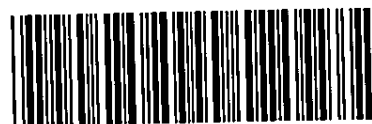


UK Gold Holdings Limited

**Directors' report and financial
statements**

**Registered number 3298738
31 December 2007**

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activity

The principal activity of the company continued to be the operation of general entertainment TV channels which broadcast via cable and satellite

Results and business review

UK Gold Holding Limited (the Company) operates in the multi-channel digital television arena

UK Gold Holdings Limited is the holding company of UKTV Interactive Limited, UK Gold Services Limited and Flextech Satellite Investments Limited and its subsidiary undertakings

The group provides a range of digital television channels which can be bought via cable or direct-to-home outlets. In addition to this the group also provides a range of web-based services via UKTV Interactive Limited

Performance for the group is based on the results from UK Gold Services Limited, UK Gold Holdings Limited and UKTV Interactive Limited combined, the measurements being operating profit, operating cashflow and audience volumes

	31 st December 2007	31 st December 2006
Operating Profit Margin	34.5%	34.6%
Operating cashflow	£40,577k	£24,889k

Principal risks and uncertainties

The major risks for the company are twofold in the short to mid term

- 1) Competition The company operates in a highly competitive environment. The company is committed to obtaining the best programming content available in order to retain its strong market share
- 2) Reliance on key revenue streams The company's revenues come from two major sources. Therefore a shift in market parameters or supplier relations could have a significant impact (positive or negative) on the business. Senior management are aware of this and seek to actively identify ways to diversify and lessen the exposure

Position at Year End

The directors are satisfied with the net liability position of the group at the year end and are satisfied that the group will be able to continue to trade as a going concern

Although the group has net liabilities, creditors falling due after more than one year partially comprise loan stock, which under the terms of agreement between the joint venture partners only fall due for payment out of 'available cash' as defined

The directors of UK Gold Holdings Limited have prepared projections of the company's funding requirements for twelve months from the date of approval of these financial statements and are satisfied that these fall within the contractual commitment of the joint venture partner

Dividends

During the year, ordinary dividends of £13,852,000 (2006 £6,184,000), being equivalent to £13,852 per ordinary share, were proposed and paid

Preference dividends of £1,136,000 (2006 £1,173,555) were also paid

Directors and directors' interests

The directors who held office during the year and subsequent to year end were as follows

JD Argyropoulos	(resigned on 15 th June 2007)
M Wall	
DJ King	(resigned on 6 th December 2007)
P Vincent	(resigned as alternate to DJ King on 10 th October 2007)
J Smith	
D Childs	
SR Holmes	
K Burns-Rivington	(resigned on 29 th June 2007)
RM Mackenzie	(appointed 3 rd September 2007)
JA Webb	(appointed 29 th June 2007 and resigned on 3 rd September 2007)
N Chugani	(appointed 6 th December 2007)
J Lloyd-Jones	(appointed as alternate to SR Holmes 14 th March 2008)

Political and charitable contributions

The company did not make any political or charitable contributions during the year

Disclosure of information to auditors

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board



G James
Secretary

160 Great Portland Street
London
W1W 5QA

2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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, and
- 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 its financial statements comply with the Companies Act 1985. They have general responsibility 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.

Independent auditors' report to the members of UK Gold Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of UK Gold Holdings Limited for the year ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliations of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 group's and 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 UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's 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.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

28 October 2008

8 Salisbury Square
EC4Y 8BB

Consolidated profit and loss account

for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Turnover	1,2	98,083	85,153
Cost of sales		(53,757)	(47,280)
Gross profit		44,326	37,873
Distribution expenses		(6,971)	(6,766)
Administration expenses		(3,564)	(1,623)
Operating profit		33,791	29,484
Interest receivable and similar income	3	139	108
Interest payable and similar charges	4	(5,412)	(5,681)
Profit on ordinary activities before taxation	5	28,518	23,911
Tax on profit on ordinary activities	8	(8,083)	(6,696)
Profit for the financial year		20,435	17,215

All the results above arose from continuing operations

The group has no recognised gains or losses for the current or prior financial years other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been prepared

There is no difference between profit on a historical cost basis and that shown in the profit and loss account


Consolidated balance sheet

at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Intangible fixed assets	10	-	-
		<hr/>	<hr/>
		-	-
Current assets			
Programming stock	12	19,949	20,147
Debtors due within one year	13	50,971	49,509
Debtors due after more than one year	13	28,133	28,133
		<hr/>	<hr/>
Cash at bank and in hand		79,104	77,642
		-	543
		<hr/>	<hr/>
Current assets		99,053	98,332
Creditors amounts falling due within one year	14	(73,097)	(71,810)
		<hr/>	<hr/>
Net current assets		25,956	26,522
Creditors: amounts falling due after more than one year	15	(83,343)	(90,492)
		<hr/>	<hr/>
Net liabilities		(57,387)	(63,970)
		<hr/>	<hr/>
Total shareholders' funds			
Equity share capital	16	3	3
Profit and loss account	17	(57,390)	(63,973)
		<hr/>	<hr/>
Shareholders' deficit	18	(57,387)	(63,970)
		<hr/>	<hr/>

The notes on pages 10-24 form part of these financial statements

This balance sheet was approved by the board of directors on 23rd October 2008 and was signed on its behalf by


J Lloyd-Jones
Director


Company balance sheet

at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	11	135,733	135,733
Current assets			
Debtors	13	24,615	22,321
		<u>24,615</u>	<u>22,321</u>
Creditors amounts falling due within one year	14	(42,983)	(47,393)
		<u>(42,983)</u>	<u>(47,393)</u>
Net current liabilities		(18,368)	(25,072)
Total assets less current liabilities		<u>117,365</u>	<u>110,661</u>
Creditors amounts falling due after more than one year	15	(65,029)	(72,178)
		<u>(65,029)</u>	<u>(72,178)</u>
Net assets		<u>52,336</u>	<u>38,483</u>
Total shareholders' funds			
Equity share capital	16	3	3
Profit and loss account	17	52,333	38,480
		<u>52,333</u>	<u>38,480</u>
Shareholders' funds	18	<u>52,336</u>	<u>38,483</u>

The notes on pages 10-24 form part of these financial statements

This balance sheet was approved by the board of directors on 23rd October 2008 and was signed on its behalf by


J Lloyd-Jones
Director

Consolidated cash flow statement

for the year ended 31 December 2007

	Note	2007	2006
		£'000	£'000
Net cash inflow from operating activities	19	40,577	24,889
Return on investments and servicing of finance			
Interest paid		(4,383)	(4,929)
Interest received		139	108
Net cash outflow from returns on investment and servicing of finance		(4,244)	(4,821)
Taxation paid		(9,172)	(7,257)
Equity dividends paid		(13,852)	(6,184)
Net cash inflow before financing		13,309	6,627
Financing			
Repayment of loans		(13,852)	(6,184)
Net cash outflow from financing		(13,852)	(6,184)
(Decrease) /increase in cash in the year		(543)	443

Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
(Decrease)/increase in cash in the year		(543)	443
Cash flow from movement in debt		13,852	6,184
		<hr/>	<hr/>
Change in net debt resulting from cash flows	20	13,309	6,627
		<hr/>	<hr/>
Movement in net debt in the year		13,309	6,627
Net debt at beginning of year		(72,455)	(79,082)
		<hr/>	<hr/>
Net debt at end of year		(59,146)	(72,455)
		<hr/>	<hr/>

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 group's financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting conventions. The company has taken advantage of the exemption under section 230 of the Companies Act 1985 and is not publishing its own profit and loss account.

The profit of the company for the year is disclosed in note 18 to the financial statements.

Going concern basis

The financial statements have been prepared on a going concern basis which the directors consider appropriate.

While the group has net liabilities, creditors falling due after more than one year partially comprise loan stock, which under the terms of the agreement between the joint venture partners only fall due for payment out of 'available cash' as defined.

Group accounts

Consolidated financial statements have been prepared for the group which incorporate the financial statements of UKTV Interactive Limited, UK Gold Services Limited and Flextech Satellite Investments Limited and its subsidiary undertakings. The results of these subsidiary undertakings are included using the acquisition method of accounting. Purchased goodwill arising in respect of acquisitions prior to 1 January 1998 when FRS10 was adopted was written off to reserves in the year of acquisition.

Goodwill

On 2 December 1999, the trade and net assets of UK Gold Broadcasting Limited, UK Gold Television Limited and UK Gold Services Limited were transferred to the company at their book value which was less than fair value. The cost of the company's investment in those subsidiary undertakings reflected the underlying value of their net assets and goodwill at the time of acquisition.

As a result of this transfer, the value of the company's investment in those subsidiary undertakings fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors considered that, as there had been no overall loss to the company, it would fail to give a true and fair view to charge that diminution in value to the company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill. The effect of this departure was to increase the holding company's profit for 1999 by £135 million and to increase the value of goodwill by £135 million in the holding company's balance sheet at 31 December 1999.

On 20 March 2000, an option to acquire all the business and undertakings of UK Gold Holdings Limited at book value was granted to UK Gold Services Limited, to be exercised at any time within 3 years of that date. On 28 February 2003, the option was exercised and the goodwill reverted to an investment in UK Gold Services Limited and as a result the company no longer has any goodwill. Also on this date the company increased its shareholding in UKTV Interactive Limited from 75% to 100%.

Notes (continued)

1 Accounting policies (continued)

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost. Concessions, patents, licences, trademarks and similar rights and assets are amortised to nil over their useful economic lives by monthly instalments which reflect the declining revenue generating capacity of the asset.

Turnover

Turnover represents advertising revenue, and subscription revenue from cable and satellite operators. All turnover is stated net of valued added tax and is recognised on delivery.

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 or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Programming stock

Programming stock is stated at the lower of cost, being purchase price, and net realisable value. Programming stock is the amount payable under licence agreements on agreed purchases and is written off on a straight line basis over the number of transmissions.

Leases

Where the group 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.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company, or Group as the case may be, to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company or Group, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges

2 Segmental reporting

The Company's operations are all considered to fall into a single class of business, namely the operation of general entertainment TV channels which broadcast via cable and satellite, and accordingly no segmental analysis of operating profit or net assets is shown. In both the current and prior years, 100% of turnover was generated by operations in the United Kingdom

Notes (continued)

3 Interest receivable and similar income

	2007 £'000	2006 £'000
Interest on bank deposits	139	108
	<u>139</u>	<u>108</u>

4 Interest payable and similar charges

	2007 £'000	2006 £'000
Redeemable unsecured loan stock	2,259	2,253
Revolving credit facility	1	26
Variable rate unsecured loan stock	593	543
Variable rate call option loan stock	394	933
Interest on amount owed to fellow joint venture undertaking	1,029	752
Finance costs on shares classified as liabilities	1,136	1,174
	<u>5,412</u>	<u>5,681</u>

5 Profit on ordinary activities before taxation

	2007 £'000	2006 £'000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Group – Audit	18	16
Company – Audit	6	5
Amortisation of programming inventory	40,912	36,368
Operating lease rentals in respect of hire of plant and machinery	2,609	2,635
	<u>43,545</u>	<u>39,024</u>

Notes (continued)

6 Staff numbers and costs

The company did not employ any staff (excluding directors) during the year (2006 nil). Staff costs are incurred by UK Channel Management and recharged to companies within the UKTV group of companies. These costs are disclosed in the financial statements for UK Channel Management Limited, which are available from Companies House.

7 Remuneration of directors

The directors did not receive any remuneration from the group during the year (2006 £nil) as their services provided to the company are incidental to their duties to joint venture parents.

8 Taxation

	2007 £'000	2006 £'000
Current UK tax charge	8,179	6,942
Adjustments to tax charge in respect of previous periods	(96)	(246)
	<hr/>	<hr/>
Current tax charge	8,083	6,696
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2006 lower) than the standard rate of corporation tax in the UK 30%, (2006 30%). The differences are explained below:

	2007 £'000	2006 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	28,518	23,911
	<hr/>	<hr/>
Current tax at 30%	8,555	7,173
Effects of		
Expenses not deductible for tax purposes	386	400
Utilisation of tax losses	(762)	(631)
Adjustments to tax charge in respect of prior periods	(96)	(246)
	<hr/>	<hr/>
Total current tax charge	8,083	6,696
	<hr/>	<hr/>

Factors that may affect future tax charges:

The corporation tax rate applicable to the company will reduce from 30% to 28% from 1 April 2008.

Notes (continued)

9 Dividends

	2007 £'000	2006 £'000
Equity shares		
Ordinary dividends proposed and paid	13,852	6,184

All ordinary dividends were paid to the ultimate joint venture parent companies

10 Intangible fixed assets

	Group £'000	Company £'000
Goodwill		
<i>Cost</i>		
At beginning and end of the year	1,577	-
<i>Amortisation</i>		
At beginning and end of the year	1,577	-
<i>Net book value:</i>		
At 31 December 2007	-	-
At 31 December 2006	-	-

Group goodwill represents the difference between the cash sum paid on 28 February 2003 for the remaining 25% minority interest in UKTV Interactive Limited, and 25% of the total net liabilities of the acquired entity, UKTV Interactive Limited. The transfer was for nominal consideration as the deemed market value of UKTV Interactive Limited was nil.

Goodwill in the company represents the reallocation of the cost of investment in the group, necessitated by the hive up of the trade and net assets of UK Gold Broadcasting Ltd together with the net assets of UK Gold Television Limited and UK Gold Services Limited in 1999. On 28 February 2003, the goodwill reverted to an investment in UK Gold Services Limited as a result of the hive down of the trade from UK Gold Holdings Limited (see note 1).

Notes (continued)

11 Fixed asset investments

	Company
	Other investments other than loans £'000
Cost	
At beginning and end of the year	136,342
Provisions	
At beginning and end of the year	(609)
Net book value	
At 31 December 2007	135,733
At 31 December 2006	135,733

Subsidiary undertakings

The following companies were subsidiaries at 31 December 2007

	Business	Class of shares	Group Holding	Country of incorporation
UK Gold Television Limited	Investment Holding Company	Ordinary	100%	England and Wales
UK Gold Services Limited	Broadcasting Entertainment TV Channels	Ordinary	100%	England and Wales
UK Gold Broadcasting Limited	Dormant	Ordinary	100%	England and Wales
Flextech Satellite Investments Limited	Investment Holding Company	Ordinary	100%	England and Wales
UKTV Interactive Limited	Interactive Media	Ordinary	100%	England and Wales

Flextech Satellite Investments Limited, UK Gold Services Limited and UKTV Interactive Limited are wholly owned subsidiaries of the company. UK Gold Television Limited is a wholly owned subsidiary of Flextech Satellite Investments Limited. UK Gold Broadcasting Limited is a wholly owned subsidiary of UK Gold Television Limited.

In the opinion of the directors, the investments in, and amounts due from, the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Notes (continued)

12 Programming stock

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Licence fees	19,949	20,147	-	-

13 Debtors

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	-	17	-	-
Amounts owed by joint venture parent and its subsidiaries (note 21)	39,314	37,890	1,456	1,454
Amounts owed by fellow joint venture undertakings (note 21)	486	358	23,159	20,867
Prepayments and accrued income	11,171	11,244	-	-
	50,971	47,509	24,615	22,321
Amounts falling due after more than one year				
Amounts owed by joint venture Parent (note 21)	28,133	28,133	-	-
	79,104	77,642	24,615	22,321

14 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Call option stock (note 21)	-	9,885	-	9,885
Variable rate unsecured loan stock (note 21)	3,936	754	3,936	754
Trade creditors	7,058	4,509	-	-
Amounts owed to joint venture parent and its subsidiaries (note 21)	33,490	32,276	33,152	30,860
Amounts owed to fellow joint venture undertakings (note 21)	15,938	12,292	5,895	5,894
Other creditors including taxation and social security	699	2,394	-	-
Accruals and deferred income	11,976	9,700	-	-
	73,097	71,810	42,983	47,393

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Shares classified as liabilities (note 16)	33,750	33,750	33,750	33,750
Amounts owed to joint venture parent and its subsidiaries	-	-	9,819	9,819
Amounts owed to fellow joint venture Undertakings (note 21)	28,133	28,133	-	-
Redeemable unsecured loan stock (note 21)	21,460	21,460	21,460	21,460
Variable rate unsecured loan stock (note 21)	-	7,149	-	7,149
				-
	<u>83,343</u>	<u>90,492</u>	<u>65,029</u>	<u>72,178</u>

Redeemable unsecured loan stock is redeemable when sufficient funds are available and on shareholders' approval. Interest is payable at the higher of 10.5% per annum and the National Westminster bank base rate.

The call option stock and the variable rate unsecured loan stock are repayable out of "available cash" in accordance with the terms of a Shareholders' Agreement between the company and the shareholders. This agreement details the order of repayment of debt by the company.

Repayment will only take place once a specified level of capital has been paid by the company to United Artists Investments Limited. The specified level of capital to be repaid was £76.7m. This level was reached on 31 October 2003. Thereafter, the debt will fall due each calendar quarter according to the level of "available cash" at that respective date, subject to the short-term cash requirements of the company, giving the company the discretion to roll over the payment obligation for at least twelve months after the balance sheet date. Accordingly, it is not possible to determine the maturity profile of this debt.

The call option stock and the variable rate unsecured loan stock bear interest at 2% above the six month London Interbank Offered Rate for sterling deposits, as published in the Financial Times.

Notes (continued)

16 Called up share capital

	2007 £'000	2006 £'000
<i>Authorised, allotted and fully paid</i>		
Equity share capital		
1,000 ordinary shares of £1 each (divided into 500 'A' shares and 500 'B' shares)	1	1
2,000 deferred ordinary shares of £1 each	2	2
	<hr/>	<hr/>
	3	3
	<hr/>	<hr/>
 Shares classified as liabilities		
20,000,000 non-cumulative redeemable 0.25% preference shares of £1 each	20,000	20,000
13,750,000 cumulative redeemable 8.236% preference shares of £1 each	13,750	13,750
	<hr/>	<hr/>
	33,750	33,750
	<hr/>	<hr/>

Rights attaching to each class of share are summarised below

Save as summarised below, the holders of the 'A' ordinary shares and the 'B' ordinary shares rank *pari passu* in all respects

To the extent that there are profits available for distribution, the holders of the non-cumulative redeemable 0.25% preference shares ("non-cumulative preference shares") shall be entitled to a fixed non-cumulative cash dividend ("non-cumulative preference dividend") at the rate inclusive of any associated tax credit of 0.25 pence per share per annum

The holders of the cumulative redeemable fixed rate preference shares ("preference shares") shall be entitled to a cumulative cash dividend ("preference dividend") of a sum inclusive of the associated tax credit equal to a fixed rate of 8.263% of the aggregate of the nominal value of the preference shares in issue plus the amount of the arrears of the preference dividend. To the extent that any amount of preference dividend cannot be paid on one of the dates set out for payment in the Articles of Association, it shall be paid on the next date for payment on which there are distributable profits available for the purpose in priority to any other payments then due

Notes (continued)

16 Called up share capital (continued)

After payment of the non-cumulative preference dividend and the preference dividend and any arrears thereof the profits of the company available for distribution shall be distributed amongst the holders of the ordinary shares. The deferred ordinary shares shall rank *pari passu* with the ordinary shares for distribution of profits of the company in any year in which the sums payable to the ordinary members exceeds £1,000,000 an ordinary share.

On return of assets on liquidation, reduction of capital or otherwise, the surplus assets of the company remaining after payment of its liabilities shall be applied

- first, in paying to the holders of the non-cumulative preference share arrears of non-cumulative preference dividends,
- secondly, in paying to the holder of the preference shares an amount equal to the subscription price (inclusive of any premium) paid or credited as paid for such shares together with a sum equal to arrears and accruals of preference dividends,
- thirdly, in paying to the holders of the ordinary shares *pro rata* an amount equal to twice the subscription price (inclusive of any premium) paid or credited as paid on 'A' ordinary shares and 'B' ordinary shares,
- fourthly, in paying to the holders of the non-cumulative preference shares an amount equal to the subscription price (inclusive of any premium) paid or credited as paid for such shares,
- fifthly, in paying to the holders of the ordinary shares an aggregate premium of £1,000,000,000 for each class of such shares,
- sixthly, in paying to the holders of the deferred ordinary shares any amount paid or credited as paid on such shares,
- seventhly, in distributing *pro-rata* any surplus remaining to the holders of ordinary shares.

The company can at any time after 18 months after 25 April 1997 redeem some or all of the preference shares. No premium is payable on redemption of these shares.

The company shall redeem the non-cumulative preference shares on 1 January 2030. No premium will be payable on redemption of these shares.

Only the holders of the 'A' ordinary shares and the 'B' ordinary shares are entitled to voting rights at meetings of the members. The holders of a majority of 'A' ordinary shares also have the right to appoint and remove 'A' shareholder directors and the holders of a majority of 'B' ordinary shares have the rights to appoint and remove 'B' shareholder directors.

Notes (continued)

17 Reserves

Group	Goodwill	Profit and Loss Account	Total Profit and Loss Account
	£'000	£'000	£'000
At beginning of year	(147,537)	83,564	(63,973)
Profit for the year	-	20,435	20,435
Equity dividend	-	(13,852)	(13,852)
At 31 December 2007	<u>(147,537)</u>	<u>90,147</u>	<u>(57,390)</u>

Company	Profit and Loss Account
	£'000
At beginning of year	38,480
Profit for the year	27,705
Equity dividend	(13,852)
At 31 December 2007	<u>52,333</u>

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

	Group £'000	Company £'000
Opening equity shareholders' (deficit) / funds	(63,970)	38,483
Profit for the year	20,435	27,705
Dividends paid	(13,852)	(13,852)
Closing equity shareholders' (deficit) / funds	<u>(57,387)</u>	<u>52,336</u>

Notes (continued)

19 Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006
	£'000	£'000
Operating profit	33,791	29,484
Decrease/ (increase) in programming inventory	198	(1,056)
Decrease/ (increase) in debtors	(1,489)	(1,699)
Increase/ (decrease) in creditors	8,077	(1,840)
	<hr/>	<hr/>
Net cash inflow from operating activities	40,577	24,889
	<hr/>	<hr/>

20 Analysis of changes in net debt

	At 1	Cash	At 31
	January	flows	December
	2007		2007
	£'000	£'000	£'000
Cash in hand	543	(543)	-
Call option stocks falling due within one year	(9,885)	9,885	-
Redeemable unsecured loan stock	(21,460)	-	(21,460)
Variable rate unsecured loan stock due within one year	(754)	(3,182)	(3,936)
Variable rate unsecured loan stock due after more than one year	(7,149)	7,149	-
Shares classified as liabilities	(33,750)	-	(33,750)
	<hr/>	<hr/>	<hr/>
Total	(72,455)	13,309	(59,146)
	<hr/>	<hr/>	<hr/>

Notes (continued)

21 Related party transactions

Cost of sales purchases from BBC Worldwide Limited relate to BBC archive programming and channel management costs

Income from Virgin Media Group companies relates to advertising revenues and cable subscription revenues

Cost of sales purchases from Virgin Media Television Limited relate to advertising sales charges Administration costs from Virgin Media Television Limited relate to general overheads and building costs, including rent and rates

The name Virgin Media Television Limited changed from Flextech Television Limited on 16th February 2007

	2007 £'000	2006 £'000
Income from Virgin Media Group companies	74,744	63,318
Repayment of loan stock to United Artists Investment Limited	(13,852)	(6,184)
Cost of sales purchases from BBC Worldwide Limited	(26,271)	(24,563)
Cost of sales purchases from BBC Broadcast Limited	-	-
Cost of sales purchases from Virgin Media Television Limited	(3,641)	(3,402)
Administration expense purchases from Virgin Media Television Limited	(515)	(464)
Interest paid to United Artists Investment Limited	(3,247)	(3,755)
Ordinary dividends paid to Virgin Media Television Limited	(6,926)	(3,092)
Ordinary dividends paid to BBC Worldwide Limited	(6,926)	(3,092)
Preference dividend paid to Flextech Broadband Limited	(1,136)	(1,174)

Balances outstanding at the year end in respect of related parties are as follows

	2007 £'000	2006 £'000
Amounts owed by Virgin Media Television Limited	33,957	33,747
Amounts owed by fellow joint venture companies	486	358
Amounts owed to United Artists Investments Limited		
Redeemable unsecured loan stock	(21,460)	(21,460)
Call option stocks	-	(9,885)
Variable rate unsecured loan stock	(3,936)	(7,903)
Amounts owed to Virgin Media Television Limited		
Dividend on ordinary shares in subsidiary company	(4,577)	(4,577)
Balance outstanding in respect of payment out of capital of subsidiary company	(23,556)	(23,556)
Amounts owed to fellow joint venture companies	(15,938)	(12,292)

Notes (continued)

22 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<i>Operating leases which expire</i>				
Less than one year	2,149	-	1,158	-
In two to five years	-	2,084	-	1,158
	<u>2,149</u>	<u>2,084</u>	<u>1,158</u>	<u>1,158</u>

23 Ultimate joint venture parents

At 31st December 2007, the joint venture partners of UK Gold Holdings Limited were BBC Worldwide Limited (a wholly owned subsidiary of the BBC) and Flextech Broadband Limited (a wholly owned subsidiary of Virgin Media Inc, a company incorporated in the state of Delaware, United States of America) each holding 50% respectively

The accounts of both of these companies are available to the public and may be obtained from the following addresses

The Company Secretary
 Virgin Media
 160 Great Portland Street
 London
 W1W 5QA

BBC Trust
 35 Marylebone High Street
 London
 W1U 4AA