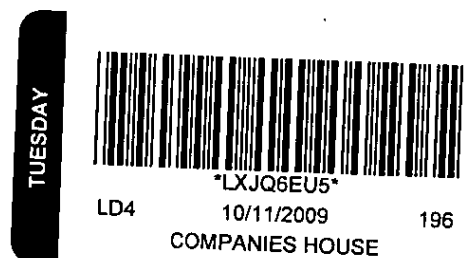


**UK Gold Holdings Limited**

**Directors' report and financial  
statements**

**Registered number 3298738**

**31 December 2008**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

### Principal activity

The principal activity of the Company during the year was operation of general entertainment TV channels which broadcast via cable and satellite.

### Results and business review

UK Gold Holdings 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, digital terrestrial television 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, and is measured against operating profit, operating margin and operating cash flow.

### Key performance indicators

	2008	2007
	£'000	£'000
Operating profit	30,644	33,791
Operating profit margin	28.1%	34.5%
Operating cash flow	£27,636	£40,577

### Principle 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, despite a declining advertising market and challenging economic conditions.
- 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.

## Directors' report (*continued*)

### 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 £16,616,000 (*2007: £13,852,000*), being equivalent to £8,308,000 per ordinary share, were proposed and paid. Preference dividends of £1,085,000 (*2007: £1,136,000*) were also paid.

### Directors and directors' interests

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

M Wall	(resigned 5 April 2009)
J Smith	
D Childs	
SR Holmes	(resigned 21 September 2009)
N Chugani	
J Lloyd-Jones	(appointed 25 March 2008, resigned 31 March 2009)
RM Mackenzie	
J Gooze-Zijl	(appointed as alternate to SR Holmes 1 April 2009; alternate to MA Schweitzer 21 September 2009)
K Burns	(appointed 1 June 2009)
MA Schweitzer	(appointed 21 September 2009)

### Political and charitable contributions

The company did not make any political or charitable contributions during the year (Prior year: nil).

### 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 section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

  
G James  
Secretary

160 Great Portland Street  
London  
W1W 5QA

4th November 2009

## **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 2008 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 2008 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*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

*10 November 2009*

8 Salisbury Square  
EC4Y 8BB

## Consolidated profit and loss account

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Turnover</b>	1,2	108,978	98,083
Cost of sales		(61,762)	(53,757)
<b>Gross profit</b>		47,216	44,326
Distribution expenses		(13,433)	(6,971)
Administration expenses		(3,139)	(3,564)
<b>Operating profit</b>		30,644	33,791
Interest receivable and similar income	3	155	139
Interest payable and similar charges	4	(4,714)	(5,412)
<b>Profit on ordinary activities before taxation</b>	5	26,085	28,518
Tax on profit on ordinary activities	8	(7,102)	(8,083)
<b>Profit for the financial year</b>		18,983	20,435

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 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Intangible fixed assets	10	-	-
		<u>-</u>	<u>-</u>
<b>Current assets</b>			
Programming stock	12	26,161	19,949
Debtors due within one year	13	53,182	50,658
Debtors due after more than one year	13	28,133	28,133
		<u>81,315</u>	<u>78,791</u>
Cash at bank and in hand		567	-
		<u>108,043</u>	<u>98,740</u>
<b>Current assets</b>			
<b>Creditors: amounts falling due within one year</b>	14	(78,655)	(72,784)
		<u>-</u>	<u>-</u>
<b>Net current assets</b>		29,388	25,956
<b>Creditors: amounts falling due after more than one year</b>	15	(84,408)	(83,343)
		<u>(55,020)</u>	<u>(57,387)</u>
<b>Net liabilities</b>			
<b>Total shareholders' funds</b>			
Equity share capital	16	3	3
Profit and loss account	17	(59,037)	(57,390)
Share capital redemption reserve	17	4,014	-
		<u>(55,020)</u>	<u>(57,387)</u>
<b>Shareholders' deficit</b>	18		

The notes on pages 9-23 form part of these financial statements.

This balance sheet was approved by the board of directors on 4<sup>th</sup> November 2009 and was signed on its behalf by:



**RM Mackenzie**  
Director



## Company balance sheet

at 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments	11	135,733	135,733
<b>Current assets</b>			
Debtors	13	27,142	24,615
		<u>27,142</u>	<u>24,615</u>
<b>Creditors: amounts falling due within one year</b>	14	(45,162)	(42,983)
<b>Net current liabilities</b>		<u>(18,020)</u>	<u>(18,368)</u>
<b>Total assets less current liabilities</b>		117,713	117,365
<b>Creditors: amounts falling due after more than one year</b>	15	(66,094)	(65,029)
<b>Net assets</b>		<u>51,619</u>	<u>52,336</u>
<b>Total shareholders' funds</b>			
Equity share capital	16	3	3
Share capital redemption reserve	17	4,014	-
Profit and loss account	17	47,602	52,333
<b>Shareholders' funds</b>	18	<u>51,619</u>	<u>52,336</u>

The notes on pages 9-23 form part of these financial statements.

This balance sheet was approved by the board of directors on 4<sup>th</sup> November 2009 and was signed on its behalf by:



RM Mackenzie  
Director

## Consolidated cash flow statement

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Net cash inflow from operating activities	19	27,636	40,577
Return on investments and servicing of finance			
Interest paid		(3,487)	(4,383)
Interest received		155	139
Net cash outflow from returns on investment and servicing of finance		(3,332)	(4,244)
Taxation paid		(7,837)	(9,172)
Equity dividends paid		(16,616)	(13,852)
Net cash (outflow)/inflow before financing	20	(149)	13,309
Financing			
Receipt of variable rate loan stock owed to fellow joint venture undertaking		8,666	-
Repayment of loans & shares classified as loans		(7,950)	(13,852)
Net cash inflow/(outflow) from financing		716	(13,852)
Increase/(decrease) in cash in the year		567	(543)

## Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Increase/(decrease) in cash in the year		567	(543)
Cash flow from movement in debt		(716)	13,852
Change in net debt resulting from cash flows/ Movement in net debt in the year	20	(149)	13,309
Net debt at beginning of year		(59,146)	(72,455)
Net debt at end of year	20	(59,295)	(59,146)

## 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 17 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, digital terrestrial television and direct-to-home sources, 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

	2008 £'000	2007 £'000
Interest on bank deposits	155	139
	<u>155</u>	<u>139</u>

### 4 Interest payable and similar charges

	2008 £'000	2007 £'000
Redeemable unsecured loan stock	2,253	2,259
Revolving credit facility	9	1
Variable rate unsecured loan stock	140	593
Variable rate call option loan stock	-	394
Interest on amount owed to fellow joint venture undertaking	1,227	1,029
Finance costs on shares classified as liabilities	1,085	1,136
	<u>4,714</u>	<u>5,412</u>

### 5 Profit on ordinary activities before taxation

	2008 £'000	2007 £'000
<i>Profit on ordinary activities before taxation is stated after charging :</i>		
Auditors' remuneration:		
Group – Audit	21	18
Company – Audit	6	6
Amortisation of programming inventory	47,827	40,912
Operating lease rentals in respect of hire of plant and machinery	2,567	2,609
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Staff numbers and costs

The company did not employ any staff (excluding directors) during the year (2007: 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 (2007: £nil) as their services provided to the company are incidental to their duties to joint venture parents.

### 8 Taxation

	2008 £'000	2007 £'000
Corporation tax charge	7,142	8,179
Adjustments in respect of previous periods	(40)	(96)
	<hr/>	<hr/>
Current tax charge	7,102	8,083
	<hr/>	<hr/>

*Factors affecting the tax charge for the current period.*

The UK standard corporation tax rate changed from 30% to 28% from 1 April 2008, resulting in a combined rate of 28.5% for the year ended 31 December 2008. The current tax charge for the period is lower (2007: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2008 £'000	2007 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	26,085	28,518
	<hr/>	<hr/>
Current tax at 28.5% (2007: 30%)	7,434	8,555
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	357	386
Group relief	(649)	(762)
Adjustments to tax charge in respect of prior periods	(40)	(96)
	<hr/>	<hr/>
Total current tax charge	7,102	8,083
	<hr/>	<hr/>

## Notes (continued)

### 9 Dividends

	2008 £'000	2007 £'000
<b>Equity shares</b>		
Ordinary dividends proposed and paid	<u>16,616</u>	<u>13,852</u>

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

### 10 Intangible fixed assets

	Group £'000	Company £'000
<b>Goodwill</b>		
<i>Cost:</i>		
At beginning and end of the year	<u>1,577</u>	<u>-</u>
<i>Amortisation:</i>		
At beginning and end of the year	<u>1,577</u>	<u>-</u>
<i>Net book value:</i>		
At 31 December 2008	<u>-</u>	<u>-</u>
At 31 December 2007	<u>-</u>	<u>-</u>

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
<i>Cost</i>	
At beginning and end of the year	136,342
<i>Provisions</i>	
At beginning and end of the year	(609)
<i>Net book value</i>	
At 31 December 2008	135,733
At 31 December 2007	135,733

### Subsidiary undertakings

The following companies were subsidiaries at 31 December 2008:

	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	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Licence fees	26,161	19,949	-	-

### 13 Debtors

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Trade debtors	2	-	-	-
Amounts owed by joint venture parent and its subsidiaries (note 21)	38,054	39,314	1,456	1,456
Amounts owed by fellow joint venture undertakings (note 21)	99	173	25,686	23,159
Prepayments and accrued income	15,027	11,171	-	-
	53,182	50,658	27,142	24,615
<b>Amounts falling due after more than one year</b>				
Amounts owed by joint venture Parent (note 21)	28,133	28,133	-	-
	81,315	78,791	27,142	24,615

### 14 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Variable rate unsecured loan stock (note 21)	-	3,936	-	3,936
Shares classified as liabilities (note 16)	3,587	-	3,587	-
Trade creditors	10,997	7,058	-	-
Amounts owed to joint venture parent and its subsidiaries (note 21)	37,559	33,490	35,680	33,152
Amounts owed to fellow joint venture undertakings (note 21)	17,110	15,625	5,895	5,895
Other creditors including taxation and social security	1,270	699	-	-
Accruals and deferred income	8,132	11,976	-	-
	78,655	72,784	45,162	42,983

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Shares classified as liabilities (note 16, 21)	26,149	33,750	26,149	33,750
Amounts owed to joint venture parent and its subsidiaries	-	-	9,819	9,819
Amounts owed to joint venture Parent (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 owed to fellow joint venture undertakings	8,666	-	8,666	-
	<u>84,408</u>	<u>83,343</u>	<u>66,094</u>	<u>65,029</u>

Redeemable unsecured loan stock is redeemable after 1<sup>st</sup> January 2013 and on shareholder request and is redeemed from 'available cash' in accordance with the terms of the Shareholders' Agreement and subsequent Deed of Variation of a Shareholders' Agreement between the company and the shareholders dated 10<sup>th</sup> December 2008. Interest is payable at the higher of 10.5% per annum and the National Westminster bank base rate.

The variable rate unsecured loan stock is 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.

The variable rate unsecured loan stock owed to fellow joint venture undertakings relates to variable rate loan stock issued by UK Channel Management Limited on 10th December 2008. The loan is not repayable before 2012 unless unanimous shareholder agreement is passed. This loan bears 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

	2008 £'000	2007 £'000
<i>Authorised, allotted and fully paid:</i>		
<b>Equity share capital</b>		
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/>
 <b>Shares classified as liabilities</b>		
20,000,000 non-cumulative redeemable 0.25% preference shares of £1 each	20,000	20,000
9,736,299 (2007: 13,750,000) cumulative redeemable 8.236% preference shares of £1 each	9,736	13,750
	<hr/>	<hr/>
	29,736	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.

During the year ending 31<sup>st</sup> December 2008, 4,013,701 cumulative redeemable preference shares were redeemed at par.

The non-cumulative preference shares are redeemable after 1<sup>st</sup> January 2013 and only on unanimous shareholder agreement or on 1 January 2030. They are redeemed from 'available cash' in accordance with the terms of the Shareholders' Agreement and subsequent Deed of Variation of a Shareholders' Agreement between the company and the shareholders dated 10<sup>th</sup> December 2008. 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	Share Capital Redemption Reserve
	£'000	£'000	£'000	£'000
At beginning of year	(147,537)	90,147	(57,390)	-
Profit for the year	-	18,983	18,983	-
Equity dividend	-	(16,616)	(16,616)	-
Redemption of preference shares	-	(4,014)	(4,014)	4,014
At 31 December 2008	(147,537)	88,500	(59,037)	4,014

Company	Profit and Loss Account	Share Capital Redemption Reserve
	£'000	£'000
At beginning of year	52,333	-
Profit for the year	15,899	-
Equity dividend	(16,616)	-
Redemption of preference shares	(4,014)	4,014
At 31 December 2008	47,602	4,014

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

	Group £'000	Company £'000
Profit for the year	18,983	15,899
Dividends paid	(16,616)	(16,616)
Opening equity shareholders' (deficit) / funds	2,367 (57,387)	(717) 52,336
Closing equity shareholders' (deficit) / funds	(55,020)	51,619

**Notes (continued)**

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

	2008 £'000	2007 £'000
Operating profit	30,644	33,791
(Increase) decrease/ in programming inventory	(6,212)	198
(Increase) / decrease in debtors	(2,524)	(1,176)
Increase/ (decrease) in creditors	5,728	7,764
	<hr/>	<hr/>
Net cash inflow from operating activities	27,636	40,577
	<hr/>	<hr/>

**20 Analysis of changes in net debt**

	At 1 January 2008 £'000	Cash flows £'000	At 31 December 2008 £'000
Cash in hand	-	567	567
Redeemable unsecured loan stock	(21,460)	-	(21,460)
Variable rate unsecured loan stock due within one year	(3,936)	3,936	-
Variable rate unsecured loan stock due after more than one year	-	(8,666)	(8,666)
Shares classified as liabilities	(33,750)	4,014	(29,736)
	<hr/>	<hr/>	<hr/>
Total	(59,146)	(149)	(59,295)
	<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 Group relate to advertising sales charges. Administration costs from Virgin Media Television Group relate to general overheads and building costs, including rent and rates.

	2008 £'000	2007 £'000
Income from Virgin Media Group	87,231	74,744
Repayment of loan stock to United Artists Investment Limited	(7,950)	(13,852)
Cost of sales purchases from BBC Worldwide Limited	(31,127)	(26,271)
Cost of sales purchases from Virgin Media Television Group	(4,160)	(3,641)
Administration expense purchases from Virgin Media Television Group	(476)	(515)
Interest paid to United Artists Investment Limited	(2,403)	(3,247)
Ordinary dividends paid to Flextech Broadband Limited	(8,308)	(6,926)
Ordinary dividends paid to BBC Worldwide Limited	(8,308)	(6,926)
Preference dividend paid to Flextech Broadband Limited	(1,085)	(1,136)
Redemption of preference shares to Flextech Broadband Limited	(4,014)	-

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

	2008 £'000	2007 £'000
Amounts owed by Virgin Media Television Limited	28,628	33,957
Amounts owed by fellow joint venture companies:		
Amounts owed by UKTV New Ventures Limited	99	173
Amounts owed to United Artists Investments Limited:		
Redeemable unsecured loan stock	(21,460)	(21,460)
Variable rate unsecured loan stock	-	(3,936)
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 Flextech Broadband Limited on account of Preference shares classified as liabilities	(29,736)	(33,750)
Amounts owed to fellow joint venture companies:		
Amounts owed to UK Channel Management Limited	(17,110)	(15,625)
Variable rate loan stock issued by UK Channel Management Limited	(8,666)	-



## Notes (continued)

### 22 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<i>Operating leases which expire:</i>				
Less than one year	-	2,149	-	1,158
In two to five years	1,474	-	-	-
	<u>1,474</u>	<u>2,149</u>	<u>-</u>	<u>1,158</u>

### 23 Ultimate joint venture parents

At 31<sup>st</sup> December 2008, 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