3767221

REGISTRAR OF COMPANIES

B4U Network (Europe) Limited

Report and Financial Statements

Year Ended

31 March 2002



BDO

BDO Stoy Hayward
Chartered Accountants

B4U NETWORK (EUROPE) LIMITED

Annual report and financial statements for the year ended 31 March 2002

Contents

Directors

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

R Gupta
R Barua

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, W1U 3LL.

B4U NETWORK (EUROPE) LIMITED

Report of the directors for the year ended 31 March 2002

The directors present their report together with the audited financial statements for the year ended 31 March 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year.

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 satellite and cable television broadcasting of Asian programming in the UK and Europe.

Directors

The directors who served during the year were:

R Gupta	
R Barua	(appointed 17 September 2001)
K Lulla	(resigned 1 June 2001)
R Rupani	(resigned 21 June 2001)
J Deshpande	(resigned 7 June 2001)

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 year 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 year. 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.

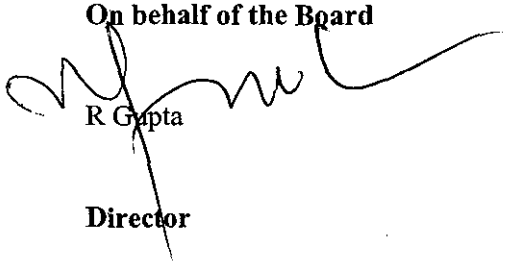
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

BDO Stoy Hayward 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



R Gupta

Director

7 June 2002

Report of the independent auditors

To the shareholders of B4U Network (Europe) Limited

We have audited the financial statements of B4U Network (Europe) Limited for the year ended 31 March 2002 on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 18 to the financial statements concerning the company's dependance on the continuing support of the company's parent company. 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 31 March 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

7 June 2002

B4U NETWORK (EUROPE) LIMITED

Profit and loss account for the year ended 31 March 2002

	Note	Year ended 31 March 2002 £	9 months ended 31 March 2001 £
Turnover	2	**3,905,345**	3,234,774
Cost of sales		**4,261,822**	4,035,426
Gross loss		**(356,477)**	(800,652)
Administrative expenses		**(1,037,399)**	(1,722,552)
Operating loss	4	**(1,393,876)**	(2,523,204)
Interest receivable		**2,618**	4,111
Interest payable	5	**(9,854)**	(10,555)
Loss on ordinary activities before and after taxation and retained loss for the year/period	14	**(1,401,112)**	(2,529,648)

All amounts relate to continuing activities.
All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.

B4U NETWORK (EUROPE) LIMITED

Balance sheet at 31 March 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	6		**56,955**		277,035
Investments	7		**5,100**		5,000
			62,055		282,035
Current assets					
Debtors - due within one year	8	**1,077,543**		629,840	
- due after more than one year	8	**433,738**		148,709	
		1,511,281		778,549	
Cash at bank and in hand		**248,141**		165,393	
		1,759,422		943,942	
Creditors: amounts falling due within one year	9	**651,635**		1,325,011	
Net current assets/(liabilities)			**1,107,787**		(381,069)
Total assets less current liabilities			**1,169,842**		(99,034)
Creditors: amounts falling due after more than one year	10		**(5,636,409)**		(3,148,056)
Accruals and deferred income	11		**(1,294,324)**		(1,112,689)
			(5,760,891)		(4,359,779)
Capital and reserves					
Called up share capital	12		**1,500,000**		1,500,000
Profit and loss account			**(7,260,891)**		(5,859,779)
Shareholders' deficit - equity	13		**(5,760,891)**		(4,359,779)

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 7 June 2002

R Gupta
Director

The notes on pages 7 to 15 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention. The following principal accounting policies have been applied:

Turnover

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

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 year of the lease on completion of the refurbishments
Equipment	-	20% per annum
Fixtures and fittings	-	10% per annum
Motor vehicles	-	25% per annum

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and

- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

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.

1 Accounting policies *(Continued)*

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 year 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 and Europe.

3 Directors

	Year ended 31 March 2002 £	9 months ended 31 March 2001 £
Directors' emoluments consist of:		
Directors' emoluments	**77,466**	62,708
Fees for consultancy services	**7,075**	22,500
	7,075	85,208

At the year end, £22,210 (2001 - £Nil) was owed by R Gupta to the company.

4 Operating loss

	Year ended 31 March 2002 £	9 months ended 31 March 2001 £
This has been arrived at after charging/(crediting):		
Depreciation	**18,878**	51,924
Hire of plant and machinery - operating leases	**-**	31,302
Hire of other assets - operating leases	**74,943**	70,050
Auditors' remuneration	**17,720**	33,755
Profit on disposal of fixed assets	**1,823**	(490)
Foreign exchange (gain)/loss	**(41,005)**	103,049

5 Interest payable

	Year ended 31 March 2002 £	9 months ended 31 March 2001 £
Bank overdraft	**3,320**	1,253
Finance leases	**6,534**	9,302
	9,854	10,555

6 Tangible assets

	Leasehold improvements £	Equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 April 2001	170,926	93,041	23,000	57,574	344,541
Additions	16,085	11,805	-	25,526	53,416
Disposal	(170,926)	(57,119)	(7,000)	(74,805)	(309,850)
At 31 March 2002	**16,085**	**47,727**	**16,000**	**8,295**	**88,107**
Depreciation					
At 1 April 2001	25,639	23,983	9,248	8,636	67,506
Charge for the year	2,681	11,500	3,997	700	18,878
Eliminated on disposal	(25,639)	(17,457)	(3,500)	(8,636)	(55,232)
At 31 March 2002	**2,681**	**18,026**	**9,745**	**700**	**31,152**
Net book value					
At 31 March 2002	**13,404**	**29,701**	**6,255**	**7,595**	**56,955**
At 31 March 2001	145,287	69,058	13,752	48,938	277,035

The net book value of tangible fixed assets includes an amount of £Nil (2001 - £23,862) in respect of assets held under finance leases. The related depreciation charge for the year was £Nil (2001 - £2,026).

7 Investments

	Subsidiary undertaking £	Joint venture £	Total £
Cost			
At 1 April 2001	-	5,000	5,000
Additions	100	-	100
At 31 March 2002	**100**	**5,000**	**5,100**

Subsidiary

	Country of incorporation	% holding	Nature of business
B4U Network Limited	UK	100% subsidiary	Dormant

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 it 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	**314**
Creditors: amounts falling due within one year	**231**
Turnover	**96**
Profit before tax	**49**
Taxation	**15**
Profit after tax	**34**

8 Debtors

	2002 £	2001 £
Amounts due from fellow group undertakings	-	-
Amounts due from joint venture	**120,700**	328,150
Amounts due from related party undertaking	**228,702**	-
Trade debtors	**183,532**	115,078
Prepayments and accrued income	**229,557**	179,243
Other debtors	**315,052**	7,369
	1,077,543	629,840
Amounts receivable after more than one year		
Amounts due from fellow group undertakings	**433,738**	148,709

9 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank overdraft	**2,395**	230,857
Amounts due to related party undertakings	-	43,639
Trade creditors	**612,545**	763,526
Taxation and social security	**14,060**	258,204
Other creditors	**4,425**	15,278
Obligations under finance leases	**18,210**	13,507
	651,635	1,325,011

10 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance leases	**18,517**	19,762
Amounts due to parent company	**2,161,599**	333,471
Amounts due to fellow group undertakings	**3,456,293**	2,794,823
	5,636,409	3,148,056

Obligations under finance leases

In more than one year but less than two years	-	19,762

11 Accruals and deferred income

	2002 £	2001 £
Accruals	**173,549**	129,923
Deferred income	**1,120,775**	982,766
	1,294,324	1,112,689

12 Share capital

	2002 £	2001 £
Authorised		
10,000,000 ordinary shares of £1 each	**10,000,000**	10,000,000
Allotted, called up and fully paid		
1,500,000 ordinary shares of £1 each	**1,500,000**	1,500,000

13 Reconciliation of shareholders' deficit

	2002 £	2001 £
Loss for the year	**(1,401,114)**	(2,529,648)
Issue of share capital	-	1,000,000
Net reduction in shareholders' funds	**(1,401,114)**	(1,529,648)
Opening shareholders' deficit	**(4,359,779)**	(2,830,131)
Closing shareholders' deficit	**(5,760,891)**	(4,359,779)

14 Profit and loss account

	2002 £	2001 £
At 1 July 2001	**(5,859,779)**	(3,330,131)
Retained loss for year	**(1,401,112)**	(2,529,648)
At 31 March 2002	**(7,260,891)**	(5,859,779)

15 Commitments under operating leases

As at 31 March 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2002 £	Other 2002 £	Land and buildings 2001 £	Other 2001 £
Operating leases which expire:				
Within one year	**875**	**3,873**	27,500	-
In two to five years	**40,784**	**33,129**	95,761	-
After five years	-	**18,726**	56,178	-
	41,659	**55,728**	179,439	-

16 Related party transactions

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

Details of the joint venture operations are given in note 7 to the financial statements. At the balance sheet date an amount of £20,700 (2001 - £343,150) was owed by BEN-SET Limited to the company.

B4U Network (Europe) Limited sold leasehold improvements and furniture and fittings to EROS Multimedia Limited for £194,225. At the balance sheet date, the net amount payable to B4 Melody International Limited is £194,225 (2001 – £43,639).

The company was invoiced a total of £1,147,500 (2001 - £889,726) by its parent company, LMB Holdings Limited in respect of programming costs. At the balance sheet date the net amount owed by the company to LMB Holdings Limited was £1,333,471 (2001 - £1,333,471).

The company was charged a total of £774,578 (2001 - £1,282,192) by LMB Holdings (Mauritius) Limited in respect of programming costs. At the balance sheet date the net amount owed by the company to LMB Holdings (Mauritius) Limited was £2,428,966 (2001 - £2,363,963) .

The company charge £180,000 to B4U US Inc in regard to their technical cost for programming. At the balance sheet date the company owed £964,025 to B4U US Inc (2000 - £82,373).

17 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.

18 Going concern

The ability of the company to continue trading is dependent upon the continued support of its parent company. The directors have obtained assurance from the parent company that this will be provided. Accordingly, the directors consider it appropriate to prepare these financial statements on a going concern basis.

19 Ultimate parent company

At 31 March 2002 the company's ultimate parent company was LMB Holdings Limited a company registered in the Isle of Man.