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UTV INTERNET LIMITED

Report and Accounts

31 December 2001

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UTV Internet Limited

Registered No. NI 32652

DIRECTORS

J McCann
J Downey
R McCourt
S Taunton
M Lyons

SECRETARY

J Downey

AUDITORS

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

BANKERS

Northern bank Limited
21/23 High Street
Carrickfergus
BT38 7AL

SOLICITORS

L'Estrange & Brett
Arnott House
12-16 Bridge Street
Belfast
BT1 1LS

REGISTERED OFFICE

Havelock House
Ormeau Road
Belfast
BT7 1EB

 **ERNST & YOUNG**

UTV Internet Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £247,004. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the provision of internet services.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were those listed on page 1. The directors have no beneficial interest in the shares of the company.

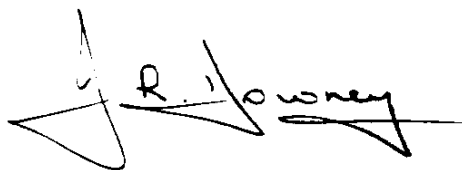
AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

Ernst & young LLP has expressed its willingness to continue in office as auditors and a resolution proposing its reappointment will be submitted at the annual general meeting.

ERNST & YOUNG

By order of the board



Secretary

29 October 2002

UTV Internet Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 accounts comply with the Companies (Northern Ireland) Order 1986. 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.

UTV Internet Limited

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UTV
INTERNET LIMITED**

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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 (Northern Ireland) Order 1986. 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 Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

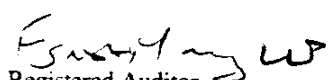
Basis of audit opinion

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 the information in the financial statements.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.


Registered Auditor
Belfast

29 October 2002

UTV Internet Limited

PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2001

		2001 (12 months)	2000 (18 months)
	Notes	£	£
TURNOVER	3	1,418,059	1,458,774
Cost of sales		482,993	733,819
GROSS PROFIT		935,066	724,955
Administration expenses		1,206,505	2,023,155
OPERATING LOSS	4	(271,439)	(1,298,200)
Interest payable and similar charges	5	(140)	(800)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		(271,579)	(1,299,000)
Tax on profit on ordinary activities	6	(24,575)	20,758
LOSS FOR THE FINANCIAL YEAR		<u>(247,004)</u>	<u>(1,319,758)</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss for the year of £247,004 (for the 18 month period ended 31 December 2000 : loss of £1,319,758).

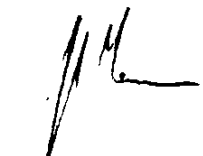

UTV Internet Limited

BALANCE SHEET

as at 31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible assets	9	-	22,584
Tangible assets	10	308,595	368,084
		<u>308,595</u>	<u>390,668</u>
CURRENT ASSETS			
Stocks	11	6,028	106,665
Debtors	12	307,682	467,561
Cash at bank and in hand		75,374	179,713
		<u>389,084</u>	<u>754,044</u>
CREDITORS: amounts falling due within one year	13	<u>2,142,600</u>	<u>2,330,014</u>
NET CURRENT ASSETS		<u>(1,753,516)</u>	<u>(1,575,970)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,444,921)</u>	<u>(1,185,302)</u>
CREDITORS: amounts falling due after more than one year	14	62	10,768
Provisions for liabilities and charges	16	8,000	11,000
		<u>(1,452,983)</u>	<u>(1,207,070)</u>
CAPITAL AND RESERVES			
Equity share capital	17	10,000	10,000
Profit and loss account	18	(1,462,983)	(1,217,070)
EQUITY SHAREHOLDER'S FUNDS		<u>(1,452,983)</u>	<u>(1,207,070)</u>

ERNST & YOUNG


)
) Directors

 29 October 2002

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

1. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared on a going concern basis although the company is dependent on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due.

2. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Equipment	-	3 to 5 years
Fixtures and fittings	-	5 years
Motor Vehicles	-	4 years

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged in the profit and loss account over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

2. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price.

3. TURNOVER

Turnover represents amounts invoiced to third parties and is stated net of value added tax. Turnover is attributable to one continuing activity, the provision of internet services.

4. OPERATING LOSS

	2001 (12 months) £	2000 (18 months) £
Operating loss is stated after charging:		
Depreciation	101,700	125,907
Depreciation of assets held under finance leases	2,402	4,572
Auditors remuneration - current auditors	6,000	-
- previous auditors	-	19,000
Investment write off	-	65,000
Amortisation of goodwill	22,584	10,566
	<u>130,686</u>	<u>214,445</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 (12 months) £	2000 (18 months) £
Finance charges payable under finance leases and hire purchase contracts	140	800
	<u>140</u>	<u>800</u>

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 (12 months) £	2000 (18 months) £
UK Corporation tax at 30% (2000 – 31%)	-	-
Corporation tax (over)/underprovided in previous years	(21,575)	21,758
Deferred tax credit (note 17)	(3,000)	(1,000)
	<u>(24,575)</u>	<u>20,758</u>

Corporation tax relief of £61,378 was transferred to the company's ultimate parent undertaking, Ulster Television plc.

7. DIRECTORS' EMOLUMENTS

	2001 (12 months) £	2000 (18 months) £
Emoluments	<u>141,787</u>	<u>131,447</u>

8. STAFF COSTS

	2001 (12 months) £	2000 (18 months) £
Wages & salaries	556,661	486,865
Social security costs	51,444	84,366
	<u>608,105</u>	<u>571,231</u>

The average number of employees during the year were as follows:

	2001 (12 months) No.	2000 (18 months) No.
Administration	9	4
Direct	17	14
	<u>26</u>	<u>18</u>

UTV Internet Limited

NOTES TO THE ACCOUNTS as at 31 December 2001

9. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost:	
At 31 December 2000	50.000
Amortisation:	
At 31 December 2000	27.416
Provided during period	22.584
At 31 December 2001	50.000
Net book value:	
At 31 December 2001	-
At 31 December 2000	22.584

Goodwill was written off in equal instalments over its estimated economic life of three years.

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

10. TANGIBLE FIXED ASSETS

	<i>Equipment</i>	<i>Fixtures and fittings</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 31 December 2000	519,100	24,815	35,911	579,826
Additions	47,383	189	-	47,572
Disposals	-	-	(12,911)	(12,911)
At 31 December 2001	566,483	25,004	23,000	614,489
Depreciation				
At 31 December 2000	189,382	10,247	12,113	211,742
Charge for year	91,485	4,715	7,902	104,102
Disposals	-	-	(9,952)	(9,952)
At 31 December 2001	280,867	14,962	10,063	305,892
Net book value				
At 31 December 2001	285,616	10,042	12,937	308,595
At 31 December 2000	329,718	14,568	23,798	368,084

The net book value of **tangible fixed assets** includes amounts of **£375 (2000 - £7,125)** in respect of assets held under finance leases.

11. STOCKS

Stocks wholly comprise **goods for resale**. The difference **between the purchase price** of the stock and the replacement cost is not **material**.

12. DEBTORS

	<i>2001</i>	<i>2000</i>
	£	£
Trade debtors	147,277	154,736
Other debtors	-	3,254
Prepayments and accrued income	166,016	311,280
Provision for bad debts	(5,611)	(1,609)
	307,682	467,661

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

13. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Trade creditors	65,689	83,685
Other taxes and social security costs	50,490	25,946
Bank overdraft	-	5,331
Accruals	105,433	295,296
Obligations under finance leases and hire purchase contracts (note 15)	263	3,589
Corporation tax	-	21,575
Loan – purchase of Genesis goodwill	8,893	13,332
Owed to parent undertakings	1,900,731	1,907,515
Owed to group undertakings	11,101	-
	<u>2,142,600</u>	<u>2,330,014</u>

14. CREDITORS: amounts falling due after more than one year

	2001 £	2000 £
Obligations under finance leases and hire purchase contracts (note 15)	62	5,208
Loan – purchase of Genesis goodwill	-	5,560
	<u>62</u>	<u>10,768</u>

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2001 £	2000 £
Amounts payable:		
Within one year (note 13)	263	3,589
In two to five years	62	5,208
	<u>325</u>	<u>8,797</u>

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

16. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	2001 £	2000 £
Tax effect of timing differences because of excess tax allowances over depreciation	8,000	11,000
At 31 December 2000		11,000
Credit to profit and loss account		(3,000)
At 31 December 2001		8,000

17. EQUITY SHARE CAPITAL

	2001 £	2000 £	Authorised 2000 £
Ordinary shares of £1 each	10,000	10,000	
			Allotted, called up and fully paid
	2001 No.	2000 No.	2001 £
Ordinary shares of £1 each	10,000	10,000	10,000

18. RECONCILIATION OF SHAREHOLDER'S FUNDS

	Share capital £	Profit and loss account £	Total £
At 1 July 1999	10,000	102,688	112,688
Loss for the period	-	(1,319,758)	(1,319,758)
At 31 December 2000	10,000	(1,217,070)	(1,207,070)
Loss for the period	-	(247,004)	(247,004)
Exchange difference	-	1,091	1,091
At 31 December 2001	10,000	(1,462,983)	(1,452,983)

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2001

19. RELATED PARTY TRANSACTIONS

During the year, in the normal course of business, Ulster Television plc incurred expenses totalling £66,893 (2000 - £463,156) on behalf of the company and subsequently recharged these. In addition, sales from the company to Ulster Television plc during the year amounted to £60,000 (2000 - £Nil). As a result of these, a balance amounting to £10,731 (2000 - £110,271) was included within creditors at the year end.

In addition, during the year Ulster Television plc supplied the company with an unsecured interest free loan amounting to £1,890,000 (2000 - £1,797,244) which was also included within creditors at the year end.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

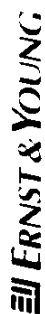
The ultimate parent undertaking and controlling party is Ulster Television plc, a company registered in Northern Ireland.

21. GROUP ACCOUNTS

The parent undertaking of the smallest and largest group which prepares consolidated accounts is Ulster Television plc. Copies of its accounts which include the company can be obtained from Havelock House, Ormeau Road, Belfast, BT7 1EB.

UTV Internet Limited

as at 31 December 2001

 **ERNST & YOUNG**

**The following schedules do not form part of the
audited statutory accounts of the company.**

UTV Internet Limited

TRADING PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	<i>Schedule</i>	<i>2001</i>	<i>2000</i>
		<i>(12 months)</i>	<i>(18 months)</i>
		£	£
TURNOVER		1,418,059	1,458,774
COST OF SALES			
Opening stock		106,665	3,084
Purchasing		213,600	550,544
Line rental		168,756	286,856
Closing stock		(6,028)	(106,665)
		<u>482,994</u>	<u>733,819</u>
GROSS PROFIT		935,065	724,955
OPERATING COSTS	(ii)	1,206,505	2,023,155
OPERATING PROFIT		<u>(271,439)</u>	<u>(1,298,200)</u>

UTV Internet Limited

OPERATING COSTS

for the year ended 31 December 2001

	2001 (12 months) £	2000 (18 months) £
Wages & Salaries	608,105	571,231
Audit & Accountancy	4,100	19,000
General expenses	29,298	29,144
Telephone & line rental	17,045	18,803
Stationery & postage	16,221	23,418
Rent	54,144	48,420
Rates	11,217	14,842
Insurance	3,663	6,235
Repairs & maintenance	2,917	2,225
Leasing	216	337
Heat & Light	5,243	7,598
Advertising	302,025	1,028,063
Travel	5,793	11,576
Professional fees	5,643	3,101
Consultancy	1,112	28,935
Bad debts	5,720	(271)
Depreciation	104,102	130,479
Loss on disposal of fixed assets	59	4,453
Amortisation of goodwill	22,584	10,566
Investment write off	-	65,000
Write off of development costs	25,000	-
Motor expenses	1,336	-
VAT adjustment	(19,038)	-
	<u>1,206,505</u>	<u>2,023,155</u>