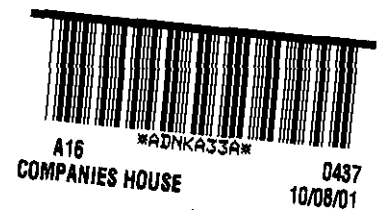


REGISTERED NUMBER: 2138358 (England and Wales)

4TV LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000



4TV LIMITED GROUP

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

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4TV LIMITED GROUP

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

DIRECTORS: K Austin
Mrs J A Austin
B Androlia
M J Hurney

SECRETARY: Mrs J A Austin

REGISTERED OFFICE: Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

REGISTERED NUMBER: 2138358 (England and Wales)

AUDITORS: Murray Smith
Chartered Accountants
Registered Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

4TV LIMITED GROUP

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2000

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2000.

CHANGE OF NAME

The company passed a special resolution on 20 April 2000 changing its name from Danmere Limited to 4TV Limited.

PRINCIPAL ACTIVITY

The principal activity of the group is the provision of technical consultancy services and the development and marketing of interactive software applications.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's share capital were as follows:-

	Ordinary shares of £1 each	'A' Ordinary shares of £1 each	'B' Ordinary shares of £0.7222615 each	'C' Ordinary shares of £0.001 each	Preference shares of £0.001 each
At 30 September 2000					
K Austin	156,016	-	-	-	-
Mrs J A Austin	39,004	-	-	-	-
B Androlia	-	-	41,740	33,091	-
M J Hurney (appointed 14 April 2000)	-	-	93,660	27,691	-
At 1 October 1999					
K Austin	156,016	-	-	-	-
Mrs J A Austin	39,004	-	-	-	-
B Androlia	-	-	-	-	-
M J Hurney (at date of appointment)	-	-	69,227	27,691	-

STATEMENT OF 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 the group and of the profit or loss of the group 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;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Continued on page 3

4TV LIMITED GROUP

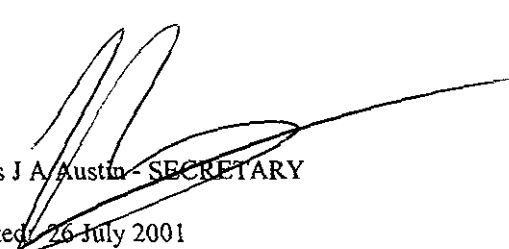
**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2000 (Continued)**

AUDITORS

Messrs Murray Smith have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

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

ON BEHALF OF THE BOARD:



Mrs J A Austin - SECRETARY

Dated: 26 July 2001

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF 4TV LIMITED GROUP

We have audited the financial statements on pages five to fourteen which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out on pages eight and nine.

Respective responsibilities of directors and auditors

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

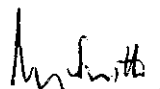
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1 to the financial statements concerning the going concern basis of preparation of the financial statements. 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 and the group's affairs as at 30 September 2000 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Murray Smith
Chartered Accountants
Registered Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

Dated: 30 July 2001

4TV LIMITED GROUP

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

	Note	2000 £	1999 £
TURNOVER	2	37,704	92,291
Cost of sales		<u>14,330</u>	<u>109,328</u>
GROSS PROFIT/(LOSS)		23,374	(17,037)
Administrative expenses		<u>739,694</u>	<u>777,317</u>
OPERATING LOSS	3	(716,320)	(794,354)
Interest receivable and similar income		<u>2,443</u>	<u>680</u>
		(713,877)	(793,674)
Interest payable and similar charges	4	<u>18,175</u>	<u>(24,040)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(695,702)	(817,714)
Dividends	5	<u>46,055</u>	<u>86,000</u>
LOSS FOR THE YEAR	16	<u>(741,757)</u>	<u>(903,714)</u>

The notes form part of these financial statements

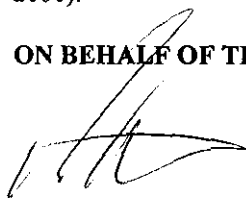
4TV LIMITED GROUP

**CONSOLIDATED BALANCE SHEET AS AT
30 SEPTEMBER 2000**

	Note	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		75,008		98,013
Investments	8		<u>6,407</u>		<u>6,407</u>
			81,415		104,420
CURRENT ASSETS					
Debtors	9	37,855		38,820	
Cash at bank and in hand		<u>294,035</u>		<u>152,818</u>	
		331,890		191,638	
CREDITORS: Amounts falling due within one year	10	<u>199,659</u>		<u>194,880</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>132,231</u>		<u>(3,242)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			213,646		101,178
CREDITORS: Amounts falling due after more than one year	11		<u>529,227</u>		<u>831,115</u>
			<u>(315,581)</u>		<u>(729,937)</u>
CAPITAL AND RESERVES					
Called up share capital	14		525,731		354,982
Share premium account	15		1,879,347		940,038
Profit and loss account	16		<u>(2,720,659)</u>		<u>(2,024,957)</u>
Shareholders' funds			<u>(315,581)</u>		<u>(729,937)</u>

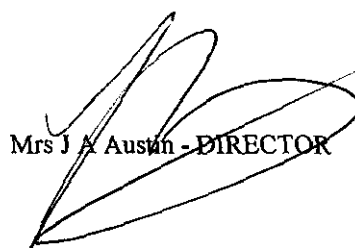
The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective March 2000).

ON BEHALF OF THE BOARD:



K Austin - DIRECTOR

Approved by the Board on 26 July 2001



Mrs J A Austin - DIRECTOR

The notes form part of these financial statements

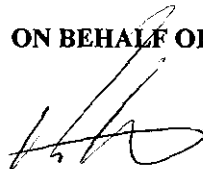
4TV LIMITED GROUP

COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 2000

	Note	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		75,008		98,013
Investments	8		<u>6,409</u>		<u>6,409</u>
			81,417		104,422
CURRENT ASSETS					
Debtors	9	431,560		403,320	
Cash at bank and in hand		<u>294,035</u>		<u>152,818</u>	
		725,595		556,138	
CREDITORS: Amounts falling due within one year	10	<u>592,394</u>		<u>557,855</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>138,201</u>		<u>(1,717)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			214,618		102,705
CREDITORS: Amounts falling due after more than one year	11		<u>529,227</u>		<u>831,115</u>
			<u>(314,609)</u>		<u>(728,410)</u>
CAPITAL AND RESERVES					
Called up share capital	14		525,731		354,982
Share premium account	15		1,879,347		940,038
Profit and loss account	16		<u>(2,719,687)</u>		<u>(2,023,430)</u>
Shareholders' funds			<u>(314,609)</u>		<u>(728,410)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective March 2000).

ON BEHALF OF THE BOARD:


K Austin - DIRECTOR


Mrs J A Austin - DIRECTOR

Approved by the Board on 26 July 2001

The notes form part of these financial statements

4TV LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements have also been prepared on the going concern basis. The directors are concluding an agreement for a further issue of share capital, which will raise £182,633 for the purposes of working capital and they are also actively seeking further investments in order to develop the business. The directors recognise the inherent uncertainty as to whether further capital will be secured and, in the meantime, in adopting the accounting treatment they rely on the continuing support of the loan creditors. The financial statements do not include any adjustments that would result if sufficient further finances cannot be secured.

Basis of consolidation

The consolidated financial statements include the company and all its significant subsidiary undertakings, after eliminating intra-group balances and transactions.

Turnover

Turnover represents net invoiced work done and goods sold, excluding Value Added Tax.

Depreciation

Depreciation is provided for at the following annual rates in order to write off the cost of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Computer equipment	25%	straight line
Plant and equipment	25%	straight line
Motor vehicles	25%	reducing balance

A proportion only of the annual figure is charged during the period of acquisition, the proportion being calculated on the number of months of ownership.

Investments

Investments are valued at the lower of cost and market value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Hire purchase commitments

Tangible fixed assets acquired under hire purchase contracts are capitalised and depreciated over their estimated useful lives. The corresponding obligations are treated in the balance sheet as liabilities. Finance charges are allocated to accounting periods on a straight line basis over the term of the contracts.

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

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 rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

4TV LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

1. ACCOUNTING POLICIES (Continued)

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

2. TURNOVER

During the year 2% (1999 - 86%) of total turnover related to exports.

3. OPERATING LOSS

The operating loss is stated after charging:

	2000 £	1999 £
Depreciation of tangible fixed assets		
- Owned by the company	22,778	27,274
- Held under hire purchase contracts	7,018	2,864
Directors' emoluments and other benefits, etc.	125,458	125,266
Auditors' remuneration	<u>2,500</u>	<u>2,375</u>

4. INTEREST PAYABLE

Bank loan interest	2,911	-
Convertible loan interest	39,542	23,813
Convertible loan interest waived	(63,355)	-
Hire purchase interest	<u>2,727</u>	<u>227</u>
	<u>(18,175)</u>	<u>24,040</u>

In conjunction with the restructuring referred to in notes 5 and 14 the right to receive accrued interest in respect of the convertible loan was waived by the lender on 14 April 2000.

5. DIVIDENDS

	2000 £	1999 £
'A' Ordinary shares of £1 each	22,492	42,000
Preference shares of £0.001 each	<u>23,563</u>	<u>44,000</u>
	<u>46,055</u>	<u>86,000</u>

The Preference shares and the 'A' Ordinary shares originally carried the right to a fixed dividend at the rates of 11% and 6% respectively per annum on the issue price and these have been appropriated through the profit and loss account. However, the right to receive accrued dividends was waived on 14 April 2000 and such amounts have, therefore, been credited back to the profit and loss account as shown in note 16.

With effect from 14 April 2000 the Preference shares were redesignated as Convertible Preference shares and are not entitled to a future dividend. Subject to the availability of profits the 'A' Ordinary shares may rank for the payment of a dividend, in conjunction with the 'B' and 'C' Ordinary shares, at a variable rate.

4TV LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

6. LOSS ATTRIBUTABLE TO THE PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the parent undertaking's profit and loss account is not included in these financial statements. Its loss for the year was £742,312 (1999 - £902,939) after deducting dividends of £46,055 (1999 - £86,000).

7. TANGIBLE FIXED ASSETS

THE GROUP AND THE COMPANY

	Computer equipment £	Plant and equipment £	Motor vehicles £	Total £
COST				
At 1 October 1999	77,352	30,890	74,683	182,925
Additions	1,636	14,725	-	16,361
Disposals	(18,497)	(1,854)	(33,411)	(53,762)
At 30 September 2000	<u>60,491</u>	<u>43,761</u>	<u>41,272</u>	<u>145,524</u>
DEPRECIATION				
At 1 October 1999	35,083	22,621	27,208	84,912
Charge for the year	9,613	11,014	9,169	29,796
Eliminated on disposals	(16,219)	(1,478)	(26,495)	(44,192)
At 30 September 2000	<u>28,477</u>	<u>32,157</u>	<u>9,882</u>	<u>70,516</u>
NET BOOK VALUE				
At 30 September 2000	<u>32,014</u>	<u>11,604</u>	<u>31,390</u>	<u>75,008</u>
At 30 September 1999	<u>42,269</u>	<u>8,269</u>	<u>47,475</u>	<u>98,013</u>

The net book value of tangible fixed assets includes £31,390 (1999 - £38,408) in respect of assets held under hire purchase contracts or finance leases.

4TV LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

8. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £	Other investments £	Total £
THE GROUP			
Cost/net book value at 1 October 1999 and 30 September 2000	<u>—</u>	<u>6,407</u>	<u>6,407</u>
THE COMPANY			
Cost/net book value at 1 October 1999 and 30 September 2000	<u>2</u>	<u>6,407</u>	<u>6,409</u>

The company is the beneficial owner of all the issued ordinary share capital of the following company, which is registered in England and Wales:

Name of company	Nature of business
Danmere Technologies Limited	Marketing of computer peripherals

The company is also the beneficial owner of all the issued share capital of Danmere USA Inc, a company registered in the United States of America. Its principal activity is the marketing of computer peripherals, but no trading occurred during the year.

Other investments relate to shares held in Systolix Limited and are valued at cost.

Investments are all unlisted.

	THE GROUP		THE COMPANY	
	2000 £	1999 £	2000 £	1999 £
9. DEBTORS				
Trade debtors	7,638	75	401,343	364,575
Other debtors	18,162	24,551	18,162	24,551
Prepayments	<u>12,055</u>	<u>14,194</u>	<u>12,055</u>	<u>14,194</u>
	<u>37,855</u>	<u>38,820</u>	<u>431,560</u>	<u>403,320</u>

In preparing the company's financial statements full provision has been made against amounts totalling £337,345 (1999 - £338,205) (net) due from its subsidiary undertaking, Danmere Technologies Limited.

4TV LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

	THE GROUP		THE COMPANY	
	2000 £	1999 £	2000 £	1999 £
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank loan (secured)	46,297	-	46,297	-
Net obligations under hire purchase contracts (secured)	5,591	5,591	5,591	5,591
Trade creditors	118,701	110,979	118,701	110,979
Social security and other taxes	17,168	32,147	17,168	32,147
Other creditors	-	34,308	70,693	75,797
Accruals	<u>11,902</u>	<u>11,855</u>	<u>333,944</u>	<u>333,341</u>
	<u>199,659</u>	<u>194,880</u>	<u>592,394</u>	<u>557,855</u>
11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Convertible loan (secured)	-	800,000	-	800,000
Bank loan (secured)	203,703	-	203,703	-
Other loans (secured)	300,000	-	300,000	-
Net obligations under hire purchase contracts (secured)	<u>25,524</u>	<u>31,115</u>	<u>25,524</u>	<u>31,115</u>
	<u>529,227</u>	<u>831,115</u>	<u>529,227</u>	<u>831,115</u>
Amounts falling due after more than five years:				
Repayable by instalments:				
Convertible loan (secured)	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>320,000</u>
12. OPERATING LEASE COMMITMENTS				
The following payments are committed to be paid within one year:				
Expiring:				
Within one year	17,541	-	17,541	-
Between one and five years	<u>-</u>	<u>11,639</u>	<u>-</u>	<u>11,639</u>
	<u>17,541</u>	<u>11,639</u>	<u>17,541</u>	<u>11,639</u>

4TV LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation for which provision has been made in the financial statements and the amounts for which no provision has been made, are as follows:-

	Provided		Not provided	
	2000 £	1999 £	2000 £	1999 £
THE GROUP				
Accelerated capital allowances	1,156	-	-	(339)
Losses carried forward	(1,156)	-	(497,222)	(359,127)
	<u>-</u>	<u>-</u>	<u>(497,222)</u>	<u>(359,446)</u>
THE COMPANY				
Accelerated capital allowances	1,156	-	-	(339)
Losses carried forward	(1,156)	-	(449,503)	(310,314)
	<u>-</u>	<u>-</u>	<u>(449,503)</u>	<u>(310,653)</u>

14. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised:		
Ordinary shares of £1 each	840,038	840,038
'A' Ordinary shares of £1 each	159,562	159,562
'B' Ordinary shares of £0.7222615 each	170,588	-
'C' Ordinary shares of £0.001 each	61	-
Preference shares of £0.001 each	<u>500</u>	<u>400</u>
	<u>1,170,749</u>	<u>1,000,000</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	195,020	195,020
'A' Ordinary shares of £1 each	159,562	159,562
'B' Ordinary shares of £0.7222615 each	170,588	-
'C' Ordinary shares of £0.001 each	61	-
Preference shares of £0.001 each	<u>500</u>	<u>400</u>
	<u>525,731</u>	<u>354,982</u>

During the year the following shares were issued and fully paid in cash:

138,454 'B' Ordinary shares of £0.7222615 each at par
 97,732 'B' Ordinary shares of £0.7222615 each at £2.0464 per share
 55,382 'C' Ordinary shares of £0.001 each at par
 5,400 'C' Ordinary shares of £0.001 each at £1.8518 per share.

The convertible loan of £800,000 (as referred to in note 11) was also capitalised and 100,000 Preference shares of £0.001 each issued at £8.00 per share. At the same time the whole of the issued Preference shares were redesignated as Convertible Preference shares.

4TV LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

	2000 £	1999 £
15. SHARE PREMIUM ACCOUNT		
THE GROUP AND THE COMPANY		
At 1 October	940,038	940,038
Arising on the issue of:		
'B' Ordinary shares	129,414	-
'C' Ordinary shares	9,995	-
Preference shares	<u>799,900</u>	<u>-</u>
At 30 September	<u>1,879,347</u>	<u>940,038</u>
16. PROFIT AND LOSS ACCOUNT		
THE GROUP		
Loss for the year	(741,757)	(903,714)
Share appropriations (note 5)	46,055	86,000
Accumulated loss at 1 October	<u>(2,024,957)</u>	<u>(1,207,243)</u>
Accumulated loss at 30 September	<u>(2,720,659)</u>	<u>(2,024,957)</u>
THE COMPANY		
Loss for the year	(742,312)	(902,939)
Share appropriations (note 5)	46,055	86,000
Accumulated loss at 1 October	<u>(2,023,430)</u>	<u>(1,206,491)</u>
Accumulated loss at 30 September	<u>(2,719,687)</u>	<u>(2,023,430)</u>
17. RELATED PARTY TRANSACTIONS		
No single individual or entity controls the company.		
During the year the company received goods and services, on normal commercial terms, from related parties, as follows:-		
	Value	Amount owing at 30 September 2000
	£	£
3i Group plc	3,000	3,525
Nice Net Names Limited (a company of which M J Hurney is a director)	3,801	NIL
Draycott Management Services Limited (a company of which B Androlia is a director)	<u>10,000</u>	<u>2,940</u>