launch contained capacity for approximately 200 pay TV channels. ONdigital, which is jointly owned by Carlton Communications and Granada Media Group launched its own digital terrestrial package in November 1998. A recent boost to the numbers of consumers subscribing to digital TV was provided by both ONdigital and BSkyB offering free decoders to customers. At the end of 1999 approximately 11 per cent. of the approximately 24.1 million TV households in the UK were able to receive digital TV with approximately 2.1 million subscribers to BSkyB's digital platform and a further 550,000 subscribers to ONdigital. In addition, the Directors believe there were approximately 3.3 million cable subscribers who could receive programming from the above platforms. Digital penetration is expected to reach 52 per cent. of UK TV households by 2003 (source: PricewaterhouseCoopers).

The Directors believe that digital cable will ultimately overtake digital satellite penetration despite its late entry to this market due to cable's ability to offer a wide range of TV channels, interactive services, discounted telephony services and high speed internet access.

The Company is at an advanced stage of negotiations under which it is expected that The Einstein Channel will be offered national TV carriage in the United Kingdom. Should agreement not be reached, the Directors are confident that terms can be agreed with a major cable operator or digital TV platform in order for The Einstein Channel to transmit nationwide later this year.

THE PAY TV MARKET IN ITALY AND FRANCE

The Italian digital TV market is currently dominated by Tele+ and Stream. The Directors expect pay TV to achieve relatively high penetration in Italy due to the current lack of choice in free to air programming. At the end of 1999 there were approximately 20.4 million TV households in Italy with approximately 1.3 million subscribers to digital TV representing penetration of approximately 6.4 per cent. Digital TV subscribers growth in Italy is projected at approximately 36 per cent. compound between 1999 and 2003 (source: Datamonitor). In addition, at the end of 1998 Telecom Italia introduced its Pl@y WEB internet TV service targeting customers who do not have access to a computer at home. The system is designed to accept a smart card which will allow users to store internet pages, email and conduct interactive shopping and banking transactions.

The pay TV market in France was launched earlier than in other European markets with the current main participants being Canal+ (with its Canal satellite operation) and TPS. Due to the lack of choice in free-to-air television the take up of pay TV services has been strong compared to most European countries and the Directors believe that France's digital TV penetration is similar to that of the United Kingdom. At the end of 1999 there were approximately 23.6 million TV households in France (source: Datamonitor) with approximately 2.9 million subscribers to digital TV services representing a penetration rate of approximately 12.3 per cent. Digital TV subscriber growth is projected at approximately 16 per cent. compound between 1999 and 2003 (source: Datamonitor). In addition, convergence between TV and the internet is being driven by a number of factors in France including the early introduction of dedicated internet set top boxes relative to other European countries together with the introduction by CanalNet of an internet TV service providing unrestricted internet access, email and access to Minitel for an initial fee of FF250 (£23.80) plus FF99 (£9.43) per month.

FUTURE PROGRAMMING

It is the Directors' intention that The Einstein Channel will be an "edu-tainment" TV channel focusing on the spectacular achievements of modern science and technology and that, by the year 2002, the Channel will be transmitting in four languages on Europe's principal satellite and cable operators, seven days a week.

The Einstein Channel is intended to be a high quality channel designed to attract top quality sponsorship and advertising. The Directors intend the Channel to have an attractive and recognisable TV programme schedule, with quiz shows, top class lectures and drama strands all dedicated to science and technology based subjects which will be accessible to a broad audience, with mixed interests and mixed intellectual ability. It is envisaged that the service will also provide science and technology based curricula related educational materials for schools, colleges and universities by distance learning.

An example of the range of programming that the Directors expect The Einstein Channel will provide is set out below:

LIVE EVENTS & HI TECH LAUNCHES

It is intended that the core of the Channel's schedule is a series of live events and launches offering a unique "appointment to view" opportunity for The Einstein Channel's audience. The Channel wants to open up behind the scenes coverage, not just of the technological and scientific achievements, but of the human emotions of the creators of these feats – from the heartache, the stress and the pressure to the joy of accomplishment and achievement. The Einstein Channel wants to take viewers to events such as Formula One car launches to power boat races; from fly on the wall coverage at the Paris Air Show to jet fighter, rocket and satellite launches and from the science and technology behind sporting achievement, in horse races, football and athletics to medicine and the latest techniques from the operating theatres of Europe's top hospitals. It is the aim of the Directors that The Einstein Channel will bring the world's best technology and science programmes into one channel for the first time.

QUIZZES

The Channel intends to incorporate quiz programmes involving some of the world's top scientists trying to answer practical questions. Families, schools and colleges will be able to go head to head with some of Europe's leading scientific and technology experts.

AWARDS STRANDS

The Einstein Awards strand gives teenagers and students the chance to compete on a Europe wide basis to solve technological and scientific problems to win a sponsored prize.

THEMED MOVIES

Whether it's a 1950s cult sci-fi film being shown in the same week as a Mars Probe launches or Moby Dick in Whale Watch week, The Einstein Channel intends to transmit regular, thought provoking, entertainment strands.

Einstein Lectures

This is the chance to see and hear Nobel Prize Winning Scientists giving intelligent lectures on their subjects tailored to the lay viewers.

Fly On The Wall Documentaries

Tied in with the events and launches, the viewer will be given privileged access to the events behind the scenes as he or she follows the build up to a launch of a Formula One car or of a satellite into orbit.

Acquired Programmes

Top quality TV programmes are intended to be bought in to augment the schedule – from movies and documentaries to children's science and technology magazines.

DEVELOPMENT OF THE EINSTEIN CHANNEL BRAND

It is the Board's intention to promote awareness of The Einstein Channel brand, primarily through the media of digital TV and the internet. The Directors intend that The Einstein Channel will become a web TV channel and a resource for academics throughout the world. The Company intends to become an important internet portal for science and technology and, in the longer term, to derive revenue strands from activities as diverse as distance learning, graduate recruitment and data base access.

As part of the brand development, the Company has investigated the possibility of registering The Einstein Channel as a trademark. Having ascertained that the trademark was available, on 23 September 1999 the European Union Office for Harmonisation in the Internal Market (Trade Marks & Designs) accepted a Community Trade Mark Application to register the brand. The Company has been notified of existing Einstein-related trademarks in Germany and Austria, but the Directors do not consider that these trademarks should materially impact the use of The Einstein Channel brand.

The Directors believe that The Einstein Channel will not be just a television channel but will represent an opportunity to exploit the next generation of new media channels as computer/TV convergence begins, with revenue streams from internet activity, distance learning and web education.

THE BOARD AND SENIOR MANAGEMENT

The Group's management team has a broad range of expertise including channel launches, production and management and worldwide marketing and merchandising.

THE BOARD

Derek Wyatt MP, aged 50, Non-executive Chairman

Derek Wyatt was elected Member of Parliament for Sittingbourne & Sheppey in 1997. Before that he had spent fifteen years in the media industry, including spells at BSkyB (Director, The Computer Channel), Flextech (Director of Programmes, WireTV) and William Heinemann (Publisher and main board Director). He has played rugby for Oxford University, the Barbarians and England. He is an internet specialist and is Co-chairman of the All Party Committee on the internet. He is also a member of the Select Committee: Culture, Media & Sport and he has a Parliamentary Fellowship with Motorola. He recently launched the World Internet Forum, which is due to take place at Oxford in September 2000.

Martin Powell, aged 43, Executive Deputy Chairman

Martin Powell founded the media company, Sleepy Kids Plc, which floated on the USM in 1990 and moved to the Official List in 1996. At the end of 1998, Sleepy Kids Plc merged with another group and the resultant company SKD Media Plc (now Entertainment Rights Plc) has a market capitalisation in excess of £125m. He resigned from his management post in April 1999 in order to form Einstein Channel PLC, but remains a large independent shareholder in Entertainment Rights Plc. His other directorships include Bishopsgate Holdings Limited.

Stephen Timmins, aged 50, Group Chief Executive Officer

Stephen Timmins has over 25 years experience in broadcasting and the media. He has been an executive producer for the BBC and was a Head of Regional Programming at the launch of Central Television. He was one of the first independent producers to work for Channel 4 and, in 1987, he co-founded CST Productions Limited. In 1993, it won the contract to create, produce and manage the UK's first national cable channel, Wire TV. Wire TV was acquired in June 1995 by Mirror Group Newspapers and was re-launched as Live TV. CST Productions took on the task of creating programming, schedules, recruiting and training technicians and production teams for the first three of Live TV's city stations. Stephen Timmins and his team then acted as launch consultants to The Fantasy Channel which transmits on Sky's analogue and digital packages and in South Africa, in association with Mnet TV's Head of Programming, for a Johannesburg-based community TV channel.

Peter Boulton ACCA, aged 29, Group Finance Director

Peter Boulton qualified as a Chartered Certified Accountant with Neville Russell in 1994 and joined the Bristol based accountancy firm, Houghton Stone, in 1995 as audit manager. He was appointed corporate finance partner at the beginning of 1998. His involvement in the development of The Einstein Channel concept since January 1999 culminated in him joining the Board as Group Finance Director on 1 February 2000.

John Sanderson, aged 45, Non-Executive Director

John Sanderson was an investment analyst for a total of ten years first with Fielding Newson-Smith and then with NatWest. He covered the leisure sector including travel, hotels, gaming and tourism but focused on in-home leisure which, at that time, was primarily television rental and television (including advertising). He was part of a team that was Extel-rated No. 2 in 1985 and 1986. Between 1990 and May 1999, he was a director of the specialist media strategy and business development consultancy Hydra Associates. The industry coverage provided by Hydra Associates included music, radio, advertising and marketing services, television broadcasting, production, physical entertainment products, film, regulation and the new media. In May 1999, John left Hydra Associates to establish his own independent consultancy JFWS Limited.

SENIOR MANAGEMENT

Vivien Schrager-Powell, aged 41, Product and Programming Acquisition

Vivien Schrager-Powell was a co-founder of Sleepy Kids Plc where she was responsible for all aspects of the Group's major product development, specifically creation, development and exploitation of childrens' programming for the UK and international markets (including Budgie The Little Helicopter and Potsworth & Co). She also instigated a variety of highly successful programmes and brand related international merchandising campaigns including work for The Prince's Trust. Vivien's responsibilities include programming acquisition for The Einstein Channel and seeking out product and marketing opportunities for The Einstein Channel brand and also to search out new opportunities for marketing the Group's products.

Derek Alexander Nelson, aged 45, Managing Director – Einstein Channel GmbH

Derek Nelson trained as a computer scientist and financial analyst before joining the BBC in 1975 where he was one of the designers of the BBC Radio Finance Computer system. He became a radio producer and moved across to become a television producer before entering the world of independent production in 1980s. He has experience in the administration of production companies and production departments in both commercial and public broadcasts television. Over the past seven years he has been responsible to the public relations officer of the European Space Agency's (ESA) Television Strategy Department and for the last year has been consultant Visuals Officer for ESA's Science Programme where he has devised one of the world's first Web TV services for professional journalists and has also supervised live television and internet coverage of ESA's launches. As chief executive of The Einstein Channel in Germany, Derek Nelson will establish the contractual relationships with broadcasters and programme makers and will supervise the design and implementation of production, on air look and administrative systems for the television channel. He will join the Group in March 2000.

Mark Palman, aged 43, Einstein Channel Sales & Marketing

Between July 1989 and November 1998 Mark worked for the advertising agencies Boase, Massimi, Pollitt (BMP) and Doyle, Dane, Bernbach, Needham (DDB Needham) ending up as Media Board Director for BMP. In this post he had day to day responsibility for all media strategy planning and buying across three main accounts: VAG (United Kingdom) Ltd, Digital Equipment Co. Ltd and Mobil Oil Co. Ltd. In 1998, he became Client Marketing Manager at London News Radio where he was responsible for all aspects of client contact, both current and prospective. He was also responsible for presentation of both selling teams, national and local. Mark has been providing the Group with his services on an ad hoc basis since October 1999 and will join the Group in March 2000. His primary role at the Group will include responsibility for airtime sales, TV brand marketing and sponsorship income generation.

Keith Hide-Smith, aged 33, Chief Operating Engineer

Keith graduated with a BSc in Computer Science from York University in 1988. In 1988, he joined TVam to work as a video tape operator in the master control room and transmission. In 1993, he joined Wire TV and became a shift leader and senior transmission supervisor. Between 1994 and 1996 he was with NBC Superchannel London in the master control room and transmission and from 1996 he has worked for Transworld International as senior master control room operator. He has been providing the Group with his services on an ad hoc basis since January 1999 and will join the Group in March 2000. His responsibilities will include the establishment and maintenance of engineering and transmission systems and the maintenance of broadcast quality signals to cable and satellite play out centres.

GROUP STRUCTURE

The Company was incorporated in September 1999, and is the holding company for the three other companies in the Group, namely; Einstein Productions, Einstein Channel GmbH and the European Science Channel.

Einstein Productions commenced trading in January 2000 and its principal activity is the production of high volume/low cost TV programmes. One series is currently in development for Carlton Television.

Einstein Channel GmbH commenced trading in February 2000 and, as referred to above, entered into a carriage agreement for The Einstein Channel with MSG. Its principal activity will be the transmission of The Einstein Channel.

The European Science Channel commenced trading in January 1999 when it entered into a consultancy agreement with European Space Agency ("ESA") under which the company's services are supplied to ESA's science programme at ESA's technical and engineering centre in the Netherlands. It is expected that the trading activities of the European Science Channel and the consultancy agreement will be transferred to Einstein Channel GmbH and that, therefore, the European Science Channel will become a dormant company.

All the trading subsidiaries have separate management who will report to the Board through the Group's central finance and administration function. Financial reporting will be supervised by the Finance Director.

FUTURE DEVELOPMENT AND PROSPECTS OF THE GROUP

The nature of Europe's television markets has changed significantly in recent years and the Directors expect that it will continue so to do. There are already a number of recently established cable channels and software driven new media technologies. The increase in the number of channels has already made a significant impact on home viewing, fragmenting audience and, in multi channel homes, moving away from old terrestrial loyalties to new, high quality channels.

The Group's activities are taking place against a background of technical revolution and considerable growth in the overall utilisation of media by both businesses and consumers. To take advantage of this potential, The Group intends to develop new channel concepts utilising The Einstein Channel brand, whether they are in television, web TV or other media.

The Directors intend that The Einstein Channel will also be in the forefront of convergence – the “merging” between TV and the internet. The Company intends to have a web TV division following launch which will be providing video streaming, chat rooms and text for The Einstein Channel. The Directors already have considerable expertise in this area, having produced TV programming and streaming for the ESA's science website.

The Directors believe that the AOL/Time Warner merger represents a major step towards convergence by both sides in the TV/internet battle. As a result of the merger, Time Warner should gain access to approximately 22 million AOL users (source: FT.com) and AOL should gain access to the Warner Bros. and CNN entertainment libraries for its subscribers. The inclusion of Time Warner's record labels and music businesses and the acquisition of EMI music business should mean that the new corporation is now able to develop a coherent e commerce strategy. Given corporate transactions such as this, the Directors believe that by creating The Einstein Channel brand specifically to cross the convergence barriers at the right point and at the right time, The Einstein Channel will be able to maximise revenues from both environments.

The Einstein Channel will also aim to grow by acquisition in a broad variety of media projects that will have to pass the test of how they enhance and exploit the brand name The Einstein Channel. It is the intention of the Directors to examine distance learning possibilities with a view to acquiring a vehicle for developing a childrens' and adults' leisure and learning branded product. The Company intends to pursue a policy of acquisitions, investments and partnerships in order to maximise revenue potential and enhance share value.

The Einstein Channel will launch in Germany on the Deutsche Telekom “Media Vision” digital package. This channel will be marketed throughout Germany by MSG, a subsidiary of Deutsche Telekom, and Einstein Channel brand awareness is expected by the Directors to grow rapidly with the start of the “Media Vision” marketing campaign in the first months of 2000.

It is clear, therefore, that the Company is reliant on the move from analogue to digital TV signal delivery.

The Directors intend that The Einstein Channel will become a key science and technology portal on the internet providing world-wide access to a variety of science and technology databases and acting as a hub to the academic world. It is intended that this division will develop e-commerce activities from graduate recruitment to distance learning to commercial data base research.

It is intended that these internet activities will take place alongside more broad based brand merchandising and the extension of the television brand into the children's market with the initiation of Einstein Junior.

COMPETITION

The Directors believe that there is significant scope for a European TV channel devoted to science and technology programming. There are other channels such as the Discovery Channel and the National Geographic Channel, whose schedules include programme content of a similar nature to that which will be included in the schedules of The Einstein Channel. It is intended that The Einstein Channel's programme style will be different and distinctive, but there is a risk that these channels and other future channels may attempt to position their programming in competition with The Einstein Channel which may lead to the Group's projected subscription and advertising revenue being reduced.

REASONS FOR THE PLACING

The Company is issuing 21,250,000 new Ordinary Shares pursuant to the Placing at the Placing Price, which will raise approximately £7.88 million (net of expenses) and will represent approximately 58.62 per cent. of the enlarged issued share capital following the Placing.

The net proceeds will provide the Group, in conjunction with the additional funding arrangements referred to below, with the necessary working capital required to finance the start up costs of launching a digital TV channel.

The Group intends to apply the net proceeds of the Placing and to provide working capital and to finance the set-up and initial growth of The Einstein Channel.

The Directors have undertaken not to dispose of any of their Ordinary Shares following the Placing until the announcement of the preliminary results of the Company for the year ending 31 December 2001.

The Placing has been fully underwritten by Collins Stewart and is conditional upon Admission and the Placing Agreement becoming unconditional in all respects. Pursuant to the Placing Agreement, Collins Stewart has been granted an option to subscribe for 725,000 Ordinary Shares at the Placing Price at any time between 3 months and 5 years after Admission ("the Collins Stewart Option"). Details of the Placing Agreement and the Collins Stewart Option are contained in paragraph 7 of Part IV of this document.

ADDITIONAL FUNDING ARRANGEMENTS

The Directors believe that German Government capital expenditure grants will be available to Einstein Channel GmbH. The Directors have predicted capital expenditure of £3.638 million in Germany during the period to 31 December 2001, and anticipate receiving grants of £1.564 million to assist in meeting these costs.

CORPORATE GOVERNANCE

The Company intends to comply, so far as is appropriate, with the recommendations of best practice for the governance of public companies as set out in the Cadbury Committee Code of Best Practice as refined by the Guidance for Smaller Companies published by the City Group for Smaller Companies (CISCO), and with the report of the Greenbury Committee on corporate governance. The Audit Committee will initially consist of the non-executive directors of the Company. It will meet twice a year and be responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems.

Similarly, the Remuneration Committee will initially consist of the non-executive directors of the Company. It will make recommendations to the directors of the Company on matters relating to the remuneration and terms of employment of the existing and proposed executive directors of the Company and on proposals for the granting of share options pursuant to any share option scheme in operation from time to time.

DIVIDEND POLICY

As the Company has not yet commenced earning revenue it is impossible to predict when or at what level it will start to pay dividends. However, as the Directors intend to use earnings generated by the Group for its own working capital requirements and brand development, it is unlikely that the Company will pay any dividends for the foreseeable future.

CREST

Application has been made for all the issued and to be issued Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the placees subscribing for them and issued either:

- (a) in certificated form, where the placee so elects, with the relevant share certificate expected to be despatched by post, at the placee's risk, by 9 March 2000; or
- (b) in CREST, where the placee so elects and only if the placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for expected to take place on 2 March 2000.

Notwithstanding the election by placees as to the form of delivery of the new Ordinary Shares, no temporary documents of title will be issued. All documents or remittances sent by or to a placee, or as he may direct, will be sent through the post at his risk.

Pending the despatch of definitive share certificates (as applicable), instruments of transfer will be certified against the register. Holders of existing Ordinary Shares will receive new share certificates in respect of the number of Ordinary Shares held by them at Admission. Should shareholders wish to hold their Ordinary Shares in CREST, they will need to follow the requisite CREST procedures for dematerialisation of their shareholding.

SHARE OPTION SCHEME

The Company has established a Share Option Scheme, details of which are set out in paragraph 4 of Part IV of this document. Under current legislation the Company will have to pay employers' national insurance contributions in respect of any gains realised by employers on the exercise of options under the unapproved part of the Share Option Scheme.

It is intended that, prior to Admission, the Remuneration Committee will meet in order to grant options over a total of 2,150,000 Ordinary Shares (representing approximately 5.93 per cent. of the issued share capital of the Company following Admission) exercisable at the Placing Price, in accordance with the terms of the Share Option Scheme, to Directors and key employees of the Group.

RISK FACTORS

The attention of investors is drawn to the risk factors set out below. While such risks are not necessarily specific to the Company and may well apply to digital TV and internet companies generally, the Directors believe that they should be considered carefully by potential investors.

(a) Subscription Income

Distribution of the Channel through cable and satellite will be entirely dependent upon the Company being able to enter into satisfactory arrangements with the cable and satellite operators in Europe. Potential investors should be aware that the Channel may not be able to secure carriage arrangements.

(b) Competition

There are a number of new and existing channels that offer science and technology programmes. Some or all of these channels may attempt to position their programming in competition with The Einstein Channel, in which case subscription and advertising income could suffer. New channels could also be launched, which may also affect the business of the Company. The market for digital TV and internet products and services is highly competitive. Although the digital TV market is expensive and highly regulated, there are no substantial barriers to entry in the internet market, and the Directors expect that competition will continue to intensify.

(c) Pay-TV growth

In order to consider the future growth of pay TV the Company has carefully examined future subscription revenue projections. Whilst the present growth in pay TV subscription revenues are encouraging, such growth and pace may not continue at the same or satisfactory levels in the future.

(d) The switch from analogue to digital TV

The future growth of the Company is partially dependent upon the growth of the digital TV market, which in turn is partially dependent upon the speed of switching off of all analogue services in the future. There is a risk that this may be slower than is currently expected, which would have an impact upon the Company's growth prospects.

(e) Dependence on continued growth in use of the internet

The future success of the internet division of the Company's business is substantially dependent upon continued growth in the use of the internet. Such growth is a recent phenomenon and there can be no assurance that it will continue or that growth in the demand for the Company's internet products and services will be in line with the Company's expectations.

(f) Government regulation and legal uncertainties

There are currently few laws or regulations directly applicable to the internet. Due to the increasing use of the internet, it is possible that new laws and regulations may be adopted with respect to the internet. Any such new legislation or regulation could have an adverse effect on the Company's business, operating results and financial position.

(g) Volatility of share price

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of technological innovations or new products and services by the Company or its competitors, changes in financial estimates and recommendations by securities analysts, the operating and share price performance of other companies that investors may deem comparable to the Company, and news reports relating to trends in the Company's markets. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Company's operating performance.

TAXATION

Information regarding United Kingdom taxation with regard to the Placing is set out in paragraph 11 of Part IV of this document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

FURTHER INFORMATION

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

ACCOUNTANTS' REPORT ON THE GROUP

The following is the full text of a report on the Group from Baker Tilly, the reporting accountants, to the Directors of Einstein Channel PLC and to Collins Stewart Limited.

**BAKER TILLY**

Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
www.bakertilly.co.uk

The Directors
Einstein Channel PLC
Centurion House
37 Jewry Street
London EC3N 2ER

and

The Directors
Collins Stewart Limited
21 New Street
Bishopsgate
London EC2M 4HR

24 February 2000

Dear Sirs

EINSTEIN CHANNEL PLC AND ITS SUBSIDIARIES

Introduction

We report in connection with the proposed admission of the ordinary share capital of Einstein Channel PLC ("the Company") to trading on the Alternative Investment Market and this report has been prepared for inclusion in the Admission Document to be dated 24 February 2000 ("Prospectus"). We report separately on the Company and each of its subsidiaries.

SECTION A – EINSTEIN CHANNEL PLC

Basis of preparation

The financial information set out below has been extracted from financial records of the Company for the period ended 31 December 1999, no adjustments being considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company. The directors of the Company are also responsible for the contents of the Prospectus dated 24 February 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Company's financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company as at 31 December 1999.

BALANCE SHEET

	As at 31 December 1999 £
Current assets	
Cash in hand	2
Capital and reserves	
Called up share capital	2

The Company was incorporated on 17 September 1999 with an authorised share capital of £3,000,000 divided into 30,000,000 ordinary shares of 10p each, of which 2 shares were issued, fully paid, on incorporation. On 23 February 2000, the authorised share capital was increased to £30,000,000 by the creation of 270,000,000 further ordinary shares of 10p each.

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares described below and the execution of the material contracts referred to in paragraph 7 of Part IV of the Prospectus. Accordingly, no profit and loss account information is presented in this report.

On 23 February 2000, the Company entered into an agreement with all the shareholders of European Science Channel Limited ("European Science Channel") to acquire the whole of the issued share capital of European Science Channel, the consideration for which was satisfied by the allotment and issue of 1,000,000 Ordinary Shares, credited as fully paid.

On 23 February 2000, the Company entered into an agreement with all the shareholders of Einstein Productions Limited ("Einstein Productions") to acquire the whole of the issued share capital of Einstein Productions, the consideration for which was satisfied by the allotment and issue of 8,986,499 Ordinary Shares, credited as fully paid.

On 23 February 2000, the Company entered into an agreement with all the shareholders of Der Europäische Wissenschafts Kanal GmbH ("Einstein Channel GmbH") to acquire the whole of the issued share capital of Einstein Channel GmbH, the consideration for which was satisfied by the allotment and issue of 5,013,499 Ordinary Shares, credited as fully paid.

SECTION B – EUROPEAN SCIENCE CHANNEL LIMITED**Basis of preparation**

The financial information set out below has been extracted from unaudited financial statements of European Science Channel Limited ("European Science Channel") for the period ended 31 March 1999 and from its accounting records for the period ended 31 December 1999, no adjustments being considered necessary. No audited financial statements have been prepared for European Science Channel in respect of any subsequent period.

Responsibility

The unaudited financial statements are the responsibility of the directors of European Science Channel who approved their issue. The accounting records are the responsibility of the directors of European Science Channel.

The directors of the Company are responsible for the contents of the Prospectus dated 24 February 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the non-statutory financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the European Science Channel's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the profits, cash flow and total recognised gains and losses of European Science Channel for the periods ended 31 March 1999 and 31 December 1999 respectively and of the state of affairs of European Science Channel at the end of each of those periods.

PROFIT AND LOSS ACCOUNTS

		1 April to 31 December 1999	13 October 1997 to 31 March 1999
	Notes	£	£
Turnover	1	500,129	36,562
Cost of sales		(322,615)	—
Gross profit		177,514	36,562
Administrative expenses	2	(125,239)	(32,297)
Profit on ordinary activities before taxation		52,275	4,265
Taxation	3	(11,869)	(1,060)
Profit on ordinary activities after taxation		40,406	3,205
Retained profits brought forward		3,205	—
Retained profits carried forward		43,611	3,205

The operating profit for the periods arises from European Science Channel's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

BALANCE SHEETS

		31 December 1999	31 March 1999
	Notes	£	£
Fixed assets			
Intangible fixed assets – development costs	4	100,041	—
		100,041	—
Current assets			
Debtors	5	105,855	8,562
Cash at bank		28,676	21,188
		134,531	29,750
Creditors: amounts falling due within one year	6	(171,961)	(25,545)
Net current (liabilities)/assets		(37,430)	4,205
Total assets less current liabilities		62,611	4,205
Creditors: amounts falling due after more than one year	7	(18,000)	—
Net assets		44,611	4,205
Capital and reserves			
Called up share capital	8	1,000	1,000
Profit and loss account		43,611	3,205
Shareholders' funds	9	44,611	4,205

CASH FLOW STATEMENTS

		1 April to 31 December 1999 £	13 October 1997 to 31 March 1999 £
	Notes		
Cash flow from operating activities	10	90,589	20,188
Taxation			
Corporation tax paid		(1,060)	—
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(100,041)	—
Cash (outflow)/inflow before use of liquid resources and financing		(10,512)	20,188
Financing			
Issue of share capital		—	1,000
New loans		18,000	—
Increase in cash in period	10	7,488	21,188

NOTES TO THE FINANCIAL STATEMENTS

Statement of accounting policies

The principal accounting policies, which have been consistently applied in European Science Channel's financial information throughout the periods under review, are as follows:

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Intangible fixed assets

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related product. All research and other development costs are written off as incurred.

Deferred taxation

Provision is made for deferred taxation at known rates of tax on the excess of the book value of those assets qualifying for taxation allowances over their written down value for tax purposes, except when the tax benefit can be expected with reasonable probability to be retained for the foreseeable future.

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Profits, losses, assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

1. Turnover and gross profit

European Science Channel's turnover and gross profit is derived from its principal activity as a media consultancy and television programme production company in the United Kingdom.

2. Employees

	1 April to 31 December 1999 Number	13 October 1997 to 31 March 1999 Number
The average weekly number of persons (including directors) employed by European Science Channel during the period was:		
Directors	2	2
	£	£
Staff costs for the above persons:		
Directors' remuneration	118,390	16,830
Social security costs	13,362	—
	<u>131,752</u>	<u>16,830</u>

Other than the directors, there were no employees during the period.

3. Taxation

	1 April to 31 December 1999 £	13 October 1997 to 31 March 1999 £
Based on the profit for the year		
UK Corporation Tax at 20 per cent. (31 March 1999: 21 per cent.)	<u>11,869</u>	<u>1,060</u>

4. Intangible fixed assets – development costs

	Total £
Cost	
Additions in the period	100,041
31 December 1999	<u>100,041</u>
Net book value	
31 December 1999	<u>100,041</u>

Development costs represent expenditure associated with the launching of the Einstein Channel.

5. Debtors

	31 December 1999 £	31 March 1999 £
Trade debtors	76,283	7,562
Other debtors	4,005	—
Prepayments and accrued income	<u>25,567</u>	<u>1,000</u>
	<u>105,855</u>	<u>8,562</u>

6. Creditors: amounts falling due within one year

	31 December 1999 £	31 March 1999 £
Trade creditors	36,978	10,606
Corporation tax	11,869	1,060
Other taxes and social security	14,075	—
Other creditors	6,871	—
Accruals and deferred income	<u>102,168</u>	<u>13,879</u>
	<u>171,961</u>	<u>25,545</u>

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

	31 December 1999 £	31 March 1999 £
Unsecured loans wholly repayable other than by instalments within five years	<u>18,000</u>	<u>—</u>

8. Share capital

	31 December 1999 £	31 March 1999 £
Authorised:		
10,000 ordinary shares of 10p each	1,000	1,000
Allotted, issued and fully paid:		
10,000 ordinary shares of 10p each	1,000	1,000

9. Reconciliation of movement in shareholders funds

	1 April to 31 December 1999 £	13 October 1997 to 31 March 1999 £
Profit for the period	40,406	3,205
New share capital subscribed	—	1,000
Opening shareholders funds	4,205	—
Closing shareholders funds	44,611	4,205

10. Cash flows

	1 April to 31 December 1999 £	13 October 1997 to 31 March 1999 £
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	52,275	4,265
(Increase) in debtors	(97,293)	(8,562)
Increase in creditors	135,607	24,485
	90,589	20,188
(b) Analysis of change in net debt in period		
Cash at bank and in hand	21,188	—
Increase in cash in period	7,488	21,188
(Increase) in net debt in period	(18,000)	—
Closing cash at bank and in hand	10,676	21,188

(c) Analysis of net debt

	31 March 1999 £	Cash flow £	31 December 1999 £
Cash in hand and at bank	21,188	7,488	28,676
Debt due after more than one year	—	(18,000)	(18,000)
Total	<u>21,188</u>	<u>(10,512)</u>	<u>10,676</u>

11. Post balance sheet event

On 23 February 2000, the Company entered into an agreement with all the shareholders of the European Science Channel to acquire the whole of the issued share capital of the European Science Channel, the consideration for which was satisfied by the allotment and issue of 1,000,000 Ordinary Shares, credited as fully paid.

12. Nature of financial information

The financial information presented above in respect of period to 31 December 1999 does not constitute statutory accounts for the periods. Statutory accounts for the period to 31 March 1999 have been delivered to the Registrar of Companies, in respect of which no audit was undertaken as European Science Channel was entitled to exemption under subsection 1 of section 249A of the Companies Act 1985.

SECTION C – EINSTEIN PRODUCTIONS LIMITED

Basis of preparation

The financial information set out below has been extracted from financial records of Einstein Productions Limited ("Einstein Productions") for the period ended 31 December 1999, no adjustments being considered necessary.

Responsibility

The financial records are the responsibility of the directors of Einstein Productions. The directors of the Company are responsible for the contents of the Prospectus dated 24 February 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from Einstein Productions' financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of Einstein Productions as at 31 December 1999.

Profit and Loss Account

Einstein Productions has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. Accordingly, no profit and loss account information is presented in this report.

BALANCE SHEET

	Notes	31 December 1999 £
Fixed assets		
Tangible assets	2	<u>2,252</u>
Current assets		
Debtors	3	7,467
Cash at bank		<u>51,462</u>
		58,929
Creditors: amounts falling due within one year	4	<u>(13,081)</u>
Net current assets		<u>45,848</u>
Total assets less current liabilities		<u>48,100</u>
Creditors: amounts falling due after more than one year	5	<u>(48,000)</u>
Net assets		<u>100</u>
Capital and reserves		
Called up share capital	6	<u>100</u>
Shareholders' funds	7	<u>100</u>

CASH FLOW STATEMENTS

	Notes	9 November to 31 December 1999 £
Cash flow from operating activities	8	(6,386)
Returns on investments and servicing of finance		—
Capital expenditure and financial investment		—
Purchase of tangible fixed assets		(2,252)
Cash (outflow) before use of liquid resources and financing		(8,638)
Financing		—
Issue of share capital		100
New loans		60,000
Increase in cash in period		51,462
Reconciliation of net cash flow to movement in net debt		
Increase in cash in period		51,462
Cash inflow from increase in debt and lease financing		(60,000)
Movement in net debt in period		(8,538)
Opening net debt		—
Closing net debt		(8,538)

NOTES TO THE FINANCIAL STATEMENTS**Statement of accounting policies**

The principal accounting policies, which have been consistently applied in Einstein Productions' financial information throughout the period under review, are as follows:

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Tangible fixed assets

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Computer equipment	over 3 years
Fixtures, fittings and equipment	over 4 years
Motor vehicles	over 4 years

Deferred taxation

Provision is made for deferred taxation at known rates of tax on the excess of the book value of those assets qualifying for taxation allowances over their written down value for tax purposes, except when the tax benefit can be expected with reasonable probability to be retained for the foreseeable future.

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

1. Employees

	Number
Director	1

Other than the directors of the company, who received no emoluments, there were no employees during the year.

2. Tangible fixed assets

	Office furniture & equipment £
Cost	
Additions in the period	2,252
31 December 1999	<u>2,252</u>
Depreciation	
Charged in the period	—
31 December 1999	<u>—</u>
Net book value	
31 December 1999	<u>2,252</u>

3. Debtors

	31 December 1999 £
Other debtors	7,367
Prepayments	100
	<u>7,467</u>

4. Creditors: amounts falling due within one year

	31 December 1999 £
Bank loan (secured – see note 5)	12,000
Trade creditors	1,081
	<u>13,081</u>

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

	31 December 1999 £
Bank loan wholly repayable by equal instalments within 5 years	<u>48,000</u>

The bank loan is secured by a charge over Einstein Productions' assets

6. Share capital

	31 December 1999 £
Authorised:	
1,000 ordinary shares of £1 each	<u>1,000</u>
Allotted, issued and fully paid:	
100 ordinary shares of £1 each	<u>100</u>

Einstein Productions was incorporated on 9 November 1999 with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, of which 2 shares were issued, fully paid, on incorporation. On 9 November 1999, 98 ordinary shares of £1 each were allotted, for cash payable in full, to rank *pari passu* with the shares already in issue.

7. Reconciliation of movement in shareholders' funds

	9 November to 31 December 1999 £
New share capital subscribed	100
Opening shareholders funds	<u>—</u>
Closing shareholders funds	<u>100</u>

8. Reconciliation of operating profit to net cash inflow from operating activities

	9 November to 31 December 1999 £
Operating profit	—
(Decrease)/increase in debtors	7,467
(Increase)/decrease in creditors	<u>(1,081)</u>
	<u>6,386</u>

9. Post balance sheet events

On 17 February 2000, each of the issued and unissued ordinary shares of £1 each was sub-divided into ordinary shares of 1p each. On the same date, the authorised share capital was increased to £2,000 by the creation of 190,000 further ordinary shares of 1p each. On 17 February 2000, 154,588 ordinary shares of 1p each were allotted, for cash payable in full, to rank *pari passu* with the shares already in issue.

On 23 February 2000, the Company entered into an agreement with all the shareholders of Einstein Productions to acquire the whole of the issued share capital of Einstein Productions, the consideration for which was satisfied by the allotment and issue of 8,986,499 Ordinary Shares, credited as fully paid.

10. Nature of financial information

The financial information presented above in respect of period to 31 December 1999 does not constitute statutory accounts for the periods.

SECTION D – DER EUROPAISCHE WISSENSCHAFTS KANAL GmbH (“EINSTEIN CHANNEL GmbH”)**Basis of preparation**

The financial information set out below has been extracted from financial records of Einstein Channel GmbH for the period ended 31 December 1999, no adjustments being considered necessary.

Responsibility

The financial records are the responsibility of the directors of Einstein Channel GmbH. The directors of the Company are responsible for the contents of the Prospectus dated 24 February 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from Einstein Channel GmbH's financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Einstein Channel GmbH as at 31 December 1999.

BALANCE SHEET

as at 31 December 1999

	1999 £
Current assets	
Called up share capital not paid	7,774
Capital and reserves	
Called up share capital	7,774

NOTES TO THE FINANCIAL STATEMENTS**Statement of accounting policies**

The principal accounting policies, which have been consistently applied in Einstein Channel GmbH financial information throughout the period under review, are as follows:

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Foreign currencies

Einstein Channel GmbH's financial records are denominated in Euros. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Share capital

Einstein Channel GmbH was incorporated on 16 September 1999 with an authorised share capital of €25,000, which was issued 50 per cent. paid up on incorporation.

Profit and loss account

Einstein Channel GmbH has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares described below and the execution of the material contracts referred to in paragraph 7 of Part IV of the Prospectus. Accordingly, no profit and loss account information is presented in this report.

Post balance sheet events

On 23 February 2000, the Company entered into an agreement with all the shareholders of Einstein Channel GmbH to acquire the whole of the issued share capital of Einstein Channel GmbH, the consideration for which was satisfied by the allotment and issue of 5,013,499 Ordinary Shares, credited as fully paid.

Consent

We consent to the inclusion of this report in the Prospectus dated 24 February 2000 and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) and paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

Baker Tilly
Registered Auditors

PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following pro forma statement of net assets of the Group has been produced to illustrate the impact of the Placing which will have occurred since 31 December 1999 as if it had occurred on 31 December 1999. The pro forma financial information is based on the financial information relating to the Company, European Science Channel, Einstein Productions and Einstein Channel GmbH as at 31 December 1999 extracted from the Accountants' Report set out at Part II to this Prospectus, adjusted for the matters set out below:

The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position or results of the Group.

	Net assets of The Company at 31 December 1999 £'000	Net assets of European Science Channel at 31 December 1999 £'000	Net assets of Einstein Productions at 31 December 1999 £'000	Net assets of Einstein Channel GmbH at 31 December 1999 £'000	The Placing £'000	Pro forma net assets of the Group following the Placing £'000
Fixed Assets						
Intangible assets	—	100	—	—	—	100
Tangible Fixed Assets	—	—	2	—	—	2
	<u>—</u>	<u>100</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>102</u>
Current Assets						
Debtors	—	106	7	8	—	121
Cash at bank and in hand	—	29	51	—	7,880	7,960
	<u>—</u>	<u>135</u>	<u>58</u>	<u>8</u>	<u>7,880</u>	<u>8,081</u>
Creditors: amounts falling due within one year	<u>—</u>	<u>(172)</u>	<u>(13)</u>	<u>—</u>	<u>—</u>	<u>(185)</u>
Net current assets	<u>—</u>	<u>(37)</u>	<u>45</u>	<u>8</u>	<u>7,880</u>	<u>7,896</u>
Total assets less current liabilities	<u>—</u>	<u>63</u>	<u>47</u>	<u>8</u>	<u>7,880</u>	<u>7,998</u>
Creditors: amounts falling due after more than one year	<u>—</u>	<u>(18)</u>	<u>(48)</u>	<u>—</u>	<u>—</u>	<u>(66)</u>
Net assets	<u>—</u>	<u>45</u>	<u>(1)</u>	<u>8</u>	<u>7,880</u>	<u>7,932</u>

Notes to the pro forma financial information

1. The pro forma statement of net assets of the Group is shown as if the Company had acquired the entire issued share capital of European Science Channel, Einstein Productions and Einstein Channel GmbH as at 31 December 1999.
2. The pro forma statement of net assets of the Group is shown as if the Placing had taken place on 31 December 1999. The pro-forma assumes that the net proceeds of the Placing, receivable by the Company, will amount to £7.88 million.
3. No adjustment has been made for any movement in net assets of the Company, European Science Channel, Einstein Productions or Einstein Channel GmbH since 31 December 1999.

The following is the full text of a report on Einstein Channel PLC from Baker Tilly, the reporting accountants, to the Directors of Einstein Channel PLC and to Collins Stewart Limited.



BAKER TILLY

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

www.bakertilly.co.uk

The Directors
Einstein Channel PLC
Centurion House
37 Jewry Street
London EC3N 2ER

and

The Directors
Collins Stewart Limited
21 New Street
Bishopsgate
London EC2M 4HR

24 February 2000

Dear Sirs

EINSTEIN CHANNEL PLC

Introduction

We report on the pro forma statement of net assets as at 31 December 1999 of Einstein Channel PLC and its subsidiary undertakings (the "Pro Forma Statement"), which has been prepared for illustrative purposes only, is set out in Part III of the Prospectus dated 24 February 2000.

Basis of preparation

The pro forma financial information is based on:

- (i) the financial information relating to Einstein Channel PLC, European Science Channel Limited, Einstein Productions Limited and Der Europäische Wissenschafts Kanal GmbH ("Einstein Channel GmbH") as at 31 December 1999 extracted from the Accountants' Report set out at Part II to this Prospectus; and
- (ii) the estimated net proceeds of the Placing.

Responsibility

It is the responsibility of the directors of Einstein Channel PLC to prepare the Pro Forma Statement.

It is our responsibility to form an opinion on the Pro Forma Statement and to report our opinion to you. We do not accept responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering evidence supporting the adjustments and discussing the Pro Forma Statement with the directors of Einstein Channel PLC.

Opinion

In our opinion:

- (i) the pro forma statement has been properly compiled on the basis of preparation set out therein;
- (ii) the pro forma statement is presented on a basis consistent with the accounting policies of Einstein Channel PLC; and
- (iii) the adjustments are appropriate for the purposes of the Pro Forma Statement.

Yours faithfully

Baker Tilly
Chartered Accountants
Registered Auditors

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information. All the Directors of the Company whose names, functions and addresses are set out on page 6 of this document accept responsibility accordingly.

2. Incorporation and Registration

- 2.1 The Company was incorporated in England and Wales on 17 September 1999 under the Act with registered number 3844023 as a public company limited by shares. The liability of the members is limited.
- 2.2 The Company's registered office is at Centurion House, 37 Jewry Street, London EC3N 2ER.
- 2.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.4 The Company has three trading subsidiaries as follows:
- 2.4.1 Einstein Productions Limited (No. 3876148) ("Einstein Productions") which is wholly owned and is a private company incorporated in England and Wales. All of its issued share capital is fully paid or credited as fully paid.
- 2.4.2 European Science Channel Limited (No. 3448707) ("European Science Channel") which is wholly owned and is a private company incorporated in England and Wales. All of its issued share capital is fully paid or credited as fully paid.
- 2.4.3 Der Europäische Wissenschafts Kanal GmbH (No. HRB 74183) ("Einstein Channel GmbH") which is wholly owned and is a private company incorporated in Germany. All of its issued share capital is fully paid or credited as fully paid.

3. Share Capital

- 3.1 On 8 September 1999, two subscriber shares in the capital of the Company were issued to Steve Timmins (1 share) and Martin Powell (1 share). Each subscriber share was paid up on that date.
- 3.2 The current authorised issued and fully paid share capital of the Company is as follows:

Authorised		Issued and Fully Paid	
£	Number	£	Number
30,000,000	300,000,000	Ordinary Shares	1,500,000
			15,000,000

- 3.3 The following table shows the authorised, issued and fully paid share capital of the Company immediately following Admission:

Authorised		Issued and Fully Paid	
£	Number	£	Number
30,000,000	300,000,000	Ordinary Shares	3,625,000
			36,250,000

- 3.4 By an agreement dated 23 February 2000, the Company acquired the entire issued share capital of Einstein Productions through the issue to the vendors of 8,986,499 Ordinary Shares at par credited as fully paid.
- 3.5 By an agreement dated 23 February 2000, the Company acquired the entire issued share capital of European Science Channel through the issue to the vendors of 1,000,000 Ordinary Shares at par credited as fully paid.
- 3.6 By an agreement dated 23 February 2000, the Company acquired the entire issued share capital of Einstein Channel GmbH through the issue to the vendors of 5,013,499 Ordinary Shares at par credited as fully paid.

- 3.7 By a special resolution passed on 23 February 2000, the Directors were generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to allot relevant securities up to an aggregate nominal amount of £5,200,000, such authority to expire on 23 February 2005 unless previously varied or revoked by the Company in general meeting.
- 3.8 By a special resolution passed on 23 February 2000, the Directors were authorised pursuant to Section 95 of the Companies Act 1985 until the conclusion of the next Annual General Meeting of the Company to allot equity securities as defined in Section 94 of the Act pursuant to the authority referred to in paragraph 3.7 above as if Section 89(1) of the Act did not apply to the allotment PROVIDED THAT this power shall be limited to:
- 3.8.1 the allotment of up to 21,250,000 Ordinary Shares pursuant to the Placing by the Company in accordance with this document.
- 3.8.2 the allotment of Ordinary Shares pursuant to the Share Option Scheme introduced by the Company up to a maximum of 10 per cent. of the issued share capital of the Company from time to time.
- 3.8.3 the allotment of Ordinary Shares in connection with a pre-emptive issue in favour of Ordinary Shareholders where the Ordinary Shares respectively attributable to the interests of all Ordinary Shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them; and
- 3.8.4 the allotment (otherwise than pursuant to paragraphs 3.8.1. – 3.8.3 above) of Ordinary Shares up to an aggregate nominal value of £181,250.

4. Einstein Channel PLC 2000 Executive Share Option Scheme (the "Scheme")

At an Extraordinary General Meeting on 23 February 2000, the Company adopted the Einstein Channel PLC 2000 Executive Share Option Scheme (the "Scheme"). The Scheme is divided into two parts; the approved part, for which the approval of the Inland Revenue is being sought, and the non-approved part. The principal terms of the Scheme are as follows:

It is intended that options will be granted, prior to Admission, as detailed on page 17 of this document.

4.1 Administration

The Company's Remuneration Committee (the "Committee") is responsible for administering the Scheme.

4.2 Grant of options and eligibility

The Committee may grant options to acquire Ordinary Shares in the Company to any employees and full-time directors of the Group (other than those due to retire within two years). Options are granted free of charge and are non-transferable.

4.3 Period for the grant of options

Options may be granted within 42 days following the announcement of the Company's interim and/or final results for any period. In exceptional circumstances, options may be granted at other times.

4.4 Exercise price

The exercise price per Ordinary Share is determined by the Committee but must also be no less than its market value at the date of grant in the case of options under the approved part of the Share Option Scheme as agreed with the Inland Revenue or its nominal value, if higher.

4.5 Performance test

The exercise of options is subject to the satisfaction of an objective condition ("the performance test"), requiring a sustained and significant improvement in the Group's financial performance over a continuous period.

4.6 Individual limits

An individual's overall participation under both the approved and non-approved parts of the Scheme is limited so that the aggregate market value at the date of grant of the shares over which options have been granted to him in any ten year period, under all Group share option schemes (except savings-related schemes) cannot exceed four times his remuneration excluding benefits in kind. In addition, an individual's participation under the approved part of the Scheme is limited so that the aggregate market value at the date of grant of the shares comprised in subsisting options granted to him under all Inland Revenue approved schemes (except savings-related schemes) cannot exceed £30,000.

4.7 Scheme limits

4.7.1 The number of Ordinary Shares issuable pursuant to options granted under the Scheme, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all selective group share schemes within the previous period of ten years, may not exceed 5 per cent. of the Company's issued ordinary share capital at the date of grant.

4.7.2 The number of Ordinary Shares issuable pursuant to options granted under the Scheme, when aggregated with the number of Ordinary Shares issued or issuable pursuant to all rights granted under all Group share schemes within the previous period of ten years, may not exceed 10 per cent. of the Company's issued ordinary share capital at the date of grant.

4.8 Exercise and lapse of options

4.8.1 General position

An option is normally exercisable between three and ten years from the date of grant, provided the performance test has been satisfied. Options lapse on the tenth anniversary of the date of grant.

4.8.2 Special Circumstances

Options will normally lapse on cessation of employment except in particular situations such as redundancy or where the Committee exercises its discretion in the participant's favour. Exercise is also permitted in special circumstances such as a takeover. The satisfaction of the performance test will not be required except in the case of retirement or an exercise of the Committee's discretion.

4.8.3 Exchange of options on a takeover

In the event of a takeover, a participant may be permitted to exchange his options for options over shares in the acquiring company.

4.9 Variations of Share Capital

On certain variations of the ordinary share capital of the Company the Committee may, subject to the approval of the Company's auditors and the Inland Revenue (in the case of options granted under the approved part of the Scheme), adjust the exercise price and the number of Ordinary Shares comprised in existing options.

4.10 Amendment

4.10.1 The Committee may amend the Scheme to obtain and maintain Inland Revenue approval in respect of the approved part.

4.10.2 The Committee may also make other amendments with the approval of the Inland Revenue and the Company in general meeting except that shareholder approval is not required for minor amendments to benefit the administration of the Scheme or for amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for future participants or for participating companies.

4.11 Termination

The Scheme will terminate ten years after the approval date or earlier, if the Committee so determines.

5. Memorandum and Articles of Association

5.1 The Company's Memorandum of Association includes as objects the acquisition and holding of controlling another interest in the share or loan capital of any company or companies and in particular without prejudice thereto and to produce, direct, organise, perform, manage, arrange, direct, sell, promote, finance and generally to be concerned with the production, direction, organisation, distribution, sale, renting and exploitation of motion pictures, films, radio, television shows, video films, recordings, performances and entertainment of all kinds.

5.2 The Company's Articles of Association ("Articles") contain *inter alia* provisions to the following effect:

5.2.1 *Transfers of Shares*

Except as may be required by any procedures implemented pursuant to the Articles in accordance with the Companies Act following the introduction of paperless trading, all transfers of shares may be in any usual form or in any other form, which the Directors may approve. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of the transferee. The Directors may refuse to register any transfer of any share that is not fully paid to a person of whom they do not approve and they may refuse to register the transfer of any share on which the Company has a lien. They may also refuse to register a transfer of any share in favour of more than four persons jointly, a transfer which relates to shares of more than one class, a transfer in favour of an infant or a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or a person who is suffering from a mental disorder and a transfer which has not been lodged at the Company's registered office or such place as the board may determine and which is not accompanied by the certificates for the shares to which it relates.

5.2.2 *Rights attaching to the Ordinary Shares*

(i) As to voting:

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (as to which there are none at present) on a show of hands every holder of an Ordinary Share present in person or by proxy (if an individual) or by duly authorised representative (if a corporation) shall have one vote, and on a poll every holder of an Ordinary Share shall have one vote for each Ordinary Share of which he is the holder.

(ii) As to dividends:

The profits of the Company available for distribution and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. No dividend may exceed the amount recommended by the Directors.

(iii) As to return of capital:

If the Company shall be wound up, the liquidator may, with the authority of an Extraordinary Resolution, divide among the members in specie the whole or any part of the assets of the Company and may determine how such division shall be carried out between the members on different classes of members.

5.2.3 *Changes in Share Capital*

The Company may by Ordinary Resolution increase its share capital, cancel any unissued shares and diminish the amount of its capital into shares of larger amount and subject to the provisions of the Act, subdivide its shares into shares of smaller amount. Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

5.2.4 *Purchase by the Company of its own shares*

Subject to the provisions of the Act and to the authority of the Company in general meeting required by the Act, the Company may purchase its own shares.

5.2.5 Unclaimed Dividends

Any dividend unclaimed after a period of 12 years from the date it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

5.2.6 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow upon such terms and in such manner as they think fit and subject to Section 80 of the Act, to grant any mortgage, charge or debentures, debenture stock or other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party PROVIDED THAT the aggregate principal amount for the time being remaining undischarged of all monies borrowed shall not at any time without the previous sanction of an Ordinary Resolution exceed the greater of £5 million and an amount equal to four times the adjusted total of the share capital and consolidated reserves.

6. Directors' and other interests

- 6.1 The interests of the Directors (including persons connected with them within the meaning of Section 346 of the Act) in the issued share capital of the Company, all of which are beneficial, which have been notified to the Company pursuant to Sections 324 and 328 of the Act as they appear or as they will appear in the Register of Directors' Interests maintained by the Company under Section 325 of the Act as at present and immediately following Admission are as follows:

Directors	Before Admission		Following Admission		
	No. of Ordinary Shares held	% of issued share capital held	No. of Ordinary Shares held	% of issued share capital held	No. of Ordinary Shares under option ⁽²⁾
Derek Wyatt	273,000	1.82	278,000	0.77	—
Martin Powell (1)	5,391,000	35.94	5,391,000	14.87	250,000
Stephen Timmins	3,006,750	20.05	3,006,750	8.29	450,000
Peter Boulton	886,500	5.91	886,500	2.45	350,000
John Sanderson	135,000	0.90	160,000	0.44	—

(1) 2,695,500 of these Ordinary Shares, representing 7.44 per cent. of the issued share capital following Admission, are registered in the name of Vivien Schrager-Powell, Martin Powell's wife.

(2) It is intended that these options over Ordinary Shares will be granted by the Remuneration Committee, as referred to on page 17 of this document.

- 6.2 Save as disclosed above, none of the Directors (or any person connected with them within the meaning of Section 346 of the Act) has any interest in the share capital of the Company.
- 6.3 Derek Nelson, Managing Director – Einstein Channel GmbH, will be interested in 3,006,750 Ordinary Shares, representing 8.29 per cent. of the issued share capital following Admission.
- 6.4 Each of Richard Houghton, Richard Spicer and Peter Scowcroft are the holders of 150,000, 240,000 and 273,000 Ordinary Shares respectively, which were issued to them as vendors of Einstein Productions. These individuals all provided services to Einstein Productions and received their shares in that company in satisfaction of the amounts due to them.
- 6.5 Patrick Cannon, a partner of Hardwick Stallards, the solicitors to the Company, will be subscribing at the Placing Price for 125,000 Ordinary Shares as part of the Placing.
- 6.6 Save as disclosed above, as far as is known to the Company, none of the Directors is aware of any interests (within the meaning of Part VI of the Act) which will immediately following the Placing and Admission represent 3 per cent. or more of the issued share capital of the Company.
- 6.7 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was of an unusual nature, contains or contained unusual terms or is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial year or remains in any respect outstanding or unperformed.

- 6.8 Save as disclosed in this document and save as disclosed by this paragraph 6, the Directors are not aware of any person who, directly or indirectly, jointly or severally, at the date of this document, exercise or could exercise control over the Company.
- 6.9 A loan agreement was entered into between Mr and Mrs Martin Powell (1) and the Group (2), pursuant to which Mr and Mrs Martin Powell lent the Company £24,000. Repayment of this loan by the Group has been waived by Mr and Mrs Martin Powell and the liability no longer exists.
- 6.10 No loans or guarantees have been granted or provided to or for the benefit of any of the Directors by any member of the Group and which have not been repaid or released as at the date of this document.
- 6.11 The table below states the names of all the companies and partnerships of which the Directors have been a Director or Partner at any time during the period of 5 years immediately preceding the date of this document:

Name	Current Directorships/Partnerships	Past Directorships/Partnerships
Derek Murray Wyatt	Einstein Channel PLC <i>Fair Play Television Limited</i> World Internet Forum Limited Clicksure Limited Mount Pleasant Partners	Cottage Industry Productions Limited <i>Fair Play Productions Limited</i> Optomen Enterprises Limited Wyatt & Smith Limited Wire TV Limited The Computer Channel Limited
Stephen Christopher Timmins	Einstein Channel PLC Einstein Productions Limited <i>CST Cable Equipment Limited</i> European Science Channel Limited Der Europäische Wissenschafts Kanal GmbH	Lodestar Productions Limited CST Productions Limited <i>CST Cable Limited</i> CST Productions (East) Limited Waterside Productions Limited
Martin Jonathan Powell	Einstein Channel PLC Bishopsgate Holdings Limited Winbar Limited	Sleepy Kid Company Limited (The) Transylvania Pets Limited SKD Media Limited Probrands International Limited Entertainment Rights plc Entertainment Rights Distribution Limited
Peter Sean Boulton	Einstein Channel PLC	Houghton Stone Houghton Stone Solutions Limited Books and Tax Limited
John Frederick Waley Sanderson	Einstein Channel PLC JFWS Limited MA Media Partners Limited Screen Digest Limited <i>Somethin' Else Sound Directions Limited</i> Hydrama Limited Hydrama Media Limited The Business Information Zone Limited Flippa.com Limited	Hydra Associates Limited Hydra Associates Financial Services Limited SRU Limited Sanderson Family Nominees Limited

- 6.12 6.12.1 CST Productions Limited went into voluntary liquidation in December 1998 whilst Stephen Timmins was a director of the company. Creditors (including directors' fees of £18,752) totalled approximately £250,000 at the time of liquidation. The company's directors have reached an agreement with the company's bank by paying their personal guarantees amounting to £64,000.
- 6.12.2 Martin Powell was a director of Jacksons Advertising Services Limited an advertising company which went into voluntary liquidation in 1985 following the departure of its managing director, directors, several key senior staff and customers which made it impossible for the company to continue to trade. The position in relation to third party creditors is unknown. No criticism was made of the conduct of Mr. Powell in regard to the company's failure.
- 6.12.3 John Sanderson was a non-executive director of Management TV International Limited which was put into administrative receivership on 16 July 1993. The shortfall to creditors was approximately £2.08 million.
- 6.13 Save as disclosed above none of the Directors has:
- 6.13.1 any unspent convictions in relation to indictable offences;
- 6.13.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 6.13.3 been a Director of a company which has been placed in receivership, liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a Director of that company or within the 12 months after he ceased to be a Director of that company;
- 6.13.4 been a Partner in any partnership which has been placed in liquidation, administration or been subject of a voluntary arrangement whilst he was a Partner in that partnership or within the 12 months after he ceased to be a Partner in that partnership;
- 6.13.5 been the owner of any asset or a Partner in any partnership which has been placed in receivership whilst he was a Partner in that partnership or within the 12 months after he ceased to be a Partner in that partnership;
- 6.13.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 6.13.7 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.
- 6.14 Stephen Timmins, Martin Powell and Peter Boulton are engaged under service contracts dated 23 February 2000 for a minimum of 12 months and terminable thereafter upon 12 months' notice by either party, such notice not to expire earlier than 24 months from the commencement of the service agreement with basic annual salaries of £90,000, £60,000 and £70,000 respectively. In addition, each of them is entitled to receive options pursuant to the Share Option Scheme and a discretionary bonus at the discretion of the Remuneration Committee up to a maximum of 100 per cent. of salary. The service contracts contain restrictive covenants in favour of the Company.
- 6.15 Derek Wyatt and John Sanderson were appointed as Non-Executive Directors under letters of appointment dated 11 February 2000 for which they will receive annual fees of £20,000 and £15,000 respectively. These appointments are subject to termination by 3 months' notice by either party.
- 6.16 The Company has applied for a key man insurance policy to be implemented in relation to Stephen Timmins for the sum of £2 million.
- 6.17 The total aggregate remuneration paid and benefits in kind granted to the Directors of the European Science Channel during the financial period ended 31 December 1999 was £118,390. The corresponding figures for the Directors of the Company for the 12 months following Admission based on arrangements described in this document is estimated to be £330,000.

7. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group during the two years preceding the date of this document and are or may be material:

- 7.1 By an agreement dated 23 February 2000 the Company acquired the entire issued share capital of Einstein Productions through the issue of the vendors of 8,986,499 Ordinary Shares at par credited as fully paid. The agreement contains standard form warranties with the usual limitations on the warranties. There are restrictions on the disposal of the Ordinary Shares allotted to the vendors until the preliminary announcement of the results of the Company for the year ending 31 December 2001. The agreement also includes a non-competition clause.
- 7.2 By an agreement dated 23 February 2000 the Company acquired the entire issued share capital of European Science Channel through the issue of the vendors of 1,000,000 Ordinary Shares at par credited as fully paid. The agreement contains standard form warranties with the usual limitations on the warranties. There are restrictions on the disposal of the Ordinary Shares allotted to the vendors until the preliminary announcement of the results of the Company for the year ending 31 December 2001. The agreement also includes a non-competition clause.
- 7.3 By an agreement dated 23 February 2000 the Company acquired the entire issued share capital of Einstein Channel GmbH through the issue of the vendors of 5,013,499 Ordinary Shares at par credited as fully paid. The agreement contains standard form warranties with the usual limitations on the warranties. There are restrictions on the disposal of the Ordinary Shares allotted to the vendors until the preliminary announcement of the results of the Company for the year ending 31 December 2001. The agreement also includes a non-competition clause.
- 7.4 By an agreement dated 24 February 2000 between the Directors (1); the Company (2); Collins Stewart (3) ("the Placing Agreement"). Collins Stewart have, conditional, inter alia, on Admission becoming effective by no later than close of business on 2 March 2000 as agent for the Company agreed to procure subscribers for 21,250,000 new Ordinary Shares at the Placing Price or, failing which, to subscribe itself for such shares.

In consideration of their services in connection with the Placing, the Company will pay to Collins Stewart a fee of £125,000 together with an additional fee of 3 per cent. of the Placing Price for each of the Placing Shares for which Collins Stewart have arranged or procured placees on behalf of the Company. In addition, Collins Stewart has been granted an option to subscribe for 725,000 new Ordinary Shares at the Placing Price exercisable at any time between 3 months and 5 years of Admission.

The Placing Agreement contains warranties given by the Company and the Directors as for the accuracy of the information contained in this document and other matters relating to the Group and its businesses. In addition, the Company and the Directors have given an indemnity to Collins Stewart in respect of certain matters. Collins Stewart are entitled to terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it or if an event of force majeure arises.

The Directors and persons connected with them who together will represent 26.82 per cent. of the issued share capital of the Company immediately following the Placing have agreed, subject to certain exceptions, including the disposal pursuant to a general offer to all shareholders, that they and persons connected with them will not sell or otherwise dispose of any interest in their holdings of Ordinary Shares held on Admission before the announcement of the preliminary results of the Group for the year ending 31 December 2001 without the prior written consent of Collins Stewart.

- 7.5 By a nominated advisor and broker agreement dated 24 February 2000 between the Company (1); the Directors (2); and Collins Stewart (3), Collins Stewart was appointed as nominated advisor to the Company in relation to the issue of this document and Admission and thereafter subject to termination on 60 days' notice by either party. Collins Stewart will receive a fee of £20,000 per annum plus VAT for its services. The agreement provides certain warranties and an indemnity to Collins Stewart and provides, inter alia, that the Company and the Directors undertake comply with the rules of AIM.

- 7.6 By a licence dated 28 December 1999 between Medienanstalt Fur Berlin Brandenburg (1) and Einstein Channel GmbH (2), Einstein Channel GmbH was awarded a 7 year licence to broadcast in Germany.
- 7.7 By a marketing agreement and a distribution contract, each dated 23 February 2000 between MSG (1) and Einstein Channel GmbH (2), Einstein Channel GmbH was allocated a frequency on which to broadcast a digital TV channel on the MSG "Media Vision" package. Under the marketing agreement, Einstein Channel GmbH will receive a monthly income per subscriber. These agreements become effective on 1 April 2000 and end on 31 March 2003, subject to MSG's option to extend the agreement for a further five years, which is exercisable at any time prior to 30 September 2002. In the event that this option is not exercised, the agreements will be renewed annually for a further year, unless either party has previously given four months' notice to terminate the agreements. The marketing agreement can be terminated by MSG on one months' notice if the number of subscribers is less than 5,000 by the end of the first year; less than 10,000 by the end of the second year; or less than 15,000 by the end of the third year. Furthermore, the marketing agreement is conditional upon the distribution agreement remaining in force. The right to terminate the agreement for good cause remains unaffected thereby. Einstein Channel GmbH has granted to MSG the exclusive right to market The Einstein Channel during the term of the agreements to cable-connected homes in Germany and to other operators of Network Level 4.

8. Working Capital

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

9. Litigation

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Group) which have, may have or have had during the 12 months preceding the date of this document any significant effect on the Group's financial position.

10. Premises

The Company's only establishment in the United Kingdom is at Maggs House, Queens Road, Bristol BS8 1QX which are serviced offices terminable upon 1 month's notice.

11. United Kingdom Taxation

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice and may not apply to certain classes of shareholders. This summary is not a substitute for the investor obtaining professional advice before applying for shares. An investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

11.1 Dividends

Individual shareholders whose income is within the lower or basic rate bands are liable to tax at 10 per cent. on their gross dividend income. Individual shareholders resident for tax purposes in the UK are entitled to a tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit. The effect of this is that the tax credit attaching to the dividend will satisfy the income tax liability on UK dividends of an individual shareholder whose income is within the lower or basic rate bands. Shareholders liable to higher rate tax (currently at a rate of 40 per cent.) have a liability to income tax of 32.5 per cent. of the aggregate of the dividend and the 10 per cent. tax credit received, of which 10 per cent. will have been satisfied by the tax credit.

A corporate shareholder resident for tax purposes in the UK will not normally be chargeable to UK corporation tax on any dividend received from the Company.

Since 2 July 1997, pension providers and most UK corporate shareholders (including authorised unit trusts and open-ended investment companies) have not been entitled to repayment of the tax credits attaching to dividends from UK companies.

Subject to certain exceptions for Commonwealth citizens and citizens of countries within the European Union, residents of the Isle of Man or Channel Islands and certain others, a shareholder who is not resident for tax purposes in the UK is not generally entitled to the benefit of a tax credit on any dividend received from the Company. Such a shareholder may be entitled to claim a payment of a proper proportion of such tax credit from the Inland Revenue but this will depend in general on the terms of any applicable double taxation convention or agreement between the UK and his country of residence for tax purposes. Any such shareholder should consult his tax adviser as to whether or not he is entitled to reclaim any part of the tax credit, the procedure for claiming payment and what relief or credit may be available in the jurisdiction in which he is resident for tax purposes. In practice it is unlikely that such shareholders will be able to reclaim any substantial part of such tax credit.

UK resident trustees of discretionary trusts are liable to income tax on UK company dividends at 25 per cent. of the gross dividend. After taking into account the 10 per cent. tax credit, the trustees will be liable to additional income tax of 15 per cent. of the gross dividend.

11.2 Stamp Duty and Stamp Duty Reserve Tax

Under current UK legislation relating to stamp duty and stamp duty reserve tax:

- 11.2.1 no liability to stamp duty or stamp duty reserve tax should arise on the allotment of Ordinary Shares by the Company under the Placing;
- 11.2.2 a transfer or sale of Ordinary Shares otherwise than pursuant to the Placing will generally be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration. Where an agreement to transfer such shares is not completed by a duly stamped instrument of transfer, a charge of stamp duty reserve tax (generally at the same rate) may arise; and
- 11.2.3 special rules apply to market-makers, broker-dealers and certain other persons. Agreements to transfer shares to charities will not give rise to stamp duty reserve tax or stamp duty.

11.3 Disposal of shares acquired under the Placing

If a shareholder subsequently disposes of all or any of the Ordinary Shares acquired under the Placing, then that shareholder may, depending upon his individual circumstances and the availability of any relevant reliefs, incur a liability to United Kingdom taxation on chargeable gains.

12. Minimum Subscription

The minimum amount which in the opinion of the Directors must be raised by the Placing in order to provide the sums required to be provided pursuant to paragraph 21 of Schedule 1 of the POS Regulations is £8.5 million which will be applied as follows:

- 12.1 The purchase price of the property – £nil.
- 12.2 Commissions and expenses of the issue – £620,000.
- 12.3 Repayment of borrowings (in respect of 12.1 and 12.2 above) – £Nil.
- 12.4 Working capital – £7,880,000.

13. General

- 13.1 Other than as set out in this document there has been no significant change in the financial or trading position of the Group since 31 December 1999 being the date to which the latest audited accounts of the Group were prepared.
- 13.2 The gross proceeds of the Placing are £8,500,000.
- 13.3 The costs and expenses of and incidental to the Placing payable by the Company are estimated to amount to £620,000 exclusive of VAT. These include but are not limited to accountancy fees, solicitors fees, the fees of Collins Stewart, the fees of the reporting experts and patent and trade mark agents, the cost of printing this document and the fees and expenses of the registrars.

- 13.4 Baker Tilly have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of their reports and to their name in the form and context in which they appear.
- 13.5 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement.
- 13.6 Collins Stewart Limited is a member of the London Stock Exchange and is regulated by The Securities and Futures Authority. It is registered in England and Wales with number 1774003 and its registered office is at 21 New Street, Bishopsgate, London EC2M 4HR.
- 13.7 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (i) fees totalling £10,000 or more; or
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 13.8 The amount payable for each Placing Share is 40p. This represents a premium of 30p per Placing Share over the nominal value of 10p.
- 13.9 The financial information contained in this document does not constitute statutory accounts. The statutory accounts of the European Science Channel for each of the two years ended 31 March 1999 have been delivered to the Registrar of Companies and have been prepared for the period ended 31 December 1999 but not filed. Einstein Productions has not prepared statutory accounts since incorporation.

14. Documents for Inspection

Copies of the following documents may be inspected at the offices of Hardwick Stallards, Centurion House, 37 Jewry Street, London EC3N 2ER which is also the Company's registered office, during usual business hours on any weekdays (Saturdays and public holidays excepted) until the date falling 14 days following the date of Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the statutory accounts of the European Science Channel for the periods ended 31 March 1999;
- (c) the accountants' report contained in Part II of this document;
- (d) the letter of consent referred to in paragraph 13.4 of this Part IV;
- (e) the service contracts referred to in paragraph 6 of this Part IV;
- (f) the material contracts referred to in paragraph 7 of this Part IV; and
- (g) this document.

15. Availability of Admission Document

Copies of this document will be available free of charge at the offices of Collins Stewart, 21 New Street, Bishopsgate, London EC2M 4HR during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling 14 days after the date of Admission.

24 February 2000

