

FINANCIAL STATEMENTS

B4U NETWORK (EUROPE) LIMITED

FOR THE YEAR ENDED 31 MARCH 2012

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COMPANIES HOUSE

Company No. 3707021

B4U NETWORK (EUROPE) LIMITED

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B4U NETWORK (EUROPE) LIMITED**CORPORATE DATA**

COMPANY NO: 3707021

DIRECTORS: Anil Beriwal
Sunil Rohra
Sanjay Agrawal

REGISTERED OFFICE: Transputec House
19 Heather Park Drive
Wembley, Middlesex
HA0 1SS

SECRETARY: Raja Murugan Subramanian

AUDITOR: Baker Tilly UK Audit LLP
25 Farringdon Street
London, EC4A 4AB

BAU NETWORK (EUROPE) LIMITED**REPORT OF THE DIRECTORS**

The directors present their report and the financial statements of the Company for the year ended 31st March 2012

Principal activities and future developments

The principal activities of the Company are the television broadcasting and distribution of films in the geography of the UK, Europe and USA

The directors believe that the company has performed satisfactory during the year and will continue to do so in the future. The company undertakes to give more impetus to its theatrical business and proposed to develop this segment of the business more aggressively during the year.

Key Risks and uncertainties

The company continues to face stiff competition within the broadcasting space not only from the existing established players but also from the launch of new channels specifically in the movies and music genre in the relevant market where the company is currently operating.

The company predominantly drives its revenue from the various distribution contracts for the carriage of its channels and any change in the terms of these contracts could adversely impact the performance of the company.

Macroeconomic environment can pose potential risks for the company. A low level of economic growth and high level of unemployment can adversely impact advertising revenues of the company and can also result in slow down in the subscriber growth for its pay channel offering leading to an adverse impact on the company's subscription revenues.

The company receives a significant portion of its revenues in US dollars and thus exposed to any adverse currency exchange rate fluctuations.

The directors

The following directors have held office since 1 April 2011

Anil Beriwal
Sunil Rohra
Sanjay Agrawal

Dividends

The directors do not recommend the payment of a dividend (2011 £nil)

B4U NETWORK (EUROPE) LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

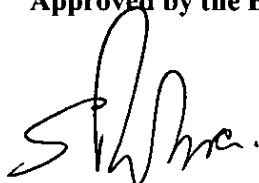
Statement as to disclosure of information to the auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

Approved by the Board on 15/08/2012 and signed on its behalf by:



Sunil Rohra
DIRECTOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF B4U NETWORK (EUROPE) LIMITED

We have audited the financial statements on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Fenton for and on behalf of Baker Tilly UK Audit LLP

17/8/2012.

DAVID FENTON (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street,

London, EC4A 4AB

B4U NETWORK (EUROPE) LIMITED**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012 £	2011 £
Turnover	1	7,114,198	7,754,315
Cost of sales		<u>(4,141,259)</u>	<u>(4,794,641)</u>
Gross profit		2,972,939	2,959,674
Other operating charges	2	(1,520,960)	(1,405,804)
Operating profit	3	<u>1,451,979</u>	<u>1,553,870</u>
Net finance income	6	403	25,093
Profit on ordinary activities before taxation		<u>1,452,382</u>	<u>1,578,963</u>
Tax on profit on ordinary activities	7	(46)	(449)
Profit for the financial year	19	<u>1,452,336</u>	<u>1,578,514</u>

All of the activities of the company are classed as continuing

The company has no recognised gain or losses other than the result for the year as set out above

The accompanying accounting policies and notes form part of these financial statements

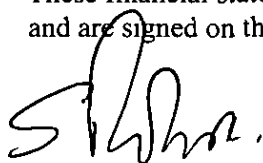
B4U NETWORK (EUROPE) LIMITED

Company Registration Number 3707021

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	8	49,790	74,290
Intangible assets	9	193,181	320,308
Investments	10	100	101
		<u>243,071</u>	<u>394,699</u>
Current assets			
Debtors	11	1,080,011	3,341,056
Cash and bank balances		<u>3,662,750</u>	<u>650,722</u>
		4,742,761	3,991,778
Creditors : amounts falling due within one year	12	<u>(763,538)</u>	<u>(1,616,519)</u>
Net current assets		3,979,223	2,375,259
Creditors : amounts falling due after one year	13	(100)	(100)
Net assets		<u><u>4,222,194</u></u>	<u><u>2,769,858</u></u>
Capital and reserves			
Called-up share capital	17	6,000,000	6,000,000
Profit & loss account	18	(1,777,806)	(3,230,142)
Equity shareholders' funds		<u><u>4,222,194</u></u>	<u><u>2,769,858</u></u>

These financial statements were approved and authorised for issue by the directors on 15/08/2012 and are signed on their behalf by



Sunil Rohra
DIRECTOR

The accompanying accounting policies and notes form part of these financial statements

B4U NETWORK (EUROPE) LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

	Notes	2012 £	2011 £
Net cash inflow from operating activities	20	3,014,841	1,379,206
Returns on investments and servicing of finance			
Dividend received		174	25,000
Interest received		229	93
Net cash inflow from returns on investments and servicing of finance		403	25,093
Taxation		(20)	(429)
Capital expenditure			
Payments to acquire tangible fixed assets		(3,196)	(11,510)
Payments to acquire intangible fixed assets		-	(800,771)
Net cash outflow for capital expenditure		(3,196)	(812,281)
Investment			
Proceeds from share capital		-	4,999
Net cash inflow from investing activities		-	4,999
Increase in cash in the year	20	3,012,028	596,588

The accompanying accounting policies and notes form part of these financial statements

B4U NETWORK (EUROPE) LIMITED

ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

The Company is exempt from preparing consolidated financial statements on the grounds that it, together with its subsidiary undertaking, are included within the consolidated financial statements of its parent undertaking. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The accounting policies of the Company are set out below. The policies, which the directors have reviewed and consider to remain appropriate, have remained unchanged from the previous year.

Turnover

The turnover shown in the profit and loss account represents amounts recognised during the year, exclusive of Value Added Tax as follows:

Turnover arising from subscription contract is recognised pro-rata over the life of the contract.

Turnover arising from advertising is recognised on the date of broadcast.

Turnover arising from film distribution is recognised on the date of exhibition of the films.

Tangible assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation

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:

Leasehold improvements	-	Over the life of the lease
Fixtures and fittings	-	10% straight line
Equipment	-	20% straight line

Intangible assets

Film rights acquired by the company are stated at cost less amortisation and provision for impairment if required. Amortisation is charged at 60% of the cost of film rights upon first theatrical release based on management estimates of revenue from these rights. The remaining 40% is amortised over the remaining license period or based on management estimate of future revenue potential as the case may be.

Impairment

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairment losses are recognised in the profit and loss account.

Investment

Fixed asset investments are stated at cost less provision for any impairment.

B4U NETWORK (EUROPE) LIMITED**ACCOUNTING POLICIES (CONT..)****Operating lease agreements**

Rental applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit on a straight line basis over the period of the lease

Deferred taxation

A deferred tax balance is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profit in the foreseeable future to absorb the reversal of the underlying timing differences

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debts instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity

Going concern

The directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. They have taken into account the Company's trading performance and have reviewed the forecasts cash flows for at least the next 12 months. The Company is profitable and cash generative. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****1 Turnover**

Turnover is derived from the following geographic areas

	<u>2012</u>	<u>2011</u>
	£	£
UK/Europe	3,250,327	3,505,748
USA/Canada	3,580,189	3,796,962
Rest of the world	283,682	451,605
	<u>7,114,198</u>	<u>7,754,315</u>

2 Other operating charges

	<u>2012</u>	<u>2011</u>
	£	£
Administrative expenses	1,520,812	1,319,238
Loss on foreign currency translations	148	86,566
	<u>1,520,960</u>	<u>1,405,804</u>

3 Operating profit

Operating profit is stated after charging

	<u>2012</u>	<u>2011</u>
	£	£
Depreciation of owned fixed assets	27,696	26,909
Amortisation of intangible asset	64,062	480,463
Impairment of intangible asset	63,065	-
Auditor's remuneration		
Payable to Baker Tilly UK Audit LLP and its associates		
Audit fees – statutory audit	15,071	15,500
Taxation services	3,200	3,200
Legal and professional fees	244,040	115,761
Operating leases		
Land & buildings	23,335	23,335
Others	7,719	6,506
Loss on foreign currency translating	148	86,566

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****4 Employees**

The average number of staff employed by the company during the financial year amounted to,

	<u>2012</u>	<u>2011</u>
	No	No
Average numbers of employees (including directors)	<u>14</u>	<u>14</u>

	<u>2012</u>	<u>2011</u>
	£	£

The aggregate payroll costs of the above were

Wages & salaries	789,761	672,951
Social security costs	<u>93,844</u>	<u>73,456</u>
	<u>883,605</u>	<u>746,407</u>

5 Directors

Remuneration in respect of directors was as follows

	<u>2012</u>	<u>2011</u>
	£	£
Emoluments receivable	<u>231,223</u>	<u>216,100</u>

The highest paid director in the year earned £150,258 (2011 £146,100).

6 Net finance income

	<u>2012</u>	<u>2011</u>
	£	£
Interest income	229	93
Dividend received	<u>174</u>	<u>25,000</u>
	<u>403</u>	<u>25,093</u>

7 Taxation on profit on ordinary activities**(a) Analysis of charge in the year**

	<u>2012</u>	<u>2011</u>
	£	£
Current Tax		
UK Corporation tax based on the results for the year at 26% (2011 28%)	46	20
Adjustment in respect of previous periods	-	6
Foreign tax	<u>-</u>	<u>423</u>
Total current tax	<u>46</u>	<u>449</u>

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****(b) Factors affecting current tax charges**

The tax assessed on the profit on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 26% (2011 28%) The difference is explained as follows

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>1,452,382</u>	<u>1,578,963</u>
Profit on ordinary activities multiplied by standard rate of 26% (2011 28%)	377,619	442,110
Expenses not deductible for tax purposes	4,251	5,249
Income not taxable	(45)	(7,000)
Capital allowances in excess of depreciation	(2,218)	(10,889)
Other timing differences	(14)	(7)
Tax losses utilised	(379,547)	(429,325)
Underlying tax on overseas income	-	(118)
Withholding tax suffered	-	423
Adjustment in respect of previous period	-	6
Total current tax	<u>46</u>	<u>449</u>

Factor that may affect future tax charges

The company has unrelieved tax losses of £2.1 million (2011 £3.6 million) available to carry forward to use against future trading profit, should suitable taxable profit arise, these losses would represent a deferred tax assets of approximately £0.5 million (2011 £0.9 million) at a corporation tax rate of 24% (2011 26%) Deferred tax assets have not been recognised due to uncertainty regarding the timing of future profit

8 Tangible fixed assets

	Leasehold Improvements £	Furniture & Fittings £	Equipment £	Total £
Cost				
At 1 April 2011	16,085	8,391	268,627	293,103
Additions	-	-	3,196	3,196
Disposals	-	-	(136,894)	(136,894)
At 31 March 2012	<u>16,085</u>	<u>8,391</u>	<u>134,929</u>	<u>159,405</u>
Depreciation				
At 1 April 2011	16,085	4,424	198,304	218,813
Charge for the period	-	746	26,950	27,696
Disposals	-	-	(136,894)	(136,894)
At 31 March 2012	<u>16,085</u>	<u>5,170</u>	<u>88,360</u>	<u>109,615</u>
Net book value				
At 31 March 2012	<u>-</u>	<u>3,221</u>	<u>46,569</u>	<u>49,790</u>
At 31 March 2011	<u>-</u>	<u>3,967</u>	<u>70,323</u>	<u>74,290</u>

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****9. Intangible fixed assets**

	Film rights
	£
Cost	
At 1 April 2011	800,771
Additions	-
At 31 March 2012	<u>800,771</u>
Amortisation	
At 1 April 2011	480,463
Charge for the period	64,062
Impairment for the period	63,065
At 31 March 2012	<u>607,590</u>
Net book value	
At 31 March 2012	<u><u>193,181</u></u>
At 31 March 2011	<u><u>320,308</u></u>

10 Investments

	Subsidiary	Joint Venture	Total
	£	£	£
Cost			
At 31 March 2012	100	-	100
Disposals	-	(1)	(1)
At 31 March 2011	<u>100</u>	<u>1</u>	<u>101</u>
Net Book value			
At 31 March 2012	100	-	100
At 31 March 2011	<u>100</u>	<u>1</u>	<u>101</u>

Subsidiary

	Country of Registration	Proportion held	Nature of business
B4U Limited	UK	100%	Dormant

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****Joint Venture**

The Company's interests in the joint venture which was liquidated on 29th February 2012 are disclosed in the table below. The amounts for the period ended 29th February 2012 are based on unaudited management accounts.

	<u>2012</u>	<u>2011</u>
	£'000	£'000
Current assets	-	1
Turnover	-	1
Loss before tax	(1)	(1)
Taxation	-	(1)
Loss after tax	<u>(1)</u>	<u>(2)</u>

11 Debtors	<u>2012</u>	<u>2011</u>
	£	£
Trade debtors	853,627	885,548
Other debtors	5,323	-
Prepayments and accrued income	153,593	319,702
Amounts owed by fellow group undertaking (Note 15)	67,468	2,135,806
	<u>1,080,011</u>	<u>3,341,056</u>

12 Creditors: amounts falling due within one year	<u>2012</u>	<u>2011</u>
	£	£
Trade creditors	189,472	242,200
Corporation tax	46	20
Other taxation and social security	106,452	113,229
Other creditors	1,162	-
Accruals	202,174	73,761
Amounts owed to fellow group undertakings (Note 15)	264,232	1,187,309
	<u>763,538</u>	<u>1,616,519</u>

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****13 Creditors: amounts falling due after one year**

	<u>2012</u>	<u>2011</u>
	£	£
Amounts owed to subsidiary undertakings (Note 15)	100	100
	<u>100</u>	<u>100</u>

14 Leasing commitments

At 31 March 2012 the company was committed to making the following payments during the next year under non-cancellable operating leases as set out below -

	<u>2012</u>		<u>2011</u>	
	<u>Land & Building</u>	<u>Other Items</u>	<u>Land & Building</u>	<u>Other Items</u>
	£	£	£	£
Operating Leases				
Expiring within 1 year	-	-	23,335	-
Expiring between 2 and 5 years	-	2,344	-	5,862
	<u>-</u>	<u>2,344</u>	<u>23,335</u>	<u>5,862</u>

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****15 Related party transaction**

During the year, the company entered into the following arrangement with related parties,

Details of the joint venture operation are given in note 10 to the financial statements. During the year a dividend was received from Ben-Set Limited of £174 (2011 £25,000)

The Company was charged a total of £805,537 (2011 £595,364) 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 Holding Limited was £221,112 (2011 £286,298)

The Company was charged a total of £1,458,617 (2011 £1,567,032) by LMB Holding (Mauritius) Limited, incorporated in Mauritius, in respect of programming costs. At the balance sheet date the net amount owed by the Company from LMB Holding (Mauritius) Limited was £14,468 (2011 owed by the company to LMB Holdings (Mauritius) Limited was £739,045). LMB Holding (Mauritius) Limited is a fellow subsidiary of LMB Holding Limited.

During the year the Company charged a total of £159,000 (2011 £136,000) to B4U Africa Limited, incorporated in Mauritius, in respect of the transmission charges. At the balance sheet date the net amount owed by the Company from B4U Africa Limited was £53,000 (2011 owed by the company to B4U Africa Limited was £18,361). B4U Africa Limited is a fellow subsidiary of LMB Holding Limited.

During the year the Company has received a subscription and advertising income of £3,330,968 (2011 £3,331,600) and the Company has also incurred costs towards service charges of £316,788 (2011 £359,718) from B4U US Inc. At the balance sheet date the net amount owed by B4U US Inc from the Company was £32,869 (2011 owed by B4U US Inc to the company was £2,337,841). B4U US Inc is a fellow subsidiary of LMB Holding Limited.

The Company was charged a total of £10,251 (2011 £8,478) by B4U Middle East Limited, incorporated in Mauritius, in respect of advertisement agency collection commission marketing costs of film distribution. At the balance sheet date the net amount owed by the Company to B4U Middle East Limited was £10,251 (2011 £1,247).

The Company was charged a total of £44,930 (2011 £6,697) by B4U Television Network (India) Private Limited, incorporated in India, in respect of advertisement agency commission. At the balance sheet date the net amount owed by the Company to B4U Television Network (India) Private Limited was £Nil (2011 £ Nil).

The Company was charged a total of £Nil (2011 £860,060) by B4U Broadband (India) Private Limited incorporated in India, in respect of film distribution. At the balance sheet date the net amount owed by the company to B4U Broadband (India) Private Limited was £Nil (2011 £142,358).

At the balance sheet date the net amount owed by the Company to B4U Limited was £100 (2011 £100). B4U Limited is a subsidiary dormant company.

Amounts owed to group companies are interest free and unsecured, with no fixed repayment terms.

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****16 Ultimate parent company**

The Company's ultimate and immediate parent company and controlling party is LMB Holdings Limited, a company registered on the Isle of Man. Consolidated financial statements of LMB Holdings Limited are available from First Floor, Millennium House, Victoria Road, Douglas, Isle of Man, IM2 4RW

17 Share Capital

Authorised share capital

	<u>2012</u>	<u>2011</u>
	£	£
10,000,000 Ordinary shares of £1 each	10,000,000	10,000,000

Allotted, called up and fully paid

	<u>2012</u>		<u>2011</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
Ordinary shares of £1 each	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>

18 Profit & loss account

	<u>2012</u>	<u>2011</u>
	£	£
At 1 April 2011	(3,230,142)	(4,808,656)
Profit for the financial year	1,452,336	1,578,514
At 31 March 2012	<u>(1,777,806)</u>	<u>(3,230,142)</u>

19 Reconciliation of movements in shareholders' funds

	<u>2012</u>	<u>2011</u>
	£	£
Profit for the financial year	1,452,336	1,578,514
Opening shareholders' funds	2,769,858	1,191,344
Closing shareholders' funds	<u>4,222,194</u>	<u>2,769,858</u>

B4U NETWORK (EUROPE) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****20 Notes to the cash flow statement:**

Reconciliation of operating profit to net cash outflow from operating activities

	<u>2012</u>	<u>2011</u>
	£	£
Operating profit	1,451,979	1,553,870
Adjustment for		
Depreciation	27,696	26,909
Amortisation of intangible assets	64,062	480,463
Impairment of intangible assets	63,065	-
Decrease/(Increase) in debtors	2,261,045	(205,339)
Decrease in creditors	(853,006)	(476,697)
	<u>3,014,841</u>	<u>1,379,206</u>

Reconciliation of net cash flow to movement in net funds

	<u>2012</u>	<u>2011</u>
	£	£
Increase in cash in the period	3,012,028	596,588
Movement in net funds	<u>3,012,028</u>	<u>596,588</u>
Net funds at 1 April 2011	650,722	54,134
Net funds at 1 April 2012	<u>3,662,750</u>	<u>650,722</u>

21 Contingent liability

The Company has been subjected to litigation for infringement of certain copyright works. The outcome of the litigation as well as the quantum of liability are uncertain at the time of finalisation of the financial statements.