

UK Living Limited



Directors' report and financial statements

31 December 1998

Registered number 20802598

2802598

Directors' report and financial statements

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 1998.

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 1998 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 in respect of the year (1997: £nil).

Directors and directors' interests

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

SS Cook	(appointed 19 November 1998)
PB Harman	
RDE Luard	(deceased 15 August 1998)
MW Luiz	
AN Singer	(appointed 25 June 1998)

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.

Year 2000 compliance

The company's parent, Flextech plc, is managing on behalf of all its subsidiary entities the group's Year 2000 compliance. The plans and group wide costs associated with the Year 2000 issue are set out below in the following paragraphs. The costs will be borne by Flextech plc.

In 1998, the Group established a steering committee, supported by a dedicated project team with responsibility for managing programmes that review products, systems and services used in the Group's businesses to determine Year 2000 compliance. The project team also works with suppliers and manufacturers to modify or upgrade products, systems and services that are non-compliant. In the event that modifications cannot be made or upgrades are not available, the Group intends actively to seek and secure alternative suppliers or develop contingency arrangements.

The project objective is to ensure complete compliance of internal systems in advance of the Year 2000. The Group believes that its relatively modern systems and systems upgrades planned for 1999, incorporating external package solutions that are Year 2000 compliant, should help it achieve this objective. The Group estimates that the aggregate cost of achieving Year 2000 compliance will be approximately £1.0 million, of which approximately £300,000 had been spent at 31 December 1998. Although the Group believes that it will achieve Year 2000 compliance in advance of 1 January 2000, it cannot provide assurance that it will do so.

Directors' report

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



RG Taylor
Secretary

4th Floor
The Quadrangle
Imperial Square
Cheltenham
Gloucestershire
GL50 1YX

5 October 1999

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 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

Auditor's report to the members of UK Living Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditor

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 1998 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

10 October 1999

Profit and loss account

for the year ended 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Turnover - continuing operations	<i>1</i>	31,064	23,181
Cost of sales		(10,026)	(10,434)
		<hr/>	<hr/>
Gross profit		21,038	12,747
Distribution costs		(7,246)	(7,075)
Administrative expenses		(2,530)	(2,617)
		<hr/>	<hr/>
Operating profit - continuing operations		11,262	3,055
Other interest receivable and similar income	<i>5</i>	40	127
Interest payable and similar charges	<i>6</i>	(2,020)	(2,113)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2-4</i>	9,282	1,069
Tax on profit on ordinary activities	<i>7</i>	91	-
		<hr/>	<hr/>
Retained profit for the financial year		9,373	1,069
Retained deficit brought forward		(23,402)	(24,471)
		<hr/>	<hr/>
Retained deficit carried forward		(14,029)	(23,402)
		<hr/>	<hr/>

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.

Balance sheet

at 31 December 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	8	12	30
Current assets			
Programme inventory	9	6,975	2,954
Debtors	10	20,037	11,012
Cash at bank and in hand		794	394
		<u>27,806</u>	<u>14,360</u>
Creditors: amounts falling due within one year	11	<u>(14,235)</u>	<u>(9,090)</u>
Net current assets		<u>13,571</u>	<u>5,270</u>
Total assets less current liabilities		<u>13,583</u>	<u>5,300</u>
Creditors: amounts falling due after more than one year	12	<u>(27,599)</u>	<u>(28,689)</u>
Net liabilities		<u>(14,016)</u>	<u>(23,389)</u>
Capital and reserves			
Called up share capital	13	1	1
Share premium account	14	12	12
Profit and loss account	14	<u>(14,029)</u>	<u>(23,402)</u>
Shareholders' funds - equity	15	<u>(14,016)</u>	<u>(23,389)</u>

These financial statements were approved by the board of directors on 5-10-99 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 and under the historical cost accounting rules. They have been prepared on a going concern basis since the parent company has 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 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 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)

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 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

	1998 £000	1997 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Other services	4	5
Audit	12	10
Depreciation on tangible fixed assets	24	28
Operating lease rentals for plant and machinery	5,500	5,170
Exceptional amortisation on programming stock (included within cost of sales)	-	(142)
Staff costs	573	385
Amortisation on programme inventory	4,834	5,943
	<u> </u>	<u> </u>

3 Remuneration of directors

No director received any remuneration during the year (1997: £nil).

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:

	Number of employees	
	1998	1997
Management and office staff	2	4
Production and sales staff	14	14
	<hr/>	<hr/>
	16	18
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£000	£000
Wages and salaries	495	316
Social security costs	49	39
Other pension costs	29	30
	<hr/>	<hr/>
	573	385
	<hr/>	<hr/>

5 Other interest receivable and similar income

	1998	1997
	£000	£000
Bank interest	40	127
	<hr/>	<hr/>

Notes (continued)

6 Interest payable and similar charges

	1998 £000	1997 £000
Bank interest	2	2
On redeemable unsecured loan stock	2,018	2,111
	<u>2,020</u>	<u>2,113</u>

7 Taxation

	1998 £000	1997 £000
Sale of taxable losses under consortium relief	91	-

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 1998 the company had estimated losses of £4,897,000 (1997: £17,317,000) available for relief in future periods.

8 Tangible fixed assets

	Fixtures, fittings and equipment £000
<i>Cost</i>	
At beginning of year	142
Additions	6
	<u>148</u>
At end of year	148
<i>Depreciation</i>	
At beginning of year	112
Charge for year	24
	<u>136</u>
At end of year	136
<i>Net book value</i>	
At 31 December 1998	<u>12</u>
At 31 December 1997	<u>30</u>

Notes (continued)

9 Programme inventory

	Licence fees £000
<i>Cost</i>	
At beginning of year	10,162
Additions	7,785
Contracts expired in the year	(2,834)
Transfers from other group companies	1,889
Disposals	(60)
	<hr/>
At end of year	16,942
	<hr/>
<i>Amortisation</i>	
At beginning of year	7,208
Charged in year	4,834
Contracts expired in the year	(2,834)
Transfers from other group companies	759
Disposals	-
	<hr/>
At end of year	9,967
	<hr/>
<i>Net book value</i>	
At 31 December 1998	6,975
	<hr/>
At 31 December 1997	2,954
	<hr/>

Notes (continued)

10 Debtors

	1998 £000	1997 £000
Trade debtors	3,467	2,327
Amounts owed by group undertakings	13,851	6,657
Other debtors	-	134
Prepayments and accrued income	2,719	1,894
	<u>20,037</u>	<u>11,012</u>

11 Creditors: amounts falling due within one year

	1998 £000	1997 £000
Trade creditors	4,331	3,923
Amounts owed to group undertakings	7,785	2,329
Accruals and deferred income	2,119	2,838
	<u>14,235</u>	<u>9,090</u>

12 Creditors: amounts falling due after more than one year

	1998 £000	1997 £000
Redeemable unsecured loan stock	27,599	28,689

£2,014,419 (1997: £4,602,425) redeemable unsecured loan stock was repaid in the year. Interest of £2,017,863 (1997: £2,111,409) accrued in the year. Cumulative accrued interest on the loan stock was £7,748,147 as at 31 December 1998 (1997: £6,824,571). 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 1999 depending on certain criteria on the liquidity of the company being met.

Notes (continued)

13 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
136,000 ordinary shares of 1 pence each	1,360	1,360
	<u>1,360</u>	<u>1,360</u>
<i>Allotted, called up and fully paid</i>		
136,000 ordinary shares of 1 pence each	1,360	1,360
	<u>1,360</u>	<u>1,360</u>

14 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	12	(23,402)
Profit in year	-	9,373
	<u>12</u>	<u>9,373</u>
At end of year	12	(14,029)
	<u>12</u>	<u>(14,029)</u>

15 Reconciliation of movement in shareholders' funds

	1998 £000	1997 £000
Opening equity shareholders' deficit	(23,389)	(24,458)
Profit in financial year	9,373	1,069
	<u>9,373</u>	<u>1,069</u>
Closing equity shareholders' deficit	(14,016)	(23,389)
	<u>(14,016)</u>	<u>(23,389)</u>

16 Contingent liabilities

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 £85 million of which £38 million was drawn down at the year end.

Notes (continued)

17 Commitments

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

	1998	1997
	£000	£000
Operating leases which expire:		
Within two to five years	4,480	4,045
After five years	1,408	1,534
	<hr/>	<hr/>
	5,888	5,579
	<hr/> <hr/>	<hr/> <hr/>

18 Related party transactions

As the company is a wholly owned subsidiary of Flextech 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 statements of Flextech 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

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.