

Flextech Communications Limited

Directors' report and financial statements

31 December 1995

Registered number 2588902



Flextech Communications Limited

Directors' report and financial statements

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Flextech Communications Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The company's principal activity is the investment in Starstream Limited, trading as TCC (formerly The Children's Channel), a programme service broadcast on satellite and cable television. No change to this activity is foreseen.

Review of the business and future prospects

The company continues to be profitable and the directors expect that it will continue to act as a holding company for its investment in Starstream Limited.

Dividend and transfer to reserves

Details of the results for the year and transfer to reserves are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend.

Fixed assets

Movements in the fixed asset investments are shown in note 8 to the accounts.

Directors and directors' interests

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

RDE Luard
M Koppel
AN Singer
L Unterhalter
F Vierra

None of the directors had any disclosable interest in the shares of the company during the year.

All directors are directors of Flextech p.l.c. Their interests in the share capital of that company and the ultimate parent company are disclosed in the Flextech p.l.c. annual report.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Flextech Communications Limited

Directors' report

By order of the board



MW Luiz
Secretary

The Quadrangle
Imperial House
Cheltenham
Gloucestershire
GL50 1YX

24 October 1996

Flextech Communications Limited

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Flextech Communications Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

28 October 1996

Flextech Communications Limited

Profit and loss account

for the year ended 31 December 1995

	Note	1995 £	1994 £
Turnover	2	-	249,484
Cost of sales		-	(249,484)
		<hr/>	<hr/>
Gross profit		-	-
Administrative expenses		(2,450)	(4,628)
		<hr/>	<hr/>
Operating loss	4	(2,450)	(4,628)
Interest receivable and other income	5	954,919	776,116
Interest payable and similar charges	6	(889,031)	(698,877)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		63,438	72,611
Tax on profit on ordinary activities	7	-	27,800
		<hr/>	<hr/>
Profit on ordinary activities after taxation		63,438	100,411
Retained profit brought forward		196,337	95,926
		<hr/>	<hr/>
Retained profit carried forward		259,775	196,337
		<hr/>	<hr/>

All turnover and operating losses of the current and prior periods relate to continuing operations.

The company had no recognised gains or losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

The historical cost profits in current and prior years are the same as those reported above.

Flextech Communications Limited

Balance sheet at 31 December 1995

	Note	1995	1994
		£	£
Fixed assets			
Investments	8	25,866,504	25,580,256
Current assets			
Debtors	9	374,050	1,174,127
Cash at bank and in hand		145,267	245,706
		<u>519,317</u>	<u>1,419,833</u>
Creditors: amounts falling due within one year	10	(3,092,491)	(1,235,947)
Net current (liabilities)/assets		<u>(2,573,174)</u>	<u>183,886</u>
Total assets less current liabilities		23,293,330	25,764,142
Creditors: amounts falling due after more than one year	11	(14,987,521)	(17,521,766)
Net assets		<u>8,305,809</u>	<u>8,242,376</u>
Capital and reserves			
Called up share capital	12	29	29
Share premium account	13	8,046,010	8,046,010
Profit and loss account		259,775	196,337
Equity shareholders' funds	14	<u>8,305,814</u>	<u>8,242,376</u>

These financial statements were approved by the board of directors on 24.06/96 and were signed on its behalf by:


RDE Luard
Director

Flextech Communications Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. They have also been prepared on a going concern basis as the parent undertaking has indicated that it will continue to provide financial support for the foreseeable future.

Financial Reporting Standard Number 1

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Flextech p.l.c. and its cash flows are included within the consolidated cashflow of that company.

Group accounts

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Deep discounted loan stock

Deep discounted zero coupon loan stock and long term borrowings held as fixed asset investments are stated at cost less a provision to account for the difference between face value and the paid consideration. This is written back to the profit and loss account over the life of the loan as notional interest (calculated so as to give a constant rate on the outstanding obligations).

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of accounting differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover represents management fees receivable from its subsidiary company. All the company's activities are within the United Kingdom.

Flextech Communications Limited

Notes (continued)

3 Information regarding directors and employees

The directors, who are the only employees of the company, did not receive any remuneration during the period (1994:£nil).

4 Operating loss

	1995 £	1994 £
Operating loss is stated after charging: Auditors' remuneration - audit fee	2,450	3,000

5 Interest receivable and other income

	1995 £	1994 £
Interest receivable from subsidiary undertaking	<u>954,919</u>	<u>776,116</u>

6 Interest payable and similar charges

	1995 £	1994 £
<i>Loans repayable in less than five years</i> Interest on loans from parent and fellow subsidiary undertakings	<u>889,031</u>	<u>698,877</u>

Flextech Communications Limited

Notes (continued)

7 Tax on profit on ordinary activities

	1995	1994
	£	£
Deferred taxation credit	-	(27,800)

There is no tax charge for the year due to the availability of losses. Subject to the agreement of the Inland Revenue at 31 December 1995 the company had losses of £62,305 (1994:£62,305) available for relief against future profits.

8 Fixed asset investments

The company's fixed asset investments all relate to its subsidiary undertaking, Starstream Limited, a company incorporated in Great Britain and registered in England and Wales. Starstream Limited supplies TCC (formerly The Children's Channel) to BSkyB's "Multichannels" satellite service and to cable television operators in the United Kingdom and selected areas of continental Europe.

At 31 December 1995 the company owned 74.99% (1994:74.89%) of the issued ordinary share capital of Starstream Limited.

	1995	1994
	£	£
Shares at cost:		
5,666,786 B ordinary shares (1994:5,621,786)	5,767,586	5,621,786
2,741,256 C ordinary shares	1,763,395	1,763,395
	<u>7,530,981</u>	<u>7,385,181</u>
Loans:		
2% unsecured loan stock 1996	2,674,867	2,674,867
2% unsecured loan stock 1998	852,620	852,620
0% unsecured deep discounted loan stock 1998 (redemption value £6,753,020)	6,340,588	6,200,138
Investment funding	8,454,977	8,454,977
Premium	12,471	12,471
Options	-	2
	<u>25,866,504</u>	<u>25,580,256</u>

The movement on the loans has occurred solely due to the partial release of the provision against the deep discounted zero loan stock.

The circumstances enabling the company to exercise options to subscribe for in aggregate 500,000 B shares of £1 each and 250,000 C shares of 64.328 pence in Starstream Limited, in each case at par value, ceased to apply during the year. The options have therefore lapsed.

Flextech Communications Limited

Notes (continued)

9 Debtors

	1995 £	1994 £
Prepayments and accrued income	<u>374,050</u>	<u>1,174,127</u>

All amounts are due from the company's subsidiary.

10 Creditors: amounts falling due within one year

	1995 £	1994 £
2% unsecured loan stock 1996 (see note 11)	2,674,867	-
Other creditors	14,645	14,645
Accruals and deferred income	<u>402,979</u>	<u>1,221,302</u>
	<u>3,092,491</u>	<u>1,235,947</u>

Balances owed to parent and fellow subsidiary undertakings amounts to £3,018,833 (1994:£1,211,753).

11 Creditors: amounts falling due after more than one year

	1995 £	1994 £
<i>Repayable otherwise than by instalments in less than five years</i>		
2% unsecured loan stock 1996	-	2,674,867
2% unsecured loan stock 1998	852,620	852,620
0% unsecured loan stock 1998	6,340,759	6,200,137
Other loans from parent undertakings	<u>7,794,142</u>	<u>7,794,142</u>
	<u>14,987,521</u>	<u>17,521,766</u>

All amounts are owed to parent and fellow subsidiary undertakings.

The unamortised discount on the 0% unsecured loan stock amounts to £412,261 (1994:£552,883).

Interest on the 2% loan stock accrues on the principal amount and is payable on 30 September each year. All the 2% loan stock is redeemable at par.

Interest on the other loans accrues on the principal at the lower of 10% and the UK base rate plus 2%. It is paid annually.

Flextech Communications Limited

Notes (continued)

12 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
21 deferred ordinary shares of £1 each	21	21
6,121,786 A ordinary shares of 0.0001 pence each	6	6
2,991,256 B ordinary shares of 0.00006433 pence each	2	2
1 unclassified share of 95.3939 pence	1	1
	<hr/>	<hr/>
	30	30
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
21 deferred ordinary shares of £1 each	21	21
6,121,786 A ordinary shares of 0.0001 pence each	6	6
2,991,256 B ordinary shares of 0.00006433 pence each	2	2
	<hr/>	<hr/>
	29	29
	<hr/>	<hr/>

The deferred shares do not carry the right to any dividend or distribution, except on a return of capital on a winding up or otherwise, whereby holders of the deferred shares are entitled to the amount paid up or credited as paid up on those shares. Deferred shares do not entitle the holders to receive notice of or attend or vote at any General Meeting of the company.

The A shares and B shares carry respective voting rights and rank *pari passu* in all other respects.

13 Share premium account

	1995 £	1994 £
Arising on issue of:		
A ordinary shares	6,121,780	6,121,780
B ordinary shares	1,924,230	1,924,230
	<hr/>	<hr/>
	8,046,010	8,046,010
	<hr/>	<hr/>

Flextech Communications Limited

Notes (continued)

14 Reconciliation of movements in equity shareholders' funds

	1995 £	1994 £
Profit for the year	63,438	100,411
Opening equity shareholders' funds	8,242,376	8,141,965
	<hr/>	<hr/>
Closing equity shareholders' funds	8,305,814	8,242,376
	<hr/>	<hr/>

15 Ultimate parent company and parent undertaking of larger group of which the company is a member

The parent company is Flextech Childrens Channel Limited and the ultimate parent company is Tele-Communications Inc., a Delaware (USA) company incorporated in the USA. Copies of Tele-Communications Inc.'s group accounts can be obtained from its registered office, at Terrace Tower 11, 5619 DTC Parkway, Englewood, Colorado, 80111 USA.

The parent company of the smallest group for which consolidated accounts are prepared is Flextech p.l.c. a company registered in England and Wales. Copies of Flextech p.l.c.'s annual report can be obtained from its corporate headquarters at Twyman House, 16 Bonny Street, London, NW1 9PG.