

4 October 2005

**ASX Announcement**

**For Immediate Release**

**Artist & Entertainment Group Limited  
agrees to acquire  
The Rajon Group**

**Artist & Entertainment Group Limited (ASX:AEM)** announces that it has signed an memorandum of understanding to acquire Rajon Distribution Pty Limited comprising businesses of Rajon Music, Rajon Vision, Rajon New Zealand and BIG Records (collectively "The Rajon Group").

The Rajon Group is expected to achieve earnings before interest and tax exceeding \$1m on revenues exceeding \$20m for the financial year ending 30 June 2006. After the completion of the acquisition of Rajon and the Destra Digital Media assets, AEM will represent a fully integrated model for products and services relating to music and video. AEM will continue the expansion of its talent management and rights business which it achieved growth in excess of 80% each of the past year, and further aggressively expand its media and digital media services businesses via acquisition and investment.

Ben Macpherson, CEO of Artist & Entertainment Group stated that "The acquisition of Rajon is an exciting development for AEM, representing the strength of our combined efforts with Destra to build an integrated digital media and media services company that generates significant earnings. Rajon has a long and solid track record of profitability and has grown significantly in the past two years despite the general music industry trend because of its unique and leading position within the market. The company is well run and on a stand alone basis makes a lot of sense. However, once we include the expected positive impact over time of integration into our group, we will see further improvements to Rajon's growth. We expect this transaction should be very pleasing for AEM shareholders".

Alex Hartman, Director of Strategy of Artist & Entertainment Group stated "The acquisition of Rajon is significantly EPS accretive for AEM Shareholders and delivers us both an underlying financial strength and strategic value for the group. AEM will fuse its existing talent management and rights business with Rajon's proven skill in packaging/distributing music/video and Destra's digital media capabilities, online and mobile, to deliver significant earnings growth for shareholders. There is an exciting array of synergies between the existing AEM business, Destra Media and the Rajon business in terms of both earnings potential and reduced operating costs. Such synergies include the potential for the proven management of Rajon to fully exploit AEM's extensive Fable music catalogue with over 15,000 classic songs. We will also pursue mobile content, ring-tone and digital download opportunities for Rajon through Destra Mobile, Destra Music and MP3.com.au. AEM's strategy is now to expand this model from music and video across other media and media services segments".

The directors of AEM believe that the financial outlook for 2006 is substantially strengthened by Rajon's track record of strong earnings.

The agreement in relation to the acquisition of The Rajon Group provides for the following:

- AEM will acquire all of Rajon Distribution Pty. Ltd by purchasing the shares held by an entity associated with the Chairman of Rajon, Mr. John Evans.
- Consideration for the acquisition will be \$3,000,000 comprised by \$2,900,000 cash and \$100,000 worth of shares in AEM at the median closing share price for the five (5) full trading days prior to the Closing Date.
- Mr John Evans will remain the Chairman of Rajon. All of the existing senior management team, whom are well regarded within the industry will remain at the company to continue the successful management of the business and may be issued Executive Service Stock Options in due course.

AEM proposes to conduct a capital raising to assist in the financing of the acquisition of Rajon, by means of a private placement with pricing to be determined and for which Shareholder approval will be sought. Further to the announcement of 15 September 2005, Destra and AEM will enter an Underwriting Agreement pursuant to which Destra will underwrite \$1,000,000 of such a placement of AEM shares.

The AEM acquisition of Rajon satisfies one of the conditions precedent for the completion of the acquisition of the Destra assets announced on 15 September, 2005 - that being the securing of material terms for acquisition of an "Appropriate Business".

#### **Conditions Precedent**

Completion of the acquisition of The Rajon Group by AEM is conditional upon:

- (a) the completion of due diligence to the satisfaction of AEM;
- (b) the execution of definitive transaction documents between AEM and Catskills Investments Pty. Ltd;
- (c) AEM shareholder approval of the issue of AEM securities in the course of the proposed capital raising;
- (d) the execution of a Service Agreement between AEM and Mr. John Evans; and
- (e) any necessary regulatory or governmental approval.

The acquisition of Rajon by AEM is also conditional on completion of the transaction with Destra announced 15 September 2005.

#### **About Rajon**

The Rajon Group was formed in July 2000 after the merger of 3 leading independent record labels (Rajon Entertainment, Redx Entertainment and Startel Entertainment). The Rajon Group is now one of the largest independent record labels in Australia with music and video sales in excess of 2% of the Australian and New Zealand markets. The Rajon Group's core business is TV compilations; budget, mid price and catalogue marketing and concepts; single artist development, third party licensing; synchronisations for TV and film, and premium



CD's. The company expanded into the DVD/Video market with the launch of Rajon Vision in 2001.

The Rajon Group is distributed by Sony Music in Australia and supplies product to major music and DVD retailers such as Sanity, HMV, Blockbuster, K-Mart, Target, Myer/Grace and Leading Edge. The Rajon Group has recently expanded the operation into New Zealand, Asia and the UK. Distribution is handled by Sony Music in Asia and Zomba/BMG in New Zealand.

For more information on Rajon see [www.rajon.com.au](http://www.rajon.com.au).

**About Mr John Evans, Chairman, Rajon Group.**

John Evans has served the Australian record industry for 43 years. He joined RCA Records (now known as SONY BMG) at the age of 17 years in Adelaide where he was appointed State Manager of South Australia. He went on to be State manager for Victoria, then to New York as Junior Vice-President of RCA International. John left RCA at the age of 24 years to start his own record label in Australia. He founded EMS Sound Industries and retail record retail bar chain Downtown Records. EMS had a branch office as a record distributor in every state of Australia. Mr. Evans also started children's artist Patsy Biscoe Records in 1973 and still owns this project today.

John started J&B Records with Brian Nichols in the 1970's, which subsequently listed on the ASX. He started Castle Communications in Australia and the U.K. John Evans was elected to The ARIA Board and was re-elected to serve over 15 years. John started Big JO-KE Music Publishing with Ken Harding and still owns this business today. BMG ultimately made a hostile acquisition of Castle.

John Evans started Rajon Entertainment in 1994. He set up Startel Entertainment with Theo Tambakas and started Redex with Brendan Burwood. All of these companies were brought together to form The Rajon Group.

**About Artist & Entertainment Group:**

Artist & Entertainment Group Limited (AEM) provides professional development, and strategic management and representation services to approximately 3,000 elite and emerging Australian artists across the film, television, music and advertising industries. [www.aegroup.com.au](http://www.aegroup.com.au).

**About Destra Corporation Limited:**

Destra Corporation Limited is a profitable Internet and e-commerce enterprise with a focus on digital media and Internet business solutions. The company has several business divisions including ozHosting.com, Yahoo! Web Hosting (by ozHosting.com), TPP Internet and destra Business. Relevantly, the company's media assets are comprised of DestraMusic.com, MusicPoint, MP3.com.au and Ghameleon. [www.destra.com.au](http://www.destra.com.au).

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For more information, please contact:

Artist & Entertainment Group Limited: Mr Ben Macpherson  
Director / Chief Executive Officer  
120B Underwood Street  
PADDINGTON NSW 2021  
Ph: (02) 8356 1300  
Email: [ben.macpherson@aegroup.com.au](mailto:ben.macpherson@aegroup.com.au)

Destra Corporation Limited: Mr Domenic Carosa  
Director / Chief Executive Officer  
Building 10, Level 2, 658 Church St  
RICHMOND VIC 3121  
Ph: (03) 8415 9191 or (0411) 19 69 79  
Email: [domenic.carosa@destra.com](mailto:domenic.carosa@destra.com)