

# **Southwestern Bell International Holdings Limited**

## **Directors' report and financial statements**

**31 December 2005**

Registered number 2378768



# Southwestern Bell International Holdings Limited

## Directors' report and financial statements

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# Southwestern Bell International Holdings Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### Principal activity and review of business

The principal activity of the Company is, and will continue to be, to act as a holding company for companies operating in the cable television and communications sectors.

### Results and dividends

The result for the year ended 31 December 2005 and the financial position of the Company is shown in these financial statements. The directors recommend that no dividend be paid (2004: *nil*).

### Directors and their interests

The directors who served during the year, and subsequently, were as follows:

NR Smith	
AWP Stenham	
ntl Directors Limited	(appointed 12/04/2006)
SS Cook	(resigned 3/03/2006)

The Company is a wholly - owned subsidiary of Telewest Global, Inc., its ultimate parent company, which is incorporated in Delaware, USA. Therefore under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 directors of the Company are exempt from the obligation otherwise imposed by s324 of the Companies Act 1985 to notify the Company of their interests in shares in, or debentures of, Telewest Global, Inc.

None of the directors who held office at the end of the financial year had any interest in the share capital of the Company or any other UK based group company.

During the financial year, no rights to subscribe for shares in the Company or any other UK group company were granted to or exercised by any director who held office at the end of the financial year and to the date of this report or by any member of his immediate family.

### Post balance sheet events

On 3 March 2006 Telewest Global, Inc. executed an agreement of merger with NTL Incorporated (incorporated in Delaware, USA), which resulted in NTL Incorporated being merged with a subsidiary of Telewest Global, Inc. In accordance with the terms of the agreement of merger Telewest Global, Inc. was renamed NTL Incorporated with immediate effect. Further details are set out in note 11, Subsequent events.

# Southwestern Bell International Holdings Limited

## **Directors' report** *(continued)*

### **Auditor**

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditor annually.

On behalf of the board



**C Burns**  
Secretary

Export House  
Cawsey Way  
Woking, Surrey  
GU21 6QX

14 June 2006

# Southwestern Bell International Holdings Limited

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

# Southwestern Bell International Holdings Limited



KPMG Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

## **Independent auditor's report to the members of Southwestern Bell International Holdings Limited**

We have audited the financial statements of Southwestern Bell International Holdings Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

# Southwestern Bell International Holdings Limited

## Independent auditor's report to the members of Southwestern Bell International Holdings Limited (*continued*)

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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

14 June 2006

# Southwestern Bell International Holdings Limited

## Profit and loss account

For the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Administrative expenses		-	(2)
<b>Operating profit/(loss)</b>	2	-	(2)
Amounts written back against investments	5	-	228,728
<b>Profit on ordinary activities before taxation</b>		-	228,726
Tax on profit on ordinary activities	4	-	-
<b>Profit on ordinary activities after taxation</b>		-	228,726
<b>Retained losses brought forward</b>		(62)	(228,788)
<b>Retained losses carried forward</b>	9	(62)	(62)

All figures relate to continuing operations and there is no difference between the result reported in the profit and loss account and the result on an historical cost basis.

The Company had no recognised gains and losses other than those reflected in its profit and loss account and therefore no statement of recognised gains and losses has been presented.



# Southwestern Bell International Holdings Limited

## Balance sheet

At 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Investments	5	228,728	228,728
<b>Current assets</b>			
Debtors	6	5,480	5,480
<b>Creditors:</b> amounts falling due after more than one year	7	(3)	(3)
<b>Net assets</b>		<u>234,205</u>	<u>234,205</u>
<b>Capital and reserves</b>			
Called up share capital	8	5,467	5,467
Other reserves	9	228,800	228,800
Profit and loss account	9	(62)	(62)
<b>Equity shareholders' funds</b>	9	<u>234,205</u>	<u>234,205</u>

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

14 June

2006

NR Smith  
Director

# Southwestern Bell International Holdings 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.

#### ***Group financial statements***

The Company is exempt by virtue of section 228 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 exemption***

Under Financial Reporting Standard (FRS) 1 Cash Flow Statements, the Company is exempt from producing a cash flow statement on the grounds that the Company's ultimate parent company, Telewest Global, Inc., includes it in its own published consolidated financial statements.

#### ***Related party transactions***

As the Company was a wholly owned subsidiary of Telewest Global, Inc., the Company has taken advantage of the exemption contained in FRS 8 Related Party Disclosures, and has therefore not disclosed transactions or balances with entities where 90% or more of the voting rights are controlled within the group. The consolidated financial statements of Telewest Global, Inc., within which this company is included, can be obtained from the address given in note 12.

#### ***Investments***

Investments in subsidiary and associated undertakings and joint ventures are stated in the Company balance sheet at cost less provision for impairment in value.

# Southwestern Bell International Holdings Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date, except as otherwise required by FRS 19 Deferred Tax. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### 2 Operating profit/(loss)

	2005 £'000	2004 £'000
Operating profit/(loss) on ordinary activities is after charging:		
Provision against amounts owed by group undertakings	-	(2)

The company has undertaken a review of amounts due from subsidiary undertakings and parent companies for the year ended 31 December 2005. This has resulted in an increase in the level of provision against such debtors of £nil (2004: £2,000), which has been charged to the profit and loss account.

The auditor's remuneration for 2005 and 2004 was borne by Telewest Communications Group Limited.

### 3 Staff costs

The Company did not employ any staff (2004: nil) and consequently did not incur any staff costs during the year (2004: £nil). No remuneration was paid to the directors during the year (2004: £nil).

# Southwestern Bell International Holdings Limited

## Notes (continued)

### 4 Tax on profit on ordinary activities

Reconciliation of the Company's current tax to the UK statutory rate:

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	-	228,726
	<hr/>	<hr/>
Tax on pre tax profit at 30%	-	(68,618)
Effects of:		
Expenses not deductible for tax purposes	-	1
Amounts (written back on)/written off investments	-	(68,619)
	<hr/>	<hr/>
Current tax	-	-
	<hr/>	<hr/>

As at 31 December 2005, the Company has no tax losses or other timing differences available to relieve future profits, and as such no deferred tax has been recognised.

# Southwestern Bell International Holdings Limited

## Notes (continued)

### 5 Investments

	2005 £'000	2004 £'000
Cost at 1 January and 31 December	228,728	228,728
Provision at 1 January	-	(228,728)
Release of impairment	-	228,728
Provision at 31 December	-	-
<b>Net book value at 31 December</b>	<b>228,728</b>	<b>228,728</b>

During the year there were no additions or disposals.

In both 2004 and 2003, the company carried out an impairment reviews of subsidiary undertakings in accordance with FRS 11 Impairment of Fixed Assets and Goodwill, to ensure that investments were stated at no more than the recoverable amount being the higher of net realisable value and value in use. As a result £228,728,000 was charged to the profit and loss account in 2003. This impairment has been reversed in 2004 since, in the opinion of the directors, the recoverable amount is no longer impaired based on a group-wide review of funding requirements.

In the opinion of the directors, at 31 December 2005 the aggregate value of the Company's investments in subsidiary undertakings was not less than the amount at which they are stated in the financial statements.

At 31 December 2005, the Company directly held the following investments:

	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Telewest Communications (North West) Limited	England And Wales	Ordinary shares of £1,000 each	100%	Construction and operation of regional broadband telecommunications systems
Telewest Communications (Midlands) Limited	England And Wales	Ordinary shares of £1,000 each	100%	Construction and operation of regional broadband telecommunication systems

# Southwestern Bell International Holdings Limited

## Notes (continued)

### 6 Debtors: amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed by group undertakings	5,483	5,483
Provision against amounts owed by group undertakings	(3)	(3)
	<u>5,480</u>	<u>5,480</u>

### 7 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Amounts owed to parent undertakings	(3)	(3)
	<u></u>	<u></u>

### 8 Share capital

	2005 £'000	2004 £'000
<b>Authorised:</b>		
2,000,000,000 ordinary shares of 5p each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, issued and fully paid:</b>		
109,348,680 ordinary shares of 5p each	<u>5,467</u>	<u>5,467</u>

### 9 Reconciliation of movements in shareholders' funds and reserves

	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2004	5,467	228,800	(228,788)	5,479
Profit for the financial year			228,726	228,726
	<u>5,467</u>	<u>228,800</u>	<u>(62)</u>	<u>234,205</u>
<b>At 1 January and 31 December 2005</b>				

# Southwestern Bell International Holdings Limited

## Notes (continued)

### 10 Contingent liabilities

The Company has joint and several liabilities under a group VAT registration.

In December 2004, the company, together with other group companies, entered into 2 new facilities agreements pursuant to which it has given a guarantee and a fixed and floating charge over certain of its assets to secure borrowings of other group companies.

The guaranteed borrowings of those companies were £1,780 million, of which £1,680 million was drawn down at 31 December 2005. (2004: £1,800 million, of which £1,700 million was drawn down at 31 December).

### 11 Subsequent events

On 3 March 2006, Telewest Global, Inc., the company's ultimate parent undertaking, and NTL Incorporated announced that they had completed the merger of the two businesses, creating the UK's second largest communications company. Telewest Global, Inc. (now renamed NTL Incorporated), NTL Cable plc, NTL Investment Holdings Limited and certain of its subsidiaries, and Telewest Communications Networks Limited and certain of its subsidiaries executed a Senior Facilities Agreement with a consortium of financial institutions. The new senior secured credit facility has an aggregate principal amount of £3.8 billion, mainly comprising of a £3.2 billion 5-year term loan facility and a £100 million 5-year multi-currency revolving credit facility. Telewest Global, Inc and NTL Incorporated (now renamed NTL Holdings Inc.) also entered into a Senior Bridge Facilities Agreement with a consortium of financial institutions. This facility consists of a 1-year (automatically extendable to a 10-year) senior subordinated bridge facility in an aggregate principal amount of \$3.1 billion (£1.8 billion equivalent) for the purposes of financing the cash consideration payable pursuant to the merger agreement and paying the related fees, costs and expenses in connection therewith. This facility has now been fully drawn. In addition, NTL Incorporated and NTL Investment Holdings Limited agreed to engage the financial institutions for any take-out financing for the bridge facility.

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

At 31 December 2005, the ultimate parent company was Telewest Global, Inc., which is incorporated in Delaware, USA. Telewest Global, Inc. is the parent of the largest group for which group financial statements, including the Company, are prepared. The smallest group in which the results of the Company are consolidated is that headed by Telewest UK Limited, incorporated in England and Wales. On 3 March 2006 Telewest Global, Inc. executed an agreement of merger with NTL Incorporated (incorporated in Delaware, USA), which resulted in NTL Incorporated being merged with a subsidiary of Telewest Global, Inc. In accordance with the terms of the agreement of merger Telewest Global, Inc. was renamed NTL Incorporated with immediate effect. Copies of the group financial statements of Telewest Global, Inc. may be obtained from The Company Secretary, Telewest Broadband, Export House, Cawsey Way, Woking, Surrey, GU21 6QX. NTL Incorporated became the ultimate parent of the Company on 3 March 2006.