

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all or part of your NSMG (2004) Shares, please send this document together with the accompanying Form of Proxy as soon as possible 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.

The NSMG (2004) Directors, whose names appear in paragraph 3 of Part 5 of this document, accept responsibility for the information contained in this document (other than information relating to Four Point Entertainment, Think Entertainment, the Enlarged Group, Shukri Ghalayini and Catherine Malatesta). To the best of the knowledge and belief of the NSMG (2004) Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. Shukri Ghalayini accepts responsibility for the information contained in this document relating to Four Point Entertainment, Think Entertainment, the Enlarged Group and Shukri Ghalayini, and Catherine Malatesta takes responsibility for the information relating to Think Entertainment, the Enlarged Group and Catherine Malatesta. To the best of the knowledge and belief of the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they each accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information. This document has been prepared, so far as is possible and except where the context requires otherwise, on the assumption that the proposed Acquisition has been completed.

YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED RISK FACTORS SET OUT IN PART 4 OF THIS DOCUMENT. YOU SHOULD ALSO BE AWARE THAT NEITHER THE NSMG (2004) SHARES NOR THE THINK ENTERTAINMENT SHARES ARE TRADED ON ANY RECOGNISED INVESTMENT EXCHANGE.

NSMG (2004) Plc

Proposed acquisition of the business and certain assets of Four Point Entertainment LLC

Appointment to the NSMG (2004) Board of Shukri Ghalayini and Catherine Malatesta

Change of name to Think Entertainment Plc

Deloitte & Touche Corporate Finance is acting for NSMG (2004) in connection with the Acquisition and for no-one else and will not be responsible to anyone other than NSMG (2004) for providing the protections offered to clients of Deloitte & Touche Corporate Finance nor for providing advice in relation to the Acquisition. Deloitte & Touche Corporate Finance is a division of Deloitte & Touche LLP which is authorised and regulated in the UK by the Financial Services Authority in respect of regulated activities.

This document should be read in conjunction with the accompanying Form of Proxy.

Your attention is drawn to the letter from Brian Downs (who is one of the NSMG (2004) Directors) set out on pages 3 to 9 of this document which recommends that you vote in favour of the resolutions set out on page 23 of this document to be proposed at the Extraordinary General Meeting referred to below.

Notice of an extraordinary general meeting of NSMG (2004), to be held at 1 City Square, Leeds, LS1 2AL at 2.30pm on 12 August 2004, is set out on page 23 of this document. To be valid, the Form of Proxy for use at the EGM (which is set out on page 25 of this document) should be completed and returned to the Company's registrars, Capita Registrars, of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and in any event so as to be received no later than 2.30pm on 10 August 2004. The completion and return of the Form of Proxy will not preclude NSMG (2004) Shareholders from attending the meeting in person should they wish to do so.

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Part 1
LETTER OF RECOMMENDATION
FROM THE DIRECTORS OF NSMG (2004) PLC

(registered in England, company no.5121390)

NSMG (2004) Plc

To NSMG (2004) Shareholders, and for information only, to NSMG (2004) Loan Noteholders

19 July 2004

Dear NSMG (2004) Shareholder,

**Proposed acquisition of the business and certain assets of
Four Point Entertainment**
**Proposed appointment to the NSMG (2004) Board of
Shukri Ghalayini and Catherine Malatesta**
Change of name to Think Entertainment

Introduction

The Newscreen Board announced details of a reconstruction of Newscreen on 27 April 2004 and published a circular to Newscreen Shareholders on the same date. The Reconstruction was considered necessary to assist in the future development of the business of Newscreen, including if relevant, to enter into appropriate transactions and to seek a trading facility on a Recognised Investment Exchange for its shares in due course.

Newscreen Shareholders approved the Reconstruction at the Reconstruction EGM held on 21 May 2004, and the Reconstruction has since been implemented. This means that, *inter alia*, Newscreen's principal subsidiaries have been transferred to NSMG (2004), Newscreen Shareholders have been issued with NSMG (2004) Shares in exchange for their shares in Newscreen, and the members of the Newscreen Board have been appointed to the NSMG (2004) Board.

After the Reconstruction EGM, the Newscreen Board announced that it had recommenced discussions with Four Point Entertainment regarding a possible merger or other similar transaction. Four Point Entertainment is a distribution and production organisation based in Los Angeles, in the United States, that has highly experienced senior management together with an interest in a film and television library and an exciting portfolio of properties in various stages of development and production with the potential for future exploitation worldwide.

The NSMG (2004) Directors are now pleased to announce that NSMG (2004) has entered into a conditional agreement to acquire the business and certain assets of Four Point Entertainment, and it is proposed that Shukri Ghalayini and Catherine Malatesta join the NSMG (2004) Board on Completion. It is intended that, following Completion of the Acquisition, NSMG (2004) be renamed Think Entertainment.

The consideration for the Acquisition will be satisfied by an allotment, on Completion, to Four Point Entertainment of an initial 25% equity interest in NSMG (2004), to-be renamed Think Entertainment, and by a contingent deferred allotment to Four Point Entertainment of up to a further 35% equity interest in Think Entertainment, but only when, and if, Think Entertainment is successful in achieving certain performance related milestones, including the obtaining of a trading facility on a Recognised Investment Exchange for Think Entertainment Shares (or a transaction that has the same effect), the achievement of certain financial targets over the next 12 months and the commencement of certain productions.

The NSMG (2004) Board's reasons for negotiating this structure are set out in the section entitled "Reasons for the Acquisition" below.

The purpose of this letter is to explain the background to, and reasons for, the Acquisition and why the NSMG (2004) Directors are seeking your consent to the Acquisition at the EGM convened for that purpose on 12 August 2004, notice of which is set out on page 23 of this document.

Background to the Acquisition

Newscreen has endured a difficult period in recent years and incurred significant trading losses with the result that it went into administration on 9 January 2002 and entered into the CVA with the CVA Creditors on 2 August 2002. Shares in Newscreen ceased trading on AIM in 2001.

The strategy of the Newscreen Directors

The Newscreen Board currently comprises of three non-executive directors, who were appointed shortly after the CVA had been approved by the CVA Creditors, and who have acted as "stewards" of Newscreen since that time. It has been the strategy of the Newscreen Board for some time to restructure the operations of Newscreen and then to seek a transaction which would bring additional revenues and experienced senior management into Newscreen. It has also been the Newscreen Board's intention to achieve a trading facility on a Recognised Investment Exchange for its shares as soon as practicable (or a transaction that has a similar effect).

Newscreen Entertainment and Newscreen Licencing has incurred significant trading losses of approximately £20 million, in aggregate, and corporation tax computations in respect of these accumulated losses have been submitted to the Inland Revenue for relevant trading periods. These trading losses might be available for the tax relief of trading profits in due course, subject to the agreement of the Inland Revenue.

Newscreen owns certain intellectual property and exploitation rights to two children's television animation series entitled "Butt Ugly Martians" and "Jellikins/Jellabies" both of which have previously been aired in the UK and certain international territories. A second series of "Jellikins/Jellabies", now known as "The Jellies", has been produced and is now actively being distributed by the Company's distributor. Under the terms of the Reconstruction, Newscreen undertook to transfer the intellectual property and exploitation rights in these series to NSMG (2004). The NSMG (2004) Board is arranging the formal transfer of such rights to NSMG (2004) to the extent that this did not occur automatically on completion of the Reconstruction.

The first stage of this strategy was the Reconstruction which was approved by Newscreen Shareholders on 21 May 2004, Newscreen having come out of administration on 23 April 2004. The purpose of the Reconstruction was to preserve the core businesses of Newscreen Entertainment and Newscreen Licensing by transferring these entities to NSMG (2004), a company formed specifically for that purpose. NSMG (2004) provides a platform for returns to the CVA Creditors under the CVA and for improved prospects to existing NSMG (2004) Shareholders. NSMG (2004) has never traded. Liberating it from the burden of accumulated losses on the Newscreen profit and loss account was also intended to facilitate possible dividend distributions to be made to NSMG (2004) Shareholders from any future profits.

The Reconstruction has now been implemented, with the effect that the principal trading subsidiaries of Newscreen have been transferred to NSMG (2004), Newscreen Shareholders have been allotted with NSMG (2004) Shares on a *pro rata* basis in exchange for their shares in Newscreen and are now NSMG (2004) Shareholders, and the Newscreen Board now constitutes the NSMG (2004) Board.

The solvency position of Newscreen as at 20 May 2004 is set out in Part 2 of this document, which contains extracts from the statutory declaration of solvency of Newscreen, sworn on that date by the Newscreen Board as part of the Reconstruction. This shows that as at that date Newscreen was solvent and had an estimated surplus of assets over liabilities of £644,863. As at 20 May 2004, Newscreen had cash balances of £748,172 and liabilities of £2,886,332 due to the NSMG (2004) Loan Noteholders.

The second stage of this strategy is the proposed Acquisition and the appointment to the NSMG (2004) Board of Shukri Ghalayini and Catherine Malatesta, who have significant senior management experience in the entertainment industry. On Completion, it is proposed to change the name of NSMG (2004) to Think Entertainment.

It is also the strategy of the NSMG (2004) Board and the Proposed Directors to actively explore options to establish a trading facility on a RIE for Think Entertainment Shares, including a flotation on AIM or a reverse take-over by an existing UK quoted company. However, the completion of such transactions cannot be guaranteed at this time as discussions are at an early stage and are influenced by a wide range of internal and external factors.

Reasons for the Acquisition

The NSMG (2004) Board believes that the NSMG (2004) Group in its existing form is unsuitable for a flotation in the UK since it does not have any executive directors or a sufficiently broad range of intellectual properties. Consequently the NSMG (2004) Board has been considering options to increase the revenues, operating mass and management expertise of its business. A number of alternatives to the Acquisition have been considered by the NSMG (2004) Directors but none of the related discussions have progressed sufficiently to enable any proposal to be put to NSMG (2004) Shareholders.

The Acquisition which includes distribution and/or profit participation rights in a library of film and television footage, will significantly expand NSMG (2004)'s existing base of intellectual property. In addition the NSMG (2004) Board will be enhanced by the appointment, to the NSMG (2004) Board, of the Proposed Directors, who are individuals with a broad range of experience of the media industry and who have international contacts.

Information on Four Point Entertainment

Four Point Entertainment commenced trading on 7 February 2002 and is a limited liability company incorporated in the state of California. Four Point Entertainment is an independent production and distribution company based in Los Angeles, in the United States, with the benefit of revenues from the distribution and production of a wide range of media titles. Shukri Ghalayini is an experienced independent television producer and Chairman and Chief Executive Officer of Four Point Entertainment and Catherine Malatesta has over 17 years' experience in the television industry.

Members of Four Point Entertainment

Shukri Ghalayini, who resides in Los Angeles, California, has a 55% interest in Four Point Entertainment. Further information on Shukri Ghalayini is set out in the section entitled "Management and employees" below. Rafic Saadeh, who resides in Greece and is the brother-in-law of Shukri Ghalayini, has a 32% interest in Four Point Entertainment, and is the Chief Executive Officer and Chairman of Horizon.FCB, an advertising agency in the Middle East. Novian & Novian LLP, which has a 7% interest in Four Point Entertainment, is a firm of lawyers based in California that represents a number of clients in the entertainment and music fields. Luca Barbareschi, a presenter in Italy, holds a 5% interest in Four Point Entertainment, and Doris Keating Schlesinger, a US television producer, holds a 1% interest in Four Point Entertainment.

Information on the trading history of Four Point Entertainment

In common with many businesses of its size and constitution in the United States, the systems and controls of Four Point Entertainment are unsophisticated and may not be reliable to form the basis of preparation of financial statements. In addition, the accounts for Four Point Entertainment have been compiled by an external firm of accountants from the books and records prepared by the management and officers of Four Point Entertainment. These accounts have not been subject to external audit as there is no statutory requirement to do so in the United States for corporations of Four Point Entertainment's size and legal status.

During the NSMG (2004) Board's due diligence investigations into the business of Four Point Entertainment, the NSMG (2004) Board was not able to obtain access to the external firm of accountants retained by Four Point Entertainment prior to 2004 to discuss the preparation and content of the accounts and accounting policies. **For this reason the NSMG (2004) Board has not reproduced these accounts in this document, as it has not been able to verify their accuracy or completeness.**

Reasons for the transaction structure

The NSMG (2004) Board initially negotiated with Four Point Entertainment on the basis of a share-for-share exchange transaction, subject to due diligence investigations into Four Point Entertainment. This would have provided the members of Four Point Entertainment with an immediate 60% interest in the equity of the Enlarged Group.

After a careful review of the results of the legal and financial due diligence, which highlighted significant weaknesses in the accounting and contractual records of Four Point Entertainment, the NSMG (2004) Board concluded that the financial information presented to them by Four Point Entertainment was not a sufficient basis upon which to perform an objective valuation of that business. Accordingly, that historical information has not been presented in this document.

The NSMG (2004) Board decided, therefore, to approach the proposed transaction on the basis of the purchase of the business and certain assets for an initial consideration of 25% together with a consideration structure that defers the majority of the consideration until certain "measureable" performance-related milestones have been achieved. It was only after a protracted period of negotiation on the precise terms of the transaction structure, that the NSMG (2004) Board agreed to allot an initial 25% interest in the share capital of NSMG (2004) (a minority of the consideration) to Four Point Entertainment, as part of the consideration for the business and certain assets of Four Point Entertainment, in order to conclude the negotiations. Further details of these milestones are set out below in the section entitled "Details of the Acquisition".

In addition, the NSMG (2004) Board will enter into, on Completion, a "Board Control Agreement" with Shukri Ghalayini and Catherine Malatesta which sets out certain aspects of the financial and management control systems that the Think Entertainment Board will implement on Completion. As a UK company, Think Entertainment's annual accounts will be subject to external audit in the UK in the normal way. The availability of financial information on the Enlarged Group and an appropriate financial and management control environment will be a prerequisite to any flotation (or similar transaction) for Think Entertainment. These issues will be addressed by the Think Entertainment Board.

Details of the Acquisition

On 15 July 2004 NSMG (2004) entered into a conditional agreement to acquire the business and certain assets of Four Point Entertainment. The consideration for the Acquisition will be satisfied by the allotment to Four Point Entertainment, on completion of the Acquisition, of Think Entertainment Shares representing an initial equity interest of 25% in Think Entertainment.

The deferred consideration of additional new Think Entertainment Shares representing a further equity interest of up to 35% of Think Entertainment is to be allotted to Four Point Entertainment in the event that the following milestones are achieved:

- | | |
|--|-------------------------------------|
| ■ First day of filming and/or animation* for Suzy Zoo | 5% interest in Think Entertainment |
| ■ First day of filming and/or animation* for Merlin | 5% interest in Think Entertainment |
| ■ Net cash** from the Four Point library of \$1.2m by 31 July 2005 | 5% interest in Think Entertainment |
| ■ Admission of Think Entertainment Shares to trading on a RIE | 20% interest in Think Entertainment |

Note first day of filming and/or animation, which is to be on or before 1 February 2005. Details of Suzy Zoo and Merlin are set out below.*

*Note** net cash means the achievement of gross cash receipts from the library of Four Point Entertainment (net of payments to owners, licensors, commissions and other direct costs associated with and properly attributable to such assets).*

Four Point Entertainment is able to replace "Suzy Zoo" and "Merlin" with other suitable alternative sources of revenue, from an appropriate major broadcaster subject to the approval of Brian Downs in his capacity as a member of the NSMG (2004) Board/Think Entertainment Board.

In the event of an admission to trading of Think Entertainment Shares on a RIE (or a transaction with similar effect) on or before 31 July 2005, provided that the market capitalisation of the NSMG (2004) Shares (including the issue of any of the consideration shares above and any shares issued pursuant to the proposed share option scheme) is equal to or exceeds £12 million, all of the deferred consideration shares referred to above will be immediately allotted to Four Point Entertainment. A summary of the principal terms of the Acquisition Agreement is set out in Part 3 of this document.

Information on the principal assets to be acquired

The business model for Think Entertainment is expected to comprise revenue from production, distribution, licensing and merchandising. During the period 2004 to 2006 the majority of the revenue is expected to be generated by the production, licensing and distribution of the following properties:

- *Secrets of Superstar Fitness 2* – this is the second series, consisting of a major run of 13 one hour episodes. This was re-commissioned by the Discovery Channel for broadcast on Fit TV in the United States, and this series is currently in production for delivery to the network for broadcasting in August 2004;
- *Suzy Zoo/Adventures in Duckport* – this animated series will be produced in 52 episodes of 10 minutes each, and 26 "interstitials" of one minute each for a leading broadcaster in the United Kingdom. Four Point Entertainment has an option to acquire from Suzy Zoo Inc. the audio visual rights including the sole and exclusive rights to produce, sell, exhibit, licence, dispose of or exploit any one or more animated television productions based on certain of the Suzy Zoo characters and all associated rights therein. Four Point Entertainment will assign this option prior to Completion to Think Entertainment Limited which will then exercise this option for an exercise price of \$7,500. Certain other rights have been reserved by Suzy Zoo Inc. and various merchandise licences in relation to the characters have already been granted to third parties. If, and to the extent that, the merchandising revenues from such licences received by Suzy Zoo Inc. are less than a specified sum (which will be based on previous years merchandising revenues received by Suzy Zoo Inc. and such sum has not been agreed upon between Four Point Entertainment and Suzy Zoo Inc.), then Four Point Entertainment will be responsible for the shortfall. The NSMG (2004) Directors have not at this time been able to quantify such sum. In addition 10% of all net revenues received in respect of this property are payable to Moon Mesa Media LLC. Following Completion, Think Entertainment will effectively assume such obligations; and
- *Merlin* – Merlin is an early stage animation and live action concept expected to comprise 13 one-hour episodes created by Catherine Malatesta who has assigned the related rights to Lawless Productions LLP, an entity controlled by her. Prior to Completion, the assets of Lawless Productions LLP will be sold to Four Point Entertainment and then will be acquired by NSMG (2004) pursuant to the Acquisition Agreement.

Information on Four Point Entertainment's library

This substantial catalogue consisting of dozens of feature length films, television documentaries and reality programs from a variety of genres is being sold to US networks and internationally. Starring artists such as Ben Affleck and Russell Crowe in their early careers, the library is expected by the Think Entertainment Board to contribute cash revenues to Think Entertainment and current productions are added to the library and distributed worldwide as soon as holdbacks and other contractual provisions allow.

Four Point Entertainment acquired the majority of the library from the trustee in bankruptcy of various US entities, and acquired such right, title and interest as the trustee held. However, upon expiry of the distribution and/or profit participation rights in the relevant library assets, all such rights revert to the relevant producer. **In addition, as the library has not yet been fully marketed, it has not been possible to present any meaningful financial information in respect of these assets in this document.** Consequently, the NSMG (2004) Board has agreed with Four Point Entertainment that a proportion of the consideration payable pursuant to the Acquisition Agreement will be in respect of the future financial performance of the library.

Strategy for Think Entertainment

The Think Entertainment Board's strategy is for Think Entertainment to ultimately become a service development, finance, production, distribution (television and video), licensing and merchandising organisation with operations based in London and Los Angeles, in the United States. The Think Entertainment Board anticipates that Think Entertainment will produce and distribute for television and video programs through a variety of media such as animation, telemovies, hour drama series, reality formats, documentaries and mini-series and exploit the licensing opportunities with these properties.

The Think Entertainment Board is also considering a number of further strategic acquisitions with the expectation that these will build operating scale. Early stage discussions are being held with a number of parties, one of which is a UK quoted company that might represent a route, through a reverse takeover, to provide a trading facility on a RIE for the holders of Think Entertainment Shares. However, the Acquisition, in itself, does not guarantee that a flotation of Think Entertainment (or a transaction with similar effect) will be achieved.

Working capital

The deficiencies in the financial and management control systems of Four Point Entertainment referred to above are such that it has not been possible for the NSMG (2004) Board to conduct a review of the adequacy of working capital for the Enlarged Group.

Although the cash flow projections presented to the NSMG (2004) Board by Four Point Entertainment in respect of the assets being acquired by NSMG (2004), together with the cash flow projections of NSMG (2004) itself, suggest that the Enlarged Group should have sufficient working capital available to it for its present requirements (that is for at least 12 months from the date of the EGM), it has not been possible for the NSMG (2004) Board to verify this. As set out in Part 2 of this document the NSMG (2004) Group has limited cash resources. It is anticipated that the Enlarged Group will be refinanced at the time of any flotation or reverse take-over. However, should the Enlarged Group's available working capital prove not to be sufficient prior to such a transaction, the Think Entertainment Board will immediately seek other forms of finance, together with taking appropriate cost cutting or cost deferral measures to prevent the business failing.

Management and employees

The proposed board of Think Entertainment comprises a range of experienced media executives from Europe and the United States.

Shukri Ghalayini – (Proposed) Chief Executive Officer

Shukri Ghalayini is to be the Chief Executive Officer of Think Entertainment. He formed the original Four Point Entertainment in 1983 and established his reputation as an independent television producer in the United States. His production expertise covers a range of genres such as magazine programs, reality programs, documentary programs and drama programs. His production of "American Gladiators", was one of the most successful "reality" game shows of its time. More recently, Four Point Entertainment has expanded its library to include over 1,000 hours of programming from documentaries to telemovies, available for distribution and licensing/merchandising worldwide. He subsequently sold the business in 1996 and he re-acquired it through Four Point Entertainment in 2002.

Catherine Malatesta – (Proposed) Chief Operating Officer

Catherine Malatesta is to be Chief Operating Officer of Think Entertainment. She has worked in television for over 17 years across a range of operations both in the United States and worldwide. Catherine Malatesta's most recent work has included working as a worldwide consultant to Global Media Television, Telefonica Media and Moon Mesa Media through her wholly-owned company, Lawless Productions LLP. She was also responsible for heading Warner Bros. International Television Production Company, which she created and managed for over seven years where she served as Senior Vice President of international TV production for six years. Prior to that, she created and managed Westinghouse Broadcasting's International Television production and distribution company and served as Vice President/General Manager for nine years, with responsibility for marketing, co-productions, programme acquisitions and distributions.

The range of her previous experience includes program conception, creative development, finance structure, production management, post-production ultimate distribution and technical delivery. Programs produced have included sitcoms, drama series, "made for TV" movies, mini series, animation, documentaries, reality programs, magazine format programming and gameshows. Catherine Malatesta was involved in designing and implementing the global marketing and licensing strategy for one of the most significant successes in animation, "The Teenage Mutant Ninja Turtles", which grossed over \$3bn in worldwide revenues.

David Clement, Non-executive Director

David Clement is an entrepreneur and successful businessman with over 25 years' experience in the media industry. He has extensive knowledge of television production and computer animation. He joined the Newscreen Board on 5 February 2003.

Brian Downs, Non-executive Director

Brian Downs entered the accountancy profession in 1958, and in 1964 he established his own accountancy practice. He remains in general practice as an accountant and registered auditor. He joined the Newscreen Board on 2 September 2002.

Financial advice received by the NSMG (2004) Board

The NSMG (2004) Board has received independent financial advice in relation to the Acquisition from Deloitte & Touche Corporate Finance. The substance of that financial advice is summarised below:

- Four Point Entertainment's accounting records and management controls are not sufficiently evident or strong to support a conventional financial due diligence process or a UK statutory audit. The financial information presented by Four Point Entertainment (both historical and prospective) has not, therefore, formed a reliable basis for understanding trading performance or for undertaking any business valuation or a working capital adequacy exercise for the Enlarged Group. Further, the information would not satisfy the technical requirements of a flotation process in the UK. Accordingly, no financial information in relation to Four Point Entertainment or its assets has been included in this document which means that this document does not comply with the requirements of the City Code in relation to the Rule 9 Whitewash. Your attention is also drawn to the paragraph above entitled "Working capital" which addresses certain implications of these matters for determining the adequacy of working capital for the Enlarged Group;
- A transaction structure that involves the purchase of selected assets and not the entire issued share capital of Four Point Entertainment together with a consideration structure that is substantially weighted towards future performance and fulfilment of certain milestones is necessary in response to address the deficiencies in the financial information provided by Four Point Entertainment;
- An effective internal financial and management control environment must be in place for the Enlarged Group at Completion to accommodate both the related weaknesses identified in Four Point Entertainment and the increased size and complexity of the Enlarged Group following Completion. Appropriate accounting records will need to be maintained for all aspects of Think Entertainment's operations, a finance director should be appointed as a matter of urgency and the expected stewardship of the Directors of Think Entertainment documented in the Board Control Agreement and implemented accordingly;
- A short term integration plan for the Enlarged Group will need to be developed and implemented at Completion;
- A future flotation, reverse take-over or similar public company transaction will be predicated on a wide range of internal and external factors and cannot be guaranteed at this time. Adequate accounting records, an effective financial and management control environment and high quality historical and prospective financial information will be fundamental to the feasibility of any such transactions;
- In recommending the Acquisition, the NSMG (2004) Board is relying substantially on its own commercial assessments about the prospective benefits of the Acquisition to the NSMG (2004) Group in terms of both management and of the prospects for the assets being acquired in a highly competitive marketplace. In addition, the NSMG (2004) Board has also considered the alternative options available to NSMG (2004) in the context of its present financial resources, the limited breadth of its existing management, the size of its intellectual property portfolio and its experience of previous discussions with other parties as described in this Part 1. The NSMG (2004) Board has also considered the risk factors set out in Part 4 of this document which form part of the financial advice provided.

In view of the above, it has not been possible for Deloitte & Touche Corporate Finance to provide the NSMG (2004) Directors with financial advice to the effect that they should either recommend or not recommend the Acquisition. As a consequence, the NSMG (2004) Directors must rely substantially on their own commercial assessments of the benefits that the Proposed Directors and the assets being acquired pursuant to the Acquisition Agreement will bring to NSMG (2004), in making their recommendation set out below.

Further, certain systems and procedures will need to be implemented on Completion to ensure that the Enlarged Group has an adequate financial and management control environment and that the Think Entertainment Board's ambitions to achieve a flotation (or a transaction with similar effect) can be progressed.

Recommendation to NSMG (2004) Shareholders

The NSMG (2004) Directors, having taken account of the financial and legal advice received in relation to the Acquisition and the Rule 9 Whitewash, consider the Acquisition to be in the best interests of NSMG (2004) and NSMG (2004) Shareholders and recommend that such shareholders vote in favour of the Resolutions to be proposed at the EGM as they themselves have irrevocably undertaken to do so in respect of their own beneficial shareholdings being in aggregate 1,108,276,020 NSMG (2004) Shares representing approximately 8.0 per cent of the total number of NSMG (2004) Shares in issue.

Yours faithfully

Brian Downs

Non-executive Director

PART 2
FINANCIAL INFORMATION ON NEWSCREEN MEDIA GROUP PLC

Basis of preparation

Financial information in relation to Newscreen is set out below.

The financial information has been extracted from the statutory declaration of solvency sworn by the Newscreen Directors on 20 May 2004, in accordance with s. 89 of the Insolvency Act 1986, in contemplation of the Reconstruction. The Reconstruction was approved by Newscreen Shareholders on 21 May 2004. This financial information has not been audited. The Newscreen Directors take responsibility for this information.

Section 89 (3)
The Insolvency Act 1986
Members Voluntary Winding Up
Declaration of Solvency
Embodying a Statement of
Assets & Liabilities

Company No	02870308
Name of Company	Newscreen Media Group Plc
Presented by	Hilary David Clement, Brian Charles Downs and John Brian Procter

DECLARATION OF SOLVENCY

We

Hilary David Clement, Brian Charles Downs and John Brian Procter,

being all of the directors of

Newscreen Media Group plc

do solemnly and sincerely declare that we have made a full enquiry into the affairs of this company, and that, having done so, we have formed the opinion that this company will be able to pay its debts in full together with interest at the official rate within a period of months, from the commencement of the winding up.

We append a statement of the company's assets and liabilities as at 20 May 2004 being the latest practicable date before the making of this declaration.

We make this solemn declaration, conscientiously believing it to be true, and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at

Date

Before me

Solicitor or commissioner for oaths

Signature(s) of person(s) making declaration

Statement as at 20 May 2004 showing assets at estimated realisable values and liabilities expected to rank

ASSETS & LIABILITIES

Estimated to Realise
or to rank for payment
£

ASSETS

Motor vehicles	25,000
Fixtures, fittings & equipment	5,000
Debtors ~ NewScreen Licensing Limited	1,037,392
- NewScreen Entertainment Limited	1,914,363
- other	315,500
Cash at bank	748,172
HMC&E ~ vat refund	99,733
	<hr/>
Estimated realisable value of assets	4,145,160

LIABILITIES

Trade creditors	165,876
PAYE/NIC	13,286
Pension contributions	312
Accruals and provisions	304,491
Loan note holders	2,886,332

Estimated cost of liquidation & expenses including
interest accruing until payment of debts in full

Estimated surplus after paying debts in full

PART 3

SUMMARY OF THE PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

NSMG (2004) is a party to the Acquisition Agreement whereby, subject to the satisfaction of certain conditions, NSMG (2004) will acquire the business and certain assets of Four Point Entertainment together with the entire issued share capital of Think Entertainment Limited.

The Acquisition Agreement is conditional upon approval of it by the NSMG (2004) Shareholders, the satisfaction of certain legal conditions relating to the title and assignability of the assets to be purchased, a waiver by the Panel of any obligation by Four Point Entertainment to make a general offer for the shares in NSMG (2004) under Rule 9 of the City Code in respect of the Acquisition and there having been no material (meaning a breach causing a loss of £100,000 or more) breach of warranty by either party.

The NSMG (2004) Board has the power to waive, in whole or in part, any of the conditions requiring satisfaction by Four Point Entertainment in the Acquisition Agreement.

The principal assets to be acquired are the properties summarised in Part 1 of this document together with fixtures and fittings, cash balances and trade debtors.

In addition, NSMG (2004) will acquire an option to purchase certain other assets held by Four Point Entertainment, being those currently identified in the Acquisition Agreement as well as any other presently unidentified asset ("the Option"). The Option provides a right for NSMG (2004) to purchase all other assets of Four Point Entertainment for nominal consideration but it does not intend to exercise the Option in relation to any specific asset until it has completed satisfactory due diligence in relation to that asset. Four Point Entertainment is under an obligation to supply information it has to assist in this.

The basis of the consideration for the Acquisition is set out in Part 1 of this document. In addition, NSMG (2004) has agreed to assume the liability to pay creditors of Four Point Entertainment up to a maximum of £100,000.

Four Point Entertainment has provided NSMG (2004) with a restrictive covenant that prevents it from competing with NSMG (2004) for a period of two years from Completion.

The Acquisition Agreement also contains warranties by Four Point Entertainment relating to its business and assets including in respect of certain information supplied by it, its accounts, its business contracts, its employees, actual or threatened litigation and its solvency. Shukri Ghalayini has provided a personal guarantee to NSMG (2004) of the liabilities of Four Point Entertainment pursuant to the Acquisition Agreement.

NSMG (2004) has provided Four Point Entertainment with warranties relating to certain information supplied, the accounts of Newscreen Entertainment and Newscreen Licensing, its employees, creditors and liabilities, litigation, solvency and the Reconstruction.

PART 4 RISK FACTORS

The NSMG (2004) Directors consider that Think Entertainment has the potential to be successful, but that its future success is subject to a number of risk factors including:

- Four Point Entertainment and NSMG (2004) are relatively small businesses operating in a highly competitive international marketplace dominated by large corporations. Consequently, as a smaller player, the business risks faced by the Enlarged Group are considered to be high.
- The nature of the financial and management systems and controls currently operated by the NSMG (2004) Group will need to be significantly improved in view of the increased operating size and complexity of Think Entertainment and the weaknesses identified by the NSMG (2004) Board in the control environment of Four Point Entertainment during due diligence. The Think Entertainment Board has undertaken to address this as a matter of urgency, and the appointment of a finance director is a key objective.
- The business model of Think Entertainment is predicated on the successful and profitable commercial exploitation of its intellectual properties, some of which are at an early stage of development and so such exploitation cannot be guaranteed.
- The trends in the wider media marketplace for the products of Think Entertainment are difficult to predict with certainty.
- The legal due diligence has been as rigorous as the NSMG (2004) Board has been able to achieve. However, the legal chain of title and the precise nature of the rights held by Four Point Entertainment (and third party liabilities in respect of the same) may not have been proved conclusively on some properties of Four Point Entertainment and this has clear risks to the extent that the title, rights, or third party liabilities to these properties is subsequently disputed or asserted by third parties.
- Any merchandising returns on Suzy Zoo are subject to the payment to Suzy Zoo Inc. of a minimum guaranteed royalty until 2006 which it has not been possible to quantify. Further details are set out in Part 1 of this document.
- The financial model of Think Entertainment has not been tested as extensively as the NSMG (2004) Board would have expected, as it has not been possible to review the underlying assumptions to the projected revenues by reference to, *inter alia*, the historical financial accounts and accounting records of Four Point Entertainment. Furthermore, Four Point Entertainment's business is inherently difficult to forecast.
- NSMG (2004) is currently solvent. The business model of Think Entertainment is predicated on solvent operations, but should this not prove to be the case, the ability to sustain operating losses for only a finite period means that an external fund raising will be required if Think Entertainment is not to fail. Contingency plans will be established by the Think Entertainment Board following Completion.
- NSMG (2004) Shares are not quoted on any RIE. Achieving a listing of Think Entertainment Shares on a RIE will require one or more further complex transactions and will be influenced by a wide range of internal and external factors. The lack of available financial information on Four Point Entertainment and the deficiencies in its control environment together with the fact that neither Shukri Ghalayini nor Catherine Malatesta has acted as a UK public company director, exacerbate this risk. No assurances can be given at this time about when, or if ever, such a facility will be obtained though this will be a key objective of the Think Entertainment Board.
- Implementing the integration and business plans, together with progressing discussions regarding a flotation (or a transaction with similar effect) will necessitate significant management input. The proposed composition of the Think Entertainment Board has certain unfilled posts, and further appointments are envisaged and required, of which the post of finance director is the most urgent. Although certain candidates have been identified, no further appointments can be confirmed at this time.

PART 5
ADDITIONAL INFORMATION

1. Responsibility

The NSMG (2004) Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document (other than information relating to the Four Point Entertainment, Think Entertainment, the Enlarged Group, Shukri Ghalayini and Catherine Malatesta). To the best of the knowledge and belief of the NSMG (2004) Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Shukri Ghalayini accepts responsibility for the information contained in this document relating to Four Point Entertainment, Think Entertainment, the Enlarged Group and Shukri Ghalayini, and Catherine Malatesta takes responsibility for the information relating to Think Entertainment, the Enlarged Group and Catherine Malatesta. To the best of the knowledge and belief of the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they each accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated in England and Wales under the Act and registered on 6 May 2004 with registered number 5121390 as a public limited company. The liability of the members of the Company is limited.

The registered office of the Company is Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire, S40 1RS.

3. Directors and registered office

The NSMG (2004) Directors (who will remain directors of Think Entertainment) are:

Hilary David Clement, Non-executive Director

Brian Charles Downs, Non-executive Director

John Brian Procter, Non-executive Director

The business address and registered office of each of the NSMG (2004) Directors is at Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire, S40 1RS.

The Proposed Directors who will join the board of Think Entertainment are:

Shukri Ghalayini, Chief Executive Officer

Catherine Malatesta, Chief Operating Officer

The business address and registered office of Four Point Entertainment is at Suite 300, 3rd Floor, 14945 Ventura Boulevard, Sherman Oaks, County of Los Angeles, California, 91403, United States.

4. Disclosure of shareholdings and interests

4.1 Shareholding and interests in NSMG (2004) Shares

The interests all of which are beneficial, of the directors of NSMG (2004) and their immediate families and connected persons (within the meaning of section 324 of the Act) in the share capital of NSMG (2004) (as shown in the register required to be kept under section 325 of the Act or which have been notified to NSMG (2004) pursuant to sections 324 or 328 of the Act) at 15 July 2004 were as follows:

Director	Number of NSMG (2004) Shares		Fully diluted*		%
	Pre Acquisition	At Completion			
		%	%		
David Clement**	68,579,610	0.49	68,579,610	0.37	0.20
Brian Downs***	7,760,000	0.05	7,760,000	0.04	0.02
John Procter	1,039,997,410	7.50	1,039,997,410	5.63	3.00
Proposed Directors					
Shukri Ghalayini	Nil	0.00	Nil	0.00	0.00
Catherine Malatesta	Nil	0.00	Nil	0.00	0.00

Note fully diluted assumes that the maximum consideration of 60% has been allotted to the members of Four Point Entertainment.*

*Note** the interests of David Clement include 28,018,610 NSMG (2004) Shares held by his wife.*

*Note*** the interests of Brian Downs are held by his son.*

As at 15 July 2004, NSMG (2004) had been notified pursuant to section 324 of the Act of the following interests in 3 per cent or more of the issued share capital of NSMG (2004):

Director	Number of NSMG (2004) Shares		Fully diluted*	
	Pre Acquisition	At Completion		
John Procter (Director)	1,039,997,410	7.50	1,039,997,410	3.00
T D Waterhouse	551,808,960	3.95	551,808,960	1.59
Four Point Entertainment**	Nil	0.00	20,796,281,070	60.0

Note* fully diluted assumes that the maximum consideration of 60% has been allotted to the members of Four Point Entertainment.

Note** the members of Four Point Entertainment comprise: Shukri Ghalayini, (who has a 55% interest), Rafic Saadeh (32%), Novian & Novian LLP (7%), Luca Barbareschi (5%) and Doris Keating Schliesinger (1%).

- 4.2 Save as disclosed in paragraph 4.1, none of the Directors or Proposed Directors nor any person connected with them (within the meaning of section 346 of the Act) has any interest in any relevant securities.
- 4.3 No Director or Proposed Director of the Company, or officer, director or member of Four Point Entertainment has dealt for value in any relevant securities during the 12 months prior to the date of this document.
- 4.4 No subsidiary of the Company, no pension fund of the NSMG (2004) Group and no adviser to the Company (excluding any exempt market makers) owns, controls or is interested in any relevant securities.
- 4.5 There are no relevant securities managed on a discretionary basis by fund managers connected with the Company.
- 4.6 There are no outstanding loans granted by the Company or any member of the NSMG (2004) Group to any of the Directors or Proposed Directors nor has any guarantee been provided by the Company or any member of the NSMG (2004) Group for the benefit of any Director or Proposed Director.
- 4.7 No Director or Proposed Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the NSMG (2004) Group and which were effected by any member of the NSMG (2004) Group during the current or immediately preceding financial year or which were effected during an earlier financial year and remain in any respect outstanding or unperformed.
- 4.8 None of the NSMG (2004) Directors has an interest in Four Point Entertainment.
- 4.9 NSMG (2004) does not have an interest in Four Point Entertainment.
- 4.10 None of the NSMG (2004) Directors has an agreement, arrangement or understanding with Four Point Entertainment, or Shukri Ghalayini having any connection with or dependence upon the Acquisition.
- 4.11 No arrangements are in place to transfer any NSMG (2004) Shares, acquired in pursuance of the Acquisition, to any other persons.
- 4.12 There are no agreements in place for the transfer of any shares that are to be held by Four Point Entertainment.
- 4.13 During the last six months, for relevant securities, there have been 179 transactions relating to, in aggregate, 25,103,537 shares. The value of these transactions is not known.
- 4.14 Irrecoverable undertakings to vote in favour of the Rule 9 Whitewash have been received from the following NSMG (2004) Directors and NSMG (2004) Shareholders

	No. of shares irrevocably committed
David Clement (Director)	40,260,000
John Procter (Director)	1,039,997,410
Jacqueline Clement (Shareholder)	28,018,610

The persons referred to in this paragraph have not dealt for value in relevant securities during the disclosure period.

5. Material contracts

- 5.1 The Reconstruction was effected by an agreement dated 21 June 2004 by which Newscreen Entertainment and Newscreen Licensing were transferred to NSMG (2004), and by which Newscreen Shareholders were allotted NSMG (2004) Shares on a *pro rata* basis in exchange for their Newscreen Shares.
- 5.2 On 5 April 2004, Newscreen executed a loan note instrument constituting £3,500,000 convertible loan notes 2005-2009 ("the Loan Notes"). The Loan Notes were constituted in order for Newscreen to satisfy its liabilities to creditors pursuant to the terms of the CVA whereby the creditors agreed to accept Loan Notes to the value of 40% of their unsecured claims in full and final settlement. The Loan Notes rank *pari passu*, are unsecured and issued in denominations of £1. Interest of 3% is payable annually in arrears on the outstanding balance of the Loan Notes. The Loan Notes are repayable as to 25% on 2 August 2005, 25% on 2 August 2007 and 50% on 2 August 2009. The Loan Notes may be converted into NSMG (2004) Shares in the same amounts and on the same dates as they may be redeemed. The rate of conversion is the five day middle market quotation if shares in NSMG (2004) are listed or 1.9 pence per share if they are not. Loan Notes may be transferred in multiples of £1,000 and the holders of not less than 10% in value of the Loan Notes may call a meeting of NSMG (2004) Loan Noteholders.
- 5.3 On Completion it is proposed to enter into an "Orderly Market Agreement" between Four Point Entertainment, the Proposed Directors, David Clement, Brian Downs and John Procter (as set out therein), the NSMG (2004) Board and NSMG (2004), pursuant to which the Locked-In Persons (as defined in the Orderly Market Agreement) agree with NSMG (2004) not to dispose of any Shares (as defined in the Orderly Market Agreement) before the expiry of the first anniversary of Completion and also not to acquire any further shares before the first anniversary of Completion (save pursuant to the proposed new share option scheme referred to in Part 1 of this document) in either case without the prior written consent of the Think Entertainment Board.
- 5.4 Details of the NSMG (2004) Directors and Proposed Directors' service contracts

On Completion it is proposed that NSMG (2004) enter into service agreements with each of the Proposed Directors under which Shukri Ghalayini will receive an annual salary of \$250,000 and Catherine Malatesta will receive \$225,000 per annum. The service agreements for the Proposed Directors are rolling contracts terminable on six months notice. The Proposed Directors are required to devote the whole of their working time to their duties and neither of them are permitted to have any outside business interest without the prior written consent of the Think Entertainment Board. The Proposed Directors' place of work will be Company's premises in London and the Proposed Directors are entitled to 25 working days paid holiday per annum. The service agreements for the Proposed Directors contain post termination restrictions for a period of six months following the date of termination of employment preventing the Proposed Directors from competing with, soliciting customers, suppliers or employees of NSMG (2004). The service contracts also entitle the Think Entertainment Board to terminate the relevant director's employment for a material breach of the Board Control Agreement or Orderly Market Agreement referred to in this Part 5.

On Completion, NSMG (2004) will enter into letters of appointment with the non executive directors of the NSMG (2004) Board, namely Brian Downs, David Clement and John Procter. These letters of appointment are rolling contracts terminable on six months notice. The fees payable to each of David Clement and John Procter are £15,000 per annum and in respect of Brian Downs is £20,000 per annum. This fee rate has been calculated on a contribution by each of the NSMG (2004) Board members of a maximum of 12 hours per month. Any additional time commitment will be charged at an additional fee rate of £175 per hour. In addition David Clement and John Procter are entitled to reclaim from NSMG (2004) any expenses reasonably incurred on Company business. These letters of appointment also entitle the Think Entertainment Board to terminate the relevant non-executive director's employment for a material breach of the Board Control Agreement or Orderly Market Agreement referred to in this Part 5.

The following are particulars of the current service contracts of the directors of NSMG (2004):

Name	Position	Expiry Terms	Salary
Brian Downs	Non-executive Director	six months	£20,000
David Clement	Non-executive Director	six months	£15,000
John Procter	Non-executive Director	six months	£15,000

The service contracts of the NSMG (2004) Board, ie: for Brian Downs, David Clement and John Procter have not been amended in the six months prior to the publication of this document.

5.5 On Completion, it is proposed that NSMG (2004) enter into a "Board Control Agreement" with each of the Proposed Directors and the NSMG (2004) Board pursuant to which the Directors' (defined therein as the NSMG (2004) Board and the Proposed Directors) authority is restricted from taking certain action set out within the Board Agreement (which are matters considered by the NSMG (2004) Board to be material to NSMG (2004)) without the prior consent of at least one of the Proposed Directors and one of the NSMG (2004) Board. These restrictions apply for the period from Completion until 31 December 2005.

5.6 There are no material contracts in relation to the assets being acquired from Four Point Entertainment, save for as disclosed below:

5.6.1 Operating Agreement for Four Point Entertainment

The agreement outlines the terms and conditions in which the shareholders of Four Point Entertainment organise and operate Four Point Entertainment. The terms and conditions addressed include the organisation of Four Point Entertainment, capital, allocations and distributions, the members and their respective duties, transfers and assignments of interest, dissolution, books and records and other general provisions of Four Point Entertainment. The agreement is signed by all the members signifying their acceptance of all the terms contained in the agreement. The agreement and the terms contained therein dictate and control Four Point Entertainment and all its related business activities.

5.6.2 Asset Agreement for the purchase of the Newstar Media Film Library

This is a summary of the US Bankruptcy Court Order (the "Order") and Asset Purchase Agreement (the "Asset Agreement") of Four Point Entertainment's purchase of the Newstar Media Film Library:

The Order is an approval by the United States Bankruptcy Court for the sale of the Newstar Media film library to Four Point Entertainment. The Order names the Newstar Media estate as well as the trustee and presiding Bankruptcy Judge. The Order approves and authorises the sale of the assets, free and clear of any liens, of Newstar Media to Four Point Entertainment under United States Bankruptcy Law.

The Asset Agreement is an agreement between Four Point Entertainment and the trustee regarding Four Point Entertainment's purchase of the assets of the Newstar Media estate. The Asset Agreement outlines the terms and conditions of Four Point Entertainment's purchase of the Newstar Media estate and lists the individual picture titles included in the purchase.

5.6.3 Lawless Contract

Four Point Entertainment entered into a conditional contract with Lawless Productions LLP on 17 May 2004 (as amended on 8 June 2004) to acquire the business and assets of Lawless Productions LLP in exchange for a 5% shareholding in Four Point Entertainment. This is conditional upon all the conditions to the Acquisition Agreement being satisfied. Catherine Malatesta has also assigned all of her rights in Metlin to Lawless Productions LLP.

6. Memorandum of Association

The Company's objects and activities are to carry on business as a general commercial company and *inter alia* to carry on the business of a holding company. The principal objects of the Company are set out in full in clause 4 of its memorandum of association.

7. Articles of Association

The Articles of Association ("the Articles") of Think Entertainment (hereinafter in this paragraph 7 referred to as "the company") are to be adopted pursuant to the Resolutions proposed at the EGM and include provisions to the following effect:-

Share capital

At the date of its incorporation, the authorised share capital of the company was £2,000,000 divided into 2,000,000,000 ordinary shares of £0.001 each of which 2,000 have been issued, fully paid, as follows:-

Newscreen Media Group plc	1,000
Newscreen Media Group plc and Brian Downs (jointly)	1,000

Variation of rights

Whenever the share capital of the company is divided into different classes of shares the special rights attached to any class of shares may be varied or abrogated either with the written consent of the holders of not less than three quarters of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of shares of the class. To every separate meeting the provisions of the Articles relating to general meetings *mutatis mutandis* apply, but the necessary quorum is not less than two persons holding or representing by proxy one third of the nominal amount paid up on the issued shares of the class.

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, every member present or by proxy at any general meeting shall, upon a show of hands, have one vote and every member present in person or by proxy shall, upon a poll, have one vote for each share held by him. Unless the company's Board otherwise determines, voting rights may not be exercised by a member who has not paid to the company all calls and other sums payable by him in respect of shares in the company.

Where there are joint holders of a share, any one of them may vote at the meeting either personally or by proxy in respect of the share as if he was solely entitled to it, but if more than one joint holder is present at a meeting either personally or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote in respect of it.

Dividends

Subject to the Articles and any special rights attaching to shares, the company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the company. However no dividend shall exceed the amount recommended by the company's board.

The company's directors may pay interim dividends if profits are available for distribution.

Subject to any special rights attaching to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid.

The company's directors may, pursuant to the provisions of the Articles relating to disclosures of interest, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 212 of the Act and which represent 0.25% or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the company within 14 days of that notice and the members holding those shares may not elect, in the case of a scrip dividend, to receive shares (or other specific assets) instead of that dividend.

All dividends unclaimed for 12 years after having become due for payment (if the company's Board so resolve) shall be forfeited and shall revert to the company.

Return of capital on winding up

If the company is wound up, the balance of assets available for distribution shall, with the sanction of an extraordinary resolution of the company, be divided among the members in such manner as shall be determined by the liquidator.

Allotment, redemption and pre-emption

Subject to the provisions of the Act the power of the company to allot any new shares shall be exercised by the company's board.

The company may create and sanction the issue of shares which are, or at the option of the company or the holder are to be liable, to be redeemed, subject to and in accordance with the provisions of any relevant legislation.

There are no pre-emption rights on transfer attaching to the shares in the capital of the company.

Alteration of share capital

The company may by ordinary resolution increase, consolidate or sub-divide its share capital or cancel any shares which have not, at the date of the ordinary resolution been taken or agreed to be taken by any person and, subject to the Act, diminish the amount of its capital by the nominal amount of shares so cancelled. The company may (subject to any conditions and consents required by law), by special resolution reduce its share capital or any capital reserve fund or share premium account in any manner.

Purchase of own shares

The company may purchase its own shares (including any redeemable shares) in accordance with the Articles and the Act.

Directors' remuneration

The directors shall be entitled to receive by way of fees for their services as directors such sum as the Board may from time to time determine not exceeding £200,000 per annum or such other sum as the company in general meeting from time to time determines. In addition, the directors are entitled to be reimbursed for all reasonable expenses incurred in connection with their duties as directors, including attendance at board meetings and general meetings with the company. If by arrangement with the board any director performs any special duties outside his ordinary duties as a director, the board may pay him additional remuneration (in addition to any fees or ordinary remuneration), which may be by way of salary, lump sum, percentage of profit or otherwise as the directors may determine.

Executive directors

The directors may appoint a director to an executive office in the company on such terms as the directors determine. The appointment of a director to an executive office terminates if he ceases to be a director, but without prejudice to any claim he has for breach of his contract of employment or service.

Directors' interests

A director shall not vote nor be counted in a quorum at any meeting in relation to any resolution of the Board concerning any contract, arrangement or other proposal which he is, to his knowledge, directly or indirectly, materially interested.

The prohibition will not apply to the following:-

- 1 The giving of any security, guarantee or indemnity to him in respect of any money lent or obligations incurred by him at the request of or for the benefit of the company or any of its subsidiaries;
- 2 The giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part by the giving of security or under a guarantee of indemnity;
- 3 Any proposal concerning an offer for subscription or purchase of shares or debentures or other securities or rights of or by the company or any of its subsidiaries or of any company which the company may promote or in which it may be interested in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- 4 Any proposal concerning any other company in which he is interested directly or indirectly and whether in any one or more of the capacities of officer, creditor, employee or holder of shares, debentures, securities or rights of that other company, but where he is not the holder (otherwise as a nominee for the company or any of its subsidiaries) of or beneficially interested in 1% or more of the issued shares of any class of such company or any third company through which his interest is derived or of the voting rights available to the members of the relevant company any such interest being deemed for the purpose of this Article to be a material interest in all circumstances;
- 5 Any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefit scheme, share option scheme or share incentive scheme under which he may benefit; or
- 6 Any proposal concerning the purchase and/or maintenance of any insurance policy under which he may benefit.

Subject to statute and provided he has disclosed to the directors the nature and extent of his interest, a director may contract with the company and the contract shall not be avoided on the grounds of his interest or benefit and a director is not liable to account to the company for any profit realised as a result of the contract.

A director may not vote or be counted in the quorum in relation to a resolution of the directors or commit the directors concerning his own appointment, including the arrangement or variation of the terms of the termination of his own appointment or the appointment of another person to an office in a company in which the director has a material interest.

Where proposals are under consideration concerning the appointment, including the arrangement or variation of the terms or the termination of the appointment of two or more directors, a separate resolution may be put in relation to each director. In each case, each director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

Transfer of shares

The instrument of transfer of a share shall be signed or on behalf of transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

All transfers shall be affected by instrument in writing in the usual common form or any other form which the directors may approve. The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The directors may likewise refuse to register any transfer in favour of more than four persons jointly. The directors may decline to recognise any instrument to transfer unless it is lodged, duly stamped with the company, accompanied by relevant certificates and such other evidence as directors may reasonably require to show the rights of the transferor to make the transfer, and unless the instrument is in respect of only one class of share.

The directors shall not refuse to register any transfer or renunciation of partly paid shares which were admitted to trading on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

The directors may, pursuant to the provisions of the Articles relating to the disclosure of interest, refuse to register the transfer of shares which are the subject of a notice under Section 212 of the Act and which represent 0.25% or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the company within 14 days of that notice.

Drag along

If the holders of 75% in nominal value of the shares in issue for the time being wish to transfer all their interest in the shares to a bona fide arms length purchaser those shareholders wishing to sell their shares have the option to require all the other holders of shares to sell and transfer all their shares to the third party or as the third party shall direct.

Tag along

No sale of 75% or more of any shares to a third party purchaser shall have any effect or be registered unless the third party purchaser has first also made a bona fide offer to acquire the remaining shares at the highest price per share as offered by the third party or any persons acting in concert with him.

Borrowing powers

The directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking property assets and uncalled capital and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

8. Other information

Deloitte & Touche Corporate Finance, which is authorised and regulated in the UK by the Financial Services Authority, has given and has not withdrawn its consent to the issue of this document with the references in it to its name in the form and context in which it appears.

9. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of NSMG (2004) at Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire, S40 1RS during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- (i) the memorandum and articles of association of NSMG (2004);
- (ii) the operating agreement relating to Four Point Entertainment;
- (iii) the statutory declaration of solvency for Newscreen dated 20 May 2004;
- (iv) the irrevocable undertakings dated 15 July 2004;
- (v) the Form of Proxy;
- (vi) the Acquisition Agreement and the other material contracts referred to in paragraph 5 of Part 5 of this document in relation to NSMG (2004) and Four Point Entertainment;
- (vii) the consent letter from Deloitte & Touche Corporate Finance referred to in paragraph 8 of Part 5 of this document; and
- (viii) the NSMG (2004) Directors' service agreements referred to in paragraph 5.4 of Part 5 of this document above, and the service contracts for the Proposed Directors

Dated: 19 July 2004

DEFINITIONS

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

"Acquisition"	the proposed acquisition of the business and certain assets of Four Point Entertainment including the entire issued share capital of Think Entertainment Limited
"Acquisition Agreement"	the conditional agreement in respect of the Acquisition, dated 15 July 2004 and entered into between NSMG (2004), Four Point Entertainment and Shukri Ghalayini
"AIM"	The Alternative Investment Market of the London Stock Exchange PLC
"City Code" or "Code"	The City Code on Takeovers and Mergers
"Companies Act" or "Act"	the Companies Act 1985, as amended
"Completion"	the completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"CVA"	the corporate voluntary arrangement approved on 2 August 2002 as amended on 5 November 2003 pursuant to Part 1 the Insolvency Act 1986
"CVA Creditors"	the creditors of Newscreen bound by the terms of the CVA
"Deloitte & Touche Corporate Finance"	Deloitte & Touche Corporate Finance, a division of Deloitte & Touche LLP, of Stonecutter Court, London EC4A 4TR
"EGM"	the extraordinary general meeting convened pursuant to the notice set out herein
"Form of Proxy"	the form of proxy, acceptance, authority and election accompanying this document
"Four Point Entertainment"	Four Point Entertainment LLC, a US unlisted corporation, incorporated in the State of California
"Newscreen"	Newscreen Media Group Plc
"Newscreen Board"	the directors of Newscreen
"Newscreen Entertainment"	Newscreen Entertainment Limited
"Newscreen Licensing"	Newscreen Licensing Limited
"Newscreen Shareholders"	shareholders in the capital of Newscreen
"NSMG (2004) Board" or "NSMG (2004) Directors"	the board of directors of NSMG (2004) Plc
"NSMG (2004) Group"	NSMG (2004) Plc, its subsidiaries and subsidiary undertakings
"NSMG (2004) Loan Noteholders"	holders of Loan Notes
"NSMG (2004)" or "the Company"	NSMG (2004) Plc, registered in England, the holding company set up pursuant to the Reconstruction to be the holding company for Newscreen's principal subsidiaries of Newscreen Entertainment and Newscreen Licensing
"NSMG (2004) Shareholders"	the holders, from time to time, of NSMG (2004) Shares
"NSMG (2004) Shares"	the existing issued or unconditionally allotted and fully paid (or credited as fully paid) ordinary shares of 0.1 pence each in the capital of NSMG (2004)
"Panel"	The Panel on Takeovers and Mergers
"Proposed Directors"	Shukri Ghalayini and Catherine Malatesta
"Recognised Investment Exchange" or "RIE"	a recognised investment exchange for the trading of securities in the United Kingdom
"Reconstruction"	the reconstruction approved by the Newscreen Shareholders at the Reconstruction EGM on 21 May 2004

“Reconstruction EGM”	the extraordinary general meeting held on 21 May 2004 for the purpose of approving the Reconstruction
“Resolutions”	the resolutions set out in the notice convening the EGM
“Resolution 3”	the third resolution set out in the notice convening the EGM
“Rule 9 Whitewash”	the waiver of the requirement to make a general offer in cash to shareholders pursuant to Rule 9 of the Code
“Sterling” or “£”	UK pounds sterling
“subsidiary” and “subsidiary undertaking”	have the meanings given to them by the Companies Act
“Think Entertainment Board”	the NSMG (2004) Board, following the appointment to it of the Proposed Directors, and the change of name of NSMG (2004) to Think Entertainment
“Think Entertainment Limited”	Think Entertainment Limited, a newly-incorporated company incorporated in England and Wales with registered number 4992544.
“Think Entertainment” or “Enlarged Group”	NSMG (2004) as enlarged following completion of the Acquisition and as renamed “Think Entertainment Plc”, an unlisted public limited company in the United Kingdom, which was formerly known as NSMG (2004)
“Think Entertainment Shares”	NSMG (2004) Shares, following the change of name of NSMG (2004) to Think Entertainment
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “USA”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction and any political subdivisions thereof

NSMG (2004) PLC ("the Company")

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of the Company will be held at 1 City Square, Leeds LS1 2AL at 2.30pm on 12 August 2004 for the purpose of considering and, if thought fit, passing the following resolutions as ordinary or special resolutions (as indicated):-

ORDINARY RESOLUTIONS

- 1 That the proposed acquisition by the Company of the business and certain assets of Four Point Entertainment LLC ("FPE") pursuant to an agreement dated 15 July 2004 and entered into between the (1) Company (2) FPE and (3) Shukri Ghalayini (" the Acquisition Agreement") in the manner and on the terms and conditions described in the Circular annexed hereto, a copy of which has been produced at the meeting and initialled by the Chairman for the purpose of identification only, be and hereby is approved and that the directors of the Company or a duly authorised committee thereof are duly authorised to take all steps and to execute all documents and deeds as are necessary or desirable to implement and to effect the Acquisition Agreement with such variations, waivers, amendments or revisions to the terms thereof as they may in their absolute discretion see fit;
- 2 Subject to completion of the Acquisition Agreement, each of Shukri Ghalayini and Catherine Malatesta be appointed to the board of directors of the Company;
- 3 Subject to the passing of resolution 1 above, the grant by the Panel on Takeovers and Mergers of a waiver, details of which are set out in part I of the Circular, of the obligation that would otherwise arise on FPE to make a general offer to shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the potential allotment and issue to FPE by the Company of up to 20,796,281,070 new ordinary shares of £0.001 each (either at the point of completion or upon satisfaction of the various conditions pertaining to their allotment and issue set out within the Acquisition Agreement) representing up to 60% of the issued share capital of the Company be and hereby is approved;
- 4 Subject to the passing of each of resolutions 1 and 3 above, that the authorised share capital of the Company be increased to £50,000,000 by the creation of 48,000,000,000 new ordinary shares of £0.001 each ranking pari passu with the existing ordinary shares in the capital of the Company;
- 5 That subject to the passing of resolutions 1, 3 and 4 above, the Board be and hereby is generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £50,000,000 provided that this authority shall expire on the 5th anniversary of the date of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry the Board may allot relevant securities pursuant of such offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

- 6 Subject to the passing of resolutions 1, 3, 4 and 5 above, the Board be and hereby is empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) pursuant to the authority conferred by resolution 5 as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £50,000,000 and shall expire on the 5th anniversary of the date of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired;
- 7 That the articles of association, a copy of which has been initialled by the Chairman for the purpose of identification only, be and hereby, are adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association.
- 8 That subject to the passing of resolutions 1, 3, 4, 5 and 6 above and completion of the Acquisition Agreement, and subject further to the approval of the Registrar of Companies, the name of the Company be and hereby is changed to "Think Entertainment Plc".

Brian Downs – Non-executive Director

Dated: 19 July 2004

Registered office: Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire S40 1RS

NOTES

- 1 Every member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Authorised representatives of corporate members have full voting powers. Members who have lodged forms of proxy are not thereby prevented from attending the meeting and voting in person if they so wish.
- 2 To be effective, the form of proxy, together with any power of attorney or other written authority under which it is signed being a certified copy of such power or written authority must be lodged at the offices of the Company's registrars, Capita Registrars, The Registry, Beckenham, Kent BR3 4BR not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same date of the meeting or adjourned meeting) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.
- 3 Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.
- 4 In order to comply with the City Code on Takeovers and Mergers, Resolution 3 will be taken on a poll, as explained in the Circular.

**NSMG (2004) PLC
FORM OF PROXY CARD
EXTRAORDINARY GENERAL MEETING**

at
1 City Square, Leeds LS1 2AL

at
2.30pm on 12 August 2004

[I] [we]

Of

Being (a) holder(s) of ordinary shares of £0.001 each in the above-named company, hereby appoint the chairman of the meeting or

of
As [my] [our] proxy to attend [and on a poll to vote for [me] [us] on [my] [our] behalf at the extraordinary general meeting of the Company to be held on 12 August 2004 at 2.30pm and at any adjournment of it. Please indicate with an X in the space below how you wish your proxy to vote. If no indication is given, your proxy will vote or abstain from voting as he thinks fit.

ORDINARY RESOLUTION

- | | FOR | AGAINST |
|--|--------------------------|--------------------------|
| 1. That the proposed acquisition by the Company of the business and certain assets of Four Point Entertainment LLC ("FPE") pursuant to an agreement dated 15 July 2004 and entered into between the (1) Company (2) FPE and (3) Shukri Ghalayini ("the Acquisition Agreement") in the manner and on the terms and conditions described in the Circular annexed hereto, a copy of which has been produced at the meeting and initiated by the Chairman for the purpose of identification only, be and hereby is approved and that the directors of the Company or a duly authorised committee thereof are duly authorised to take all steps and to execute all documents and deeds as are necessary or desirable to implement and to effect the Acquisition Agreement with such variations, waivers, amendments or revisions to the terms thereof as they may in their absolute discretion see fit; | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Subject to completion of the Acquisition Agreement, each of Shukri Ghalayini and Catherine Malatesta be appointed to the board of directors of the Company; | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Subject to the passing of resolution 1 above, the grant by the Panel on Takeovers and Mergers of a waiver, details of which are set out in part 1 of the Circular, of the obligation that would otherwise arise on FPE to make a general offer to shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the potential allotment and issue to FPE by the Company of 20,796,281,070 new ordinary shares of £0.001 pence each (either at the point of completion or upon satisfaction of the various conditions pertaining to their allotment and issue set out within the Acquisition Agreement) representing up to 60% of the issued share capital of the Company be and hereby is approved; | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Subject to the passing of each of resolutions 1 and 3 above, that the authorised share capital of the Company be increased to £50,000,000 by the creation of 48,000,000,000 new ordinary shares of £0.001 each ranking <i>pari passu</i> with the existing ordinary shares in the capital of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. That subject to the passing of resolutions 1, 3 and 4 above, the Board be and hereby is generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £50,000,000 provided that this authority shall expire on the 5th anniversary of the date of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry the Board may allot relevant securities pursuant of such offer or agreement as if the authority conferred hereby had not expired. | <input type="checkbox"/> | <input type="checkbox"/> |

SPECIAL RESOLUTION

- | | FOR | AGAINST |
|--|--------------------------|--------------------------|
| 6. Subject to the passing of resolutions 1, 3, 4 and 5 above, the Board be and hereby is empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) pursuant to the authority conferred by resolution 5 as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £50,000,000 and shall expire on the 5th anniversary of the date of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. That the articles of association, a copy of which has been initiated by the Chairman for the purpose of identification only, be and hereby, are adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. That subject to the passing of resolutions 1, 3, 4, 5 and 6 above and completion of the Acquisition Agreement, and subject further to the approval of the Registrar of Companies, the name of the Company be and hereby is changed to "Think Entertainment Plc". | <input type="checkbox"/> | <input type="checkbox"/> |

Dated

NOTES

1. A member may appoint a proxy of his own choice who need not be a member of the Company. If such an appointment is made, delete the words "the chairman of the meeting" and insert the name of the person appointed by proxy in the space provided. Please initial any such alterations. Return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he so desire.
 2. If the appointor is a corporation, this form of proxy must be executed under its seal or under hand of an officer, attorney or other person authorised to sign the same on its behalf.
 3. In the case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted in the calculation of the votes of the other joint holders.
- To be effective this form of proxy must be lodged in the office of the Company's registrar, Capita Registrars, The Registry, 34 Beekenhall Road, Beckenham, Kent BR3 4BB, not less than 48 hours before the meeting or adjourned meeting and must be accompanied by any power of attorney or other authority under which it is signed.

signature

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No MB122



Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

First Fold

Second fold