

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

This Document comprises an AIM Admission Document and a prospectus in accordance with the POS Regulations. The Admission Document has been drawn up in accordance with the POS Regulations and the AIM Rules and a copy of the document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of the POS Regulations. The Directors and the Proposed Directors, whose names appear on page 6 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you have sold or otherwise transferred all of your Existing Ordinary Shares in the Company, please forward this document at once, together with the accompanying form of proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you have sold or transferred some of your Existing Ordinary Shares in the Company, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The Existing Ordinary Shares are admitted to trading on AIM. In accordance with the AIM Rules, trading in the Existing Ordinary Shares on AIM will be cancelled in connection with the Proposals, and application will be made for the Existing Ordinary Shares to be re-admitted, and for the Consideration Shares and the Placing Shares to be admitted, to trading on AIM subject to the Resolutions being passed at the Extraordinary General Meeting referred to below. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been made or is being made for the Ordinary Shares to be admitted to any such exchange. It is expected that Admission will become effective and that trading in the Enlarged Ordinary Share Capital on AIM will re-commence on 28 February 2005.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the London Stock Exchange. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document. The attention of persons receiving a copy of this document is drawn to the Risk Factors set out in Part V of this document.**

## **INTERNET MUSIC & MEDIA PLC**

*(Incorporated in England under the Companies Act 1985, Registered No.3836605)*

*To be renamed:*

## **TIMESTRIP PLC**



### **PROPOSED ACQUISITION OF TIMESTRIP LIMITED**

#### **PROPOSED NAME CHANGE**

#### **PLACING OF UP TO 75,000,000 NEW ORDINARY SHARES AT 4p PER SHARE**

#### **PROPOSED WAIVER OF THE REQUIREMENTS OF RULE 9 OF THE CITY CODE ON**

#### **TAKEOVERS AND MERGERS**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **ADMISSION TO TRADING ON AIM**

#### *Nominated Adviser*

**BEAUMONT  
CORNISH  
Limited**

#### *Broker*

**FALCON**  
SECURITIES (UK) LTD



Beaumont Cornish Limited, which is authorised and regulated by the Financial Services Authority, is acting as the Company's Nominated Adviser for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or Proposed Director or to any other person who may rely on any part of this Document.

Falcon Securities (UK) Limited, which is authorised and regulated by the Financial Services Authority, is the Company's Broker, is a member of the London Stock Exchange and is acting exclusively for the Company in connection with the Placing. Falcon Securities (UK) Limited will not be responsible to anyone other than the Company for providing protections afforded to customers of Falcon Securities (UK) Limited or for advising any other person on the Placing and other arrangements in this Document.

Notice of the Extraordinary General Meeting of the Company to be held at 11 am on 25 February 2005 is set out at the end of this document. To be valid, the Form of Proxy accompanying this document for use at the Extraordinary General Meeting must be completed and returned, in accordance with the instructions thereon, so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH not later than 11 am on 23 February 2005. Completion and return of a Form of Proxy will not preclude shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish. Copies of this Document, which contains full details about the Company and the admission of its Ordinary Shares to trading on AIM, may be obtained free of charge for a period of one month from the date of this Document from the Registered Office of the Company, Finsgate, 5-7 Cranwood Street, London EC1V 9EE and the offices of the Company's Nominated Adviser, Beaumont Cornish Limited, Georgian House, 63 Coleman Street, London EC2R 5BB.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act of 1933, as amended, or under any applicable securities laws of Australia, the Republic of Ireland, the Republic of South Africa, Canada or Japan. The Ordinary Shares may not be offered or sold or delivered, directly or indirectly, in or into the United States, Australia, the Republic of Ireland, the Republic of South Africa, Canada or Japan. This Document must not be mailed or otherwise distributed or sent to or into the United States, Australia, the Republic of Ireland, South Africa, Canada or Japan (including their territories, possessions and all areas subject to their jurisdiction) or any other country where its distribution would require compliance by the Company with any governmental or regulatory procedure or any similar formalities. This Document does not constitute an offer for, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

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## DEFINITIONS

In this Document, where the context permits, the expressions set out below shall bear the following meanings:

“ <b>Acquisition</b> ”	the proposed acquisition by IMM of the entire issued share capital of Timestrip pursuant to the Acquisition Agreement
“ <b>Acquisition Agreement</b> ”	the conditional agreement dated 28 January 2005 relating to the Acquisition details of which are set out in Section 8(a) of Part VII of this document
“ <b>Acquisition Shares</b> ”	the shares of Timestrip to be acquired by IMM pursuant to the Acquisition
“ <b>Accountants’ Reports</b> ”	the reports on the financial information relating to Timestrip and IMM prepared by Jeffreys Henry, the Company’s Auditors and Reporting Accountants
“ <b>Act</b> ”	the Companies Act 1985 (as amended)
“ <b>Admission</b> ”	the re-admission of the Existing Ordinary Shares and the admission of the Consideration Shares and the Placing Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“ <b>AIM</b> ”	AIM, a market operated by the London Stock Exchange
“ <b>AIM Rules</b> ”	the rules published by the London Stock Exchange governing admission to and operation of AIM
“ <b>Articles</b> ”	the Articles of Association of the Company
“ <b>Beaumont Cornish</b> ”	Beaumont Cornish Limited, Nominated Adviser to the Company
“ <b>Board</b> ”	the directors of the Company on Admission
“ <b>Directors</b> ”	the directors of the Company as at the date of this Document, whose names are set out on page 7 of this Document
“ <b>City Code</b> ”	the City Code on Takeovers and Mergers
“ <b>Combined Code</b> ”	the Combined Code on Corporate Governance
“ <b>Company</b> ” or “ <b>IMM</b> ”	Internet Music & Media PLC, a company incorporated in England and Wales on 11 September 1999 under registered number 3836605
“ <b>Completion</b> ”	completion of the Acquisition under the Acquisition Agreement
“ <b>Concert Party</b> ”	the Proposed Directors and the other Vendors as set out in paragraph 13(1) of Part VII of this Document
“ <b>Consideration Shares</b> ”	the 160,000,000 new Ordinary Shares to be issued credited as fully paid to the Vendors as consideration under the Acquisition Agreement
“ <b>CREST</b> ”	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo
“ <b>CREST Regulations</b> ” or “ <b>Regulations</b> ”	The Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time
“ <b>CRESTCo</b> ”	CRESTCo Limited, a company incorporated in England and Wales on 8 December 1993 under registered number 2878738
“ <b>Document</b> ” or “ <b>document</b> ”	this Admission Document
“ <b>Enlarged Group</b> ”	the Company and Timestrip on completion of the Acquisition
“ <b>Enlarged Ordinary Share Capital</b> ”	the issued ordinary share capital of the Company upon Admission consisting of the Existing Ordinary Shares, the Consideration Shares and the Placing Shares
“ <b>Extraordinary General Meeting</b> ” or “ <b>EGM</b> ”	the extraordinary general meeting of the Company to be held at 11 am on 25 February 2005
“ <b>Existing Ordinary Shares</b> ”	the Ordinary Shares in issue as at the date of this document

<b>“Existing Shareholders”</b>	the holders of Existing Ordinary Shares at the date of this document
<b>“Falcon”</b>	Falcon Securities (UK) Limited, Broker to the Company, which is authorised and regulated by the FSA
<b>“FSMA”</b>	the Financial Services and Markets Act 2000
<b>“Form of Proxy”</b>	the form of proxy for use by Shareholders in connection with the EGM
<b>“FSA”</b>	the Financial Services Authority, the single statutory regulator under the FSMA
<b>“Jeffreys Henry”</b>	Jeffreys Henry LLP, the Auditors of IMM and Reporting Accountants
<b>“Lock-in Parties”</b>	those parties who have agreed to accept lock-in periods for their shares, being the Directors, the Proposed Directors, Lloyd Traders Inc and the Vendors
<b>“London Stock Exchange”</b>	the London Stock Exchange plc
<b>“Member Account ID”</b>	the identification code or number attached to any member account in CREST
<b>“Money Laundering Regulations”</b>	the Money Laundering Regulations 2003 as amended
<b>“New Ordinary Shares”</b>	Consideration Shares and the Placing Shares
<b>“Ordinary Shares”</b>	Ordinary Shares of 0.2p each in the capital of the Company at the date of this document and, where the context applies to Ordinary Shares in the capital of the Company, following the passing of the Resolutions, references to Ordinary Shares shall mean Ordinary Shares of 0.02p each created by the subdivision of Ordinary Shares pursuant to the Resolution
<b>“Panel”</b>	The Panel on Takeovers and Mergers
<b>“Participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
<b>“Placing”</b>	the proposed conditional placing of the Placing Shares to investors by Falcon at the Placing Price pursuant to the Placing Agreement
<b>“Placing Price”</b>	4p per Placing Share
<b>“Placing Shares”</b>	up to 75,000,000 new Ordinary Shares to be issued by the Company for cash pursuant to the Placing Agreement
<b>“Placing Warrants”</b>	up to 25,000,000 warrants to subscribe for Ordinary Shares proposed to be issued to placees on terms summarised in Part VI of this document
<b>“POS Regulations”</b>	The Public Offer of Securities Regulations 1995 (SI 1995/1537), as amended
<b>“Profile”</b>	Profile Sol-Gel Limited, an Israeli limited company
<b>“Proposals”</b>	the Acquisition, the Placing, the Resolutions, the proposed change of name and the Rule 9 Waiver
<b>“Proposed Directors”</b>	Paul Freedman, Reuben Isbitsky and Spencer Leslie
<b>“Resolutions”</b>	the resolutions set out in the notice of Extraordinary General Meeting at the end of this Document
<b>“Rule 9 Waiver”</b>	the consent of the Panel to waive any obligations on members of the Concert Party to make a mandatory offer to Shareholders for the Ordinary Shares not owned by the members of the Concert Party upon completion of the Proposals, which would otherwise arise under Rule 9 of the City Code as a result of the acquisition of Ordinary Shares by members of the Concert Party in connection with the Proposals
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Timestrip”</b>	Timestrip Limited, a company incorporated in England and Wales on 14 December 2000 under registered number 4125343
<b>“UK” or “United Kingdom”</b>	United Kingdom of Great Britain and Northern Ireland;

<b>“UK Listing Authority”</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
<b>“United States” or “US”</b>	the United States of America, its territories and possessions and any state of the United States and the District of Columbia
<b>“Vendors”</b>	the holders of the Acquisition Shares who have agreed to sell the same to IMM under the Acquisition Agreement
<b>“Warrants”</b>	the ‘B’ Warrants, ‘C’ Warrants and ‘D’ Warrants in respect of Ordinary Shares, details of which are set out in paragraph 8(m), (n) and (o) of Part VII of this Document

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	2 February 2005
Latest time and date for receipt of Forms of Proxy	11 am on 23 February 2005
Extraordinary General Meeting	11 am on 25 February 2005
Admission effective and trading in the Ordinary Shares on AIM re-commences	28 February 2005
CREST accounts in respect of the Consideration Shares and the Placing Shares credited by	3 March 2005
Despatch of definitive share certificates in respect of the Consideration Shares and the Placing Shares by	14 March 2005
Despatch of Placing Warrant certificates by	14 March 2005

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Leo Ernest Vaughan Knifton <i>Chairman</i> Stephen Vaughan Oakes <i>Director</i> William Nigel Valentine Weller <i>Director</i>  <i>All of:</i> Finsgate 5-7 Cranwood Street London EC1V 9EE
<b>Proposed Directors</b>	Paul Joseph Freedman <i>Director</i> Reuben Isbitsky <i>Director</i> Spencer Adam Leslie <i>Non-Executive Director</i>
<b>Company Secretary and Registered Office</b>	International Registrars Limited Finsgate 5-7 Cranwood Street London EC1V 9EE
<b>Nominated Adviser</b>	Beaumont Cornish Limited Georgian House 63 Coleman Street London EC2R 5BB
<b>Broker</b>	Falcon Securities (UK) Limited 154 Bishopsgate London EC2M 4LN
<b>Solicitors to the Company</b>	DMH Stallard Centurion House 37 Jewry Street London EC3N 2ER
<b>Solicitors to Timestrip</b>	Kemp Little LLP Cheapside House 138 Cheapside London EC2V 6BJ
<b>Solicitors to Beaumont Cornish</b>	Kilpatrick Stockton LLP 39th Floor One Canada Square Canary Wharf London E14 5NZ
<b>Reporting Accountants and Auditors of IMM</b>	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
<b>Principal Bankers of IMM</b>	Barclays Bank plc 54 Lombard Street London EC3V 9EX
<b>Principal Bankers of Timestrip</b>	National Westminster Bank plc 12 High Street Hitchin Herts SG5 1XX
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## PART I

### LETTER FROM THE CHAIRMAN OF INTERNET MUSIC & MEDIA PLC

#### INTERNET MUSIC & MEDIA PLC

*(Incorporated in England under the Companies Act 1985, Registered No.3836605)*

*Registered Office:*  
Finsgate  
5-7 Cranwood Street  
London EC1V 9EE  
2 February 2005

*To the holders of Ordinary Shares*

Dear Shareholder

#### **PROPOSED ACQUISITION OF TIMESTRIP, PLACING, PROPOSED WAIVER OF THE REQUIREMENTS OF RULE 9 OF THE CITY CODE, CHANGE OF NAME, EXTRAORDINARY GENERAL MEETING AND ADMISSION TO TRADING ON AIM**

#### **INTRODUCTION**

I am pleased to advise you that the Company has announced that it has conditionally agreed to acquire the entire issued share capital of Timestrip. The purchase price of £6.4 million is to be satisfied by way of the issue of 160,000,000 new Ordinary Shares at 4p per share to the Vendors on the sale of their shares in Timestrip.

The scale of the Acquisition in relation to your Company, which will result in a change of control of the Company and a fundamental change in the business, means that the Acquisition will constitute a reverse takeover of the Company under the AIM Rules. Further, the size of the collective shareholding of the Concert Party in the Company following implementation of the Proposals will constitute a change of control under the City Code. Accordingly, the Acquisition requires the prior approval of Shareholders at an Extraordinary General Meeting which is being convened for 25 February 2005, to take place immediately following the Annual General Meeting convened for the same date. If the Resolutions are passed by Shareholders at the EGM, it is expected that Admission will take place and that dealings in the Existing Ordinary Shares and New Ordinary Shares shall re-commence on 28 February 2005.

Further details of the Acquisition are set out below in the paragraphs headed "Acquisition of Timestrip". On completion of the Acquisition, all the present Directors of the Company, with the exception of Mr Stephen Oakes, will resign and the Proposed Directors will be appointed to the Board.

Up to 75,000,000 new Ordinary Shares are to be placed, conditional on Admission, with investors at 4p per Ordinary Share to raise up to £3 million, which will be principally used for working capital purposes of the Enlarged Group. Further details of the Placing are set out below.

The purpose of this letter is to provide you with details relating to the Proposals and to recommend that you vote in favour of all the Resolutions which are necessary to give effect to the Proposals.

#### **BACKGROUND TO AND REASONS FOR THE ACQUISITION**

At the meetings of Shareholders and creditors held on 3 November 2004, the proposal to effect a Company Voluntary Arrangement of the Company pursuant to the Insolvency Act 1986 was approved, and the ordinary share capital was re-structured. Leo Knifton, Nigel Weller and Stephen Oakes were then appointed to the Board to review suitable businesses. Trading in the Ordinary Shares of the Company re-commenced on 9 November 2004 at the time of publication of the Company's interim results for the six month period ended 30 June 2004. Arrangements for the proposed acquisition of Timestrip have now been concluded.

The Directors believe that the Acquisition presents an opportunity to acquire a business with significant upside potential, that would, if this potential could be realised, well justify the price being paid and therefore the dilution to existing shareholders, as is more fully explained below.

## INFORMATION ON TIMESTRIP

Timestrip, based in Hitchin, Hertfordshire, has developed a smart label, the 'Timestrip'®, which enables users of perishable food and other products to monitor for how long an item has been open or in use. The Timestrip® is a disposable multi-layer laminated label which contains a timing device consisting of a specialised porous material and a non-toxic liquid. Upon squeezing the label to activate, the liquid starts to move through the porous material by micro-capillary action. A printed calibration on the top layer of the label allows the user to tell at any point in time how long the label has been active. The label is currently manufactured with adhesive backing enabling it to be attached to perishable goods as a reminder to use or replace the product. The label is designed to be easily customised and is capable of being embedded into the product packaging or the product itself. It can be activated automatically either upon first opening the package or upon first use of the product. The Timestrip® technology has created a product which the Board believes can be manufactured at a sufficiently low cost to be sold economically to product and packaging manufacturers for integration into their products.

The solution provided by Timestrip® relates to the difficulty in monitoring relative expiry dates, such as "*Use within two weeks of opening*". The Timestrip® addresses this problem by reliably monitoring the lapse of time, providing a visual indication that the relative expiry date is approaching, thereby giving the user the opportunity to manage perishable items in a way that was previously problematic.

Relative expiry dates feature prominently in five international mass markets:

1. Food Retailing – where it can be integrated into the packaging by the manufacturer or applied to the product by the consumer, who can purchase multipacks of Timestrip®.
2. Catering and Food Services – where it can supplement the current practice of writing the replacement date on a label or chart and will assist in the compliance with regulatory requirements in respect of food storage.
3. Consumables – where it can be integrated into product, packaging or replacement parts such as filters in vacuum cleaners or water jugs.
4. Pharmaceuticals – where, again, it can be integrated into the product or packaging by the manufacturer or applied by the consumer.
5. Medical Devices – where it can supplement the practice of writing reminder dates on labels or charts to assist staff and practitioners in monitoring lapsed time in processes such as wound management and non-critical procedures.

These applications afford benefits to consumers, retailers and manufacturers alike. The common time frames for relative expiry dates are from 10 minutes up to 6 months at temperatures ranging from 70°C down to -17°C. The simplicity of this technology is important to the success of the product. It does not depend on a chemical reaction and can be customised to function in a wide range of temperature environments, yet within each environment can be relatively insensitive to temperature change. There is no need for moving parts, thereby enhancing reliability and consistency while enabling the product to be manufactured at low cost.

The Timestrips® are currently manufactured in Even Yehuda, Israel. The production machinery, owned by Timestrip, is designed, built and operated in Israel. However, it is the intention of Timestrip to license the rights to manufacture and distribute Timestrips® to third parties in local markets. It is envisaged that a licensee will purchase machines, raw materials and support from Timestrip, paying a royalty based on units sold in the market for which the license is granted.

The Board believes that Israel is a suitable location for research and development and for manufacturing. Israel has relevant customs concessions on imports and exports to and from Europe and North America, and the Board believes Israel has a competitive labour market with a competent technical skill base.

The "know-how" for Timestrip® was born out of technology developed by Profile with whom Timestrip entered into a global exclusive license agreement in May 2001. Profile has agreed to transfer to Timestrip its rights and interests in the technology in return for the issue of 20,626 'B' Ordinary Shares of 0.1p each in Timestrip, to be issued prior to and included in the Acquisition, and a payment of £100,000 which is to be funded from the proceeds of the Placing.

An international patent application covers a feature of the Timestrip® that is considered by the Proposed Directors to enable low cost production. The European Patent Office in January 2004 concluded that all claims in respect of the patent application are deemed to be novel, inventive and industrially applicable, and the application is now pending in major territories including North America, Europe, Japan, China, Australia and South Africa.

Timestrip® is a trademark registered in the UK, the US, Canada and Europe.

Timestrip was founded in December 2000 by Paul Freedman and in May 2001, Reuben Isbitsky, who was involved in the project from inception, formally joined Timestrip as a director.

At the outset, the shareholding in Timestrip was split equally between its founders, Paul Freedman and Reuben Isbitsky. Subsequently, in four rounds of equity funding, Timestrip raised a total of £2,163,450 (before expenses) from some 58 private investors.

## **STRATEGY**

Timestrip does not itself intend to develop significant manufacturing capability. Instead the new market potential for Timestrip® lends itself to a licensing strategy under which Timestrip will licence the rights to manufacture and distribute in local markets to customers, joint venture partners and distributors. The Board believes that the present manufacturing facilities in Israel have sufficient capacity to satisfy initial contracts and will seek to develop this capacity to support existing contracts and development in new markets. Timestrip would receive a licence fee for each Timestrip® manufactured by licencees and will seek to enhance revenue through the supply of key raw materials and support.

The Board intends that Timestrip® is to be established as an international brand. The prospects for the proliferation of Timestrip® on a global basis are enhanced because target customers are predominantly multinational companies, several of whom have already entered into formal development contracts and working relationships with Timestrip.

The Board envisages that the main channel to market will be through supply agreements with manufacturers and packaging companies who will integrate Timestrips® in their product or packaging. Timestrip has already launched Timestrip® in the food service sector in the UK where it has identified demand in the restaurant sector for a label that shows lapsed time by way of colour rather than written date information. It is expected that Timestrip® will be launched in the North American food services sector in 2005. The Proposed Directors have also identified the opportunity to sell Timestrip® as a value added promotional product to magazines and a variety of food and consumer product manufacturers.

## **COMPETITION**

It is anticipated that the commercialisation of Timestrip® will stimulate competition at some point in the future, given the size of the market to which it has relevance. Nevertheless, the Board is not aware of any direct competition showing lapsed time in colour progression in the expiry date sector.

There are, however, products whose purpose is to signal when product quality should be checked due to temperature exposure beyond a recommended threshold.

There is also a consortium of business and universities working on RFID chip technology. Such chips will be able to contain far more information than bar codes and may even be able to show lapsed time with the use of additional hardware such as a scanner.

## **CURRENT TRADING AND FUTURE PROSPECTS**

The Timestrip® technology is relevant to a wide range of applications in mass markets. In 1997, in the UK alone, over 100 billion food items were packaged. This figure demonstrates the sheer scale of the potential markets in which Timestrip® could be used.

The current manufacturing process gives Timestrip the capability to generate significant gross margins. Furthermore the Board considers that the unit cost of manufacture can be reduced over time, enabling the Enlarged Group to target a unit sale price which the Board believes will prove a pricing point that could trigger the broadest mass market application.

The existing development contracts and arrangements with manufacturers establish a pipeline of product development potential. The increased financial resources will provide the opportunity for the Board to bring these prospects to fruition. Furthermore new capital will enable the Enlarged Group to identify further potential for product integration with other multi-national brand-led businesses.

As regards current trading, Timestrip started production in December 2004 on its initial order from Daymark for the Food Service market in North America and has made its first delivery to Dovemart for the UK market. In December 2004, Timestrip received an additional order from Daymark for delivery in February 2005. Even though the product is not set to be launched officially in the UK until later in the first quarter of 2005, Dovemart has already secured a listing for the product in one of the largest food service catalogues in the UK, and Timestrip has received several approaches from major food manufacturers specialising in supplying the catering sector.

Timestrip is actively negotiating supply contracts with several consumer goods companies looking for a reminder label to add value to their existing product range and with potential distributors to the retail sector in North America and Asia.

Timestrip is progressing with its existing development contracts for integration of the technology into devices and packaging. For example, in December 2004 an order for €19,000 was received from one customer to pay for additional tooling as the next stage in the project. Timestrip expects to start working on new projects in early 2005 as a result of discussions that have taken place in recent weeks. Timestrip is not yet generating sufficient level of sales to trade profitably or generate positive cash flow but is making progress towards these milestones by way of the launch in Food Services in North America and the UK as well as a number of other potential contracts in other sectors.

## **FINANCIALS**

The financial information on Timestrip is set out in Part II of this document.

## **ACQUISITION OF TIMESTRIP**

IMM will acquire all of the issued shares of Timestrip comprising 80,000 'A' Ordinary Shares of 0.1 pence each, and 85,304 'B' Ordinary Shares of 0.1 pence each (together "the Sale Shares"). The Sale Shares will be acquired for a total consideration valued at £6.4 million to be satisfied by the issue to the Vendors of 160,000,000 Ordinary Shares at an issue price of 4p per share.

IMM will, in addition, issue 'B' Warrants to subscribe for a total of 7,500,000 Ordinary Shares at an exercise price of 4p per share exercisable within two years after Completion. Of these warrants, 6,497,418 will be issued to the Vendors (other than the Proposed Directors) *pro rata* to their holdings of the Sale Shares.

On completion of the Acquisition, IMM will also issue 'C' Warrants which entitle the holders to subscribe for a total of 8,500,000 Ordinary Shares at an issue price of 0.02p per share exercisable after two years but not later than seven years after the date of issue. These warrants are to be issued to those individuals (namely: Jeff Woyda, Frank O'Connor, Ilan Schragenheim and Avi Rabinovitz) that have been promised an entitlement to comparable options in respect of the shares of Timestrip in return for their contribution to Timestrip and that have agreed to accept these 'C' Warrants of IMM in substitution for their entitlement in relation to Timestrip.

Further, on completion of the Acquisition, IMM will issue 'D' Warrants which entitle the holders to subscribe for a total of 4,000,000 Ordinary Shares at an issue price of 4p per share exercisable within two years after the date of issue. These warrants will be issued to Mr Spencer Leslie, one of the Vendors and Proposed Directors, in recognition for his contribution to Timestrip.

Details of the Warrants are set out in paragraph 8 of Part VII of this document.

Under a Deed of Warranties and Indemnity dated 28 January 2005, the Proposed Directors other than Spencer Leslie have entered into warranties and indemnities in respect of Timestrip subject to limitations on their liability. The Proposed Directors other than Spencer Leslie have also entered into restrictive covenants.

## **PROPOSED NAME CHANGE**

The Directors have decided to change the name of the Company to 'Timestrip plc' to reflect more closely the Enlarged Group's operations. The change of name is subject to shareholder approval, which will be sought at the EGM. Timestrip will change its name to "Timestrip UK Limited" at the same time.

## **DIRECTORS OF THE COMPANY ON COMPLETION**

On Completion of the Acquisition, Leo Knifton and Nigel Weller will resign from office as directors of IMM and the Proposed Directors, being Paul Freedman, Reuben Isbitsky and Spencer Leslie, will be appointed to the Board.

### ***Directors***

**Stephen Oakes**, (aged 49) Chairman

Stephen Oakes has over 30 years experience in financial markets and is a Fellow of the Securities Institute. He began his career with stockbrokers Vickers da Costa Ltd, becoming a Member of the Stock Exchange in 1984. In 1985 he joined James Capel & Co (now HSBC Investment Bank plc) as a portfolio manager. Increasing management responsibility culminated in the position of Chief Executive Officer, HSBC Investment Management, firstly in respect of the international business and subsequently as acting CEO of the combined UK and international operations. He left HSBC in December 2002 and in October 2003 joined Alfred Henry Corporate Finance Limited to work with an established team specialising in advisory services to small listed businesses. He is a director of SBS Group Plc, Alltrue Investments plc and Beaufort International Group plc.

**Paul Freedman** (aged 37) Co-Founder and Joint Chief Executive

Paul Freedman graduated from Manchester University in 1990 with a BA (joint Hons) in Accounting and Law. Paul joined Citibank on their Graduate Training Scheme where he worked in Corporate Finance before leaving in late 1991

to join his family's textile business, Carfax Gowns Limited. Paul was responsible for sales to leading clothing retailers in the UK as well as general management. Having participated in a large scale reorganisation of Carfax's manufacturing sites and assisted in the broadening of its base, Paul left Carfax in 2000 in order to establish Timestrip, a new venture with the aim of creating a low cost expiry date label. Since inception Paul has shared responsibility for general management, commercial strategy and in particular Timestrip's valuation and funding requirements.

**Reuben Isbitsky** (aged 36) Co-Founder and Joint Chief Executive

Reuben Isbitsky studied at York University, Toronto, Canada. In 1991, before graduating, he joined Brita Canada, a high growth consumer products company, as Product Manager where he was responsible for the implementation of new product development. In 1996, he was appointed International Product Manager for Brita and relocated to Germany, being responsible for product marketing and development. And subsequently, for two years from the end of 1997, he worked as Project Manager for Sodaclub International BV (United Kingdom), a company which developed a high-tech. product where he worked on business and technical development, and co-ordinated a project team of 20 co-workers in a worldwide network of offices. Reuben left Sodaclub in 2000 in order to establish Timestrip with Paul Freedman, where his major responsibilities are marketing and sales, product development and general management.

**Spencer Leslie** (aged 38) Non-Executive Director

Spencer Leslie qualified as a Chartered Accountant before joining Lehman Brothers Investment Bank as a Private Client Investment Manager. In 1991 Spencer took the position of Finance Director at Supercuts Holdings Limited, a start-up business modelled on a niche market US concept. In his role as Managing Director from 1994, Spencer grew the business into a chain of 70 hair salons in shopping centres across the UK, before selling the business to its US namesake in 1999. Spencer is now actively involved in a number of businesses in the field of property investment and development and has made private investments and holds non-executive directorships in Timestrip, Topsy Turvy World Holdings Limited (children's play centres) and Mykindaplace Limited (online publishing). Spencer became a non-executive director of Timestrip on 23 February 2004 and Spencer has not previously been remunerated for his role as non-executive director of Timestrip.

Conditional upon Completion, Stephen Oakes and Spencer Leslie have entered into engagement letters with the Company, details of which, together with details of the existing arrangements with the other Proposed Directors are set out in paragraph 6 of Part VII of this document.

**SHARE OPTION SCHEME**

The Board intends to set up a share option scheme for employees of the Company.

**DIVIDEND POLICY**

In the short term, the Board does not intend to pay a dividend but will reconsider this as and when the growth of the Company allows.

**THE PLACING**

The Company has agreed with Falcon conditionally to place a minimum of 37,500,000, and a maximum of 75,000,000 new Ordinary Shares representing approximately 16.1 per cent. and 27.8 per cent. respectively of the Enlarged Ordinary Share Capital before the exercise of any Warrants.

Pursuant to the Placing, in accordance with the terms of the Placing Agreement (further details of which are set out in paragraph 8(e) of Part VII of this Document), the Company will receive a minimum of approximately £1,400,000 and a maximum of approximately £2,600,000, net of commissions and other fees and expenses (excluding VAT where applicable).

Places who subscribe for New Ordinary Shares will be issued with one Placing Warrant for every three new Ordinary Shares issued to them under the Placing. Each Warrant will entitle the holder to subscribe for one Ordinary Share at the price of 6p during the period of 18 months commencing on Admission subject to the expiry notice provision as set out in paragraph 1.4 of Part VI of this Document. The Placing Warrants will not be admitted to trading on AIM and are not transferable.

The Placing Warrants are to be constituted by a Warrant Instrument, summary terms of which are set out in Part VI of this Document.

The New Ordinary Shares and Ordinary Shares issued on the exercise of the Placing Warrants will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares and will have the right to receive all dividends and other distributions thereafter declared, made or paid in respect of the issued ordinary share capital of the Company.

The Placing is conditional, *inter alia*, upon the Ordinary Shares being admitted to trading on AIM by no later than 28 February 2005.

The net proceeds of the Placing will be used for the working capital requirements of the Group, including the repayment of any funding in addition to the balance due to Profile for the purchase of the intellectual property rights as referred to above.

## CITY CODE ON TAKEOVERS AND MERGERS

The Acquisition of Timestrip gives rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford to the Shareholders are described below.

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by both the UK government and other UK regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the UK should conduct themselves in matters relating to takeovers in accordance with high business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeovers and merger transactions, however effected, where the offeree company is inter alia, a listed or unlisted public company resident in the UK and to certain categories of private limited companies. IMM is such a company and its shareholders are entitled to the protections afforded by the City Code.

**Under Rule 9 of the City Code (“Rule 9”), any person who acquires shares, which taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all remaining shareholders to acquire their shares. Similarly, where any person, together with persons acting in concert with him, already holds shares carrying more than 30 per cent. but less than 50 per cent. of a company’s voting rights, and such person, or any other person acting in concert with him, acquires additional shares which increase his or their percentage of the voting rights of such company, that person (and another member of the concert party) is normally required to make a general offer to all shareholders of that company for the shares not owned by him (or such concert party).**

An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any persons acting in concert with him.

Under the City Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. The Panel has deemed the Vendors to be acting in concert for the purposes of the City Code.

**The Concert Party does not currently have an interest in the share capital of the Company. On completion of the Proposals, the Concert Party will hold 172,425,000 Ordinary Shares in aggregate, representing approximately 74.2 per cent. of the Enlarged Ordinary Share Capital (assuming that no Warrants or Placing Warrants are exercised and that the minimum is raised under the Placing). The ‘B’ Warrants are exercisable after two years and, if the ‘B’ Warrants held by members of the Concert Party are exercised at that time, together with their Placing and ‘D’ Warrants, the Concert Party will hold a maximum of 187,064,084 Ordinary Shares in aggregate representing 75.8 per cent of the Enlarged Ordinary Share Capital (assuming that all Placing Warrants, ‘B’ Warrants and ‘D’ Warrants to be issued to members of the Concert Party are exercised in full but that no other options or warrants are exercised and that the minimum is raised under the Placing). The shareholdings of each member of the Concert Party immediately following completion of the Proposals are set out under the heading “Information on the Concert Party” and in paragraph 13 of Part VII of this Document and are summarised below:**

	Number of Ordinary Shares held following Admission	Number of Ordinary Shares held following the exercise of ‘D’ Warrants, ‘B’ Warrants and Placing Warrants	Per cent. of Enlarged Issued Ordinary Share Capital held following the Proposals		
			On completion of the Proposals (see note a)	Maximum (see note b)	Minimum (see note c)
Proposed Directors	85,168,992	89,168,992	36.7	36.1	27.4
Family of Proposed Directors	3,646,145	4,007,126	1.6	1.6	1.2
Profile Sol-Gel Ltd (see note d)	19,963,678	19,963,678	8.5	8.1	6.4
Other Vendors	63,646,185	73,924,289	27.4	29.9	20.5
<b>Totals</b>	<b>172,425,000</b>	<b>187,064,084</b>	<b>74.2</b>	<b>75.8</b>	<b>55.5</b>

### Notes:

- the percentage on completion of the Proposals set out above assumes that no Warrants or Placing Warrants are exercised and that the minimum is raised under the Placing.
- the maximum percentages set out above assume that all Warrants and Placing Warrants exercisable by the Concert Party are exercised but no further issue of shares pursuant to options or warrants and that no more than the minimum is raised under the Placing;
- the minimum percentages set out above assume that each Shareholder other than a member of the Concert Party has exercised all options and warrants held and the maximum is raised under the Placing; and
- the Ordinary Shares of Profile Sol-Gel Limited are to be held by a trustee in accordance with the arrangements described in paragraph 8(i) of Part VII of this Document.

Further information on the members of the Concert Party is set out in paragraph 13 of Part VII of this document.

**Accordingly, the issue of the Ordinary Shares to the Concert Party would normally give rise to an obligation on the Concert Party to make a Rule 9 offer to the Shareholders.**

**The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of the Proposals subject to the passing on a poll by Shareholders (who for the avoidance of doubt do not include members of the Concert Party) of Resolution 2 set out in the Notice of Extraordinary General Meeting at the end of this document.**

**Following Completion, the Concert Party will own or control 50 per cent. or more of the issued share capital of the Company and accordingly, under the City Code, whilst they continue to be treated as acting in concert, each member will be able to increase further their respective percentage shareholding in the voting rights of the Company (subject to each individual not acquiring 30 per cent. or more) without incurring an obligation under Rule 9 to make a general offer to Shareholders to acquire the entire issued share capital of the Company.**

No member of the Concert Party has purchased Ordinary Shares in the 12 months preceding the date of this document. The Rule 9 Waiver will be invalid if purchases of Ordinary Shares are made by any member of the Concert Party in the period between the date of this document and the EGM. Each member of the Concert Party has undertaken to the Company that he will not make any such purchases of Ordinary Shares.

### **CREST**

The Ordinary Shares have been admitted to CREST, the computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and stock transfer forms. For private investors who do not trade frequently, this latter course is likely to be more cost effective. For more information concerning CREST, shareholders should contact their broker or, alternatively, CRESTCo Limited at 33 Cannon Street, London EC4M 5SB.

### **CORPORATE GOVERNANCE**

The Directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although the Combined Code is not compulsory for AIM companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

#### **The Board of Directors**

Following approval of the Company Voluntary Arrangement and the EGM held on 3 November 2004, Mr Cordell resigned from the Board, and Mr Knifton, Mr Oakes and Mr Weller were appointed directors of the Company. Mr Cowan resigned from the Board on 12 January 2005. The Board meets regularly and is responsible for strategy and performance. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. A nominations committee is not considered appropriate because of the small size of the Board and the Company; but all appointments or potential appointments are fully discussed by all Board members.

#### **Audit Committee**

Once registered, the Audit Committee will consist of Spencer Leslie and Stephen Oakes and meetings will also be attended by other executive directors of the Company on invitation. The Audit Committee will be responsible for monitoring compliance with accounting and legal requirements, and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

#### **Remuneration Committee**

The Remuneration Committee will comprise of Spencer Leslie and Stephen Oakes. The Remuneration Committee's role is to consider and approve the remuneration and benefits of the executive directors of the Company. In framing the Company's remuneration policy, the Remuneration Committee will give consideration to Section B of The Combined Code.

#### **Internal Financial Control**

The Board is responsible for establishing and maintaining the Enlarged Group's system of internal financial control and places importance on maintaining a strong control environment. In this regard, a firm of Chartered Accountants are to provide an interim finance function, with Spencer Leslie, a Chartered Accountant who is to be a non-executive director being responsible for overseeing this finance function on the Board.

## **Statement by Directors on Compliance with the Provisions of the Combined Code**

The Board consider that they have complied with the provisions of The Combined Code, as far as practicable and appropriate for a public company of this size.

## **Directors' Remuneration**

The Remuneration Committee will review the performance of executive Directors and recommend the scale and structure of their remuneration and review the basis of their service agreements with due regard to the interests of Shareholders. No member of the Board will participate in decisions concerning their own remuneration.

## **Model Code**

The Company has adopted and will operate a share dealing code for directors and senior executives on the same terms as the London Stock Exchange Model Code for companies whose shares have been admitted to AIM.

## **TAXATION**

General information relating to UK taxation with regards to the Admission and the Placing is summarised in paragraph 11 of Part VII of this Document. **A potential shareholder who is any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the UK, should consult his or her professional advisers immediately.**

## **LOCK-IN ARRANGEMENTS**

At Admission, the Directors, Proposed Directors and persons connected with them (including Lloyd Traders Inc) and the other Vendors will own 99,223,877 Ordinary Shares representing 36.7 per cent of the Enlarged Ordinary Share Capital, assuming the Acquisition is approved by Shareholders. The Directors and the Proposed Directors and other Vendors have undertaken to Beaumont Cornish that, save for the "carve-outs" referred to in paragraph 8(p) of Part VII of this Document, they will not sell or dispose of any of their respective interests in Ordinary Shares (other than Ordinary Shares acquired by Vendors in the Placing) at any time before the first anniversary of Admission (the "Lock-In Period"), and that for the year following the end of the Lock-In Period, they will not sell or dispose of any of their respective interests in such Ordinary Shares, to include those Ordinary Shares resulting from the exercise of Warrants (other than the Placing Warrants in the case of Vendors who are not Proposed Directors), without the prior permission of Beaumont Cornish.

Further details of these lock-in arrangements are set out in paragraph 8(p) of Part VII of this Document.

In addition, Mr Nicholas Cowan a former Director of the Company, has agreed that for a period of 2 years from the date of Admission, he will not sell or dispose of any of his holding of Ordinary Shares save through the Company's broker.

## **ADMISSION TO AIM AND DEALINGS**

The proposed Acquisition will constitute a "reverse take-over" under the AIM Rules and is therefore dependent upon the approval of shareholders being given at the Extraordinary General Meeting, details of which are set out below.

Application has been made for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM and it is anticipated that Admission will become effective and that trading in the Ordinary Shares on AIM will commence on the trading day following the EGM, namely 28 February 2005.

## **EXTRAORDINARY GENERAL MEETING**

You will find set out at the end of this document a Notice convening the Extraordinary General Meeting to be held at 11 am on 25 February, 2005 for the purpose of considering, and if thought fit, passing the Resolutions. At the meeting, the Resolutions will be proposed as follows:

- (1) An ordinary resolution to subdivide the Ordinary Shares of 0.2p each into Ordinary Shares of 0.02p each;
- (2) An ordinary resolution to approve the Acquisition and authorise the acquisition by members of the Concert Party pursuant to the Acquisition of the interests in the voting share capital of the Company amounting to 30 per cent. or more of the voting shares exercisable at general meetings of the Company, without a requirement for a general offer for the Company under Rule 9 of the City Code. This resolution will be taken on a poll;
- (3) An ordinary resolution to approve the issue of the Placing Warrants, 'B' Warrants, 'C' Warrants and 'D' Warrants;
- (4) A special resolution to change the name of the Company to "Timestrip plc".

Whether or not you intend to be present at the Extraordinary General Meeting, as a Shareholder you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and

in any event so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11 am on 23 February 2005. Completion and return of the Form of Proxy will not prevent you, as a Shareholder, from attending the Extraordinary General Meeting and voting in person should you wish to do so.

#### **ACTION TO BE TAKEN**

Set out at the end of this document you will find a Form of Proxy to be used in connection with the Extraordinary General Meeting.

#### **FURTHER INFORMATION**

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

#### **RECOMMENDATION**

**The Directors, who have been so advised by Beaumont Cornish in relation to the matters referred to in this document, believe that the Acquisition is fair and reasonable and the Rule 9 waiver is in the best interests of the Company and the Shareholders as a whole. In providing advice to the Directors, Beaumont Cornish has taken into account the Directors' commercial assessments.**

Accordingly, your Directors recommend shareholders to vote in favour of the Resolutions, as they intend to do in respect of the Ordinary Shares that they control amounting to 1,040,874 Existing Ordinary Shares (representing approximately 29.91 per cent. of the issued share capital of the Company as at the date of this document).

Yours faithfully

Leo Knifton  
*Chairman*

PART II

ACCOUNTANTS' REPORT ON TIMESTRIP

JH

JEFFREYS HENRY LLP

2 February 2005

The Directors  
Internet Music and Media Plc  
Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE

The Directors  
Beaumont Cornish Limited  
63 Coleman Street  
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Gentlemen,

Chartered Accountants

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Registered Auditors

Business Advisors

Tax Specialists

Financial Services

Corporate Recovery

Accounting Outsourcing

Corporate Finance

**Timestrip Limited ("Timestrip")**

We report on the financial information set out below. This information has been prepared for inclusion in the Admission Document dated 2 February 2005 for Internet Music and Media Plc ("IMM").

**Basis of Preparation**

The financial information set out below is based on the audited financial statements of Timestrip for the years ended 31 December 2001, 31 December 2002, 31 December 2003 and the nine months ended 30 September 2004, and has been prepared on the basis set out in paragraph 1 below after making such adjustments as we considered necessary.

**Responsibility**

Such financial statements are the responsibility of the directors of Timestrip who approved their issue. The directors of "IMM" are responsible for the contents of the Admission Document, dated 2 February 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the 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 previously recorded by the auditors who audited the financial statements underlying the financial information for the years ended 31 December 2001, 31 December 2002, 31 December 2003 and the nine months ended 30 September 2004. It also included an assessment of significant

Mark Tenzer Nicholas Michaels  
Justin Randall Ian Leigh Alec Harvey  
Steven Friend Jonathan Isaacs  
Sanjay Parmar

Consultants: Malcolm Coleman  
Alan Bell Norman Fetterman



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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 company'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 to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 2 February 2005, a true and fair view of the state of affairs of Timestrip as at the dates stated and of its losses, cash flows and recognised gains and losses for the period then ended.

### **Consent**

We consent to the inclusion in the Admission Document dated 2 February 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

The financial information included herein comprises:

- a statement of accounting policies;
- three years and nine months profit and loss accounts, balance sheets, cash flow statements and statements of recognised gains and losses;
- notes to the profit and loss accounts, cash flow statements and the balance sheets for the last three years and nine months.

### **1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Timestrip's financial statements.

#### ***Accounting convention***

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

#### ***Turnover***

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

#### ***Research and Development***

Expenditure on research and development is written off in the year it is incurred, except that development expenditure incurred on an individual project is carried forward as permitted by SSAP13 when its future recoverability can reasonably be regarded as assured. The expenditure carried forward is treated as an intangible asset and amortised over its estimated economic life so as to match the expenditure with the anticipated sales from the related project.

#### ***Intangible Fixed Assets and Amortisation***

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided to write off the cost of the asset over the useful lives of the assets concerned on the following basis:

Patents                                      Straight line over the 17-year life of the patents, commencing when the patents come into force.

#### ***Tangible Fixed Assets and Depreciation***

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Equipment                      20% straight line basis  
Plant & Machinery                    20% straight line basis from when the machinery is brought into use.

### **Operating Leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

### **Stocks and Work-in-Progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

### **Foreign Currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### **Deferred Taxation**

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

## **2. Profit and Loss**

For the nine months ended 30 September 2004, years ended 31 December 2003, 2002 and the twelve months and 18 days to 31 December 2001.

	Notes	2004 £	2003 £	2002 £	2001 £
<b>Turnover</b>	5.1	78,737	61,469	15,149	7,994
Cost of sales		(93,468)	(1,726)	–	–
<b>Gross profit</b>		(14,731)	59,743	15,149	7,994
Other operating expenses		(619,884)	(682,384)	(561,014)	(110,004)
<b>Operating loss</b>		(634,615)	(622,641)	(545,865)	(102,010)
Interest receivable		4,592	4,607	7,077	1,672
Interest payable	5.2	(520)	(518)	–	–
<b>Loss on ordinary activities before taxation</b>	5.3	(630,543)	(618,552)	(538,788)	(100,338)
Taxation on loss on ordinary activities	5.4	52,005	39,112	87,664	7,818
<b>Loss for the period</b>		(578,538)	(579,440)	(451,124)	(92,520)

A statement of total recognised gains and losses has not been included as part of these financial statements as the group made no gains or losses in the period other than disclosed above in the profit and loss account.

A note on historical gains or losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

The results stated above are derived from continuing operations.

### 3. Balance Sheet

At 30 September 2004 and 31 December 2003, 2002 and 2001.

	Notes	2004 £	2003 £	2002 £	2001 £
<b>Fixed assets</b>					
Intangible assets	5.6	24,454	–	–	–
Tangible assets	5.7	320,757	138,813	4,008	1,830
		<u>345,211</u>	<u>138,813</u>	<u>4,008</u>	<u>1,830</u>
<b>Current assets</b>					
Stocks		71,253	36,585	–	–
Debtors	5.8	130,235	147,990	168,994	48,705
Cash at bank and in hand		162,198	342,932	302,279	256,025
		<u>363,686</u>	<u>527,507</u>	<u>471,273</u>	<u>304,730</u>
<b>Creditors: amounts falling due within one year</b>	5.9	<u>(170,063)</u>	<u>(32,757)</u>	<u>(18,183)</u>	<u>(10,133)</u>
<b>Total assets less current liabilities</b>		538,834	633,563	457,098	296,427
<b>Creditors: amounts falling due after one year</b>	5.10	<u>(84,524)</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Net assets</b>		<u>454,310</u>	<u>633,563</u>	<u>457,098</u>	<u>296,427</u>
<b>Capital and reserves</b>					
Called up share capital	5.12	145	136	117	99
Share premium account	5.12	2,155,787	1,756,511	1,000,625	388,848
Profit and loss account	5.13	<u>(1,701,622)</u>	<u>(1,123,084)</u>	<u>(543,644)</u>	<u>(92,520)</u>
<b>Shareholders' funds</b>	5.14	<u>454,310</u>	<u>633,563</u>	<u>457,098</u>	<u>296,427</u>

### 4. Cash flow statement

For the nine months to 30 September 2004, years ended 31 December 2003, 2002 and the twelve months and 18 days to 31 December 2001.

	Notes	2004 £	2003 £	2002 £	2001 £
<b>Cash (outflow) from operating activities</b>	5.15	(511,425)	(637,610)	(577,175)	(132,441)
<b>Returns on investments, servicing of finance and other income</b>	5.16	4,072	4,089	7,077	1,672
<b>Taxation</b>		70,950	55,826	7,818	–
<b>Capital expenditure</b>	5.17	<u>(228,141)</u>	<u>(137,555)</u>	<u>(3,261)</u>	<u>(2,153)</u>
Cash outflow before financing		(664,544)	(715,250)	(565,541)	(132,922)
<b>Financing</b>	5.16	<u>483,809</u>	<u>755,905</u>	<u>611,795</u>	<u>388,947</u>
<b>(Decrease)/Increase in cash in the year</b>	5.17	<u>(180,735)</u>	<u>40,655</u>	<u>46,254</u>	<u>256,025</u>

## 5. Notes to the Financial Statements

### 5.1 Turnover

In the period to 30 September 2004 and year to 31 December 2003, 100 per cent. of Timestrip's turnover was derived from markets outside the United Kingdom (2002 – 21 per cent., 2001 – nil per cent.).

### 5.2 Interest payable and similar charges

	2004 £	2003 £	2002 £	2001 £
Other interest	520	518	–	–

### 5.3 Loss on ordinary activities before taxation is stated after charging

	2004 £	2003 £	2002 £	2001 £
Depreciation of tangible fixed assets owned by the company	21,742	2,750	1,083	323
Auditors' remuneration:				
– for audit services	800	575	550	500
– for non-audit services	1,860	1,190	1,500	825
Operating lease rentals	8,959	6,707	5,597	3,861

### 5.4 Taxation

Analysis of charge in period

	2004 £	2003 £	2002 £	2001 £
UK current year corporation tax	(52,005)	(70,950)	(87,664)	(7,818)
UK prior year corporation tax	–	31,838	–	–
	<u>(52,005)</u>	<u>(39,112)</u>	<u>(87,664)</u>	<u>(7,818)</u>

### 5.5 Dividends

Timestrip did not pay dividends in the periods to 30 September 2004, 31 December 2003, 2002 and 2001.

### 5.6 Intangible fixed assets

	2004 £	2003 £	2002 £	2001 £
Cost and net book value	24,454	–	–	–
	<u>24,454</u>	<u>–</u>	<u>–</u>	<u>–</u>

No amortisation has been provided as the patents are only now coming into force.

## 5.7 Tangible fixed assets

	Office equipment £	Plant and machinery £	Total £
<b>Cost</b>			
At 14 December 2000	–	–	–
Additions	2,153	–	2,153
At 31 December 2001	2,153	–	2,153
Additions	3,261	–	3,261
At 31 December 2002	5,414	–	5,414
Additions	8,335	129,220	137,555
At 31 December 2003	13,749	129,220	142,969
Additions	1,981	201,705	203,686
At 30 September 2004	<u>15,730</u>	<u>330,925</u>	<u>346,655</u>
<b>Depreciation</b>			
At 14 December 2000	–	–	–
Charge for period	323	–	323
At 31 December 2001	323	–	323
Charge for year	1,083	–	1,083
At 31 December 2002	1,406	–	1,406
Charge for year	2,750	–	2,750
At 31 December 2003	4,156	–	4,156
Charge for period	2,359	19,383	21,742
At 30 September 2004	<u>6,515</u>	<u>19,383</u>	<u>25,898</u>
<b>Net book value</b>			
At 30 September 2004	<u>9,215</u>	<u>311,542</u>	<u>320,757</u>
At 31 December 2003	<u>9,593</u>	<u>129,220</u>	<u>138,813</u>
At 31 December 2002	<u>4,008</u>	<u>–</u>	<u>4,008</u>
At 31 December 2001	<u>1,830</u>	<u>–</u>	<u>1,830</u>

## 5.8 Debtors

	2004 £	2003 £	2002 £	2001 £
<b>Due after more than one year</b>				
Other debtors	–	–	50,932	34,197
<b>Due within one year</b>				
Trade debtors	17,615	5,865	–	–
Other debtors	112,620	142,125	118,062	14,508
	<u>130,235</u>	<u>147,990</u>	<u>168,994</u>	<u>48,705</u>

**5.9 Creditors: amounts falling due within one year**

	2004 £	2003 £	2002 £	2001 £
Bank loans and overdrafts	14,286	–	–	–
Trade creditors	138,321	20,752	9,183	3,564
Social security and other taxes	15,763	7,399	7,629	5,645
Other creditors	–	–	–	24
Accruals and deferred income	1,693	4,606	1,371	900
	<u>170,063</u>	<u>32,757</u>	<u>18,183</u>	<u>10,133</u>

The bank overdraft is secured under the Small Firm Loan Guarantee Scheme.

**5.10 Creditors: amounts falling due after one year**

	2004 £	2003 £	2002 £	2001 £
Bank loans and overdrafts	84,524	–	–	–
	<u>84,524</u>	<u>–</u>	<u>–</u>	<u>–</u>

The bank overdraft is secured under the Small Firm Loan Guarantee Scheme.

**5.11 Deferred taxation**

The potential liability for deferred taxation not provided was as follows.

	2004 £	2003 £	2002 £	2001 £
<b>Accelerated capital allowances</b>				
Opening balance	1,572	348	366	–
(Decrease)/Increase for the year	(449)	1,224	(18)	366
Closing balance	<u>1,123</u>	<u>1,572</u>	<u>348</u>	<u>366</u>

**5.12 Called up share capital**

	2004 £	2003 £	2002 £	2001 £
<b>Authorised</b>				
1,000,000,000 'A' Ordinary Shares of £0.001 each	1,000,000	1,000,000	1,000,000	1,000,000
1,000,000,000 'B' Ordinary Shares of £0.001 each	1,000,000	1,000,000	1,000,000	1,000,000
	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
<b>Allotted, called up and fully paid</b>				
80,000 'A' Ordinary Shares of £0.001 each	80	80	80	80
18,906 'B' Ordinary Shares of £0.001 each	–	–	–	19
36,911 'B' Ordinary Shares of £0.001 each	–	–	37	–
55,783 'B' Ordinary Shares of £0.001 each	–	56	–	–
64,678 'B' Ordinary Shares of £0.001 each	65	–	–	–
	<u>145</u>	<u>136</u>	<u>117</u>	<u>99</u>

## 5.12 Called up share capital (continued)

	£
<b>Share premium account</b>	
At 14 December 2000	–
Premium for the period	388,848
At 31 December 2001	388,848
Premium for the year	611,777
At 31 December 2002	1,000,625
Premium for the year	755,886
At 31 December 2003	1,756,511
Premium for the period	399,276
At 30 September 2004	<u>2,155,787</u>

On 14 December 2000 80,000 ‘A’ Ordinary Shares were issued for £0.135 each to provide Timestrip with its initial working capital.

The following ‘B’ Ordinary Share issues occurred to provide Timestrip with supplementary working capital to expand its operations:

- on 27 September 2001 18,906 shares were issued for £20 each;
- during the year ended 31 December 2002 18,005 shares were issued for £35 each;
- during the year ended 31 December 2003 18,872 shares were issued for £40 each; and
- during the period ended 30 September 2004 8,895 shares were issued for £45 each.

## 5.13 Profit and loss account

	<b>Profit and loss account £</b>
Loss for the period to 31 December 2001	(92,520)
At 31 December 2001	(92,520)
Loss for the year to 31 December 2002	(451,124)
At 31 December 2002	(543,644)
Loss for the year to 31 December 2003	(579,440)
At 31 December 2003	(1,123,084)
Loss for the period to 30 September 2004	(578,538)
At 30 September 2004	<u>(1,701,622)</u>

## 5.14 Reconciliation of movements in shareholders’ funds

	2004 £	2003 £	2002 £	2001 £
<b>Loss for the financial year</b>	(578,538)	(579,440)	(451,124)	(92,520)
New share capital issued:				
– Nominal value	9	19	18	99
– Premium	399,276	755,886	611,777	388,848
<b>Net change in shareholders’ funds</b>	(179,253)	176,465	160,795	296,427
Opening shareholders’ funds	633,563	457,098	296,427	–
<b>Closing shareholders’ funds</b>	<u>454,310</u>	<u>633,563</u>	<u>457,098</u>	<u>296,427</u>

### 5.15 Reconciliation of operating loss to operating cash flows

	2004 £	2003 £	2002 £	2001 £
<b>Reconciliation of operating loss to net cash flow from operations</b>				
Operating loss	(634,615)	(622,641)	(545,865)	(102,010)
Depreciation of tangible fixed assets	21,742	2,750	1,083	323
(Increase) in stock	(34,668)	(36,585)	–	–
Decrease/(Increase) in debtors	(1,190)	4,290	(40,443)	(40,887)
Increase in cash in creditors	137,306	14,576	8,050	10,133
<b>Net cash outflow from operations</b>	<u>(511,425)</u>	<u>(637,610)</u>	<u>(577,175)</u>	<u>(132,441)</u>

### 5.16 Analysis of cash flows

	2004 £	2003 £	2002 £	2001 £
<b>Returns on investment and servicing of finance</b>				
Interest paid	(520)	(518)	–	–
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(228,141)	(137,555)	(3,261)	(2,153)
<b>Financing</b>				
Issue of ordinary share capital	483,809	755,905	611,795	388,947
	<u>255,668</u>	<u>618,350</u>	<u>608,534</u>	<u>386,794</u>

### 5.17 Analysis of net funds

#### Period ended 30 September 2004

	At beginning of year £	Cash flow £	Other non-cash changes £	At end of Year £
Cash in hand and at bank	342,932	(180,734)	(98,810)	63,388
<b>Year ended 31 December 2003</b>				
Cash in hand and at bank	302,279	40,655	–	342,932
<b>Year ended 31 December 2002</b>				
Cash in hand and at bank	256,025	46,254	–	302,279
<b>Year ended 31 December 2001</b>				
Cash in hand and at bank	–	256,025	–	256,025

### 5.18 Directors emoluments

	2004 £	2003 £	2002 £	2001 £
Directors' emoluments and other benefits are as listed below.				
Directors' emoluments	122,101	164,430	151,292	44,746

### 5.19 Related party disclosures

At the date of this report in the opinion of the directors of Timestrip there is no controlling party.

### 5.20 Contingent Liabilities

Turnover includes \$50,000 in respect of an exclusivity agreement. In the event that this does not lead to a supply contract, the \$50,000 would be repayable, however, the directors of Timestrip are of the opinion that it is unlikely that a contract will not be made.

**5.21 *Transactions with Directors***

During the period, Timestrip lent Mr P Freedman, a director, an unsecured, interest-free loan. The balance of this loan at 30th September 2004 was £1,000, which was also the maximum amount outstanding during the period.

**5.22 *Auditors***

The auditors for the years ended 31 December 2001, 31 December 2002, 31 December 2003 and the nine months ended 30 September 2004 were MJ Kleyman, 127 Wolmer Gardens, Edgware, Middlesex, HA8 8QF.

Yours faithfully

**Jeffreys Henry LLP**

PART III

Section 1

ACCOUNTANTS' REPORT ON INTERNET MUSIC & MEDIA PLC

JH

JEFFREYS HENRY LLP

2 February 2005

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Registered Auditors

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**Internet Music and Media Plc (“IMM”) and its subsidiary (“the Group”)**

We report on the financial information set out below. This information has been prepared for inclusion in the Admission Document dated 2 February 2005 for IMM.

**Basis of Preparation**

The financial information set out below is based on the audited consolidated financial statements of IMM for the two years ended 31 December 2002, the unconsolidated financial statements for the year ended 31 December 2003 and unaudited interim figures to 30 June 2004, which have been prepared on the basis set out in paragraph 1 below after making such adjustments as we considered necessary.

The accounts in respect of the year ended 31 December 2003 were qualified by the auditors and the following paragraph was included in the audit report:

*“As fully explained in note 1 no adjustments have been made in respect of the company no longer being considered as a going concern. In our opinion provision for these adjustments should be made.*

*In addition as the company is the parent company of a plc group it is required under s229(1) Companies Act 1985 to prepare consolidated group accounts as at the year end. Due to a lack of accounting records in respect of the company's subsidiary undertakings, which have gone into Administrative Receivership during September 2003, group accounts have not been prepared as required by s229(1) Companies Act 1985.*

*In view of the effect of the above points in our opinion the financial statements do not give a true and fair view of the company and the group's affairs as at 31 December 2003 and of the loss of the company and the group for the year then ended, and have not been prepared in accordance with the Companies Act 1985.”*

Mark Tenzer Nicholas Michaels  
Justin Randall Ian Leigh Alec Harvey  
Steven Friend Jonathan Isaacs  
Sanjay Parmar

Consultants: Malcolm Coleman  
Alan Bell Norman Fetterman



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## **Responsibility**

Such financial statements are the responsibility of the Directors of IMM who approved their issue. The Directors of "IMM" are responsible for the contents of the Admission Document, dated 2 February 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report, from the 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 previously recorded by the auditors who audited the financial statements underlying the financial information for the three years ended 31 December 2001, 31 December 2002 and 31 December 2003. It also included an assessment of 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 company'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 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 in respect of the three years ended 31 December 2003 gives, for the purposes of the Admission Document dated 2 February 2005, a true and fair view of the state of affairs of IMM as at the dates stated and of its losses, cash flows and recognised gains and losses for the period then ended.

We do not offer our opinion in respect of the unaudited accounts to 30 June 2004

## **Consent**

We consent to the inclusion in the Admission Document dated 2 February 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(a)(iv) of Schedule 1 to the Public Offers of Securities Regulations 1995.

The financial information included herein comprises:

- a statement of accounting policies;
- three years and 6 months profit and loss accounts, balance sheets, cash flow statements and statements of recognised gains and losses;
- notes to the profit and loss accounts, cash flow statements and the balance sheets for the last three years and 6 months

### **1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

#### ***Basis of accounting***

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

#### ***Going concern***

The financial statements have been prepared on the going concern basis, which assumes that IMM will continue to operate for the foreseeable future. On that basis, the directors of IMM are of the opinion that the necessary level of banking and other finance facilities will continue to be made available to the company. These facilities are subject to periodic review and no adjustments have been included in the financial statements, which may be necessary should the facilities not be available.

### ***Basis of consolidation***

31 December 2001 and 31 December 2002:

The consolidated financial statements to 31 December 2001 and 31 December 2002 incorporate the financial statements of IMM and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method. The results of the companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

31 December 2003 and 30 June 2004:

The accounts do not consolidate the financial statements of its subsidiary undertakings as their accounting records were transferred to and are held by the Administrative Receivers.

### ***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following provisions:

provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscovered basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### ***Investments***

Fixed assets investments are stated at cost less provision for diminution in value. Funding supplied by the parent company to its subsidiaries is capitalised as part of the parent company's investment as a capital contribution and reviewed annually for impairment.

### ***Turnover***

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

### ***Research and development expenditure***

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

### ***Tangible fixed assets and depreciation***

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

Land and buildings leasehold	–	over the term of the lease
Audio equipment	–	on a straight line basis over 3 years
Computer and office equipment	–	on a straight line basis over 5 years
Website development costs	–	on a straight line basis over 3 years

### ***Stocks and Work-in-Progress***

Stocks and work-in-progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

### *Hire purchase agreements*

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding

### *Finance lease agreements*

Where IMM enters into a lease, which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rental payments are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element, which reduces the outstanding obligation for future instalments.

### *Operating lease agreements*

Rentals applicable to operating leases, where substantially all of the benefits and risks if owner remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

### *Foreign currency translation*

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

## **2. Profit and loss accounts**

For the six months to 30 June 2004 and years ended 31 December 2003, 2002 and 2001.

	Notes	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
<b>Turnover</b>	5.1	–	–	2,074,139	1,260,153
Cost of sales		–	–	(1,627,393)	(909,603)
<b>Gross profit</b>		–	–	446,746	350,550
Exceptional goodwill impairment		–	–	–	(9,806,650)
Administrative expenses		(12,622)	(135,887)	(2,153,185)	(2,661,383)
Other operating income		–	–	–	17,167
<b>Operating loss</b>		(12,622)	(135,887)	(1,706,439)	(12,100,316)
Amounts written off investments	5.3	15,562	(3,054,538)	–	–
Interest receivable		–	–	1,298	2,315
Interest payable and similar charges	5.5	–	(31,066)	(55,449)	(59,200)
<b>Profit/(loss) on ordinary activities before taxation</b>	5.2	2,940	(3,221,491)	(1,760,590)	(12,157,201)
Tax on loss on ordinary activities	5.6	–	–	–	–
<b>Profit/(loss) for the year</b>		<u>2,940</u>	<u>(3,221,491)</u>	<u>(1,760,590)</u>	<u>(12,157,201)</u>
<b>Profit/(loss) per ordinary share</b>	5.7	<u>0.009p</u>	<u>(9.08p)</u>	<u>(4.96p)</u>	<u>(46.91p)</u>

The results stated above are derived from discontinued operations.

## 2b. Consolidated statement of total recognised gains and losses

For the years ended 31 December 2002 and 2001.

	2002 £	2001 £
Loss for the financial year		
Attributable to the shareholders of the parent company	(1,760,590)	(12,157,201)
Currency translation differences on foreign currency net investments	<u>(161,142)</u>	<u>58,946</u>
Total gains and losses recognised since the last annual report	<u>(1,921,732)</u>	<u>(12,098,255)</u>

For the year ended 31 December 2003 and six months to 30 June 2004 there are no recognised gains or losses other than the loss of £3,221,491 and profit of £2,940 respectively attributable to the shareholders.

## 3. Balance sheets

At 30 June 2004 and 31 December 2003, 2002 and 2001.

	Notes	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
<b>Fixed assets</b>					
Tangible assets	5.9	—	—	848,311	1,493,309
<b>Current assets</b>					
Stocks	5.11			231,557	297,879
Debtors	5.12	9,917	9,917	71,840	132,213
Cash at bank and in hand		—	212	—	21,225
		<u>9,917</u>	<u>10,129</u>	<u>303,397</u>	<u>451,317</u>
<b>Creditors: amounts falling due within one year</b>	5.13	<u>(2,221,493)</u>	<u>(2,209,083)</u>	<u>(2,320,286)</u>	<u>(491,472)</u>
<b>Net current liabilities</b>		<u>(2,211,576)</u>	<u>(2,198,954)</u>	<u>(2,016,889)</u>	<u>(40,155)</u>
<b>Total assets less current liabilities</b>		<u>(2,211,576)</u>	<u>(2,198,954)</u>	<u>(1,168,578)</u>	<u>1,453,154</u>
<b>Creditors: amounts falling due after more than one year</b>	5.14	—	—	—	(700,000)
<b>Net assets</b>		<u>(2,211,576)</u>	<u>(2,198,954)</u>	<u>(1,168,578)</u>	<u>753,154</u>
<b>Capital and reserves</b>					
Called up share capital	5.15	3,545,205	3,560,767	3,560,767	3,560,767
Share premium account	5.16	13,638,124	13,638,124	13,450,668	13,450,668
Profit and loss account	5.16	<u>(19,394,905)</u>	<u>(19,397,845)</u>	<u>(18,180,013)</u>	<u>(16,258,281)</u>
		<u>(2,211,576)</u>	<u>(2,198,954)</u>	<u>(1,168,578)</u>	<u>753,154</u>
<b>Shareholders' funds</b>					
Equity		(5,417,695)	(5,405,073)	(4,374,697)	(2,452,965)
Non-equity		<u>3,206,119</u>	<u>3,206,119</u>	<u>3,206,119</u>	<u>3,206,119</u>
Equity shareholders' funds	5.17	<u>(2,211,576)</u>	<u>(2,198,954)</u>	<u>(1,168,578)</u>	<u>753,154</u>

#### 4. Cash flow statement

For the six months to 30 June 2004 and years ended 31 December 2003, 2002 and 2001.

	Notes	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
<b>Cash inflow/(outflow) from operating activities</b>	5.19	(622)	1,226,569	21,388	(2,181,743)
<b>Returns on investments and servicing of finance</b>					
Interest received		–	–	1,298	2,315
Interest paid		–	(31,066)	(55,449)	(59,200)
<b>Net cash outflow from returns on investments and servicing of finance</b>		–	(31,066)	(54,151)	(56,885)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		–	–	(3,075)	(279,097)
Receipts from sale of fixed assets		–	–	–	4,187
Capital contributions to subsidiaries		–	(484,815)	–	–
<b>Net cash outflow for capital expenditure</b>		–	(484,815)	(3,075)	(274,910)
<b>Cash inflow/(outflow) before financing</b>		(622)	710,688	(35,838)	(2,513,538)
<b>Financing</b>					
Net issue of equity share capital		–	–	–	2,184,550
Increase in bank loans		–	–	23,506	127,698
Repayment of bank loans		–	(700,000)	–	–
<b>Net cash inflow from financing</b>		–	(700,000)	23,506	2,312,248
<b>Increase/(decrease) in cash</b>		(622)	10,688	(12,332)	(201,290)

#### 5. Notes to the Financial Statements

##### 5.1 Turnover

The turnover was derived from the Group's principal activity to customers in the following geographical areas.

Geographical area	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
North Europe	–	–	1,180,993	831,701
Europe	–	–	593,577	239,429
Rest of world	–	–	299,569	189,023
	–	–	2,074,139	1,260,153

##### 5.2 Operating profit/loss

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Operating profit/loss is stated after charging:				
Depreciation of tangible assets	–	–	531,017	556,615
Research and development	–	–	–	3,457
Operating lease rentals:				
Land and buildings	–	–	98,878	–
Plant and equipment	–	–	–	130,555
Auditors remuneration	–	9,400	10,000	38,283
Remuneration for non-audit work	–	–	12,500	52,156
Exceptional goodwill impairment	–	–	–	9,806,650

### 5.3 Amounts written off investments

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Investments written off	15,562	(3,054,538)	–	–

Included in the amount above for 2003 is £110,000 which relates to the reassigning of intellectual property rights and trade marks of Groovetech LLC.

### 5.4 Dividends

IMM did not pay dividends in any of the three years ending 31 December 2001, 2002 and 2003 or the six months ended 30 June 2004.

### 5.5 Interest payable and similar charges

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Interest payable on bank borrowing	–	418	13,373	19,511
Interest on other loans	–	30,648	42,076	29,051
Lease finance charges	–	–	–	2,782
Other interest	–	–	–	7,856
	<u>–</u>	<u>31,066</u>	<u>55,449</u>	<u>59,200</u>

### 5.6 Taxation

There is no charge to corporation tax due to the net losses incurred subject to agreement with the Inland Revenue. Accumulated tax losses have not been recognised as a deferred tax asset.

### 5.7 Profit/(loss) per share

	2004 Unaudited Pence	2003 Pence	2002 Consolidated Pence	2001 Consolidated Pence
Profit/(loss) per ordinary share	0.009	(9.08)	(4.96)	(46.91)

The calculation of the basic profit or loss per share is based on:

2001: the loss after tax of £12,157,201 and on 25,914,502 ordinary shares being the weighted average number of ordinary shares in issue during the year;

2002: the loss after tax of £1,760,590 and on 35,464,800 ordinary shares being the weighted average number of ordinary shares in issue during the year;

2003: the loss after tax of £3,221,491 and on 35,464,800 ordinary shares being the weighted average number of ordinary shares in issue during the year;

2004: the profit after tax of £2,940 and on 33,908,535 ordinary shares being the weighted average number of ordinary shares in issue during the year.

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share in the year ended 31 December 2002 are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of Financial Reporting Standard Number 14.

## 5.8 Intangible fixed assets

	<b>Goodwill Consolidated £</b>
<b>Cost</b>	
At 1 January 2001	16,359,015
Special adjustment (see note 5.10)	<u>(4,371,163)</u>
At 31 December 2001	11,987,852
At 31 December 2002	<u>11,987,852</u>
<b>Amortisation</b>	
At 1 January 2001	2,181,202
Exceptional goodwill impairment	<u>9,806,650</u>
At 31 December 2001	11,987,852
At 31 December 2002	<u>11,987,852</u>
<b>Net book value</b>	
At 31 December 2002	—
At 31 December 2001	<u>—</u>

Goodwill impairment is attributable to the trading subsidiaries.

## 5.9 Tangible fixed assets

<b>Consolidated</b>	<b>Land and buildings Leasehold £</b>	<b>Fixtures &amp; Fittings &amp; Audio equipment £</b>	<b>Computer &amp; office equipment £</b>	<b>Website development costs £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 January 2001	444,836	74,249	241,455	1,167,319	1,927,859
Opening balance exchange movement	3,547	2,283	6,460	40,839	53,129
Additions	55,647	4,570	7,095	211,785	279,097
Disposals	—	(3,857)	(4,222)	—	(8,079)
At 31 December 2001	<u>504,030</u>	<u>77,245</u>	<u>250,788</u>	<u>1,419,943</u>	<u>2,252,006</u>
Opening balance exchange movement	(10,612)	(6,613)	(19,956)	(213,000)	(250,181)
Additions	—	—	3,075	—	3,075
Disposals	—	—	—	—	—
At 31 December 2002	<u>493,418</u>	<u>70,632</u>	<u>233,907</u>	<u>1,206,943</u>	<u>2,004,900</u>
<b>Depreciation</b>					
At 1 January 2001	42,285	11,372	80,381	68,080	202,18
Opening balance exchange movement	991	636	2,470	—	4,097
On disposals	—	(1,666)	(2,467)	—	(4,133)
Charge for the year	87,326	21,732	72,039	375,518	556,615
At 31 December 2001	<u>130,602</u>	<u>32,074</u>	<u>152,423</u>	<u>443,598</u>	<u>758,697</u>
Opening balance exchange movement	(7,989)	(9,027)	(7,774)	(108,335)	(133,125)
On disposals	—	—	—	—	—
Charge for the year	64,539	14,126	50,038	402,314	531,017
At 31 December 2002	<u>187,152</u>	<u>37,173</u>	<u>194,687</u>	<u>737,577</u>	<u>1,156,589</u>
<b>Net book value</b>					
At 31 December 2002	<u>306,266</u>	<u>33,459</u>	<u>39,220</u>	<u>469,366</u>	<u>848,311</u>
At 31 December 2001	<u>373,428</u>	<u>45,171</u>	<u>98,365</u>	<u>976,345</u>	<u>1,493,309</u>

## 5.10 Fixed asset investments – Company

	Shares in subsidiary undertakings £	Contributions to subsidiary undertakings £	Total £
<b>Cost</b>			
At 1 January 2001 (Consolidated)	15,564,497	4,813,804	20,378,301
Additions	93,750	1,746,914	1,840,664
Special adjustment	(4,371,163)	–	(4,371,163)
At 31 December 2001(Consolidated)	11,287,084	6,560,718	17,847,802
Additions	–	679,723	679,723
At 31 December 2002 (Consolidated)	11,287,084	7,240,441	18,527,525
Additions	–	484,815	484,815
At 31 December 2003	11,287,084	7,725,256	19,012,340
At 30 June 2004	11,287,084	7,725,256	19,012,340
<b>Provision for diminution in value</b>			
At 1 January 2001 (Consolidated)	–	–	–
Provision in year	9,287,084	6,560,718	15,847,802
At 31 December 2001 (Consolidated)	9,287,084	6,560,718	15,847,802
At 31 December 2002 (Consolidated)	9,287,084	6,560,718	15,847,802
Written off in year	2,000,000	1,164,538	3,164,538
At 31 December 2003	11,287,084	7,725,256	19,012,340
At 30 June 2004	11,287,084	7,725,256	19,012,340
<b>Net book value</b>			
At 30 June 2004	–	–	–
At 31 December 2003	–	–	–
At 31 December 2002	2,000,000	679,723	2,679,723
At 31 December 2001	2,000,000	–	2,000,000

Capital contributions represent the capitalised amounts of funding made available by IMM to its subsidiaries.

In the opinion of the directors of IMM, the aggregate value of IMM's investment in subsidiary undertakings should be written off, as the subsidiary undertakings are now in administration and have ceased to trade.

Subsidiary undertakings Company	Country of registration or incorporation	Proportion of voting rights and shares held Class	%	Principle activity
Lupine Ventures Limited	United Kingdom	Ordinary shares	100	Investment company
Groovetech LLC	U.S.A.	Membership units	100	Broadcast music and related activities
Groovetech Limited	United Kingdom	Ordinary shares	100	Broadcast music and related activities

At 31 December 2001, IMM held 72 per cent. of the membership units of its subsidiary, Groovetech LLC. The remaining 28 per cent. are subject to an unconditional put and call option between IMM and Groovetech Technologies Inc exercisable by either party between May 2002 and May 2010. The directors of IMM are of the opinion that the commercial effect of the option agreement is that IMM owns 100 per cent. of its subsidiary and believe that, the consolidation of 100 per cent. of the subsidiary's losses, assets and liabilities presents a meaningful and prudent picture of the position.

### 5.10 Fixed asset investments – Company (continued)

During the year the terms of the agreement were changed and the number of shares to be issued to acquire the 28 per cent. interest was reduced to 1,556,190 ordinary shares at an issued price of £1.58. This results in a reduction of the carrying value of the investment of £4,371,163 and an equivalent adjustment to issued share capital and share premium.

IMM has further written down the cost of its investment in Groovetech LLC (including funding treated as capital contribution of £6.6 million) to a carrying value of £2 million at 31 December 2001 resulting in an exceptional write-off of goodwill of £9,287,084 and a further exceptional charge of £6,560,718 parent company profit and loss account for the year.

### 5.11 Stocks

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Finished goods	–	–	231,557	297,879

### 5.12 Debtors

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Trade debtors	–	–	–	5,744
VAT recoverable	–	–	6,811	–
Other debtors	–	–	35,526	55,220
Called up share capital not paid	9,917	9,917	9,917	9,917
Prepayments and accrued income	–	–	19,586	31,332
	<u>9,917</u>	<u>9,917</u>	<u>71,840</u>	<u>132,213</u>

### 5.13 Creditors: amounts falling due within one year

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Directors current account	1,311,526	1,311,526	610,533	75,534
Bank loans and overdrafts	410	–	745,264	30,651
Amounts owed to group undertakings	46,295	46,295	–	–
Trade creditors	149,166	149,166	498,944	247,568
Taxes and social security	1,796	1,796	–	36,124
Other creditors including PAYE and social security	682,642	670,642	324,676	15,810
Accruals and deferred income	29,658	29,658	140,868	85,785
	<u>2,221,493</u>	<u>2,209,083</u>	<u>2,320,285</u>	<u>491,472</u>

The following liabilities, disclosed under creditors falling due within one year, are secured by the company:

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Bank loans and overdrafts	–	–	700,000	–

2003: Other creditors of £670,642 are secured over the assets of the company.

2004: Other creditors of £682,642 are secured over the assets of the company.

### 5.14 Creditors: amounts falling due after more than one year

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
In more than one year, but no more than two years	–	–	–	700,000

## 5.15 Share capital

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
<b>Authorised</b>				
279,388,100 Ordinary Shares of £0.01 each	2,793,881	2,793,881	2,793,881	2,793,881
13,358,829 Deferred Shares of £0.24 each	3,206,119	3,206,119	3,206,119	3,206,119
	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>

	2004		2003		2002 & 2001	
	No.	£	No.	£	No.	£
<b>Allotted and called up</b>						
Ordinary Shares of £0.01 each	33,908,535	339,086	35,464,800	354,648	35,464,800	354,648
Deferred Shares of £0.24 each	13,358,829	3,206,119	13,358,829	3,206,119	13,358,829	3,206,119
	<u>47,267,364</u>	<u>3,545,205</u>	<u>48,823,629</u>	<u>3,560,767</u>	<u>48,823,629</u>	<u>3,560,767</u>

The amounts of paid-up share capital for the following category of shares differed from the called up share capital stated above due to unpaid calls and were as follows:

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Ordinary Shares	<u>9,917</u>	<u>9,917</u>	<u>9,917</u>	<u>9,917</u>

During the year ended 31 December 2001 IMM issued 631,579 ordinary shares of £0.25 each at £0.38 per share to raise working capital, and further 3,183,226 ordinary shares of £0.01 each at £0.12 per share as consideration for finance-raising services provided to the company. During the year the company carried out a capital reorganisation under which the existing ordinary shares of £0.25 each were subdivided and redesignated into one new ordinary share of £0.01 each and one deferred share of £0.24 each. In addition 17,366,479 new Ordinary Shares at £0.12 per share were issued pursuant to a placing and open offer in July 2001.

Up to and including 31 December 2003 IMM has included 100 per cent. of its investment in Groovetech LLC in the financial statements. The issued share capital stated above includes 1,556,190 Ordinary Shares deemed to have been issued in respect of the 28 per cent. of the investment not owned at the balance sheet dates

For the interim figures produced to 30 June 2004 the view was taken that since Groovetech LLC has ceased trading, the directors of IMM are of the opinion that the additional 1,556,190 Ordinary Shares will not be issued. The share capital in respect of these shares has therefore been written off to the profit and loss account.

IMM had granted the following options over Ordinary Shares.

There are no longer any options remaining.

Date of grant	Exercise price	Number of options			
		2004 Unaudited	2003	2002 Consolidated	2001 Consolidated
October 1999	£0.25	–	–	–	100,000
September 2000	£0.69	–	–	158,500	236,500
October 2000	£0.73	–	–	187,500	195,500
October 2001	£0.04	–	–	280,000	380,000
October – November 2001	£0.06	–	–	173,000	696,000
July 2002	£0.04	–	–	50,000	–

## 5.16 Reserves

<b>Group</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
At 1 January 2001	14,935,548	(4,160,026)
Loss for the year	–	(12,157,201)
Foreign currency retranslation	–	58,946
Premium on share issues, less expenses	2,342,574	–
Share Premium movements	<u>(3,827,454)</u>	<u>–</u>
At 31 December 2001	13,450,668	(16,258,281)
Loss for the year	–	(1,760,590)
Foreign currency retranslation	–	(161,142)
At 31 December 2002	<u>13,450,668</u>	<u>(18,180,013)</u>
	<b>Share premium account £</b>	<b>Profit and loss account £</b>
<b>Company</b>		
At 1 January 2001	15,123,006	(111,067)
Loss for the year	–	(15,908,403)
Premium on share issues, less expenses	2,342,574	–
Share Premium movements	<u>(3,827,454)</u>	<u>–</u>
At 31 December 2001	13,638,124	(16,019,470)
Loss for the year	–	(156,884)
At 31 December 2002	13,638,124	(16,176,354)
Loss for the year	–	(3,221,491)
At 31 December 2003	13,638,124	(19,397,845)
Profit for the period	–	2,940
At 30 June 2004	<u>13,638,124</u>	<u>(19,394,905)</u>

## 5.17 Reconciliation of movements in shareholders' funds

	<b>2004 Unaudited £</b>	<b>2003 £</b>	<b>2002 Consolidated £</b>	<b>2001 Consolidated £</b>
<b>Equity shareholder's funds</b>				
Profit/(loss) for the financial period	2,940	(3,221,491)	(1,760,590)	(12,157,201)
Reduction in Ordinary Share capital	(15,562)	–	–	(3,907,852)
Premium on new share capital subscribed	–	–	–	(1,484,880)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,392,732)</u>
	(12,622)	(3,221,491)	(1,760,590)	(17,549,933)
Foreign currency retranslation	–	–	(161,142)	58,946
Net reduction to funds	(12,622)	(3,221,491)	(1,921,732)	(17,490,987)
Opening shareholders' equity (deficit) / funds	<u>(5,405,073)</u>	<u>(2,183,582)</u>	<u>(2,452,965)</u>	<u>15,038,022</u>
Closing shareholders' equity deficit	<u>(5,417,695)</u>	<u>(5,405,073)</u>	<u>(4,374,697)</u>	<u>(2,452,965)</u>

### 5.18 Reconciliation of movements in shareholders' funds (continued)

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
<b>Non-Equity shareholder's funds</b>				
Opening shareholder's non-equity funds	3,206,119	3,206,119	3,206,119	–
New non-equity share capital subscribed	–	–	–	3,206,119
Closing shareholders' non-equity funds	<u>3,206,119</u>	<u>3,206,119</u>	<u>3,206,119</u>	<u>3,206,119</u>
Total shareholders' (deficit)/funds	<u>(2,211,576)</u>	<u>(2,198,954)</u>	<u>(1,168,578)</u>	<u>753,154</u>

### 5.19 Reconciliation of operating loss to operating cash flows

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
Operating loss	2,940	(135,887)	(1,706,439)	(12,100,316)
Depreciation charges	–	–	531,017	556,615
Exceptional goodwill impairment	–	–	–	9,806,650
(Decrease)/increase in stocks	–	–	66,322	(21,493)
(Decrease)/increase in debtors	–	–	60,373	(59,789)
Decrease/(increase) in creditors	(3,562)	1,362,456	1,114,201	(373,324)
(Gain)/loss on foreign currency retranslation on debt	–	–	(44,086)	9,914
Net cash inflow/(outflow) from operating activities	<u>(622)</u>	<u>1,226,569</u>	<u>21,388</u>	<u>(2,181,743)</u>

### 5.20 Reconciliation of net cash flow to movement in net debt

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
(Decrease)/increase in cash in the period	(622)	10,688	(12,332)	(201,290)
Bank loans	–	700,000	(23,506)	(127,698)
<b>Movement in net debt</b>	<u>(622)</u>	<u>710,000</u>	<u>(35,838)</u>	<u>(328,988)</u>
Opening debt	212	(710,476)	(709,426)	(380,438)
Closing debt	<u>(410)</u>	<u>212</u>	<u>(745,264)</u>	<u>(709,426)</u>

### 5.21 Directors' emoluments

Directors' emoluments and other benefits are as listed below.

	2004 Unaudited £	2003 £	2002 Consolidated £	2001 Consolidated £
<b>Executive Directors</b>				
J W Cunningham	–	–	433,333	35,417
Z J Jenkins	–	–	38,518	35,417
B W Pember	–	–	20,728	35,417
<b>Non-executive Directors</b>				
N J Cowan	–	–	1,000	12,000
D S Rogers	–	–	5,000	12,000
R D Cordell	–	–	5,000	8,231
N S Drummond	–	–	–	5,000
	<u>–</u>	<u>–</u>	<u>113,579</u>	<u>143,482</u>

During the year ended 31 December 2003 the Board agreed the Directors of IMM will not draw remuneration until such time that IMM is able to sustain it. Whilst none of the Directors of IMM received any remuneration from IMM Plc, the executive directors received remuneration in respect of their services to Groovetech LLC and Groovetech Limited, until the cessation of operations. The accounting records are held by the Administrative Receivers, accordingly no remuneration in respect to this employment has been included here.

### 5.21 Directors emoluments (continued)

During the year ended 31 December 2002 the Board agreed that as a result of the poor performance of the Group that the Non-executive Directors of IMM reduce their remuneration until such a time that the Group is able to sustain their remuneration.

J W Cunningham, Z J Jenkins and B W Pember entered into service contracts with IMM terminable by either party at not less than one year's notice.

### 5.22 Employment number and costs

The average number of persons employed by the group (excluding directors) during the year, analysed by category, were as follows:

	Number of employees			
	2004 Unaudited	2003	2002 Consolidated	2001 Consolidated
Administration	–	2	26	40

The aggregate payroll costs of these persons were as follows:

	2004 Unaudited £	2003	2002 Consolidated £	2001 Consolidated £
Wages and salaries	–	6,159	787,806	1,051,263
Social security costs	–	–	63,844	94,749
	–	6,159	851,650	1,146,012

### 5.23 Related party disclosures

During the year ended 31 December 2003 N J Cowan repaid the Coutts Bank loan of £700,000 on behalf of IMM in full. N J Cowan had given a personal guarantee to Coutts Bank in favour of a £700,000 loan facility for IMM, which was outstanding for the years ended 31 December 2002 and 2001.

IMM had an interest free loan from N J Cowan of £1,236,526, £1,236,526, £535,534 and £75,534 at the period ended 30 June 2004 and year ended 31 December 2003 and years ended 2002 and 2001 respectively.

IMM had an interest free loan from R B Cordell of £75,000 at the period ended 30 June 2004 and year ended 31 December 2003 and 2002.

### 5.24 Post balance sheet events

Subsequent to the year end the Company effected a Creditors' Voluntary Arrangement and the share capital was restructured.

### 5.25 Auditors

The auditors for the two years ended 31 December 2003 were Hurst Morrison Thompson LLP Chartered Accountants & Registered Auditors, 5 Fairmile, Henley-on-Thames, Oxfordshire, RG9 2JR and for the year ended 31 December 2001 were Gerald Edelman, 25 Harley Street, London, W1G 9BR.

Yours faithfully

Jeffreys Henry LLP

## PART III

### Section 2

#### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

Set out below is the full text of the Interim Results for the six months ended 30 June 2004:

##### “CHAIRMAN’S STATEMENT

###### Re-Admission to Trading on AIM

I am pleased to confirm that following the recent EGM, Leo Knifton, Nigel Weller and Stephen Oakes have been appointed to the Board. These gentlemen bring a wealth of experience in managing ‘shell’ companies and we are already reviewing a number of suitable and exciting businesses. We will of course seek shareholder approval for such an acquisition at the appropriate time.

I am also pleased to report that trading in the Company’s shares have recommenced on AIM.

The interim results for the six month period ended 30th June 2004, show a profit before and after taxation for the Company of £2,940. This has resulted from a trading loss of £12,622 and a write off of share capital of £15,562.

On 3rd November 2004, the Company entered into a Creditors Voluntary Arrangement under which the existing 33,908, 535 Ordinary shares of 1p each were consolidated into 678,170 Ordinary shares of 50p and those shares were divided into 678,170 ordinary shares of 0.2p each and 678,170 new deferred shares of 49.8p each. Subsequently, 1,586,666 new ordinary shares of 0.2p each were issued to the creditors under the supervision of the CVA supervisor, together with 1,040,874 new ordinary shares of 0.2p each to Lloyd Traders Inc at par and 174,059 new ordinary shares of 0.2p each at par to the CVA Supervisor in respect of their services.

Application has been made to the London Stock Exchange for the total of 3,479,769 ordinary shares of 0.2p each to be admitted to trading on AIM.

The shareholders should note that the interim figures do not include any adjustment in respect of the Creditors Voluntary Arrangement.

Nicholas Cowan  
*Chairman*

##### Profit and Loss Account

	6 months ended 30 June 2004 Unaudited GBP '000s	6 months ended 30 June 2003 Unaudited Consolidated GBP '000s	12 months ended 31 December 2003 Audited GBP '000s
Turnover	–	1,154	–
Cost of sales	–	(929)	–
Gross profit	–	225	–
Administration costs	(13)	(864)	(136)
Amounts written off investments (note 2)	16	–	(3,055)
Interest payable	–	(20)	(31)
Other operating income	–	1	–
Profit/(Loss) on Ordinary Activities before Taxation	3	(658)	(3,222)
Taxation	–	–	–
Profit/(Loss) on Ordinary Activities after Taxation	3	(658)	(3,222)
Retained profit/(loss)	3	(658)	(3,222)
Profit/(Loss) per ordinary share	0.009p	(1.85)p	(9.08)p

## Summary Balance Sheet

	6 months ended 30 June 2004	6 months ended 30 June 2003	12 months ended 31 December 2003
	Unaudited GBP '000s	Unaudited Consolidated GBP '000s	Audited GBP '000s
<b>Fixed assets</b>			
Investments	–	–	–
Tangible assets	–	613	–
	<u>–</u>	<u>613</u>	<u>–</u>
<b>Current assets</b>			
Stock	–	93	–
Debtors	10	96	10
Cash	–	–	–
	<u>10</u>	<u>189</u>	<u>10</u>
<b>Creditors:</b> amounts falling due within one year	(2,222)	(2,624)	(2,209)
Net current liabilities	(2,212)	(2,435)	(2,199)
Total assets less current liabilities	(2,212)	(1,822)	(2,199)
<b>Capital and reserves</b>			
Called-up share capital	3,545	3,561	3,561
Share premium account	13,638	13,451	13,638
Reserves	(19,395)	(18,834)	(19,398)
	<u>(2,212)</u>	<u>(1,822)</u>	<u>(2,199)</u>
<b>Shareholders' Funds</b>			
Equity	(5,418)	(5,028)	(5,405)
Non-equity	3,206	3,206	3,206

## Summary Cash Flow Statement

	6 months ended 30 June 2004	6 months ended 30 June 2003	12 months ended 31 December 2003
	Unaudited GBP '000s	Unaudited Consolidated GBP '000s	Audited GBP '000s
Net cash inflow/(outflow) from operating activities	–	734	1,227
<b>Returns on investment and servicing of finance</b>			
Interest paid	–	(20)	(31)
Net cash outflow from returns on investments and servicing of finance	–	(20)	(31)
<b>Capital expenditure and financial investment</b>			
Capital contributions to subsidiaries	–	–	(485)
Payments to acquire fixed assets	–	(8)	–
Net cash outflow for capital expenditure and financial investment	–	(8)	(485)
Net cash inflow/(outflow) before financing	–	706	711
<b>Financing</b>			
Bank loans repaid	–	(724)	(700)
(Decrease)/Increase in cash in the period	–	(18)	11

## Notes to the Cash Flow Statement

	6 months ended 30 June 2004	6 months ended 30 June 2003	12 months ended 31 December 2003
	Unaudited GBP '000s	Unaudited Consolidated GBP '000s	Audited GBP '000s
<b>Net cash inflow/(outflow) from operating activities</b>			
Operating profit/(loss)	3	(638)	(136)
Depreciation	–	248	–
Decrease/(Increase) in stocks	–	139	–
Decrease/(Increase) in debtors	–	(24)	–
Increase/(Decrease) in creditors	(3)	1,009	1,363
	–	734	1,227
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/Increase in cash	–	(18)	11
Bank loans	–	724	700
Movement in net debt	–	706	711
Opening debt	–	(1,448)	(711)
Closing debt	–	(742)	–

## Notes to the Interim Results

### 1. Basis of preparation

The results for the six months ended 30th June 2004 are unaudited and have not been reviewed by the auditors. They have been prepared on accounting bases and policies that are consistent with those used in the preparation of the financial statements of the company for the period ended 31st December 2003. The results for the six months ended 30th June 2004 do not consolidated the financial statements of the company's subsidiary undertakings as their accounting records were transferred to and are held by the Administrative receivers.

The financial statements contained in this report do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 31st December 2003 were reported on by the auditors and received a qualified auditor's report, which included the following:

'As fully explained in note 1 no adjustments have been made in respect of the company no longer being considered as a going concern. In our opinion, provision for these adjustments should be made.

In addition, as the company is the parent of a plc group, it is required under s229(1) Companies Act 1985 to prepare consolidated group accounts as at the year end. Due to a lack of accounting records in respect of the company's subsidiary undertakings, which have gone into Administrative Receivership during September 2003, group accounts have not been prepared as required by s229(1) Companies Act 1985.

In view of the effect of the above points in our opinion the financial statements do not give a true and fair view of the state of the company and the group's affairs as at 31 December 2003 and of the loss of the company and the group for the year then ended, and have not been prepared in accordance with the Companies Act 1985.'

Full accounts for the period ended 31st December 2003 have been delivered to the Registrar of Companies.

### 2. Share capital

Included with share capital are 1,556,190 Ordinary shares of 1p each deemed to have been issued in respect of 28% of the Groovetech LLC investment not owned at the balance sheet date but subject to an unconditional put and call option. Since Groovetech LLC has ceased trading the directors are of the opinion that the additional 1,566,190 will not be issued. The share capital in respect of these shares has therefore been written off of to the profit and loss account.

### 3. Dividends

No dividend is proposed for the period ended 30th June 2004.

### 4. Taxation

No taxation is expected to arise on the results for the period.

### 5. Loss per Share

The loss per share for the six months ended 30th June 2004 has been calculated on the basis of the profit after taxation for the period of £2,940 (June 2003: £(658,000) and December 2003 £(3,221,491)) and the weighted average number of shares in issue during the period of 33,908,535 (2003: 35,464,800)."

## PART IV

### UN-AUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The unaudited *pro forma* statement of net assets has been prepared on the basis of the notes set out below to show the effect on the net assets of the Enlarged Group of the Acquisition and Placing as if they had taken place on 30 September 2004.

The *pro forma* statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a complete picture of the financial position which would have been reported if the Acquisition and Placing had occurred on the date assumed. The statement has been prepared on the basis that the minimum funds are raised by the Placing.

	Company £000's	Timestrip Limited £000's	Adjustments 3a £000's	Adjustments 3b £000's	Adjustments 3c £000's	Adjustments 3d £000's	Pro forma net assets for the Enlarged Group £000's
<b>Fixed assets</b>							
Intangible assets	–	24	–	5,946	–	100	6,070
Tangible assets	–	321	–	–	–	–	321
Investments	–	–	–	–	–	–	–
	–	345	–	5,946	–	100	6,391
<b>Current assets</b>							
Stocks	–	71	–	–	–	–	71
<b>Debtors:</b> amounts falling due within one year	10	130	(10)	–	–	–	130
Cash at bank and in hand	–	162	–	–	1,238	(100)	1,300
	10	363	(10)	–	1,238	(100)	1,501
<b>Creditors:</b> amounts falling due within one year	(2,222)	(170)	2,222	–	–	–	(170)
<b>Net current assets</b>	(2,212)	193	2,212	–	1,238	(100)	1,331
Total assets less current liabilities	(2,212)	539	2,212	5,946	1,238	–	7,723
<b>Creditors:</b> amounts falling due after more than one year	–	(85)	–	–	–	–	(85)
<b>Net assets</b>	(2,212)	454	2,212	5,946	1,238	–	7,638

#### Notes to the *pro forma* statement of net assets

1. The balance sheet of the Company as at 30 June 2004 has been extracted, without adjustment, from the Accountants' Report as set out in Part III of this document.
2. The balance sheet of Timestrip as at 30 September 2004 has been extracted, without adjustment, from the Accountants' Report as set out in Part II of this document.
3. The adjustment represents the following:
  - a. The issue of shares in the Company on 5 November 2004 being 1,586,666 Ordinary Shares to creditors under the terms of the Company Voluntary Arrangement ("CVA"), 1,040,874 Ordinary Shares to Lloyd Traders Inc at par, 174,059 Ordinary Shares to Antony Batty in settlement of his services as Supervisor to the CVA.
  - b. Goodwill of £5,945,690 arising on the acquisition of Timestrip, based on the difference between the consideration of £6,400,000 and the net assets of Timestrip as at 30 September 2004 of £454,310. IMM will acquire all of the issued ordinary shares of Timestrip comprising 80,000 'A' Ordinary Shares of 0.1 pence each, 85,304 'B' Ordinary Shares of 0.1 pence each (together "the Sale Shares"). The Sale Shares will be acquired for a total consideration valued at £6.4 million to be satisfied by the issue to the Sellers of the Consideration Shares. The resultant goodwill is expected to be amortised over its useful economic life of 20 years.
  - c. Placing of 37,500,000 shares resulting in net proceeds of £1,238,000 (net of estimated expenses of £262,000)
  - d. The payment of £100,000 being the balance due to Profile in respect of the purchase of the Intellectual Property Rights.

## PART V

### RISK FACTORS

The attention of potential investors is drawn to the fact that ownership of Ordinary Shares in the Company involves a variety of risks. Investors should be aware of the risks associated with an investment in a business in the early stages of development. All potential investors should carefully consider the entire contents of this document including, but not limited to, the factors described below before deciding whether or not to invest in the Company. The information below does not purport to be an exhaustive list or summary of the risks affecting the Enlarged Group. There may be additional risks of which the Directors and the Proposed Directors are not aware. Investors should consider carefully whether an investment in the Company is suitable for them, in the light of the matters referred to in this document, their personal circumstances and the financial resources available to them.

#### **Management and employees**

The Enlarged Group has a small management team on which it depends and the departure of any one of the Directors or the Proposed Directors could have an adverse effect on the business. Key man insurance is currently in place covering the two founders of Timestrip for £1 million each. This amount will be regularly reviewed.

#### **Intellectual Property (“IP”)**

Notwithstanding the level of patent protection that the Enlarged Group is able to sustain there can be no absolute protection against competing products or technologies entering the market. The Enlarged Group may be unable to protect fully its IP for economic reasons. Timestrip has mitigated this risk partly through IP insurance but also by competitive pricing. The Directors and the Proposed Directors are not aware of any intellectual property rights held by third parties which may be infringed by Timestrip in any particular jurisdiction, but the nature of IP protection is such that the possibility of such infringement cannot be excluded.

#### **Supplier**

The Enlarged Group is dependent on a single source third party for the supply of the core raw material of the Timestrip® product. Variations of yields, loss of production due to natural disasters or accidents and adverse decisions by this third party on its production mix could affect the Enlarged Group’s ability to meet the market demand at a specified cost. However, the Enlarged Group’s requirement is a very small proportion of the overall production capability. In addition, alternatives to this material are continually being sought and tested.

#### **Production facility**

Timestrip relies on an external manufacturer based in Israel which operates machinery owned by Timestrip and located in their premises. Timestrip is accordingly not able to exercise direct control over the manufacturing process.

#### **Competition**

The Directors and the Proposed Directors are not aware of any directly competing products at present. However, it is conceivable that such products are in development.

#### **Marketability**

The value of the Ordinary Shares may go down as well as up, and an investor in the Company may not recover the amount invested.

The Ordinary Shares are not listed on the Official List of the UK Listing Authority and, although the Ordinary Shares are to be traded on AIM, this should not be taken as implying that there will be a liquid market in the Ordinary Shares. Accordingly, in certain circumstances, an investment in the Ordinary Shares may be difficult to realise.

#### **Suitability**

An investment in the Company may not be suitable for all recipients of this document. Accordingly, potential investors are advised to consult an investment adviser authorised under the Financial Services Act and Markets Act 2000 who specialises in investments of this kind before making their decision.

## PART VI

### SUMMARY OF TERMS AND CONDITIONS OF THE PLACING WARRANTS

The Placing Warrants are constituted by and will be issued subject to and with the benefit of a deed poll of the Company dated 28 January 2005, (the “Warrant Instrument”). Holders of Placing Warrants (“Warranholders”) will be entitled to the benefits of, be bound by and be deemed to have notice of all the terms and conditions set out in the Warrant Instrument, copies of which may be inspected at the registered office of the Company during normal business hours or any weekday (Saturdays, Sundays and public holidays excepted). The following is a detailed summary of the terms of the Warrant Instrument:-

#### 1. Subscription Rights

- 1.1 Subject to the terms and conditions set out herein, Warranholders shall have the right (the “Subscription Right”) to subscribe in cash at the price of 6p (the “Subscription Price”) payable in full in cash on subscription at any time within the period commencing on the date of this Instrument and expiring on the Final Subscription Date (the “Subscription Period”) for one Ordinary Share of 0.02p in the Company for each Placing Warrant held.
- 1.2 The Company shall issue a Warrant Certificate to each Warranholder or, in the case of joint holders, to the holder whose name appears first in the register of Warranholders.
- 1.3 In order to exercise Subscription Rights in whole or in part, the Warranholder must lodge the Warrant Certificates at the registered office of the Company for the time being or at such other address or addresses as the Company may from time to time notify to Warranholders, on or within 28 days prior to the date on which he wishes to exercise his Subscription Rights (the “Subscription Date”) (but not later than 3.00 pm on that date) having completed the Notice of Exercise of Subscription Right thereon, accompanied by a remittance being a banker’s draft in the favour of the Company drawn on a London Clearing bank for the aggregate Subscription Price payable on subscription for the Shares in respect of which his Subscription Rights are exercised.
- 1.4 The Company may at its discretion within the period of thirty (30) days after any period of 30 consecutive trading days during which Middle Market Price of the shares has been not less than 8p per share give notice in writing (“Expiry Notice”) to each of the Warranholders that the Placing Warrants are to expire and the Subscription Rights, if not exercised, will cease to be exercisable with effect from a date (“the Expiry Date”) specified in the Expiry Notice not less than 30 days after the date of the Expiry Notice. Any Placing Warrants in respect of which the Subscription Rights have not been exercised in accordance with paragraph 1.3 above on or before the Expiry Date will lapse and the Subscription Rights and all other rights in respect thereof will cease to be exercisable with effect from the Expiry Date.
- 1.5 Not earlier than eight weeks nor later than four weeks before the Final Subscription Date, the Company shall give notice in writing to the holders of the outstanding Placing Warrants reminding them of their Subscription Rights. Such notice shall set out the Subscription Price, adjusted, if appropriate, in accordance with paragraph 2 below, at which Warranholders may subscribe for Shares before the expiry of the Subscription Period.
- 1.6 Shares allotted pursuant to the exercise of Subscription Rights will be issued not later than 14 days after, and with effect from, the relevant Subscription Date. Unless the Directors otherwise determine, the Shares allotted on the exercise of any Subscription Rights shall be allotted and issued in uncertificated form or, otherwise, in certificated form. In the case of Shares to be allotted and issued in certificated form, certificates in respect of such Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant Subscription Date to the person(s) in whose name(s) the Placing Warrants are registered at the date of such exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the Form of Nomination on the reverse of the relevant Warrant certificate (and, if more than one, to the first named, which shall be sufficient despatch for all). No fraction of a Share will be issued on the exercise of any First Warrant and no refund will be made to a Warranholder in respect of any subscription moneys paid by that Warranholder which represent such a fraction (if any). In the event of a partial exercise of the Subscription Rights evidenced by a Warrant Certificate, the Company shall at the same time, issue and despatch as described above, a fresh Warrant Certificate in the name of the Warranholder(s) for any balance of Placing Warrants with Subscription Rights remaining exercisable.

- 1.7 Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, paid or made for which the record date is prior to the relevant Subscription Date but, subject thereto, will rank in full for all dividends and other distributions in respect of the then current financial year and *pari passu* in all other respects with the Shares in issue on such Subscription Date, provided that on any allotment falling to be made pursuant to paragraph 3.7 or paragraph 3.8 below the Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of allotment.
- 1.8 So long as the Company's Shares are admitted to trading on ("AIM") the Company will apply for the Shares allotted pursuant to exercise of the Subscription Rights to be admitted to trading on AIM and the Company will use all reasonable endeavours to obtain the admission thereof not later than 14 days after the relevant Subscription Date (or the date of allotment of Shares if allotted otherwise than on the Subscription Date).

## 2. Adjustment of Subscription Rights

- 2.1 Upon the happening of any of the matters set out in this paragraph 2.1, the Subscription Rights will be adjusted in relation to any subsequent exercise of the Placing Warrants as follows:-

- 2.1.1 Consolidation, Reclassification or Subdivision: if and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, reclassification or subdivision, the Subscription Rights shall be adjusted by multiplying the price at which Shares are to be issued on exercise of the Placing Warrants in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- 2.1.2 Capitalisation of Profits or Reserves: if and whenever the Company shall issue any Shares credited as fully paid to the holders of Shares ("Shareholders") by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), other than Shares issues instead of the whole or any part of a cash dividend which the Shareholders would or could otherwise have received, the Subscription Rights shall be adjusted by multiplying the price at which Shares are to be issued on exercise of the Placing Warrants in force immediately prior to such issue by the following fraction:-

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Share immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares.

- 2.1.3 Offer by way of rights: if prior to the Final Subscription Date the Company shall make any offer to holders of Shares of new Shares for subscription or purchase by way of rights then, unless at the option of the Company an equivalent offer (made on the basis of the Warranholder being the registered holder of all of the Shares remaining subject to his Placing Warrants) is made to each Warranholder, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the date of the announcement of such offer by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount payable for the total number of Shares comprised in such rights issue would purchase at the average of Middle Market Price for the five consecutive dealings ending on the dealing day immediately preceding the date of the announcement of the terms of the relevant offer and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or purchase. Such adjustment shall become effective immediately on the date of issue or purchase of the Shares.

For the purpose of this paragraph 2.1.3:

“announcement” shall include the release of an announcement to the press or the delivery or transmission by telephone or otherwise of an announcement to the London Stock Exchange plc and “date of announcement” shall mean the date on which the announcement is first so released, delivered or transmitted;

“issue” shall include allot; and

“rights” includes rights in whatsoever form issued.

- 2.2 If any offer (not being an offer falling within paragraph 2.1.3 above) or invitation is made to the holders of the ordinary share capital of the Company on the register on a record date being a date prior to the Final Subscription Date, the Company shall make, or so far as it is able, procure that there is made at the same time, a like offer or invitation to each Warrantholder (made on the basis of the Warrantholder being the registered holder of all of the Shares remaining subject to his Placing Warrants). Except for an offer falling within paragraph 2.1.3, the Company shall not make, or permit any subsidiary to make, any offer or invitation to holders of the ordinary share capital of the Company unless it makes to each Warrantholder at the same time a like offer or invitation as referred to in the preceding sentence of this paragraph 2.2.
- 2.3 Upon the occurrence of an event referred to in paragraph 2.1, the Company shall request the auditors of the Company from time to time acting as experts to determine such adjustment to the number and/or nominal value of Shares to be subscribed on exercise of the Subscription Rights and/or the Subscription Price (provided that the Subscription Price shall never be less than the nominal value of Shares) as is fair and reasonable in accordance with paragraph 2.1 above and within 14 days thereafter the Company shall give notice of such adjustments to the Warranholders together with a new Warrant Certificate in respect of any additional Shares for which that Warrantholder is entitled to subscribe in consequence of such adjustments. The amount of any such adjustments as certified by the auditors shall, in the absence of manifest error, be final and binding on the Company and the Warranholders.

### **3. Other Provisions**

So long as any Subscription Rights remain exercisable:

- 3.1 the Company shall not (except with the sanction of an ordinary resolution of the Warranholders) in any way modify the rights attached to its existing Shares as a class (but so that nothing herein shall restrict the right of the Company to increase or to consolidate or sub-divide its share capital), or create or issue any new class of equity share capital (as defined in section 744 of the Act) except for shares which, as compared with the rights attached to the existing Shares, carry rights which are not more advantageous as regards voting, dividend or return of capital;
- 3.2 the Company shall not issue any Shares as fully paid by way of capitalisation of profits or reserves, nor make any such offer as is referred to in paragraphs 2.1.3 or 2.2, if in either case as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Shares at a discount to nominal value;
- 3.3 the Company shall not (except with the sanction of an ordinary resolution of the Warranholders, such consent not to be unreasonably withheld):
- 3.3.1 amend its Articles so as to enable any distribution of capital profits or capital reserves; or
- 3.3.2 (except as authorised by sections 130-134 (inclusive) or section 170 of the Act) reduce its share capital or any share premium account or capital redemption reserve;
- 3.4 the Company shall keep available for issue sufficient authorised but unissued ordinary share capital to satisfy in full all Subscription Rights remaining exercisable;
- 3.5 the Company shall not make any such offer or invitation as is referred to in paragraphs 2.1.3 or 2.2 to the holders of Shares unless:
- 3.5.1 where such offer or invitation involves the allotment of relevant securities (as defined in section 80 of the Act) the Directors shall have authority for the purposes of the said section 80 to allot any such securities to be allotted to the Warranholders in accordance with paragraphs 2.1.3 or 2.2; and
- 3.5.2 section 89(1) of the Act shall have been disapplied to the extent (if any) necessary to enable the Company to make such offer or invitation to the Warranholders and to effect any allotment pursuant thereto;

- 3.6 if at any time an offer or invitation is made by the Company to the holders of its Shares for the purchase by the Company of any of its Shares, the Company shall simultaneously give notice thereof to the Warrantholders and each Warrantholder shall be entitled, at any time while such offer or invitation is open for acceptance, to exercise his Subscription Rights on the terms (subject to any adjustments pursuant to paragraph 2.1) on which the same could have been exercised on the day immediately preceding the record date for such offer or invitation and so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation;
- 3.7 subject to paragraph 3.8, if at any time an offer is made by any party other than the Company to all holders of Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Warrantholders of such vesting within 28 days of its becoming so aware. The publication of a scheme of arrangement under section 425 of the Act providing for the acquisition (by whatever means) by any person other than the Company of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3.7 and references in these terms and conditions to such an offer shall be read and construed accordingly;
- 3.8 if any offer as is referred to in paragraph 3.7 shall be made whereunder the consideration shall consist solely of the issue of Shares of the offeror and the offeror shall make available an offer of warrants to subscribe for Shares in the offeror in exchange for the Warrants which the financial advisers to the Company shall consider in their opinion (acting as experts and not as arbitrators) to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the financial advisers of the Company to be relevant), then any Director of the Company shall be authorised as attorney for the Warrantholders (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for Shares in the offeror as aforesaid whereupon all the Placing Warrants shall lapse and (ii) to do all such acts and things as may be necessary or appropriate in connection therewith, subject in the case of both (i) and (ii) aforesaid to such offer becoming or being declared unconditional in all respects and the offeror being in a position compulsorily to acquire the whole of the issued ordinary share capital of the Company; and
- 3.9 if an order is made or an effective resolution is passed for winding up the Company (except for the purposes of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the Warrantholders), each Warrantholder shall (if in such winding up and on the basis that all Subscription Rights then unexercised had been exercised in full and the Subscription Price therefor (taking account of any adjustments to the Subscription Price pursuant to paragraph 2.1) had been received in full by the Company there would be a surplus available for distribution amongst the holders of the Shares, including for this purpose the Shares which would arise on exercise of all the Subscription Rights (taking account of any adjustments to the Subscription Price pursuant to paragraph 2.1, which would on such basis exceed in respect of each Share a sum equal to such Subscription Price) be treated as if immediately before the date of such order or resolution (as the case may be) his Subscription Rights had been exercised in full on the terms (subject to any adjustments pursuant to paragraph 2.1) on which the same could have been exercised on the day immediately before the date of such order or resolution (as the case may be) and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such a sum as he would have received had he been the holder of the Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Share equal to the Subscription Price (subject to any adjustments pursuant to paragraph 2.1). Subject to the foregoing, all Subscription Rights shall lapse on a liquidation of the Company.

#### **4. Modification of Rights**

- 4.1 All or any of the rights for the time being attached to the Placing Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an ordinary resolution of the Warrantholders. All the provisions of the Articles for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the Placing Warrants were a class of shares forming part of the capital of the Company but so that:
- 4.1.1 the necessary quorum shall be Warrantholders present in person or by proxy entitled to subscribe for one-third in nominal amount of the Shares attributable to such outstanding Placing Warrants;

- 4.1.2 every Warrantholder present in person at any such meeting shall be entitled on a show of hands to one vote and every Warrantholder present in person or by proxy at any such meeting shall be entitled on a poll to one vote for each Share for which he is entitled to subscribe;
- 4.1.3 any Warrantholder present in person or by proxy may demand or join in demanding a poll; and
- 4.1.4 at any adjourned meeting those Warrantholders present in person or by proxy shall be a quorum (whatever the number of Placing Warrants held or represented by such Warrantholders).

## **5. Transfer**

- 5.1 Each Placing Warrant will be registered and the Company shall maintain a register of Warrantholders for the time being. The Placing Warrants may not be transferred in whole or in part by the Warrantholders except for transmission under paragraph 6 below.

## **6. Death or Bankruptcy**

- 6.1 The executors or administrators of a deceased Warrantholder (not being one of two or more joint Warrantholders) and in the case of the death of one or more of several joint Warrantholders the survivor or survivors of such joint Warrantholders shall be the only persons recognised by the Company as having any title to or interest in the Placing Warrants of such deceased Warrantholders.
- 6.2 Any person becoming entitled to Placing Warrants in consequence of the death or bankruptcy of a holder of such Placing Warrants or of any other event giving rise to the transmission of such Warrants by operation of law may upon producing such evidence of his entitlement as the Company shall think sufficient be registered himself as the holder of such Placing Warrants.
- 6.3 Any person becoming entitled to a Placing Warrant in consequence of the death or bankruptcy of a Warrantholder shall be entitled to receive and may give good discharge of any monies payable in respect thereof but shall not be entitled to receive notices of or to attend or vote at meetings of Warrantholders of (save as aforesaid) to any of the rights or privileges of a Warrantholder until he shall have become a holder of Placing Warrants.

## **7. Lost or Destroyed Certificates**

- 7.1 If any certificate for Placing Warrants is worn out or defaced then upon production of such certificate to the Directors they may cancel the same and may issue a new certificate in lieu thereof. If any such certificate be lost or destroyed then upon proof thereof to the reasonable satisfaction of the Directors (or in default of proof, on such indemnity as the Directors shall deem adequate being given) a new certificate in lieu thereof may be given to the persons entitled to such lost or destroyed certificate free of charge (save as regards any payment pursuant to any such indemnity).
- 7.2 An entry as to the issue of the new certificate and indemnity (if any) shall be made in the register of Warrantholders ("the Register").

## **8. Notices**

- 8.1 Any notice or other document (including a certificate for Placing Warrants) may be given or sent to any Warrantholder by sending the same by post in a prepaid envelope addressed to such Warrantholder to his registered address in the United Kingdom or (if he has no address within the United Kingdom) to the address (if any) in the United Kingdom supplied by him to the Company for the giving of notice to him.
- 8.2 In the case of joint holders a notice given to the Warrantholder whose name stands first in the Register in respect of such Placing Warrants shall be sufficient notice to all joint holders.
- 8.3 Notice may be given to the persons entitled to any Placing Warrant in consequence of the death or bankruptcy of any Warrantholder by sending the same by post in a prepaid envelope addressed to them or the representative or trustee of such holder at the address (if any) in the United Kingdom supplied for the purpose by such person or (until such address is supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.
- 8.4 Subject to paragraph 1.3 above, any notice required to be given to the Company hereunder may be given either personally or by sending it by post to the registered office of the Company.
- 8.5 Any notice given or document sent by post shall be deemed to be served or received at the expiration of twenty-four hours or, where second-class mail is employed, forty-eight hours after the time when it is posted. In proving

such service or receipt it shall be sufficient to prove that the envelope containing the notice was properly addressed, stamped and posted.

- 8.6 Any Warrantholder described in the Register by an address not within the United Kingdom who shall from time to time give the Company an address within the United Kingdom at which any notice may be served upon him shall be entitled to have notice served on him at such address. Save as aforesaid, no Warrantholder other than the Warrantholder described in the Register by an address within the United Kingdom shall be entitled to receive any notice.
- 8.7 Any person who, by operation of law, transmission or otherwise shall become entitled to any Placing Warrant shall be bound by every notice in respect of such Placing Warrant which prior to his name and address being entered onto the Register shall be duly given to the person from whom he derives his title to such Placing Warrant.

## **9. General**

- 9.1 The Company will concurrently with the issue of the same to the holders of its Shares send to each Warrantholder (or, in the case of joint holders, to the first named) a copy of each published annual report and accounts of the Company together with all documents required by law to be annexed thereto, and copies of all statements, notices, circulars and other documents issued by the Company to holders of Shares.
- 9.2 If any Subscription Date would fall on a day which is not a Business Day, the relevant Subscription Date shall be the next following Business Day.
- 9.3 In this Instrument the following expressions have the following meanings, except where the context otherwise requires;
- 9.3.1 "Act" means the Companies Act 1985 as amended;
- 9.3.2 "AIM" means the Alternative Investment Market of the London Stock Exchange plc or, if the Shares are not at the relevant time so listed, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;
- 9.3.3 "Dealing Day" means a day on which dealing takes place on AIM;
- 9.3.4 "Final Subscription Date" means 1 September 2006;
- 9.3.5 "Middle Market Price" means the average of the closing bid and offer prices in respect of the relevant days' trading on AIM as published in the AIM appendix of the Stock Exchange Daily Official List or other appropriate listing for unissued ordinary shares.
- 9.3.6 "ordinary resolution of the Warrantholders" means a resolution proposed at a meeting of the Warrantholders duly convened and held and passed by a majority of the votes cast, whether on a show of hands or on a poll;
- 9.3.7 "Shares" means Ordinary Shares of 0.02p each in the capital of the Company;
- 9.3.8 "Warrantholders" means the persons for the time being entered in the register as the holders of the Placing Warrants or (as the context may require) a specific portion thereof;
- 9.3.9 all references to time are to time in London, England; and
- 9.3.10 "financial year" has the meaning ascribed thereto by section 223 of the Act, as inserted by the Companies Act 1989.
- 9.4 Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Warrantholders.
- 9.5 Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted and any replacement of that provision.

## PART VII

### ADDITIONAL INFORMATION

#### 1. Responsibility Statements

##### *Directors and Proposed Directors*

The Directors and the Proposed Directors whose names appear on page 7 of this Document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

##### *Concert Party*

Each member of the Concert Party accepts responsibility for the information contained in this document in relation to himself. To the best of the knowledge and belief of each member of the Concert Party (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document for which he is responsible is in accordance with the facts and there is no omission likely to affect the import of such information.

#### 2. Incorporation and Status of the Company

- (a) The Company was incorporated and registered in England and Wales on 1 September 1999, as a public limited company with the name of Chandra Plc and with registered number 3836605. On 20 September 1999 the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act. On 25 April 2000 the Company's name was changed to Internet Music & Media plc.
- (b) The liability of the members of the Company is limited.
- (c) The registered office of the Company is at Finsgate, 5-7 Cranwood Street, London EC1V 9EE.
- (d) The accounting reference date of the Company is 31 December.
- (e) As at the date of this document the Company has no subsidiary or associated undertakings.

#### 3. Share Capital of the Company

- (a) At the date of incorporation the Company had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two subscriber shares were issued.
- (b) On 1 September 1999, two ordinary shares of £1 each were allotted at a subscription price of £1 each;
- (c) On 2 September 1999, the Company sub-divided each £1 ordinary share into four ordinary shares and 199,992 ordinary shares were issued at a price of 25p each.
- (d) On 1 October 1999, the Company increased its authorised share capital from £50,000 to £2,000,000 by the creation of an additional 7,800,000 ordinary shares of 25p each.
- (e) On 13 October 1999, the Company issued 5,000,000 ordinary shares of 25p each for cash at par.
- (f) On 18 April 2000, the Company increased its authorised share capital from £2,000,000 to £6,000,000 by the creation of 16,000,000 ordinary shares of 25p each.
- (g) On 4 May 2000, the Company issued 5,577,251 ordinary shares of 25p each at a price of 158p per ordinary share.
- (h) On 4 May 2000, the Company issued 1,950,000 ordinary shares of 25p each at a price of 158p per ordinary share pursuant to a placing and open offer.
- (i) On 27 March 2001, the Company issued 631,579 ordinary shares of 25p each at 38p per ordinary share.
- (j) On 7 August 2001 the share capital of the Company was re-organised by each of the 13,358,830 ordinary shares of 25p each being sub-divided into one ordinary share of 1p each and one deferred share of 24p and each of the 10,641,170 unissued ordinary shares of 25p each being sub-divided into 25 unissued ordinary shares of 1p each.
- (k) On 7 August 2001 the Company issued 17,366,479 ordinary shares of 1p each at an issue price of 12p per ordinary share.

- (l) On 7 August 2001 the Company issued 3,183,226 ordinary shares of 1p each at an issue price of 8.33p per ordinary share.
- (m) In addition, on 3 November 2004 the following resolutions were passed as ordinary and special resolutions:
- (i) all of the existing 33,908,535 ordinary shares of 1p each in issue were consolidated into 678,170 ordinary shares of 50p each, and these ordinary shares of 50p each were divided into 678,170 Ordinary Shares and 678,170 new deferred shares of 49.8p each (“New Deferred Shares”);
  - (ii) all of the 245,489,600 authorised but unissued ordinary shares of 1p each were sub-divided into 1,227,398,000 Ordinary Shares of 0.2p each;
  - (iii) the Articles of Association were amended to include the restricted rights of the New Deferred Shares.
  - (iv) the directors were generally and unconditionally authorized in accordance with Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to a nominal value of £2,454,796 for a period of five years;
  - (v) the directors were authorised pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph (iv) as if Section 89(1) of the Act did not apply to such allotment and the Directors may allot, grant options over or otherwise dispose of such shares, to such persons and on such terms and in such manner as they see fit.
- (n) By a resolution of the creditors of the Company held on 3 November 2004, the proposals for a company voluntary arrangement (“CVA”) in respect of the Company presented under the Insolvency Act 1986 were approved by the requisite majority and Mr Anthony Batty was appointed as supervisor to implement the CVA. Under the terms of the CVA, all of the outstanding liabilities and indebtedness, amounting to £2,179,972 were to be converted into Ordinary Shares to be issued to the creditors of the Company. As a result a total of 1,586,666 Ordinary Shares have been issued by the Company in satisfaction of the amount owing to the creditors of the Company. These Ordinary Shares are held by Internet Music & Media Nominees Limited as nominees for the creditors in respect of their respective entitlement to Ordinary Shares under the terms of the CVA. The Ordinary Shares issued to the creditors represent 45.60 per cent of the Existing Ordinary Shares and will, on Admission, represent a maximum of 6.8 per cent. of the Enlarged Ordinary Share Capital.
- (o) On 3 November 2004 the Company issued 1,040,874 Ordinary Shares for cash at par to Lloyd Traders Inc, a company in which three of the Directors, Mr Oakes, Mr Knifton and Mr Weller were interested and 174,059 Ordinary Shares for cash at par to Anthony Batty & Co, the supervisor of the CVA.
- (p) On 3 November 2004, following the Extraordinary General Meeting of the Company referred to in paragraph (j) above, the Company created ‘A’ Warrants in respect of 500,000 Ordinary Shares for subscription at an issue price of 0.2 pence per share at any time before 30 November 2006, and all of the said warrants were issued to Lloyd Traders Inc, a company in which three of the Directors (namely Mr Oakes, Mr Knifton and Mr Weller) are interested. The terms of the ‘A’ Warrants will be adjusted following the subdivision of the Ordinary Shares under the Resolutions to increase the number of Ordinary Shares to be issued in respect of the ‘A’ Warrants to 5,000,000 at an issue price of 0.02 pence per share.
- (q) On 3 November 2004, the Company entered into an instrument under which the Company is to issue up to £50,000 of zero-coupon convertible unsecured loan notes 2006 to General Commerce and Investment Trust Reg in respect of loans to be drawn down by the Company. The loan notes may be converted into 650,000 Ordinary Shares. The loan notes carry a redemption premium of 20 per cent. of the principal amount repaid by the Company. The terms of the loan notes will be adjusted following the subdivision of the Ordinary Shares under the Resolutions to increase the number of Ordinary Shares to be issued on conversion to 6,500,000.
- (r) The Existing Ordinary Shares and the New Ordinary Shares will rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares from completion of the Acquisition.
- (s) Ordinary Shares may be held in either certificated or uncertificated form.
- (t) Save as disclosed in this document:
- no share or loan capital of the Company has been issued or is proposed to be issued;
  - no person has any preferential subscription rights for any share capital of the Company;

- no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option; and
  - no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.
- (u) Save as disclosed in this paragraph 3, the provisions of section 89(1) of the Act, which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company.
- (v) The authorised and issued share capital of the Company at the date of this document is as follows:

<b>Class of Shares</b>	<b>£</b>	<b>Authorised Number</b>	<b>£</b>	<b>Issued Number</b>
Ordinary Shares of 0.2p	2,456,152.34	1,228,076,170	6,959.54	3,479,769
Deferred Shares of 24p each	3,206,119.20	13,358,830	3,206,119.20	13,338,830
Deferred Shares of 49.8p each	337,728.66	678,170	337,728.66	678,170

- (w) The authorised and issued share capital of the Company as it is expected to be immediately following Admission, assuming completion of the Acquisition and the issue of the New Ordinary Shares and the subdivision of Ordinary Shares pursuant to the Resolutions, is as follows:

<b>Class of Shares</b>	<b>Authorised Amount £</b>	<b>Authorised Number</b>	<b>Issued and fully paid assuming maximum subscription</b>	
			<b>Amount £</b>	<b>Number</b>
Ordinary Shares of 0.02p	2,456,152.34	12,280,791,700	53,959.54	269,797,690
Deferred Shares of 24p each	3,206,119.20	13,358,830	3,206,119.20	13,338,830
Deferred Shares of 49.8p each	337,728.66	678,170	337,728.66	678,170

#### 4. Memorandum of association and Articles

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

The Articles of Association of the Company contain provisions *inter alia* to the following effect:

##### *Voting Rights*

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 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.

##### *Dividends*

The profits of the Company, which are available for distribution and which the Company's members resolve to distribute shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. Subject to the provisions of the Act and if the profits of the Company justify such payments, the directors of the Company may declare and pay interim dividends on shares of any class in such amounts as and when they see fit. No dividend may exceed the amount recommended by the directors of the Company. A dividend may be retained if a shareholder has failed to comply with the statutory disclosure requirements of the Act.

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

##### *Return of capital*

Subject to any special rights of the Deferred Shares and any other rights for the time being attached to any class of shares, if the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution (and any other sanction required by the Act), 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 or different classes of members.

### *Variation of rights*

None of the rights, privileges or conditions for the time being attached to or belonging to any class of shares forming part of the issued ordinary share capital for the time being of the Company shall be modified, varied or abrogated in any manner except with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class or, subject to the provisions of the Act, the sanction of an extraordinary resolution passed at a separate meeting of the members of that class.

The special rights and restrictions attaching to the Deferred Shares of 24p each (“the First Deferred Shares”) are as follows:

- (i) as regards income:

The First Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution;

- (ii) as regards voting:

The First Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any General Meeting of the Company;

- (iii) as regards capital:

on a return of capital on a winding up the holders of First Deferred Shares shall only be entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £100,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company;

- (iv) as regards transfers:

the Company is authorised at any time:

aa. to appoint any person to execute on behalf of the holders of the First Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto;

bb. pending any such transfer not to issue certificates for the First Deferred Shares;

- (v) as regards variation of rights:

- (vi) neither

aa. the passing by the Company of any resolution for a reduction of capital involving the cancellation of the First Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor

bb. the purchase by the Company in accordance with the provisions of the Companies Act 1985 (the “Act”) of any of its own shares or other securities or the passing of a resolution to permit any such purchase;

shall constitute a variation or abrogation of the right attaching to the First Deferred Shares; and

- (vii) as regards further issues:

the rights conferred by the First Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the First Deferred Shares;

### *Deferred Shares*

The special rights privileges, restrictions and limitations attached to the Deferred Shares of 49.8p each (“the Second Deferred Shares”) are as follows:

- (i) A holder of Second Deferred Shares shall have no right to receive notice of or to attend or vote at any General Meeting of the Company.

- (ii) A holder of Second Deferred Shares shall have no right to receive any dividend or other distribution.

- (iii) A holder of Second Deferred Shares shall on a return of capital in a liquidation but not otherwise be entitled to receive only the amount credited as paid up on each such share but only after the holder of each Ordinary Share shall have received the amount paid up or credited as paid up on such share, together with a payment of £10,000 per share but the holders of Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company.

- (iv) The creation or issue of Second Deferred Shares shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holder of such shares a transfer thereof and/or an agreement to transfer the same without making any payment to the holders thereof to such person or persons as the Company may determine and to cancel the same in accordance with the Companies Act 1985 without making any payment to or obtaining the sanction of the holders thereof and pending such transfer and/or cancellation to retain the certificates (if any) in respect thereof.

*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.

*Unclaimed dividends*

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

*Borrowing Powers*

The directors of the Company may exercise all the powers of the Company to borrow upon such terms and in such manner as they think fit and, subject to 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 any ordinary resolution exceed an amount equal to two times the adjusted total of the share capital and consolidated reserves.

*Directors*

Unless otherwise determined by ordinary resolution, the number of directors of the Company shall not be more than ten or less than two.

**5. Information on the Directors and the Proposed Directors**

- (a) As at the date of this document, the interests of the Directors and the persons connected with them all of which are beneficial (which have been notified to the Company pursuant to Section 324 and 328 of the Act or are required to be disclosed in the Register of Directors interests pursuant to Section 325 of the Act) as at the date of this document are as follows:

<b>Name</b>	<b>Ordinary Shares</b>	<b>Percentage of existing Ordinary Shares</b>
L E V Knifton	346,958	9.97%
S V Oakes	346,958	9.97%
W N Weller	346,958	9.97%

- (b) In addition to the holdings disclosed in paragraph 5(a) above as at the date of this document, the Company had been notified of the following holdings which represent more than 3 per cent. of the issued share capital of the Company:

<b>Name</b>	<b>Ordinary Shares</b>	<b>Percentage of the Issued Share Capital</b>
N Cowan	259,054	7.44%
A Batty	174,059	5.00%
Internet Music & Media Nominees Ltd (“IMMN”)	1,586,777	45.60%

*Note:* The holding of IMMN represents shares held for the benefit of creditors but not yet ascertained under the Company Voluntary Arrangement referred to in paragraph 3(n) of this Part VII of this document. It is estimated that Mr Cowan’s entitlement as creditor will be 580,000 Ordinary Shares.

- (c) Assuming completion of the Acquisition and full subscription under the Placing (ie on Admission), the expected interests of the Directors and the Proposed Directors, their families and (so far as is known to the Directors and the Proposed Directors or could with reasonable diligence be ascertained by them) connected persons (within the meaning of section 346 of the Act) in the issued share capital of the Company (all of which are beneficial unless otherwise stated) including (i) those notified to the Company pursuant to section 324 or section 328 of the Act, (ii) those required to be entered in the register maintained under section 325 of the Act and (iii) those of connected

persons of the Directors and the Proposed Directors which would, if the connected persons were Directors be required to be disclosed under (i) or (ii) above, will be as follows:

Name	Ordinary Shares (following subdivision)	Percentage of the Issued Share Capital of the Company
L E V Knifton	3,469,580	1.2%
S V Oakes	3,469,580	1.2%
W N V Weller	3,469,580	1.2%
P J Freedman	38,716,698	14.4%
R Isbitsky	38,716,698	14.4%
S A Leslie	7,735,596	2.9%

*Note:* the Ordinary Shares of Mr Knifton, Mr Oakes and Mr Weller are held by Lloyd Traders Inc on their behalf.

- (d) In addition to the holdings disclosed in paragraph 5(c) above the Directors are aware of the following holdings which will following the Acquisition and the Placing (assuming full subscription) (ie on Admission) will represent more than 3 per cent. of the issued share capital of the Company:

Name	Ordinary Shares	Percentage of the Issued Share Capital of the Company
David Lerer (as trustee for Profile Sol-Gel Limited)	19,963,678	7.4%
R Thomas	10,647,249	3.9%

- (e) Save for the interests of the Directors and the expected interests of the Proposed Directors and other Vendors in the issued share capital of the Company following Admission as disclosed in paragraph 13 of Part VI of this Document entitled "City Code" and paragraphs (a), (b), (c) and (d) above, so far as the Directors and the Proposed Directors are aware, there are no persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- (f) Save as disclosed in paragraphs (a), (b), (c) and (d) above, none of the Directors or the Proposed Directors is aware of any interest (within the meaning of Part VI of the Act) which will immediately following Admission (assuming full subscription under the Placing) represent 3 per cent. or more of the issued share capital of the Company.
- (g) There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors or Proposed Directors.
- (h) Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

## 6. Directors' Letters of Appointment and Service Agreements

- (a) On 28 January 2005 Stephen Oakes entered into a letter of appointment with the Company under which Mr Oakes agreed to act as a director of the Company. The appointment runs for one year from 1 February 2005, and is terminable thereafter by 3 months notice from either party. Mr Oakes will be remunerated at the rate of £15,000 per annum once the Board determines that its initial funding objectives have been met. He will be a member of the Audit and Remuneration Committees.
- (b) Mr Knifton and Mr Weller will resign as directors of the Company on Completion of the Acquisition and neither of them will receive compensation for loss of office.
- (c) Service Agreement dated 28 January 2005 between (1) Timestrip and (2) Paul Freedman under which Timestrip engages Mr Freedman as Joint Chief Executive Officer at a salary of £72,000 per annum, rising to £90,000 per annum on Admission. The term is for an initial period of 24 months from 1 January 2005 and thereafter subject to 6 months' notice expiring at the end of the initial 24 month period or at any time thereafter.
- (d) Service Agreement dated 28 January 2005 between (1) Timestrip and (2) Reuben Isbitsky under which Timestrip engages Mr Isbitsky as Joint Chief Executive Officer at a salary of £72,000 per annum, rising to £90,000 per annum on Admission. The term is for an initial period of 24 months from 1 January 2005 and thereafter subject to 6 months' notice expiring at the end of the initial 24 month period or at any time thereafter.
- (e) By a letter of appointment dated 28 January 2005 between (1) the Company and (2) Spencer Leslie, Mr Leslie agrees to act as a director of the Company. The agreement runs for 12 months from Admission and is terminable

thereafter by 3 months' notice from either party. Mr Leslie will be remunerated at a rate of £12,000 per annum. He will be a member of the Audit and Remuneration Committees.

- (f) Save as disclosed in paragraphs (a) to (e), there are no service contracts, existing or proposed, between any Director or Proposed Director and the Company and there have been no amendments to any service contracts of directors of IMM in the period since 30 July 2004, being the six months immediately prior to the publication of this document.
- (g) No Director or Proposed Director has any commission or profit sharing arrangements or any provisions for compensation payable respecting termination of their contract.
- (h) It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors and the Proposed Directors for the financial period ending 31 December 2005 will be approximately £197,500 on the basis that their letters of appointment or Service Agreement do not provide for any remuneration or other fees to be paid.

## 7. Additional Information on the Board

- (a) In addition to directorships of the Company, the Directors and the Proposed Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

**Leo Ernest Vaughan  
Knifton (50)**

*Current directorships:*

Great Monument Capital Limited  
SBS Nominees Limited  
SBS Group Plc  
Voss Net Nominees Limited  
Oakgate Plc  
BTG Europe Limited  
Alltrue Investments plc  
Beaufort International Group plc  
Pountney plc  
LHP Investments plc  
PNC Telecom plc  
Caplay plc  
Beaufort Nominees Limited  
Laurence plc  
Bulawayo plc  
LP Hill Investments plc  
Investor Easy Limited  
Primeent Limited  
Internet Music & Media  
Nominees Limited

*Previous directorships:*

Acclaimed Management Limited  
Netwindfall Insurance Services Limited  
Netwindfall Mortgage Brokers Limited  
Netwindfall Property Services Limited  
Century 21 Financial Services Limited  
Fort Knox Property Services Limited  
Fort Knox Property Services NL Limited  
Futuragene plc  
Netwindfall Affinity Services Limited  
Netwindfall Finance Services Limited  
NWD Group PLC  
Proshore Financial Services Limited  
Windfall Mortgage Services Limited  
Windfall Nominees Limited  
Windfall Packaging Limited  
Windfall Shares Limited  
Over Net Data (UK) Limited  
Voss Net Plc  
Starguild Limited

**Stephen Vaughan  
Oakes (49)**

*Current directorships:*

SBS Nominees Limited  
SBS Group Plc  
Alltrue Investments plc  
Beaufort International Group plc  
Beaufort Nominees Limited  
Falcon Securities (UK) Limited  
Starguild Limited  
Internet Music and Media Nominees  
Limited  
Laurence plc  
Bulawayo plc  
LP Hill Investments plc  
Investor Easy Limited

*Previous directorships:*

HSBC Investment Management  
International Limited  
HSBC Asset Management (Americas) Inc  
HSBC Asset Management (Canada) Inc  
HSBC Private Bank (UK) Limited  
formerly HSBC Republic Bank (UK)

**William Nigel Valentine  
Weller (54)**

*Current directorships:*  
Great Monument Capital Limited  
Voss Net Plc  
Voss Net Nominees limited  
BTG Europe Limited  
SBS Nominees Limited  
SBS Group Plc  
Oakgate Plc  
Alltrue Investments plc  
Beaufort International Group plc  
Beaufort Nominees Limited  
Falcon Securities (UK) Limited  
Starguild Limited  
Internet Music and Media Nominees  
Limited  
Laurence plc  
Bulawayo plc  
LP Hill Investments plc  
Investor Easy Limited  
Primeent Limited

*Previous directorships:*  
Manifest Institutional Holdings Limited  
The Manifest Voting Agency Limited  
Manifest Information Services Limited  
Netwindfall Affinity Services Limited  
Netwindfall Finance Services Limited  
NWD Group PLC  
Pountney plc  
Windfall Nominees Limited  
Windfall Packaging Limited  
Netwindfall Insurance Services Limited  
Netwindfall Mortgage Brokers Limited  
Netwindfall Property Services Limited  
Windfall Share Limited  
Windfall Mortgage Services Limited  
Futuragene Plc  
Over Net Data (UK) Limited

(b) Additional information on the Proposed Directors:

**Paul Joseph Freedman (37)**

*Current Directorships:*  
Timestrip Limited

*Previous directorships:*  
Excel Summer Schools Limited  
Teamwork USA Limited  
Carfax Gowns Limited  
Dualflow Limited  
Shadow Buddies Limited

**Reuben Isbitsky (36)**

*Current Directorships:*  
Timestrip Limited

*Previous directorships:*  
None

**Spencer Adam Leslie (38)**

*Current Directorships:*  
Topsy Turvy World Holdings Limited  
Mykindaplace Limited  
Timestrip Limited  
Abbeysfield Properties Lined  
Abbeyview Property Trading Co. Limited  
Assetcrest Property Trading Co. Limited  
Brecon Property Trading Co. Limited  
Brookcourt Limited  
Canbury Property Trading Company  
Limited  
Closecourt Property Co. Limited  
Topsy Turvy World (Brent Cross) Limited  
Topsy Turvy World (Oxford) Limited  
Topsy Turvy World (Olympia) Limited  
Craigsan Hair Fashions Limited  
Dukelease (Trading) Limited  
Dukelease Holdings Limited  
Dukelease Properties Limited  
Intolight Limited  
L. C. Property Trading Company  
Limited  
Laser Investments Limited  
Leslie Properties Limited  
Moortown Properties Limited  
Redlands Property Trading Co. Limited  
S A L Enterprises Limited

*Previous directorships:*  
Beechlink Limited  
Hair At HML Limited  
Leslie Hairstylists Limited  
Clothes Direct Limited  
David Cannon Properties Limited  
Equaltone Limited  
Zapcash Limited

**Spencer Adam Leslie** (38)  
(continued)

*Current Directorships:*  
Silvermile Properties Limited  
Woodhouse Property Trading Co.  
Limited  
Abbeyview Estates Limited  
Ultrahome Limited

*Previous directorships:*

- (c) Leo Knifton was a director of LEV Investment and Management Limited which went into creditors voluntary liquidation in 1988.
- (d) Save as disclosed above none of the Directors or the Proposed Directors has:
- (i) any unspent convictions in relation to indictable offences;
  - (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;
  - (iii) been a director of a company which has been placed in receivership, compulsory 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;
  - (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership 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;
  - (v) been the owner of any assets 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;
  - (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

## **8. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and Timestrip within the period from 1 February 2004 to the date immediately preceding the date of this document and are, or may be, material:

- (a) Acquisition Agreement, dated 28 January 2005 and made between the Vendors and the Company, the Company agreed to acquire the Acquisition Shares for a consideration of £6,400,000 to be satisfied by the issue to the Vendors of the Consideration Shares. The Acquisition Agreement is conditional upon, *inter alia*, the passing of the Resolutions and Admission.
- (b) Deed of Warranty and Indemnity dated 28 January 2005 between the Company and Mr Freedman and Mr Isbitsky containing usual commercial and tax warranties and indemnities and restrictive covenants in respect of Timestrip given by Mr Freedman and Mr Isbitsky who are the executive directors of Timestrip.
- (c) Warrant Instrument dated 3 November 2004 entered into by IMM creating 500,000 'A' Warrants granting subscription rights to the holders in respect of up to 500,000 Ordinary Shares at an exercise price of 0.2p per share in the period to 30 November 2006; all of which 'A' Warrants have been issued to Lloyd Traders Inc.
- (d) Loan Note dated 3 November 2004 entered into between (1) IMM and (2) General Commerce and Investment Trust Reg ("GCIT") by way of unsecured interest free convertible loan repayable on 3 November 2006, under which GCIT was to advance £50,000 to IMM. The principal amount was to be convertible at any time into a total of 625,000 Ordinary Shares at a rate of 12.5 Ordinary Shares for each £1 of the principal amount converted. If not converted the loan is to be repaid on 3 November 2006 on the basis of redemption of £1.20 for each £1 of the principal amount of the loan.
- (e) Agreement ("the Placing Agreement") dated 28 January 2005 between the Company (1), the Directors and the Proposed Directors (2), and Falcon (3) pursuant to which conditional upon, *inter alia*, Admission taking place on or before 9:00 am on 1 March, 2005, Falcon agreed to assist in the co-ordination of the subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price. Falcon will be entitled to 5 per cent. of the aggregate value of the shares placed by Falcon pursuant to the Placing, subject to adjustment for shares placed with those Placees who are Vendors, together with a fee of £5,000 payable at Admission.

- (f) A nominated adviser agreement dated 28 January 2005 between (1) Beaumont Cornish; (2) the Company; and (3) the Directors and the Proposed Directors whereby the Company appointed Beaumont Cornish to act as Nominated Adviser to the Company for a period of 12 months from the date of Admission conditional on Admission. The agreement provides for Beaumont Cornish to be paid a fee of £20,000 per annum plus VAT payable half-yearly in advance. Under the terms of the agreement, Beaumont Cornish are entitled to be paid additional fees, on a basis to be agreed, for providing advice in connection with particular transactions. The agreement contains, *inter alia*, certain standard warranties given by the Directors and the Company to Beaumont Cornish regarding the affairs of the Company.
- (g) Broker Agreement dated 28 January 2005 between the Company (1), the Directors (2) and Falcon (3) pursuant to which the Company has appointed Falcon to act as Broker to the Company for the purposes of AIM. The Company has agreed to pay Falcon a fee of £15,000 per annum for its services as Broker under this agreement. The agreement is subject to termination on the giving of three months' notice.
- (h) Agreement dated 4 June 2004 ("the Licence") between (1) Timestrip and (2) Profile SOL-GEL Limited ("Profile") amended by subsequent agreements dated 16 July 2003 and February 2004 under which Profile granted to Timestrip exclusive rights to Technology (as therein defined) subject to the payment of royalties and the option for Profile to convert its rights to receive sales royalties for shares of Timestrip on the occurrence of certain liquidity events.
- (i) Agreement dated 28 January 2005 between (1) Timestrip and (2) Profile for the termination of the Licence and the transfer to Timestrip by Profile of all of its rights in the Technology and, conditional upon completion of the Acquisition, for the issue by Timestrip of 20,626 'B' Ordinary Shares of 0.1p each of Timestrip to a trustee on the terms set out below together with a payment to Profile of £100,000. On completion of the Acquisition the 20,626 'B' Ordinary Shares of Timestrip are to be exchanged for 19,963,860 Ordinary Shares of the Company which are to be issued to Mr David Lerer who will hold the said Ordinary Shares as trustee on behalf of Profile and will not release the said Ordinary Shares to Profile in whole or in part unless and until the said Ordinary Shares or any part thereof shall be freely traded on AIM. Prior to the release of any such Ordinary Shares Mr Lerer, as trustee, will have all ownership rights in such Ordinary Shares, including, without limitation, dividend rights, voting rights and liquidation rights.
- (j) Facility Agreement dated 29 June 2004 between (1) National Westminster Bank plc ("NatWest") and (2) Timestrip in respect of a borrowing facility of £100,000 made available by NatWest to the Company, repayable by 84 monthly instalments of £1,190 and secured by a debenture dated 29 June 2004 between (1) Timestrip and (2) NatWest containing fixed and floating charges over all the assets and undertaking of the Company.
- (k) A Partnering and Option Agreement dated 17 December 2004 between (1) Timestrip (2) Pantogram Limited ("Pantogram") and (3) Ilan Shragenheim under which Pantogram and Mr Shragenheim are to continue to provide services and facilities to Timestrip, including the provision of factory space, in return for payment at the rate of \$5,000 per month and options in respect of up to 4,971 'B' ordinary shares of Timestrip, which options have been replaced by the issue of the "C" Warrants by the Company on Admission.
- (l) A letter of engagement dated 8 November 2004 between Beaumont Cornish and the Company whereby Beaumont Cornish agrees to act as Nominated Adviser in connection with the transaction. Under the terms of such engagement, Beaumont Cornish is entitled to total fees of £45,000 (plus VAT).
- (m) Warrant Instrument dated 28 January 2005 entered into by IMM creating 'B' Warrants, granting subscription rights to the holders in respect of up to 7,500,000 Ordinary Shares at an exercise price of 4p per share in the period from completion of the Acquisition to 25 February 2007, to be issued, on and subject to completion of the Acquisition, to the Vendors other than Mr Freedman, Mr Isbitsky and Mr Leslie and certain other parties.
- (n) Warrant Instrument dated 28 January 2005 entered into by IMM creating 'C' Warrants, granting subscription rights to the holders in respect of up to 8,500,000 Ordinary Shares at an exercise price of 0.02p per share, exercisable in the period from 25 February 2007 to 25 February 2012 and to be issued, on and subject to the completion of the Acquisition, to certain individuals who had comparable options in respect of the shares of Timestrip.
- (o) Warrant Instrument dated 28 January 2005 entered into by IMM creating 'D' Warrants, granting subscription rights to the holders in respect of up to 4,000,000 Ordinary Shares at an exercise price of 4p per share in the period to 25 February 2007, to be issued, on and subject to completion of the Acquisition to Mr Spencer Leslie, one of the Proposed Directors.

- (p) Pursuant to lock-in agreements dated 2 February 2005 between Beaumont Cornish and the Lock-in Parties, each of the Lock-in Parties has undertaken to Beaumont Cornish that it will not sell or dispose of their respective interests in Ordinary Shares other than Ordinary Shares acquired by certain of the Vendors under the Placing at any time before the first anniversary of Admission (the “Lock-in Period”), and that for the year following the end of the Lock-in Period, they will not sell or dispose of any of their interests in such Ordinary Shares, to include those Ordinary Shares resulting from the exercise of Warrants other than the Placing Warrants, without the approval of Beaumont Cornish.

Provided that lock-in restrictions shall not apply to any sale, transfer, disposal or agreement to dispose of Ordinary Shares:

- (a) by way of acceptance of any general offer made to shareholders of the Company to acquire the whole of the issued equity share capital of the Company (other than any equity share capital already held by the offeror and/or persons acting in concert with the offeror), a partial offer or a tender offer as contemplated by the City Code; or
- (b) in the execution of an irrevocable commitment to accept a general offer for the whole of the issued equity share capital of the Company (other than any equity share capital held by or committed to the offeror and/or persons acting in concert with the offeror), a partial offer or a tender offer as contemplated by the City Code;
- (c) pursuant to any compromise or arrangement under Section 425 of the Companies Act 1985;
- (d) pursuant to a scheme or arrangement under Section 110 of the Insolvency Act 1986;
- (e) pursuant to the sale to any actual Offeror or bona fide potential Offeror (as contemplated by the City Code; or
- (f) on death to personal representatives of the deceased shareholder, in the case of shares held on trust, to new trustees or to beneficiaries and to any connected person of a shareholder, provided in each case that the transferee agrees to comply with the lock-in restriction.

Those Vendors who suffer a tax liability as a result of the loss of EIS relief by that Vendor as a result of the Acquisition will be able to sell Consideration Shares to meet such liability after the accounts of the Company for the financial year to 31 December 2004 have been published. The Vendors will comply with the requirement for the approval of Beaumont Cornish.

- (q) Save as disclosed in paragraphs (a) to (g) and (l) to (o) above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company within the two years immediately preceding the date of this document and which are or may be material or any other contracts (other than contracts entered into in the ordinary course of business) which contain any provision under which the Company has any obligation or entitlement which is material to the Company at the date of this document.
- (r) Save as disclosed in paragraphs (h) to (k) above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by Timestrip within the two years immediately preceding the date of this document and which are or may be material or any other contracts (other than contracts entered into in the ordinary course of business) which contain any provision under which Timestrip has any obligation or entitlement which is material to Timestrip at the date of this document.

## **9. Working Capital**

In the opinion of the Directors and the Proposed Directors, having made due and careful enquiry, the working capital available to the Company and the Enlarged Group will be sufficient for their present requirements, that is for at least twelve months from the date of Admission.

## **10. Litigation**

- (a) No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company which are having or may have a significant effect on the Company’s financial position.
- (b) No legal or arbitration proceedings are active, pending or threatened against, or being brought by, Timestrip which are having or may have a significant effect on Timestrip’s financial position.

## **11. Taxation**

**The following statements are intended only as a general guide to current UK tax legislation and to the current practice of the UK Inland Revenue (the “Inland Revenue”) and may not apply to certain shareholders, such as**

**dealers in securities. They relate only to persons who are the absolute beneficial owners of Ordinary Shares, are resident (or, if individuals) ordinarily resident in the UK for UK tax purposes (except where stated otherwise) and who hold Ordinary Shares as investments and not as trading stock. Different rules may apply in other cases. Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult his professional advisers immediately.**

(a) *Dividends*

The following statements relate only to the tax treatment, under existing law, of dividends paid on the Ordinary Shares on or after 6 April 1999.

- (i) Under current UK tax legislation, the Company is not required to withhold tax at source from dividend payments it makes.
- (ii) Individual shareholders resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual shareholder's liability to UK income tax is calculated on the sum of the dividend and the tax credit (the "gross dividend") which, with certain other investment income, will be regarded as the top slice of the individual's income and which will be subject to UK income tax at special rates of tax as described below. The tax credit therefore equals 10 per cent. of the gross dividend. The tax credit will be available to offset such shareholder's liability (if any) to income tax on the gross dividend.

Individual shareholders liable to tax at a rate equal to or lower than the basic rate will be liable to tax on dividend income received at the rate of 10.0 per cent. This means that the tax credit will satisfy, in full, the income tax liability of a UK resident individual shareholder liable to pay income tax at a rate equal to or lower than the basic rate.

The rate of income tax applied to UK company dividends received by UK resident individuals liable to income tax at the higher rate will be 32.5 per cent. after taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. Of the gross dividend, equal to 25 per cent. of the net dividend.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans prior to 5 April 2004) individual shareholders who are resident in the UK cannot claim repayment of the tax credit from the Inland Revenue.

- (iii) A corporate shareholder resident for tax purposes in the UK will not normally be liable to corporation tax on any dividend received.
- (iv) Tax exempt pension funds cannot reclaim from the Inland Revenue tax credits attaching to dividend payments on UK equities.
- (v) Shareholders who are resident for tax purposes in countries other than the UK should consult their own tax advisers concerning their tax liabilities on dividends received.

(b) *Stamp Duty and Stamp Duty Reserve Tax*

In relation to stamp duty and stamp duty reserve tax:

- (i) The allocation and issue of Ordinary Shares will not give rise to a liability to stamp duty or stamp duty reserve tax.
- (ii) Any subsequent conveyance or transfer on sale of the Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at a rate of 50 pence per £100 or part of £100 of the amount or value of the consideration. A charge to stamp duty reserve tax at the rate of 0.5 per cent. will arise in relation to an unconditional agreement to transfer such Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to stamp duty reserve tax will be cancelled or repaid. A transfer of Ordinary Shares affected on a paperless basis through CREST will generally be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the value of the consideration.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or stamp duty reserve tax, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

(c) *Capital Gains*

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

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of such trade or branch or agency. A Shareholder who is an individual and who has ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be liable to UK taxation of chargeable gains (subject to any available exemption or relief).

- (d) The Directors and the Proposed Directors believe that the trade carried on by Timestrip should be a qualifying trade for the purposes of the Enterprise Investment Scheme (“EIS”) and Venture Capital Trust legislation as previous share subscriptions in Timestrip had qualified for EIS relief.

## 12. Market Quotations

The following table shows the closing middle market quotations for the Existing Ordinary Shares as derived from the AIM Appendix to the Daily Official List on the first dealing day of each month from the six months immediately preceding the date of this document and on 1 February 2005 (the latest practicable date prior to the publication of this document):

Date	Price
1 July 2004	25.0p
2 August 2004	25.0p
1 September 2004	22.5p
1 October 2004	22.5p
1 November 2004	22.5p
1 December 2004	42.5p
4 January 2005	47.5p
1 February 2005	53.0p

## 13. City Code

- (a) The Existing Shareholders have not given irrevocable undertakings to vote in favour of the Resolutions.
- (b) Save as disclosed in paragraphs 5(a), (b) and (c) above and this paragraph (b), neither the Company, nor any of the Directors, nor any member of their immediate families, nor any person acting in concert with the Company, nor any person who has given an irrevocable undertaking to vote in favour of any of the Resolutions, was interested in any relevant securities on 1 February 2005 nor has any such person dealt for value therein during the disclosure period and no bank, stockbroker, financial or other professional adviser (other than an exempt market-maker) to the Company (nor any person controlling, controlled by or under the same control as such bank, stockbroker, financial or other professional adviser) nor any pension fund of the Company, nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt fund manager) which is controlled by, controls or is under the same control as the Company or any bank, stockbroker, financial or other professional adviser, to the Company, owned or controlled any relevant securities on 1 February 2004 nor has any such person dealt for the value therein during the disclosure period.
- (c) Save as disclosed in this paragraph 13, none of the members of the Concert Party, nor any person acting in concert with any of the members of the Concert Party, nor any of their respective associates, was interested in any relevant securities on 1 February 2004 nor has any such person dealt for value therein during the disclosure period.
- (d) Neither the Company nor any of the members of the Concert Party, nor any of their respective associates nor any person acting in concert with the Company or any of the members of the Concert Party or any of their respective associates has any arrangement in relation to relevant securities.

- (e) References in this paragraph 13 to:
- (i) “relevant securities” means securities issued by the Company or Timestrip and securities convertible into, or exchangeable for, rights to subscribe for, and options (including traded options) in respect of such securities and derivatives referenced thereto;
  - (ii) “disclosure period” means the period commencing on 1 February 2004 and ending on 1 February 2005 (the latest practicable date prior to publication of this document);
  - (iii) “arrangement” includes, in addition to indemnity and option arrangements, any arrangement, agreement or undertaking, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing;
  - (iv) an “associate” are to:
    - (1) subsidiaries and associated companies of the Company or Timestrip and companies of which any such subsidiaries or associated companies are associated companies;
    - (2) banks, financial and other professional advisers (including stockbrokers) to the Company or (as the case may be) or a company in sub-paragraph (1) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;
    - (3) the Directors and the Proposed Directors (as the case may be) and the directors of any company covered in sub-paragraph (1) above (together in each case with their immediate families and related trusts);
    - (4) any pension funds of the Company or Timestrip or any company covered in sub-paragraph (1) above; and
    - (5) an investment company, unit trust or other person whose investments an associate (as defined in this paragraph 13) manages on a discretionary basis, in respect of the relevant investment accounts; and
  - (v) a “bank” does not apply to a bank whose sole relationship with the Company or Timestrip or a company covered in sub-paragraph 13(iv)(5) above is the provision of normal commercial banking services.
- (f) For the purposes of this paragraph 13, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holding, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding(s) give(s) *de facto* control.
- (g) Save for the Acquisition Agreement and the warrants referred to in paragraph 3(m), no agreement, arrangement or undertaking (including any compensation arrangement) exists between any of the members of the Concert Party and any Director, recent director of the Company, Shareholder or recent shareholder of the Company having any connection with or dependence upon, or which is conditional upon, completion of the Acquisition.
- (h) There is no agreement, arrangement or understanding between any of the members of the Concert Party and any other person pursuant to which any Ordinary Shares which they will acquire pursuant to the Acquisition will be transferred.
- (i) To the extent that the consideration for any Ordinary Shares acquired by any of the members of the Concert Party pursuant to the Acquisition is to be satisfied in cash, such sums will be provided from their personal financial resources. Neither the payment of interest on nor repayment of, nor security for, any liability (contingent or otherwise) of any of the members of the Concert Party will depend to any significant extent on the business of the Enlarged Group.
- (j) The Company currently has no business, fixed assets or employees. The long-term justification for the Proposals is set out in the Letter from the Chairman in Part I of this Document. The Company will preserve the employment rights of the existing Timestrip employees.
- (k) The interests of the Concert Party in the issued ordinary share capital of the Company immediately following completion of the Proposals and after the exercise of Warrants and Placing Warrants held by members of the Concert Party will be as follows:

Name	Number of Ordinary Shares held following the Acquisition and Placing	Number of Ordinary Shares held following the exercise of 'D' Warrants	Number of Ordinary Shares held following the exercise of 'D' Warrants and 'B' Warrants	Number of Ordinary Shares held following the exercise of 'D' Warrants, 'B' Warrants and Placing Warrants	Per cent. of Enlarged Issued Ordinary Share Capital held following the Proposals	
					Maximum (see note a)	Minimum (see note b)
<b>Directors</b>						
Reuben Isbitsky	38,716,698	38,716,698	38,716,698	38,716,698	15.68%	12.47%
Paul Freedman	38,716,698	38,716,698	38,716,698	38,716,698	15.68%	12.47%
Spencer Leslie	7,735,596	11,735,596	11,735,596	11,735,596	4.75%	2.49%
<b>Family</b>						
Trustees of the Premier						
Pension Fund	1,561,251	1,561,251	1,748,293	1,748,293	0.71%	0.50%
Adam Isbitsky	483,959	483,959	541,938	541,938	0.22%	0.16%
David Jay	967,917	967,917	1,083,877	1,083,877	0.44%	0.31%
Danielle Leslie	633,018	633,018	633,018	633,018	0.26%	0.20%
<b>Investors</b>						
Mark Abrahams	935,976	935,976	1,048,109	1,048,109	0.42%	0.30%
Ruth Abrahams	239,076	239,076	267,717	267,717	0.11%	0.08%
Roger Adelman	483,959	483,959	541,938	541,938	0.22%	0.16%
Richard Ashken	1,421,871	1,421,871	1,592,215	1,592,215	0.64%	0.46%
Barry Bartman	181,968	181,968	203,769	203,769	0.08%	0.06%
Mike Blane	275,856	275,856	308,905	308,905	0.13%	0.09%
David Bloom	522,675	522,675	585,293	585,293	0.24%	0.17%
Mark Brabant	2,131,354	2,131,354	2,386,696	2,386,696	0.97%	0.69%
Peter Charles	345,547	345,547	386,944	386,944	0.16%	0.11%
Steve Curtis	1,780,277	1,780,277	1,963,609	2,046,942	0.83%	0.57%
Ruth Dines	214,878	214,878	240,621	240,621	0.10%	0.07%
Paul & Rhian Dixon	494,606	494,606	553,861	553,861	0.22%	0.16%
Chris Ellis	59,043	59,043	66,116	66,116	0.03%	0.02%
Pippa Ellis	59,043	59,043	66,116	66,116	0.03%	0.02%
Holly Ellis	59,043	59,043	66,116	66,116	0.03%	0.02%
Sophie Ellis	59,043	59,043	66,116	66,116	0.03%	0.02%
Jodie Ellis	59,043	59,043	66,116	66,116	0.03%	0.02%
Fistral Trustees Ltd.						
Re: The Badger Trust	1,007,602	1,007,602	1,128,315	1,128,315	0.46%	0.32%
Fistral Trustees Ltd.						
Re: The Montefiore Trust	1,130,528	1,130,528	1,265,968	1,265,968	0.51%	0.36%
Michael Fox	996,955	996,955	1,116,393	1,116,393	0.45%	0.32%
Mark Gershinson	3,926,841	3,926,841	4,397,287	4,397,287	1.78%	1.27%
Steven Glancy	320,381	320,381	358,763	358,763	0.15%	0.10%
Jonathan Goldberg	747,232	747,232	836,753	836,753	0.34%	0.24%
Alan Goldberg	747,232	747,232	836,753	836,753	0.34%	0.24%
Daniel & Natalie Goldberg	275,856	275,856	308,905	308,905	0.13%	0.09%
Lisa Goodkind	107,439	107,439	120,310	120,310	0.05%	0.03%
Graham Goodkind	107,439	107,439	120,310	120,310	0.05%	0.03%
Gotham Impressions						
Pension Fund	1,382,186	1,382,186	1,547,776	1,547,776	0.63%	0.45%
Jeffrey Gould	275,856	275,856	308,905	308,905	0.13%	0.09%
Gareth & Mary Griffiths	945,794	945,794	1,044,127	1,085,794	0.44%	0.30%
Sian Griffiths	876,933	876,933	981,992	981,992	0.40%	0.28%
Howard Harris	691,093	691,093	773,888	773,888	0.31%	0.22%

*Notes:*

- (a) The maximum percentages set out above assume that all Warrants and Placing Warrants exercisable by the Concert Party are exercised but no further issue of shares pursuant to options or warrants and the minimum is raised under the Placing;
  - (b) The minimum percentages set out above assume that each Shareholder other than a member of the Concert Party has exercised all options and warrants held and that the maximum is raised under the Placing;
- and
- (c) the Ordinary Shares of Profile Sol-Gel Limited are to be held by a trustee in accordance with the arrangements described in paragraph 8(i) of Part VII of this Document.

Name	Number of Ordinary Shares held following the Acquisition and Placing	Number of Ordinary Shares held following the exercise of 'D' Warrants	Number of Ordinary Shares held following the exercise of 'D' Warrants and 'B' Warrants	Number of Ordinary Shares held following the exercise of 'D' Warrants, 'B' Warrants and Placing Warrants	Per cent. of Enlarged Issued Ordinary Share Capital held following the Proposals	
					Maximum (see note a)	Minimum (see note b)
Jason Harris	415,237	415,237	464,983	464,983	0.19%	0.13%
Gilad Hayeem	7,285,253	7,285,253	7,559,032	9,225,699	3.74%	2.45%
Eddie Henry	261,338	261,338	292,647	292,647	0.12%	0.08%
John Levene	654,312	654,312	732,701	732,701	0.30%	0.21%
Lord Levene of Portsoken	654,312	654,312	732,701	732,701	0.30%	0.21%
Raymond Martin	483,959	483,959	541,938	541,938	0.22%	0.16%
Mossco Capital Inc.	2,419,794	2,419,794	2,709,691	2,709,691	1.10%	0.78%
Martin Nitsun	245,851	245,851	275,305	275,305	0.11%	0.08%
Notjoy Pty. Limited	1,926,156	1,926,156	2,156,914	2,156,914	0.87%	0.62%
Eddie Nyman	1,392,143	1,392,143	1,528,974	1,612,308	0.65%	0.45%
Keith Preston	570,740	570,740	633,126	649,792	0.26%	0.18%
Swee Quek	3,102,730	3,102,730	3,414,544	3,581,211	1.45%	1.00%
Gil Rabinowitz	429,755	429,755	481,241	481,241	0.19%	0.14%
Glenda Reeback	241,979	241,979	270,969	270,969	0.11%	0.08%
Tony Reeback	392,974	392,974	440,054	440,054	0.18%	0.13%
Michael Richards	2,323,002	2,323,002	2,601,304	2,601,304	1.05%	0.75%
Sheila & Howard Harris						
Discretionary Trust	275,856	275,856	308,905	308,905	0.13%	0.09%
Lana Sinuk	730,778	730,778	818,327	818,327	0.33%	0.24%
Harold Sorsky	275,856	275,856	308,905	308,905	0.13%	0.09%
Ivor Spiro	3,926,841	3,926,841	4,397,287	4,397,287	1.78%	1.27%
Richard Thomas	10,647,210	10,647,210	11,174,012	13,257,345	5.37%	3.43%
TM Trustees, Mr M Miller,						
Mrs A Miller	725,938	725,938	812,907	812,907	0.33%	0.23%
Oscar Wagenfeld	725,938	725,938	812,907	812,907	0.33%	0.23%
Jayne Walters	675,606	675,606	756,546	756,546	0.31%	0.22%
Profile Sol-Gel Limited (note c)	19,963,678	19,963,678	19,963,678	19,963,678	8.08%	6.43%
<b>TOTALS</b>	<b>172,452,000</b>	<b>176,425,000</b>	<b>182,922,418</b>	<b>187,064,084</b>	<b>75.8%</b>	<b>55.5%</b>

*Notes:*

- (a) The maximum percentages set out above assume that all Warrants and Placing Warrants exercisable by the Concert Party are exercised but no further issue of shares pursuant to options or warrants and that the minimum is raised under the Placing;
- (b) The minimum percentages set out above assume that each Shareholder other than a member of the Concert Party has exercised all options and warrants held and the maximum is raised under the Placing;
- and
- (c) the Ordinary Shares of Profile Sol-Gel Limited are to be held by a trustee in accordance with the arrangements described in paragraph 8(i) of Part VII of this Document.

### Information on the Concert Party

Under the terms of the City Code, the Vendors of Timestrip are deemed to be acting in concert with each other in relation to the Company. The members of the Concert Party comprises all the shareholders of Timestrip, the key members of which are the Proposed Directors, whose details are set out below.

1. Family Members of Mr Freedman and Mr Isbitsky, whose details are as follow:
  - (i) **Brian Freedman** (aged 60) and Premier Pension Fund  
Brian joined his fathers textile company, Carfax Gowns Limited at the age of 15, taking over as managing director in 1980. Brian has overall responsibility for the management of Carfax which employs approximately 30 people in London and Birkenhead. In particular he is the principal contact with Carfax's largest customer and also its manufacturers who are now predominantly based in Turkey and Vietnam. Carfax clothing products are sold to leading childrenswear retailers in the UK and Europe under the individual retailer's brand names. Premier Pension Fund is the pension fund for the directors of Carfax Gowns and manages investments on their behalf. He is the father of Paul Freedman.
  - (ii) **Adam Isbitsky** (aged 39)  
Adam has over 15 years experience in the field of plastics injection moulding. He specialises in the highly technical area of multi-component injection. Since June 1999, he has been working for Braun

Formenbau GmbH in Bahlingen, Germany, where he currently resides. Prior to that he worked for Soda Club International between from 1997 to May 1998, and Raviv Precision Injection Moulding from 1989 to 1997 in Israel. He holds a Bachelor of Science degree in Human Biology from the University of Toronto. He is the brother of Reuben Isbitsky.

(iii) **David Jay** (aged 58)

Educated at Merchant Taylors School, Northwood, David began his working career in the hat industry in 1967 and was managing director and majority shareholder of Mande Ltd (hat manufacturers) from 1969 to 1998. He was joint partner of Deta Management Ltd (property company) from 1981 to 1996, joint partner of Henry Jay Properties (property development) from 2000 to 2002 and currently operates two sales agencies for clothing and headware manufacturers. He is married to the mother in law of Paul Freedman.

2. Profile Sol-Gel Ltd., whose details are as follows:

Profile Sol-Gel Ltd. ("PSG") is an Israeli company (Company No. 51-193988-6), founded in 1994 by three founders – Ian Solomon, Dr. Michael Kagan and David Miron-Wapner – all of whom are directors. The current ownership is David Miron-Wapner (33.3 per cent.) and Profile Technology Ventures Holdings (1997) Ltd. (66.6 per cent.). The latter is a holding company owned by Ian Solomon (75 per cent.) and Michael Kagan (25 per cent.), which serves to develop and/or hold their collective interests in a number of technology ventures, including some communications innovations, PSG and Profile Water Supplements Ltd. in the UK.

PSG was established in order to commercialise a glass technology called "sol-gel" that was developed at the Hebrew University of Jerusalem. The lead application found was for a sophisticated lifetime indicator; an application in which Brita Filter-Systeme GmbH showed interest and pursued an option (which they did not take up). Subsequently, PSG developed a much simpler and less expensive technology to accomplish much the same objective, but using entirely off-the-shelf materials instead of fabricating special-purpose materials on the basis of sol-gel glass. This simpler technology is the technology that was licensed to Timestrip and commercialised by it. PSG had used the services of Pantogram Ltd. in Israel to fabricate samples, and Pantogram Ltd. subsequently became Timestrip's development and manufacturing contractor.

Michael Kagan has a PhD in chemistry and served as PSG's initial chemical development expert, having encountered sol-gel technology during his research at the Hebrew University. Ian Solomon has a BSc in physics and worked primarily in the computer and communication field prior to co-founding Profile. He is responsible for the marketing and commercial aspects of PSG, in addition to having worked on Profile's communications innovations. David Miron-Wapner worked as a commercial lawyer in the US prior to moving to Israel. He is responsible for the legal and financial aspects of the PSG.

PSG for the year ended 31 December 2003 had a turnover of nil, assets of £65,804 and a loss of £(21,135).

**14. Miscellaneous**

- (a) Save as disclosed in the interim statement of the Company for the six months ended 30 June 2004 as set out in Part III of this Document and in Part I of this Document in the section headed "Background to and reasons for the Acquisition" there has been no material change in the financial or trading position of the Company since 31 December 2003, being the end of the last financial period for which audited financial statements for the Company have been published and upon which Jeffrey Henry, Chartered Accountants, have reported in Part III of this Document.
- (b) There has been no material change in the financial or trading position of Timestrip since 30 September 2004, being the end of the last financial period for which audited financial statements for Timestrip have been published and upon which Jeffrey Henry, Chartered Accountants, have reported in Part II of this Document.
- (c) The Directors and the Proposed Directors are of the opinion that the minimum amount to be raised pursuant to the Placing for the purpose set out in paragraph 21(a) of Part IV of Schedule 1 to the POS Regulations is £1,500,000, comprising:

(i)	purchase price of property	£Nil
(ii)	commission and expenses payable out of the proceeds of the Placing	£259,150
(iii)	repayment of monies borrowed in respect of (i) and (ii) above	£Nil
(iv)	working capital	£1,240,850

There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the proceeds of the Placing or from the existing resources of the Company and Timestrip.

- (d) Save as otherwise disclosed in this document, no person (other than the professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company or Timestrip within the last 12 months or entered into contractual arrangements to receive directly or indirectly, from the Company or Timestrip on or before Admission:
- (i) fees totalling £10,000 or more;
  - (ii) securities in the Company or Timestrip with a value of £10,000 or more; or
  - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- (e) Timestrip has the benefit of a lease dated 8 July 2004 between (1) North Hertfordshire and Stevenage Primary Care Trust and (2) Timestrip of premises at Ground and basement floors, Gregans House, 34 Bedford Road, Hitchin, Herts for a term which commenced on 2 July 2004 and expires on 31 March 2005 at a current rent of £14,000 per annum.
- (f) The cost and expenses of, and incidental to, the Acquisition and Admission payable by the Company are estimated to be a maximum of £200,000, excluding VAT together with a maximum commission of 5 per cent. of the amount being raised. There are no arrangements in force for the waiver of future dividends.

#### **15. Consents**

- (a) Jeffreys Henry have given and not withdrawn their written consent to the issue of this document with the inclusion of their report and the references to their name in the form and context in which such references are included and accept responsibility for their reports letter in accordance with paragraph 13 to the POS Regulations.
- (b) Beaumont Cornish has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which such references are included.
- (c) Falcon has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which such references are included.

#### **16. Documents available for inspection**

Copies of the following documents may be inspected at the offices of Stallard, Centurion House, 37 Jewry Street, London EC3N 2ER during normal business hours on weekdays (except Saturdays and public holidays) for the period from the date of this document up to and including 2 March 2005:

- (a) the memorandum of association and the articles of the Company;
- (b) the memorandum and articles of association of Timestrip;
- (c) the audited consolidated accounts of the Company for the two years ended 31 December 2003;
- (d) the audited accounts of Timestrip for the two years ended 31 December 2003 and the period ended 30 September 2004;
- (e) the Directors' service agreements and letters of appointment referred to in paragraph 6 above;
- (f) the reports of Jeffreys Henry set out in Parts II and III Section 1 of this document;
- (g) the material contracts referred to in paragraph 8 above; and
- (h) the letters of consent referred to in paragraph 15 above.

#### **17. Availability of this document**

Copies of this document are available free of charge from the Company's registered office and at the offices of Beaumont Cornish Limited, Georgian House, 63 Coleman Street, London EC2R 5BB during normal business hours on weekdays (except Saturdays and public holidays) and shall remain available for at least one month after Admission.

2 February 2005

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# INTERNET MUSIC & MEDIA PLC

(Registered number 3836605)

NOTICE is hereby given that an Extraordinary General Meeting of Internet Music & Media plc (the "Company") will be held at Finsgate, 5-7 Cranwood Street, London EC1V 9EE at 11 am on 25 February 2005 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1, 2 and 3 will be proposed as ordinary resolutions, and resolution 2 is to be taken on a poll, and resolution 4 will be proposed as a special resolution:

### RESOLUTIONS

#### Ordinary Resolutions:

- 1 THAT all of the 1,228,076,170 Ordinary Shares of 0.2p each in the capital of the Company (both issued and unissued) be sub-divided into 12,280,761,700 Ordinary Shares of 0.02p on the basis of ten Ordinary Shares of 0.02p for each one Ordinary Share of 0.2p.
- 2 THAT:-
  - (a) conditional upon admission to trading on the Alternative Investment Market of London Stock Exchange plc ("AIM") of the issued and to be issued share capital of the Company comprising up to 269,797,690 Ordinary Shares of 0.02p each ("Ordinary Shares"), the acquisition by the Company of the entire issued share capital of Timestrip Limited (the "Acquisition") pursuant to and on the terms of a conditional agreement dated 28 January 2005 entered into between Paul Freedman, Reuben Isbitsky and others (the "Vendors") (1) and the Company (2), (a copy of which, initialled by the Chairman for the purposes of identification, has been produced to the meeting) for a consideration which shall be satisfied by the allotment and issue of 160,000,000 Ordinary Shares to the Vendors on the terms described in the circular to shareholders of the Company dated 2 February 2005 (the "Circular") be and is hereby approved and the directors of the Company be and are hereby authorised to do whatever they consider necessary or appropriate in connection with or for the purpose of completing the proposed acquisition provided that the terms of the transaction are not altered in any material way; and
  - (b) the waiver by the Panel on Takeovers and Mergers of their requirements of Rule 9 of the City Code on Takeovers and Mergers described in the Circular that would otherwise require the Vendors (together with any persons acting in concert with any of them) individually or collectively to make a general offer to the other shareholders which would otherwise arise as a result of the Vendors being issued with 160,000,000 Ordinary Shares by reason of the Acquisition and the warrants referred to in resolution No.3 below and the members of the Concert Party being issued with 12,425,000 Ordinary Shares by reason of the Placing, representing a maximum of approximately 75.8 per cent of the enlarged issued ordinary share capital upon Admission, be and is hereby approved.
- 3 THAT, subject to the passing of resolution 1 and 2 above, the issue by the Company of the following warrants in respect of Ordinary Shares on the terms outlined in the Circular be and are hereby approved:-
  - (a) Placing Warrants in respect of up to 25,000,000 Ordinary Shares issued to persons as described in the Circular.
  - (b) 'B' Warrants in respect of up to 7,500,000 Ordinary Shares issued to persons as described in the Circular;
  - (c) 'C' Warrants in respect of up to 8,500,000 Ordinary Shares issued to persons as described in the Circular;
  - (d) 'D' Warrants in respect of up to 4,000,000 Ordinary Shares issued to persons as described in the Circular;
- 4 THAT, conditional upon Resolution No. 2 above being passed and becoming effective, the name of the Company be changed to "Timestrip Plc".

Dated 2 February 2005

Company Secretary

*Registered Office:*

Finsgate  
5-7 Cranwood Street  
London EC1V 9EE

**Notes:**

1. A member entitled to attend and vote at the meeting hereby convened is entitled to appoint one or more proxies to attend and, on a poll, vote in his place. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be signed and lodged with the Company's registrars, Capita Registrars, not later than 48 hours before the time appointed for the holding of the meeting hereby convened.
3. Completion and return of a form of proxy will not prevent a member from attending the meeting hereby convened and voting in person should the member so wish.
4. In order to comply with the City Code on Takeovers and Mergers, Resolution 2 will be taken on a poll.