

Company Registration No. 3218628 (England and Wales)

SOUND ADVERTISING LTD
TRADING AS CGM
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000



SOUND ADVERTISING LTD
TRADING AS CGM
COMPANY INFORMATION

Directors	M D Charlesworth G G Maidens
Secretary	S M Jabati
Company number	3218628
Registered office	Middlesex House 29-45 High Street Edgware Middlesex HA8 7HQ
Auditors	Adler Shine Middlesex House 29-45 High Street Edgware Middlesex HA8 7HQ
Business address	6/2 Cumbrian House Meridian Gate 217 Marsh Wall London E14 9AT

SOUND ADVERTISING LTD
TRADING AS CGM
CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 16

SOUND ADVERTISING LTD
TRADING AS CGM
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2000

The directors present their report and financial statements for the year ended 30 June 2000.

Principal activities and review of the business

The principal activity of the company continued to be that of the provision of telephone entertainment services.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

Future developments

The company is investigating expansion opportunities and technological developments.

Directors

The following directors have held office since 1 July 1999:

M D Charlesworth

G G Maidens

C Thorpe

(Resigned 27 September 1999)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 June 2000	1 July 1999
M D Charlesworth	-	2
G G Maidens	-	1

	Ordinary shares of 50p each	
	30 June 2000	1 July 1999
M D Charlesworth	4	-
G G Maidens	1	-

	Class A ordinary shares of 50p each	
	30 June 2000	1 July 1999
M D Charlesworth	-	-
G G Maidens	-	-

On 27 September 1999 the 500,000 ordinary shares of £1 each were sub-divided into 5 "A" ordinary shares of £0.50 each and 999,995 ordinary shares of £0.50 each. All the shares have equal rights attached to them. Prior to the division of the share capital, M D Charlesworth and C Thorpe held two ordinary shares of £1 each and G G Maidens held the remaining one ordinary share. After the division of the share capital, M D Charlesworth held four ordinary shares of £0.50 each and G G Maidens held one ordinary share of £0.50, whilst C Thorpe held four "A" ordinary shares of £0.50 each and G G Maidens held one "A" ordinary share of £0.50.

It was also agreed on that date that the company would re-purchase the "A" Ordinary shares of £0.50 each for £25,000 per share with the consideration being payable in equal instalments on 30 September 1999 and on 31 December 1999.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Adler Shine be reappointed as auditors of the company will be put to the Annual General Meeting.

SOUND ADVERTISING LTD
TRADING AS CGM
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2000

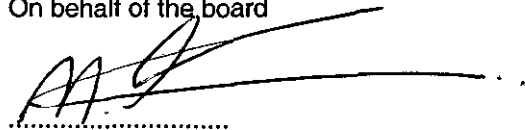
Directors' responsibilities

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 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 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.

On behalf of the board



.....
M D Charlesworth

Director

Date: 30/7/01.....

**SOUND ADVERTISING LTD
TRADING AS CGM
AUDITORS' REPORT
TO THE SHAREHOLDERS OF SOUND ADVERTISING LTD**

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 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 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, except that the scope of our work was limited as explained below. 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. However, the evidence available to us was limited because we were unable to verify the basis of allocation of £971,761 (1999: £1,013,321) income or net expenditure of £954,605 (1999: £513,374) transferred from Sound Advertising Limited to MDC Europe Limited (as detailed in note 1.6 to these financial statements). There were no satisfactory audit procedures that we could adopt to confirm that income and expenditure had been properly allocated between the two companies.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

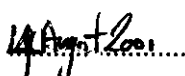
Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning allocation of income and expenditure between Sound Advertising Limited and MDC Europe Limited, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our audit work relating to transfers between Sound Advertising Limited and MDC Europe Limited:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we consider proper accounting records not to have been maintained.



Adler Shine
Chartered Accountants
Registered Auditor

Date: 

Middlesex House
29-45 High Street
Edgware
Middlesex
HA8 7HQ

SOUND ADVERTISING LTD
TRADING AS CGM
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 £	1999 £
Turnover	2	2,428,437	2,978,271
Cost of sales		(1,536,630)	(1,699,397)
Gross profit		891,807	1,278,874
Administrative expenses		(376,719)	(737,902)
Other operating income		-	1,083
Operating profit	3	515,088	542,055
Other interest receivable and similar income		48,961	78,402
Interest payable and similar charges	4	(1,216)	(2,518)
Profit on ordinary activities before taxation		562,833	617,939
Tax on profit on ordinary activities	5	(171,113)	(201,019)
Profit on ordinary activities after taxation		391,720	416,920
Dividends	6	(580,000)	(678,695)
Retained loss for the year	11	(188,280)	(261,775)

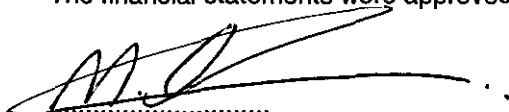
The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

SOUND ADVERTISING LTD
TRADING AS CGM
BALANCE SHEET
AS AT 30 JUNE 2000

	Notes	2000 £	£	1999 £	£
Fixed assets					
Tangible assets	7		50,192		53,137
Current assets					
Debtors	8	2,340,684		1,966,829	
Cash at bank and in hand		578,148		1,390,394	
		<u>2,918,832</u>		<u>3,357,223</u>	
Creditors: amounts falling due within one year	9	<u>(2,536,682)</u>		<u>(2,664,739)</u>	
Net current assets			<u>382,150</u>		<u>692,484</u>
Total assets less current liabilities			<u>432,342</u>		<u>745,621</u>
Capital and reserves					
Called up share capital	10		3		5
Other reserves	11		3		-
Profit and loss account	11		<u>432,336</u>		<u>745,616</u>
Shareholders' funds - equity interests	12		<u>432,342</u>		<u>745,621</u>

The financial statements were approved by the Board on 30/7/01.....



M D Charlesworth
Director

SOUND ADVERTISING LTD
TRADING AS CGM
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000

	Notes to cash flow statement	30 June 2000 £	30 June 1999 £
Net cash inflow from operating activities	1	981,492	583,149
Returns on investments and servicing of finance			
Interest received	48,961	65,388	
Interest paid	(1,216)	(2,518)	
Net cash inflow for returns on investments and servicing of finance		47,745	62,870
Taxation		(320,000)	(548,475)
Capital expenditure			
Payments to acquire tangible assets	(16,255)	(38,808)	
Receipts from sales of tangible assets	-	16,000	
Net cash outflow for capital expenditure		(16,255)	(22,808)
Equity dividends paid		(1,258,695)	-
Net cash (outflow)/inflow before management of liquid resources and financing		(565,713)	74,736
Financing			
Purchase of own shares	(125,000)	-	
Net cash outflow from financing		(125,000)	-
(Decrease)/increase in cash in the year	2,3	(690,713)	74,736

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000

1	Reconciliation of operating profit to net cash inflow from operating activities	2000	1999
		£	£
	Operating profit	515,088	542,055
	Depreciation of tangible assets	19,200	14,947
	Loss on disposal of tangible assets	-	12,000
	Increase in debtors	(353,830)	(1,361,643)
	Increase in creditors within one year	801,034	1,375,790
	Net cash inflow from operating activities	981,492	583,149

2	Analysis of net funds	1 July 1999	Cash flow	Other non-cash changes	30 June 2000
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,390,394	(812,246)	-	578,148
	Bank overdrafts	(121,534)	121,534	-	-
		1,268,860	(690,712)	-	578,148
	Net funds	1,268,860	(690,712)	-	578,148

3	Reconciliation of net cash flow to movement in net funds	2000	1999
		£	£
	(Decrease)/increase in cash in the year	(690,712)	74,736
	Movement in net funds in the year	(690,712)	74,736
	Opening net funds	1,268,860	1,194,124
	Closing net funds	578,148	1,268,860

4 Major non-cash transactions
There are no major non-cash transactions to disclose.

5 Liquid resources
Cash includes amounts held in term deposits.

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Over the term of the lease (short lease)
Plant and machinery	25% per annum, reducing balance basis
Fixtures, fittings & equipment	25% per annum, reducing balance basis

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.6 Allocation of income and expenditure between Sound Advertising Limited and MDC Europe Limited

Income attributed by the directors as due to MDC Europe Limited of £971,761 for the year ended 30 June 2000 (1999: £1,013,321) was transferred from Sound Advertising Limited to MDC Europe Limited, a related party.

Expenditure attributed by the directors as owed by MDC Europe Limited of £954,605 for the year ended 30 June 2000 (1999: £804,442) was transferred from Sound Advertising Limited to MDC Europe Limited. (See note 17 for further details).

1.7 Computer software

Computer software costs are written off as incurred.

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

2 Turnover and profit on ordinary activities before taxation

	Turnover	
	2000	1999
	£	£
Class of business		
Telecommunication operations	2,428,437	2,978,271
	<u>2,428,437</u>	<u>2,978,271</u>

Geographical market

	Turnover	
	2000	1999
	£	£
UK	1,823,775	2,663,679
Eire	138,547	85,250
Other overseas markets	466,115	229,342
	<u>2,428,437</u>	<u>2,978,271</u>

3 Operating profit

	2000	1999
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	19,200	14,947
Operating lease rentals	24,495	25,458
Auditors' remuneration	5,000	5,000
	<u>48,695</u>	<u>45,405</u>

Operating profit is also stated after charging:

Nil (1999: £12,000) loss on disposal of fixed assets.

£62,450 (1999: £212,605) exceptional provision for VAT against commission receivable. This has been deducted from net commission receivable and the resulting profit disclosed under revenue.

4 Interest payable

	2000	1999
	£	£
On bank loans and overdrafts	596	878
On overdue tax	620	1,640
	<u>1,216</u>	<u>2,518</u>

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

5	Taxation	2000 £	1999 £
	U.K. current year taxation		
	U.K. corporation tax at 30% (1999 - 28%)	171,113	201,216
	Prior years		
	U.K. corporation tax	-	(197)
		<u>171,113</u>	<u>201,019</u>

6	Dividends	2000 £	1999 £
	Ordinary interim paid	580,000	-
	Ordinary final proposed	-	678,695
		<u>580,000</u>	<u>678,695</u>

7	Tangible fixed assets	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
	Cost				
	At 1 July 1999	15,620	48,994	27,451	92,065
	Additions	-	7,917	8,338	16,255
		<u>15,620</u>	<u>56,911</u>	<u>35,789</u>	<u>108,320</u>
	At 30 June 2000	15,620	56,911	35,789	108,320
	Depreciation				
	At 1 July 1999	8,210	16,207	14,511	38,928
	Charge for the year	3,705	10,176	5,319	19,200
		<u>11,915</u>	<u>26,383</u>	<u>19,830</u>	<u>58,128</u>
	At 30 June 2000	11,915	26,383	19,830	58,128
	Net book value				
	At 30 June 2000	<u>3,705</u>	<u>30,528</u>	<u>15,959</u>	<u>50,192</u>
	At 30 June 1999	<u>7,410</u>	<u>32,787</u>	<u>12,940</u>	<u>53,137</u>

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

8 Debtors	2000	1999
	£	£
Trade debtors	197,409	820,858
Corporation tax	20,025	-
Other debtors	2,056,578	1,025,661
Prepayments and accrued income	66,672	120,310
	<u>2,340,684</u>	<u>1,966,829</u>

Included in other debtors are inter-company balances which were shown as part of trade debtors in the previous year's financial statements. The comparative figures have been adjusted to reflect this reclassification.

9 Creditors: amounts falling due within one year	2000	1999
	£	£
Bank loans and overdrafts	-	121,534
Trade creditors	60,098	140,932
Corporation tax	72,354	201,216
Other taxes and social security costs	338,995	299,306
Other creditors	2,014,627	1,078,621
Accruals and deferred income	50,608	144,435
Proposed dividend	-	678,695
	<u>2,536,682</u>	<u>2,664,739</u>

Included in other creditors are inter-company balances which were shown as part of trade creditors in the previous year's financial statements. The comparative figures have been adjusted to reflect this reclassification.

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

10 Share capital	2000	1999
	£	£
Authorised		
- Ordinary shares of £ 1 each	-	500,000
- 999,995 Ordinary shares of 50p each	499,997	-
- 5 Class A ordinary shares of 50p each	3	-
	<u>500,000</u>	<u>500,000</u>
 Allotted, called up and fully paid		
- Ordinary shares of £ 1 each	-	5
- 5 Ordinary shares of 50p each	3	-
	<u>3</u>	<u>5</u>

On 27 September 1999 the 500,000 ordinary shares of £1 each were sub-divided into 5 "A" ordinary shares of £0.50 each and 999,995 ordinary shares of £0.50 each. All the shares have equal rights attached to them. Prior to the division of the share capital, M D Charlesworth and C Thorpe held two ordinary shares of £1 each and G G Maidens held the remaining one ordinary share. After the division of the share capital, M D Charlesworth held four ordinary shares of £0.50 each and G G Maidens held one ordinary share of £0.50, whilst C Thorpe held four "A" ordinary shares of £0.50 each and G G Maidens held one "A" ordinary share of £0.50.

It was also agreed on that date that the company would re-purchase the "A" Ordinary shares of £0.50 each for £25,000 per share with the consideration being payable in equal instalments on 30 September 1999 and on 31 December 1999.

11 Statement of movements on reserves

	Other reserves	Profit and loss account
	£	£
Balance at 1 July 1999	-	745,616
Retained loss for the year	-	(188,280)
Purchase of own shares	-	(125,000)
Movement during the year	3	-
	<u>3</u>	<u>432,336</u>
Balance at 30 June 2000	3	432,336

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

12 Reconciliation of movements in shareholders' funds	2000	1999
	£	£
Profit for the financial year	391,720	416,920
Dividends	(580,000)	(678,695)
	<u>(188,280)</u>	<u>(261,775)</u>
Purchase of own shares	(125,000)	-
	<u>(313,280)</u>	<u>(261,775)</u>
Net depletion in shareholders' funds	745,621	1,007,396
Opening shareholders' funds		
	<u>432,342</u>	<u>745,621</u>
Closing shareholders' funds		

13 Financial commitments

At 30 June 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000	1999
	£	£
Expiry date:		
Within one year	31,155	-
Between two and five years	-	28,700
	<u>31,155</u>	<u>28,700</u>

14 Transactions with directors

The following directors had interest free loans during the year. The movement on these loans are as follows:

	Amount outstanding		Maximum
	2000	1999	in year
	£	£	£
M D Charlesworth	<u>80,100</u>	<u>79,480</u>	<u>360,100</u>

This loan is considered to be fully recoverable.

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2000 Number	1999 Number
Sales	8	20
Direct operators	40	60
Administration and technical	4	5
Supervisory and management	6	9
	<u>58</u>	<u>94</u>

Employment costs

	£	£
Wages and salaries	478,451	492,366
Social security costs	31,958	34,841
	<u>510,409</u>	<u>527,207</u>

16 Control

The company is ultimately controlled by Mike Charlesworth by virtue of his majority shareholding.

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

17 Related party transactions

The related parties are as follows:

MDC Europe Limited, in which M D Charlesworth is a director and holds 60% of the share capital;
Fonecharge Limited (formerly One on One Limited), in which M D Charlesworth is a director and holds 100% of the share capital;

M D Charlesworth and G G Maidens held shares in Oneseek Limited (a company based in New Zealand), Mediatel Pty Limited (a company based in Australia) and Mediatel HK Limited (a company based in Hong Kong).

Telseek, (a company based in Australia) in which G G Maidens is a shareholder.

Transactions with related parties are shown below.

Name of related party	Type of transaction	Amount	Amount
		2000	1999
		£	£
MDC Europe Limited			
The following income received by Sound Advertising Limited was due to MDC Europe Limited:			
	Cable and Wireless plc sales	815,527	812,058
	Irish telecom sales	156,234	197,638
	Credit card sales	-	3,625

The balance owed by Sound Advertising Limited at 30 June 2000 is £1,931,900 (1999: £1,060,247)

The following was charged to MDC Europe Limited as its share of expenses:

Wages and salaries	274,836	288,524
Advertising	592,534	420,422
Commissions paid	-	11,980
Rent	13,189	13,931
Telephone	24,460	34,532
Furniture and equipment	-	44,176
Other sundry costs	49,586	35,052

At 30 June 2000 the balance owed to Sound Advertising Limited is £1,766,560 (1999: £811,955)

Fonecharge Limited (formerly One on One Limited)

Professional fees paid to Fonecharge Limited	24,000	48,000
Receipts from sale of licence fees owed by Fonecharge Limited	46,382	121,212
Payments for the purchase of licence owed to Fonecharge Limited	(100,000)	-

Balance due to Sound Advertising Limited at 30 June 2000 is £67,985 (1999: £121,212)

Telseek

Advertising fees paid to Telseek	-	10,822
Computer running costs paid to Telseek	-	17,630
Travel	4,142	5,510
Computer equipment	5,005	10,960

All outstanding balances are interest free and no repayment terms have been set.

SOUND ADVERTISING LTD
TRADING AS CGM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

17 Related party transactions

During the year Sound Advertising Limited provided interest free loans to the following related companies:

	Balance owed to Sound Advertising Limited at 30 June 2000	
	£	£
Mediatel Pty Limited (Australia)	7,498	7,498
Oneseek Limited (New Zealand)	54,098	54,098
Mediatel HK Limited (Hong Kong)	59,418	59,418

The loans are repayable on demand.