

United Artists Investments Limited

**Directors' report and financial
statements**

Registered number 2761569

31 December 2001



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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activity of the company during the year was to hold investments in UK Gold Holdings Limited, UK Living Limited and Take Four BV. UK Gold Holdings Limited holds a 65% investment in UK Gold Television Limited. UK Living Limited operates the cable and satellite television channel 'Living'.

On 16 March 2001 a restructuring of the Telewest group took place and United Artists Investments transferred its investments in a number of subsidiary and associated undertakings to other group undertakings (see note 8).

Post balance sheet event

Telewest Communications plc is currently negotiating a group financial restructuring and is seeking to exchange bond debt for equity (see note 1).

Business review

The results of the year ended 31 December 2001 are set out on page 6 to the financial statements.

The directors do not recommend the payment of a dividend in respect of the year (2000: £nil).

Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows:

C Burdick
SS Cook
MW Luiz
AN Singer (resigned 31 July 2002)

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company. All of the current directors were directors of Telewest Communications plc at the year end. Their interests in that company and the ultimate parent company are disclosed in the Telewest Communications plc group accounts.

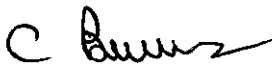
According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Auditor

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

By order of the board



C Burns
Secretary

Unit 1
Genesis Business Park
Albert Drive
Woking
Surrey
GU21 5RW

31 JANUARY 2003

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 group 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 United Artists Investments Limited

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 3, 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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the fundamental uncertainty over the future funding of the company, which is dependent upon continuing support from the company's ultimate shareholder, Telewest Communications plc ("the Group"). The Group is currently negotiating a financial restructuring and is seeking to exchange bond debt for equity. The outcome of these negotiations will determine the level of support available to the company.

Given the Group's involvement in financial restructuring proceedings and the general decline in telecommunications and media valuations, uncertainty exists concerning the recoverability of both investments and intercompany debt.

In view of the significance of these uncertainties, we consider that they 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 2001 and of the profit 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

31st JANUARY 2003

Profit and loss account

for the year ended 31 December 2001

	<i>Note</i>	2001 £000	2000 £000
Turnover		-	-
Operating profit		-	-
Other interest receivable and similar income	4	6,153	3,871
Amounts written off investments	5	-	(6,099)
Interest payable and similar charges	6	(1,859)	(1,859)
Profit/(loss) on ordinary activities before and after taxation	7	4,294	(4,087)
Profit/(loss) for the financial period		4,294	(4,087)
Retained (loss)/profit brought forward		(291)	3,796
Retained profit/(loss) carried forward		4,003	(291)

All of the above results are derived from continuing operations.

The historical cost results in the current and prior years are the same as those reported above.

The notes on pages 9 to 13 form part of these financial statements.

Balance sheet

at 31 December 2001

	Note	2001 £000	2000 £000
Fixed assets			
Investments	8	102,793	152,940
Current assets			
Debtors:			
- amounts falling due within one year	9	51,786	33,254
- amounts falling due after more than one year	9	856,830	-
Creditors: amounts falling due within one year	10	(141,468)	(143,621)
Net current assets/(liabilities)			
- due within one year		(89,682)	(110,367)
- due after more than one year		856,830	-
		767,148	(110,367)
Total assets less current liabilities		869,941	42,573
Creditors: amounts falling due after more than one year	11	(13,281)	(13,281)
Net assets		856,660	29,292
Capital and reserves			
Called up share capital	12	-	-
Profit and loss reserve		4,003	(291)
Other reserves	13	852,657	29,583
Shareholders' funds - equity	14	856,660	29,292

These financial statements were approved by the board of directors on 31 JANUARY 2003 and were signed on its behalf by:

MW Luiz
Director

Statement of total recognised gains and losses

for the year ended 31 December 2001

	<i>Note</i>	2001 £000	2000 £000
Profit/(loss) for the financial year		4,294	(4,087)
Unrealised gain on sale of fixed asset investment	8	823,074	-
		<hr/>	<hr/>
Total recognised gains and losses relating to the financial year		827,368	(4,087)
		<hr/>	<hr/>

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 ultimate parent undertaking has confirmed its intention to provide sufficient financial support to enable the company to continue to trade for the foreseeable future and, specifically, has confirmed that it will not seek repayment of the debt due from the company ahead of the claim of third parties.

Under section 228 of the Companies Act 1985 the company is exempt from preparing group accounts as it is a subsidiary of Telewest Communications plc, a UK company producing consolidated financial statements.

As the company is a wholly owned subsidiary of Telewest Communications plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Telewest Communications plc, within which the company is included, can be obtained from the address given in note 15. There were no other related party transactions.

These financial statements have been prepared on a going concern basis. The directors believe this to be appropriate as the company relies on continuing financial support from its ultimate shareholder, Telewest Communications plc ("the Group"), which has continued to provide support since the year end. The directors have assumed that the Group will continue to provide support for at least twelve months from the date of the financial statements on the basis that there will be a successful conclusion of the Group's financial restructuring negotiations with its senior lenders and bond creditors.

Therefore the directors believe that there are sufficient grounds to continue to use the going concern basis for the preparation of the financial statements. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

In view of the financial restructuring and the general decline in media and telecommunications valuations, the Group is reviewing the carrying value of its goodwill (including a review of the carrying value of investments at a company level) and the recoverability of its intercompany balances.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking, Telewest Communications plc, includes the company in its own consolidated financial statements.

Investments

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

Taxation

Taxation is based on the result for the period 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.

Notes (continued)

2 Operating loss

The 2000 and 2001 audit fees have been borne by a parent undertaking.

3 Employees and directors

The company has no employees other than directors who did not receive any remuneration in the period (2000: £nil).

4 Other interest receivable and similar income

	2001 £000	2000 £000
Interest from associated undertakings	5,564	3,210
Interest from group undertakings	589	661
	<u>6,153</u>	<u>3,871</u>

5 Amounts written off investments

On 16 March 2001, the company transferred its investment in TakeFour BV to another group undertaking at an estimated market value of £nil. A loss of £6,099,000 was recognised in the profit and loss account in 2000 to write down the investment to its recoverable amount.

6 Interest payable and similar charges

	2001 £000	2000 £000
Loan note interest payable to parent undertakings	<u>1,859</u>	<u>1,859</u>

7 Taxation

There is no tax charge for the period due to the availability of group losses for which no charge is made.

Notes (continued)

8 Fixed asset investments

	Shares in group undertakings £000	Participating interests £000	Loans to undertakings in which the company has a participating interest £000	Total £000
<i>Cost</i>				
At beginning of year	4	33,750	119,186	152,940
Additions	-	-	2,600	2,600
Disposals	(4)	(33,750)	(18,993)	(52,747)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	102,793	102,793
	<hr/>	<hr/>	<hr/>	<hr/>

On 16 March 2001 a reorganisation of the Telewest group took place. As a result of this reorganisation the company disposed of its shareholdings in UK Living Limited, UK Gold Holdings Limited and TakeFour BV to other group companies. These shares were subsequently sold to further group companies with consideration being received via an intercompany account. As a result of these transactions an unrealised gain of £823,074,000 arose (being the difference between the book value and the market value of the investments at the date of disposal) which has been recognised in the Statement of Total Recognised Gains and Losses.

9 Debtors

	2001 £000	2000 £000
Amounts due within one year		
Amounts owed by group undertakings	51,786	29,381
Other debtors	-	3,873
	<hr/>	<hr/>
	51,786	33,254
Amounts due after more than one year		
Amounts owed by group undertakings	856,830	-
	<hr/>	<hr/>
	908,616	33,254
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Amounts owed to group undertakings	139,826	143,553
Amounts owed to undertakings in which the company has a participating interest	1,574	-
Accruals and deferred income	68	68
	<u>141,468</u>	<u>143,621</u>

11 Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Loan notes owed to group undertaking	13,281	13,281

The loan notes are repayable on 31 December 2008 and carry interest at a rate of 14% per annum.

12 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
19,999,900 Voting shares of £1 each	19,999,900	19,999,900
100 Non-voting shares of £1 each	100	100
	<u>20,000,000</u>	<u>20,000,000</u>
<i>Allotted and called up</i>		
100 Voting shares of £1 each	100	100
2 Non-voting shares of £1 each	2	2
	<u>102</u>	<u>102</u>

Notes (continued)

13 Other reserves

	2001 £000	2000 £000
At start of year	29,583	29,583
Unrealised gain on sale of fixed asset investments (see note 7)	823,074	-
At end of year	852,657	29,583

14 Reconciliation of movement of shareholders' funds - equity

	2001 £000	2000 £000
Opening shareholders' funds - equity	29,292	33,379
Profit/(loss) for the financial period	4,294	(4,087)
Other recognised gains relating to the year	823,074	-
Closing shareholders' funds - equity	856,660	29,292

15 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.