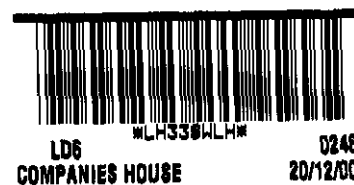


**Flextech Communications Limited**

**Directors' report and financial  
statements**

**Registered number 2588902**

**31 December 1999**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### Principal activity

The company's principal activity is to hold an investment in Starstream Limited, which operates Trouble, a television channel broadcast via satellite and cable. No change to this activity is foreseen.

### Results and dividends

The results for the year ended 31 December 1999 are set out on page 5 of the financial statements.

The directors do not recommend the payment of a dividend (1998: £nil).

### Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows:

SS Cook  
PB Harman (resigned 14 July 2000)  
MW Luiz  
C Burdick (appointed 14 July 2000)

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

All of the current directors are also directors of Flextech plc. The interests of the directors who held office at the end of the year in the share capital of that company are disclosed in the Flextech plc group financial statements.

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.

### Year 2000 compliance

In 1998, Flextech plc ("the Group") established a steering committee, supported by a dedicated project team with responsibility for managing programmes that review products, systems and services used in the Group's businesses to determine Year 2000 compliance. The project team relied on in-house testing and confirmation from relevant suppliers and manufacturers to achieve this objective. The project team also worked with suppliers and manufacturers to modify or upgrade products, systems and services that are non-compliant. The project objective was to ensure complete compliance of internal systems in advance of the Year 2000. The group estimates that the aggregate costs of achieving Year 2000 compliance was approximately £850,000 of which approximately £700,000 had been spent at 31 December 1999.

At the date of this report, the Group has experienced no disruption as a result of the date change from 1999 to 2000.

### Post balance sheet events

As described in note 17 of the financial statements, the respective boards of Flextech plc and Telewest Communications plc announced details of a proposed merger of their groups, the offer was declared unconditional in all respects on 19 April 2000. Details of the shareholdings in the new, combined group are set out in note 17.

The board of Telewest Communications plc took the necessary steps required and cancelled the listing of Flextech plc on the Official List of the Stock Exchange on 23 May 2000.

## Directors' report *(continued)*

### Auditor

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditor annually and KPMG Audit Plc will therefore continue in office.

By order of the board



C Burns  
Company Secretary

14 December 2000

The Quadrangle  
Imperial Square  
Cheltenham  
Gloucestershire  
GL50 1YX

## 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 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 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 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.



KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Report of the auditors to the members of Flextech Communications Limited

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

### *Respective responsibilities of directors and auditor*

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with 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.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

### *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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

20 December 2000

## Profit and loss account

*for the year ended 31 December 1999*

	<i>Note</i>	<b>1999</b> <b>£000</b>	1998 £000
Administrative expenses		(2)	(2)
<b>Operating loss</b>	<b>3</b>	<b>(2)</b>	<b>(2)</b>
Other interest receivable and similar income	4	709	978
Interest payable and similar charges	5	(643)	(916)
<b>Profit on ordinary activities before and after taxation</b>		<b>64</b>	<b>60</b>
Retained profit brought forward		535	475
<b>Retained profit carried forward</b>		<b>599</b>	<b>535</b>

All the above results are derived from 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.

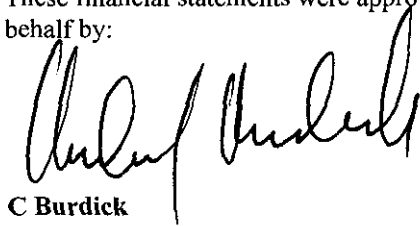
The historical cost profits in current and prior years are the same as those reported above.

## Balance sheet

at 31 December 1999

	Note	1999 £000	1998 £000
<b>Fixed assets</b>			
Investments	7	26,279	26,279
<b>Current assets</b>			
Debtors	8	2,382	1,673
<b>Creditors: amounts falling due within one year</b>	9	(12,222)	(11,577)
<b>Net current liabilities</b>		(9,840)	(9,904)
<b>Total assets less current liabilities</b>		16,439	16,375
<b>Creditors: amounts falling due after more than one year</b>	10	(7,794)	(7,794)
<b>Net assets</b>		8,645	8,581
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Share premium account	12	8,046	8,046
Profit and loss account		599	535
<b>Shareholders' funds - equity</b>	14	8,645	8,581

These financial statements were approved by the board of directors on 14 December 2000 and were signed on its behalf by:



C Burdick  
Director



## 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 UK accounting standards and under the historical cost accounting rules.

#### *Cash flow statement*

Under Financial Reporting Standard No.1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking, Flextech plc, includes the company in its own published consolidated financial statements.

#### *Group accounts*

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts as it is a subsidiary of Flextech plc, a UK company producing consolidated financial statements.

#### *Investments*

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

#### *Taxation*

Taxation is based on the profit for the year and takes into account taxation deferred because of 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.

**Notes** *(continued)*

**2 Information regarding directors and employees**

The directors, who are the only employees of the company, did not receive any remuneration during the period (1998: £nil).

**3 Operating loss**

	1999 £000	1998 £000
<i>Operating loss is stated after charging:</i>		
Auditor's remuneration - audit fee	2	2
	<u>2</u>	<u>2</u>

**4 Other interest receivable and similar income**

	1999 £000	1998 £000
Receivable from subsidiary undertaking	709	978
	<u>709</u>	<u>978</u>

**5 Interest payable and similar charges**

	1999 £000	1998 £000
<i>Loans repayable in less than five years</i>		
On all other loans	643	916
	<u>643</u>	<u>916</u>

Of the above amount £643,000 (1998: £916,000) was payable to group undertakings.

## Notes (continued)

### 6 Tax on profit on ordinary activities

There is no tax charge for the year due to the availability of group losses.

### 7 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 Trouble to BSkyB's "Multichannels" satellite service and to cable television operators in the United Kingdom and selected areas of continental Europe.

At 31 December 1999 the company owned 74.89% (1998:74.89%) of the issued ordinary share capital of Starstream Limited.

	1999 £000	1998 £000
Shares at cost:		
5,666,786 'B' ordinary shares	5,768	5,768
2,741,256 'C' ordinary shares	1,763	1,763
	<hr/> 7,531	<hr/> 7,531
Loans:		
2% unsecured loan stock 1996	2,675	2,675
2% unsecured loan stock 1998	853	853
0% unsecured deep discounted loan stock 1998 (redemption value £6,753,020)	6,753	6,753
Investment funding	8,455	8,455
Premium	12	12
	<hr/> 26,279	<hr/> 26,279
	<hr/> <hr/>	<hr/> <hr/>

The company has agreed with Starstream Limited that the repayment provisions applying to the 2% unsecured loan stock 1996 which provided that repayment be made on 31 December 1996 and the 2% unsecured loan stock 1998 which provided that repayment be made on 31 December 1998 be amended to provide that the principal amount plus interest be repayable on demand.

**Notes (continued)**

**8 Debtors**

	1999 £000	1998 £000
<b>Due within one year</b>		
Prepayments and accrued income	2,382	1,673
	<u>2,382</u>	<u>1,673</u>

All amounts are due from group companies.

**9 Creditors: amounts falling due within one year**

	1999 £000	1998 £000
2% unsecured loan stock 1996	2,675	2,675
2% unsecured loan stock 1998	903	903
0% unsecured loan stock 1998	6,702	6,702
Other creditors	4	11
Accruals and deferred income	1,938	1,286
	<u>12,222</u>	<u>11,577</u>

Balances owed to parent and fellow subsidiary undertakings amounts to £12,218,000 (1997:£11,575,000).

The holders of the 2% unsecured loan stock 1996 and the 2% unsecured loan stock 1998 have agreed that the repayment provisions contained in the loan stock instrument which provided that repayment be made on 31 December 1996 and 31 December 1998 respectively be amended to provide that the principal amount plus accrued interest be payable on demand.

**10 Creditors: amounts falling due after more than one year**

	1999 £000	1998 £000
<i>Repayable otherwise than by instalments in less than five years</i>		
Other loans from parent undertakings	7,794	7,794
	<u>7,794</u>	<u>7,794</u>

All amounts are owed to parent and fellow subsidiary undertakings.

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.

## Notes (continued)

### 11 Called up share capital

	1998 £	1998 £
<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/> 30	<hr/> 30
<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/> 29	<hr/> 29

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.

### 12 Share premium account

	1999 £000	1998 £000
Arising on issue of:		
A ordinary shares	6,122	6,122
B ordinary shares	1,924	1,924
	<hr/> 8,046	<hr/> 8,046

### 13 Contingent liabilities

The company, together with other group companies, has given a guarantee and a fixed and a floating charge over certain of its assets to secure borrowings of other group companies. The guaranteed borrowings of those companies was £100 million (1998: £85 million), of which £76 million (1998: £38 million) was drawn down at the year end.

**Notes (continued)**

**14 Reconciliation of movements in equity shareholders' funds**

	1999 £000	1998 £000
Profit for the year	64	60
Opening equity shareholders' funds	8,581	8,521
	<hr/>	<hr/>
<b>Closing equity shareholders' funds</b>	<b>8,645</b>	<b>8,581</b>
	<hr/>	<hr/>

**15 Related party transactions**

As the company is a wholly owned subsidiary of Flextech plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated statements of Flextech plc, within which the company is included, can be obtained from the address given in note 16. There were no other related party transactions.

**16 Ultimate parent company**

At the year end the company was a subsidiary undertaking of Flextech plc, incorporated in England and Wales.

The largest and smallest group in which the results of the company were consolidated is that headed by Flextech plc. The consolidated accounts of Flextech plc may be obtained from 160 Great Portland Street, London W1N 5TB.

**17 Post balance sheet events**

On 27 January 2000, the boards of Flextech plc ("Flextech") and Telewest Communications plc ("Telewest") announced that they had reached agreement on the terms of a proposed merger of their respective groups. The offer was declared unconditional in all respects on 19 April 2000. Upon acquisition by Telewest of the remaining Flextech shares, existing Flextech shareholders hold approximately 20 per cent and Telewest shareholders hold approximately 80 per cent of the combined group.

The board of Telewest took the necessary steps required and cancelled the listing of Flextech on the Official List of the Stock Exchange on 23 May 2000.