

3172120

Transmedia Gateway Limited

Report and Financial Statements

31 March 2003



Transmedia Gateway Limited

Registered No. 3172120

Directors

C C E McCulloch

J I Tasch

IMG Corporate Services Limited

IMG Nominees Limited

IMG Services Limited

Secretary

Reed Smith Corporate Services Limited

Registered Office

Minerva House

5 Montague Close

London SE1 9BB

Auditors

Ernst & Young LLP

1 Lambeth Palace Road

London SE1 7EU

Business address

1st Floor, Notcutt House

36 Southwark Bridge Road

London SE1 9EU

Bankers

Barclays Bank PLC

212 Regent Street

London W12 8GG

Solicitors

Reed Smith

Minerva House

5 Montague Close

London SE1 9BB

Directors' report

The directors present their report and financial statements for the year ended 31 March 2003.

Principal activity and review of the business

The principal activity of the company continued to be that of web design and internet marketing.

Results and dividends

The results for the year are set out on page 6. The directors recommend no dividend for the year.

Directors and their interests

The following directors have held office since 1 April 2002:

C C E McCulloch	(Appointed 11 December 2002)
J I Tasch	
IMG Corporate Services Limited	
IMG Nominees Limited	
IMG Services Limited	
L D Bryant	(Resigned 11 December 2002)
L R Hughes	(Resigned 11 December 2002)

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	2003	2002
	£	£
L D Bryant	-	302,972
L R Hughes	-	302,972

In addition to the above interests On-line Services Limited holds 1,032,858 ordinary shares (2002 – 578,400 ordinary shares) and Investment Management Group holds 344,286 ordinary shares (2002 – 192,800 ordinary shares).

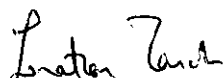
Auditors

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

Small company exemptions

This report and financial statements is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board



Director

18 AUGUST 2003

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.

Independent auditors' report

to the members of Transmedia Gateway Limited

We have audited the company's financial statements for the year ended 31 March 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. 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.

Independent auditors' report

to the members of Transmedia Gateway Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
London

18 August 2003

Profit and loss account

for the year ended 31 March 2003

	<i>Notes</i>	<i>2003</i> £	<i>2002</i> £
Turnover	2	1,188,894	1,008,764
Cost of sales		(506,786)	(627,543)
Gross profit		682,108	381,221
Administrative expenses		(735,500)	(871,388)
Operating loss	3	(53,392)	(490,167)
Interest receivable		43	1,290
Other income		1,720	790
Interest payable		(54,859)	(25,400)
Loss on ordinary activities before taxation		(106,488)	(513,487)
Tax on loss on ordinary activities	5	—	—
Retained loss for the year	12	(106,488)	(513,487)

Statement of total recognised gains and losses

for the year ended 31 March 2003

The profit and loss account contains the only gains and losses of the company for the current and prior year. All amounts relate to continuing activities.

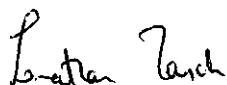
Balance sheet

at 31 March 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	6	139,405	173,411
Current assets			
Work in progress		131,908	87,753
Debtors	7	215,157	378,000
Cash at bank and in hand		76,745	50,276
Creditors: amounts falling due within one year	8	423,810 (389,442)	516,029 (647,233)
Net current assets/liabilities		34,368	(131,204)
Total assets less current liabilities		173,773	42,207
Creditors: amounts falling due after more than one year			
Obligations under finance leases		(9,354)	(26,300)
		164,419	15,907
Capital and reserves			
Called up share capital	11, 12	1,632,144	1,377,144
Profit and loss account	12	(1,467,725)	(1,361,237)
Total shareholders' funds		164,419	15,907

These financial statements have been prepared in accordance with the Special Provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

On behalf of the Board



Director

18 AUGUST 2003

Notes to the financial statements

at 31 March 2003

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and on a going concern basis as the company secured additional financing during the year.

The company has taken advantage of the exemption from preparing a statement of cash flows as conferred by FRS 1 (revised) on the grounds that it qualifies as a small company under the Companies Act 1985.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Computer equipment	–	33 1/3% straight line
Fixtures and fittings	–	25% straight line
Refurbishment	–	10% straight line
Software	–	33 1/3% straight line

Work in progress

Work in progress is valued at the lower of cost and net realisable value.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that there is a reasonable probability that a liability will crystallise in the foreseeable future.

2. Turnover

Turnover represents fees invoiced in respect of services provided during the year (stated net of value added tax), except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts invoiced.

8.9% (2002 – 17.3%) of turnover is attributable to geographical markets outside the United Kingdom.

3. Operating loss

This is stated after charging:

	2003	2002
	£	£
Depreciation of tangible fixed assets	51,118	93,366
Auditors' remuneration - audit services	10,000	8,000
- non-audit services	1,250	5,000
Directors' remuneration	224,340	191,950
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 March 2003

4. Staff costs

	2003 £	2002 £
Wages and salaries	704,548	760,399
Social security costs	71,944	76,895
Other pension costs	-	-
	<u>776,492</u>	<u>837,294</u>

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

	2003 No.	2002 No.
Production	12	17
Administration	4	9
	<u>16</u>	<u>26</u>

5. Tax on loss on ordinary activities

	2003 £	2002 £
UK corporation tax	-	-
	<u>-</u>	<u>-</u>

Notes to the financial statements

at 31 March 2003

6. Tangible fixed assets

	<i>Computer equipment</i> £	<i>Fixtures and fittings</i> £	<i>Refurbish- ment</i> £	<i>Software</i> £	<i>Total</i> £
Cost:					
At 1 April 2002	177,421	61,153	171,232	6,026	415,832
Additions	7,422	–	9,390	300	17,112
At 31 March 2003	184,843	61,153	180,622	6,326	432,944
Depreciation:					
At 1 April 2002	162,557	42,586	34,123	3,155	242,421
Provided during the year	15,636	15,288	18,094	2,100	51,118
At 31 March 2003	178,193	57,874	52,217	5,255	293,539
Net book value:					
At 31 March 2003	6,650	3,279	128,405	1,071	139,405
At 1 April 2002	14,864	18,567	137,109	2,871	173,411

7. Debtors

	<i>2003</i> £	<i>2002</i> £
Trade debtors	148,417	306,682
Other debtors	34,631	34,631
Prepayments	32,109	36,687
	215,157	378,000

Included in other debtors is an amount of £nil which is due after more than one year (2002 – £34,500).

Notes to the financial statements

at 31 March 2003

8. Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	97,329	83,897
Taxation and social security costs	76,206	99,321
Accruals and deferred income	128,353	201,731
Obligations under finance leases	20,351	17,293
Loan from related party	66,557	244,991
Other creditors	646	—
	<u>389,442</u>	<u>647,233</u>

9. Obligations under finance leases

The maturity of these amounts is as follows:

	2003	2002
	£	£
Amounts payable between two and five years	29,705	43,593
Finance leases are analysed as follows:		
Current obligations (note 8)	20,351	17,293
Non-current obligations	9,354	26,300
	<u>29,705</u>	<u>43,593</u>

10. Obligations under operating leases and hire purchase contracts

The maturity of these amounts is as follows:

	2003	2002
	£	£
Amounts payable between two and five years	172,500	241,500
	<u>172,500</u>	<u>241,500</u>

Notes to the financial statements

at 31 March 2003

11. Share capital

		2003	2002
<i>Authorised</i>		£	£
Ordinary shares of £1 each		1,377,144	1,377,144
16.3% cumulative redeemable preference shares of 7.26p each		255,000	—
		<u>1,632,144</u>	<u>1,377,144</u>
		<u><u>1,632,144</u></u>	<u><u>1,377,144</u></u>
<i>Allotted, called up and fully paid</i>		2003	2002
		No.	No.
		£	£
Ordinary shares of £1 each		1,377,144	1,377,144
16.3% cumulative redeemable preference shares of 7.26p each		—	255,000
		<u>1,632,144</u>	<u>1,377,144</u>
		<u><u>1,632,144</u></u>	<u><u>1,377,144</u></u>

On 31 March 2003 the authorised share capital was increased by £255,000 by the creation of 3,512,396 redeemable cumulative convertible preference shares of 7.26p each. On the same date, 3,512,396 cumulative convertible preference shares of 7.26p each, with an aggregate nominal value of £255,000, were issued fully paid for the discharging of an outstanding loan obligation which the company had with a related party.

The preference shares carry the right to be converted into para-ordinary shares (a para-ordinary share so resulting to have the same rights as an ordinary share) at the option of any holder of at least 1,000 preference shares, such right being exercisable at any time at the option of the holder. Conversion is at the rate of one para-ordinary share for every one preference share or, at the option of the converting shareholder, such other number of para-ordinary shares as shall, on or prior to such conversion, be determined by independent valuation to represent fair value at the conversion date of that preference share compared to an ordinary share at such time.

The preference shares have no fixed redemption date. They carry a dividend of 16.3% per annum, payable half-yearly in arrears on 31 March and 30 September. Any dividend not so paid shall accrue interest from the due date to date of actual payment at a rate of 20% per annum. The dividend rights are cumulative.

The preference shares carry no votes at meetings unless the dividend thereon is overdue on the date of the notice convening the meeting or the company fails to redeem the shares on the redemption date or the business of the meeting includes a resolution for the winding-up of the company or includes a resolution which is one which varies, modifies, alters or abrogates any of the rights, privileges, limitations or restrictions attaching to the preference shares.

On a winding-up of the company, the preference shareholders have a right to receive, in priority to all other shareholders, the capital paid up on the preference shares (including any premium) plus any accruals and arrears of dividend.

Notes to the financial statements

at 31 March 2003

12. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Share- holders' funds</i>
	£	£	£
At 1 April 2002	1,377,144	(1,361,237)	15,907
Loss for the financial year	-	(106,488)	(106,488)
Issue of preference shares (note 11)	255,000	-	255,000
At 31 March 2003	<u>1,632,144</u>	<u>(1,467,725)</u>	<u>164,419</u>

13. Capital commitments

There were no capital commitments contracted but not provided for at 31 March 2003 (2002 - £nil)

14. Related parties

Administrative expenses includes an amount of £50,000 (2002 - £50,000) of business development fees to Mondial Services EC. At the balance sheet date the amount due to Mondial Services EC was £79,167 (2002 - £50,000).

On 14 August 2002 the company signed a convertible loan agreement with Investment Management Group, a shareholder of the company. This loan permits the company to drawdown amounts of up to £400,000. Interest payable includes an amount of £43,519 (2002 - £20,024) in respect of this loan. Following the conversion of £255,000 of an outstanding loan obligation to preference shares, at the balance sheet date the amount drawdown including related interest was £66,557 (2002 - £244,991).

All companies are subject to common control from the same source.

15. Parent undertaking and controlling party

The company's immediate parent undertaking, and in the directors' opinion the company's ultimate parent undertaking, is On-line Services Limited, a company which is registered in the Cayman Islands. The address of its principal place of business is West Wind Building, PO Box 1111, George Town, Grand Cayman, British West Indies.