Tinopolis plc

ANNUAL REPORT AND ACCOUNTS 2007

Tinopolis is one of the United Kingdom's ("UK") leading independent media companies, with around 2,500 hours of drama, factual, sports and children's programming produced each year for more than 200 broadcasters worldwide. Headquartered in Llanelli, Tinopolis has production centres in London, Oxford, Glasgow, Cardiff and Leeds. Our brands include Mentorn Media, Sunset + Vine, APP, Video Arts, Folio, Fiction Factory, POP1, DEEM and Daybreak Pictures.

FINANCIAL HIGHLIGHTS

- Turnover of £66.0m, up 40% on prior year (2006: £47.3m)
- Profit from operating activities of £2.18m, up 151% (2006: £0.87m)
- Profit before tax of £2.56m, up 142% (2006: £1.06m)
- Basic earnings per share of 1.8p, up 50% (2006: 1.2p)
- Net cash inflow from operating activities of £5.67m (2006: £1.75m)
- Cash and cash equivalents at end of period of £11.09m
- Share buy-back of £1.86m (4,650,000 shares repurchased for treasury at an average price of 39.9p)

Turnover

+40%

(2006: £47.3m)

Profit before tax

+142%

(2006: £1.06m)

Operating profit

£2.18m

(2006: £0.87m)

OPERATIONAL HIGHLIGHTS

- Question Time commission for the BBC renewed for a further three years
- Sunset + Vine renews contract for Gillette for the World Sport for a further two years
- Sunset + Vine awarded contract for coverage of the Grand National for the BBC. Sunset + Vine now cover all the BBC's racing output
- Mentorn wins its first USA Network commission for four years with America's Worst Driver
- Acquisition of Video Arts for £2.25m
- Acquisition of APP Broadcasting for an initial consideration of £1.25m
- London operations relocated to one new premises
- BBC Jam termination issues resolved

OUTLOOK

- The progress in integrating the acquired businesses, new commissions and the re-commissioning of our key programmes gives the Board confidence in the outlook for the current year
- Strong order book going into 2008

Our portfolio...

1. Volvo Ocean Race 2008–2009
2. Britz
3. Car Wars
4. The Trial of Tony Blair
5. Y Pris

Tinopolis is one of the largest companies in the United Kingdom television production industry with the scale and resources to successfully compete in a fast-changing market. We are one of the most diverse companies in the sector with a very wide spread of customers in the United Kingdom and more than 180 countries worldwide.

In 2007 we produced more than 2,500 hours of sports, drama, factual and children's programmes for 200 broadcasters around the world. We are also a leading new media provider, utilising the skills of our television production and interactive teams for major private and public sector clients.

Tinopolis Group companies are:

Mentorn Media

Mentorn is one of the UK's most respected independent television producers, with a track record of high-profile, award-winning programming which includes documentaries, current affairs series and entertainment formats.

Folio

Creators of compelling popular documentary series such as Traffic Cops, Folio specialises in capturing contemporary life in an accurate and entertaining way.

Tinopolis Interactive

A great new media success story, Tinopolis Interactive bridges the "old" and new media with a range of exciting projects for government, public sector and private companies.

Sunset + Vine

Leading international sports producers with an unrivalled reputation for innovation and a depth of experience in broadcasting and new media. One of the UK's premier AFP producers.

DEEM

Under the leadership of Dave Edwards, the multi award-winning animator, Tinopolis is building a world-class animation department, creating animation for television, cinema and new media.

Fiction Factory

An innovative drama production company, founded in 1988 by award-winning writer and director, Ed Thomas, Fiction Factory specialises in television and film drama and has also produced award-winning documentaries.

APP Broadcast

A sports production company specialising in the production, post-production and broadcast, of interactive and corporate output across a range of action sports from football to athletics to watersports.

Video Arts

Video Arts has been training people for over 30 years. In that time they have engaged, entertained and more importantly, educated some 100,000 organisations in more than 50 countries.

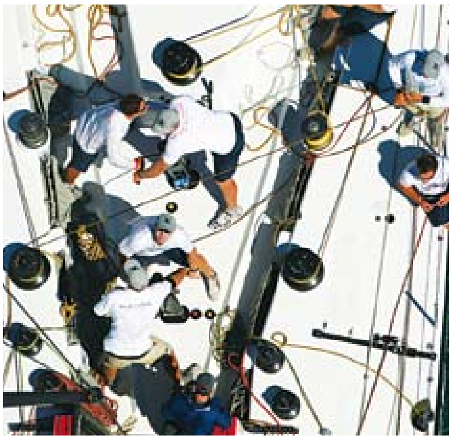
Daybreak Pictures

A new drama production company from the award-wining team of David Aukin and Hal Vogel. With an exciting slate of projects, Daybreak is set to continue to build the Group's reputation for high-profile, critically acclaimed drama.

POP1

Run by award-wining producer Daffdd Mys. POP1 specialises in documentary, sport and children's television.

BUSINESS REVIEW



VOLVO OCEAN RACE 2008–2009

REVIEW OF OPERATIONS

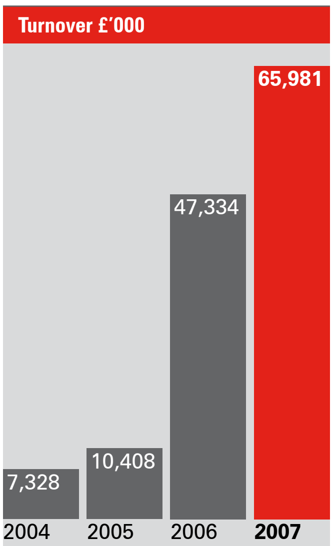
Turnover increased in the year by 40% to £66.0m reflecting a full year's contribution from the businesses acquired in 2006 and from businesses acquired part way through 2007. On a like-for-like basis, adjusting for businesses acquired and disposed of part way through 2006 and 2007, organic growth was 9%. Consequently profit from operating activities improved from £0.87m to £2.2m. Profit before tax of £2.56m, after allowing for £0.15m of exceptional costs regarding the closure of our BBC Jam contracts (see below), was 142% up on the prior year. Earnings per share increased from 1.2p to 1.8p, an increase of 50%. The second half of the year performed strongly and profit before tax was £1.6m compared to £0.96m in the first half mainly due to a strong six month contribution from Sunset + Vine, falling losses at Mentorn and the impact of actions taken earlier in the year to reduce property costs.

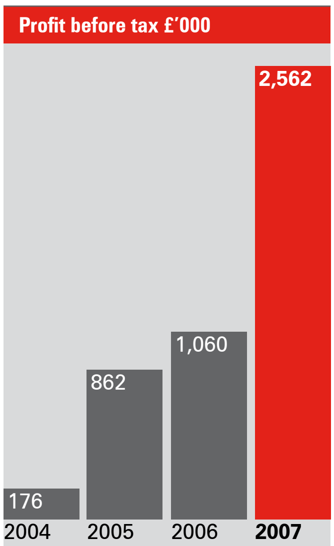
The priority for 2007 was to deliver on the plans we outlined following our acquisition of TV Corp in 2006. That acquisition gave us the scale and the potential to become a major player in this dynamic market. However, the management and operational problems that had been evident at TV Corp for some years had to be put right if the underlying value of those businesses was to be realised. The integration has gone well. The excessive cost base has been resolved. In particular, the problems caused by occupying two unsuitable and very expensive buildings have been removed. Sunset + Vine and Mentorn now occupy modern purpose-built premises in Hammersmith where they are able to share the new technical and post-production facilities they need. Sunset + Vine is now growing healthily and profitably. Mentorn's results reflect a fundamental improvement in its underlying financial performance. It is recovering in line with our plans and market expectations.

We continue to emphasise the need for strong revenue visibility with long-term contracts or strong returning series – key components of sustainable profitability in this industry. Across the Company we are performing well with significant visibility into 2008 in drama, factual programmes and sport. Mentorn has historically been short of returning series and we are seeing major progress with long-term projects such as Question Time and The Big Question for the BBC being won this year. Sunset + Vine has been successful in winning new contracts including the coverage of the Grand National for the BBC.

Our Welsh television production business continues to perform outstandingly well. Profitability is up and our programmes have performed extremely well.

Our new media business was hit badly by the BBC's unilateral cancellation of its Jam service to schools. It resulted in a £0.5m shortfall in our planned operating profit for the year including £0.15m of exceptional costs, an impact we announced in our interim results in June 2007.





CAERDYDD
HALF TON HOSPITAL

Our contracts with the BBC were terminated at short notice and after prolonged negotiations all termination issues were resolved in the financial year. Despite this, Interactive was profitable during 2007, an outstanding achievement in this fast-moving market.

The diversity of our customer list and our lack of dependence on any one customer, contract or show, continues. This year we have won new broadcaster customers in the USA and taken on the large numbers of corporate customers of our newest acquisition, Video Arts. Our business has never been dependent on revenue streams arising from secondary rights and building a portfolio of programmes with secondary rights value will be beneficial to the Group going forward. Mentorn has been leading our efforts in this, and has already been successful in re-establishing some of its brands in the USA market.

ACQUISITIONS

There has been considerable corporate activity in the television production sector during the year and we have been offered or approached a number of companies that could have been useful additions to the Group. However, we are committed to building shareholder value and will not damage this fundamental principle by buying at values we regard as inflated. Our strategy of acquiring companies that complement our own businesses continues and during the year we acquired Video Arts Ltd ("Video Arts") and APP Broadcasting Limited ("APP").

In May we bought Video Arts for consideration of £2.25m on a debt-free basis, payable in cash. In the year ended 31 December 2006 it generated turnover of £4.9m and EBIT adjusted for non-recurring management charges of £0.5m.

Video Arts was established in 1972 and has over 200 current titles that have been used to provide training to over 10,000 organisations worldwide, winning over 200 major training awards. Recently, recognising that customers increasingly need digital delivery of its products, it has launched its Digital Content Library. This currently includes over 100 of its most popular titles, divided into hundreds of learning chapters. Tinopolis Interactive has the skills and scale to accelerate the creation of this library and add to its functionality. The first products of this collaboration are being released to the market this month. The Company believes this will prove a compelling offer for Video Arts' existing clients and an important feature in attracting new customers and increasing the scope and value of existing accounts.

Video Arts' traditional business has been product-based, whilst the Group's existing business majors on bespoke new media training materials and products. Both had identified the need to have some of the other's skills and market presence. Both businesses have specialised in producing

CRICKET ON FIVE

ACQUISITIONS CONTINUED

and delivering video-based learning and we believe this focus will be a significant competitive advantage in this sector as clients and consumers demand increasingly rich content "on demand". The acquisition gives us a combined business bringing a much wider range of skills to this market and better able to serve our existing and new customers. It consolidates our position as a leading player in the industry.

APP is a production company specialising in the coverage of yachting events, an are already covered by Sunset +Vine with its Volvo Ocean Racing. The initial consideration is £1.25m with a further deferred consideration of £0.3m depending on their results for the year ended 31 December 2007. This is expected to be paid in February 2008. In the year ended 31 December 2006 it generated turnover of £1.53m, an EBIT of £0.29m and had net cash balances of £0.59m when acquired. This acquisition naturally strengthens our position in yachting coverage, but equally importantly it brings new strengths in advertiser-funded programming, an existing area of expertise we have identified as a priority for development. Some 90% of APP's revenues are derived from non-broadcaster sources.

DRAMA

The first two productions made by our new drama brand, Daybreak Pictures, were aired earlier this year, winning high ratings and receiving strong press coverage. The Trial of Tony Blair for Channel 4 and Confessions of a Diary Secretary for ITV1 have reinforced our reputation for factually-based dramas and led to further paid development for another two series. The second half of the year saw our two-part fictional drama for Channel 4, Britz. The drama was chosen as part of the celebration of the channel's 25th anniversary and was directed and produced by Peter Kosminsky – with whom we won three BAFTAs for The Government Inspector. The Company has now signed a "first look" deal with Peter for his future drama ideas.

Fiction Factory, our Welsh drama company, completed the third series of its S4C hit series Caerdydd and the fourth series is in production at the moment. Their new crime drama, Y Pris, was broadcast in the autumn and a second series is now in production. The Company has been commissioned to develop a landmark drama series for 2009 that will tell the story of modern Wales through the life experiences of one man.

FACTUAL PROGRAMMING

The Group produced over 500 hours of factual programming in the year for broadcasters including the BBC, ITV, S4C, Channel 4, Five, Sky, Discovery and Bravo.

CAERDYDD

In Wales, Wedi 3 and Wedi 7, S4C's live daily programmes continued and delivered high audiences. Our success in live programming is unique in Welsh broadcasting and has now been one of the foundations of S4C's output for 17 years. The programmes led S4C's on-screen re-branding this year and Wedi 3 was available on analogue for the first time and proved a great success. S4C commissioned a factual series for children based on a vet's practice and a second series is already in production. A major landmark modern history series has been commissioned for 2009. For ITV Wales we produced a number of new series.

Mentorn continued its recovery, winning commissions for all five terrestrial United Kingdom channels. In March, Mentorn beat 14 other independent producers to win a new three year contract to provide the BBC with its flagship political programme Question Time, a deal worth in the region of £5.5m over three years. The following month, the Company beat 36 others to win the contract to provide the BBC's new Sunday Morning religious programme, to be called The Big Question, a contract worth £1.2m in the first year. Both tenders included significant new media elements provided by the teams at Mentorn and Tinopolis Interactive, demonstrating the synergies available within the Group.

Elsewhere, Mentorn also won from Channel 4 another ten programmes of its current affairs strand, The Insider, and continued to provide various editions of Channel 4's Dispatches. Mentorn Scotland became one of only seven suppliers to the BBC's The One Show.

In the USA, the second series of Oil, Sweat and Rigs performed well for Discovery and led to a new six part series, Wildcatters. Discovery USA commissioned a total of 14 hours from us in 2007. Folio won an order from the BBC for ten editions of its long-running Traffic Cops brand. Traffic Cops was the BBC's highest rated documentary series in 2007 and its other police-based series, Car Wars, won good ratings as well. Folio continued to grow its business for other networks – particularly ITV – where the Half Ton Hospital series achieved high ratings in both peak time and daytime slots.

SPORT

Sunset + Vine won several significant contracts during the period.

The BBC has confirmed that we will produce the Grand National from 2008. We already produce the remainder of its racing output. Channel 5 awarded us the contract to produce its new Italian football coverage. Our decision to open Sunset + Vine Cymru in October 2006 paid dividends as we won the contract to produce more than 50 hours of coverage of the 2007 Rugby World Cup for S4C. The Company has also renewed its deal with BBC Scotland for a further two years to provide all of its sports coverage, including Football, Bowls, Rugby and Shinty. We have been contracted for the Dubai World Cup horse racing for 2008. The BBC coverage of the Ashes tour was also one of ours and a new three year DVD deal has been agreed with the ECB and distributor 2Entertain which includes the next Ashes series in 2009. In October we tendered for and won a commission from the BBC to cover the 2008 African Nations Cup, which began in January in Ghana.

Advertiser Funded Programming ("AFP") is an important revenue generator for Sunset + Vine. During the period, the Company won contracts to produce its Volvo Ocean Race programme through to 2009 and a new Formula One Business series, sponsored by Philips, for BBC World. A new two year deal has been signed with Gillette for the successful World Sport series with the Company being responsible for the production and distribution to over 180 broadcasters around the world.

Sunset + Vine remains the United Kingdom's biggest producer in the fast-growing television programming area of gaming. We were commissioned to produce the Grosvenor Poker United Kingdom Tour shown on Channel 4 and sponsored by Blue Square. Tinopolis Interactive and Sunset + Vine also produced an innovative live webcast to accompany the television production of the final of the European Poker Tour in Monte Carlo, again demonstrating the cross-company skills we can use to provide a multi-platform offering to commissioners. We won a competitive tender for the PokerStars Caribbean Adventure poker tournament this month. While the appeal of televised celebrity poker is waning, the professional poker tours, where Sunset + Vine is strong, have been going from strength to strength.

Our Wales-based company, POP1, has won a commission to produce two further years coverage of the World Rally Championship for S4C as well as a documentary series on Welsh rugby.

SUNSET + VINE APP SPORTS NEWS

TINOPOLIS INTERACTIVE
TINOPOLIS LEARNING

ENTERTAINMENT

Sunset + Vine won its first major non-sports commission, a co-production with Splash Media, to produce a new prime time format – the Eurovision Dance Contest for BBC1. The live broadcast involves contestants from 16 countries and was broadcast successfully in September. It has been re-commissioned for 2008.

In the USA the success of Mentorn's reality format for the Bravo network, Work Out, led to a commission for an extended second series of nine shows. Bravo has now commissioned a third series. We also won a major commission from the Fox Reality Channel and My Network to produce a new 16 part series of our hit reality format Paradise Hotel, to air in early 2008. The series value is $6m with the potential for further series. The previous series of Paradise Hotel has been sold, as a licensed or format deal, to around 30 countries worldwide and we are confident that the new series will also sell internationally. An American version of Mentorn's successful Britain's Worst Driver has been sold to a major USA network, our first new USA network commission for four years.

Broadening its customer base further, Mentorn has won its first entertainment series from Sky One and Virgin Media which will be broadcast later this year.

INTERACTIVE AND LEARNING

Our interactive skills are in use with a wide range of customers in the broadcast and other commercial industries as well as in the public sector. This is an important area for synergy between all the Group companies and is a key part of our future. Our breadth of new media and creative skills and experience is unique in the industry.

Our new media business was hit by the BBC's decision in late March, without consultation, to terminate its entire Jam e-education project. Despite this, Tinopolis Interactive continues to grow its revenues, its profitability and its customer base. This includes a commission to produce Foundation Phase interactive learning materials for the Welsh Assembly Government, a commission from Ufi to produce a series of short comedy-based video sketches for SME businesses, featuring the comedian Neil Mullarkey and further commissions under our framework agreement with the Ministry of Defence.

Tinopolis Interactive has also extended its range of strategic joint ventures with training specialists including Influence at Work, authors of several best-selling books centred on social influencing and persuasion techniques. Since the acquisition of Video Arts, the two businesses have been co-operating in developing a number of new products and services and we expect to see the benefits of this in 2008.

Mentorn has been active in the learning area this year. Helped by our experience in Tinopolis Interactive, it led a consortium short-listed for the government-funded

BBC HORSERACING

Teachers Television. The consortium includes Channel 4, The Guardian and the Institute of Education, a reflection of Mentorn's reputation as a producer of quality and reliability.

SHARE BUYBACK

We concluded earlier in the financial year that the interests of shareholders were best served by buying the Company's shares in the market. During the period 4,650,000 shares were bought for treasury at an average price of 39.9p. It may be appropriate to return to this approach and we will continue to monitor the position.

CASH

Cash management across the Group was tightly controlled with net cash inflow from operating activities in the period of £5.67m. Capital expenditure of £3.39m in the period was higher than normal due to the relocation of the London based business to new locations. We used £1.86m to purchase our own shares for treasury and a further £2.90m was used to acquire Video Arts and APP (net of cash acquired with those businesses).

Net cash within the business was over £11m at the end of the year.

CONCLUSION AND OUTLOOK

Creatively and operationally we are in good shape. Measured against our three long-term goals we are doing well. As before, these are to build value for shareholders by delivering organic revenue growth in excess of industry average, delivering revenue visibility in excess of the industry average and selectively adding further complementary businesses where we can apply our business approach and skills.

Other than in Mentorn, where our commitment to profitability is the absolute priority, we have shown organic growth at a time when others in the industry are struggling. The latter part of 2007 has seen a fall-off in United Kingdom commissioning, partly a reaction to the well-publicised integrity problems that beset the industry and partly due to major management changes at a number of broadcasters. Despite this, our organic growth has been strong.

Our revenue visibility remains strong with a very high percentage of our planned sales already contracted. Combined with our wide range of customers and a lack of dependence on any one contract, we are well placed for the year ahead.

Acquisitions remain difficult because of the valuation differential between public and private companies. Nevertheless we believe there are some value and strategic acquisitions that are possible and we have a number of potential purchases under consideration.

At a difficult time for the industry and in a difficult market, we can be optimistic about the Company's prospects for next year and beyond.

RON JONES
EXECUTIVE CHAIRMAN
29 JANUARY 2008

ARWEL REES
MANAGING DIRECTOR
29 JANUARY 2008

BOARD OF DIRECTORS AND ADVISERS

RON JONES
EXECUTIVE CHAIRMAN

Ron is one of the founders of the Company and has led its growth and diversification from the start. He trained as a Chartered Accountant and was a Partner in Arthur Andersen until he moved on to set up Tinopolis in 1989. As well as being Chairman he was, until early 2004, the Company's Chief Executive. Ron has been well known in public affairs for many years with involvements ranging from the Sports Council for Wales to the "Yes for Wales" devolution campaign. He is a former Treasurer of Glamorgan County Cricket Club and is a Director of Llanelli RFC – the Llanelli Scarlets. He was also the founding Chairman of Real Radio, Guardian Media Group's first successful radio licence application.

ARWEL REES
MANAGING DIRECTOR

Arwel joined the Company in early 2004. Prior to that he worked for the USA industrial company Woodhead Industries ("WI") where he was a Corporate Vice President and President of European operations. The operations he managed had sites in Wales, Italy, Germany, Holland and France. During his time at WI he oversaw a large growth in the European business from €4m to €65m in sales and he led a Europe wide acquisitions programme. He is a qualified accountant.

JOHN WILLIS
CREATIVE DIRECTOR

John, who joined Mentorn and Tinopolis in November 2006, is one of the best known figures in the television industry, with a career spanning Director of programmes at Channel 4, Managing Director of LWT and United Productions, Vice President of National Programmes at USA broadcaster WGBH and most recently the BBC's Director of Factual and Learning. John has been responsible for a wide range of critically acclaimed television, everything from landmark factual programmes Planet Earth and The Secret Policeman; documentary stands like Cutting Edge and True Stories; hit formats including Don't forget your Toothbrush; dramas such as The Politician's Wife and Hornblower; comedies including Father Ted; and global movie hits like Four Weddings and a Funeral, and Trainspotting. In 2001, John won the prestigious RTS Gold Medal for Creative Contribution to Television.

ANGHARAD MAIR
EXECUTIVE DIRECTOR

Angharad is one of the best known faces in Welsh broadcasting. She is the lead presenter of Tinopolis' nightly live programme, Wedi 7, and the Editor of all Tinopolis' daily programming. Apart from a short spell at the BBC Angharad has worked for Tinopolis since 1990. Prior to that she fronted sports and news programmes for the BBC. Angharad has also represented Wales and Great Britain as a distance runner, competing in the World Athletics Championships in Athens in 1997.

JULIE JONES
COMPANY SECRETARY AND DIRECTOR OF LEGAL SERVICES

Julie started her career as a Television Researcher with Tinopolis in its early years. After some years away studying and qualifying as a Solicitor with a large commercial firm, Julie has returned as Director of Legal Services. Julie handles a wide breadth of work for clients across the whole Tinopolis Group.

RHYS DAVIES
NON-EXECUTIVE DIRECTOR

Rhys is the Managing Director of Glendower Capital Limited, a London based investment Manager and Adviser, which he established in 1998. He has over ten years' experience of making investments in public and private companies. From 1994 until 1998, Rhys worked as an Analyst and Fund Manager at Schroder Investment Management Limited. At Schroders, he was, inter alia, the analyst responsible for Continental European media investments. Prior to joining Schroders, Rhys worked for The Boston Consulting Group from 1992 to 1994. Rhys holds degrees from the University of Wales, Cardiff, and Imperial College of Science, Technology and Medicine, London. He is a Chartered Financial Analyst.

COMPANY SECRETARY
Julie Jones
Tinopolis Centre, Park Street
Llanelli SA15 3YE

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AUDITORS & ACCOUNTANTS
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PUBLIC RELATIONS CONSULTANT
Lawrence Dore/Nick Bishop
Mantra Public Relations
12 Dyott Street
London WC1A 1DE

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' INTERESTS

DIVIDENDS
The directors do not recommend the payment of a dividend.

DIRECTORS
The directors of the Company who held office during the year are shown below:

Ron Jones
Arwel Rees
Rhys Davies*
Angharad Mair
John Willis (appointed 08/11/2006)

* Non-Executive Director.

Substantial interest in the issued share capital of the Company notified and registered in accordance with Section 198 of the Companies Act 1985 are as follows:

Substantial Shareholdings	Number of ordinary shares	% of issued share capital
Schroder Investment Managers Ltd	22,303,699	22
Black Rock Investment Management	8,952,745	9
OGR Jones	8,251,299	8
SVM Global fund Plc	5,985,000	6
North Atlantic Value LLP	5,400,000	5
M & G Investment Management	3,546,770	3
L & G Investment Management	3,417,802	3
Tinopolis plc Treasury Account	3,318,668	3
Schroder & Co Zurich (PB)	3,094,235	3
JG Davies	3,094,235	3
Park Street Trust **	3,094,235	3
RG Thomas	3,094,235	3

** OGR Jones is a trustee of Park Street Trust and is a potential beneficiary of this discretionary trust.

CORPORATE GOVERNANCE
So far as appropriate, the Board aims to apply the underlying principles of the Combined Code, having regard to the size of the Company.

Audit and Remuneration committees have been established and in each case comprise Rhys Davies as Chairman and Ron Jones.

The role of the Remuneration Committee is to review the performance of the executive directors and to set the scale and structure of their remuneration, including bonus arrangements. The Remuneration Committee also administers and establishes performance targets for the Company's employee share schemes and executive incentive schemes for key management. In exercising this role, the terms of reference of the Remuneration Committee requires it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, and receives and reviews reports from management and the Company's auditors on the internal control systems in use throughout the Company and its accounting policies.

CHARITABLE AND POLITICAL DONATIONS
The Company made £1,000 charitable or political donations (2006: £2,000) during the period under review.

CREDITOR PAYMENT POLICY
The Company does not follow any standard codes of payment but aims to settle supplier accounts in accordance with their individual terms of business. The number of days' purchases outstanding at the year end in respect of the Company were 30 days (2006: 34 days).

DISCLOSURE OF INFORMATION TO AUDITORS
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

RON JONES
EXECUTIVE CHAIRMAN
29 JANUARY 2008

ARWEL REES
MANAGING DIRECTOR
29 JANUARY 2008

PARK STREET
LLANELLI
CARMARTHENSHIRE SA15 3YE

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TINOPOLIS PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Tinopolis plc for the year ended 30 September 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Directors' Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Parent Company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 12.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 30 September 2007 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 30 September 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG AUDIT PLC
CHARTERED ACCOUNTANTS
REGISTERED AUDITOR
29 JANUARY 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

		2007		2006	
	Note	**£000**	**£000**	£000	£000
Revenue	2		**65,981**		47,334
Cost of sales			**(52,608)**		(37,230)
GROSS PROFIT			**13,373**		10,104
Administrative expenses			**(11,196)**		(9,232)
PROFIT FROM OPERATING ACTIVITIES	3		**2,177**		872
Finance expenses	6	**(14)**		(57)	
Finance income	6	**399**		245	
Net finance income			**385**		188
PROFIT BEFORE INCOME TAX			**2,562**		1,060
Income tax expense	7		**(723)**		(89)
PROFIT FOR THE YEAR			**1,839**		971
Attributable to:					
Equity holders of the Parent Company			**1,728**		934
Minority interests			**111**		37
			1,839		971
EARNINGS PER SHARE					
Basic earnings per share	8		**1.8p**		1.2p
Diluted earnings per share	8		**1.7p**		1.2p

All the results arise from continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2007

30 September 2007	Share capital £000	Share premium £000	Merger reserve £000	Reserve for own shares £000	Retained earnings £000	Total £000	Minority interests £000	**Total equity £000**
Balance at 1 October 2006	1,989	24,147	607	—	3,195	29,938	60	**29,998**
Profit for the period	—	—	—	—	1,728	1,728	111	**1,839**
Dividends paid	—	—	—	—	—	—	(20)	**(20)**
Equity-settled share-based payments	—	—	—	—	13	13	—	**13**
Shares issued	—	10	—	—	—	10	—	**10**
Own shares acquired	—	—	—	(1,862)	—	(1,862)	—	**(1,862)**
Own shares issued on acquisition	—	—	—	250	—	250	—	**250**
BALANCE AT 30 SEPTEMBER 2007	1,989	24,157	607	(1,612)	4,936	30,077	151	**30,228**

30 September 2006	Share capital £000	Share premium £000	Merger reserve £000	Reserve for own shares £000	Retained earnings £000	Total £000	Minority interests £000	**Total equity £000**
Balance at 1 October 2005	497	—	657	—	1,967	3,121	33	**3,154**
Profit for the period	—	—	—	—	934	934	37	**971**
Dividends paid	—	—	—	—	—	—	(10)	**(10)**
Equity-settled share-based payments	—	—	—	—	294	294	—	**294**
Shares issued	1,442	24,147	—	—	—	25,589	—	**25,589**
Movement in the year	50	—	(50)	—	—	—	—	**—**
BALANCE AT 30 SEPTEMBER 2006	1,989	24,147	607	—	3,195	29,938	60	**29,998**

RESERVE FOR OWN SHARES

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 30 September 2007 the Group held 3,319,000 of the Company's shares (2006: Nil).

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
ASSETS					
Property, plant and equipment	9	**6,487**		4,316	
Intangible assets – goodwill	10	**25,013**		21,869	
Intangible assets – learning content	10	**643**		—	
TOTAL NON-CURRENT ASSETS			**32,143**		26,185
Inventories – learning materials		**174**		—	
Trade and other receivables	12	**13,505**		9,044	
Cash and cash equivalents	13	**12,418**		15,101	
TOTAL CURRENT ASSETS			**26,097**		24,145
TOTAL ASSETS			**58,240**		50,330
EQUITY					
Share capital		**1,989**		1,989	
Share premium		**24,157**		24,147	
Reserves		**607**		607	
Reserve for own shares		**(1,612)**		—	
Retained earnings		**4,936**		3,195	
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			**30,077**		29,938
Minority interests			**151**		60
TOTAL EQUITY			**30,228**		29,998
LIABILITIES					
Loans and borrowings	15	**129**		23	
Other payables	14	**505**		677	
Deferred tax liabilities	16	**285**		261	
TOTAL NON-CURRENT LIABILITIES			**919**		961
Bank overdrafts	13	**1,329**		1,556	
Loans and borrowings	15	**75**		635	
Current income tax payable		**2,390**		1,090	
Trade and other payables	14	**23,299**		16,090	
TOTAL CURRENT LIABILITIES			**27,093**		19,371
TOTAL LIABILITIES			**28,012**		20,332
TOTAL EQUITY AND LIABILITIES			**58,240**		50,330

These financial statements were approved by the Board of directors on 29 January 2008 and were signed on its behalf by:

RON JONES
EXECUTIVE CHAIRMAN

ARWEL REES
MANAGING DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Note	2007 £000	2006 £000
PROFIT FOR THE YEAR		**1,839**	971
Adjustments for:			
Depreciation and amortisation		**1,150**	892
Net finance income	6	**(385)**	(188)
Gain on sale of subsidiary		**—**	(866)
Gain on sale of property, plant and equipment		**(2)**	(21)
Equity-settled share-based payments	5	**63**	26
Taxation	7	**723**	89
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL AND PROVISIONS		**3,388**	903
Change in inventories		**42**	—
Change in accounts receivable		**(2,575)**	3,402
Change in accounts payable		**4,277**	(1,703)
		5,132	2,602
Interest paid		**(14)**	(51)
Income taxes paid		**(331)**	(797)
Income taxes received		**884**	—
NET CASH FROM OPERATING ACTIVITIES		**5,671**	1,754
Net (cash paid) cash acquired with subsidiaries		**(2,897)**	8,896
Payments to acquire property, plant and equipment		**(3,390)**	(1,246)
Receipts from sales of property, plant and equipment		**51**	47
Receipts from sale of subsidiary		**—**	4,053
Interest received		**399**	245
NET CASH FROM INVESTING ACTIVITIES		**(5,837)**	11,995
Repayment of borrowings		**(568)**	(925)
Payment of finance lease liabilities		**(67)**	(131)
Finance lease additions		**207**	—
Own shares acquired		**(1,862)**	—
NET CASH USED IN FINANCING ACTIVITIES		**(2,290)**	(1,056)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,456)**	12,693
Cash and cash equivalents at start of period	13	**13,545**	852
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	**11,089**	13,545

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

Tinopolis plc (the "Company") is a Company incorporated in the United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRS"). The Company has elected to prepare its Parent Company financial statements in accordance with UK GAAP.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and its subsidiaries made up to 30 September each year.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

SOURCES OF ESTIMATION/UNCERTAINTY

The preparation of the financial statements requires the Group to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The directors base their estimates on historic experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Group believes that the most significant critical judgement area in the application of its accounting policies is revenue recognition.

REVENUE AND REVENUE RECOGNITION

Revenue (which excludes VAT) represents amounts receivable for work carried out in producing television programmes, films and other audio-visual media productions and is recognised over the period of the production in line with the terms of the underlying contract. Overspends are recognised as soon as they arise and underspends are recognised on completion of the production. Where productions are in progress and where the sales invoiced exceed the cost of the work done, the excess is shown as deferred income. Where the value of the work done to date exceeds the invoiced amount, the amounts are classified as accrued income.

DEVELOPMENT COSTS

Internally generated costs relating to programmes, to the extent they are not funded by a customer, are written off to the income statement.

TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the date of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the rate of exchange ruling at the balance sheet date, and any exchange differences taken to the income statement. Non-monetary assets are translated to Sterling at the rates of exchange ruling at the date of purchase.

TAXATION

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for taxation purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

LEASING AND HIRE PURCHASE COMMITMENTS

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as property, plant and equipment and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rentals payable are charged to the income statement on a straight line basis over the life of the lease.

1 ACCOUNTING POLICIES CONTINUED

GOODWILL

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost or deemed cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units.

OTHER INTANGIBLE ASSETS

Other intangible assets acquired by the Group are stated at cost less accumulated amortisation except those acquired as part of a business combination which are shown at fair value at the date of acquisition less accumulated amortisation.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation. The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short-life studio/post-production equipment	–	25% straight line
Studio equipment	–	15% to 20% reducing balance
Fixtures and fittings	–	15% straight line
Motor vehicles	–	25% straight line
Computer equipment	–	25% straight line
Leasehold property improvements	–	5% to 10% straight line

IMPAIRMENT

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

LEARNING CONTENT

Learning content expenditure is capitalised only if the cost is commercially feasible and future economic benefits are probable. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over the useful economic life of that asset which is between 3 and 5 years.

INVENTORIES – LEARNING MATERIALS

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and bank overdrafts. The bank overdrafts are repayable on demand and form an integral part of the Group's cash management. They are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

REPURCHASE OF SHARE CAPITAL (TREASURY SHARES)

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

EMPLOYEE BENEFITS

Equity-settled share-based payments

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

1 ACCOUNTING POLICIES CONTINUED

RECENTLY ISSUED STANDARDS

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 September 2007, and have not yet been applied in preparing these consolidated financial statements:

IFRS 8 – Operating Segments introduces the "management approach" to segment reporting. IFRS 8 which becomes mandatory for the Group's 2009 financial statements will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. It is not expected to have any impact on the consolidated financial statements.

IFRIC 11/IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

Revised IAS 23 – Borrowing Costs, IFRIC 12 – Service Concession Arrangements, IFRIC 13 – Customer Loyalty Programmes, IFRIC 14 IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements will have no impact on the consolidated financial statements.

2 SEGMENTAL INFORMATION

A) GEOGRAPHICAL ANALYSIS

No significant level of turnover arose outside of the United Kingdom.

B) MARKET SECTOR ANALYSIS

The Group's operations involve the making of television, film, and other audio-visual media productions and has only one business sector.

3 OPERATING ACTIVITIES AND AUDITORS' REMUNERATION

	2007 £000	2006 £000
INCLUDED IN RESULTS FROM OPERATING ACTIVITIES ARE THE FOLLOWING:		
Restructuring costs incurred (contractual and other termination costs involved in the removal of The Television Corporation Plc board)	**—**	1,154
Depreciation of property, plant and equipment	**970**	819
Depreciation of assets held under hire purchase and finance lease agreements	**174**	73
Amortisation	**6**	—
Profit on disposal of property, plant and equipment	**(2)**	(21)
Profit on sale of Hawkeye	**—**	(866)
Foreign exchange losses	**128**	—
Operating lease charges – land and buildings	**1,229**	795
– other	**29**	—

Auditors' remuneration:

	2007 £000	2006 £000
Audit of these financial statements	**60**	60
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**67**	40
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Group	**50**	176

4 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2007 £000	2006 £000
Aggregate emoluments	**961**	716
Highest paid Director	**278**	224

Options to acquire 2p ordinary shares of the Company were held by the following directors:

	At 1 October 2006	**Granted**	**At 30 September 2007**
A Rees	372,000	—	372,000
A Mair	73,000	—	73,000
J Willis	—	450,000	450,000

5 EMPLOYEE INFORMATION

	2007 £000	2006 £000
Wages and salaries	**13,337**	10,707
Social security costs	**1,481**	1,165
Equity-settled share-based payments	**63**	26
Pension and other employee costs	**329**	205
	15,210	12,103

The average number of employees employed (including directors) during the year was:

	Number	Number
Production	**322**	295
Administration	**82**	61
	404	356

6 NET FINANCE INCOME

	2007 £000	2006 £000
Interest expense		
Interest on finance lease and hire purchase	**5**	11
Other interest and similar charges	**9**	46
	14	57
Interest income	**(399)**	(245)
Net finance income	**(385)**	(188)

7 INCOME TAX EXPENSE

	2007 £000	2006 £000
Current tax expense		
United Kingdom corporation tax charge at rate of 30% (2006: 30%)	**554**	104
(Under)/over provision in respect of the previous year	**(1)**	83
Total current tax expense	**553**	187
Deferred tax expense		
Origination and reversal of temporary differences	**170**	(98)
Total deferred tax expense/(income) (see note 16)	**170**	(98)
Total income tax expense in income statement	**723**	89

The tax assessed for the year is lower (2006: lower) than the standard rate of corporation tax applying in the United Kingdom of 30%. The differences are explained below:

	2007 £000	2006 £000
Profit before taxation	**2,562**	1,060
Profit on ordinary activities at the United Kingdom tax rate of 30% (2006: 30%)	**769**	318
Effects of		
Substantial shareholding exemption on disposal of subsidiary	**—**	(260)
Expenses not deductible for tax purposes	**25**	10
Accelerated capital allowances and other timing differences	**(54)**	16
Adjustments to tax charge in respect of previous period	**(1)**	83
Utilisation of tax losses	**(2)**	(78)
Withholding tax	**(14)**	—
	723	89

8 EARNINGS PER SHARE

	2007 £000	2006 £000
Profit for the year	**1,728**	934
Weighted average number of shares	**96,467,884**	77,459,136
Dilutive potential of shares under option	**3,840,570**	3,585,170
Effect of potential deferred consideration shares	**312,500**	—
Dilutive potential of warrants issued	**48,780**	48,780
Dilutive weighted average number of shares	**100,669,734**	81,093,086
Earnings per share – basic	**1.8p**	1.2p
Earnings per share – diluted	**1.7p**	1.2p

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold property improvements £000	Motor vehicles £000	Fixtures & fittings and computer equipment £000	Studio/post production equipment £000	Total £000
Cost					
At 1 October 2006	2,447	436	2,211	3,930	9,024
Additions	1,410	31	1,041	642	3,124
Acquisitions	—	—	240	—	240
Disposals	—	(141)	(355)	(10)	(506)
AT 30 SEPTEMBER 2007	3,857	326	3,137	4,562	11,882
Depreciation					
At 1 October 2006	902	252	1,252	2,302	4,708
Charge for the year	173	62	527	382	1,144
On disposals	—	(104)	(353)	—	(457)
AT 30 SEPTEMBER 2007	1,075	210	1,426	2,684	5,395
Net book value					
AT 30 SEPTEMBER 2007	**2,782**	**116**	**1,711**	**1,878**	**6,487**
At 30 September 2006	1,545	184	959	1,628	4,316

	Leasehold property improvements £000	Motor vehicles £000	Fixtures & fittings and computer equipment £000	Studio/post production equipment £000	Total £000
Cost					
At 1 October 2005	2,362	459	1,191	3,427	7,439
Additions	28	170	580	523	1,301
Acquisitions	57	14	865	—	936
Disposals	—	(207)	(40)	(20)	(267)
Disposal of subsidiary	—	—	(385)	—	(385)
AT 30 SEPTEMBER 2006	2,447	436	2,211	3,930	9,024
Depreciation					
At 1 October 2005	748	394	1,034	2,004	4,180
Charge for the year	154	61	365	312	892
On disposals	—	(203)	(24)	(14)	(241)
Disposal of subsidiary	—	—	(123)	—	(123)
AT 30 SEPTEMBER 2006	902	252	1,252	2,302	4,708
Net book value					
AT 30 SEPTEMBER 2006	1,545	184	959	1,628	4,316
At 30 September 2005	1,614	65	157	1,423	3,259

9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Included within the net book value of £6,487,000 (2006: £4,316,000) is the following relating to assets held under hire purchase and finance lease agreements:

	Fixtures & fittings and computer equipment £000	Studio/post production equipment £000	Motor vehicles £000	Total £000
AT 30 SEPTEMBER 2007	**35**	**161**	**21**	**217**
At 30 September 2006	3	136	45	184

The depreciation charged to the financial statements in the year in respect of such assets was as follows:

	Fixtures & fittings and computer equipment £000	Studio/post production equipment £000	Motor vehicles £000	Total £000
YEAR ENDED 30 SEPTEMBER 2007	**5**	**145**	**24**	**174**
Year ended 30 September 2006	3	55	15	73

10 INTANGIBLE FIXED ASSETS

GOODWILL **Cost and net book value**	**2007 £000**	2006 £000
At 1 October	**21,869**	—
Additions	**3,144**	21,869
Disposals	**—**	—
Amortisation	**—**	—
AT 30 SEPTEMBER	**25,013**	21,869

LEARNING CONTENT **Cost and net book value**	**2007 £000**	2006 £000
At 1 October	**—**	—
Additions	**266**	—
Acquisitions	**383**	—
Disposals	**—**	—
Amortisation	**(6)**	—
AT 30 SEPTEMBER	**643**	—

There were £2.5m other intangible asset additions and £2.5m intangible asset disposals in 2006.

The Group conducts a formal annual review to determine whether the carrying value of the goodwill on the balance sheet can be supported. The impairment review comprises a comparison of the carrying amount of the goodwill with its recoverable amount (the higher of fair value less costs to sell and value in use). Fair value less costs to sell has been determined for the acquired cash-generating units by reference to the revenue multiples of appropriate transactions in the industry in recent years applied to the business's own internal estimates.

11 ACQUISITIONS AND DISPOSALS

On 3 May 2007 the Group acquired 100% of the issued share capital of Video Arts Ltd for a consideration of £2,250,000.

On 22 June 2007 the Group acquired 100% of the issued share capital of APP Broadcasting Ltd for an initial consideration of £1.05m cash and 539,084 Tinopolis shares. A further deferred consideration of up to £300,000 may be payable in January 2008 depending on the profitability achieved by APP in the year to December 2007. The directors believe APP will achieve this profit target and that the deferred consideration will be payable in full.

The recognised value and fair value of assets purchased were as follows:

	Video Arts Ltd Provisional recognised value of acquired assets/(liabilities) £000	APP Broadcasting Ltd Provisional recognised value of acquired assets/(liabilities) £000
Property, plant and equipment	68	173
Intangibles – learning content	383	—
Inventories – learning material	216	—
Receivables	1,257	629
Cash and cash equivalents	—	594
Liabilities	(1,953)	(509)
Net (liabilities)/assets acquired	(29)	887
Goodwill	2,391	696
Transaction costs incurred	(112)	(33)
Consideration, satisfied by cash	2,250	1,050
Consideration, satisfied by issue of shares	—	200
Deferred consideration	—	300
Total consideration	2,250	1,550

The contribution to the operating profits for Video Arts Ltd since acquisition and the historical results for the full year to 30 September 2007 are set out below:

	Post acquisition audited 3 May to 30 September 2007 £000	Full year unaudited 1 October 2006 to 30 September 2007 £000
Revenue	1,482	4,253
Operating profit	13	183

The contribution to the operating profits for APP Broadcasting Ltd since acquisition and the historical results for the full year to 30 September 2007 are set out below:

	Post acquisition audited 22 June to 30 September 2007 £000	Full year unaudited 1 October 2006 to 30 September 2007 £000
Revenue	709	2,182
Operating profit	171	493

Goodwill has arisen on the acquisitions because of the creative talent and opportunities which do no meet the criteria for recognition as separate intangible assets at the date of acquisition.

DAYBREAK PICTURES LIMITED

On 29 November 2006 the Group acquired the entire share capital of a shell Company, Daybreak Pictures Limited for a consideration of £11,000 satisfied by the issue of 29,851 Tinopolis shares. Transaction costs of £46,000 were incurred.

12 RECEIVABLES

	2007 £000	2006 £000
CURRENT		
Trade receivables	**10,106**	7,084
Other receivables	**506**	81
Prepayments and accrued income	**2,893**	1,879
Current trade and other receivables	**13,505**	9,044

Trade receivables are shown net of provisions for impairment losses amounting to £100,000 (2006: £86,000).

13 CASH AND CASH EQUIVALENTS/BANK OVERDRAFTS

	2007 £000	2006 £000
Cash and cash equivalents	**12,418**	15,101
Bank overdrafts	**(1,329)**	(1,556)
Cash and cash equivalents in the consolidated cash flow statement	**11,089**	13,545

14 TRADE AND OTHER PAYABLES

	2007 £000	2006 £000
NON-CURRENT LIABILITIES		
Lease accrual	**505**	677
CURRENT LIABILITIES		
Trade accounts payable	**3,283**	1,577
Other taxation and social security	**2,205**	1,845
Accruals and deferred income	**17,811**	12,668
	23,299	16,090

15 LOANS AND BORROWINGS

	2007 £000	2006 £000
NON-CURRENT LIABILITIES		
Hire purchase and finance lease agreements	**129**	23
CURRENT LIABILITIES		
Secured bank loan	**—**	568
Hire purchase and finance lease agreements	**75**	67
	75	635

The hire purchase and finance lease obligations are payable as follows:

	2007 £000	2006 £000
In one year or less	**75**	67
Between one and two years	**78**	12
Between two and five years	**51**	11
	204	90

16 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 £000	2006 £000	**2007 £000**	2006 £000	**2007 £000**	2006 £000
Property, plant and equipment	**(160)**	(4)	**454**	313	**294**	309
Tax value of loss carry-forwards	**(9)**	(48)	**—**	—	**(9)**	(48)
Net tax (assets)/liabilities	**(169)**	(52)	**454**	313	**285**	261

MOVEMENT IN DEFERRED TAX DURING THE YEAR

	1 October 2006 £000	Recognised in income £000	Acquired on acquisition £000	**30 September 2007 £000**
Property, plant and equipment	309	131	(146)	**294**
Tax value of loss carry-forwards utilised	(48)	39	—	**(9)**
	261	170	(146)	**285**

MOVEMENT IN DEFERRED TAX DURING THE PRIOR YEAR

	1 October 2005 £000	Recognised in income £000	**30 September 2006 £000**
Property, plant and equipment	454	(145)	**309**
Tax value of loss carry-forwards utilised	(95)	47	**(48)**
	359	(98)	**261**

17 FINANCIAL INSTRUMENTS

Exposure to credit and interest rate risks arises in the normal course of the Group's business.

CREDIT RISK

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

INTEREST RATE RISK

Interest expense reflects the cost of the Group's borrowings. Interest income arises from investment of cash and short-term deposits held by the Group. Interest rate risk is managed by monitoring market rates to ensure that optimal returns are achieved.

LIQUIDITY RISK

The Group finances its operations through a mixture of cash from retained profits, new equity and bank borrowings. The Group has continued with its policy of ensuring that there are sufficient funds to meet the expected funding requirements of the Group's operations and investment opportunities. The Group has continued to monitor its liquidity position through budgetary procedures and cash flow analysis.

17 FINANCIAL INSTRUMENTS CONTINUED

EFFECTIVE INTEREST RATES

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet:

		2007					2006				
In thousands of GBP	Effective interest rate	Total £'000	6 months or less	6–12 months	1–2 years	2–5 years	Total £'000	6 months or less	6–12 months	1–2 years	2–5 years
Secured bank loans:											
ITV production loan	2% above bank base rate						421	421			
Bank loan	3% above bank base rate						147	147	—	—	—
Finance lease liabilities	10% – 15%	204	44	31	78	51	90	39	28	12	11
Bank overdrafts		1,329	1,329				1,556	1,556			

The fair values of financial assets and liabilities shown above are not materially different from the value stated.

18 COMMITMENTS

FINANCIAL COMMITMENTS

At 30 September 2007 the Company had commitments under non-cancellable operating leases:

	2007 £000	2006 £000
Within one year	**1,634**	894
Within two to five years	**4,638**	2,175
After five years	**3,269**	1,460
	9,541	4,529

19 CALLED UP SHARE CAPITAL

	2007 £000	2006 £000
Authorised		
130,714,290 ordinary shares of 2p each (2006: 130,714,290 ordinary shares of 2p each)	**2,614**	2,614
Allotted, called up and fully paid		
99,450,222 ordinary shares of 2p each (2006: 99,437,793 ordinary shares of 2p each)	**1,989**	1,989

20 SHARE-BASED PAYMENTS

During the year, shares with a value of £50,000 were issued to an employee.

SHARE OPTIONS

The terms and conditions of the share options granted were as follows:

	Grant date	Number of share options	Vesting conditions	Contractual life of option
Options granted to directors	07/02/05	445,000	Service condition	10 years
Options granted to directors	06/11/06	450,000	Service condition	6 years
Options granted to employees	07/02/05	562,700	Service condition	10 years
Options granted to employees	15/05/06	2,382,870	Service condition	6 years

20 SHARE-BASED PAYMENTS CONTINUED

The number and exercise prices of the share options are as follows:

	Number of Shares	Exercise price	Date granted	Vesting date	Lapse date
EMI Plan	757,700	41p	07/02/2005	07/02/2006	06/02/2015
EMI Plan	122,000	41p	07/02/2005	30/12/2005	06/02/2015
Unapproved Plan	128,000	41p	07/02/2005	30/12/2005	06/02/2015
Unapproved Plan	2,382,870	34p	15/05/2006	50% by 14/05/2007	14/05/2012
				50% by 14/05/2008	14/05/2012
Unapproved Plan	450,000	32p	08/11/2006	1/3 by 07/11/2007	08/11/2012
				1/3 by 07/11/2008	08/11/2012
				1/3 by 07/11/2009	08/11/2012

The principal assumptions used in assessing the fair value of share options were as follows;

	Year ended 30 September 2007	Year ended 30 September 2006
Share price at grant date	**35p – 41p**	34p – 41p
Exercise price	**32p – 41p**	34p – 41p
Expected volatility	**25%**	25%
Option life	**6 – 10 years**	6 – 10 years
Risk-free interest rate	**4.5%**	4.5%

Share options are granted under a service condition for each of the grants. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

21 RELATED PARTY TRANSACTIONS

The compensation of key management personnel (directors) can be seen in note 5.

During the year, Group companies purchased from Owens Industrial Fuels (a business whose proprietor is the brother of Ron Jones) material to the value of, £93,000 (2006: £158,000).

During the year, Group companies also purchased from Jigsaw (a business whose proprietor is the sister-in-law of Ron Jones) materials to the value of £9,000 (2006: £13,000).

During the year, Group companies also purchased from Kim Morgans (the partner of Ron Jones) translation services to the value of £1,000 (2006: £2,400).

During the year, a Group Company purchased from Glendower Capital Limited (a Company in which Rhys Davies has an interest) services to the value of £15,000 (2006: £11,000).

All of the transactions above were conducted on an arm's length basis.

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
FIXED ASSETS					
Investments	23		**28,582**		27,878
CURRENT ASSETS					
Debtors	24	**12,625**		12,360	
Cash at bank and in hand		**1,252**		2,025	
		13,877		14,385	
CREDITORS: amounts falling due within one year	25	**(1,975)**		(266)	
NET CURRENT ASSETS			**11,902**		14,119
NET ASSETS			**40,484**		41,997
CAPITAL AND RESERVES					
Called up share capital	26		**1,989**		1,989
Share premium account			**24,157**		24,147
Profit and loss account	28		**14,338**		15,861
SHAREHOLDERS' FUNDS	27		**40,484**		41,997

These financial statements were approved by the Board of directors on 29 January 2008 and were signed on its behalf by:

RON JONES
EXECUTIVE DIRECTOR

22 ACCOUNTING POLICIES – COMPANY

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

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As 100% of the Company's voting rights are controlled within the Group headed by Tinopolis plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties).

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

EQUITY-SETTLED SHARE-BASED PAYMENTS

The share option programme allows subsidiary employees to acquire shares of the Company. The fair value of options granted is recognised as a cost of investment in the Company books with a corresponding increase in equity. The fair value is measured at grant date using a Black Scholes model, taking into account the terms and conditions upon which the options were granted.

INVESTMENTS

Investments are stated at cost less any provision for impairment losses.

DIVIDENDS

Dividends are recognised as a liability in the period in which they are declared and appropriately authorised.

TAXATION

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

STAFF COSTS

The Company did not employ any staff in either year.

23 FIXED ASSET INVESTMENTS

	2007 £000	2006 £000
Cost and net book value		
At beginning of year	27,878	872
Additions	704	26,980
Share-based payments	—	26
AT END OF YEAR	**28,582**	**27,878**

The Company holds the following issued share capital in the principal Group undertakings as listed below:

Subsidiary undertaking	**Country of incorporation**	**Share capital ownership**	**Proportion held**	**Company status**
Tinopolis Facilities Limited	England and Wales	Indirect holding	100%	Trading
Agenda Heno Cyfyngedig	England and Wales	Indirect holding	100%	Trading
Tinopolis Interactive Limited	England and Wales	Indirect holding	100%	Trading
Fiction Factory Limited	England and Wales	Indirect holding	75%	Trading
Sunset + Vine Productions Limited	England and Wales	Indirect holding	100%	Trading
Mentorn Media Limited	England and Wales	Indirect holding	100%	Trading
Video Arts Ltd	England and Wales	Direct holding	100%	Trading
APP Broadcasting Ltd	England and Wales	Indirect holding	100%	Trading

24 DEBTORS

	2007 £000	2006 £000
Other debtors	**3**	50
Amounts owed by group undertakings	**12,566**	12,252
Prepayments and accrued income	**47**	10
Deferred tax asset	**9**	48
	12,625	12,360

Movement in deferred tax asset during the year

	1 October 2006 £000	Recognised in profit and loss account £000	30 September 2007 £000
Tax value of loss carry-forwards	48	(39)	**9**

25 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £000	2006 £000
Trade accounts payable	**178**	41
Accruals and deferred income	**278**	225
Amounts owed to Group undertakings	**1,519**	—
	1,975	266

26 ISSUED SHARE CAPITAL

	2007 £000	2006 £000
Authorised		
130,714,290 (2006:130,714,290) ordinary shares of 2p each	**2,614**	2,614
Allotted, called up and fully paid		
99,450,222 (2006: 99,437,793) ordinary shares of 2p each	**1,989**	1,989

27 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2007 £000	2006 £000
Profit for the year	**76**	13,535
Increase in share capital	**—**	1,492
Increase in share premium	**10**	24,147
Own shares acquired	**(1,862)**	—
Own shares issued on acquisition	**250**	—
Share options	**13**	26
Shareholders' funds at 1 October	**41,997**	2,797
AS AT 30 SEPTEMBER	**40,484**	41,997

28 RESERVES

	Profit and loss account £000
At 1 October 2006	15,861
Profit for the year	76
Share-based payments	13
Own shares acquired	(1,862)
Own shares issued on acquisition	250
AT 30 SEPTEMBER 2007	**14,338**

NOTICE OF ANNUAL GENERAL MEETING

TINOPOLIS PLC (REGISTERED NUMBER 3832383)

NOTICE is hereby given that the Annual General Meeting of Tinopolis plc (the "Company") will be held at Tinopolis Centre, Park Street, Llanelli, Carmarthenshire, SA15 3YE on 14 March 2008 at 10.00am for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 9 will be proposed as special resolutions:

ORDINARY BUSINESS

1. To receive and adopt the Company's annual accounts for the financial year ended 30 September 2007 together with the last directors' report and the auditors' report on those accounts.
2. To re-appoint Owen Griffith Ronald Jones who retires by rotation.
3. To re-appoint William Arwel Rees who retires by rotation.
4. To re-appoint KPMG Audit Plc as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

SPECIAL BUSINESS

5. THAT the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act"), to exercise all the powers of the Company to allot relevant securities of the Company pursuant to Section 80(2) of the Act up to a maximum amount of £190,000 which authority shall be to the exclusion of, and in substitution for, any existing authority to allot relevant securities of the Company (which is hereby revoked), and which authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2009, and provided that the Company may at any time before such expiry make an offer or agreement notwithstanding that the authority conferred by this resolution has expired and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.
6. THAT subject to resolution 5 above being duly passed, the directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) wholly for cash pursuant to the authority conferred upon them by resolution 5 above (as varied from time to time by the Company in general meeting) as if Section 89(1) of the Act did not apply to any such allotment provided that such power shall be limited to the allotment of equity securities:
   (i) in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities offered to each such holder is proportionate (as nearly as may be) to the respective amounts of equity securities held by each such holder subject only to such exclusion or other arrangements as the directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise; and

   (ii) otherwise than in the circumstances described in (i) above up to a maximum nominal amount of £95,000.

   and shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2009 unless renewed or extended prior to or at such Meeting except that the Company may before the expiry of any power contained in this resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired. The power conferred in this resolution shall be in substitution for, and not in addition to, any such powers previously conferred on the directors.
7. Pursuant to Article 48 of the Company's Articles of Association that the Company be and is hereby unconditionally and generally authorised to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of ordinary shares of 2 pence each in the capital of the Company, provided that:
   (i) the maximum number of ordinary shares hereby authorised to be acquired is 14,000,000 representing 14.7% of the Company's issued ordinary share capital;

   (ii) the minimum price which may be paid for such shares is 2 pence per share which shall be exclusive of expenses;

   (iii) the maximum price which may be paid for such shares is, in respect of a share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 105% of the middle market quotations for an ordinary share of the Company taken from the Daily Official List of The London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased;

   (iv) unless previously renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting or twelve months from the date of passing this resolution, if earlier; and

   (v) the Company may make a contract or contracts to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own share in pursuance of any such contract.
8. THAT, with immediate effect, the Articles of Association produced to the Meeting and for the purpose of identification marked "A" and signed by the Chairman of the Meeting, be adopted in substitution for and to the exclusion of the existing Articles of Association of the Company.
9. THAT subject to resolution 8 above being duly passed and with effect on and from 1 October 2008, the Articles of Association of the Company shall be amended by making the alterations marked on the print of the Articles of Association produced to the Meeting marked "B" and initialled by the Chairman for the purposes of identification.

By order of the Board

RON JONES
EXECUTIVE CHAIRMAN
29 JANUARY 2008

REGISTERED OFFICE:
TINOPOLIS CENTRE
PARK STREET
LLANELLI
CARMARTHENSHIRE SA15 3YE

NOTES

1. A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting.
3. Completion and return of a form of proxy will not preclude a member from attending and voting at the Annual General Meeting or at any adjournment thereof in person.
4. In the case of joint holders of a share, the vote of the senior who tenders the vote whether in person or by proxy shall be accepted to the exclusion of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the statutory register of members in respect of that share.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 10.00am on 12 March 2008 or if the Meeting is adjourned, 48 hours before the time of the adjourned Meeting shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 10.00am on 12 March 2008 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

CHANGING PROXY INSTRUCTIONS

6. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

TERMINATION OF PROXY APPOINTMENTS

7. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   By sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a Company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received by Capita Registrars not less than 48 hours before the time for the holding of the Meeting or adjourned Meeting.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

EXPLANATORY NOTES

THE RESOLUTIONS

The resolutions are explained as follows:

Resolution 1: To receive and adopt the accounts.

Resolution 2: To re-appoint Owen Griffith Ronald Jones who retires by rotation by operation of the Company's Articles of Association.

Resolution 3: To re-appoint William Arwel Rees who retires by rotation by operation of the Company's Articles of Association.

Resolution 4: To re-appoint KPMG Audit Plc as the Company's auditors to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company and to authorise the directors to determine the remuneration to be paid to them.

Resolution 5: To provide the Board with the authority, until the next Annual General Meeting, to allot relevant securities up to a maximum of one third of the issued share capital of the Company.

Resolution 6: To permit the Board to allot equity securities pursuant to a rights issue or other pre-emptive offer and otherwise to allot further equity securities up to a maximum of 10% of the issued share capital of the Company without first offering them to existing shareholders.

Resolution 7: To permit the Company to purchase its own shares. The authority will only be exercised when the directors are satisfied that it is in the best interests of the Company to do so in light of market conditions at the time and will result in an increase in earnings per share. The resolution authorises the directors to purchase ordinary shares of 2 pence each up to a nominal value of £280,000 (representing 14.7% of the issued ordinary share capital of the Company at a minimum price of 2 pence and a maximum price equal to 105% of the average of the middle market quotations as derived from the Daily Official List of The London Stock Exchange for the five business days before the relevant purchase is made. The Company may hold in treasury any of its own shares purchased pursuant to this resolution. This would give the Company flexibility in the management of its capital base.

Any shares purchased by the Company not held in treasury will be cancelled and the number of shares in issue reduced accordingly. As at 30 September 2008 warrants and share options in relation to 3,889,350 ordinary shares were outstanding representing 4.1% of the entire issued share capital of the Company on the 30 September 2008 and 4.8% in the event the authority set out in resolution 7 is exercised in full assuming they were purchased and cancelled. Such authority will expire at the conclusion of the Annual General Meeting in 2009.

EXPLANATORY NOTES CONTINUED

THE RESOLUTIONS CONTINUED

Resolution 8:

1. Articles which duplicate statutory provisions

Provisions in the current Articles which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions and provisions regarding the period of notice required to convene general Meetings. The main changes made to reflect this approach are detailed below.

2. Form of resolution

The current Articles contain provisions where an extraordinary resolution is required. References to an extraordinary resolution are being amended and replaced with a special resolution as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed from the new Articles.

3. Convening Extraordinary and Annual General Meetings

The provisions in the current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are amended to conform to new provisions in the Companies Act 2006. In particular an Extraordinary General Meeting can be convened on 14 days' notice whether it has been called to pass a special or ordinary resolution.

4. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the Meeting or in the case of a poll taken more than 48 hours after the Meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The new Articles reflect all of these new provisions.

The current Articles have been updated to allow members who hold shares in uncertificated form to appoint proxies using an uncertificated proxy instruction by utilising the CREST electronic proxy appointment service.

5. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The new Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard-copy version of the document or information.

6. Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a Company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a Company that is a trustee of an occupational pension scheme can now indemnify a Director against liability incurred in connection with the Company's activities as trustee of the scheme.

Resolution 9:

1. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another Company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Shareholders are urged to return the enclosed form of proxy in respect of the Annual General Meeting 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 arrive by no later than 10.00am on 12 March 2008.

FORM OF PROXY

Relating to the Annual General Meeting ("AGM") to be held at Tinopolis Centre, Park Street, Llanelli, Carmarthenshire SA15 3YE on 14 March 2008 10.00am

I/We ....

of ....

being holder(s) of ordinary shares of 2p each in the Company hereby appoint the Chairman of the Meeting

....

(see note 4 below) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Tinopolis Centre, Park Street, Llanelli, Carmarthenshire SA15 3YE on 14 March 2008 10.00am and at any adjournment thereof.

My/our proxy is to vote on the resolutions as follows:

Ordinary resolutions	For	Against
1. To receive and adopt the accounts.		
2. To re-appoint Owen Griffith Ronald Jones who retires by rotation as a Director of the Company.		
3. To re-appoint William Arwel Rees who retires by rotation as a Director of the Company.		
4. To re-appoint KPMG Audit Plc as auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to permit the directors to determine their remuneration.		
5. To authorise the directors to allot securities up to an aggregate nominal value of £190,000.		
Special resolutions		
6. To disapply pre-emption rights pursuant to a rights issue or other pre-emptive offer, and otherwise up to maximum of nominal value of £95,000.		
7. To permit the Company to purchase its own shares up to a maximum of 14,000,000 ordinary shares of 2p representing 14.7% of the Company's issued ordinary share capital.		
8. To adopt new articles of association.		
9. To amend the (new) articles of association to reflect provisions of the Companies Act 2006 which are coming into force on 1 October 2008.		

In the absence of instructions, the proxy is authorised to vote (or abstain from voting) at his or her discretion on the specified resolutions. The proxy is also authorised to vote (or abstain from voting) on any other business which may properly come before the Meeting.

Date: .... Signature(s): ....

NOTES:

1. Please indicate how you wish your proxy to vote on the resolutions by inserting "X" in the appropriate space.
2. In the case of a corporation, the proxy must be under its common seal (if any) or the hand of its duly authorised agent or officer. In the case of an individual, the proxy must be signed by the appointer or his agent, duly authorised in writing.
3. This proxy should reach Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for the holding of the Meeting or adjourned Meeting together with authority (or a notarially certified copy of such authority) under which it is signed.
4. If you wish to appoint a proxy other than the Chairman of the Meeting, delete the words "the Chairman of the Meeting" and insert the name and address of your proxy in the space provided. Please initial the amendment. A proxy, who need not be a member of the Company, must attend the Meeting in person to represent you.
5. In the case of joint holders the signature of only one of the joint holders is required but, if more than one votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.
6. For details of how to change your proxy appointment or revoke your proxy appointment see the notes to the notice of meeting.

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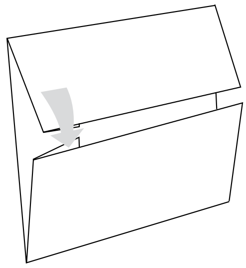

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Licence Number
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Proxy Department
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