RADIO FIRST PLC

Annual report

30th September 2000
Registered number 3118359

Contents

Directors and professional advisers

Directors	Keith R Harris	Non-Executive Chairman
	John M Aumonier	Chief Executive
	Rory J S McLeod	Managing Director
	Bruce A Morrison	Finance Director
	Peter G L Ross	Non-Executive

Secretary
Bruce A Morrison

Registered office
Suite 25
Brighton Media Centre
9-12 Middle Street
Brighton
BN1 1AL

Brokers
Ellis & Partners Limited
Talisman House
Jubilee Walk
Three Bridges
Crawley RH10 6AS

Nominated Advisor
Seymour Pierce Limited
29/30 Cornhill
London
EC3V 3NF

Auditors
KPMG Audit Plc
1 Forest Gate
Brighton Road
Crawley
West Sussex

Solicitors
Memery Crystal
31 Southampton Row
London WC1B 5HT

Bankers
Barclays Bank Plc
Media Banking Centre
Soho Square Branch
27 Soho Square
London W1A 4WA

Registrars and Transfer Office
Connaught St Michaels Limited
PO Box 30
Victoria Street
Luton LU1 2PZ

Chairman's Statement

Dear Shareholder

I am pleased to report the results of the Group for the year ended 30 September 2000.

This year has been an exciting one for the Company with the development of our strategy continuing apace. In the last few weeks we have made three announcements, all of which are highly significant for the future progress of the Company.

First, on 17 January 2001 we announced that we had signed a fourth joint venture agreement with a Premier League Football Club, Derby County, to launch a new digital audio station in the East Midlands. Under this agreement Radio First and Derby County will each hold 50% of the joint venture, in a 12 year deal, and the joint venture will own the exclusive non-national digital audio rights for Derby County home matches. The radio station will broadcast 24 hours a day, all year round, and will be based at the Pride Park Stadium. As shareholders will be aware the Company has already signed similar deals with Aston Villa, Chelsea and Southampton football clubs and all four stations are expected to be launched before or during the 2001/2002 football season.

Secondly on 28 February 2001, the Company announced that it had raised approximately £3.5 million (net of expenses) by way of a placing of 4,550,000 new ordinary shares at 80 pence per share. The Board were delighted by the response from institutions new to the Company, particularly in the difficult market conditions prevailing at the time we approached them. The new shares were admitted to trading on AIM on 12 March 2001.

With the funds to build the first four stations, the Board was delighted to be able to announce on 12 March 2001 a carriage agreement with British Sky Broadcasting Limited ("BSkyB") which provides for up to eight radio stations to be distributed on a regional basis to BSkyB's growing digital subscriber base, which currently stands at 4.7 million households. Under the agreement, BSkyB will use their encryption technology to broadcast each station on its Sky Digital platform to a specific region rather than BSkyB's total subscriber base. In what is a very exciting deal for the Company Radio First and BSkyB will undertake a number of joint cross-marketing and promotional initiatives aimed at both listeners and viewers. The stations will also carry Sky News Radio's news and sports bulletins, and the agreement allows for the sharing of other editorial material. In return the Company has issued warrants to BSkyB to subscribe for up to 18% of the Company's enlarged share capital from time to time, exercisable at par at any time for a period of five years.

The completion of the agreement with BSkyB together with the successful placing of new ordinary shares enables the Company to start building the first four stations immediately and we will be announcing the intended launch dates in the near future. The stations will broadcast a popular mix of "Hot Music, Hot Football" including exclusive digital audio commentaries in the relevant region closest to the clubs. They will broadcast 24 hours per day, 7 days per week and will be based at the football clubs respective stadia.

At the time of our admission to AIM our strategy was based primarily on the launch of the stations using Digital Audio Broadcasting ("DAB"). A number of services have been launched both nationally and regionally using DAB technology. However to receive these services, listeners are required to purchase new digital receivers. All the empirical evidence suggests that consumer take up of these new receivers is running behind the original projections highlighted in our AIM admission prospectus. The Board still believes in the future of DAB but the opportunities afforded it by the Sky agreement mean that it is able to focus on launching services on Sky Digital initially and give more consideration to when is the right time to enter into negotiations to secure DAB carriage.

I am pleased to say that at £624,000, administrative expenses are in line with our expectations and, despite the fact that they include the costs of our admission to AIM in March 2000 are less than 1999. Unfortunately the results have been adversely affected following the introduction of 'UITF 25 – National Insurance contributions on share option gains' which requires us to make provision for employer's national insurance contributions on notional share option gains. The provision has been calculated using the share price on 30 September 2000 and will increase or decrease in future years in line with the share price. This has both impacted on the current year results and has required us to restate our prior year accounts. To make it clear the Company has no liability for this charge until and unless the share options are exercised. Furthermore were the options to be exercised, the Company would receive approximately £1.65 million in cash which would more than cover the liability for national insurance.

In conclusion the Company is now well positioned to exploit the opportunities of the digital age. We have four contracts with Premier League Football Clubs, a carriage agreement with BSkyB and the funding required to launch the first four stations. The launch of the stations on the Sky Digital platform will provide immediate access to the BSkyB's growing subscriber base in each of the relevant regions and allow the stations to start marketing their "Hot Music: Hot Football" product to potential advertisers and sponsors. Furthermore negotiations are continuing with a number of clubs, both in the UK and in Europe, and the Board hopes to be making further announcements in the near future.

Keith Harris   30 March 2001
Chairman

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2000.

Principal activities

The Group is looking to establish a network of new local digital radio stations as outlined in the Chairman's Statement on page 2.

Business review and results for the period

A review of the business is included in the Chairman's Statement on page 2.
The Group loss for the year was £926,000 (1999: £1,080,000 as restated) which has been transferred to reserves. This loss is after charging £327,000 (1999: £421,000) for accrued National Insurance on the potential gain on share options. The directors do not recommend the payment of a dividend for the year.

Directors and directors' interests

The directors who have held office during the year were as follows:

K R Harris
J M Aumonier
R J S McLeod
B A Morrison (*appointed 4 January 2000*)
P G L Ross

In accordance with the Memorandum and Articles of Association, Mr Peter Ross will retire by rotation and is proposed for re-appointment at the forthcoming Annual General Meeting.
The directors who held office at the end of the financial period had the following interests in the ordinary share capital of the Company as recorded in the register of shareholders. The directors had no share interests in the subsidiary companies.

	Ordinary shares of 2p each		
	20 March 2001	**30 September 2000**	**Date of appointment or 30 September 1999**
J M Aumonier	1,870,000	1,870,000	1,870,000
R J S McLeod	212,500	150,000	150,000
B A Morrison	18,500	6,000	6,000
P G L Ross	1,159,069	1,159,069	1,359,069

Directors' report *(continued)*

At a meeting on 10 June 1999 the Board approved the establishment of a new share option scheme and option deed, pursuant to which it was resolved to grant at no cost options over the ordinary shares of the Company:

	As at 30 Sept 1999	Granted in year	As at 30 Sept 2000	Date granted	Exercise Price pence
K R Harris	2,390,437	-	2,390,437	10 June 1999	20.0
J M Aumonier	2,390,437	-	2,390,437	10 June 1999	20.0
R J S McLeod	2,390,437	-	2,390,437	10 June 1999	20.0
B A Morrison	318,725	-	318,725	28 Sept 1999	68.0
B A Morrison	-	318,725	318,725	15 Feb 2000	202.5

The options may be exercised at the sole discretion of the option holder at any time from 10 June 2000 until 9 June 2009.

Non-executive directors

Keith Harris (Non-executive Chairman)
Keith Harris is chairman of The Football League in England. He has a particular expertise in the football industry and he has been a business consultant to a number of leading football clubs in the United Kingdom.

He has a first class degree in Business Economics and a PhD in Economics and has worked in global investment banking for more than twenty years. He has extensive international experience in all aspects of mergers and acquisitions, fund-raisings and securities, having previously worked in senior executive positions at Morgan Grenfell, Drexel Burnham Lambert and Apax and Co.

He is currently executive chairman of Seymour Pierce Group plc and holds a number of other non-executive directorships having left his role as chief executive of HSBC Investment Banking plc in order to develop a new range of businesses in the sports and media sectors.

Peter Ross (Non-executive)
Peter Ross is a Member of the Royal Institute of Chartered Surveyors and started his career working for Healey & Baker and then for Taylor Woodrow Property Company following which he joined Stiles Harold Williams Property Consultants. He was closely involved in negotiations of the sale of Stiles Harold Williams to the Alliance and Leicester Building Society in 1988. Following the sale he became Managing Director and later Deputy Chairman of Stiles Harold Williams. In 1995 he became a partner of Vail Williams commercial and industrial property agents and surveyors with responsibility for the Sussex area.

Substantial shareholdings

At 20 March 2001 the following substantial interests of 3 per cent or more of ordinary shares in issue had been notified to the Company.

	No of ordinary 2p shares	%
Pershing Keen Nominees Limited	5,105,355	17.9%
John Aumonier	1,870,000	6.6%
Wingate Investment SA	1,105,500	3.9%
Peter Ross	1,159,069	4.1%
Vidacos Nominees Limited	1,250,000	4.4%
Jupiter Asset Management Limited	2,845,437	10.0%

Directors' report *(continued)*

Corporate Governance

In June 1998, the stock exchange published the Principles of Good Governance and The Code of Best Practice ("the Combined Code") which embraces the work of The Cadbury, Greenbury and Hampel Committees and became effective in respect of accounting periods ending on or after 31 December 1998. Whilst the Company does not have to comply with the Combined Code, the Board is committed to the principles of openness, integrity and accountability contained therein. The Board has established a remuneration committee comprising the non-executive directors. The Board, however, does not consider it appropriate to appoint an audit committee as not only are there insufficient non-executive directors, but also the auditors have the opportunity to address the full Board on any issues which they consider should be brought to the attention of the directors.
The Group has established a system of internal financial controls to control and monitor the Group's business. Further controls will be put in place as the Group expands and consideration will be given to the Turnbull guidance, Internal Control: Guidance for Directors on the Combined Code, published in September 1999.

Remuneration Committee report

The remuneration of the Chairman and non-executive director is determined by the full Board in consultation with other advisers. The remuneration of the Chief Executive and Managing Director are determined by the non-executive directors.
Peter Ross does not have a service contract with the Company. He is paid a fee of £5,000 per annum.
John Aumonier has a 12 month rolling contract with the Company under which from 1 October 1998, he is paid £80,000 per annum and is entitled to benefits such as a company car, private health cover and pension. He is also entitled to a bonus and share options at the discretion of the Remuneration Committee.
Keith Harris has a contract with the Company which is terminable by either party on giving to the other twelve months' notice in writing. Under this contract he is paid a fee of £35,000 per annum and is entitled to share options as agreed by the Board.
Rory McLeod has a 12 month rolling contract with the Company under which he is paid £80,000 per annum and is entitled to benefits such as a company car, private health cover and pension. He is also entitled to a bonus and share options at the discretion of the Remuneration Committee.
Bruce Morrison has a 12 month rolling contract with the Company under which from 4 January 2000 he is paid £60,000 per annum and is entitled to benefits such as a company car, private health cover and pension. He is also entitled to a bonus and share options at the discretion of the Remuneration Committee.
Emoluments paid to the directors in the period comprised:

	Salaries/fees	**Pension costs**	**Total**
	£000	**£000**	**£000**
K R Harris	35	-	35
J M Aumonier	80	8	88
P G L Ross	5	-	5
R G S McLeod	80	8	88
B A Morrison	45	5	50
Totals	245	21	266

Directors' report *(continued)*

Creditor payment policy

The Group does not follow any code or standard on payment practice as it is the Group's policy to settle creditors promptly on mutually agreed terms or as cash flow permits. The terms will vary from supplier to supplier and suppliers will be aware of the terms of payment. For smaller suppliers where no terms are agreed, payment will normally be made in the month following receipt of goods or services or as cash flow permits.

The number of days billings from suppliers outstanding at 30 September 2000 was 8.

Auditors

KPMG Audit Plc have expressed willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Maintenance of Capital

The losses incurred in the period to 30 September 2000 have resulted in the net assets of the Company being less than half of the Company's paid up share capital. Section 142 of the Companies Act requires the directors to convene an Extraordinary General Meeting of the Company in order to consider whether any and, if so, what steps should be taken in connection with the loss of share capital. Accordingly, this matter will be considered at the EGM, notice of which is enclosed with these accounts. The net assets position has been rectified by the issue of 4,550,000 ordinary shares at a price of 80 pence per share, raising £3.5 million (net of expenses). This is more fully explained in note 19 to the accounts.

Annual General Meeting

Details of the Annual General Meeting are set out in the notice enclosed with these accounts.

By order of the board

B A Morrison
Secretary

Suite 25
Brighton Media Centre
9-12 Middle Street
Brighton
BN1 1AL

30 March 2001

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 Group and to prevent and detect fraud and other irregularities.

Auditors' report to the members of Radio First Plc

We have audited the financial statements on pages 10 to 21.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, and as described on page 8, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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. 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 Group is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 Group'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 affairs of the Company and the Group as at 30 September 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor 30 March 2001
Crawley

Consolidated profit and loss account

for the year ended 30 September 2000

	Notes		2000		As restated 1999
		£000	**£000**	£000	£000
Turnover - discontinued operations			-		29
Cost of sales - discontinued operations			-		(26)
Gross profit			-		3
National Insurance on share options	3	**(327)**		(421)	
Other administrative expenses		**(624)**		(721)	
Administrative expenses –					
Continuing operations			**(951)**		(1,142)
Operating loss					
Continuing operations		**(951)**		(1,142)	
Discontinued operations		-		3	
			(951)		(1,139)
Net interest receivable	5		**25**		59
Retained loss on ordinary activities before and after taxation for the year	2-6		**(926)**		(1,080)
Loss per 2p share	6		**(3.87)p**		(5.63)p

Consolidated statement of total recognised gains and losses

for the year ended 30 September 2000

	Notes	2000	As restated 1999
		£000	£000
Loss for the financial year		**(926)**	(1,080)
Prior year adjustment	1	**(421)**	-
Total gains and losses recognised since last annual report		**(1,347)**	(1,080)

Consolidated balance sheet

at 30 September 2000

	Notes		2000		As restated 1999
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	7		**5**		3
			5		3
Current assets					
Debtors	9	**28**		12	
Cash at bank and in hand		**141**		813	
		169		825	
Creditors: amounts falling due within one year	10	**(40)**		(95)	
Net current assets			**129**		730
Provision for liabilities and charges	11		**(748)**		(421)
Net (liabilities)/assets			**(614)**		312
Capital and reserves					
Called up share capital	12		**478**		478
Share premium account	13		**872**		872
Profit and loss account	13		**(1,964)**		(1,038)
Equity shareholders' funds	14		**(614)**		312

These financial statements were approved by the Board of directors on 30 March 2001 and were signed on its behalf by:

J M Aumonier
Director

B A Morrison
Director

Company balance sheet

at 30 September 2000

				As restated	
	Notes		**2000**		1999
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	7		**5**		3
			5		3
Current assets					
Debtors	9	**28**		12	
Cash at bank and in hand		**141**		813	
		169		825	
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These financial statements were approved by the Board of directors on 30 March 2001 and were signed on its behalf by:

J M Aumonier
Director

B A Morrison
Director

Consolidated cash flow statement

for the year ended 30 September 2000

	Note	2000	As restated 1999
		£000	£000
Cash flow from operating activities	16	**(693)**	(699)
Returns on investments and servicing of finance	17	**25**	59
Investing activities	17	**(4)**	-
Cash outflow before financing		**(672)**	(640)
Financing	17	**-**	352
Decrease in cash in period		**(672)**	(288)
Reconciliation of net cash flow to movement in net funds	18		
Decrease in cash in the period		**(672)**	(288)
Movement in net funds in the period		**(672)**	(288)
Net funds at the start of the period		**813**	1,101
Net funds at the end of the period		**141**	813

Notes

(forming part of the financial statements)

1 *Accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and on a going concern basis as explained in note 19.

Prior year adjustment – Introduction of UITF Abstract 25

Following the introduction of "UITF Abstract 25 – National Insurance contributions on share option gains" which requires the accrual of employers national insurance contributions on the notional gains on exercise of share options granted, the balance sheets, consolidated profit and loss account and consolidated cash flow statement for the year ended 30 September 1999 have been restated. The effect of this has been to increase the operating loss in that year by £421,000 and to reduce net assets at 30 September 1999 of the Company and Group by the same amount.

Basis of consolidation

The Group accounts consolidate the accounts of Radio First Plc and its subsidiary undertakings. These accounts are made up to 30 September annually.
The acquisition method of accounting has been adopted. Under this method, the results of a subsidiary acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.
In accordance with Section 230(4) of the Companies Act 1985 Radio First Plc is exempt from the requirement to present its own profit and loss account.
The amount of the profit for the financial year dealt with in the financial statements of the Company is disclosed in the notes to these accounts.

Fixed assets and depreciation

Depreciation is provided by the Group to write off the cost less the estimated residual value of tangible fixed assets as follows:
Office equipment - 20% per annum on cost

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.

2 *Loss on ordinary activities before taxation*

	2000	1999
	£000	£000
Loss on ordinary activities before taxation is stated after charging		
Directors' remuneration	**266**	158
Auditors' remuneration		
Group and Company	**8**	8
Operating leases – plant and machinery	**13**	3
Other operating leases	**10**	6

The auditors received £45,000 (1999: £15,000) in respect of non-audit fees.

3 *National Insurance on share options*

This charge relates to the estimated liability for employer's National Insurance contributions on the notional gains on exercise on employees' share options granted based upon the market value of the ordinary share at the balance sheet date.

4 *Staff numbers and costs*

The average number of persons employed by the Group (including directors) during the period was 5 (1999: 3).
The aggregate payroll costs of these persons were as follows:

	2000	1999
	£000	£000
Wages and salaries	215	121
Social security costs	25	13
Other pension costs	21	7
	261	141

Included in the above are amounts paid to directors as follows;

	2000	1999
	£000	£000
Salaries and fees	245	121
Compensation for loss of office	-	30
Pension costs	21	7
	266	158

Further details relating to directors' emoluments and share options are given in the Remuneration Committee report.

Notes *(continued)*

5 *Net interest receivable*

	2000	1999
	£000	£000
Bank interest receivable	**25**	59

6 *Loss per share*

The loss per share has been based on the loss after taxation of £926,000 (1999: £1,080,000 as restated) and 23,904,372 (1999:19,166,052) ordinary shares of 2p, the weighted average of the number of shares in issue.
The calculation of fully diluted loss per share has not been shown as there is no dilution in either year.

7 *Tangible fixed assets*

Group and Company	**Fixtures and fittings**
	£000
Cost	
At beginning of year	3
Additions	7
Disposals	(4)
At end of year	6
Depreciation	
At beginning of year	-
Charge for period	2
Disposals	(1)
At end of year	1
Net book value	
At 30 September 2000	**5**
At 30 September 1999	3

Notes *(continued)*

8 *Fixed asset investments*

Company	Activity	Interest	Ordinary Share Capital
Radio First (Peterborough) Limited	Dormant	100%	£2
Radio First (Cheltenham & Gloucester) Limited	Dormant	100%	£2
Radio First (Northants) Limited	Dormant	100%	£2
Radio First (Hereford & Worcester) Limited	Dormant	100%	£2
The Fan Radio Network Limited	Dormant	100%	£2
Chelsea Village Radio Limited	Dormant	50%	£2
Exceptburst Limited	Dormant	50%	£2
Brandstrand Limited	Dormant	50%	£2

9 *Debtors*

	Group 2000 £000	**Company 2000 £000**	Group 1999 £000	Company 1999 £000
Amounts falling due within one year				
Prepayments	**15**	**15**	1	1
Other debtors	**13**	**13**	11	11
	28	**28**	12	12

10 *Creditors: amounts falling due within one year*

Group and Company	**2000 £000**	1999 £000
Trade creditors	**13**	-
Other taxation and social security	**9**	7
Accruals and deferred income	**18**	88
	40	95

11 *Provisions for liabilities and charges*

Group and Company	2000	As restated 1999
	£000	£000
At beginning of year	**421**	-
Charge for the year	**327**	421
At end of year	**748**	421

The provision relates to the estimated liability for employer's National Insurance contributions on the notional gains on exercise of employees' share options granted based upon the market value of the ordinary share at the balance sheet date.

12 *Called up share capital*

	2000	1999
	£000	£000
Authorised		
50,000,000 Ordinary shares of 2p each	**1,000**	1,000
Allotted, called up and fully paid		
23,904,372 Ordinary shares of 2p each	**478**	478

At 30 September 2000 the following options were outstanding to subscribe for ordinary shares. They are exercisable at the sole discretion of the option holder at any time from 10 June 2000 until 9 June 2009.

Year options granted	Options at 1 October 1999	Exercised in year	Lapsed in year	New grants	Options at 30 September 2000	Exercise price	Period during which options exercisable
1999	7,171,311	-	-	-	7,171,311	20.0p	2000-2009
1999	318,725	-	-	-	318,725	68.0p	2000-2009
2000	-	-	-	318,725	318,725	202.5p	2000-2009

13 *Reserves*

Group and Company	Share premium account	Profit and loss account
	£000	£000
At beginning of year as previously stated	872	(617)
Prior year adjustment	-	(421)
At beginning of year as restated	872	(1,038)
Loss retained for year	-	(926)
At end of year	**872**	**(1,964)**

14 *Reconciliation of movements in shareholders' funds*

	Group 2000	**Company 2000**	As restated Group 1999	As restated Company 1999
	£000	**£000**	£000	£000
Loss for the financial period	**(926)**	**(926)**	(1,080)	(1,080)
Net equity share capital issued	**-**	**-**	352	352
Net decrease in shareholders' funds	**(926)**	**(926)**	(728)	(728)
Opening shareholders' funds (see below)	**312**	**312**	1,040	1,040
Closing shareholders' funds	**(614)**	**(614)**	312	312

Opening shareholders' funds were originally £733,000 before the prior year adjustment of £421,000.

Notes *(continued)*

15 *Commitments*

The Group and Company has the following operating lease commitments:

	2000	1999
	£000	£000
Plant and equipment		
On leases terminating between two and five years	**15**	10

The Group and the Company has no capital commitments either contracted for or authorised but not contracted (1999: £nil).

16 *Reconciliation of operating loss to net cash outflow from operating activities*

		As restated
	2000	1999
	£000	£000
Operating loss	**(951)**	(1,139)
Depreciation charge	**2**	-
(Increase)/decrease in debtors	**(16)**	42
Decrease in creditors	**(55)**	(23)
Increase in provision for liabilities and charges	**327**	421
Net cash outflow from operating activities	**(693)**	(699)

17 *Analysis of cashflows*

	2000	1999
	£000	£000
Returns on investment and servicing of finance		
Interest received	**25**	59
Investing activities		
Payments to acquire tangible fixed assets	**(7)**	-
Receipts from the sale of tangible fixed assets	**3**	-
	(4)	-
Financing		
Issue of ordinary share capital	**-**	113
Share premium	**-**	239
	-	352

Notes *(continued)*

18 *Analysis of the net funds*

	At 30 Sept 1999	Cash flow	At 30 Sept 2000
	£000	**£000**	**£000**
Cash in hand	813	(672)	**141**

19 *Post balance sheet events*

On 28 February 2001 the Company announced that it had placed 4,550,000 new ordinary shares of 2p each at 80p per share raising approximately £3.5 million (net of expenses). The placing was conditional upon the Company entering into an agreement with British Sky Broadcasting Limited ("BSkyB") for the distribution of the Company's digital audio services to the customers of BSkyB. On 12 March 2001 the Company announced the completion of this agreement and the placing of 4,550,000 ordinary shares became unconditional.