Living TV Limited (formerly UK Living Limited)

Directors' report and financial statements

Registered number 2802598

31 December 2003

Contents

Directors' report

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

Principal activities

The principal activity of the company is to operate "Living" and "FTN", television channels which broadcast programmes on cable and satellite television.

Subsequent Events

In July 2004 the company's ultimate parent, Telewest Communications plc, successfully completed its financial restructuring and Telewest Global, Inc., became the company's ultimate holding company. Further details are set out in note 1, basis of preparation.

On 28th January 2005 the company changed its name from UK Living Limited to Living TV Limited.

In December 2004 Telewest conducted an independent review of certain business practices in Interactive Digital Sales. This review has been completed with the finding that the activities in question should not result in any material liability, do not evidence material weakness or deficiency in internal controls and do not give rise to any obligation to amend any financial statements.

Business review

The results for the year ended 31 December 2003 and the financial position of the company at that date are set out on pages 5 and 6 of the financial statements.

The directors do not recommend the payment of a dividend *(2002: £nil)*.

Directors and directors' interests

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

CJ Burdick	(resigned 18 February 2004)
SS Cook	
MW Luiz	(resigned 31 October 2003)
LM Opie	(appointed 16 September 2003)
NR Smith	(appointed 15 September 2003)

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.

At 31 December 2003 CJ Burdick and SS Cook were directors of Telewest Communications plc and their interest in the ordinary share capital of Telewest Communications plc at 31st December 2003 and the beginning of the year of appointments are disclosed in the directors' report attached to the financial statements of that company. Neil Smith's interests are disclosed in the Telewest Communications Networks Limited accounts.

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 auditor annually and KPMG Audit Plc will therefore continue in office.

By order of the board

C Burns C Burns
Secretary

Export House
Cawsey Way
Woking
Surrey
GU21 6QX

31 March 2005

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 Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditor's report to the members of Living TV Limited (formerly UK Living Limited)

We have audited the financial statements on pages 5 to 13.

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 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 members as a body, for any audit work, for this report, or for the opinions we have formed.

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 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.

Basis of audit 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.

Independent auditors' report to the members of Living TV Limited (formerly UK Living Limited) *(continued)*

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 2003 and of its loss 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

31 March 2005

Profit and loss account

for the year ended 31 December 2003

	Note	**2003** **£000**	2002 £000
Turnover	*1*	**43,502**	38,236
Cost of sales		**(33,472)**	(27,641)
Gross profit		**10,030**	10,595
Distribution costs		**(9,903)**	(5,881)
Administrative expenses	*2*	**(82,237)**	(2,068)
Other operating income		**-**	237
Operating (loss)/profit		**(82,110)**	2,883
Interest payable and similar charges	*6*	**(1,130)**	(1,191)
(Loss)/profit on ordinary activities before and after taxation	*2-5*	**(83,240)**	1,692
Retained (loss)/profit for the financial year		**(83,240)**	1,692
Retained profit brought forward		**4,959**	3,267
Retained (loss)/profit carried forward		**(78,281)**	4,959

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

The notes on pages 7 to 13 form part of the financial statements.

Balance sheet

at 31 December 2003

	Note	2003		2002	
		£000	**£000**	£000	£000
Current assets					
Stock	7	-		53	
Debtors - due within one year	9	**47,177**		7,103	
- due after more than one year	9	-		30,642	
		47,177		37,798	
Creditors: amounts falling due within one year	10	**(125,445)**		(2,184)	
Net current assets/(liabilities)					
- due within one year			**(78,268)**		4,972
- due after more than one year			-		30,642
Total assets less current liabilities			**(78,268)**		35,614
Creditors: amounts falling due after more than one year	11		-		(30,642)
Net (liabilities)/assets			**(78,268)**		4,972
Capital and reserves					
Called up share capital	12		**1**		1
Share premium account	13		**12**		12
Profit and loss account	13		**(78,281)**		4,959
Shareholders' (deficit) funds – equity	14		**(78,268)**		4,972

These financial statements were approved by the board of directors on 31 March 2005 and were signed on its behalf by:

Neil R Smith
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 UK accounting standards and under the historical cost accounting rules.

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate as the company relies on support from its ultimate holding company. The ultimate holding company was Telewest Communications plc at 31 December 2003.

In July 2004, Telewest Communications plc successfully completed its financial restructuring. This resulted in the reorganisation of the business and operations of Telewest Communications plc and its subsidiaries ("the group") under Telewest Global, Inc., incorporated in the United States which became the new ultimate holding company. The directors believe that the restructuring has left Telewest Global, Inc. and its subsidiaries ("the new Group") with sufficient liquidity to meet the new Group's funding needs and enable it to provide continued support to subsidiary companies.

The company has transferred all inter-company liabilities due to its ultimate parent company and subsidiaries, from 'creditors falling due after more than one year' to 'creditors falling due within one year'.

Cash flow statement

Under Financial Reporting Standard (FRS)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.

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.

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 that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date, except as otherwise required by FRS 19 Deferred Tax. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes *(continued)*

1 Accounting policies *(continued)*

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. Other operating income consists of revenue derived from the re-sale of excess capacity on the satellite transponders.

Pension costs

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

Work in progress

Work in progress consists of costs incurred on the production of television programmes during the year not yet completed. When completed the programmes are transferred at net book value to Flextech Rights Limited, a fellow group undertaking.

2 (Loss)/profit on ordinary activities before taxation

	2003	2002
	£000	£000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Provision against balances due from group undertakings	**78,818**	-
Auditors' remuneration:		
Audit	**12**	12
Depreciation on tangible fixed assets	-	1

The company, along with other group undertakings, has carried out a review of recoverability of inter group balances. As a result of this review, the company has grossed up various inter-group assets and liabilities and subsequently made provisions totalling £78,817,785 against intercompany debtors.

The operating lease costs in 2002 have been reclassified as a management fee as they represent a charge from the fellow group company that holds the operating lease.

Notes *(continued)*

3 Tax on ordinary activities

	2003	2002
	£000	£000
UK Corporation tax at 30% *(2002: 30%)*	**-**	-
UK Deferred tax	**-**	-
Tax on ordinary activities	**-**	-

Reconciliation of the company's current tax to the UK statutory rate:

	2003	2002
	£000	£000
Tax on pre tax(losses)/profits at 30%	**(24,972)**	508
Effects of:		
Expenses not deductible for tax purposes	**23,649**	-
Utilisation of tax losses	**1,323**	(508)
Current tax	**-**	-

Deferred taxation

A deferred tax asset of £9,000 (2002: £69,000) has not been recognised on timing differences. These assets can only be deducted against certain types of future income. There is currently insufficient evidence that the right type of income will be generated.

4 Remuneration of directors

No director received any remuneration during the year *(2002: £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	
	2003	2002
Production	**19**	15
Administration	**2**	4
Directors	**4**	3
	25	22

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries	**1,205**	1,070
Social security costs	**112**	103
Other pension costs	**53**	50
	1,370	1,223

6 Interest payable and similar charges

	2003	2002
	£000	£000
On redeemable unsecured loan stock	**1,130**	1,191

The above amounts were payable to group undertakings.

7 Stock

	2003	2002
	£000	£000
Work in progress	**-**	53

Notes *(continued)*

8 Tangible fixed assets

	Fixtures, fittings and equipment £000
Cost	
At beginning and end of year	149
Depreciation	
At beginning and end of year	149
Net book value	
At 31 December 2003	**-**
At 31 December 2002	-

9 Debtors

	2003 £000	2002 £000
Amounts due within one year		
Trade debtors	**-**	2
Amounts owed by group undertakings	**43,956**	4,390
Prepayments and accrued income	**3,221**	2,711
	47,177	7,103
Amounts due after more than one year		
Amounts owed by group undertakings	**-**	30,642
	47,177	37,745

10 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Trade creditors	**-**	151
Amounts owed to group undertakings	**121,063**	-
Accruals and deferred income	**4,382**	2,033
	125,445	2,184

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Redeemable unsecured loan stock	**-**	30,642

£nil *(2002:£nil)* redeemable unsecured loan stock was repaid in the year. Interest of £1,130,000 *(2002: £1,191,000)* accrued in the year. Cumulative accrued interest on the loan stock was £14,526,000 as at 31 December 2003 *(2002: £13,396,000)*. 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 2002 depending on certain criteria on the liquidity of the company being met.

12 Called up share capital

	2003	2002
	£	£
Authorised, allotted, called up and fully paid		
136,000 ordinary shares of 1 pence each	**1,360**	1,360

13 Share premium and reserves

	Share premium account £000	**Profit and loss account £000**
At beginning of year	**12**	**4,959**
Retained loss for the financial year	**-**	**(83,240)**
At end of year	**12**	**(78,281)**

14 Reconciliation of movement in shareholders' funds – (deficit)/equity

	2003	2002
	£000	£000
At beginning of the year	**4,972**	3,280
Retained (loss)/profit for the financial year	**(83,240)**	1,692
At end of the year	**(78,268)**	4,972

Notes *(continued)*

15 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 floating charge over certain of its assets to secure borrowings of other group companies. The guaranteed borrowings of those companies was £2,250 million *(2002:£2,250 million)*, of which £2,000 million *(2002:£2,000 million)* was drawn down at the year end.

In July 2004, Telewest Communications plc, successfully completed its financial restructuring and the terms of the secured borrowings were amended. The above guarantee has remained in place subsequent to the financial restructuring.

16 Related party transactions

As the company was a wholly owned subsidiary of Telewest Communications plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 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 17.

17 Ultimate parent company

At 31 December 2003, the ultimate parent company was Telewest Communications plc, which is registered in England and Wales. Telewest Communications plc is the parent of the smallest and largest group for which group financial statements, including the Company, are drawn up. Copies of these group financial statements may be obtained from The Company Secretary, Telewest Broadband, Export House, Cawsey Way, Woking, Surrey, GU21 6QX. Telewest Global, Inc., became the ultimate parent of the company on 14 July 2004.