Brightview Internet Services Limited

Directors' report and financial statements

Registered number 04334320

For the period ended 30 June 2005

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Company information

Directors

DP Laurie
DA Stirling

Secretary and registered office

DA Stirling
9-10 Grafton Street
London
W1S 4EN

Company number

04334320

Auditors

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Directors' report

The directors present their annual report and the audited financial statements for the fourteen month period ended 30 June 2005.

Principal activities and business review

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.

Results and dividends

The profit and loss account set out on page 5 shows the results for the year.

No dividends were paid during the year.

Directors and directors' interests

The directors who served during the year were as follows:

DP Laurie	
DA Stirling	(appointed 13 August 2004)
JA Coleman	(resigned 9 August 2004)
JJ Menell	(resigned 9 August 2004)

No director had any beneficial interest in the share capital of the company. The interests of the directors in the share capital of the ultimate controlling company, Invox plc, are as follows:

	Ordinary shares of 50p each	
	2005	2004
David Stirling	**24,599**	-

DP Laurie is a director of the ultimate holding company, Invox plc, and his interest in the share capital of that company is shown in the financial statements of that company.

Auditors

During the year BDO Stoy Hayward LLP resigned as auditors of the company and KPMG Audit Plc were appointed to fill the casual vacancy arising.

In accordance with section 384 of the Companies Act 1985, a resolution will be put to the members at the annual general meeting to re-appoint KPMG Audit Plc as auditors of the company.

On behalf of the board

DP Laurie
Director

9-10 Grafton Street
London
W1S 4EN

30 September 2005

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 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;
- 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 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.

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Brightview Internet Services Limited

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 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.

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 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 30 June 2005 and of its loss for the 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

30 September 2005

Profit and loss account
for the period ended 30 June 2005

	Note	Period ended 30 June 2005 £	Year ended 30 April 2004 £
Turnover	*2*	**7,300,944**	8,111,489
Cost of sales		**(4,073,753)**	(3,106,627)
Gross profit		**3,227,191**	5,004,862
Administrative expenses		**(3,809,082)**	(3,927,861)
Operating (loss)/profit	*3*	**(581,891)**	1,077,001
Interest receivable		**26,479**	21,495
Interest payable and similar charges	*6*	**(89,396)**	(558,827)
(Loss)/profit on ordinary activities before taxation		**(644,808)**	539,669
Taxation credit/(charge) on loss/profit on ordinary activities	*7*	**146,618**	(197,614)
(Loss)/profit on ordinary activities after taxation and retained for the period	*14*	**(498,190)**	342,055

All amounts relate to continuing activities.

There are no recognised gains or losses other than the loss for the year.

Movements in reserves are shown in note 14.

Balance sheet
at 30 June 2005

	Note	30 June 2005		30 April 2004	
		£	£	£	£
Fixed assets					
Intangible assets	8		**241,492**		395,170
Tangible assets	9		**217,548**		1,813,090
			459,040		2,208,260
Current assets					
Debtors	10	**1,411,308**		973,617	
Cash at bank and in hand		**1,377,094**		1,476,956	
Stock		**990**		2,761	
		2,789,392		2,453,334	
Creditors: Amounts falling due within one year	11	**(2,873,625)**		(3,788,597)	
Net current liabilities			**(84,233)**		(1,335,263)
Total assets less current liabilities			**374,807**		872,997
Net assets			**374,807**		872,997
Capital and reserves					
Share capital	13		**1**		1
Profit and loss account	14		**374,806**		872,996
Shareholders' funds			**374,807**		872,997

These financial statements were approved by the board of directors on 30 September 2005 and were signed on its behalf by:

DP Laurie
Director

Reconciliation of movements in shareholders' funds
for the period ended 30 June 2005

	£
Shareholders' funds at 30 April 2004	872,997
Loss for the period	(498,190)
Shareholders' funds at 30 June 2005	**374,807**

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 under the historical cost convention and in accordance with applicable Accounting Standards.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Turnover

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

Depreciation

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

Computer equipment - $33^1/_3$% 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.

Pensions

The company operates a defined contribution pension scheme. No contributions were accrued or prepaid at the end of the current or preceding period.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

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

Notes *(continued)*

3 Operating (loss)/profit

	Period ended 30 June 2005	Year ended 30 April 2004
	£	£
Operating (loss)/profit is stated		
after charging		
Depreciation	**1,765,297**	1,816,561
Auditors' remuneration	**10,000**	29,339
Amortisation of goodwill	**153,678**	131,723

4 Remuneration of directors

There were no directors' emoluments paid in the period ended 30 June 2005 *(year ended 30 April 2004: £Nil).*

5 Staff numbers and costs

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

	Number of employees	
	Period ended 30 June 2005	Year ended 30 April 2004
	29	42

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**1,427,455**	1,567,167
Social security costs	**149,930**	160,510
Other pension costs	**28,719**	35,207
	1,606,104	1,762,884

6 Interest payable and similar charges

	Period ended 30 June 2005	Year ended 30 April 2004
	£	£
Loan from group undertakings	**76,400**	558,827
Other	**12,996**	-
	89,396	558,827

Notes *(continued)*

7 Taxation

Analysis of charge in year

	Period ended 30 June 2005	Year ended 30 April 2004
	£	£
UK corporation tax		
Current tax charge on income for the year	**(108,772)**	(461,396)
Deferred tax (see note 12)		
Origination and reversal of timing differences	**255,390**	263,782
Tax credit/(charge) on (loss)/profit on ordinary activities	**146,618**	(197,614)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2004: higher)* than the standard rate of corporation tax in the UK (30% *(2004: 30%)*). The differences are explained below:

	Period ended 30 June 2005	Year ended 30 April 2004
	£	£
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(644,808)**	539,669
Current tax at 30% *(2004: 30%)*	**(193,442)**	161,901
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	**46,824**	40,213
Depreciation for the year in excess of capital allowances	**265,025**	247,282
Short term timing differences	**(9,635)**	12,000
Total current tax charge (see above)	**108,772**	461,396

Notes *(continued)*

8 Intangible assets - goodwill

	£
Cost	
At beginning and end of period	658,616
Amortisation	
At beginning of period	263,446
Provided for the period	153,678
At end of period	417,124
Net book value	
At 30 June 2005	**241,492**
At 30 April 2004	395,170

9 Tangible assets

	Computer equipment £
Cost	
At beginning of period	5,490,795
Additions	169,755
At end of period	5,660,550
Depreciation	
At beginning of period	3,677,705
Provided for the period	1,765,297
At end of period	5,443,002
Net book value	
At 30 June 2005	**217,548**
At 30 April 2004	1,813,090

Notes *(continued)*

10 Debtors

	2005 £	2004 £
Trade debtors	**56,345**	86,892
Other debtors	**2,366**	-
Prepayments and accrued income	***732,608***	*522,126*
Deferred tax (see note 12)	**619,989**	364,599
	1,411,308	973,617

The deferred tax balance is partly 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

	2005 £	2004 £
Trade creditors	**631,388**	232,656
Corporation tax	**18,848**	311,396
Taxation and social security	**158,258**	293,112
Accruals	**591,635**	113,412
Deferred income	**327,915**	512,305
Amounts payable to parent undertaking	**1,145,581**	2,325,716
	2,873,625	3,788,597

Amounts payable to parent undertaking bear interest at a market rate and have no fixed repayment terms.

12 Deferred taxation

	£
At beginning of period	364,599
Charged to the profit and loss account	*255,390*
At end of period	**619,989**

	2005 £
Excess of depreciation over capital allowance	**619,989**

Notes *(continued)*

13 Share capital

	2005 £	2004 £
Authorised:		
1,000 ordinary shares of £1	**1,000**	1,000
Allotted, called up and fully paid:		
1 ordinary share of £1	**1**	1

14 Reserves

	Profit and loss account £
At beginning of period	872,996
Loss for the period	(498,190)
At end of period	**374,806**

15 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 Invox plc 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.

16 Ultimate controlling party

The immediate parent company is Brightview Group Limited, a company registered in England and Wales. The ultimate controlling company is Invox plc, a company registered in England and Wales. Copies of the financial statements of Invox plc may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.