

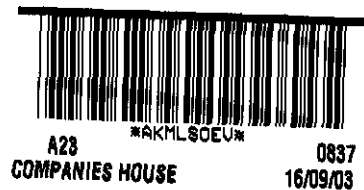
454320

Brightview Internet Services Limited
(formerly Dialstream Limited
formerly Keymetro Limited)

Report and Financial Statements

Period ended

30 April 2003



BDO

BDO Stoy Hayward
Chartered Accountants

BRIGHTVIEW INTERNET SERVICES LIMITED

Annual report and financial statements for the period ended 30 April 2003

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Directors

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Directors

D P Laurie
J A Coleman

Secretary and registered office

D A Stirling, 8 Baker Street, London, W1U 3LL.

Company number

04334320

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

BRIGHTVIEW INTERNET SERVICES LIMITED

Report of the directors for the period ended 30 April 2003

The directors present their report together with the audited financial statements for the period ended 30 April 2003.

Incorporation

The company was incorporated on 5 December 2001 and trading began on 25 February 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the period.

No dividends were paid during the period.

Principal activities, review of business and future developments

The company is engaged in providing internet services to households and small businesses.

There have been no events since the balance sheet date which materially affect the position of the company.

Directors

The Directors of the company during the period were:

D P Laurie	(appointed 26 March 2002)
G E Vardey	(appointed 26 March 2002; resigned 23 April 2002)
J J Menell	(appointed 26 March 2002; resigned 13 December 2002)
J A Coleman	(appointed 9 July 2002)
A J G Bilton	(appointed 20 December 2001; resigned 26 March 2002)
Instant Companies Limited	(resigned 20 December 2001)

No director had any beneficial interest in the share capital of the company.

BRIGHTVIEW INTERNET SERVICES LIMITED

Report of the directors for the period ended 30 April 2003 (*Continued*)

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:

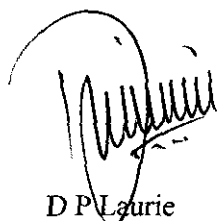
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 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.

Auditors

BDO Stoy Hayward, who were appointed as first auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

On behalf of the Board



D P Laurie
Director

12 September 2003

BRIGHTVIEW INTERNET SERVICES LIMITED

Report of the independent auditors

To the shareholders of Brightview Internet Services Limited

We have audited the financial statements of Brightview Internet Services Limited for the period ended 30 April 2003 on pages 5 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

BRIGHTVIEW INTERNET SERVICES LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "BDO Stoy Hayward", is written over the printed name.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
London

12 September 2003

BRIGHTVIEW INTERNET SERVICES LIMITED**Profit and loss account for the period 30 April 2003**

	Note	£
Turnover	2	10,902,614
Cost of sales		3,167,430
Gross profit		7,735,184
Administrative expenses		6,242,953
Operating profit	5	1,492,231
Interest receivable		11,310
Interest payable and similar charges	6	790,199
Profit on ordinary activities before taxation		713,342
Taxation	7	182,401
Profit on ordinary activities after taxation and retained for the period		530,941

All amounts relate to continuing activities.

There are no recognised gains or losses other than profit for the period.

The notes on pages 9 to 15 form part of these financial statements.

BRIGHTVIEW INTERNET SERVICES LIMITED**Reconciliation of movements in shareholders' funds for the period ended 30 April 2003**

	£
Profit for the period	530,941
New share capital subscribed	1
	<hr/>
Shareholders' funds at 30 April 2003	530,942
	<hr/>

The notes on pages 9 to 15 form part of these financial statements.

BRIGHTVIEW INTERNET SERVICES LIMITED**Balance sheet at 30 April 2003**

	Note	£	£
Fixed assets			
Intangible assets	8		526,893
Tangible assets	9		3,530,206
			<hr/>
			4,057,099
Current assets			
Debtors	10	1,287,833	
Cash at bank and in hand		2,614,123	
		<hr/>	
		3,901,956	
Creditors: amounts falling due within one year	11	1,920,551	
		<hr/>	
Net current assets			1,981,405
			<hr/>
Total assets less current liabilities			6,038,504
Creditors: amounts falling due after more than one year	12		5,507,562
			<hr/>
Net assets			530,942
			<hr/> <hr/>
Capital and reserves			
Share capital	13		1
Profit and loss account	14		530,941
			<hr/>
Shareholders' funds			530,942
			<hr/> <hr/>

The financial statements were approved by the Board on 12 September 2003



D P Laurie
Director

The notes on pages 9 to 15 form part of these financial statements.

BRIGHTVIEW INTERNET SERVICES LIMITED**Cash flow statement for the period ended 30 April 2003**

	Note	£	£
Net cash inflow from operating activities	15		3,145,216
Returns on investments and servicing of finance			
Interest received		11,310	
		<hr/>	
Net cash inflow from returns on investments and servicing of finance			11,310
Capital expenditure			
Purchase of tangible fixed assets		(5,391,350)	
Purchase of intangible fixed assets		(658,616)	
		<hr/>	
			(6,049,966)
Cash outflow before use of liquid resources and financing			(2,893,440)
Management of liquid resources			
Increase in short term deposit			(216,000)
			<hr/>
Cash outflow before financing			(3,109,440)
Financing			
Increase in long-term borrowings		5,507,562	
Issue of ordinary share capital		1	
		<hr/>	
			5,507,563
Increase in cash	17		2,398,123

The notes on pages 9 to 15 form part of these financial statements.

BRIGHTVIEW INTERNET SERVICES LIMITED

Notes forming part of the financial statements for the period ended 30 April 2003

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment - 33⅓% per annum straight line

Intangible assets

Goodwill arising on the acquisition of a business is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 5 years.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of roll over relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

BRIGHTVIEW INTERNET SERVICES LIMITED

Notes forming part of the financial statements for the period ended 30 April 2003 (Continued)

3 Employees £

Staff costs consist of:

Wages and salaries	1,306,434
Social security costs	125,770
Other pension costs	23,614
	<hr/>
	1,455,818
	<hr/>

The average number of employees during the period including directors was 47.

4 Directors

There were no directors' emoluments paid in the period to 30 April 2003

5 Operating profit £

This has been arrived at after charging:

Depreciation on office equipment	1,661
Depreciation on infrastructure	1,859,483
Auditors' remuneration	15,000
Amortisation of goodwill	131,723
Bad debts expense	27,299
	<hr/>

6 Interest payable and similar charges £

Other loans	790,199
	<hr/>

BRIGHTVIEW INTERNET SERVICES LIMITEDNotes forming part of the financial statements for the period ended 30 April 2003 (*Continued*)

7	Taxation on profit from ordinary activities	£
	<i>Current tax</i>	
	UK corporation tax on profit of the period	283,218
	<i>Deferred tax</i>	
	Origination and reversal of timing differences	(100,817)
	Taxation on profit on ordinary activities	182,401
	<i>Taxation reconciliation</i>	
	Profit on ordinary activities before tax	713,342
	Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	214,003
	Effects of:	
	Expenses not deductible for tax purposes	44,223
	Group relief	(75,825)
	Depreciation for the period in excess of capital allowances	100,817
	Current tax charge for period	283,218
8	Intangible assets - Goodwill	£
	<i>Cost</i>	
	Additions and at end of period (see note 20)	658,616
	<i>Amortisation</i>	
	Provided for the period and at end of period	131,723
	<i>Net book value</i>	
	At 30 April 2003	526,893

BRIGHTVIEW INTERNET SERVICES LIMITED**Notes forming part of the financial statements for the period ended 30 April 2003 (Continued)****9 Tangible assets**

	Computer equipment £
<i>Cost</i>	
Additions and at 30 April 2003	5,391,350
	<hr/>
<i>Depreciation</i>	
Provided for the period and at 30 April 2003	1,861,144
	<hr/>
<i>Net book value</i>	
At 30 April 2003	3,530,206
	<hr/> <hr/>

10 Debtors

	£
Trade debtors	151,477
Amount receivable from parent - Brightview Group Limited	433,291
Other debtors	10,758
Prepayments and accrued income	591,490
Deferred tax – capital allowances	100,817
	<hr/>
	1,287,833
	<hr/> <hr/>

The deferred tax balance is recoverable after more than one year.

All other amounts shown under debtors fall due for payment within one year.

11 Creditors: amounts falling due within one year

	£
Trade creditors	312,433
Corporation tax	283,218
Taxation and social security	386,348
Accruals	265,372
Deferred income	673,180
	<hr/>
	1,920,551
	<hr/> <hr/>

BRIGHTVIEW INTERNET SERVICES LIMITED**Notes forming part of the financial statements for the period ended 30 April 2003 (Continued)**

12 Creditors: amounts falling due after more than one year **£**

Loan from parent entity – Brightview Group Limited	5,507,562
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On 15 April 2003 the loan was transferred from Brightview Limited to Brightview Group Limited after Brightview Limited went into Administration on 9 April 2003.

13 Share capital

	Authorised, allotted, called up and fully paid Number	£
£1 ordinary shares	1	1

14 Reserves

	Profit and loss account £
Profit for the period	530,941
At 30 April 2003	530,941

15 Reconciliation of operating profit to net cash inflow from operating activities **£**

Operating profit	1,492,231
Depreciation	1,861,144
Amortisation	131,723
Increase in debtors	(1,977,215)
Increase in creditors	1,637,333
Net cash inflow from operating activities	3,145,216

BRIGHTVIEW INTERNET SERVICES LIMITED

Notes forming part of the financial statements for the period ended 30 April 2003 (*Continued*)

16 Reconciliation of net cash inflow to movement in net debt	£
Increase in cash in the period	2,614,123
Increase in debt	(5,507,562)
	<hr/>
Change in net debt resulting from cash flows	(2,893,439)
	<hr/>
Closing net debt	(2,893,439)
	<hr/>

17 Analysis of net debt	Cash flow £
Cash in hand and at bank	2,398,123
Managed liquid resources	216,000
	<hr/>
	2,614,123
Debt due after one year	(5,507,562)
	<hr/>
Total	(2,893,439)
	<hr/>

18 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with members of the group headed by Reedbest Properties Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in those consolidated financial statements.

19 Ultimate Holding Company

The immediate parent company is Brightview Group Limited a company registered in England and Wales. The ultimate parent company is Reedbest Properties Limited a company registered in England and Wales.

BRIGHTVIEW INTERNET SERVICES LIMITED

Notes forming part of the financial statements for the period ended 30 April 2003 (*Continued*)

20 Acquisition

On 26 February 2002 the company acquired the dial traffic business and assets of various subsidiaries of XO Limited (now GX Limited) for £2.1 million initial cash consideration and £1.84 million deferred consideration which was fully paid during the period. In calculating the goodwill arising on the acquisition the fair value of the assets were assessed as:

	£
Cash consideration	3,958,616
Fixed assets – fair value	(3,300,000)
	<hr/>
Goodwill	658,616
	<hr/>

Another £1.5m was paid for further fixed assets of XO Limited. This was equal to the fair value therefore no goodwill arose.