Deloitte & Touche

World Television Limited

Directors' report and financial statements
for the year ended 30 June 2001

Registered number: 2590549

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Directors' report

For the year ended 30 June 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2001.

Principal activity

The principal activity of the company is the production and distribution of television news and related programmes.

Corporate activity

On 15 November 2000, the entire issued share capital of the company was acquired by World Television plc (formerly Victoryband plc).

Results and business review

The audited financial statements for the year ended 30 June 2001 are set out on pages 5 to 18. The loss for the year after tax and exceptional items of £417,850 was £1,179,847 (nine months to 30 June 2000: profit £70,168).

During the year, the company expanded in anticipation of a public offering of shares of its parent company on the Alternative Investment Market ('IPO'). As a result of the intended IPO and the planned increase in the scale of operations, the company increased its cost base, principally through the recruitment of additional employees, on the assumption that new funds would be raised.

Due to the market conditions at the end of 2000, the IPO did not proceed and the losses incurred during the year reflect the costs of the aborted IPO and the expanded cost base that was not supported by the scale of the business. The directors have taken steps to rectify the position through a cost reduction plan and careful cash management including a limited redundancy programme and the completion of the sale of the freehold premises in Bristol for consideration of £245,000 subsequent to the year end.

The company has traded satisfactorily during the year ended 30 June 2002 and the directors believe that this progress will be maintained during the year to 30 June 2003.

Dividends

During the year interim dividends of £9,000 were paid (nine months to 30 June 2000: £60,750). No final dividend is proposed.

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Directors and their interests in shares

The directors who served throughout the year (except as stated) together with their interests in the share capital of the company were as follows:

	Ordinary shares of £1 each	
	At 30 June 2001	At 30 June 2000 (or date of appointment)
AM Booth	-	10,000
PJ Sibley	-	10,000
K Gauld (appointed 24 August 2000, resigned 15 September 2000)	-	-
C Helvert (appointed 31 October 2000)	-	-
A Alexander (appointed 31 October 2000, resigned 25 January 2002)	-	-

The interests of AM Booth and PJ Sibley in the share capital of the parent company, World Television Group plc, are disclosed in that company's financial statements. None of the other directors have had any interests in the share capital of other group companies during the year.

Statement of directors' responsibilities

United Kingdom 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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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Auditors

A resolution will be placed before the annual general meeting to reappoint the auditors, Deloitte & Touche, for the ensuing year.

By order of the Board,

~~AM Booth~~ PJ SIBLEY
Director

17 December 2002

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Independent auditors' report to the members of World Television Limited

We have audited the financial statements of World Television Limited for the year ended 30 June 2001 comprising the profit and loss account, the statement of total recognised gains and losses, the balance sheet and related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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 United Kingdom legal and regulatory requirements and 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.

Basis of 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 at 30 June 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

17 December 2002

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Profit and loss account

For the year ended 30 June 2001

	Notes	Year ended 30 June 2001 £	Nine months ended 30 June 2000 £
Turnover	1	3,054,931	1,581,278
Cost of sales		(1,394,636)	(799,301)
Gross profit		1,660,295	781,977
Administrative expenses		(2,850,862)	(674,817)
Operating (loss)/profit	2	(1,190,567)	107,160
Bank interest receivable		6,893	1,523
Interest payable	3	(25,839)	(16,849)
(Loss)/profit on ordinary activities before taxation		(1,209,513)	91,834
Tax on (loss)/profit on ordinary activities	6	29,666	(21,666)
(Loss)/profit on ordinary activities after taxation		(1,179,847)	70,168
Dividends	7	(9,000)	(60,750)
Retained (loss)/profit for the year		(1,188,847)	9,418

All amounts relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains and losses in either year other than the loss for that year.

There is no material difference between the result as disclosed and the result on an unmodified historical cost basis.

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Statement of total recognised gains and losses

For the year ended 30 June 2001

	2001	2000
	£	£
(Loss)/profit for the financial year	(1,179,847)	70,168
Deferred tax on revalued asset	(18,040)	-
Total recognised gains and losses	(1,197,887)	70,168

The accompanying notes are an integral part of this statement of total recognised gains and losses.

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Balance sheet

As at 30 June 2001

	Notes	30 June 2001 £	30 June 2000 £
Fixed assets			
Tangible assets	8	588,071	417,791
Investments	9	6	6
		588,077	417,797
Current assets			
Stocks	10	4,189	3,495
Debtors	11	620,992	518,758
Cash at bank and in hand		1,759	44,360
		626,940	566,613
Creditors: Amounts falling due within one year	12	(1,549,912)	(602,154)
Net current liabilities		(922,972)	(35,541)
Total assets less current liabilities		(334,895)	382,256
Creditors: Amounts falling due after more than one year	13	(108,467)	(90,928)
Provisions for liabilities and charges	15	(18,040)	(8,000)
Net (liabilities)/assets		(461,402)	283,328
Capital and reserves			
Called-up share capital	16	28,570	20,000
Share premium account	17	453,587	-
Revaluation reserve	17	70,436	90,202
Profit and loss account	17	(1,013,995)	173,126
Equity shareholders' (deficit)/funds	18	(461,402)	283,328

The financial statements on pages 5 to 18 were approved by the board of Directors on 17 December 2002 and signed on its behalf by:

~~AM Booth~~ R SIBLEY

Director

The accompanying notes are an integral part of this balance sheet.

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1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

a) Basis of accounting and going concern

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

During the year, the company expanded in anticipation of a public offering of shares on the Alternative Investment Market ('IPO'). As a result of the intended IPO and the planned increase in the scale of operations, the company increased its cost base, principally through the recruitment of additional employees, on the assumption that new funds would be raised.

Due to the market conditions at the end of 2000, the IPO did not proceed and, as a result, in addition to significant levels of professional fees in connection with the aborted IPO, the company was left with a cost base that was not supported by the scale of the business. The loss incurred has left the company such that it has net liabilities.

The directors have taken steps to rectify the position through a cost reduction plan and careful cash management including the sale of freehold premises in Bristol for consideration of £245,000 and a limited redundancy programme.

The directors have prepared projected cash flow information for the period to 31 December 2003. However, the company remains dependent, in the near term, on the ability to grow revenue levels and short term, day to day working capital requirements may result in the company needing to utilise its overdraft facility which, in common with all such facilities, is repayable on demand. The directors expect that the company will operate within the facility currently agreed with the bankers and, accordingly, consider it appropriate to prepare the accounts on a going concern basis. The financial statements do not contain any adjustments that would result if the accounts were prepared on a basis other than a going concern basis.

b) Group financial statements

Since the group qualifies as a small group under Companies Act 1985, consolidated financial statements have not been prepared. Accordingly, these financial statements are those of the company and not of its group.

c) Tangible fixed assets

The company has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of the freehold property which was revalued prior to implementation of that standard. The freehold property was last revalued at 31 December 1998 and the valuation has not subsequently been updated.

Tangible fixed assets are stated at cost (except as noted above) net of depreciation and any provision for impairment.

Depreciation is charged so as to allocate the cost of each asset less its estimated residual value to the periods expected to benefit from its use at the following rates:

Freehold property	2% straight line
Leasehold improvements	20% straight line
Specialist equipment	20% straight line
Office furniture, fittings and equipment	33% straight line

During the year the directors reviewed the useful economic lives of specialist equipment and office furniture, fittings and equipment. As a result of this review, the depreciation rate of specialist equipment has been increased from 12.5% and that of office furniture, fittings and equipment from 20%. The effect of the change is to increase the depreciation charge for the year by £88,045.

d) Stock

Stock is stated at the lower of cost and net realisable value.

e) Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long term contract balances in stock.

f) Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes originating principally from the UK.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses.

g) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

h) Leased assets

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance sheet of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term.

i) Pensions

Contributions made by the company to money purchase pension schemes are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

j) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

2 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	Year ended 30 June 2001 £	Nine months ended 30 June 2000 £
Auditors' remuneration for audit services	30,000	20,000
Depreciation of owned assets	133,758	37,677
Depreciation of assets held under finance lease agreements	20,985	7,197
Hire of equipment	42,337	28,071
Exceptional items		
- Redundancy costs	233,652	-
- Provision against Lynch Talbot debtor (see note 21)	184,198	-

3 Interest payable

	Year ended 30 June 2001 £	Nine months ended 30 June 2000 £
On finance leases	16,611	4,021
On bank loans and overdrafts	9,228	12,828
	25,839	16,849

4 Staff costs

The average monthly number of employees (including directors) was:

	Year ended 30 June 2001 Number	Nine months ended 30 June 2000 Number
Sales and production	17	4
Administration	20	14
	37	18

Aggregate remuneration comprised:

	Year ended 30 June 2001 £	Nine months ended 30 June 2000 £
Wages and salaries	1,327,157	416,265
Social security costs	134,299	41,059
Other pension costs	28,572	15,313
	1,490,028	472,637

Two directors are accruing benefits through money purchase pensions schemes (2000:2)

5 Directors' remuneration

Directors' remuneration during the period comprised:

	Year ended 30 June 2001 £	Nine months ended 30 June 2000 £
Total emoluments	131,000	44,500
Company contributions to money purchase pension schemes	4,375	5,625
	135,375	50,125

Two directors are accruing benefits through money purchase pension schemes (2000 : 2)

6 Tax on (loss)/profit on ordinary activities

	Year ended 30 June 2001 £	Nine months ended 30 June 2000 £
UK corporation tax based on (loss)/profit for the period	(14,706)	21,666
Over provision in respect of prior year	(6,960)	-
Transfer from deferred tax	(8,000)	-
	(29,666)	21,666

7 Dividends

	Year ended 30 June 2001 £	Nine months ended 30 June 2000 £
Ordinary dividends of 45p (2000: 303.75p) per share	9,000	60,750

8 Tangible fixed assets

	Freehold property £	Leasehold improvements £	Computer and office equipment £	Specialist equipment £	Total £
Cost/valuation					
At 30 June 2000	175,000	-	53,000	456,789	684,789
Additions	-	25,007	181,180	118,836	325,023
Disposals	-	-	(6,980)	(67,333)	(74,313)
At 30 June 2001	175,000	25,007	227,200	508,292	935,499
Depreciation					
At 30 June 2000	5,250	-	35,457	226,291	266,998
Charge for the year	3,500	4,168	63,516	83,559	154,743
Disposals	-	-	(6,980)	(67,333)	(74,313)
At 30 June 2001	8,750	4,168	91,993	242,517	347,428
Net book value					
At 30 June 2001	166,250	20,839	135,207	265,775	588,071
At 30 June 2000	169,750	-	17,543	230,498	417,791

Included in the above are leased equipment at a net book value of £122,634 (2000: £77.013)

The freehold property was revalued on 31 December 1998 by Burston Cook, Consultant Surveyors, at open market value. The surplus arising has been credited to the revaluation reserve.

The historical cost of the freehold property is:

	£
Historical cost	88,694
Accumulated depreciation based on historical cost	(8,778)
Historical cost at book value	79,916

The company has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of the freehold property that was revalued prior to implementation of that standard. Subsequent to the period end the company completed the sale of this property for proceeds of £245,000.

All other assets are stated at historical cost.

9 Fixed asset investments

	2001 £	2000 £
Subsidiary undertakings	6	6

The company has investments in 100% of the ordinary share capital of the following non-trading subsidiary undertakings.

	Country of incorporation	Holding
World Images Limited	UK	Ordinary
World Post-Production Limited	UK	Ordinary
World Multi-Media Limited	UK	Ordinary

	2001 £
Cost	
At 30 June 2000 and 30 June 2001	6

10 Stocks

	2001 £	2000 £
Stocks	4,189	3,495

11 Debtors

	2001 £	2000 £
Trade debtors	440,975	474,633
Long term contract balances	-	-
Other debtors and prepayments	180,017	44,125
	620,992	518,758
Long term contract balances comprise:		
Amounts recoverable on contracts	25,035	53,957
Less: payments on account	(25,035)	(53,957)
	-	-

Included within other debtors and prepayments is £29,500 (2000 - £nil) falling due after more than one year.

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank overdraft	43,534	25,900
Bank loans	35,480	53,336
Payments received on account	301,411	27,928
Trade creditors	740,709	280,598
Corporation tax	2,146	24,966
Other taxes and social security	137,453	34,588
Accruals	233,215	110,806
Directors' loan account	-	20,250
Finance leases	55,964	23,782
	1,549,912	602,154

13 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loans	43,472	78,798
Finance leases	64,995	12,130
	108,467	90,928

The bank loan and overdraft are secured by a fixed and floating charge over the assets of the company.

14 Borrowings

The aggregate amount of borrowings was as follows:

	2001 £	2000 £
Bank loans		
- falling due within one year	35,480	53,336
- falling due within one to two years	27,639	36,370
- falling due within two to five years	15,833	42,428
	78,952	132,134

15 Provisions for liabilities and charges

The deferred tax provision/(asset) at 30 June 2001 comprises:

	Provided		Unprovided	
	2001 £	2000 £	2001 £	2000 £
Accelerated capital allowances	-	8,000	(11,130)	-
Capital gain on revalued property	18,040	-	-	17,500
Trading losses	-	-	(157,327)	-
Other	-	-	(6,020)	
	18,040	8,000	(174,477)	17,500

	£
At 1 July 2000	8,000
Transfer to profit and loss account	(8,000)
Transfer from revaluation reserve	18,040
At 30 June 2001	18,040

16 Share capital

	2001 £	2000 £
Authorised		
Ordinary shares of £1 each	50,000	50,000
Issued, called-up and fully-paid		
Ordinary shares of £1 each	28,570	20,000

Movements in share capital are noted in note 21.

17 Reserves

	Share premium account £	Revaluation Reserve £	Profit and loss account £	Total £
At 30 June 2000	-	90,202	173,126	263,328
Retained loss for the year	-	-	(1,188,847)	(1,188,847)
Arising on issue of shares	453,587	-	-	453,587
Transfer	-	(1,726)	1,726	-
Deferred tax on revalued asset	-	(18,040)	-	(18,040)
At 30 June 2001	453,587	70,436	(1,013,995)	(489,972)

18 Reconciliation of movements in equity shareholders' funds

	2001 £	2000 £
(Loss)/profit for the period	(1,179,847)	70,168
Dividends	(9,000)	(60,750)
	(1,188,847)	9,418
Deferred tax on revalued asset	(18,040)	-
New share capital subscribed	462,157	-
Net (reduction)/addition in shareholder's funds	(744,730)	9,418
Opening equity shareholders' funds	283,328	273,910
Closing equity shareholders' (deficit)/funds	(461,402)	283,328

19 Obligations under finance leases

The net obligations under finance leases are repayable as follows:

	2001 £	2000 £
Within one year	55,964	23,782
Between two and five years	64,995	12,130
	120,959	35,912

20 Operating lease commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 30 June 2002:

	2001 £	2000 £
Land and buildings		
- expiring within one year	-	5,333
- expiring between two and five years	-	-
- expiring after five years	118,000	-
Other		
- expiring within one year	2,394	-
- expiring between two and five years	32,708	-
- expiring after five years	-	-
	153,102	5,333

21 Related party transactions

Directors' loans

The Company was controlled throughout the period by P J Sibley and A M Booth, the directors and shareholders. During the year, loans to the company by each director of £10,125 at 30 June 2000 were repaid.

Lynch Talbot Limited

On 16 June 2000, an agreement was made to issue 8,570 shares to Lynch Talbot Limited ('Lynch Talbot'), a company incorporated in Jersey for consideration of £500,000.

The investment and shareholders' agreement between World Television Limited and Lynch Talbot Limited contains a clause whereby Lynch Talbot indemnified the company against all legal, accounting, investment bank, public relations and printing costs of an abortive IPO. The directors have identified costs of £221,698 in connection with this indemnity. Although the directors consider the full amount to be recoverable, only £37,500 has been received to date and accordingly provision has been made in these financial statements for the remaining amount.

Atlantic Caspian Resources plc

During the year, the company provided certain services to Atlantic Caspian Resources plc, a company to which Charles Helvert is also a director, on an arms length basis. The full amount of these services of £20,332 remained outstanding at the year end. No provision has been made against this amount in these financial statements.

22 Parent company

On 15 November 2000, the entire issued share capital of the company was acquired by World Television Group plc (formerly Victoryband plc). World Television Group plc is the immediate parent company and ultimate controlling party. Copies of the financial statements of World Television Group plc are available from 8 Fitzroy Square, London W1T 5HN.

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23 Post balance sheet event

On 19 December 2001, UCTX Limited was acquired for total consideration of £126,000 comprising £26,250 in cash and £99,750 in convertible unsecured non-interest bearing loan notes of £99,750. The loan notes are convertible into cash or shares on the first anniversary of the loan note at the option of the noteholder.