



**COX PROGRAMMING LIMITED**

**Report and Financial Statements**

**31 December 1996**

**Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1996****CONTENTS****Page**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the accounts</b>	<b>7</b>



**REPORT AND FINANCIAL STATEMENTS 1996**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P B Barnett  
A M Dalvi  
D H Eisner  
J A Hatcher  
J W Hayes  
J O Robbins

**SECRETARY**

A Merdek

**REGISTERED OFFICE**

4 John Carpenter Street  
London  
EC4Y 0NH

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Hill House  
1 Little New Street  
London EC4A 3TR

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### **ACTIVITIES**

The principal activity of the Company is to hold investments.

### **RESULTS, DIVIDENDS AND FUTURE PROSPECTS**

The Company made a profit for the year after taxation of £959,719 (1995 - profit of £1,590,982).

The directors do not recommend the payment of a dividend (1995 - £nil).

The ownership of the Company is in the process of being transferred to Flextech Plc. The Company will continue to trade as Cox Programming Limited.

### **POTENTIAL CHANGE OF CONTROL**

On 16 March 1997, Cox Communications, Inc, the parent company, entered into an agreement with Flextech Plc to sell the entire share capital of Cox Programming Limited for a consideration of 20,701,084 ordinary 10p shares of Flextech Plc. Prior to completion of this sale, the Company will sell its interest in European Channel Broadcasting Limited and European Channel Management Limited to a subsidiary of Cox Communications, Inc at cost. During the period from 1 January 1997 to 10 April 1997, the share price of Flextech Plc has traded on the London Stock Exchange between a high of 802.5p and a low of 598.0p. Further details of these transactions appear in note 14 to the financial statements.

### **DIRECTORS' AND DIRECTORS' INTERESTS**

The directors who held office during the year and to date are as follows:

P B Barnett  
A M Dalvi  
D H Eisner  
J A Hatcher  
J W Hayes  
J O Robbins

At no time during the year did any of the directors who held office at the end of the financial year have any disclosable interest in the shares of the Company or any other UK Group company. All of the directors are American citizens.

Approved by the Board of Directors  
and signed on behalf of the Board

April 23, 1997



A Merdek  
Secretary

**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 as at the end of the financial year 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;
- prepare the financial statements on a 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. 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.



## Chartered Accountants

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR

Telephone: National 0171 936 3000  
International + 44 171 936 3000  
Telex: 884739 TRLNDN G  
Fax (Gp. 3): 0171 583 8517  
LDE: DX 589

## AUDITORS' REPORT TO THE MEMBERS OF COX PROGRAMMING LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

### 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 affairs of the Company at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

23 April 1997

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1996**

	Note	1996 £	1995 £
Administrative expenses		(205,511)	(15,108)
Investment income	5	2,258,933	2,381,552
<b>OPERATING PROFIT</b>		<b>2,053,422</b>	<b>2,366,444</b>
Net interest expense	6	(868,841)	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2, 3, 4	<b>1,184,581</b>	<b>2,366,444</b>
Taxation on profit on ordinary activities	7	(224,862)	(775,462)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>959,719</b>	<b>1,590,982</b>
Retained profit brought forward		3,138,465	1,547,483
Retained profit carried forward		4,098,184	3,138,465

A statement of total recognised gains and losses has not been presented since there are no recognised gains or losses in the financial year or previous financial year other than the result for the year.

The Company's result is derived from continuing operations.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1996 £	1995 £
Shareholders' funds at 1 January	3,138,467	1,547,485
Profit for the year	959,719	1,590,982
Capital subscribed	15,106,574	-
Shareholders' funds at 31 December	19,204,760	3,138,467

**Supplementary statement detailing results of associated companies:**

	1996 £	1995 £
Share of losses attributable to the investing company before taxation	(729,773)	(1,993,632)
Taxation	314,710	345,513
Share of losses attributable to the investing company after taxation	(415,063)	(1,648,119)



**BALANCE SHEET**

**31 December 1996**

	Note	1996 £	1995 £
<b>FIXED ASSETS</b>			
Investments	8	34,651,745	32,744,211
<b>CURRENT ASSETS</b>			
Debtors due after more than one year	9	2,431,539	2,235,712
Cash at bank		1,910,479	2,582,433
		<u>4,342,018</u>	<u>4,818,145</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(19,280,514)</u>	<u>(33,686,104)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(14,938,496)</u>	<u>(28,867,959)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		19,713,249	3,876,252
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	<u>(508,489)</u>	<u>(737,785)</u>
<b>TOTAL NET ASSETS</b>		<u>19,204,760</u>	<u>3,138,467</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	15,106,576	2
Profit and loss account	13	<u>4,098,184</u>	<u>3,138,465</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>19,204,760</u>	<u>3,138,467</u>

**Supplementary statement detailing investing company's share of associated companies reserves:**

	1996 £	1995 £
Investing company's share of net liabilities of associated companies other than goodwill	<u>(13,231,912)</u>	<u>(12,816,848)</u>
Goodwill on the acquisition of associated companies	<u>3,711,155</u>	<u>3,711,155</u>

These financial statements were approved by the Board of Directors on April 23, 1997.

Signed on behalf of the Board of Directors

P B Barnett

Director





**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

The Company is exempt by virtue of S248 of the Companies Act 1985 from the requirements to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

**Investments**

Investments held as fixed assets are stated at cost less provision for any 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.

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after charging:		
<b>Auditors' remuneration</b>		
Audit fee	2,400	3,050
Other services	31,965	3,000
	<u>2,400</u>	<u>3,050</u>

**3. REMUNERATION OF DIRECTORS**

None of the directors received any remuneration for their services as directors during the year (1995 - £nil).

**4. EMPLOYEES**

The Company had no employees other than the directors during the year (1995 - nil).

**5. INVESTMENT INCOME**

	1996 £	1995 £
Income from interests in associated undertakings	2,232,693	2,356,893
Other interest receivable and similar income	26,240	24,659
	<u>2,258,933</u>	<u>2,381,552</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**

**6. NET INTEREST EXPENSE**

	1996 £	1995 £
Interest payable and similar charges:		
Parent company loan	868,841	-

**7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	1996 £	1995 £
UK corporation tax at 33%(1995 - 33%)	551,932	841,755
Deferred taxation	(187,588)	(66,293)
Adjustment in respect of prior years	(139,482)	-
	<u>224,862</u>	<u>775,462</u>

Tax charge is low due to the availability of losses from associated companies which were purchased at a rate of less than 33%.

**8. FIXED ASSET INVESTMENTS**

	Shares in undertakings in which the company has a participating interest £	Loans to undertakings in which the company has a participating interest £	Other investments £	Total £
At beginning of year	5,838,770	23,601,022	3,304,419	32,744,211
Additions	-	495,534	1,412,000	1,907,534
At end of year	<u>5,838,770</u>	<u>24,096,556</u>	<u>4,716,419</u>	<u>34,651,745</u>

All of the above investments are unlisted.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**

**8. FIXED ASSET INVESTMENTS (continued)**

The fixed asset investments held by the company are as follows:

Associated undertakings	Country of registration or incorporation	Principal activity	Class and percentage of shares held
UK Gold Television Limited	England and Wales	Operation of a television channel	37.9% ordinary
UK Living Limited	England and Wales	Operation of a television channel	49.6% ordinary
European Channel Broadcasting Limited	England and Wales	Broadcaster	10% ordinary
European Channel Management Limited	England and Wales	Provision of management and administrative services within the broadcasting industry	10% 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.

Subsequent to 31 December 1996 the company's interests in European Channel Broadcasting Limited and European Management Limited were sold to a subsidiary of the parent company (see note 14).

**9. DEBTORS AFTER MORE THAN ONE YEAR**

	1996 £	1995 £
Prepayments and accrued income	<u>2,431,539</u>	<u>2,235,712</u>

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1996 £	1995 £
Amounts owed to parent undertaking	18,723,282	32,839,049
Corporation tax	551,932	841,755
Accruals and deferred income	5,300	5,300
	<u>19,280,514</u>	<u>33,686,104</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	1996 £	1995 £
Deferred taxation	<u>508,489</u>	<u>737,785</u>
Movement in the provision for deferred taxation		
At 1 January	737,785	804,078
Charge for year	(187,588)	(66,293)
Adjustment in respect of prior periods	<u>(41,708)</u>	<u>-</u>
At 31 December	<u>508,489</u>	<u>737,785</u>

The above amount represents the full potential liability to deferred taxation for interest receivable.

**12. CALLED UP SHARE CAPITAL**

	Number	1996 £	Number	1995 £
Authorised				
Ordinary shares of £1 each	<u>15,106,674</u>	<u>15,106,674</u>	<u>100</u>	<u>100</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>15,106,576</u>	<u>15,106,576</u>	<u>2</u>	<u>2</u>

Movements in the ordinary shares of the Company during the year were as follows:

	Number of shares	Total amount £
At 1 January 1996	2	2
Issued during the year	<u>15,106,574</u>	<u>15,106,574</u>
At 31 December 1996	<u>15,106,576</u>	<u>15,106,576</u>

All of the shares issued during the year were allotted to Cox Communications, Inc, the parent company, in consideration for an amount owed by the Company.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1996**

**13. RESERVES**

	<b>Profit and loss account £</b>
At 1 January 1996	3,138,465
Retained profit for the financial year	959,719
	<hr/>
At 31 December 1996	4,098,184
	<hr/>

**14. POST BALANCE SHEET EVENTS**

Pursuant to an agreement dated 10 April 1997, the Company transferred its interest in European Channel Broadcasting Limited and European Channel Management Limited to Cox ECM Limited, which is a subsidiary of Cox Communications, Inc. at cost.

On 16 March 1997, Cox Communications, Inc. entered into an agreement with Flextech Plc to sell the entire share capital of Cox Programming Limited to Flextech Plc for a consideration of 20,701,084 ordinary 10p shares in Flextech Plc. The agreement is conditional upon a number of matters, but is expected to be completed prior to 31 May 1997. During the period from 1 January 1997 to 10 April 1997, the share price of Flextech Plc has traded on the London Stock Exchange between a high of 802.5p and a low of 598.0p.

As a result of the sale of the Company, it is the directors understanding that additional compensation will become payable by UK Gold Television Limited and UK Living Limited to certain of their directors and employees. The directors understand that no provision was made for such payments in accounts of UK Gold Television Limited and UK Living Limited at the 31 December 1996 because the sale of the Cox Programming Limited shares had not yet been completed.

**15. ULTIMATE PARENT COMPANY**

The Company is a subsidiary undertaking of Cox Communications, Inc., incorporated in the United States of America. The Company's ultimate parent company is Cox Enterprises Inc., a company also incorporated in the United States of America.

The Company is taking advantage of the exception granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with Cox Communications, Inc. group companies who are related parties. The financial statements of Cox Communications, Inc. are available from the Secretary, 1400 Lake Hearn Drive, Atlanta, GA 30319, USA.