

UK Living Limited

Directors' report and financial statements

31 December 1997

Registered number 2802598



UK Living Limited

Directors' report and financial statements

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UK Living Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The principal activity of the company is to operate the Living Channel which broadcasts programmes on cable and satellite television.

Business review

The results for the year ended 31 December 1997 and the financial position of the company at that date are set out on pages 4 and 5 of the financial statements.

The directors do not recommend the payment of a dividend in respect of the year.

Directors and directors' interests

The directors who held office during the year were as follows:

A Dalvi	(resigned 25 April 1997)
A Singer	
A Cohen	(resigned 25 April 1997)
PB Harman	
L Gardner	(resigned 25 April 1997)
N Humby	(resigned 25 April 1997)
RDE Luard	(appointed 25 April 1997)
MW Luiz	(appointed 25 April 1997)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company during the year.

All the current directors are directors of Flextech plc. Their interests in the share capital of that company are disclosed in the Flextech plc annual report.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

UK Living Limited

Directors' report

Auditors

Pursuant to a shareholders resolution, the company is not obliged to re-appoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the board



RG Taylor
Secretary

3 June 1998

UK Living Limited

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 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;
- 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 maintaining 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 have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of UK Living Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 June 1998

UK Living Limited

Profit and loss account for the year ended 31 December 1997

	<i>Note</i>	1997 £000	1996 £000
Turnover - continuing operations	<i>1</i>	23,181	17,397
Cost of Sales		(10,434)	(8,462)
Gross profit		12,747	8,935
Distribution expenses		(7,075)	(7,627)
Administrative expenses		(2,617)	(1,977)
Operating profit/(loss) - continuing operations		3,055	(669)
Other interest receivable and similar income	<i>5</i>	127	257
Interest payable and similar charges	<i>6</i>	(2,113)	(2,093)
Profit/(loss) on ordinary activities before taxation	<i>2-4</i>	1,069	(2,505)
Tax on profit/(loss) on ordinary activities	<i>7</i>	-	211
Retained profit/(loss) for the financial year		1,069	(2,294)
Retained deficit brought forward		(24,471)	(22,177)
Retained deficit carried forward		(23,402)	(24,471)

The company had no recognised gains or losses other than those included in the profit and loss account in either the current or previous year and therefore no separate statement of total recognised gains and losses has been presented.

The historical cost profits and losses in current and prior years are the same as those reported above.

UK Living Limited

Balance sheet at 31 December 1997

	Note	1997	1996 (as restated)
		£000	£000
Fixed assets			
Tangible assets	8	30	48
Current assets			
Programme inventory	9	2,954	3,933
Debtors	10	11,012	4,145
Cash at bank and in hand		394	4,217
		<u>14,360</u>	<u>12,295</u>
Creditors: amounts falling due within one year	11	<u>(9,090)</u>	<u>(4,712)</u>
Net current assets		<u>5,270</u>	<u>7,583</u>
Total assets less current liabilities		<u>5,300</u>	<u>7,631</u>
Creditors: amounts falling due after more than one year	12	<u>(28,689)</u>	<u>(32,089)</u>
Net liabilities		<u>(23,389)</u>	<u>(24,458)</u>
Capital and reserves			
Called up share capital	13	1	1
Share premium account	14	12	12
Profit and loss account	14	<u>(23,402)</u>	<u>(24,471)</u>
Equity shareholders' deficit	15	<u>(23,389)</u>	<u>(24,458)</u>

These financial statements were approved by the board of directors on 3 June 1998 and were signed on its behalf by:

MW Luiz
Director

UK Living Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. They have been prepared on a going concern basis since the shareholders have agreed to provide sufficient financial support to the company for the foreseeable future.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No.1 (revised 1996) to prepare a cash flow statement on the grounds that its parent undertaking, Flextech plc, includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings and equipment	-	3-5 years
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Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. The consideration received from the sale of taxable losses under consortium relief is classified as a credit under the caption of tax on ordinary activities.

Turnover

Turnover represents the amounts invoiced for the supply of cable and satellite services, the revenue from down time and advertising revenue net of value added tax, entirely in the UK.

UK Living Limited

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Programme inventory

Programme inventory comprises of fees paid for film licences. These fees are written off to the profit and loss account over the expected number of showings. Licences are recognised in programme inventory when the programmes are available for transmission.

2 Profit/(loss) on ordinary activities before taxation

	1997	1996
	£000	£000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Other services	5	15
Audit	10	10
Depreciation on tangible fixed assets	28	29
Operating lease rentals for plant and machinery	5,170	4,167
Exceptional amortisation on programming stock (included within cost of sales)	(142)	-

During the year, the Group changed the amortisation basis of its licence fees to bring it more closely into line with current industry practice. Where previously costs had been matched to the profit and loss account on a straight line basis over the licence period, programme costs and now amortised on the basis of the actual programmes transmitted.

On the acquisition of UK Living by Flextech plc during the year the opportunity was taken to write down the programme inventory for programmes which were deemed unlikely to be transmitted.

3 Remuneration of directors

No director received any remuneration during the year (1996: £nil).

UK Living Limited

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1997	1996
Management and office staff	4	-
Production and sales staff	14	-
	<hr/>	<hr/>
	18	-
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	316	-
Social security costs	39	-
Other pension costs	30	-
	<hr/>	<hr/>
	385	-
	<hr/>	<hr/>

There were no staff directly employed during 1996 or the first four months of 1997. The company paid a management charge of £172,168 (1996:£488,875) for employees services to a related company in respect of employees who work exclusively for the channel.

5 Other interest receivable and similar income

	1997 £000	1996 £000
Bank interest	127	257
	<hr/>	<hr/>

UK Living Limited

Notes (continued)

6 Interest payable and similar charges

	1997 £000	1996 £000
Bank interest	2	3
On redeemable unsecured loan stock	2,111	2,090
	<u>2,113</u>	<u>2,093</u>

7 Taxation

	1997 £000	1996 £000
Sale of taxable losses under consortium relief	-	211
	<u>-</u>	<u>211</u>

There is no tax liability for the year due to the availability of losses. Subject to the agreement of the Inland Revenue at 31 December 1997 the company had estimated losses of £17,317,000 (1996:£17,584,000) available for relief in future periods.

8 Tangible fixed assets

	Fixtures, fittings and equipment £000
<i>Cost</i>	
At beginning of year	132
Additions	10
	<u>142</u>
At end of year	
<i>Depreciation</i>	
At beginning of year	84
Charge for year	28
	<u>112</u>
At end of year	
<i>Net book value</i>	
At 31 December 1997	<u>30</u>
At 31 December 1996	<u>48</u>

UK Living Limited

Notes (continued)

9 Programme inventory

	Licence fees (as restated) £000
<i>Cost</i>	
At beginning of year	5,990
Additions	4,835
Contracts expired in the year	(888)
Intercompany transfers	225
	<hr/>
At end of year	10,162
	<hr/>
<i>Amortisation</i>	
At beginning of year	2,057
Charged in year	5,943
Contracts expired in the year	(888)
Intercompany transfers	96
	<hr/>
At end of year	7,208
	<hr/>
<i>Net book value</i>	
At 31 December 1997	2,954
	<hr/>
At 31 December 1996	3,933
	<hr/>

As a result of Flextech's acquisition of the remaining interest in UK Living Limited, the company has taken the opportunity to change the point at which it recognises its programming assets and the corresponding trade liabilities. Under the new basis, programming assets are recorded at cost when the programmes are available for transmission. Payments made for programming inventory not yet available for transmission are included in prepayments.

Previously, programming was recognised in inventory once the programme contract had been signed.

Programming costs excluded from programming inventory and trade creditors as a result of this change are £970,933 at 31 December 1997. The balance sheet restatement for this change in basis is £830,000 as at 31 December 1996.

UK Living Limited

Notes (continued)

10 Debtors

	1997	1996
	£000	£000
Trade debtors	2,327	2,779
Amounts owed by fellow subsidiary undertakings	6,657	-
Other debtors	134	163
Prepayments and accrued income	1,894	1,203
	<u>11,012</u>	<u>4,145</u>

11 Creditors: amounts falling due within one year

	1997	1996
	£000	(as restated) £000
Trade creditors	3,923	4,249
Amounts owed to fellow subsidiary undertakings	2,329	-
Accruals and deferred income	2,838	463
	<u>9,090</u>	<u>4,712</u>

As described in note 9 the 1996 trade creditors figures have been restated to bring UK Living's programming stock accounting policy into line with that of Flextech plc's.

Furthermore film creditors, previously classified in amounts falling due after more than one year, have now been classified in amounts falling due within one year, to bring UK Living's accounting policy into line with that of Flextech plc's.

UK Living Limited

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1997	1996 (as restated)
	£000	£000
Redeemable unsecured loan stock	28,689	32,089

£4,602,425 (1996: £nil) redeemable unsecured loan stock was repaid in the year. £nil (1996: £1,132,310) of redeemable unsecured loan stock was drawn down in the year in order to finance the operations of the company. Interest of £2,111,409 (1996: £2,090,091) accrued in the year. Accrued interest on the loan stock was £6,824,571 as at 31 December 1997 (1996: £5,621,543). Interest is accrued at a rate of 2% above the base rate of the National Westminster Bank plc. The accrued interest and loan stock may be repaid on certain dates after 31 December 1999 depending on certain criteria on the liquidity of the company being met.

13 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
136,000 (1996: 135,999) ordinary shares of 1 pence each	1,360	1,360
Nil (1996: 1) special share of 1 pence	-	-
<i>Allotted, called up and fully paid</i>		
136,000 (1996: 119,999) ordinary shares of 1 pence each	1,360	1,200
Nil (1996: 1) special shares of 1 pence.	-	-
Nil (1996: 16,000) fully paid warrants of 1 pence each	-	160
	1,360	1,360

On 16 April 1997:

- i) the company allotted 16,000 ordinary shares at a subscription price of 1p per share following the exercise by the holder of 16,000 warrants to subscribe for an equivalent number of ordinary shares at a subscription price of 1p per ordinary share.
- ii) following the allotment and issue of the 16,000 ordinary shares referred to in (i) the special share was automatically converted and reclassified as an ordinary share.

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Notes (continued)

14 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	12	(24,471)
Profit in year	-	1,069
	<hr/>	<hr/>
At end of year	12	(23,402)
	<hr/>	<hr/>

15 Reconciliation of movement in shareholders' funds

	1997 £000	1996 £000
Opening equity shareholders' deficit	(24,458)	(22,164)
Profit in financial year	1,069	(2,294)
	<hr/>	<hr/>
Closing equity shareholders' deficit	(23,389)	(24,458)
	<hr/>	<hr/>

16 Commitments

Annual commitments under operating leases for technical equipment are as follows:

	1997 £000	1996 £000
Operating leases which expire		
Within two to five years	4,045	-
After five years	1,534	4,331
	<hr/>	<hr/>
	5,579	4,331
	<hr/>	<hr/>

UK Living Limited

Notes *(continued)*

17 **Related party transactions**

As the company is a wholly owned subsidiary of Flextech plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated statements of Flextech plc, within which the company is included, can be obtained from the address given in note 18. There were no other related party transactions.

18 **Ultimate parent company**

The ultimate parent company is Flextech plc, in which the results of the company are consolidated. Flextech plc is registered in England and Wales. The consolidated accounts of Flextech plc are available to the public and may be obtained from 160 Great Portland Street, London W1N 5TB.