

REGISTERED NUMBER: 2138358 (England and Wales)

4TV LIMITED
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001



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FOR THE YEAR ENDED 30 SEPTEMBER 2001**

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4TV LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

DIRECTORS: K Austin
Mrs J A Austin
B Androlia
M J Hurney

SECRETARY: Mrs J A Austin

REGISTERED OFFICE: Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

REGISTERED NUMBER: 2138358 (England and Wales)

AUDITORS: Murray Smith
Chartered Accountants
Registered Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

4TV LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2001

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2001.

PRINCIPAL ACTIVITY

The principal activity of the group is the provision of technical consultancy services and the development and marketing of interactive software applications.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's share capital were as follows:-

	Ordinary shares of £1 each	'A' Ordinary shares of £1 each	'B' Ordinary shares of £0.7222615 each	'C' Ordinary shares of £0.001 each	Convertible Preference shares of £0.001 each
At 30 September 2001					
K Austin	156,016	-	-	-	-
Mrs J A Austin	39,004	-	-	-	-
B Androlia	-	-	43,366	33,091	-
M J Hurney	-	-	96,295	27,691	-
At 1 October 2000					
K Austin	156,016	-	-	-	-
Mrs J A Austin	39,004	-	-	-	-
B Androlia	-	-	41,740	33,091	-
M J Hurney	-	-	93,660	27,691	-

Under the terms of an Investment Agreement dated 27 July 2001 B Androlia and M J Hurney were granted options to subscribe for 1,810 and 5,429 'B' Ordinary shares, respectively, at £18.418 per share. The options could be exercised at any time up to 27 July 2005, but were cancelled on 5 November 2001, without exercise.

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 the group and of the profit or loss of the group 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;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Continued on page 3

4TV LIMITED

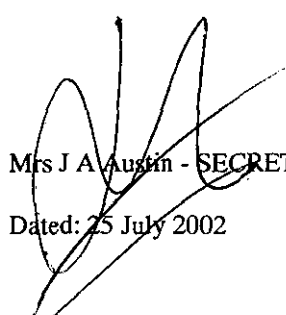
**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2001 (Continued)**

AUDITORS

Messrs Murray Smith have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:



Mrs J A Austin - SECRETARY

Dated: 25 July 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF 4TV LIMITED

We have audited the financial statements of 4TV Limited for the year ended 30 September 2001 on pages five to fifteen. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out on page eight.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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 Report of the Directors 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.

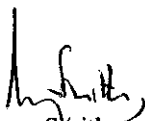
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note one to the financial statements concerning the going concern basis of preparation of the financial statements. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 30 September 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Murray Smith
Chartered Accountants
Registered Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

Dated: 29 July 2002

4TV LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

	Note	2001 £	2000 £
TURNOVER	2	10,668	37,704
Cost of sales		<u>1,048</u>	<u>14,330</u>
GROSS PROFIT		9,620	23,374
Administrative expenses		<u>916,315</u>	<u>739,694</u>
OPERATING LOSS	3	(906,695)	(716,320)
Profit on sale of fixed assets	8	<u>57,593</u>	<u>-</u>
Interest receivable and similar income		(849,102)	(716,320)
		<u>3,089</u>	<u>2,443</u>
Interest payable and similar charges	4	(846,013)	(713,877)
		<u>(28,754)</u>	<u>18,175</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(874,767)	(695,702)
Dividends	5	<u>-</u>	<u>46,055</u>
LOSS FOR THE YEAR	16	<u>(874,767)</u>	<u>(741,757)</u>

The notes form part of these financial statements

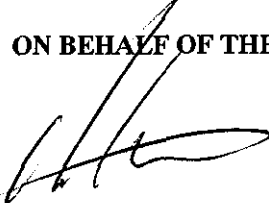
4TV LIMITED

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	49,001	75,008
Investments	8	<u>-</u>	<u>6,407</u>
		49,001	81,415
CURRENT ASSETS			
Debtors	9	34,497	37,855
Cash at bank and in hand		<u>151</u>	<u>294,035</u>
		34,648	331,890
CREDITORS: Amounts falling due within one year	10	<u>914,026</u>	<u>199,659</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(879,378)</u>	<u>132,231</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(830,377)	213,646
CREDITORS: Amounts falling due after more than one year	11	<u>177,339</u>	<u>529,227</u>
		<u>(1,007,716)</u>	<u>(315,581)</u>
CAPITAL AND RESERVES			
Called up share capital	14	533,855	525,731
Share premium account	15	2,053,855	1,879,347
Profit and loss account	16	<u>(3,595,426)</u>	<u>(2,720,659)</u>
SHAREHOLDERS' FUNDS		<u>(1,007,716)</u>	<u>(315,581)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective March 2000).

ON BEHALF OF THE BOARD:


K Austin - DIRECTOR


Mrs J A Austin - DIRECTOR

Approved by the Board on 25 July 2002

The notes form part of these financial statements

4TV LIMITED

**COMPANY BALANCE SHEET AS AT
30 SEPTEMBER 2001**

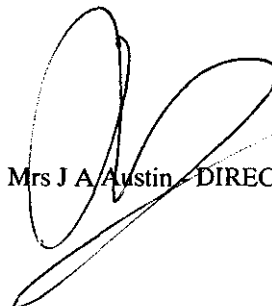
	Note	2001	2000
		£	£
FIXED ASSETS			
Tangible assets	7	49,001	75,008
Investments	8	<u>2</u>	<u>6,409</u>
		49,003	81,417
CURRENT ASSETS			
Debtors	9	428,201	431,560
Cash at bank and in hand		<u>151</u>	<u>294,035</u>
		428,352	725,595
CREDITORS: Amounts falling due within one year	10	<u>1,307,729</u>	<u>592,394</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(879,377)</u>	<u>133,201</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(830,374)	214,618
CREDITORS: Amounts falling due after more than one year	11	<u>177,339</u>	<u>529,227</u>
		<u>(1,007,713)</u>	<u>(314,609)</u>
CAPITAL AND RESERVES			
Called up share capital	14	533,855	525,731
Share premium account	15	2,053,855	1,879,347
Profit and loss account	16	<u>(3,595,423)</u>	<u>(2,719,687)</u>
SHAREHOLDERS' FUNDS		<u>(1,007,713)</u>	<u>(314,609)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective March 2000).

ON BEHALF OF THE BOARD:



K Austin - DIRECTOR



Mrs J A Austin - DIRECTOR

Approved by the Board on 25 July 2002

The notes form part of these financial statements

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements have also been prepared on the going concern basis. In support of this, as referred to in note 17, the company raised £600,594 in share and loan capital after the year end for the purposes of working capital and it is actively seeking further investments in order to develop the business. The directors recognise the inherent uncertainty as to whether further capital will be secured and, in the meantime, in adopting the accounting treatment they rely on the continuing support of the loan creditors. The financial statements do not include any adjustments that would result if sufficient further finances cannot be secured.

Basis of consolidation

The consolidated financial statements include the company and all its significant subsidiary undertakings, after eliminating intra-group balances and transactions.

Turnover

Turnover represents net invoiced work done and goods sold, excluding Value Added Tax.

Depreciation

Depreciation is provided for at the following annual rates in order to write off the cost of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Computer equipment	25% straight line
Plant and equipment	25% straight line
Motor vehicle	25% reducing balance

A proportion only of the annual figure is charged during the period of acquisition, the proportion being calculated on the number of months of ownership.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase commitments

Tangible fixed assets acquired under hire purchase contracts are capitalised and depreciated over their estimated useful lives. The corresponding obligations are treated in the balance sheet as liabilities. Finance charges are allocated to accounting periods on a straight line basis over the term of the contracts.

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis.

Pension costs

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The company also makes contributions to employees' personal pension schemes. The pension cost for the year represents total contributions payable by the company to the various schemes.

Investments

Investments are valued at the lower of cost and market value.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

2. TURNOVER

During the year 0% (2000 - 2%) of total turnover related to exports.

2001	2000
£	£

3. OPERATING LOSS

The operating loss is stated after charging:

Depreciation of tangible fixed assets		
- Owned by the company	20,663	22,778
- Held under hire purchase contracts	7,848	7,018
Directors' emoluments and other benefits, etc.	127,100	122,258
Auditors' remuneration	2,700	2,500
Pension costs	<u>13,154</u>	<u>11,944</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

Bank overdraft interest	6,862	-
Bank loan interest	19,165	2,911
Convertible loan interest	-	39,542
Convertible loan interest waived	-	(63,355)
Hire purchase interest	<u>2,727</u>	<u>2,727</u>
	<u>28,754</u>	<u>(18,175)</u>

In conjunction with the restructuring referred to in note 5 the right to receive accrued interest in respect of the convertible loan was waived by the lender on 14 April 2000.

5. DIVIDENDS

	2001	2000
	£	£
'A' Ordinary shares of £1 each	-	22,492
Preference shares of £0.001 each	<u>-</u>	<u>23,563</u>
	<u>-</u>	<u>46,055</u>

The Preference shares and the 'A' Ordinary shares originally carried the right to a fixed dividend at the rates of 11% and 6% respectively, per annum, on the issue price and these were appropriated through the profit and loss account. However, the right to receive accrued dividends was waived on 14 April 2000 and such amounts have, therefore, been credited back to the profit and loss account, as shown in note 16.

With effect from 14 April 2000 the Preference shares were redesignated as Convertible Preference shares and are not entitled to a future dividend. Subject to the availability of profits the 'A' Ordinary shares may rank for the payment of a dividend, in conjunction with the 'B' and 'C' Ordinary shares, at a variable rate.

4TV LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001****6. LOSS ATTRIBUTABLE TO THE PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the parent undertaking's profit and loss account is not included in these financial statements. Its loss for the year was £875,736 (2000 - £742,312) after deducting dividends of £Nil (2000 - £46,055).

7. TANGIBLE FIXED ASSETS**THE GROUP AND THE COMPANY**

	Computer equipment £	Plant and equipment £	Motor vehicle £	Total £
COST				
At 1 October 2000	60,491	43,761	41,272	145,524
Additions	<u>1,410</u>	<u>1,094</u>	<u>-</u>	<u>2,504</u>
At 30 September 2001	<u>61,901</u>	<u>44,855</u>	<u>41,272</u>	<u>148,028</u>
DEPRECIATION				
At 1 October 2000	28,477	32,157	9,882	70,516
Charge for the year	<u>14,026</u>	<u>6,637</u>	<u>7,848</u>	<u>28,511</u>
At 30 September 2001	<u>42,503</u>	<u>38,794</u>	<u>17,730</u>	<u>99,027</u>
NET BOOK VALUE				
At 30 September 2001	<u>19,398</u>	<u>6,061</u>	<u>23,542</u>	<u>49,001</u>
At 30 September 2000	<u>32,014</u>	<u>11,604</u>	<u>31,390</u>	<u>75,008</u>

The net book value of tangible fixed assets includes £23,542 (2000 - £31,390) in respect of assets held under hire purchase contracts or finance leases.

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

8. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £	Other investments £	Total £
THE GROUP			
Cost/net book value			
At 1 October 2000	-	6,407	6,407
Disposals	-	(6,407)	(6,407)
At 30 September 2001	-	-	-
THE COMPANY			
Cost/net book value			
At 1 October 2000	2	6,407	6,409
Disposals	-	(6,407)	(6,407)
At 30 September 2001	2	-	2

The company is the beneficial owner of all the issued ordinary share capital of the following company, which is registered in England and Wales:

Name of company	Nature of business
Danmere Technologies Limited	Dormant

The company is also the beneficial owner of all the issued share capital of Danmere USA Inc, a company registered in the United States of America. Its principal activity is the marketing of computer peripherals, but no trading occurred during the year.

Other investments relate to shares held in S.Y. Realisations Limited (formerly Systolix Limited). These have been sold during the year and were previously valued at cost.

Investments are all unlisted.

	THE GROUP		THE COMPANY	
	2001 £	2000 £	2001 £	2000 £
9. DEBTORS				
Trade debtors	-	7,638	393,704	401,343
Other debtors	17,719	18,162	17,719	18,162
Prepayments	16,778	12,055	16,778	12,055
	<u>34,497</u>	<u>37,855</u>	<u>428,201</u>	<u>431,560</u>

In preparing the company's financial statements full provision has been made against amounts totalling £338,314 (2000 - £337,345) (net) due from its subsidiary undertaking, Danmere Technologies Limited.

4TV LIMITED
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2001**

	THE GROUP		THE COMPANY	
	2001 £	2000 £	2001 £	2000 £
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Bank overdraft and loan (secured)	362,935	46,297	362,935	46,297
Other loans (secured)	300,000	-	300,000	-
Net obligations under hire purchase contracts (secured)	5,591	5,591	5,591	5,591
Trade creditors	154,286	118,701	154,286	118,701
Social security and other taxes	57,880	17,168	57,880	17,168
Other creditors	-	-	70,693	70,693
Accruals	33,334	11,902	356,344	333,944
	<u>914,026</u>	<u>199,659</u>	<u>1,307,729</u>	<u>592,394</u>
11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Bank loan (secured)	157,407	203,703	157,407	203,703
Other loans (secured)	-	300,000	-	300,000
Net obligations under hire purchase contracts (secured)	19,932	25,524	19,932	25,524
	<u>177,339</u>	<u>529,227</u>	<u>177,339</u>	<u>529,227</u>
12. OPERATING LEASE COMMITMENTS				
The following payments are committed to be paid within one year:				
Expiring:				
Within one year	4,167	17,541	4,167	17,541
Between one and five years	3,796	-	3,796	-
	<u>7,963</u>	<u>17,541</u>	<u>7,963</u>	<u>17,541</u>

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation for which provision has been made in the financial statements and the amounts for which no provision has been made, are as follows:-

	Provided		Not provided	
	2001	2000	2001	2000
	£	£	£	£
THE GROUP				
Accelerated capital allowances	-	1,156	(1,878)	-
Losses carried forward	-	(1,156)	(659,544)	(497,222)
	-	-	(661,442)	(497,222)

THE COMPANY

Accelerated capital allowances	-	1,156	(1,878)	-
Losses carried forward	-	(1,156)	(611,768)	(449,503)
	-	-	(613,646)	(449,503)

14. CALLED UP SHARE CAPITAL

	2001	2000
	£	£
Authorised:		
Ordinary shares of £1 each	840,038	840,038
'A' Ordinary shares of £1 each	168,457	159,562
'B' Ordinary shares of £0.7222615 each	183,090	170,588
'C' Ordinary shares of £0.001 each	61	61
Convertible Preference shares of £0.001 each	500	500
	<u>1,192,146</u>	<u>1,170,749</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	195,020	195,020
'A' Ordinary shares of £1 each	163,028	159,562
'B' Ordinary shares of £0.7222615 each	175,246	170,588
'C' Ordinary shares of £0.001 each	61	61
Convertible Preference shares of £0.001 each	500	500
	<u>533,855</u>	<u>525,731</u>

During the year the following shares were issued and fully paid in cash:

3,466 'A' Ordinary shares of £1.00 each at £18.417836 per share
6,450 'B' Ordinary shares of £0.7222615 each at £18.417836 per share

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

	2001 £	2000 £
15. SHARE PREMIUM ACCOUNT		
THE GROUP AND THE COMPANY		
At 1 October	1,879,347	940,038
Arising on the issue of:		
'A' Ordinary shares	60,371	-
'B' Ordinary shares	114,137	129,414
'C' Ordinary shares	-	9,995
Convertible Preference shares	-	799,900
	<u>2,053,855</u>	<u>1,879,347</u>
At 30 September	<u>2,053,855</u>	<u>1,879,347</u>

16. PROFIT AND LOSS ACCOUNT

THE GROUP

Loss for the year	(874,767)	(741,757)
Share appropriations (note 5)	-	46,055
Accumulated loss at 1 October	<u>(2,720,659)</u>	<u>(2,024,957)</u>
Accumulated loss at 30 September	<u>(3,595,426)</u>	<u>(2,720,659)</u>

THE COMPANY

Loss for the year	(875,736)	(742,312)
Share appropriations (note 5)	-	46,055
Accumulated loss at 1 October	<u>(2,719,687)</u>	<u>(2,023,430)</u>
Accumulated loss at 30 September	<u>(3,595,423)</u>	<u>(2,719,687)</u>

17. POST BALANCE SHEET EVENTS

Since the balance sheet date the following changes have occurred in respect of the company's share and loan capital:

- (i) In November 2001 the company received a secured Investor's loan of £300,000.
- (ii) In March 2002 the company allotted, at par for cash, 415,564 'D' Ordinary shares of £0.01 each and received a secured Investor's loan of £296,438.

4TV LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2001

18. RELATED PARTY TRANSACTIONS

No single individual or entity controls the company.

During the year the company received services, on normal commercial terms, from related parties, as follows:-

	Value £	Amount owing at 30 September 2001 £
N3 Trading Ltd, formerly Nice Net Names Limited (a company of which M J Hurney is a director)	12,218	14,356
Draycott Management Services Limited (a company of which B Androlia is a director)	<u>10,127</u>	<u>10,920</u>

As referred to in note 8, the company sold its entire holding in S.Y. Realisations Limited, during the year. This transaction took place at market value and the purchasers were N3 Trading Ltd, Draycott Management Services Limited, C Kendle (a shareholder) and James Lane Holdings (IOM) Limited (a shareholder), the aggregate consideration being £64,000.

Under the terms of an Investment Agreement dated 27 July 2001 the company granted options to M J Hurney, B Androlia, C Kendle and James Lane Holdings (IOM) Limited to subscribe for an aggregate of 10,859 'B' Ordinary shares of £0.7222615 each and to 3i plc, 5,429 'A' Ordinary shares of £1 each. The options could be exercised at any time up to 27 July 2005 at £18.418 per share, but were cancelled on 5 November 2001, without exercise. In consideration of the grant of the options by the company, the grantees agreed to provide Bank Guarantees in the aggregate sum of £300,000.