ARTHUR ANDERSEN

UPC Services Limited

Financial statements for the year ended 31 December 1999
together with director's and auditors' reports

Registered number: 3422231

Contents

Contents

	Page
Director's report	1
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6

Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1999.

Principal activity and business review

The principal activity of the company is to provide assistance and services in respect of financial, organisational, personnel, marketing and administrative matters to the United Pan-European Communications N.V. (UPC N.V.) group. The directors expect the general level of activity to increase to a higher level in 2000.

Results and dividends

The results for the period are as follows:

	1999 £'000	1998 £'000
Retained profit at beginning of period	79	-
Profit for the period	285	79
Retained profit at end of period	364	79

The directors do not recommend the payment of a dividend.

Directors and their interests:

M.M.Houlhan	(resigned 28 January 1999)
A.K.Sawdey	
M.I.Schneider	
A.H.E.Van Voskuijlen	(resigned 13 March 2000)
C.H.Bracken	(appointed 27 July 1999)
A.Tuyten	(appointed 13 March 2000)

In 1999, one of the directors exercised their options on shares in UPC N.V. None of the directors have interests required to be disclosed under the Companies Act 1985.

Directors responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the profit and loss of the company for that period. In preparing these accounts, the directors are required to:

- Select suitable accounting policies and then apply them constantly
- 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 accounts; and
- Prepare the accounts 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 enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

1 Knightsbridge Place
London
SW1X 7UP

By order of the Board,

Charles H R Bracken
Director

29 January 2001

ARTHUR ANDERSEN

To the shareholders of UPC Services Limited

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with the applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 accounts. It also includes an assessment of the significant estimates and judgments made by directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 us reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1999 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985

Arthur Andersen

Arthur Andersen
Chartered accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

29 January 2001

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Turnover		4,594	1,314
Administrative expenses		(4,176)	(1,199)
Operating profit		418	115
Other interest receivable and similar income	6	2	-
Profit on ordinary activities before taxation		420	115
Tax on profit on ordinary activities	7	(135)	(36)
Profit on ordinary activities after taxation		285	79
Retained profit brought forward		79	0
Retained profit carried forward		364	79

There are no recognised gains or losses other than the profit for the period, the whole of which has been derived from continuing operations. Accordingly a statement of total recognised gains and losses has not been prepared.

There were no differences between reported profits and losses and historical profits and losses on ordinary activities before taxation.

All turnover is derived from continuing operations

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

At 31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	8	755	381
		755	381
Current assets			
Debtors	9	1,504	233
Cash at bank and in hand		51	90
		1,555	323
Creditors: amounts falling due within one year	10	(1,946)	(625)
Net current liabilities		(391)	(302)
Total assets less current liabilities		364	79
Capital and reserves			
Share Capital	11	-	-
Profit and loss account	12	364	79
Equity shareholders' funds		364	79

These financial statements were approved by the director on 29 January 2001.

Charles H R Bracken
Director

The accompanying notes are an integral part of this balance sheet.

1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the prior period. Some prior year comparison figures have been re-classified to ensure that they are in keeping with the classifications in 1999.

a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Leasehold improvement depreciation has been re calculated at 30% instead of the 10% previously applied.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives at the following annual rates:

Leasehold improvements	30%
Fixtures, fittings	20%
Mobile phones and software	50%
Office equipment	33%

c) Pension costs and other post-retirement benefits

The company participates in a Defined Contribution Pension scheme structured as a Group Personal Pension operated by UPC N.V. Pension contributions payable in the year are expensed in the Profit and Loss account. Any difference between cash paid and amounts charged is either a prepayment or accrual.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

e) Deferred taxation

The company accounts for income taxes under the liability method which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions which have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and income tax basis of assets, liabilities and loss carry forwards using enacted tax rates in effect for the whole year in which the differences are expected to reverse. Net deferred tax assets are then reduced by a valuation allowance if management believes that it is more likely than not they will not be realised.

f) Turnover

Turnover represents invoiced value of services dispatched to group companies, net of trade discounts, VAT and other sales related taxes.

1 Accounting policies (continued)

g) Cash flow statement

The company has taken advantage of the exemption afforded by Financial Reporting Standard (FRS) 1 (revised) not to present a cash flow statement as it is a wholly owned subsidiary of UPC N.V., which prepares consolidated financial statements that are publicly available.

h) Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if appropriate, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at the date or, if appropriate, at the forward contract rate. All exchange rate differences are included in the profit and loss account.

- *Operating leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

2 Segment information

The turnover is generated in continental Europe.

The company has a single class of business which is providing services to the parent company, UPC N.V. and its subsidiaries.

3 Profit on ordinary activities before taxation

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
- Audit	4	5
- Other services	10	41
Depreciation and other amounts written off tangible fixed assets:		
- Owned	217	48
Operating lease rentals		
- plant and machinery	60	-
- other	315	221

4 Remuneration of directors

Remuneration

The remuneration of the directors was as follows:

	1999 £'000	1998 £'000
Emoluments	664	295
Company contributions to money purchase schemes	19	-
	683	295

Pensions

The number of directors who were members of the pension schemes was as follows:

	1999 Number	1998 Number
Money Purchase Schemes	2	-

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £'000	1998 £'000
Emoluments	275	245
Company contributions to money purchase pension scheme	-	-
	275	245

Amounts due from Directors

The company made an unsecured non-interest bearing loan to Mr Mark Schneider amounting to a maximum of £84,254 at the end of the year in respect of personal costs incurred by him and initially paid by the company.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was 15 (1998 - 5).

The aggregate payroll costs of these persons, all employed in administration, were as follows:

	1999	1998
	£'000	£'000
Wages and salaries	1,678	503
Social security costs	531	40
Other pension costs	22	1
	2,231	544

6 Other interest receivable and similar income

	1999	1998
	£'000	£'000
Other interest receivable – bank interest	2	-

7 Taxation

The tax charge is based on the profit for the period from 1 January 1999 to 31 December 1999 and comprises:

	1999	1998
	£'000	£'000
Corporation tax at 30% (1998 – 31%)	162	36
Overprovision in respect of prior year	(27)	-
	135	36

8 Tangible fixed assets

Cost	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Total £'000
At 1 January 1999	316	113	429
Additions	143	448	591
31 December 1999	459	561	1,020
Depreciation			
At 1 January 1999	27	21	48
Charge for period	112	105	217
At 31 December 1999	139	126	265
Net book value			
At 31 December 1999	320	435	755
At 31 December 1998	289	92	381

9 Debtors

	1999 £'000	1998 £'000
Amounts falling due within one year:		
Prepayments and accrued income	93	-
Amounts owed by group undertakings	989	-
Other debtors	92	166
VAT repayment due	330	67
	1,504	233

10 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Trade creditors	149	319
PAYE/NI Creditor	494	-
Accruals	258	-
Corporation Tax	135	36
Amounts owing to group undertakings	910	270
	1,946	625

11 Called up share capital

	1999 £'000	1998 £'000
Authorised		
1000 shares at £1 each	1	1
Allotted, called up and fully paid		
2 Shares at £1	-	-

12 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Profit for the period	285	79
Opening shareholders funds	79	0
Closing shareholders' funds	364	79

13 Commitments

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

	1999			1998		
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Operating leases which expire:						
Within one year	-	-	-	-	-	-
From two to five years	1,223	132	1,355	243	132	375

14 Related party disclosures

As a subsidiary undertaking of UPC N.V. whose accounts are publicly available, the company has taken advantage of the exemption in FRS 8 Related Party Disclosures not to disclose transactions with other members of the group headed by UPC N.V.

15 Ultimate parent undertaking and controlling party

The group in which the results of the company are consolidated is that headed by United Pan-European Communications N.V., incorporated in The Netherlands, whose principal business is at Boeing Avenue 53,1119 PE Schiphol Rijk, Amsterdam, The Netherlands, where consolidated accounts of this group are available to the public.

The Ultimate parent undertaking is United Global Communications Inc. whose headquarters are in the USA and whose consolidated accounts are publicly available through the company's filings with the US Securities and Exchange Commission.

The directors consider United Global Communications Inc. to be the ultimate controlling party.