

Flextech Satellite Investments Limited

**Directors' report and financial
statements**

Registered number 2710978

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 activities

The principal activity of the company is to hold investments.

Business review

On 18 October 1999 Flextech plc purchased the company's entire holding of ordinary share capital in UK Living Limited for consideration of £33,497,000.

On 18 October 1999 the company bought back 8,310,352 of its shares through a payment out of capital of £23,542,222 as defined in Sections 171 and 172 of the Companies Act 1985.

On 24 November 1999 the call option held by the company over 35% of the shares of UK Gold Television was exercised.

This was achieved by the acquisition of Flextech Satellite Investments Limited (formerly a 100% subsidiary of Flextech plc) which held the shares, by UK Gold Holdings Limited.

The company made a profit for the year after taxation of £33,487,050 (1998: loss £4,000).

A dividend of £38,075,716 was charged to the profit and loss account for the year (1998: £nil).

Directors and directors' interests

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

SS Cook (resigned 17 October 1999)
PB Harman (resigned 14 July 2000)
MW Luiz

None of the directors had any interest in the shares of the company. The directors' interests in Flextech plc, the ultimate parent company, are disclosed in the directors' report of that company.

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

The company continues to assess the impact of the Year 2000 issue on the reporting systems. There have been no problems encountered internally or externally. The costs incurred in respect of Year 2000 compliance were not significant.

Directors' report *(continued)*

Auditor

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

By order of the board



C Burns
Secretary

4th Floor
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 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 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

Auditor's report to the members of Flextech Satellite Investments Limited

We have audited the financial statements on pages 5 to 10.

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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 October 2000

Profit and loss account

for the year ended 31 December 1999

	Note	1999 £	1998 £
Administrative expenses		(4,000)	(4,000)
Operating loss		(4,000)	(4,000)
Profit on disposal of fixed asset investment	5	33,491,050	-
Profit/(loss) on ordinary activities before taxation	2,3,4	33,487,050	(4,000)
Taxation on profit/(loss) on ordinary activities		-	-
Profit/(loss) on ordinary activities after taxation		33,487,050	(4,000)
Dividends paid		(33,497,000)	-
Dividends proposed		(4,578,716)	-
Retained loss for the year		(4,588,666)	(4,000)
Retained profit brought forward		4,588,666	4,592,666
Retained profit carried forward		-	4,588,666

The company's result is derived from continuing operations.

There are no recognised gains or losses in the financial year or previous financial year other than the results for the year.

There is no difference between the company's historical cost profit to that reported in the profit and loss account.

Balance sheet

at 31 December 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Investments	5		5,832,820		5,838,770
Current assets					
Debtors: amounts due after more than one year	6	28,132,938		28,132,938	
Creditors: amounts falling due within one year	7	(12,000)		(8,000)	
Net current assets			28,120,938		28,124,938
Total assets less current liabilities			33,953,758		33,963,708
Creditors: amounts falling due after more than one year	8	(28,120,938)		-	
Net assets			5,832,820		33,963,708
Capital and reserves					
Called up share capital	9		3,828,932		27,371,154
Other reserve	10		2,003,888		2,003,888
Profit and loss account	10		-		4,588,666
Equity shareholders' funds	11		5,832,820		33,963,708

These financial statements were approved by the board of directors on 27 Sep. 2000 and were signed on its behalf by:

MW Luiz
 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 accounting standards and under the historical cost accounting rules.

Accounting convention

The company is exempt by virtue of s228 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.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised 1996) to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the company in its own published consolidated financial statements.

Investments

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

Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Related parties

As the company is a subsidiary of UK Gold Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard No.8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of UK Gold Holdings Limited are available to the public and may be obtained from its registry.

2 Profit on ordinary activities before taxation

	1999	1998
	£	£
<i>Profit on ordinary activities is stated after charging:</i>		
Auditors' remuneration		
Audit fee	4,000	4,000
	<hr/>	<hr/>

Notes *(continued)*

3 Remuneration of directors

None of the directors received any remuneration for their services as directors during the year (1998: £nil).

4 Staff numbers and costs

The company had no employees other than the directors during the current and prior year.

5 Fixed asset investments

	Shares in undertakings in which the company has a participating interest £	Total £
At beginning of year	5,838,770	5,838,770
Disposal	(5,950)	(5,950)
At end of year	<u>5,832,820</u>	<u>5,832,820</u>

All of the above investments are unlisted.

	Country of registration or incorporation	Principal activity	Class and percentage of shares held
<i>Associated undertakings</i>			
UK Gold Television Limited	England and Wales	Operation of a television channel	35% ordinary

The directors are of the opinion that the investments held by the company are worth at least the amounts at which they are stated in the balance sheet of the company.

6 Debtors: amounts due after more than one year

	1999 £	1998 £
Amounts owed by joint venture, parent/group undertaking	<u>28,132,938</u>	<u>28,132,938</u>

Notes (continued)

7 Creditors: amounts falling due within one year

	1999 £	1998 £
Accruals	12,000	8,000

8 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Amounts owed to joint venture, parent/group undertakings	28,120,938	-

9 Called up share capital

	1999 £	1998 £
<i>Authorised:</i> 35,000,000 ordinary shares of £1 each	35,000,000	35,000,000
<i>Allotted, called up and fully paid:</i> Ordinary shares of £1 each	3,828,932	27,371,154

10 Reserves

	Other reserve £	Profit and loss account £
At beginning of year	2,003,888	4,588,666
Retained loss for the year	-	(4,588,666)
At end of year	2,003,888	-

11 Reconciliation of movements in equity shareholders' funds

	1999 £	1998 £
Shareholders' funds at 1 January	33,963,708	33,967,708
Loss for the year	(4,588,666)	(4,000)
Permissible capital payment	(23,542,222)	-
At end of year	5,832,820	33,963,708

Notes (continued)

12 Ultimate parent company

The company is a subsidiary undertaking of UK Gold Holdings Limited, a joint venture owned 50% by BBC Worldwide Limited (a wholly owned subsidiary of the BBC) and 50% by United Artists Investments Limited (a wholly owned subsidiary of Flextech plc).

The accounts of both of these companies are available to the public and may be obtained from the following addresses:

Flextech plc	BBC Worldwide Limited
The Quadrangle	BBC Information Services
Imperial Square	201 Wood Lane
Cheltenham	London
Gloucestershire	W12 7TS
GL50 1YX	

13 Post balance sheet events

On 27 January 2000, the boards of Flextech and Telewest Communications Limited ('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.