COMPANY REGISTRATION NUMBER 2802598

Living TV Limited

Financial Statements

31 December 2007

Living TV Limited

Financial Statements

Year ended 31 December 2007

Contents | **Pages**

Living TV Limited

Company Information

The board of directors	Virgin Media Directors Limited Virgin Media Secretaries Limited
Company secretary	Virgin Media Secretaries Limited
Registered office	160 Great Portland Street London W1W 5QA
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

The directors present their report and the financial statements of the company for the year ended 31 December 2007

Principal activities and business review

The principal activity of the company during the year was, and will continue to be, the operation of "Living", "Living +1", "Living 2" and "Virgin1 +1" television channels which broadcast via cable and satellite, and the operation of the "Virgin1" television channel which broadcasts via cable, satellite and Freeview

The company is a wholly-owned subsidiary undertaking of Virgin Media Inc , which changed its name from NTL Incorporated on 6 February 2007 as part of the rebrand to Virgin Media Virgin is one of the most recognised consumer brands in the world and gives the group a prominent profile in a crowded communications marketplace The Virgin Media group believes that the strong heritage and reputation of the Virgin brand is a powerful competitive advantage and the Virgin Media group's distinctive approach to advertising, packaging and marketing differentiates it from the competition

The Virgin Media group is a leading UK entertainment and communications business providing the first "quad-play" offering of television, broadband, fixed line telephone and mobile telephone services in the UK, together with one of the most advanced TV on demand services available in the UK market

At 31 December 2007, by customer numbers, the Virgin Media group was the UK's largest residential broadband and mobile virtual network provider and the second largest provider in the UK of pay television and fixed line telephone services The Virgin Media group believes that its advanced, deep fibre access network enables it to offer faster and higher quality broadband services than its digital subscriber line, or DSL, competitors

Through ntl Telewest Business, the Virgin Media group provides a complete portfolio of voice, data and internet solutions to leading businesses, public sector organisations and service providers in the UK

Through Virgin Media Television, the Virgin Media group also provides a broad range of programming through its wholly-owned channels, such as Virgin 1, Living and Bravo, through UKTV, its joint ventures with BBC Worldwide, and through the portfolio of retail television channels operated by sit-up tv

On 8 February 2007, the names of certain Virgin Media group companies were changed including

- ntl Cable PLC became Virgin Media Finance PLC
- Flextech Television Limited became Virgin Media Television Limited

The new company names are used throughout the rest of this report and financial statements whether describing events before or after the change of name

Principal activities and business review *(continued)*

Turnover has increased by 17% to £84,783,000 for the year ended 31 December 2007 from £72,738,000 in 2006 This was principally due to an increased share of the TV advertising revenue market as a result of the cumulative effect of the relative strength of the viewing performance of the Virgin Media TV channels and increased Cable subscription revenue arising from contractual price increases, partially off-set by reduced satellite subscription revenue mainly as a result of a new television carriage contract, effective since 1 January 2007, which has lower pricing

Cost of sales has increased by 28% to £65,275,000 for the year ended 31 December 2007 from £51,027,000 in 2006 This was principally due to increased programming costs, reflecting both the group's commitment to increasing its spend on programming and the limited supply of content available for an increasing number of digital channels in the U K

Distribution costs have decreased by 5% to £12,632,000 for the year 31 December 2007 from £13,319,000 in 2006 This was principally due to the reduction in marketing costs as a result of the lower priced satellite television carriage contract

Administrative expenses have moved to a credit of £16,193,000 for the year (2006 – credit of £7,559,000), principally as a result of a review of the recoverability of inter-company receivables, resulting in a release of the provision against inter-company debt of £21,313,000 (2006 - release of £12,319,000)

Operating profit has increased to £23,069,000 (2006 - £15,951,000) predominantly due to the reasons stated above

The company reported a decrease in net current liabilities and a decrease in net liabilities as at 31 December 2007 as a result of normal operations No external finance was arranged or settled and there was no movement in the called up equity share capital of the company as at 31 December 2007 Operations were financed through the company's own working capital and inter-company balances with fellow group undertakings

Results and dividends
The profit for the financial year amounted to £21,760,000 (2006 - profit of £14,586,000) The directors have not recommended an ordinary dividend (2006 - £nil)

Financial risk management
The company's operations expose it to a variety of financial risks that include liquidity, interest rate and credit risks

Liquidity risk
The Virgin Media group manages its financial risk via secure, long-dated and cost-effective funding for the group's operations in order to minimise the adverse effects of fluctuations in the financial markets on the value of its financial assets and liabilities, profitability and cash flows

The Virgin Media group's external debt is used to satisfy the funding requirements of group undertakings via inter-company loans on terms which generally match those of the external debt In addition, working capital is managed centrally within the Virgin Media group creating further inter-company trading balances, on terms which are generally interest free

Financial risk management *(continued)*

Interest rate risk
The group's policy is to manage its interest cost using a mix of fixed and variable rate financial instruments and to hedge all or part of the exposure to increased interest rates The group's policy is not to hedge against interest rate risk in respect of inter-company debt However, the company may reduce all or part of the risk by loaning funds to other group undertakings and charging interest at the same rate as the original borrowing

The company's financial instruments mainly comprise interest-free inter-company debt and as a result it is exposed to limited risks in respect of interest rates

Credit risk
Credit risk is the risk that one party to a transaction will cause a financial loss for the other party by failing to discharge an obligation The company's policies are aimed at minimising such losses, by generally requiring that customers satisfy credit worthiness criteria

The group's inter-company funding arrangements are managed centrally Recoverability of inter-company receivables is assessed annually The provision for non-recoverability may increase or decrease as a result of that review

The directors will revisit the appropriateness of these policies should the company's operations change in size or nature

Directors
The directors who served the company during the year and thereafter were as follows

Virgin Media Directors Limited
Virgin Media Secretaries Limited

On 16 February 2007, the names of ntl Directors Limited and ntl Secretaries Limited were changed to Virgin Media Directors Limited and Virgin Media Secretaries Limited respectively

Virgin Media Inc has indemnified the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision is in force as at the date of approving the directors' report

Disclosure of information to the auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor
Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985

Signed on behalf of the directors

R M Mackenzie
For and on behalf of Virgin Media Secretaries Limited

Approved by the directors on 22nd September 2008

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 these financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgments and estimates that are reasonable and prudent,

state whether applicable UK 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 keeping proper accounting records that 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditor's Report to the Member of Living TV Limited

Year ended 31 December 2007

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's member 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 member those matters we are required to state to them in an auditor's 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 member, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP

23 September 2008

Living TV Limited

Profit and Loss Account

Year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover		**84,783**	72,738
Cost of sales		**(65,275)**	(51,027)
Gross profit		**19,508**	21,711
Distribution costs		**(12,632)**	(13,319)
Administrative expenses		**16,193**	7,559
Operating profit	2	**23,069**	15,951
Interest payable and similar charges	4	**(1,309)**	(1,365)
Profit on ordinary activities before taxation		**21,760**	14,586
Tax on profit on ordinary activities	5	–	–
Profit for the financial year	12	**21,760**	14,586

All of the activities of the company are classed as continuing

Statement of Total Recognised Gains and Losses
There are no recognised gains or losses other than the profit of £21,760,000 attributable to the shareholders for the year ended 31 December 2007 (2006 - profit of £14,586,000)

The notes on pages 10 to 15 form part of these financial statements.

Living TV Limited

Balance Sheet

31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Tangible assets	6	–	–
Current assets			
Debtors	7	**212,575**	196,912
Creditors. Amounts falling due within one year	8	**(229,836)**	(235,933)
Net current liabilities		**(17,261)**	(39,021)
Total assets less current liabilities		**(17,261)**	(39,021)
Capital and reserves			
Called-up equity share capital	11	**1**	1
Share premium account	12	**12**	12
Profit and loss account	12	**(17,274)**	(39,034)
Deficit	12	**(17,261)**	(39,021)

These financial statements were approved by the directors on 22nd September 2008 and are signed on their behalf by

K C Gale

R C Gale
For and on behalf of Virgin Media Directors Limited

The notes on pages 10 to 15 form part of these financial statements

1. Accounting policies

Accounting convention
The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards

Fundamental accounting concept
The financial statements have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances that sufficient resources will be made available, so that the company can meet its liabilities as and when they fall due, for at least twelve months from the date of approval of these financial statements

Cash flow statement
The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 13)

Turnover
Turnover consists of net advertising revenue and subscriber fees excluding Value Added Tax, all of which is derived from operations in the United Kingdom Advertising revenue is billed by a fellow subsidiary undertaking, Interactive Digital Sales Limited, acting as an agent on behalf of the company and is recognised in the period in which the advertising commercials or programmes are broadcast Subscriber fees are recognised in the period during which the programming is provided

Tangible fixed assets
Depreciation is provided on all tangible fixed assets, other than land, so as to write off the cost of a tangible fixed asset, less its estimated residual value, on a straight line basis over the useful economic life of that asset as follows

Fixtures & Fittings - 25%

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

- provision is made for deferred tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold, and

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date The resulting exchange differences are taken to the Profit and Loss Account

1. Accounting policies *(continued)*

Trade and other debtors

Trade and other debtors are stated at their recoverable amount Provision is made when the amount receivable is not considered recoverable and the full amount is written off when the probability for recovery of a balance is assessed as being remote

2. Operating profit

Operating profit is stated after charging/(crediting)

	2007	2006
	£000	£000
Auditor's remuneration		
- as auditor	21	32
Release of provision against amounts due from group undertakings	(21,313)	(12,329)

The company has corporate directors which receive no remuneration

Certain expenses are specifically attributable to the company Where costs are incurred by other group companies on behalf of the company, expenses are allocated to the company on a basis that, in the opinion of the directors, is reasonable

Auditor's remuneration disclosed above represents costs allocated to the company by the fellow group undertakings that pay all auditor's remuneration on behalf of the Virgin Media group The company is exempt from disclosing additional information regarding non-audit services, as the disclosures required under Regulation 4 (1) (b) of Section 390B of the Companies Act 1985, are made in the group accounts of Virgin Media Finance PLC on a consolidated basis

The impairment review of inter-company indebtedness as at 31 December 2007 concluded that a release against the provision for non-recovery amounting to £21,313,000 should be made (2006 - release of £12,329,000)

3 Staff costs

Virgin Media Television Limited, a fellow group undertaking, employs most of the employees of the content segment of the Virgin Media group Details of staff numbers and staff costs that include those of the company are disclosed in the financial statements of Virgin Media Television Limited The company does not have any directly employed staff

4. Interest payable and similar charges

	2007	2006
	£000	£000
On amounts due to group undertakings	1,491	1,320
Net foreign exchange (gains)/losses	(182)	45
	1,309	1,365

5 Taxation

(a) Analysis of charge in the year

The tax charge is made up as follows

	2007 £'000	2006 £'000
Current tax charge:		
Current tax on profit for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Total tax charge on profit on ordinary activities	-	-

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

The difference between the effective statutory rate and the actual current tax charge is reconciled as follows

	2007 £000	2006 £000
Profit on ordinary activities before taxation	21,760	14,586
Profit on ordinary activities multiplied by the rate of tax	6,528	4,376
Income not taxable	(6,385)	(3,691)
Group relief claimed without payment	(143)	(685)
Total current tax (note 5(a))	-	-

(c) Factors that may affect future tax charges

Deferred tax assets of £8,000 (2006 - £9,000) in respect of depreciation in excess of capital allowances have not been recognised as there is currently no persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008 This rate change will affect the amount of the future cash tax payments to be made by the Virgin Media group The deferred tax asset has been reduced by £1,000 in the current year to reflect this tax rate change

6. Tangible fixed assets

	Fixtures & Fittings £000
Cost	
At 1 January 2007 and 31 December 2007	149
Depreciation	
At 1 January 2007 and 31 December 2007	(149)
Net book value	
At 31 December 2007	–
At 31 December 2006	–

7. Debtors

	2007 £000	2006 £000
Amounts owed by group undertakings	207,699	188,194
Other debtors	–	50
Prepayments and accrued income	4,876	8,668
	212,575	196,912

Amounts owed by group undertakings are stated after deducting an impairment provision of £14,798,000 (2006 - £36,111,000) Amounts owed by group undertakings are interest free and repayable on demand but are not expected to be recovered in full within one year

8 Creditors: Amounts falling due within one year

	2007 £000	2006 £000
Amounts owed to group undertakings	225,856	229,727
Other creditors	316	374
Accruals and deferred income	3,664	5,832
	229,836	235,933

Amounts owed to group undertakings includes redeemable unsecured loan stock of £39,777,000 (2006 - £38,286,000) Interest of £1,491,000 was charged for the year (2006 - £1,320,000) The redeemable unsecured loan stock includes cumulative interest of £19,927,000 as at 31 December 2007 (2006 - £18,436,000) Interest is charged at a rate of 2% above the base rate of the National Westminster Bank plc The accrued interest and loan stock may be repaid to group companies on certain dates after 31 December 2002 depending on certain criteria on the liquidity of the company being met

Other amounts owed to group undertakings are unsecured, interest free and repayable on demand

9. Contingent liabilities and assets

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks under which it has guaranteed the borrowings of certain Virgin Media group companies At 31 December 2007, the maximum contingent liability represented by outstanding borrowings by these companies amounted to approximately £4,905 million (2006 - £5,125 million) Borrowings under the facility are secured against the assets of certain members of the group including those of the company

The company has joint and several liabilities under a group VAT registration

Advertising revenue is billed by a fellow subsidiary undertaking, Interactive Digital Sales Limited (IDS), which acts as the advertising sales agent for the Virgin Media Television group (VMTV) and UKTV, the latter a joint venture between a fellow subsidiary undertaking of VMTV and BBC Worldwide Limited IDS apportions advertising sales revenue between UKTV and VMTV using an advertising sales revenue allocation model agreed by UKTV and VMTV

The final allocation of advertising revenue between VMTV and UKTV for the second half of 2007 is under discussion, but the company believes it is probable that further revenue up to a maximum of £2,168,000 will be receivable once the allocation is finally agreed

10. Related party transactions

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with group undertakings as it is a subsidiary undertaking which is at least 90% controlled by the ultimate parent undertaking

11 Share capital

Authorised share capital:

	2007 £000	2006 £000
136,000 Ordinary shares of £0 01 each	1	1

Allotted, called up and fully paid.

	2007 No	2007 £000	2006 No	2006 £000
Ordinary shares of £0 01 each	136,000	1	136,000	1

12. Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2006	1	12	(53,620)	(53,607)
Profit for the year	–	–	14,586	14,586
At 31 December 2006 and 1 January 2007	1	12	(39,034)	(39,021)
Profit for the year	–	–	21,760	21,760
At 31 December 2007	1	12	(17,274)	(17,261)

13. Parent undertakıng and controlling party

The company's ımmedıate parent undertakıng ıs Flextech Broadcastıng Lımıted

The smallest and largest groups of whıch the company ıs a member and for whıch group accounts have been drawn up are those headed by Vırgın Medıa Fınance PLC and Vırgın Medıa Inc , respectıvely

The company's ultımate parent undertakıng and controllıng party at 31 December 2007 was Vırgın Medıa Inc , a company ıncorporated ın the state of Delaware, Unıted States of Amenca Vırgın Medıa Inc changed ıts name from NTL Incorporated on 6 February 2007

Copıes of all sets of group accounts whıch ınclude the results of the company are avaılable from the Secretary, Vırgın Medıa, 160 Great Portland Street, London, W1W 5QA