

SIT-UP LIMITED
(FORMERLY SIT-UP.COM LIMITED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2000



SIT-UP LIMITED

COMPANY INFORMATION

Directors	A C Faulk	(Appointed 11 November 1999)
	J P Egan	(Appointed 11 November 1999)
	C J Manson	(Appointed 11 November 1999)
	D Ward	(Appointed 10 July 2000)
	A J Glasspool	(Appointed 10 July 2000)
	A Singer	(Appointed 4 October 2000)
Secretary	R M Taylor	
Company number	3877786	
Registered office	3rd Floor Stamford Bridge Fulham Road London SW6 1HS	
Auditors	MRI Moores Rowland Mitre House 177 Regent Street London W1B 4BB	
Business address	sit-up House 4 Warple Way London W3 0UE	
Bankers	Bank of Scotland 38 Threadneedle Street London EC2P 2EH	
Solicitors	Mark Taylor & Company 3rd Floor Stamford Bridge Fulham Road London SW6 1HS	

SIT-UP LIMITED

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SIT-UP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2000

The directors present their first report and financial statements for the period ended 31 December 2000.

Principal activities and review of the business

The company was incorporated on 11 November 1999.

The principal activity of the company which has remained unchanged throughout the period was TV and online home shopping.

The company changed its name from Sit-up.com Limited to Sit-up Limited in February 2001.

Results and dividends

The results for the period are set out on page 4.

The directors are unable to recommend the payment of a dividend.

Post balance sheet events

In March 2001 Telewest Communications plc invested £14.8m in the company. At the same time the company acquired Screenshop, Telewest's home shopping channel, to create a larger business focused on interactive tv for £10m. The deal provided the company with £4.8m net cash for business development and gives Telewest Communications plc a 38% stake in the company.

The company has also obtained further finance of £1.7m from existing and new investors.

Directors

The following directors have held office since 11 November 1999:

A C Faull	(Appointed 11 November 1999)
J P Egan	(Appointed 11 November 1999)
C J Manson	(Appointed 11 November 1999)
D Ward	(Appointed 10 July 2000)
A J Glasspool	(Appointed 10 July 2000)
A Singer	(Appointed 4 October 2000)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of 1p each	
	31 December 2000	11 November 1999
A C Faull	576,923	-
J P Egan	576,923	-
C J Manson	288,462	-
D Ward	33,937	-
A J Glasspool	33,937	-
A Singer	45,249	-

Auditors

MRI Moores Rowland were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

SIT-UP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

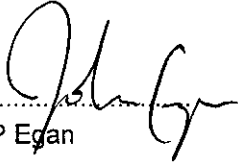
Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

By order of the board



J P Egan
Director

2 April 2001

SIT-UP LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF SIT-UP LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

MRI Moores Rowland

MRI Moores Rowland

Chartered Accountants
Registered Auditors

5th April 2001

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Mitre House
177 Regent Street
London
W1B 4BB

SIT-UP LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2000

		Period ended 31 December 2000 £
	Notes	
Turnover	2	2,174,563
Cost of sales		(1,794,418)
Gross profit		380,145
Administrative expenses		(4,303,705)
Operating loss	3	(3,923,560)
Other interest receivable and similar income	4	143,353
Interest payable and similar charges	5	(5,239)
Loss on ordinary activities before taxation		(3,785,446)
Tax on loss on ordinary activities	6	-
Loss on ordinary activities after taxation	15	(3,785,446)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

SIT-UP LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000

	Notes	2000 £	£
Fixed assets			
Tangible assets	7	3,413,276	
Investments	8	1,834	
			<u>3,415,110</u>
Current assets			
Stocks	9	1,335,206	
Debtors	10	1,063,940	
Cash at bank and in hand		499,291	
			<u>2,898,437</u>
Creditors: amounts falling due within one year	11	(3,160,326)	
			<u>(261,889)</u>
Net current liabilities			(261,889)
Total assets less current liabilities			<u>3,153,221</u>
Creditors: amounts falling due after more than one year	12	(491,280)	
			<u>2,661,941</u>
Capital and reserves			
Called up share capital	14	20,787	
Share premium account	15	6,426,600	
Profit and loss account	15	(3,785,446)	
			<u>2,661,941</u>
Shareholders' funds - equity interests	16	2,661,941	

The financial statements were approved by the Board on 2nd April 2001


C J Manson
Director


J P Egan
Director

SIT-UP LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2000

	Period ended 31 December 2000 £
Net cash outflow from operating activities	(3,291,032)
Returns on investments and servicing of finance	
Interest received	143,353
Interest paid	(5,239)
Net cash inflow from returns on investments and servicing of finance	138,114
Capital expenditure	
Payments to acquire tangible assets	(2,186,854)
Purchase of own shares by employee share ownership trust	(1,834)
Net cash outflow for capital expenditure	(2,188,688)
Net cash outflow before management of liquid resources and financing	(5,341,606)
Financing	
Issue of ordinary share capital	6,817,387
Costs of share issue	(370,000)
Issue of shares	6,447,387
Capital element of hire purchase contracts	(606,490)
Decrease in debt	(606,490)
Net cash inflow from financing	5,840,897
Increase in cash in the period	499,291

SIT-UP LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2000

1	Reconciliation of operating loss to net cash outflow from operating activities				2000 £
	Operating loss				(3,923,560)
	Depreciation of tangible assets				155,142
	Increase in stocks				(1,335,206)
	Increase in debtors				(1,063,940)
	Increase in creditors within one year				2,876,532
	Net cash outflow from operating activities				(3,291,032)
2	Analysis of net debt	11 November 1999	Cash flow	Other non- cash changes	31 December 2000
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	-	499,291	-	499,291
	Debt:				
	Finance leases	-	606,490	(1,381,564)	(775,074)
	Net debt	-	1,105,781	(1,381,564)	(275,783)
3	Reconciliation of net cash flow to movement in net debt				2000 £
	Increase in cash in the period				499,291
	Cash outflow from decrease in lease financing				606,490
	Change in net debt resulting from cash flows				1,105,781
	New finance leases				(1,381,564)
	Movement in net debt in the period				(275,783)
	Opening net debt				-
	Closing net debt				(275,783)

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2000

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Short leasehold properties	straight line over length of the lease
IT and studio equipment	straight line between three and five years
Fixtures and fittings	straight line over five years
Studio set	straight line over 1 year

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with SSAP 24.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.9 Investments in own shares

Investments in own shares held by the employee share ownership trust are, in accordance with the Accounting Standards Boards Urgent Issues Task Force Abstract 13, included as fixed asset investments and shown at cost less any provision to reduce the shares to estimated realisable value.

The difference between cost, being nominal value and estimated market value on shares issued under options is charged to the profit and loss account over the period between the date of the share option grant and its first available exercise date.

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss 2000 £

Operating loss is stated after charging:

Depreciation of tangible assets	155,142
Operating lease rentals	97,964
Auditors' remuneration	15,000
Remuneration of auditors for non-audit work	1,196

4 Other interest receivable and similar income 2000 £

Bank interest	143,353
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5 Interest payable and similar charges 2000 £

Hire purchase interest	5,239
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6 Taxation

On the basis of these financial statements no provision has been made for corporation tax.

The company has significant losses available to carry forward against future trading profits.

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

7 Tangible fixed assets

	Short leasehold properties £	IT and studio equipment £	Fixtures and fittings £	Studio set £	Total £
Cost					
At 11 November 1999	-	-	-	-	-
Additions	1,139,167	2,190,998	196,697	41,556	3,568,418
At 31 December 2000	1,139,167	2,190,998	196,697	41,556	3,568,418
Depreciation					
At 11 November 1999	-	-	-	-	-
Charge for the period	18,986	119,276	9,332	7,548	155,142
At 31 December 2000	18,986	119,276	9,332	7,548	155,142
Net book value					
At 31 December 2000	1,120,181	2,071,722	187,365	34,008	3,413,276

Included above are assets held under finance leases or hire purchase contracts as follows:

	IT and studio equipment £
Net book values	
At 31 December 2000	1,266,434
Depreciation charge for the period	
31 December 2000	115,130

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

8 Fixed asset investments

	Own shares £
Cost	
At 11 November 1999	-
Additions	1,834
	<hr/>
At 31 December 2000	1,834
	<hr/>

Investments in own shares consist of shares held by the Employee Share Ownership Trust. Details are given in note 21.

9 Stocks

	2000 £
Finished goods and goods for resale	1,335,206
	<hr/>

10 Debtors

	2000 £
Trade debtors	311,046
Other debtors	505,924
Prepayments and accrued income	246,970
	<hr/>
	1,063,940
	<hr/>

Amounts falling due after more than one year and included in the debtors above are:

	2000 £
Other debtors	179,450
	<hr/>

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

11 Creditors: amounts falling due within one year	2000
	£
Net obligations under finance lease and hire purchase contracts	283,794
Trade creditors	2,714,505
Taxes and social security costs	125,143
Accruals and deferred income	36,884
	<u>3,160,326</u>

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned.

12 Creditors: amounts falling due after more than one year	2000
	£
Net obligations under finance leases and hire purchase agreements	<u>491,280</u>
Net obligations under finance leases and hire purchase contracts	
Repayable within one year	335,308
Repayable between one and five years	<u>531,443</u>
	866,751
Finance charges and interest allocated to future accounting periods	<u>(91,677)</u>
	775,074
Included in liabilities falling due within one year	<u>(283,794)</u>
	<u>491,280</u>

13 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £22,680.

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

14 Share capital	2000
	£
Authorised	
6,000,000 Ordinary shares of 1p each	60,000
	<hr/>
Allotted and called up	
1,105,000 Ordinary shares of 1p each - 100% called up and fully paid	11,050
3,718,755 Ordinary shares of 1p each - 25% called up and fully paid	9,297
176,245 Ordinary shares of 1p each - 25% called up and unpaid	440
	<hr/>
	20,787
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During the period 5,000,000 ordinary shares of 1p each were issued. Of these 340,000 were issued at £20 per share, representing a premium of £19.99 per share. The other 4,660,000 shares were issued at par value of 1p.

15 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Retained loss for the period	-	(3,785,446)
Premium on shares issued during the period	6,796,600	-
Issue costs written off	(370,000)	-
	<hr/>	<hr/>
Balance at 31 December 2000	6,426,600	(3,785,446)
	<hr/>	<hr/>

16 Reconciliation of movements in shareholders' funds	2000
	£
Loss for the financial period	(3,785,446)
Proceeds from issue of shares	6,817,387
Costs of share issue written off to share premium account	(370,000)
	<hr/>
Net addition to shareholders' funds	2,661,941
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	2,661,941
	<hr/>

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

17 Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2000 £
Expiry date:	
Between two and five years	89,000
In over five years	179,873
	<u>268,873</u>

18 Capital commitments

2000
£

At 31 December 2000 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	<u>20,000</u>
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19 Directors' emoluments

2000
£

Emoluments for qualifying services	288,892
Company pension contributions to money purchase schemes	22,680
Sums paid to third parties for directors' services	40,459
	<u>352,031</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3.

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	81,250
Company pension contributions to money purchase schemes	<u>7,560</u>

SIT-UP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2000

20 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2000 Number
Administration	52

Employment costs

	£
Wages and salaries	1,473,657
Social security costs	148,864
Other pension costs	22,680
	1,645,201

21 Employee share schemes

	Number of shares	Cost £
Ordinary shares of 1p each - 100% called up	97,500	975
Ordinary shares of 1p each - 25% called up	343,676	859
	441,176	1,834

The company sponsors an Employee Share Ownership Trust to acquire and hold shares in Sit-up Limited to facilitate the holding of such shares by employees, and non-executive directors of the company. The trustees purchase shares at par value with an interest free loan provided by the company.

At 31 December 2000 the outstanding loan by the company to the Employee Share Ownership Trust to finance the purchase of ordinary shares was £1,834.

Upon the exercise of any option pursuant to the employee share scheme the trustees shall upon the receipt of the purchase price repay to the company the sum of 1p in respect of each share allocated.

22 Control

There is no one ultimate controlling party.