Channel 5 Interactive Limited

Report and Financial Statements

31 December 2002

ERNST & YOUNG



Registered No. 4050521

Directors
G Murray
C Campbell

Secretary
C Campbell

Auditors
Ernst & Young LLP
Becket House
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London SE1 7EU

Bankers
HSBC Bank PLC
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Solicitors
Travers Smith Braithwaite
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2002.

Results and dividends

The profit for the year, after taxation, amounted to £44,043 (period ended 31 December 2001 – loss of £351,000). The directors do not recommend payment of a dividend (period ended 31 December 2001 – £nil).

Principal activity and review of the business

In 2001 the principal activity of the company was the sale of internet advertising.

The company ceased trading on 30 June 2001. The company was non-trading throughout 2002.

Directors and their interests

The directors who served during the year ended 31 December 2002 were as listed on page 1.

None of the directors had any interests in the share capital of the company.

Small company exemptions

The directors have taken advantage of the exemptions conferred by Part II of Schedule 8 to the Companies Act 1985.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Secretary

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Statement of directors' responsibilities in respect of the financial statements

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; 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.

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Independent auditors' report

to the members of Channel 5 Interactive Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 10. 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 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 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 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 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.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

18 MAR 2003

Profit and loss account

for the year ended 31 December 2002

	Notes	Year ended 31 December 2002 £000	16½ month Period ended 31 December 2001 £000
Turnover	1	63	383
Administrative expenses		–	(904)
Operating profit/(loss)	2	63	(521)
Interest receivable		–	–
Interest payable to group undertakings		–	(14)
Profit/(loss) on ordinary activities before taxation		63	(535)
Tax on profit/(loss) on ordinary activities	3	(19)	184
Retained profit/(loss) for the year/period		44	(351)

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Statement of total recognised gains and losses

for the year ended 31 December 2002

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £44,043 for the year ended 31 December 2002 (period ended 31 December 2001 – loss of £351,000)

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Balance sheet

at 31 December 2002

	Notes	31 December 2002 £000	31 December 2001 £000
Current assets			
Debtors	5	–	179
Cash at bank and in hand		–	1
		–	180
Creditors: amounts falling due within one year	6	(307)	(531)
Net current liabilities		(307)	(351)
Total assets less current liabilities		(307)	(351)
Capital and reserves			
Called up share capital	7	–	–
Profit and loss account	8	(307)	(351)
		(307)	(351)

Director

18 MAR 2003

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Notes to the financial statements

at 31 December 2002

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The immediate parent company has agreed to provide financial support for the foreseeable future. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

In preparing the financial statements the company has adopted FRS 18 "Accounting Policies" and FRS 19 "Deferred Tax". Adoption of these standards has not required any revisions to the financial statements in either the current year or prior period.

Statement of cash flows

The company has applied the exemption in FRS 1 and has not prepared a statement of cash flows as its parent undertaking has prepared one within its consolidated financial statements.

Turnover

Turnover, which is stated net of value added tax, represents commissions earned on the sale of advertising. All turnover is derived in the United Kingdom.

The turnover in 2002 represents the write back of the bad debt relief provision.

2. Operating profit

No director received remuneration in respect of services rendered to the company during the year.

The directors of the parent undertaking and fellow subsidiary undertakings received emoluments for services to the group as a whole. It is not practicable to apportion these amounts between services as directors of the company and as directors of the parent and fellow subsidiary undertakings.

The total remuneration paid and accrued to the directors of this company was £605,428 (period ended 31 December 2001 – £377,951), excluding pension contributions. Emoluments include amounts receivable under an executive director's bonus scheme. Pension contributions provided in relation to these directors were £41,470 (period ended 31 December 2001 – £41,495).

The audit fees for the year have been borne by another group undertaking.

3. Tax on profit/(loss) on ordinary activities

(a) Analysis of tax (charge)/credit in the year/period

	Year ended 31 December 2002 £000	*16½ month period ended 31 December 2001* £000
Group relief (paid)/received	(19)	184

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Notes to the financial statements

at 31 December 2002

3. Tax on profit/(loss) on ordinary activities (continued)

(b) Factors affecting (charge)/credit for the year

	Year ended 31 December 2002 £000	*16½ month period ended 31 December 2001 £000*
Profit/(Loss) on ordinary activities before tax	63	(535)
Profit/(Loss) on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2001 – 30%)	(19)	161
Effects of:		
Other	–	23
Total current tax (charge)/credit for the year/period	(19)	184

(c) Factors that may affect future tax charges

This company has ceased trading and no further income or expenditure charges are expected.

4. Staff costs

	Year ended 31 December 2002 £000	*16½ month period ended 31 December 2001 £000*
Wages and salaries	–	525
Social security	–	62
Pensions	–	35
	–	622

The average number of employees during the year was nil (period ended 31 December 2001 – 10).

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Notes to the financial statements

at 31 December 2002

5. Debtors

	2002 £000	2001 £000
Amounts due from fellow subsidiary undertakings	–	105
Other Debtors	–	74
	–	179

6. Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	–	31
Other creditors	–	2
Amounts owed to fellow subsidiary undertakings	171	313
Amounts owed to parent undertaking	136	185
	307	531

7. Share capital

	2002	2001
Authorised	£	£
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid	£	£
1 ordinary share of £1	1	1

On incorporation, 1 ordinary share of £1, with an aggregate nominal value of £1, was allotted, called up and fully paid for a consideration of £1.

8. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Profit and loss account £000	Total £000
At 31 December 2001	–	(351)	(351)
Profit for the year	–	44	44
At 31 December 2002	–	(307)	(307)

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Notes to the financial statements

at 31 December 2002

9. Related parties

The company has claimed an exemption from disclosing related party transactions under FRS 8 on the basis that these transactions are included within the consolidated financial statements of the group.

10. Ultimate parent undertaking

The company's ultimate parent undertaking is Channel 5 Television Group Limited, a company registered in England and Wales. The company has been included in its group financial statements, copies of which are available from Companies House.

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