

**REGISTRAR OF
COMPANIES**

**B4U Network (Europe) Limited
(formerly Bollywood Eros Network
Limited)**

Report and Financial Statements

Period Ended

30 June 2000



BDO Stoy Hayward
Chartered Accountants

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)

Annual report and financial statements for the period ended 30 June 2000

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Directors

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Directors

K Lulla
L Mittal
G Binani
R Gupta
V Mittal
B Shah
S Lulla
R Wieder

Secretary and registered office

S L Haynes, Field Fisher Waterhouse, 35 Vine Street, London.

Company number

3707021

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)

Report of the directors for the period ended 30 June 2000

The directors present their report together with the audited financial statements for the period ended 30 June 2000.

Incorporation and change of name

The company was incorporated on 28 January 1999 as Bollywood Eros Network Limited and changed its name to B4U Network (Europe) Limited on 3 March 2000.

The company commenced trading on 5 February 1999.

Results and dividends

The profit and loss account is set out on page 4 and shows the loss for the period.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company is the provision of television programming through digital transmission to the Asian market.

The period ended 30 June 2000 saw launch of the UK broadcasting service on 28 August 1999 and a subsequent progressive build up of customers, the creation of strong brand awareness presaging the extension of the business into the USA, Middle East and India. Although the company incurred a loss in the first year period of trading, progress has been impressive and the company is now well established with a strong future.

Directors

The directors who served during the period were:

K Lulla	(appointed 10 February 1999)
L Mittal	(appointed 23 March 1999)
G Binani	(appointed 23 March 1999)
R Gupta	(appointed 24 March 1999)
V Mittal	(appointed 1 November 1999)
B Shah	(appointed 31 March 2000)
S Lulla	(appointed 31 March 2000)
R Wieder	(appointed 28 January 1999)

No director had any direct interest in the ordinary share capital of the company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)

Report of the directors for the period ended 30 June 2000 (*Continued*)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

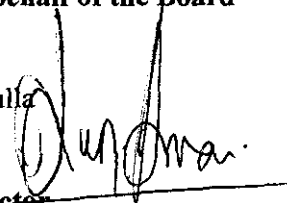
Auditors

BDO Stoy Hayward, who were appointed as first auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report of the directors has been prepared in accordance with special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board

K Lulla


Director

Date

8 / 9 / 00

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)

Report of the auditors

To the shareholders of B4U Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 16 to the financial statements concerning the uncertainty regarding the continuing support of the company's immediate parent company and certain other companies in the group. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

8 September 2000

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)**Profit and loss account for the period ended 30 June 2000**

	Note	£
Turnover	2	1,647,955
Cost of sales		(3,279,310)

Gross loss		(1,631,355)
Administrative expenses		1,701,533

		(3,332,888)
Other operating income		265

Operating loss	4	(3,332,623)
Interest receivable		2,492

Loss on ordinary activities before and after taxation and retained loss for the period		(3,330,131)
		=====

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

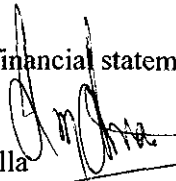
The notes on pages 6 to 12 form part of these financial statements.

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)**Balance sheet at 30 June 2000**

	Note	£	£
Fixed assets			
Intangible assets	5		87,022
Tangible assets	6		255,948
Investments	7		5,000
			347,970
Current assets			
Stock	8	10,834	
Debtors	9	1,502,189	
Cash at bank and in hand		136,988	
		1,650,011	
Creditors: amounts falling due within one year	10	4,828,112	
Net current liabilities			(3,178,101)
			(2,830,131)
Capital and reserves			
Called up share capital	11	500,000	
Profit and loss account			(3,330,131)
Shareholders' deficit - equity	12		(2,830,131)

These financial statements have been prepared in accordance with special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 8/9/00


K Lulla
Director

The notes on pages 6 to 12 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the transitional arrangements which have been followed this period on adopting Financial Reporting Standard 15, "Tangible Fixed Assets", and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Intangible assets

The costs of bearing trademarks has been capitalised and is amortised over the expected useful life which is estimated to be 10 years.

Tangible fixed assets

The company is adopting FRS 15 this period. In future, all additions to tangible fixed assets will be stated at cost. Where existing unimpaired tangible fixed assets are stated at valuation the company has taken advantage of the transitional arrangements in FRS 15 to retain these book values. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss reserve.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	over the period of the lease on completion of the refurbishments
Equipment	-	20% per annum
Fixtures and fittings	-	10% per annum
Motor vehicles	-	25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as the cost of purchase on a first in, first out basis.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)

Notes forming part of the financial statements for the period ended 30 June 2000 (Continued)

1 Accounting policies (Continued)

Foreign currency

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

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Directors

£

Directors' emoluments consist of:

Fees for consultancy services	40,000
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4 Operating loss

£

This has been arrived at after charging:

Depreciation	16,172
Hire of plant and machinery - operating leases	5,544
Hire of other assets - operating leases	76,886
Auditors' remuneration	9,500

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B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)Notes forming part of the financial statements for the period ended 30 June 2000 (*Continued*)**5 Intangible assets**

	Trademark costs £
<i>Cost</i>	
Acquisition and at 30 June 2000	94,751
<i>Amortisation</i>	
Provided for the period and at 30 June 2000	7,729
<i>Net book value</i>	
At 30 June 2000	87,022

6 Tangible assets

	Leasehold improvements £	Equipment £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>					
Additions and at 30 June 2000	170,926	61,949	31,800	7,445	272,120
<i>Depreciation</i>					
Charge for the period and at 30 June 2000	-	10,027	5,525	620	16,172
<i>Net book value</i>					
At 30 June 2000	170,926	51,922	26,275	6,825	255,948

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)**Notes forming part of the financial statements for the period ended 30 June 2000 (Continued)****7 Investments****Joint
venture
£**

Cost	5,000
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Joint ventures

B4U Network (Europe) Limited has a 50% interest in BEN-SET Limited, which manages the subscription income process. This company is registered in England. B4U Network (Europe) Limited is jointly responsible for all costs, contributes 50% of its working capital requirements and has joint control of the business.

All income and expenses in the joint venture are distributed to the joint venture holders via monthly remittances.

The company's share of the following for its joint venture was:

£'000

Current assets	1,098
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Creditors: amounts falling due within one year	1,087
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Turnover	588
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Profit before tax	9
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Taxation	3
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Profit after tax	6
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8 Stock**£**

Raw materials	10,834
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B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)**Notes forming part of the financial statements for the period ended 30 June 2000 (Continued)**

9 Debtors	£
Amounts due from fellow group undertakings	13,350
Amounts due from joint venture	15,000
Amounts due from related party undertaking	1,073,720
Trade debtors	31,433
Prepayments and accrued income	367,306
Other debtors	1,380
	1,502,189

All amounts shown under debtors fall due for payment within one year.

10 Creditors: amounts falling due within one year	£
Amounts due to parent company	1,323,717
Amounts due to fellow group undertakings	1,844,555
Trade creditors	442,722
Taxation and social security	55,364
Accruals and deferred income	1,161,754
	4,828,112

11 Share capital

	Number	Authorised £
Ordinary shares of £1 each	10,000,000	10,000,000
		Allotted, called up and fully paid
	Number	£
Ordinary shares of £1 each	500,000	500,000

On 28 January 1999 the company allotted 1 ordinary share to incorporate the company. On 5 February 1999 a further 499,999 ordinary shares were allotted to provide working capital.

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)

Notes forming part of the financial statements for the period ended 30 June 2000 (Continued)

12 Reconciliation of shareholders funds

£

Loss for the year	(3,330,131)
Issue of share capital	500,000
Closing shareholders deficit	(2,830,131)

13 Commitments under operating leases

As at 30 June 2000, the company had annual commitments under non-cancellable operating leases as set out below:

**Land and
buildings
£**

Operating leases which expire:

Within one year	66,000
In two to five years	-
After five years	-
	66,000

14 Related party transactions

During the period, the company entered into the following arrangements with related parties:

Management charges of £575,721 were paid to BEN-SET Limited a company in which B4U Network (Europe) Limited has a 50% interest. Details of the joint venture operations are given in note 7 to the financial statements. At the balance sheet date an amount of £15,000 was owed by BEN-SET Limited to the company.

The company was charged a total of £64,000 by Melody International Limited, a company that is under common control, in respect of rental of office premises. The company also made payments on account to Melody International Limited in respect of future trading agreements. At the balance sheet date, the net amount owed by Melody International Limited to the company was £1,073,720.

The company received funds to meet working capital requirements from its parent company, LMB Holdings Limited. At the balance sheet date the net amount owed by the company to LMB Holdings Limited was £1,323,717.

B4U NETWORK (EUROPE) LIMITED (formerly Bollywood Eros Network Limited)

Notes forming part of the financial statements for the period ended 30 June 2000 (*Continued*)

14 Related party transactions (*Continued*)

The company was invoiced a total of £594,191 by Bollywood Eros Network (India) Pvt Limited in respect of programming rights, and accrued further charges of £137,190. At the balance sheet date the net amount owed by the company to Bollywood Eros Network (India) Pvt Limited was £594,191.

The company was charged a total of £1,250,064 by LMB Holdings (Mauritius) Limited in respect of graphics, TV software and licensing fees. At the balance sheet date this was also the net amount owed by the company to LMB Holdings (Mauritius) Limited.

15 Cash flow statement

The company has used the exemptions under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as the directors believe the company is "small" under the Companies Act 1985.

16 Going concern

The financial statements have been prepared on a going concern basis. This may not be appropriate because the company incurred a loss before tax for the year of £3,330,131 and at 30 June 2000 the company had net liabilities of £2,830,131.

The company is reliant on the continuing support of its immediate parent company and other companies in the group. Should the company be unable to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which may arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

17 Ultimate parent company

At 30 June 2000 the company's immediate parent company was LMB Holdings Limited a company registered in the Isle of Man and the ultimate parent company was MLBS Holdings Limited, a company registered in Mauritius.