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UTV INTERNET LIMITED

Report and Accounts

31 December 2004

UTV Internet Limited

Registered No. NI 32652

DIRECTORS

J McCann

J Downey

R McCourt

S Taunton

J Biggerstaff (appointed 20 July 2004)

SECRETARY

J Downey

AUDITORS

Ernst & Young LLP

Bedford House

16 Bedford Street

Belfast

BT2 7DT

BANKERS

First Trust Bank

33-35 University Road

Belfast

BT7 1ND

SOLICITORS

L'Estrange & Brett

Arnott House

12-16 Bridge Street

Belfast

BT1 1LS

REGISTERED OFFICE

Havelock House

Ormeau Road

Belfast

BT7 1EB

UTV Internet Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2004.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £366,755. 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.

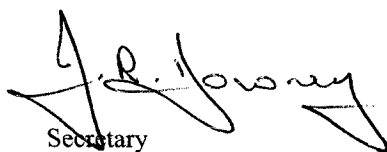
DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were those listed on page 1 and M Lyons who resigned on 20 July 2004. The directors have no beneficial interest in the shares of the company.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



Secretary

24-10-05

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.

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

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. 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 auditors' 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 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

Registered Auditor

Ernst & Young LLP

27 October 2005.

UTV Internet Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2004

	Notes	2004 £	2003 £
TURNOVER	3	5,281,152	3,645,602
Cost of sales		3,142,146	1,597,397
GROSS PROFIT		2,139,006	2,048,205
Administration expenses		1,616,671	1,595,904
OPERATING PROFIT	4	522,335	452,300
Interest payable and similar charges		1,029	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		523,364	452,300
Tax on profit on ordinary activities	5	(156,609)	(135,689)
PROFIT FOR THE FINANCIAL YEAR		366,755	316,611

STATEMENT OF RECOGNISED GAINS AND LOSSES for the year ended 31 December 2004


	2004 £	2003 £
Profit for the financial year	366,755	316,611
Exchange difference on loans	(63,420)	55,108
Total recognised gains and losses for the year	303,335	371,719

UTV Internet Limited

BALANCE SHEET

as at 31 December 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	193,299	231,721
CURRENT ASSETS			
Stocks	9	10,828	23,700
Debtors	10	816,590	603,099
Cash at bank and in hand		228,334	459,655
		<u>1,055,752</u>	<u>1,086,454</u>
CREDITORS: amounts falling due within one year	11	(1,904,268)	(2,276,727)
NET CURRENT ASSETS		<u>(848,516)</u>	<u>(1,190,273)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(655,217)</u>	<u>(958,552)</u>
CREDITORS: amounts falling due after more than one year		-	-
Provisions for liabilities and charges	12	-	-
		<u>(655,217)</u>	<u>(958,552)</u>
CAPITAL AND RESERVES			
Equity share capital	13	10,000	10,000
Profit and loss account	14	(665,217)	(968,552)
EQUITY SHAREHOLDER'S FUNDS		<u>(655,217)</u>	<u>(958,552)</u>



) Directors

24-10-05

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

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. The parent company has confirmed its willingness to continue to support the company, and has agreed not to demand repayment of the total amount owed of group indebtedness of £963,983 during 2006.

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

The financial results of overseas branches are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

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.

Stocks

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

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

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 PROFIT

	2004	2003
	£	£
<i>Operating profit is stated after charging:</i>		
Depreciation	97,969	130,144
Depreciation of assets held under finance leases	-	125
Auditors remuneration	6,500	6,000

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) The taxation charge is made up as follows :

	2004	2003
	£	£
<i>Current tax:</i>		
Corporation tax on profits for the period	151,815	159,689
Adjustments in respect of previous periods	(206)	-
	151,609	159,689
<i>Deferred tax:</i>		
Release of deferred tax asset / (provision)	5,000	(24,000)
	156,609	135,689

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained by:

	2004	2003
	£	£
Profit on ordinary activities before tax	523,364	452,300
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	157,009	135,690
<i>Effects of:</i>		
Short term timing differences	(10,103)	10,103
Decelerated capital allowances	4,909	13,896
Adjustments in respect of previous periods	(206)	-
Current tax charge for the period	151,609	159,689

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(c) Factors affecting future tax charges

	2004	2003
	£	£
Deferred tax included within debtors (note 10)	17,000	22,000

A deferred tax asset of £17,000 has been recognised in the current year. This arises from depreciation in excess of capital allowances (£17,000). Recognition of the deferred tax asset is based on current and forecasted profits, enabling the asset to reverse through offsetting against future profits.

6. DIRECTORS' EMOLUMENTS

	2004	2003
	£	£
Emoluments	61,946	149,420

7. STAFF COSTS

	2004	2003
	£	£
Wages & salaries	559,483	626,627
Social security costs	51,163	54,648
Other pension costs	33,860	65,374
	644,506	746,649

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

	2004	2003
	No.	No.
Administration	7	8
Direct	24	22
	31	30

UTV Internet Limited

NOTES TO THE ACCOUNTS as at 31 December 2004

8. TANGIBLE FIXED ASSETS

	<i>Equipment</i> £	<i>Fixtures and fittings</i> £	<i>Motor Vehicles</i> £	<i>Total</i> £
<i>Cost:</i>				
At 31 December 2003	533,332	14,357	43,325	591,014
Additions	79,284	-	-	79,284
Disposals	(42,998)	-	(26,425)	(69,423)
Translation adjustment	43	7	-	50
At 31 December 2004	569,661	14,364	16,900	600,925
<i>Depreciation:</i>				
At 31 December 2003	343,553	7,879	7,861	359,293
Charge for year	91,520	2,223	4,226	97,969
Disposals	(42,479)	-	(7,157)	(49,636)
At 31 December 2004	392,594	10,102	4,930	407,626
<i>Net book value:</i>				
At 31 December 2004	177,067	4,262	11,970	193,299
At 31 December 2003	189,779	6,478	35,464	231,721

The net book value of tangible fixed assets includes amounts of £NIL (2003 - £NIL) in respect of assets held under finance leases.

9. STOCKS

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

10. DEBTORS

	<i>2004</i> £	<i>2003</i> £
Trade debtors	235,252	243,568
Prepayments and accrued income	523,077	307,656
Amounts due from group companies	41,261	29,875
Deferred tax (see note 12)	17,000	22,000
	816,590	603,099

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

11. CREDITORS: amounts falling due within one year

	2004 £	2003 £
Trade creditors	489,216	283,085
Other taxes and social security costs	122,346	107,566
Accruals	254,508	281,049
Corporation tax	74,215	98,739
Owed to parent undertakings	963,983	1,505,000
Owed to group undertakings	-	1,288
	<u>1,904,268</u>	<u>2,276,727</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

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

	2004 £	2003 £
Decelerated capital allowances	(5,000)	(14,000)
Other timing differences	10,000	(10,000)
	<u>5,000</u>	<u>(24,000)</u>
		£
At 31 December 2003 (note 10)		(22,000)
Debit to profit and loss account		5,000
		<u>(17,000)</u>
At 31 December 2004 (note 10)		

13. EQUITY SHARE CAPITAL

	2004 £	2003 £	Authorised 2003 £
Ordinary shares of £1 each	10,000	10,000	10,000
			Allotted, called up and fully paid
	2004 No.	2003 No.	2004 £
Ordinary shares of £1 each	10,000	10,000	10,000

UTV Internet Limited

NOTES TO THE ACCOUNTS

as at 31 December 2004

14. RECONCILIATION OF SHAREHOLDER'S FUNDS

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
At 31 December 2002	10,000	(1,340,271)	(1,330,271)
Profit for the year	-	316,611	316,611
Exchange difference	-	55,108	55,108
At 31 December 2003	10,000	(968,552)	(958,552)
Profit for the year	-	366,755	366,755
Exchange difference	-	(63,420)	(63,420)
At 31 December 2004	10,000	(665,217)	(655,217)

15. RELATED PARTY TRANSACTIONS

The company, as a 90% or more subsidiary, has taken advantage of the exemption under FRS8 Related Party Transactions not to disclose transactions with other group companies and these transactions form part of the consolidated financial statements prepared by the group.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

17. 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 2004

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 2004

	<i>Schedule</i>	<i>2004</i>	<i>2003</i>
		£	£
TURNOVER		5,281,152	3,645,602
COST OF SALES			
Opening stock		23,700	6,800
Line rental		501,014	313,412
Broadband		1,362,840	209,857
Telephony		997,457	946,284
Domains		50,180	87,548
Capital sales costs		97,756	-
Others		120,027	57,196
Closing stock		(10,828)	(23,700)
		<u>3,142,146</u>	<u>1,597,397</u>
GROSS PROFIT		2,139,006	2,048,205
OPERATING COSTS	(ii)	1,616,671	1,595,904
OPERATING PROFIT		<u>522,335</u>	<u>452,300</u>

UTV Internet Limited

OPERATING COSTS

for the year ended 31 December 2004

	2004	2003
	£	£
Wages & Salaries	644,506	746,649
Audit & Accountancy	6,500	6,000
General expenses	6,896	2,103
Telephone & line rental	54,553	20,069
Stationery & postage	3,426	3,612
Rent & Rates	18,634	23,440
Insurance	3,810	1,041
Repairs & maintenance	1,537	10,641
Leasing	-	13
Heat & Light	2,087	2,583
Advertising	733,130	613,608
Travel	16,937	19,218
Professional fees	6,821	12,799
Computerisation	18,940	4,599
Bad debts	406	(81)
Depreciation	97,969	130,269
Loss/(Profit) on disposal of fixed assets	519	(659)
	<u>1,616,671</u>	<u>1,595,904</u>