


BALANCE SHEET
12 October 2001

	Note	12 October 2001 £
CURRENT ASSETS		
Cash at bank		50,000
Called up share capital not paid		1
NET ASSETS		<u>50,001</u>
 CAPITAL AND RESERVES		
Called up share capital	2	<u>50,001</u>
SHAREHOLDERS' FUNDS		<u>50,001</u>
Attributable to equity shareholders		1
Attributable to non-equity shareholders		<u>50,000</u>
		<u>50,001</u>

This balance sheet was approved by the Board of Directors on 19 October 2001.

Signed on behalf of the Board of Directors


C Stainforth
Director



NOTES TO THE BALANCE SHEET

12 October 2001

1. ACCOUNTING POLICIES

The balance sheet is prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The balance sheet is prepared under the historical cost convention.

Going concern

The balance sheet is prepared on a going concern basis.

2. CALLED UP SHARE CAPITAL

	12 October 2001 £
Authorised:	
1,000 ordinary shares of £1 each	1,000
50,000 redeemable shares of £1 each	50,000
	<hr/> 51,000 <hr/>
Allotted, called up and fully paid:	
50,000 redeemable shares of £1 each	50,000
Allotted, called up and unpaid	
1 ordinary share of £1	1
	<hr/> 50,001 <hr/>

The company was incorporated on 7 March 2001 under the name Flowcycle Limited with an authorised capital of 1,000 ordinary shares of £1 each and has not traded since that date. The called up capital at the time of incorporation was 1 ordinary share of £1. On 12 October 2001 the authorised capital of the company was increased from £1,000 to £51,000 with the creation of 50,000 £1 redeemable shares. On 12 October 2001 the 50,000 redeemable shares were allotted at a price of £1 each fully paid.

The company's share capital has the following special rights and restrictions:

Redeemable shares

The redeemable shares rank pari passu with the ordinary shares save that they have the following additional rights and restrictions:

1. Subject to the provisions of the Articles and the Statutes, the company may by notice in writing to the holders of the redeemable shares redeem at par value any redeemable shares in issue.

NOTES TO THE BALANCE SHEET

12 October 2001

2. CALLED UP SHARE CAPITAL (Continued)

2. Any notice of redemption shall specify the particular shares to be redeemed, the date fixed for redemption and the place at which the certificates for such shares are to be presented for redemption and upon such date each of the holders of the shares concerned shall be bound to deliver to the company at such place the certificates for such of the shares concerned as are held by them (or an indemnity in lieu thereof in a form satisfactory to the company) in order that the same may be cancelled. Upon such delivery the company shall pay to such holder (or, in the case of joint holders, to the holder whose name stands first in the Register in respect of such shares) the amount due to them in respect of such redemption.
3. There shall be paid on each share redeemed the amount paid up on that share.
4. As from the date fixed for redemption of any redeemable shares dividends shall cease to accrue thereon.
5. If any holder of redeemable shares whose shares are liable to be redeemed under Article 4 of the Articles of Association of the company shall fail or refuse to deliver up the certificate for his shares the company may retain the redemption moneys until delivery up of the certificate or of an indemnity in respect of the certificate satisfactory to the company and shall within seven days thereafter pay (by cheque despatched at the holder's risk) the redemption moneys to the shareholder. No holder of redeemable shares shall have any claim against the company for interest on any redemption moneys so retained.

3. POST BALANCE SHEET EVENTS

It is the intention for the company to be re-registered as Medal Entertainment and Media plc for the purposes of admission to the Alternative Investment Market (AIM). A placing is to be made to provide working capital and funds for the strategies as set out in the prospectus to be issued. The placing shares will rank pari passu with the existing ordinary shares. The company will on completion of the placing allot unit warrants and Peel Hunt warrants in respect of the ordinary shares under separate warrant arrangements. Application has been made for admission of the ordinary shares and unit warrants as units to trading on AIM. One unit warrant will be issued to the subscriber for each ordinary share. Immediately upon completion of the placing, the 50,000 redeemable shares in issue will be redeemed at par value using as consideration £50,000 of the proceeds of the placing.

FLOWCYCLE LIMITED

Balance Sheet

12 October 2001

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**

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12 OCTOBER 2001**

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The company's directors are responsible for the preparation of the balance sheet. It is the duty of the directors to prepare the balance sheet in accordance with the provisions of the Companies Act 1985 which would have applied had the balance sheet been prepared for a financial year of the company. In preparing the balance sheet 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; and
- prepare the balance sheet on a 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. 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.