



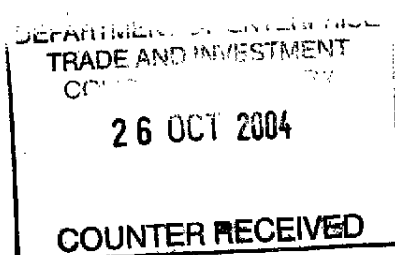
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**UTV INTERNET LIMITED**

**Report and Accounts**

31 December 2003



## UTV Internet Limited

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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

# UTV Internet Limited

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## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2003.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £316,611. 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.

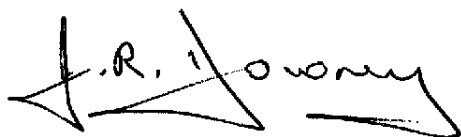
### DIRECTORS AND THEIR INTERESTS

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

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

20 July 2004

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**

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

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. 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 Section 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 2003 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

*20 August 2004*

# UTV Internet Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	Notes	2003 £	2002 £
<b>TURNOVER</b>	3	3,645,602	2,042,323
Cost of sales		1,597,397	584,609
<b>GROSS PROFIT</b>		2,048,205	1,457,714
Administration expenses		1,595,904	1,286,080
<b>OPERATING PROFIT</b>	4	452,300	171,634
Interest payable and similar charges		-	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX</b>		452,300	171,634
Tax on profit on ordinary activities	5	(135,689)	(53,867)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		316,611	117,767

## STATEMENT OF RECOGNISED GAINS AND LOSSES for the year ended 31 December 2003

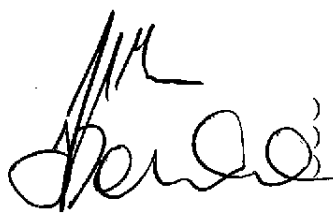
	2003 £	2002 £
Profit for the financial year	316,611	117,767
Exchange difference on loans	55,108	4,945
<b>Total recognised gains and losses for the year</b>	371,719	122,712

# UTV Internet Limited

## BALANCE SHEET

as at 31 December 2003

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible assets	8	231,721	262,638
<b>CURRENT ASSETS</b>			
Stocks	9	23,700	6,800
Debtors	10	603,099	341,678
Cash at bank and in hand		459,655	221,690
		1,086,454	570,168
<b>CREDITORS: amounts falling due within one year</b>	11	(2,276,727)	(2,161,077)
<b>NET CURRENT ASSETS</b>		(1,190,273)	(1,590,909)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(958,552)	(1,328,271)
<b>CREDITORS: amounts falling due after more than one year</b>		-	-
Provisions for liabilities and charges	13	-	(2,000)
		(958,552)	(1,330,271)
<b>CAPITAL AND RESERVES</b>			
Equity share capital	14	10,000	10,000
Profit and loss account	15	(968,552)	(1,340,271)
<b>EQUITY SHAREHOLDER'S FUNDS</b>		(958,552)	(1,330,271)

  
 Directors  
 20 July 2004

# UTV Internet Limited

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## NOTES TO THE ACCOUNTS

as at 31 December 2003

### 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.

#### *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 2003

### 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/(LOSS)

	2003	2002
	£	£
<i>Operating profit/(loss) is stated after charging:</i>		
Depreciation	130,144	113,571
Depreciation of assets held under finance leases	125	2,560
Auditors remuneration	6,000	5,000

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Current year taxation charge

	2003	2002
	£	£
<i>Current tax:</i>		
Corporation tax on profits for the period	159,689	59,867
<i>Deferred tax:</i>		
Release of deferred tax provision	(24,000)	(6,000)
	<u>135,689</u>	<u>53,867</u>

#### (b) Factors affecting the tax charge for the period

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

	2003	2002
	£	£
Profit on ordinary activities before tax	<u>452,300</u>	<u>171,634</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	135,690	51,490
<i>Effects of:</i>		
Short term timing differences	10,103	-
Decelerated capital allowances	13,896	8,377
Current tax charge for the period	<u>159,689</u>	<u>59,867</u>

# UTV Internet Limited

## NOTES TO THE ACCOUNTS as at 31 December 2003

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

#### (c) Factors affecting future tax charges

	2003 £	2002 £
<i>Deferred tax:</i>		
Included in debtors (note 10)	22,000	-
Included in creditors (note 13)	-	(2,000)
	<u>22,000</u>	<u>(2,000)</u>

A deferred tax asset has been recognised in the current year. This arises from depreciation in excess of capital allowances (£12,000) and short term timing differences (£10,000). 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

	2003 £	2002 £
Emoluments	<u>149,420</u>	<u>131,055</u>

### 7. STAFF COSTS

	2003 £	2002 £
Wages & salaries	626,627	599,430
Social security costs	54,648	49,020
Other pension costs	65,374	-
	<u>746,649</u>	<u>648,450</u>

The amounts in respect of the highest paid director are as follows:

	2003 £	2002 £
Emoluments	<u>94,576</u>	<u>599,430</u>

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

	2003 No.	2002 No.
Administration	8	8
Direct	22	20
	<u>30</u>	<u>28</u>

# UTV Internet Limited

## NOTES TO THE ACCOUNTS as at 31 December 2003

### 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 2002	613,344	29,559	26,425	669,328
Additions	73,460	5,273	16,900	95,633
Disposals	(156,747)	(21,029)	-	(177,776)
At 31 December 2003	530,057	13,803	43,325	587,185
<i>Depreciation:</i>				
At 31 December 2002	385,686	20,453	551	406,690
Charge for year	114,614	8,345	7,310	130,269
Disposals	(156,747)	(20,919)	-	(177,666)
At 31 December 2003	343,553	7,879	7,861	359,293
<i>Net book value:</i>				
At 31 December 2003	186,504	5,924	35,464	227,892
At 31 December 2002	227,658	9,106	25,874	262,638

The net book value of tangible fixed assets includes amounts of £NIL (2002 - £125) 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

	2003 £	2002 £
Trade debtors	243,568	251,428
Prepayments and accrued income	307,656	90,250
Amounts due from group companies	29,875	-
Deferred tax ( see note 13)	22,000	-
	603,099	341,678

# UTV Internet Limited

## NOTES TO THE ACCOUNTS

as at 31 December 2003

### 11. CREDITORS: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	283,085	142,867
Other taxes and social security costs	107,566	45,042
Accruals	281,049	248,486
Obligations under finance leases and hire purchase contracts (note 15)	-	62
Corporation tax	98,739	59,867
Loan – purchase of Genesis goodwill	-	8,893
Owed to parent undertakings	1,505,000	1,655,860
Owed to group undertakings	1,288	-
	<u>2,276,727</u>	<u>2,161,077</u>

### 12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2003	2002
	£	£
Amounts payable:		
Within one year (note 13)	-	62
In two to five years	-	-
	<u>-</u>	<u>62</u>

### 13. PROVISIONS FOR LIABILITIES AND CHARGES

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

	2003	2002
	£	£
Tax effect of timing differences because of excess tax allowances over depreciation	-	(2,000)
	<u>-</u>	<u>(2,000)</u>
		£
At 31 December 2002		(2,000)
Credit to profit and loss account		24,000
At 31 December 2003 (note 10)		<u>22,000</u>

# UTV Internet Limited

## NOTES TO THE ACCOUNTS as at 31 December 2003

### 14. EQUITY SHARE CAPITAL

	<i>Authorised</i>	
	2003	2002
	£	£
Ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>
	<i>Allotted, called up and fully paid</i>	
	2003	2002
	No.	No.
	£	£
Ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>

### 15. RECONCILIATION OF SHAREHOLDER'S FUNDS

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£
At 31 December 2001	10,000	(1,462,983)	(1,452,983)
Profit for the year	-	117,767	117,767
Exchange difference	-	4,945	4,945
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)

### 16. 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.

### 17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

### 18. 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.