

Flextech Family Channel Limited

Directors' report and financial statements

31 December 1996

Registered number 2856303



Flextech Family Channel Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Statement of directors' responsibilities	3
Auditors' report	4
Balance sheet	5
Notes	6-8

Flextech Family Channel Limited

Directors' report

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

Principal activities

The principal activity of the company during the year was to hold an investment in Maidstone Broadcasting (formerly International Family Entertainment UK ("IFE"), operator of 'The Family Channel', (subsequently know as Challenge TV from 2 February 1997), a general entertainment television channel which broadcasts via cable and satellite. At 1 January 1996 the company held a 39% investment in IFE.

On 22 April 1996, IFE became a wholly owned subsidiary following the acquisition by the company of the 61% of the share capital it did not already own.

Results

The company received no income nor incurred any expenditure during the period and therefore no profit and loss is presented.

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

Directors and directors' interests

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

RDE Luard
L Unterhalter (resigned 10 December 1997)
MW Luiz
AN Singer (resigned 10 December 1997)
PB Harman (appointed 10 December 1997)

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

All the current directors are directors of Flextech p.l.c. Their interests in the share capital of that 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 Family Channel Limited

Directors' report

Auditors

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



MW Luiz
Director

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

29/10/1997

Flextech Family Channel Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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.



Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Flextech Family Channel Limited

We have audited the financial statements on pages 5 to 8.

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 1996 and of its result 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

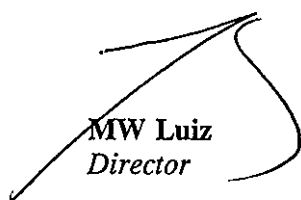
29 October 1997

Flextech Family Channel Limited

Balance sheet
at 31 December 1996

	<i>Note</i>	1996 £000	1995 £000
Fixed assets			
Investments	2	22,423	10,052
Current assets			
Debtors	3	1,399	-
Creditors: amounts falling due after more than one year	4	(23,822)	(10,052)
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	5	<u>-</u>	<u>-</u>
Equity shareholders' funds	6	<u>-</u>	<u>-</u>

These financial statements were approved by the board of directors on 29/10/97 and were signed on its behalf by:


MW Luiz
Director

Flextech Family Channel 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 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.

Investments

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

Cash flow statement

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 cash flow statement of that company.

2 Fixed asset investments

	Shares in subsidiary £000	Loans to subsidiary £000	Total £000
<i>Cost</i>			
At 1 January 1996	2,571	7,481	10,052
Additions	666	11,705	12,371
	<hr/>	<hr/>	<hr/>
At 31 December 1996	3,237	19,186	22,423
	<hr/>	<hr/>	<hr/>

Flextech Family Channel Limited

Notes (continued)

2 Fixed asset investments (continued)

At 1 January 1996, fixed asset investments represent the 39% investment in an associated undertaking, International Family Entertainment UK ('IFE UK') (renamed Maidstone Broadcasting on 10 May 1996), which is registered in England and Wales. The principal activity of Maidstone Broadcasting is the operation of 'The Family Channel', a general entertainment television channel which broadcasts via cable and satellite.

On 22 April 1996, the company acquired the 61% of IFE UK which it did not already own.

In the opinion of the directors the investment in IFE UK was worth at least the amount at which it is stated above.

3 Debtors: amounts falling due within one year

	1996 £000	1995 £000
Amounts owed by group undertakings	<u>1,399</u>	<u>-</u>

4 Creditors: amounts falling due after more than one year

	1996 £000	1995 £000
Amounts owed to parent undertakings	<u>23,822</u>	<u>10,052</u>

5 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

Flextech Family Channel Limited

Notes *(continued)*

6 Reconciliation of movements in equity shareholders' funds

	1996	1995
	£	£
Opening and closing equity shareholders' funds	<u>2</u>	<u>2</u>

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

The company is a subsidiary undertaking of Flextech Media Holdings Limited, a company registered in England and Wales. The largest group in which the results of the company are consolidated 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 160 Great Portland Street, London, W1N 5TB.