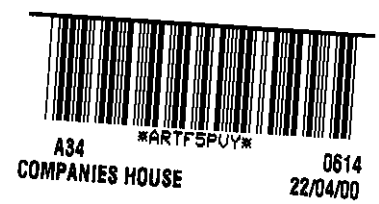


CAPITAL RADIO TELSTAR ENTERTAINMENT DIRECT LIMITED  
(FORMERLY GROVEAID LIMITED)

REGISTERED NUMBER: 3587404

FINANCIAL STATEMENTS

FIFTEEN MONTH PERIOD ENDING 30TH SEPTEMBER 1999



CAPITAL RADIO TELSTAR ENTERTAINMENT DIRECT LIMITED (FORMERLY GROVEAID LIMITED)

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COMPANY INFORMATION

FIFTEEN MONTH PERIOD ENDING 30TH SEPTEMBER 1999

**DIRECTORS**

JH McKimmie  
S O'Brien  
PR Davies  
D McCallum (resigned 25th March 1999)  
M Frost (appointed 23rd September 1999)

**SECRETARY**

N Schwarz

**REGISTERED OFFICE**

30 Leicester Square  
London  
WC2H 7LA

**BANKERS**

Bank of Scotland  
38 Threadneedle Street  
London  
EC2P 2EH

**AUDITORS**

KPMG Audit Plc  
8 Salisbury Square  
LONDON  
EC4Y 8BB

## DIRECTORS' REPORT

30TH SEPTEMBER 1999

The Directors present their report, together with the audited financial statements of the company for the fifteen month period from 25th June 1998 to 30th September 1999.

### Business Review

The principal activity of the company is that of a record retailer via the internet. The company was incorporated on 25th June 1998 as Groveaid Limited and started trading on 24th July 1998. On 8th July 1998 the Company changed its name to Capital Radio Telstar Entertainment Direct Limited

### Results

The company's loss for the period after taxation was £261,000. Details are set out in the Profit and Loss Account on page 5.

### Dividends

The directors do not recommend the payment of a dividend for the period.

### Directors

No director who held office during the period had any interests in shares in the company.

None of the Directors are required to retire by rotation.

### Transactions with related parties

The company has traded during the year with companies that are related to it through common directors and shareholders, as shown below. All transactions have been at arms length and principally relate to support given to the continuation of the company as an internet record retailer:

Director	Related company
JH McKimmie, S O'Brien	The Telstar Entertainment Group plc
PR Davies, M Frost	Capital Radio plc

See note 13 for further details.

### Principal shareholders

The principal shareholders of the company, together with their respective interests at 30 September 1999 are set out below.

	Number of shares	Type of share
Capital Radio plc	5,000	A
The Telstar Entertainment Group plc	5,000	B

DIRECTORS' REPORT

30TH SEPTEMBER 1999

**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 of the profit or loss for that period. The directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Charitable donations and political contributions**

No charitable donations or political contributions were made during the period.

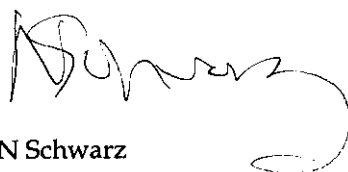
**Year 2000**

A Year 2000 programme has been established to identify the effect that the Year 2000 will have on the Company's business. The Company has completed a review of its internal systems and has sought assurances from major suppliers regarding their compliance. The majority of recommendations arising from the review have been implemented and procedures are in place to address the remaining recommendations in advance of critical dates. Whilst the Company cannot provide absolute assurance that there will be no Year 2000 problems, the Directors believe that the plans and resources allocated are appropriate to address the issue.

**Auditors**

During the period KPMG Audit Plc were appointed as auditor to the company. A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc.

**By order of the Board**



N Schwarz  
Company Secretary  
London

Date: 19/4/00

AUDITORS' REPORT TO THE MEMBERS OF CAPITAL RADIO TELSTAR ENTERTAINMENT DIRECT LIMITED (FORMERLY GROVEAID LIMITED)

FIFTEEN MONTH PERIOD ENDING 30TH SEPTEMBER 1999

We have audited the financial statements on pages 5 to 14.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th September 1999 and of its loss for the fifteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

*19 April 2000*

PROFIT & LOSS ACCOUNT

FIFTEEN MONTH PERIOD ENDED 30TH SEPTEMBER 1999

	Notes	Fifteen month period ended 30th September 1999 £'000
<b>Turnover</b>	2	142
Staff Costs	3	(170)
Depreciation		(18)
Other operating charges		(207)
<b>Operating loss</b>		<hr/> (253)
Interest payable and similar charges	6	(8)
<b>Loss on ordinary activities before taxation and retained loss for the period</b>	5	<hr/> (261) <hr/> <hr/>

PROFIT & LOSS ACCOUNT

FIFTEEN MONTH PERIOD ENDED 30TH SEPTEMBER 1999

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS'  
FUNDS FOR THE FIFTEEN MONTH PERIOD ENDED 30TH  
SEPTEMBER 1999

Opening Shareholders' funds	-
Share capital issued	10
Loss for the period	(261)
	<hr/>
Closing Shareholders' funds	(251)
	=====

The company has no recognised gains or losses other than those disclosed above.

All disclosures relate only to continuing operations.

Movements in reserves are set out in note 11.

There is no difference in the profit on the historical cost basis and that disclosed in the profit and loss account.




BALANCE SHEET

30TH SEPTEMBER 1999

	Notes	£'000	1999 £'000
<b>Fixed assets</b>			
Tangible	7		62
<b>Current assets</b>			
Debtors	8	46	
Cash at bank and in hand		255	
		<u>301</u>	
<b>Creditors :</b>			
amounts falling due within one year	9	(614)	
		<u></u>	
<b>Net current liabilities</b>			(313)
<b>Net liabilities</b>			<u>(251)</u> =====
<b>Capital and reserves</b>			
Called up share capital	10		10
Profit and loss account	11		(261)
<b>Deficit on Equity Shareholders' funds</b>			<u>(251)</u> =====

The financial statements were approved by the Board of Directors on 19/4/00 and were signed on its behalf by:

  
Director

## CASH FLOW STATEMENT

30TH SEPTEMBER 1999

	Notes	1999 £'000	1999 £'000
Net cash inflow from operating activities	14		333
Returns on investments and servicing of finance			
Interest paid		(8)	
		<hr/>	(8)
Taxation paid			-
Capital expenditure			
Payments to acquire tangible fixed assets		(80)	
		<hr/>	(80)
Equity dividends paid			-
			<hr/>
Cash inflow before use of liquid resources and financing			245
Financing activities			
Issue of share capital			10
			<hr/>
Increase in cash	15		255
			=====
Reconciliation of net cash flow to movement in net funds (note 15)			
Increase in cash in the period			255
Net funds at 25th June 1998			-
			<hr/>
Net funds at 30th September 1999			255
			=====

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 1999

1. ACCOUNTING POLICIES

The following accounting policies, except as noted below, have been consistently applied in dealing with items which are considered material in relation to the company's financial statements:

1.1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards, and include for the first time Financial Reporting Standard 15.

1.2 TANGIBLE FIXED ASSETS

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

Computer equipment	33%
--------------------	-----

1.3 DEFERRED TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

1.4 OPERATING LEASES

Rentals payable under operating lease agreements are charged to the profit and loss account in the period to which they relate.

1.5 STOCK

Stock is stated at the lower of cost and net realisable value, after providing for obsolete and slow moving stock.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 1999

2. TURNOVER

Turnover comprises the invoice value of services supplied exclusive of VAT.

3. STAFF COSTS

The average number of persons employed by the company (including executive directors) during the period was as follows:

	<b>Fifteen month period ended 30th September 1999</b>
	<b>No.</b>
Directors	4
Administration	5
Total employees	<u>9</u> =====

The aggregate payroll costs of these persons were as follows

	<b>£'000</b>
Wages and salaries	153
Social security costs	17
	<u>170</u> =====

4. DIRECTORS' EMOLUMENTS (INCLUDING PENSION CONTRIBUTIONS)

John McKimmie and Sean O'Brien are employed and paid by the Telstar Entertainments Group plc. Paul Davies is employed and paid by Capital Radio plc. No director received any remuneration for their services in respect of the company.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 1999

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation all relates to the company's principal activity and is stated after charging the following:

**Fifteen month period ended  
30th September 1999  
£'000**

Depreciation	18
Auditors remuneration	5
	=====

6. INTEREST PAYABLE AND SIMILAR CHARGES

**Fifteen month period ended  
30th September 1999  
£'000**

Bank Charges	8
	=====

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 1999

7. TANGIBLE FIXED ASSETS

	Computer Equipment £'000	Total £'000
<b>Cost:</b>		
At 25th June 1998	-	-
Additions	80	80
At 30th September 1999	<u>80</u>	<u>80</u>
	=====	=====
<b>Depreciation:</b>		
At 25th June 1998	-	-
Charged in the period	18	18
At 30th September 1999	<u>18</u>	<u>18</u>
	=====	=====
<b>Net book value:</b>		
At 30th September 1999	<u>62</u>	<u>62</u>
	=====	=====
At 25th June 1998	<u>-</u>	<u>-</u>
	=====	=====

8. DEBTORS

	1999 £'000
Amounts falling due within one year:	
Trade debtors	-
Value added taxation	36
Other debtors	10
	<u>46</u>
	=====

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 1999

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

	1999 £'000
Trade creditors	89
Amounts owed to joint venture partners	525
	<hr/>
	614
	=====

10. CALLED UP SHARE CAPITAL

	1999 £'000
EQUITY SHARE CAPITAL	
Authorised:	
50,000 A Ordinary shares of £1 each	50
50,000 B Ordinary shares of £1 each	50
	<hr/>
	100
	=====
Allotted, called up and fully paid :	1999 £'000
5,000 A Ordinary shares of £1 each	5
5,000 B Ordinary shares of £1 each	5
	<hr/>
	10
	=====

All share types have equal rights on winding up and voting rights of one vote per share.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER 1999

11. STATEMENT OF MOVEMENT IN RESERVES

	Profit and Loss Account £'000
At 25th June 1998	-
Retained loss for the period	261
At 30th September 1999	<u>261</u> =====

12. FINANCIAL COMMITMENTS

Contracted capital expenditure authorised by the Directors but not provided in the accounts at 30th September 1999 was £Nil. There were no annual commitments under operating leases.

13. RELATED PARTIES

During the period there were the following transactions and at the period end the following balances were outstanding with the following related parties:

Related party	Type of transaction	Amount £'000	Balance due to related party £'000
Capital Radio Plc	Trading costs and funding	485	(480)
The Telstar Entertainment Group plc	Funding	50	(45)

14. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £'000
Operating loss	(253)
Depreciation	18
Increase in debtors	(46)
Increase in creditors	614
	<u>333</u> =====

15. ANALYSIS OF CHANGE IN NET FUNDS

	At 25th June 1998 £'000	Cash flow £'000	At 30 September 1999 £'000
Cash at bank and in hand	-	255	255
	=====	=====	=====