

Flextech Satellite Investments Limited

Directors' report and financial statements

31 December 1998

Registered number 2710978



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activity of the company is to hold investments.

Results, dividends and future prospects

The company made a loss for the year after taxation of £4,000 (1997: profit £494,482).

The directors do not recommend the payment of a dividend (1997: £nil).

Fixed assets

The movement in fixed assets is given in note 8.

Directors and directors' interests

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

SS Cook	(appointed 19 November 1998)
PB Harman	
RDE Luard	(deceased 15 August 1998)
MW Luiz	
AN Singer	(appointed 25 June 1998; resigned 19 November 1998)

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's parent, Flextech plc, is managing on behalf of all its subsidiary entities the group's Year 2000 compliance. The plans and group wide costs associated with the Year 2000 issue are set out below in the following paragraphs. The costs will be borne by Flextech plc.

In 1998, 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 also works with suppliers and manufacturers to modify or upgrade products, systems and services that are non-compliant. In the event that modifications cannot be made or upgrades are not available, the Group intends actively to seek and secure alternative suppliers or develop contingency arrangements.

The project objective is to ensure complete compliance of internal systems in advance of the Year 2000. The Group believes that its relatively modern systems and systems upgrades planned for 1999, incorporating external package solutions that are Year 2000 compliant, should help it achieve this objective. The Group estimates that the aggregate cost of achieving Year 2000 compliance will be approximately £1.0 million, of which approximately £300,000 had been spent at 31 December 1998. Although the Group believes that it will achieve Year 2000 compliance in advance of 1 January 2000, it cannot provide assurance that it will do so.

Directors' report

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


RG Taylor
Secretary

4th Floor
The Quadrangle
Imperial Square
Cheltenham
Gloucestershire
GL50 1YX

5 October 1999

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 11.

Respective responsibilities of directors and auditor

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 1998 and of its loss 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

10 October 1999

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	1998 £	1997 £
Administrative expenses		(4,000)	5,300
Investment income	5	-	776,547
Operating loss		(4,000)	781,847
Net interest payable and similar charges	6	-	(472,677)
Loss on ordinary activities before taxation	2,3,4	(4,000)	309,170
Taxation on (loss)/profit on ordinary activities	7	-	185,312
Loss on ordinary activities after taxation		(4,000)	494,482
Retained profit brought forward		4,592,666	4,098,184
Retained profit carried forward		4,588,666	4,592,666

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 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Investments	8		5,838,770		5,838,770
Current assets					
Debtors due after more than one year	9	28,132,938		28,132,938	
Creditors: amounts falling due within one year	10	(8,000)		(4,000)	
Net current assets			28,124,938		28,128,938
Total assets less current liabilities			33,963,708		33,967,708
Net assets			33,963,708		33,967,708
Capital and reserves					
Called up share capital	11		27,371,154		27,371,154
Other reserve	12		2,003,888		2,003,888
Profit and loss account	12		4,588,666		4,592,666
Equity shareholders' funds			33,963,708		33,967,708

These financial statements were approved by the board of directors on 5-10-99 and were signed on its behalf by:

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.

2 Profit on ordinary activities before taxation

	1998	1997
	£	£
<i>Profit on ordinary activities is stated after charging:</i>		
Auditors' remuneration		
Audit fee	4,000	4,000
	<u> </u>	<u> </u>

Notes *(continued)*

3 Remuneration of directors

None of the directors received any remuneration for their services as directors during the year *(1997: £nil)*.

4 Staff numbers and costs

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

5 Investment income

	1998	1997
	£	£
Income from interests in associated undertakings	-	742,237
Other interest receivable and similar income	-	34,310
	<u> </u>	<u> </u>
	-	776,547
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	1998	1997
	£	£
Parent company loan	-	472,677
	<u> </u>	<u> </u>

Notes *(continued)*

7 Taxation on profit on ordinary activities

	1998 £	1997 £
UK corporation tax at 33% (1997: £33%)	-	107,104
Deferred taxation	-	-
Adjustment in respect of prior years	-	(292,416)
	<hr/>	<hr/>
	-	(185,312)
	<hr/> <hr/>	<hr/> <hr/>

8 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
	<hr/>	<hr/>
At end of year	5,838,770	5,838,770
	<hr/> <hr/>	<hr/> <hr/>

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
UK Living Limited	England and Wales	Operation of a television channel	44% 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.

Notes (continued)

9 Debtors: due after more than one year

	1998 £	1997 £
Amounts due from group company	28,132,938	28,132,938
	<u>28,132,938</u>	<u>28,132,938</u>

10 Creditors: amounts falling due within one year

	1998 £	1997 £
Accruals	8,000	4,000
	<u>8,000</u>	<u>4,000</u>

11 Called up share capital

	1998 £	1997 £
<i>Authorised:</i>		
35,000,000 ordinary shares of £1 each	35,000,000	35,000,000
	<u>35,000,000</u>	<u>35,000,000</u>
<i>Allotted, called up and fully paid:</i>		
27,371,154 ordinary shares of £1 each	27,371,154	27,371,154
	<u>27,371,154</u>	<u>27,371,154</u>

12 Reserves

	Other reserve £	Profit and loss account £
At 1 January 1998	2,003,888	4,592,666
Retained loss for the financial year	-	(4,000)
	<u>2,003,888</u>	<u>4,588,666</u>
At 31 December 1998	2,003,888	4,588,666
	<u>2,003,888</u>	<u>4,588,666</u>

Notes *(continued)*

13 Reconciliation of movements in equity shareholders' funds

	1998 £	1997 £
Shareholders' funds at 1 January	33,967,708	19,204,760
(Loss)/profit for the year	(4,000)	494,482
Capital subscription	-	12,264,578
Capital contribution	-	2,003,888
	<hr/>	<hr/>
At end of year	33,963,708	33,967,708
	<hr/> <hr/>	<hr/> <hr/>

14 Post balance sheet event

It was intended that the interest bearing loans and accrued interest thereon held by the company on its acquisition by the Flextech group in April 1997 would be transferred to another Flextech group company, effective from acquisition date. The formal legal documentation to effect this transfer was completed on 28 September 1999.

15 Ultimate parent company

The company is a subsidiary undertaking of Flextech plc, incorporated in England and Wales, which is the ultimate parent company. The financial statements of Flextech plc group are available from the Secretary, Flextech plc, 160 Great Portland Street, London, W1N 5TB.

The company is taking advantage of the exception granted in paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with Flextech plc group companies who are related parties.