

Telewest Communications Cable Limited

Directors' report and financial statements

31 December 2002

Registered number 2883742



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Telewest Communications Cable Limited

Directors' report and financial statements

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Telewest Communications Cable Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activity and review of business

The Company continues to act as a holding company for companies with cable television and telephony interests in the United Kingdom.

Subsequent Events

The Company's ultimate parent, Telewest Communications plc, is renegotiating its bank facilities and debt financing arrangements. Further details of the financial restructuring are included within Note 1, basis of preparation.

Results and dividends

The profit for the year after taxation was £nil (2001: £nil). The directors recommend that no dividend be paid (2001: £nil).

Directors and their interests

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

CJ Burdick
SS Cook

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 group subsidiary undertakings.

At 31 December 2002, CJ Burdick and SS Cook were directors of Telewest Communications plc and their interest in the ordinary share capital of Telewest Communications plc at 31 December 2002 and the beginning of the year or date of appointment are disclosed in the directors' report attached to the financial statements of that company.

During the financial year, no rights to subscribe for shares in the Company or group subsidiary undertakings were granted to or exercised by any director who held office at the end of the financial year or by any member of his immediate family.

Telewest Communications Cable Limited

Directors' report *(continued)*

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; 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 maintaining 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.

Auditors

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

On behalf of the board



C Burns
Secretary

Export house
Cawsey Way
Woking, Surrey
GU21 6QX

14 August 2003

Telewest Communications Cable Limited

Independent auditors' report to the members of Telewest Communications Cable Limited

We have audited the financial statements on pages 6 to 12.

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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 guide.

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. 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 – Going Concern

In forming our opinion we have considered the adequacies of the disclosures made in note 1 to the financial statements concerning the fundamental uncertainty as to the ability of the Company to continue to meet their debts as they fall due. This depends upon the successful conclusion of the financial restructuring which is referred to in note 1.

In view of the significance of this uncertainty we consider that it should be brought to your attention but our opinion is not qualified in this respect.

Telewest Communications Cable Limited

Independent auditors' report to the members of Telewest Communications Cable Limited *(continued)*

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 its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Vine Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

14 August 2003

Telewest Communications Cable Limited

Profit and loss account

For the year ended 31 December 2002

	2002 £'000	2001 £'000
Operating result for the financial year	-	-
Retained profit brought forward	5,554	5,554
Retained profit carried forward	5,554	5,554

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

The Company had no recognised gains and losses other than those reflected in its profit and loss account.

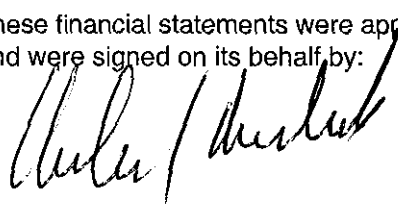
Telewest Communications Cable Limited

Balance sheet

At 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Investments	4	270,302	270,302
Current assets			
Debtors: amounts due after more than one year	5	489,835	489,835
Net current assets		489,835	489,835
Total assets less current liabilities		760,137	760,137
Net assets		760,137	760,137
Capital and reserves			
Called up share capital	6	100,124	100,124
Share premium	7	384,272	384,272
Merger reserve	7	270,187	270,187
Profit and loss account	7	5,554	5,554
Equity shareholder's funds	7	760,137	760,137

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



CJ Burdick
Director

14 August

2003

Telewest Communications Cable 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.

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

Following the Group's decision on 30 September 2002 not to pay the interest on certain of the Group's bonds and other hedging instruments, the Group is now in default of a majority of its bonds and its Senior Secured Facility.

These liabilities are now due for repayment in full and the Group is negotiating with its bondholder creditors and bank facility creditors to effect a reorganisation of the Group's debt. This will involve, inter alia, the conversion of bond debt to equity and the renegotiation of existing bank facilities. The directors believe the amended facilities will provide the Group with sufficient liquidity to meet the Group's funding needs after completion of the financial restructuring.

In order for the financial restructuring to be effective, the bondholder creditors need to approve the plan by the relevant statutory majority. In addition, the Group's shareholders need to approve the proposed share capital reorganisation.

The directors are of the opinion that the status of the negotiations of the financial restructuring will lead to a successful outcome. Until that time 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 the financial restructuring above is successful.

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.

Telewest Communications Cable Limited

Notes (continued)

1 Accounting policies (continued)

Taxation and deferred taxation

The Company adopted FRS 19 *Deferred Tax* during the year. Deferred tax is recognised in respect of all timing differences, which 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 right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statement 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.

Group financial statements

In accordance with Section 228 of the Companies Act 1985, the Company is exempt from the requirements to prepare group financial statements as it is a wholly owned subsidiary undertaking of Telewest Communications plc which prepares consolidated financial statements.

Cash flow exemption

The Company is exempt from the requirement of Financial Reporting Standard No.1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Telewest Communications plc and its cash flows are included within the consolidated cash flows of that company.

Related party transactions

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose transactions with other group undertakings, as more than 90% of the Company's voting rights are controlled within that group and the consolidated accounts of Telewest Communications plc, in which the Company is included, are publicly available.

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.

2 Directors' remuneration

No remuneration was paid to the directors during the year (2001: £nil).

3 Staff costs

The Company did not employ any staff and consequently did not incur any staff costs during the year (2001: £nil).

Telewest Communications Cable Limited

Notes (continued)

4 Fixed asset investments

	Investment in subsidiary undertakings
	£'000
Cost	
At 1 January and 31 December 2002	270,302

In the opinion of the directors, at 31 December 2002 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 2002, the Company directly held the following investments:

	Country of registration	Holding	Proportion held	Nature of business
Theseus No 1 Limited	England And Wales	Ordinary shares of £1 each	100%	Holding company
Theseus No 2 Limited	England And Wales	Ordinary shares of £1 each	100%	Holding company
Telewest Trustees Limited	England And Wales	Ordinary shares of £1 each	100%	Dormant company

The Company holds through its subsidiary companies, the following principal subsidiary companies that operate in the United Kingdom. The principal activities of these companies are the building and operation of cable television and telephony networks.

Company	Description of shares held	Proportion of nominal shares held
Telewest Communications (South West) Limited	£1 ordinary	100%
Telewest Communications (Cotswolds) Limited	£1 ordinary	100%
	1p ordinary	100%
Telewest Communications (London South) Limited	£1 ordinary	100%
Telewest Communications (North East) Limited	£1 ordinary	100%
Telewest Communications (South East) Limited	£1 ordinary	100%
Telewest Communications (Tyneside) Limited	£1 ordinary	100%
Telewest Communications (South Thames Estuary) Limited	£1 ordinary	100%
Avon Cable Investments Limited	£1 ordinary	100%
Cable Guide Limited (Publisher)	£1 ordinary	70%
	£1 cumulative convertible preference	60%

Telewest Communications Cable Limited

Notes (continued)

4 Fixed asset investments (continued)

Partnerships:	Place of business	Proportion of nominal shares held
United Cable (London South) Limited Partnership	Croydon	100%
Avon Cable Limited Partnership	Bristol	100%
Cotswolds Cable Limited Partnership	Cheltenham	100%
Edinburgh Cable Limited Partnership	Edinburgh	100%
Estuaries Cable Limited Partnership	Basildon	100%
London South Cable Partnership	Croydon	100%
Telewest Communications (North East) Limited Partnership	Newcastle	100%
Telewest Communications (South East) Limited Partnership	Basildon	100%
Tyneside Cable Limited Partnership	Newcastle	100%

Joint Ventures:	Place of business	Proportion of nominal shares held
Avon Cable Limited Partnership and Telewest Communications (South West) Limited Joint Venture	Bristol	100%
London South Cable Limited Partnership and Telewest Communications (London South) Limited Joint Venture	Croydon	100%
Telewest Communications (Scotland) Limited Venture	Edinburgh	100%
Telewest Communications (Cotswolds) Limited Venture	Cheltenham	100%

5 Debtors: amounts due after more than one year

	2002 £'000	2001 £'000
Amounts owed by parent undertakings	405,956	405,956
Amounts owed by subsidiary undertakings	83,879	83,879
	<u>489,835</u>	<u>489,835</u>

Telewest Communications Cable Limited

Notes (continued)

6 Share capital

	2002 £'000	2001 £'000
Authorised:		
1,497,835,000 ordinary shares of 10p each	<u>149,784</u>	<u>149,784</u>
Allotted, issued and fully paid:		
1,001,244,940 ordinary shares of 10p each	<u>100,124</u>	<u>100,124</u>

7 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Equity shareholder's funds £'000
At 1 January and 31 December 2002	<u>100,124</u>	<u>384,272</u>	<u>270,187</u>	<u>5,554</u>	<u>760,137</u>

8 Contingent liabilities

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

The Company, together with other group companies, 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 £2,250 million (2001: £2,250 million), of which £2,000 million (2001: £1,360 million) was drawn down at the year end.

On 16 March 2001, Telewest Communications plc renegotiated all of the group's bank facility combining those of both Flextech Limited and Telewest Communications plc. The above guarantee and draw down reflects the new facility.

9 Ultimate parent company

The ultimate parent company is Telewest Communications plc, which is registered in England and Wales. Telewest Communications plc is the parent of the smallest and largest group for which group financial statements, including the Company, are drawn up. Copies of these group financial statements may be obtained from The Company Secretary, Telewest Communications plc, Export House, Cawsey Way, Woking, Surrey, GU21 6QX.