

Flextech Homeshopping Limited

**Directors' report and financial
statements**

Registered number 3156792

31 December 2000



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Flextech Homeshopping Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activity

The principal activity of the company is to hold an investment in HSN Direct International Limited.

HSN Direct International Limited ("HSNDI") ceased trading in September 2001. The investment in HSNDI and funding to the subsidiary undertaking have been written down accordingly.

Business review

The results for the year ended 31 December 2000 are set out on page 4 of the financial statements. The directors do not recommend the payment of a dividend (1999: £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
M Erickson
PB Harman (resigned 14 July 2000)
MW Luiz

None of the directors in office at the end of the year had any disclosable interest in the shares of the company during the year. SS Cook and MW Luiz were also directors of Telewest Communications plc at the year end. Their interests in the share capital of that company are disclosed in the Telewest Communications plc group accounts.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditor

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

By order of the board



C Burns
Secretary

95 The Promenade
Cheltenham
Gloucestershire
GL50 1WG

31 JANUARY 2002

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

Independent auditors' report to the members of Flextech Homeshopping Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 2, 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 1985. 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 audit 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the company's reliance on the financial support of its parent when preparing these financial statements on the going concern basis. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

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 2000 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

31 January

2002

Profit and loss account

for the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Administrative expenses	2	(14,897)	(2)
Operating loss		(14,897)	(2)
Other interest receivable and similar income	3	1,114	977
Amounts written off investments	4	(772)	-
Interest payable and similar charges	5	(891)	(842)
(Loss)/profit on ordinary activities before and after taxation		(15,446)	133
(Loss)/profit for the financial period		(15,446)	133

All of the above results are derived from continuing operations.

The company had no recognised gains and 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/losses in current and prior periods are the same as those reported above.

The notes on pages 6 to 10 form part of these financial statements.

Balance sheet

at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Investments	7	-	772
Current assets			
Debtors - due within one year	8	-	2,947
Debtors - due after more than one year	8	-	10,835
		<hr/>	<hr/>
		-	13,782
Creditors: amounts falling due within one year	9	(15,093)	(14,201)
		<hr/>	<hr/>
Net current liabilities		(15,093)	(419)
		<hr/>	<hr/>
Net (liabilities)/assets		(15,093)	353
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	567	567
Profit and loss account		(15,660)	(214)
		<hr/>	<hr/>
Shareholders' (deficit)/surplus - equity	11	(15,093)	353
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 31 January 2001 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. The company's majority shareholder has confirmed its intention to provide sufficient financial support to enable the company to continue to trade and meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements and thereafter for the foreseeable future. The directors consider, although there can be no certainty in relation to this matter, that it remains appropriate to continue to prepare these financial statements on the going concern basis.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts as it is a subsidiary of Telewest Communications plc, a UK company producing consolidated financial statements.

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as it is entitled to filing exemptions as a small company under Sections 246 and 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 impairment in value.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing 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.

2 Administrative expenses

The company has no employees other than the directors who did not receive any remuneration in the year.

The auditor's remuneration has been borne by the company's parent undertaking. In 1999 the audit fee charged to administrative expenses was £2,000.

The funding and investment have been written down due to the closure of HSNDI in September 2001:

	2000 £000
Intercompany investment – loan stock	(10,836)
Intercompany accrued interest	(4,061)
	<hr/>
	(14,897)
	<hr/>

Notes (continued)

3 Other interest receivable and similar income

	2000 £000	1999 £000
Receivable from group undertaking	1,114	977

4 Amounts written off investments

	2000 £000	1999 £000
Amounts written off investments	(772)	-

5 Interest payable and similar charges

	2000 £000	1999 £000
Payable to group undertakings	713	677
Payable to minority shareholder	178	165
	891	842

6 Taxation

There is no tax charge for the period due to the availability of group relief for which no payment will be made (1999: £nil).

Notes (continued)

7 Fixed asset investment

	Shares in subsidiary undertaking £000
Shares	
Cost	
At beginning of year	772
Provision for closure of HSNDI (see note 4)	(772)
	<hr/>
At end of year	<hr/> - <hr/>

The company in which the company's interest is more than 10% is as follows:

	Country of registration and incorporation	Principal activity	Class and percentage of shares held
HSN Direct International Limited	England	Informercials broadcaster	'A' Ordinary shares of 10 pence each 78.74%

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertaking are worth at least the amounts at which they are stated in the balance sheet.

8 Debtors

	2000		1999	
	Due within one year £000	Due after one year £000	Due within one year £000	Due after one year £000
Amounts owed by group undertakings (see note 2)	-	-	2,947	10,835
	<hr/>	<hr/>	<hr/>	<hr/>

9 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Variable rate loan stock	11,191	11,191
Amounts owed to group undertakings	3,257	2,544
Amounts owed to minority shareholder	631	452
Accruals and deferred income	14	14
	<hr/>	<hr/>
	15,093	14,201
	<hr/>	<hr/>

Interest is payable on the variable rate loan stock at 2% above the Royal Bank of Scotland borrowing rate. The variable rate loan stock is repayable on demand.

Notes (continued)

10 Called up share capital

	2000 £	1999 £
<i>Authorised, allotted, called up and fully paid</i>		
453,288 ordinary shares of £1 each	453,288	453,288
113,322 ordinary shares of £1 each	113,322	113,322
	<hr/>	<hr/>
	566,610	566,610
	<hr/>	<hr/>

Save as summarised below the 'A' ordinary shares and 'B' ordinary shares shall rank pari passu in all respects.

The holder of a majority of the 'A' shares has the right to appoint and remove up to three directors ('A' directors) and the holder of a majority of the 'B' shares has the right to appoint and remove one director.

11 Reconciliation of movements in equity shareholders' funds

	2000 £000	1999 £000
(Loss)/profit for the financial period	(15,446)	133
Opening equity shareholders' funds	353	220
	<hr/>	<hr/>
Closing equity shareholders' (deficit)/funds	(15,093)	353
	<hr/>	<hr/>

12 Related party transactions

The company's 20% shareholder, Liberty Home Shop International, Inc a Delaware (USA) company incorporated in the USA, provides funding to the company with respect to its investment in HSN Direct International Limited. Details of this funding are disclosed in note 9 to the financial statements. There are no other related party transactions.

13 Ultimate parent company

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

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