

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to 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 Newscreen 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 Directors of Newscreen, whose names are set out 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 (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.

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

Newscreen Media Group plc

Proposed reconstruction

Your attention is drawn to the letter from the Directors of Newscreen set out on pages 3 to 6 of this document which recommends you to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

Notice of an EGM of Newscreen, to be held at 10.30am on 21 May 2004, is set out on page 8 of this document. To be valid, the Form of Proxy for use at the EGM (which accompanies this document) should be completed and returned to the Company's registrars, Capita Registrars, 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 10.30 a.m. on 19 May 2004. The completion and return of the Form of Proxy will not preclude Newscreen Shareholders from attending the meeting in person should they subsequently wish to do so.

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EGM Notice

Letter of Recommendation from the Directors of Newscreen Media Group Plc

27 April 2004

Dear Newscreen Shareholder

Proposed Reconstruction

The Directors previously released communications to you on 28 January, 2 March and 22 March 2004, in which they set out, *inter alia*, their intention to issue a circular to Newscreen Shareholders with details of a proposed reconstruction of Newscreen. Earlier today, the Directors announced the details of the Reconstruction.

The Directors consider the Reconstruction is necessary to assist in the future development of the business of Newscreen, including, if relevant, to enter into appropriate transactions or to seek a listing for its shares.

The purpose of this letter is to explain the background to, the reasons for, and details of the Reconstruction and why the Directors are seeking your consent to the Reconstruction at the EGM to be held on 21 May 2004, notice of which is set out on page 8 of this document.

Background

Newscreen has two principal trading subsidiaries, Newscreen Entertainment and Newscreen Licensing. Newscreen, and both of Newscreen Entertainment and Newscreen Licensing, were all operating under the terms of an Administration Order dated 9 January 2002, and a CVA approved on 2 August 2002 (as amended on 5 November 2003). The Administration Order has now been discharged, and, pursuant to the CVA, Loan Notes were dated on 5 April 2004 and subsequently issued.

Newscreen is also the parent company of a number of other subsidiaries which were previously in administration but not subject to the CVA, and are now in liquidation. Newscreen also holds investments in a number of other dormant subsidiaries, which were neither under the Administration Order nor subject to the CVA, and which will shortly be placed into liquidation. In addition, Newscreen has a further subsidiary company, Lime, which is currently dormant.

One of the objectives of the Reconstruction is to transfer Newscreen Entertainment, Newscreen Licensing and Lime to NSMG (2004) Plc, a holding company formed specifically for this purpose. This Reconstruction follows the agreed compromise of creditor claims against Newscreen, Newscreen Entertainment and Newscreen Licensing pursuant to the CVA on terms involving the issue of convertible loan notes to those creditors. The Directors believe the discharge of Newscreen from the Administration Order is another positive step for the Company, following the entering into of the CVA which was approved on 2 August 2002. The Administration Order has now been discharged.

The Directors are pleased that the core business has been preserved and this provides the platform for returns to the CVA creditors under the terms of the CVA, and improved prospects for existing Newscreen Shareholders and those CVA creditors who wish to exercise their conversion rights. The balance sheet of NSMG (2004) Plc will not be burdened by the large trading losses incurred previously by Newscreen, which would cause an impediment to the payment of future dividends to Newscreen Shareholders in due course. Newscreen Shareholders are to be issued with shares in NSMG (2004) Plc on a pro rata entitlement to their existing holdings in Newscreen.

The Reconstruction must be effective, *inter alia*, from a commercial, company law and taxation perspective. The proposed Reconstruction outlined in this document achieves these objectives.

Details of the Reconstruction under s.110 Insolvency Act 1986

Attached to this document is a notice convening an EGM, at which two resolutions will be proposed to Newscreen Shareholders in order to approve the Reconstruction, details of which are as follows:

- A special resolution is sought to place Newscreen into a members' voluntary liquidation, pursuant to the Insolvency Act 1986 to appoint Geoffrey Martin and John Twizell of Geoffrey Martin & Co as Joint Liquidators of Newscreen to enable the Joint Liquidators to enter into a reconstruction agreement under which a distribution in specie will be made by Newscreen of its principal assets and liabilities (the distribution will be redirected to NSMG (2004) Plc, in consideration for which NSMG (2004) Plc will make a fresh issue of NSMG (2004) Plc Shares to Newscreen Shareholders, in direct proportion to their existing holdings).
- An extraordinary resolution is also sought to authorise the Joint Liquidators to exercise their powers under Schedule 4 of the Insolvency Act 1986, and to exercise any of the powers specified in Regulation 177 of the Company's Articles of Association.

The above reconstruction has the following effects:

1. The shares in Newscreen Entertainment, Newscreen Licensing and Lime will be directly held by NSMG (2004) Plc.
2. The shares in NSMG (2004) Plc will be held by Newscreen Shareholders in direct proportion to their existing holding in Newscreen. Newscreen has an authorised share capital of 2,000,000,000 Newscreen Ordinary Shares of which 1,366,148,724 Newscreen Ordinary Shares have been issued.

It is intended that NSMG (2004) Plc will issue 1,366,148,724 NSMG (2004) Plc Shares to Newscreen Shareholders in consideration for the transfer of shares in Newscreen Entertainment, Newscreen Licensing and Lime by Newscreen to NSMG (2004) Plc.

3. Newscreen Shareholders were previously notified that on 2 August 2002, as part of the current CVA, creditors of Newscreen, Newscreen Entertainment and Newscreen Licensing agreed to compromise their claims in consideration for the issue of Loan Notes to the value of 40p per £1 of accepted claims. Loan Note certificates to the value of £2,487,643 were dated on 5 April 2004 and subsequently issued by Newscreen. From the date of issue, the Loan Notes carry an interest coupon of 3 per cent. payable annually in arrears on 2 August, and will be redeemable as to 25 per cent. on 2 August 2005, 25 per cent. on 2 August 2007 and 50 per cent. on 2 August 2009. As part of the Reconstruction, NSMG (2004) Plc will assume responsibility for the Loan Notes according to their terms, including the entitlement for CVA creditors to convert these Loan Notes into NSMG (2004) Plc Shares.

Your Directors are aware of outstanding high court and industrial tribunal cases brought by Mr & Mrs Shorrocks. These are disputed by Newscreen. Mr & Mrs Shorrocks are bound by terms of the CVA as regards such of their claims as are established and quantified and they would become entitled to Loan Notes at a rate of 40p in the £ of any such claims under the CVA. All matters relating to claims identified up to and including the date of this circular, including those of Mr & Mrs Shorrocks will be assumed by NSMG (2004) Plc.

Your Directors have addressed all other known claims under the CVA. The Loan Note deed permits up to £3,500,000 of Loan Notes to be issued, which the Directors believe will provide more than sufficient headroom to accommodate any presently unquantified or contingent claims of CVA creditors, including Mr & Mrs Shorrocks.

On 5 November 2003, at a meeting of CVA creditors only, creditors approved a variation to clauses 4.5 (d) and (e) of the CVA as approved on 2 August 2002 to facilitate the issue of loan notes, as follows; Clause 4.5 (d) was deleted and replaced by "Loan Notes may be converted into shares in the capital of Newscreen at the same time and in the same proportion as the Loan Notes may be redeemed. The creditors wishing to convert their Loan Notes must give not less than one month's notice of their intention to do so." Clause 4.5 e) now reads "If Loan Notes are converted into shares, the conversion price shall be, if shares in the capital of Newscreen shall not have been readmitted for listing on a recognised exchange, 1.9p per share, or if the shares shall have been readmitted to listing on a recognised exchange a sum equal to the average of the middle market quotations on the Stock Exchange (ascertained by reference to the Stock Exchange Daily Official List or its equivalent on any other recognised exchange as appropriate) of an ordinary share of 1 pence in the capital of Newscreen on the last five days on which the Stock Exchange (or its equivalent as appropriate) is open for business prior to the date of conversion."

A copy of the Loan Note instrument is available for inspection by Newscreen Shareholders at the Company's registered offices, Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire S40 1RS for the period 27 April to 21 May 2004.

Your Directors believe that all creditors claims have now been notified to Newscreen. Your Directors have however been advised that NSMG (2004) Plc should give an indemnity to Newscreen which would enable NSMG (2004) Plc to deal with any new claims arising and to properly wind up the affairs of Newscreen. In effect, NSMG (2004) Plc takes over the post CVA net asset position of Newscreen and relinquishes the burden of its past trading and financial history.

There remain contingent claims against Newscreen that will be assumed by NSMG (2004) Plc to the extent that there proves to be any actual liability in due course.

4. The assets of Newscreen currently exceed its liabilities. However, the latest unaudited pro forma balance sheet presented to the Directors has a significant deficit on the profit and loss account, reflecting the significant trading losses made by Newscreen up until 2 August 2002 and the large provisions made against the carrying value of Newscreen's assets at the time of the CVA. This lack of distributable reserves renders the capital structure of Newscreen unsuitable for the holding company of a quoted group. Whilst a capital reduction under the courts is possible, it would be both time-consuming and more costly than the Reconstruction now being recommended.

5. NSMG (2004) Plc has never traded, and a clean history should assist in any future potential mergers or acquisitions, or any possible future admission to trading on AIM or any alternative quoted market. Liberating it from the burden of accumulated losses on the Newscreen profit and loss account would also facilitate dividend distributions to be made from any future profits.
6. The Directors have reviewed the financial position of Newscreen to be in conjunction with insolvency specialists, and they have concluded they do not expect any further distribution to be made to Newscreen Shareholders following the completion of the Reconstruction process.
7. Creditors whose claims have been compromised under the CVA by the issue of Loan Notes will not be in a less favourable position as a result of the Reconstruction. The covenant strength of NSMG (2004) Plc will be no less favourable than that of Newscreen itself given that the same core businesses will henceforth be conducted under the umbrella of NSMG (2004) Plc but liberated from the burdens of the past. For creditors wishing to exercise their conversion rights, the Reconstruction will provide them with an opportunity to participate in the restructured group.

For your ease of reference, a diagrammatical illustration of the Reconstruction is set out below.

Taxation

The statements below do not constitute advice to Newscreen Shareholders on their personal tax position, and may not apply to certain classes of investor. **Any investors who are in doubt as to their tax position and any investor resident outside the UK for tax purposes or subject to tax in a jurisdiction other than the UK should consult their professional adviser.**

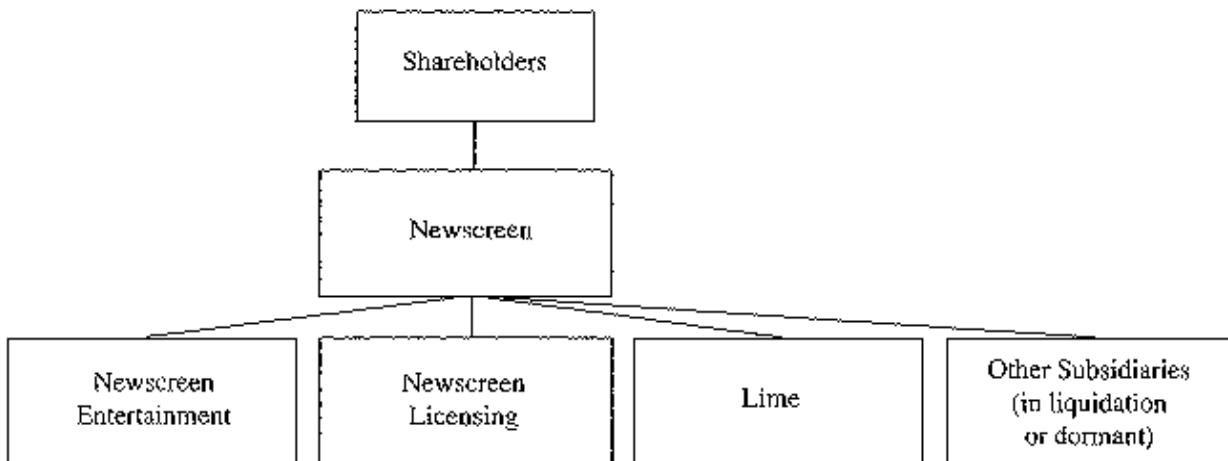
Deloitte & Touche LLP, tax advisers to Newscreen, has received clearance from the Inland Revenue pursuant to section 138 and 139 of TCGA 1992, and of section 703 of ICTA. Section 138 TCGA 1992 enables Newscreen Shareholders to exchange on a tax-free basis their shares in Newscreen for shares in NSMG (2004) Plc.

Section 139 of TCGA 1992 enables Newscreen, as part of the Restructuring, to dispose of its principal subsidiaries Newscreen Entertainment and Newscreen Licensing to NSMG (2004) Plc on a tax-free basis.

Section 75 of FA 1986 enables NSMG (2004) Plc to acquire the principal assets and liabilities of Newscreen on a Stamp Duty free basis. There is no pre-clearance mechanism for Stamp Duty.

Diagrammatical illustration of proposed reconstruction under s.110 Insolvency Act 1986

Before the Reconstruction

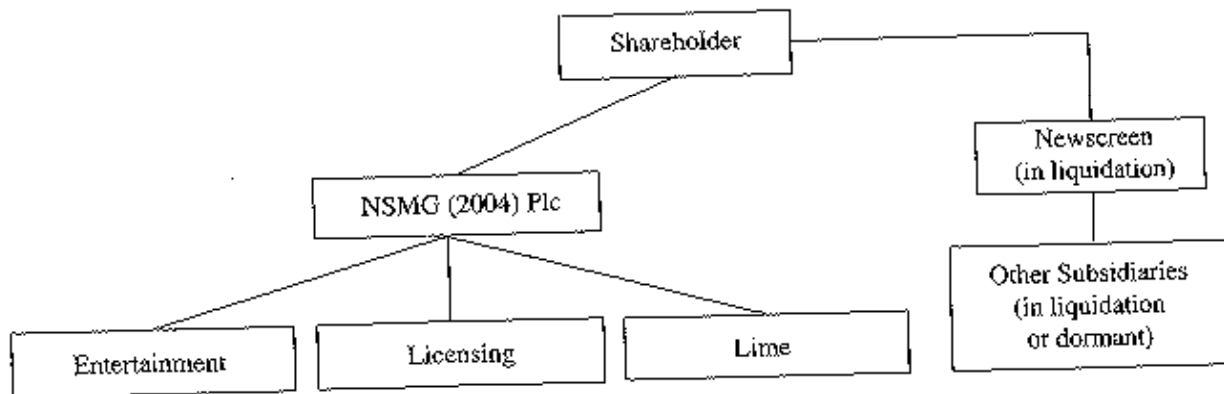


Notes

1. Newscreen, Newscreen Entertainment and Newscreen Licensing have each recently been discharged from Administration Orders and pursuant to the CVA, Loan Notes have been issued.
2. The other Subsidiaries, which were in administration are, or will be, placed into liquidation.
3. The liability to issue Loan Notes to creditors comprised under the CVA order currently rests with Newscreen. This liability will be transferred to NSMG (2004) Plc.

Diagrammatical illustration of proposed reconstruction under s.110 Insolvency Act 1986

After the Reconstruction



Notes

1. NSMG (2004) Plc holds the loan notes issued under the CVA.
2. Holdings of Newscreen Shares and holdings of NSMG (2004) Plc Shares are held pro rata.

Consequences for Newscreen in the event the Reconstruction is not approved

The Reconstruction enables the principal trading subsidiaries, Newscreen Entertainment and Newscreen Licensing to be transferred to NSMG (2004) Plc, which will have a clean trading history with the benefit of Newscreen Group's intellectual property, and the tax losses of Newscreen's subsidiaries. NSMG (2004) Plc will then be able to enter into appropriate transactions with third parties and, if appropriate, seek a listing of its shares in due course. If Newscreen Shareholders do not approve the Reconstruction then the likelihood of entering into appropriate transactions and the seeking of a listing, if appropriate, for its shares is greatly reduced.

Action to be taken to approve the Reconstruction

If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser, duly authorised under the Financial Services and Markets Act 2000.

Irrevocable undertakings

Irrevocable undertakings from the Directors to vote in favour of the Reconstruction have been received in respect of 110,827,593 Newscreen Shares, representing approximately 8.1 per cent. of the issued share capital of Newscreen.

Further information

Your attention is drawn to the information set out in the accompanying Form of Proxy.

Recommendation

In the context of Newscreen's current position, the Directors consider the Reconstruction to be in the best interests of Newscreen and Newscreen Shareholders and recommend that Newscreen Shareholders vote in favour of the resolutions to be proposed at the EGM as they intend to do in respect of their own beneficial shareholdings being in aggregate 110,827,593 Newscreen Ordinary Shares representing approximately 8.1 per cent. of the total number of Newscreen Ordinary Shares in issue.

Yours faithfully

Brian Downs
Non-executive Director

DEFINITIONS

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

“AIM”	the Alternative Investment Market of the London Stock Exchange Limited;
“Administration Order”	the Administration Order granted on 9 January 2002 pursuant to the Insolvency Act 1986 and discharged on 23 April 2004;
“Companies Act” or “Act”	the Companies Act 1985, as amended;
“CVA”	the Corporate Voluntary Arrangement approved on 2 August 2002 as amended on 5 November 2003 pursuant to Part I of the Insolvency Act 1986;
“Directors”	the directors of the board of Newscreen, Brian Downs, Non-executive Director, John Procter, Non-executive Director and David Clement, Non-executive Director;
“EGM”	the extraordinary general meeting to be held on 21 May 2004;
“FA”	Finance Act 1986;
“Form of Proxy”	the form of proxy and authority accompanying this document;
“ICTA”	Income and Corporation Taxes Act 1988
“Joint Liquidators”	the joint liquidators, Geoffrey Martin and John Twizell of Geoffrey Martin & Co;
“Lime”	Lime Television Limited, a subsidiary of Newscreen;
“Loan Notes”	the loan notes issued to creditors of Newscreen, Newscreen Entertainment and Newscreen Licensing pursuant to the CVA;
“Newscreen” or “the Company”	Newscreen Media Group plc, registered in England;
“Newscreen Board” or “Newscreen Directors”	the board of directors of Newscreen;
“Newscreen Group”	Newscreen, its subsidiaries and subsidiary undertakings;
“Newscreen Entertainment”	Newscreen Entertainment Limited, a subsidiary of Newscreen;
“Newscreen Licensing”	Newscreen Licensing Limited, a subsidiary of Newscreen;
“Newscreen Shareholders”	holders of Newscreen Ordinary Shares;
“Newscreen Ordinary Shares”	shares of one pence in the capital of Newscreen;
“NSMG (2004) Plc”	the new holding company set up for the purpose of the restructuring;
“NSMG (2004) Plc Shares”	shares of one pence in the capital of NSMG (2004) Plc;
“Reconstruction”	the proposed reconstruction, details of which are set out in this document, and in the Reconstruction Agreement;
“Reconstruction Agreement”	an agreement in the form of draft initialled by Brian Downs, a copy of which is available for inspection at the registered office of Newscreen at Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire S40 1RS;
“TCGA 1992”	The Taxation of Chargeable Gains Act 1992

NEWSCREEN MEDIA GROUP PLC

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at 1 City Square, Leeds LS1 2AL at 10.30 a.m. on 21 May 2004 for the purpose of considering and, if thought fit, passing the following resolutions, the first of which will be proposed as a Special Resolution and the second as an Extraordinary Resolution:

SPECIAL RESOLUTION

That:

- (a) the Company be wound up and, accordingly, that it enter voluntary liquidation with immediate effect;
- (b) Geoffrey Martin and John Twizell of Geoffrey Martin & Co. be and are hereby appointed to act as Liquidators of the Company (with authority to act jointly and severally) for the purposes of winding up the Company's affairs and distributing its assets;
- (c) the remuneration of the Liquidators be fixed by reference to the time properly spent by them and their staff in connection with the liquidations;
- (d) the Liquidators be and hereby are authorised in accordance with the provisions of section 110 of the Insolvency Act 1986 to enter into an arrangement on the terms of the draft documentation ("Reconstruction Documentation"), copies of which are available for inspection at Suite 4, Burlington House, Burlington Street, Chesterfield, Derbyshire, S40 1RS;
- (e) the Reconstruction Documentation be and is hereby approved, together with all such other documents, acts and things which the Liquidators, or (with the sanction of the Liquidators) the directors of the Company shall execute and do in accordance with or pursuant to such documentation.

EXTRAORDINARY RESOLUTION

That, subject to and conditional upon the passing of a Special Resolution without amendment, the Liquidators be and they are hereby authorised (which authority being joint and several):

- (a) to exercise the powers specified in Part 1 of Schedule 4 to the Insolvency Act 1986; and
- (b) to exercise any of the powers specified in Regulation 177 of the Company's Articles of Association.

By order of the Board

Brian Downs
Non-executive Director

Dated 27 April 2004

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a member.