UK Living Limited

Directors' report and financial statements

Registered number 2~~0~~802598

31 December 2000

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company is to operate "Living", a television channel which broadcasts programmes on cable and satellite television.

Business review

The results for the year ended 31 December 2000 and the financial position of the company at that date are set out on pages 4 and 5 of the financial statements.

On 31 December 2000 the company decided to switch off the analogue transponder signal and consequently terminate the transponder lease on 31 March 2001. Termination costs of £4.9 million have been included in the year's results in respect of the above. In addition £0.6 million of remaining lease payments have been accrued for at the balance sheet date.

The directors do not recommend the payment of a dividend *(1999: £nil)*.

Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows:

SS Cook	
PB Harman	(resigned 14 July 2000)
MW Luiz	
AN Singer	
C Burdick	(appointed 14 July 2000)

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 of the current directors are also directors of Telewest Communications plc. The interests of the directors who held office at the end of the year in the share capital of that company are disclosed in the Telewest Communications plc group financial statements.

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.

Auditor

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

C Burns

C Burns
Secretary

95 The Promenade
Cheltenham
Gloucestershire
GL50 1WG

22 October 2001

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 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 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 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.

KPMG

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of UK Living Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

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 2000 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

30 October 2001

Profit and loss account

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover		**38,643**	34,644
Cost of sales		**(18,060)**	(14,720)
Gross profit		**20,583**	19,924
Distribution costs	3	**(14,488)**	(8,620)
Administrative expenses		**(2,814)**	(2,004)
Operating profit		**3,281**	9,300
Other interest receivable and similar income	6	**-**	11
Interest payable and similar charges	7	**(1,585)**	(1,458)
Profit on ordinary activities before taxation	2-5	**1,696**	7,853
Tax on profit on ordinary activities	8	**-**	(8)
Retained profit for the financial year		**1,696**	7,845
Retained deficit brought forward		**(6,184)**	(14,029)
Retained deficit carried forward		**(4,488)**	(6,184)

All of the above results are derived from continuing operations.

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 in current and prior years are the same as those reported above.

Balance sheet

at 31 December 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		-		4
Current assets					
Programme inventory	10	10		8,826	
Debtors - due within one year	11	5,183		23,065	
- due after more than one year	11	30,642		-	
		35,835		31,891	
Creditors: amounts falling due within one year	12	(9,668)		(9,009)	
Net current assets					
- due within one year			(4,475)		22,882
- due after more than one year			30,642		-
			26,167		22,882
Total assets less current liabilities			26,167		22,886
Creditors: amounts falling due after more than one year	13		(30,642)		(29,057)
Net liabilities			(4,475)		(6,171)
Capital and reserves					
Called up share capital	14		1		1
Share premium account	15		12		12
Profit and loss account	15		(4,488)		(6,184)
Shareholders' deficit - equity	16		(4,475)		(6,171)

These financial statements were approved by the board of directors on 22 October 2001 and were signed on its behalf by:

MW Luiz
Director

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 in the UK and under the historical cost accounting rules. They have also been prepared on a going concern basis as the ultimate parent undertaking has indicated that it will continue to provide financial support for the foreseeable future.

As the company is a wholly owned subsidiary of Telesest Communications plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Telewest Communications plc, within which the company is included, can be obtained from the address given in note 19. There were no other related party transactions.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking, Telewest Communications plc, includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated 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

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.

Turnover

Turnover consists of net advertising revenue and subscriber fees excluding value added tax. Advertising revenue 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.

Notes *(continued)*

1 Accounting policies (continued)

Pension costs

The company does not have a pension scheme but contributes to the schemes of the employees' choice

Leases

Operating leases' 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 are stated at cost less accumulated amortisation and any provision for permanent diminution in value. Amortisation is provided to write off the cost of the programme inventory on a transmission basis. Licences are recognised in programme inventory when the programmes are available for transmission.

2 Profit on ordinary activities before taxation

	2000	1999
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	12	12
Other services	-	-
Depreciation on tangible fixed assets	4	8
Operating lease rentals for plant and machinery	9,266	6,113
Amortisation on programme inventory	-	9,621
Exchange losses	-	66

3 Exceptional item

On 31 December 2000 the company decided to switch off the analogue transponder signal and consequently terminate the transponder lease on 31 March 2001. Termination costs of £4.9 million have been included in the year's results in respect of the above. In addition £0.6 million of remaining lease payments have been accrued for at the balance sheet date.

4 Remuneration of directors

No director received any remuneration during the year *(1999: £nil)*.

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2000	1999
Production	14	4
Administration	4	10
Directors	4	4
	22	18

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£000	£000
Wages and salaries	581	559
Social security costs	71	56
Other pension costs	30	27
	682	642

6 Other interest receivable and similar income

	2000	1999
	£000	£000
Bank interest	-	11

Notes *(continued)*

7 Interest payable and similar charges

	2000 £000	1999 £000
On redeemable unsecured loan stock	**1,585**	1,458

Of the above amount £1,585,000 *(1999:£1,458,000)* was payable to group undertakings.

8 Taxation

	2000 £000	1999 £000
Adjustment relating to an earlier year	-	8

There is no tax charge due to the availability of losses brought forward and group relief for which no charge is made. Subject to the agreement of the Inland Revenue at 31 December 1999 the company had estimated losses of £nil *(1999:£92,000)* available for relief in future periods.

9 Tangible fixed assets

	Fixtures, fittings and equipment £000
Cost	
At beginning and end of year	148
Depreciation	
At beginning of year	144
Charge for year	4
At end of year	148
Net book value	
At 31 December 2000	**-**
At 31 December 1999	4

Notes *(continued)*

10 Programme inventory

	Licence Fees £000
Cost	
At beginning of year	16,836
Additions	10
Transfers to other group companies	(16,836)
At end of year	10
Amortisation	
At beginning of year	8,010
Transfers to other group companies	(8,010)
At end of year	-
Net book value	
At 31 December 2000	**10**
At 31 December 1999	8,826

Programme inventory balances have been transferred at net book value to Flextech Rights Limited, a fellow group undertaking, on 1 January 2000.

11 Debtors

	2000 £000	1999 £000
Amounts due within one year		
Trade debtors	**137**	151
Amounts owed by group undertakings	**-**	19,706
Prepayments and accrued income	**5,046**	3,208
	5,183	23,065
Amounts due after more than one year		
Amounts owed by group undertakings	**30,642**	-
	35,825	23,065

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2000	1999
	£000	£000
Amounts owed to group undertakings	**2,946**	7,457
Other creditors	**-**	371
Accruals and deferred income	**6,722**	1,181
	9,668	9,009

13 Creditors: amounts falling due after more than one year

	2000	1999
	£000	£000
Redeemable unsecured loan stock	**30,642**	29,057

£nil *(1999:£ nil)* redeemable unsecured loan stock was repaid in the year. Interest of £1,585,286 *(1999: £1,458,197)* accrued in the year. Cumulative accrued interest on the loan stock was £10,791,666 as at 31 December 2000 *(1999: £9,206,344)*. 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 to group companies on certain dates after 31 December 2000 depending on certain criteria on the liquidity of the company being met.

14 Called up share capital

	2000	1999
	£	£
Authorised, allotted, called up and fully paid		
136,000 ordinary shares of 1 pence each	**1,360**	1,360

Notes *(continued)*

15 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	12	(6,184)
Retained profit for the financial year	-	1,696
At end of year	**12**	**(4,488)**

16 Reconciliation of movement in shareholders' funds

	2000 £000	1999 £000
Opening deficit on equity shareholders' funds	(6,171)	(14,016)
Profit for the financial year	1,696	7,845
Closing deficit on equity shareholders' funds	**(4,475)**	(6,171)

17 Contingent liabilities

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

The company, together with other group companies, has given a guarantee and a fixed and a floating charge over certain of its assets to secure borrowings of other group companies. The guaranteed borrowings of those companies were £200 million *(1999: £100 million)* of which £114 million *(1999: £76 million)* was drawn down at the year end.

Notes *(continued)*

18 Related party transactions

As the company is a wholly owned subsidiary of Telesest Communications plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Telewest Communications plc, within which the company is included, can be obtained from the address given in note 19. There were no other related party transactions.

19 Ultimate parent company

At the year end the company was a subsidiary undertaking of Telewest Communications plc, incorporated in England and Wales.

The largest and smallest group in which the results of the company were consolidated is that headed by Telewest Communications plc. The consolidated financial statements of Telewest Communications plc may be obtained from 160 Great Portland Street, London W1N 5TB.