

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2001

WESTON K

CHARTERED ACCOUNTANTS

73/75 Mortimer Street,
London W1W 7SQ



YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

COMPANY INFORMATION

Directors	D M Green	(Appointed 11 May 2000)
	S Green	(Appointed 29 August 2001)
	D G Owen	(Appointed 21 November 2001)
Secretary	C D Wander	
Company number	3990450	
Registered office	25 North Row London W1K 6DJ	
Auditors	Weston Kay 73/75 Mortimer Street London W1W 7SQ	
Bankers	Barclays Bank PLC London Corporate Banking PO Box 15161R 50 Pall Mall London SW1A 1QA	
Solicitors	Fladgate Fielder 25 North Row London W1K 6DJ	

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 10

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MAY 2001

The directors present their report and financial statements for the period ended 31 May 2001.

Principal activities and review of the business

You Me TV Plc was incorporated on 11 May 2000 as You Me TV Limited and was re-registered as a public limited company on 13 June 2001 following a special resolution passed on 12 June 2001.

The principal activity of the company is to provide individual solutions focusing on digital television, telephony and internet subscriptions and associated hardware through retail outlets.

The company has incurred development expenditure and costs in relation to initial systems implementation. The directors are actively pursuing a development programme which will enable the company to expand during the next trading year.

Results and dividends

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

Post balance sheet events

On 12 June 2001, 30,470 Ordinary shares of £1 each were issued at par to D Green each 25 per cent part paid to the sum of £7,618. On the same date, a further 19,528 Ordinary shares of £1 each were issued at par to D Green each 25 per cent part paid to the sum of £4,882. Subsequently on 12 June 2001, each Ordinary share of £1 was subdivided into 100 Ordinary shares of 1p each.

On 13 September 2001, the authorised and issued share capital were amended in that 4,998,000 Ordinary shares of 1p each were redesignated as deferred shares of 1p each.

On 20 November 2001, a further 576 Ordinary shares of 1p each were issued fully paid for cash at an amount of £368.93 per share. On 29 November 2001, a further 56 Ordinary shares of 1p each were issued fully paid for cash at an amount of £1,785.71 per share.

On 29 November 2001, the deferred shares were transferred from D Green, the director, to other shareholders. Subsequently on 29 November 2001, the remaining 75 per cent of the nominal value of the deferred shares was called up to the sum of £37,485.

On 12 December 2001, 20 of the authorised Ordinary 1p shares were redesignated as 'A' Ordinary 1p shares.

On 2 January 2002, 10 'A' Ordinary shares of 1p each were issued fully paid for cash at an amount of £25,000 per share. On 16 April 2002, a further 57 Ordinary shares of 1p each were issued fully paid for cash at an amount of £1,754.39 per share.

Warrants have been issued to subscribe for 56 Ordinary shares of 1p each in the 5 years from February 2002 at an amount of £1,785.72 per share and to subscribe for 53 Ordinary shares of 1p each in the 5 years from February 2002 at an amount of £434.02 per share.

The following share options have been granted;

To subscribe for Ordinary shares of 1p each to represent 5 per cent of the issued share capital at the date of exercise, at par, exercisable in the 3 years from September 2001.

2 options, each to subscribe for 82 Ordinary shares of 1p each at a total price of £127,500 exercisable in the 18 months from November 2001.

2 options, each to subscribe for 5 'A' Ordinary shares of 1p each at a total price of £125,000 exercisable in the 18 months from January 2002.

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2001

Directors

The following directors have held office since 11 May 2000:

QA Nominees Limited	(Appointed 11 May 2000 and resigned 11 May 2000)
D M Green	(Appointed 11 May 2000)
M Blackmore	(Appointed 12 June 2001 and resigned 24 July 2001)
C Edmeades	(Appointed 12 June 2001 and resigned 6 August 2001)
S Green	(Appointed 29 August 2001)
D G Owen	(Appointed 21 November 2001)

Directors' interests

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

	Ordinary shares of £ 1 each	
	31 May 2001	11 May 2000
D M Green	2	-

On 12 June 2001, 49,998 Ordinary shares of £1 each were issued at par to D Green, each 25 per cent paid up. The shares were each subdivided into 100 Ordinary shares of 1p each on 12 June 2001. On 13 September 2001, 4,998,000 Ordinary 1p shares were redesignated as deferred 1p shares. Mr Green now holds 1,999 Ordinary 1p shares and Mrs S Green owns 1 Ordinary 1p share.

Auditors

Smith & Williamson were appointed as auditors to the company and resigned on 17 April 2002. Weston Kay were then appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

This report was approved by the Board on 27 June 2002


C D Wander
Secretary

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

We have audited the financial statements of You Me TV Plc (formerly You Me TV Limited) on pages 4 to 10 for the period ended 31 May 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 31 May 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Weston Kay
Chartered Accountants
Registered Auditor
73/75 Mortimer Street
London W1W 7SQ

2 July 2002

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MAY 2001

	Notes	Period ended 31 May 2001 £
Administrative expenses		(22,467)
Loss on ordinary activities before taxation	2	(22,467)
Tax on loss on ordinary activities	3	-
Loss on ordinary activities after taxation	9	(22,467)

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.

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

BALANCE SHEET AS AT 31 MAY 2001

	Notes	2001 £	£
Fixed assets			
Intangible assets	4		11,981
Tangible assets	5		3,302
			<u>15,283</u>
Current assets			
Debtors	6	3,204	
Creditors: amounts falling due within one year	7	(40,952)	
			<u>(37,748)</u>
Total assets less current liabilities			<u>(22,465)</u>
Capital and reserves			
Called up share capital	8		2
Profit and loss account	9		(22,467)
Shareholders' funds - equity interests	10		<u>(22,465)</u>

The financial statements were approved by the Board on 27 June 2002

.....
D M Green
Director

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2001

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Trademarks

Trademarks are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.4 Research and development

Development expenditure is written off to the profit and loss account when it is incurred unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is capitalised and amortised over the period during which the company is expected to benefit. Development expenditure represents the cost of the design and development of the corporate identity and of the computer system which will be utilised by the company in its trade.

1.5 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:

Computer Equipment	25% Straight line
Office equipment	25% Straight line

1.6 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.

2 Operating loss

2001

£

Operating loss is stated after charging:

Depreciation of tangible assets	1,101
Auditors' remuneration	1,500

3 Taxation

No liability to corporation tax arises due to the expenditure incurred in the first period of trading.

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2001

4 Intangible fixed assets

	Trademarks	Development Costs	Total
	£	£	£
Cost			
At 11 May 2000	-	-	-
Additions	1,981	10,000	11,981
At 31 May 2001	<u>1,981</u>	<u>10,000</u>	<u>11,981</u>

5 Tangible fixed assets

	Computer Equipment	Office equipment	Total
	£	£	£
Cost			
At 11 May 2000	-	-	-
Additions	4,297	106	4,403
At 31 May 2001	<u>4,297</u>	<u>106</u>	<u>4,403</u>
Depreciation			
At 11 May 2000	-	-	-
Charge for the period	1,074	27	1,101
At 31 May 2001	<u>1,074</u>	<u>27</u>	<u>1,101</u>
Net book value			
At 31 May 2001	<u>3,223</u>	<u>79</u>	<u>3,302</u>

6 Debtors

	2001 £
Other debtors	<u>3,204</u>

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2001

7	Creditors: amounts falling due within one year	2001
		£
	Trade creditors	2,886
	Other creditors	30,566
	Accruals and deferred income	7,500
		<hr/>
		40,952
		<hr/>

Other creditors represents amounts owed to the director in respect of expenses paid on behalf of the company. On 12 June 2001, £22,948 of this was forgiven and the balance of £7,618 was capitalised in respect of the issue at par of 30,470 Ordinary shares of £1 each 25 per cent part paid to this amount.

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2001

8	Share capital	2001 £
	Authorised	
	1,000,000 Ordinary shares of £ 1 each	1,000,000
	Allotted, called up and fully paid	
	2 Ordinary shares of £ 1 each	2

On 12 June 2001, 30,470 Ordinary shares of £1 each were issued at par to D Green each 25 per cent part paid to the sum of £7,618. On the same date, a further 19,528 Ordinary shares of £1 each were issued at par to D Green each 25 per cent part paid to the sum of £4,882. Subsequently on 12 June 2001, each Ordinary share of £1 was subdivided into 100 Ordinary shares of 1p each.

On 13 September 2001, the authorised and issued share capital were amended in that 4,998,000 Ordinary shares of 1p each were redesignated as deferred shares of 1p each.

On 20 November 2001, a further 576 Ordinary shares of 1p each were issued fully paid for cash at an amount of £368.93 per share. On 29 November 2001, a further 56 Ordinary shares of 1p each were issued fully paid for cash at an amount of £1,785.71 per share.

On 29 November 2001, the deferred shares were transferred from D Green, the director, to other shareholders. Subsequently on 29 November 2001, the remaining 75% of the nominal value of the deferred shares was called up to the sum of £37,485.

On 12 December 2001, 20 of the authorised Ordinary 1p shares were redesignated as 'A' Ordinary 1p shares.

On 2 January 2002, 10 'A' Ordinary shares of 1p each were issued fully paid for cash at an amount of £25,000 per share.

On 16 April 2002, a further 57 Ordinary shares of 1p each were issued fully paid for cash at an amount of £1,754.39 per share.

The deferred shares of 1p each do not have any rights in respect of voting or dividends and holders are only entitled to receive the return of capital on a winding up equivalent to the amount paid up in respect of those shares.

The 'A' Ordinary 1p shares rank pari passu with Ordinary 1p shares except that, prior to any of the share capital being admitted for dealing on an investment exchange, each 'A' share will be treated as representing 0.5% of the issued share capital, other than deferred shares. On admission to a recognised investment exchange, or the issue of shares in connection with such admission, the 'A' shares will be converted into a number of Ordinary shares representing 0.5% of the total issued Ordinary shares.

Warrants have been issued to subscribe for 56 Ordinary shares of 1p each in the 5 years from February 2002 at an amount of £1,785.72 per share and to subscribe for 53 Ordinary shares of 1p each in the 5 years from February 2002 at an amount of £434.02 per share.

The following share options have been granted;

To subscribe for Ordinary shares of 1p each to represent 5 per cent of the issued share capital at the date of exercise, at par, exercisable in the 3 years from September 2001.

2 options, each to subscribe for 82 Ordinary shares of 1p each at a total price of £127,500 exercisable in the 18 months from November 2001.

2 options, each to subscribe for 5 'A' Ordinary shares of 1p each at a total price of £125,000 exercisable in the 18 months from January 2002.

YOU ME TV PLC (FORMERLY YOU ME TV LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MAY 2001

9 Statement of movements on profit and loss account

Profit and
loss account
£

Retained loss for the period (22,467)

10 Reconciliation of movements in shareholders' funds

2001

£

Loss for the financial period (22,467)

Proceeds from issue of shares 2

Net depletion in shareholders' funds (22,465)

Opening shareholders' funds -

Closing shareholders' funds (22,465)

11 Employees

Number of employees

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

2001
Number

Administrative 1

12 Related party transactions

Other creditors represents amounts owed to the director in respect of expenses paid on behalf of the company. On 12 June 2001, £22,948 of this was forgiven and the balance of £7,618 was capitalised in respect of the issue at par of 30,470 Ordinary shares of £1 each 25 per cent paid to this amount.