Flextech Interactive Limited

Directors' report and financial statements

Registered number 3184754

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company's principal activity is the operation of interactive services on internet, cable and satellite television systems in the UK.

Subsequent events

In July 2004 the Company's ultimate parent, Telewest Communications plc, successfully completed its financial restructuring and Telewest Global, Inc. became the company's ultimate holding company. Further details are set out in note 1, basis of preparation.

Business review

The results for the year ended 31 December 2003 and the financial position of the company at that date are set out on pages 5 and 6 of the financial statements.

The directors do not recommend the payment of a dividend *(2002: £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	(resigned 18 February 2004)
S Cook	
M W Luiz	(resigned 31 October 2003)
L Opie	(appointed 16 September 2003)
N R Smith	(appointed 15h September 2003)

None of the directors in office at the end of year had any disclosable interest in the shares or transactions of the company during the year.

At 31 December 2003 CJ Burdick and SS Cook were directors of Telewest Communications plc and their interest in the ordinary share capital of Telewest Communications plc at 31st December 2003 and the beginning of the year of appointments are disclosed in the directors' report attached to the financial statements of that company. Neil Smith's interests are disclosed in the Telewest Communications Networks Limited 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.

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

C Burns
Secretary

Export House
Cawsey Way
Woking
Surrey
GU21 6QX

31 March 2005

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.

KPMG

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Flextech Interactive Limited

We have audited the financial statements on pages 5 to 14.

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

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.

Independent auditors' report to the members of Flextech Interactive 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 2003 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 March 2005

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Turnover					
Continuing operations	*1*	**1,581**		3,015	
Discontinued operations		**-**		9	
			1,581		3,024
Cost of sales			**(1,063)**		(1,390)
Gross profit			**518**		1,634
Distribution costs			**(1,777)**		(2,446)
Administrative expenses			**(6,190)**		(5,375)
Other operating income			**-**		207
Operating loss					
Continuing operations	*4*	**(7,449)**		(4,929)	
Discontinued operations	*4*	**-**		(1,051)	
			(7,449)		(5,980)
Profit on sale of operation	*6*		-		2,795
Amounts written off investments	*11*		**(1,000)**		(3,803)
Interest received			**102**		114
Interest payable and similar charges	*7*		**-**		(27)
Loss on ordinary activities before and after taxation	*2-5, 8*		**(8,347)**		(6,901)
Retained loss for the financial year			**(8,347)**		(6,901)
Retained deficit brought forward			**(36,751)**		(29,850)
Retained deficit carried forward			**(45,098)**		(36,751)

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 and losses in the current and prior year are the same as those reported above.

The notes on pages 7 to 14 form part of these financial statements.

Balance sheet

at 31 December 2003

	Note	2003		2002	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**9**		125
Investments	*11*		**871**		1,871
			880		1,996
Current assets					
Stock	*12*	**-**		507	
Debtors	*13*	**6,845**		2,827	
		6,845		3,334	
Creditors: amounts falling due within one year	*14*	**(52,822)**		(42,080)	
Net current liabilities			**(45,977)**		(38,746)
Total assets less current liabilities			**(45,097)**		(36,750)
Net liabilities			**(45,097)**		(36,750)
Capital and reserves					
Called up share capital	*15*		**1**		1
Profit and loss account			**(45,098)**		(36,751)
Shareholders' deficit - equity	*16*		**(45,097)**		(36,750)

These financial statements were approved by the board of directors on 31 March 2005 and were signed on its behalf by:

N R Smith
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 UK 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 as the Company relies on support from its ultimate holding company. The ultimate holding company was Telewest Communications plc at 31 December 2003.

In July 2004, Telewest Communications plc successfully completed its financial restructuring. This resulted in the reorganisation of the business and operations of Telewest Communcations plc and its subsidiaries ("the group") under Telewest Global, Inc., incorporated in the United States which became the new ultimate holding company. The directors believe that the restructuring has left Telewest Global, Inc and its subsidiaries ("the new Group") with sufficient liquidity to meet the new Group's funding needs and enable it to provide continued support to subsidiary companies.

The company has transferred all inter-company liabilities due to its ultimate parent company and subsidiaries, from 'creditors falling due after more than one year' to 'creditors falling due within one year'.

Cash flow statement

Under Financial Reporting Standard (FRS) 1 the company is exempt from producing a cash flow statement on the grounds that the Company's Parent Company Telewest Communications plc, includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	-	4 years

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

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. 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.

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year. Other operating income consists of revenue derived from the re-sale of excess capacity on the satellite transponders.

Pension costs

The company does not have a pension scheme but contributes to the scheme of the employee's choice.

Stock

Stocks are stated at the lower of cost and net realisable value.

2 Loss on ordinary activities before taxation

	2003	2002
	£000	£000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	**7**	6
Depreciation and other amounts written off tangible fixed assets – owned	**182**	421
Provision against balances due from group undertakings	**913**	-
Impairment of fixed asset investments	**1,000**	3,803

The company, along with other group undertakings, has carried out a review of recoverability of inter-group balances. As a result of this review, the company has grossed up various inter-group assets and liabilities and subsequently made provisions of £913,398 against irrecoverable intercompany debtors.

The operating lease costs in 2002 have been reclassified as a management fee as they represent a recharge from the fellow group company that holds the operating lease.

Notes *(continued)*

3 Remuneration of directors

The directors did not receive any remuneration from the company during the year *(2002:£nil)*. These costs are borne by another group undertaking.

4 Analysis of continuing and discontinued operations

	2003 Continuing £000	2003 Discontinued £000	2003 Total £000	2002 Continuing £000	2002 Discontinued £000	2002 Total £000
Turnover	**1,581**	**-**	**1,581**	3,015	9	3,024
Cost of sales	**(1,063)**	**-**	**(1,063)**	(1,312)	(78)	(1,390)
Gross profit/(loss)	**518**	**-**	**518**	1,703	(69)	1,634
Distribution costs	**(1,777)**	**-**	**(1,777)**	(1,731)	(715)	(2,446)
Administrative expenses	**(6,190)**	**-**	**(6,190)**	(4,901)	(474)	(5,375)
Other operating income	**-**	**-**	**-**	-	207	207
Operating loss	**(7,449)**	**-**	**(7,449)**	(4,929)	(1,051)	(5,980)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2003	2002
Management and office staff	**15**	50

The aggregate payroll costs of these persons were as follows:

	2003 £000	2002 £000
Wages and salaries	**1,046**	3,154
Social security costs	**89**	226
Other pension costs	**33**	81
	1,168	3,461

Notes *(continued)*

6 Profit on sale of operation

In June 2002, the company sold its investment in The Way Ahead Group Limited for £10.0m. A profit of £2.8m was made on the transaction.

7 Interest payable and similar charges

	2003 **£000**	2002 £000
On loan stock	-	27
	-	27

8 Tax on ordinary activities

	2003 **£000**	2002 £000
Tax on ordinary activities	-	-

8 Tax on ordinary activities *(continued)*

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

	2003 **£000**	2002 £000
Tax on pre tax losses at 30%	**(2,504)**	(2,070)
Effects of:		
Provision against intercompany balances	**274**	-
Amounts written off investments	**300**	1,141
Depreciation	**55**	126
Tax losses carried forward	**1,875**	803
Current tax	-	-

As at 31 December 2003, the Company estimates that it has, subject to Inland Revenue agreement, £33.1 million (2002: £26.9 million), of tax losses available to relive future profits.

Notes *(continued)*

9 Deferred taxation

A deferred tax asset of £11.6 million has not been recognised on timing differences. These assets can only be deducted against certain types of future income. There is currently insufficient evidence that the right type of income will be generated.

10 Tangible fixed assets

	Computer equipment £000
Cost	
At start of year	6,284
Intra-group transfer of asset	70
Additions	66
At end of year	**6,420**
Depreciation	
At start of year	6,159
Intra-group transfer of depreciation	70
Charge for year	182
At end of year	**6,411**
Net book value	
At end of year	**9**
At start of year	125

Notes *(continued)*

11 Investments

	Shares in subsidiary and associated undertakings £000
Cost	
At beginning and end of year	5,674
Provisions	
At beginning of year	3,803
Provided in year	1,000
At end of year	4,803
Net book value	
At 31 December 2003	**871**
At 31 December 2002	1,871

Associated undertakings	Country of registration or incorporation	Principal activity	Class and percentage of shares held
Multi Media Mapping Limited	England and Wales	Operation of online mapping service	Ordinary £1 25.73%
X refer.com Limited	England and Wales	Operation of a web site	Ordinary £1 18.86%
Digital Mind Games Limited (dissolved 09/09/04)	England and Wales	Software development	Ordinary £1 29%
Recommend Ltd	England and Wales	Maintenance & Construction	Cumulative Preference £1 3.435%

Telewest Communications plc ("the Group") undertook a review of the carrying value of investments at a company level during the year. As a result of this review £1,000,000 was provided against the company's equity holdings.

Notes *(continued)*

12 Stock

	2003	2002
	£000	£000
Work in progress	-	492
Finished goods	-	15
	-	507

13 Debtors

	2003	2002
	£000	£000
Prepayments and accrued income	**102**	923
Amounts due from group undertakings	**6,743**	1,904
	6,845	2,827

14 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Trade creditors	-	166
Accruals and deferred income	**471**	892
Amounts owed to group undertakings	**52,351**	41,022
	52,822	42,080

15 Called up share capital

	2003	2002
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	**2**	2

Notes *(continued)*

16 Reconciliation of movements in shareholders' deficit - equity

	2003	2002
	£000	£000
Opening shareholders' deficit – equity	**(36,750)**	(29,849)
Loss for the financial year	**(8,347)**	(6,901)
Closing shareholders' deficit – equity	**(45,097)**	(36,750)

17 Contingent liabilities

The company, together with other group companies, has given a guarantee and a fixed and a floating charge over certain of its assets to secure borrowings of other group companies. The guaranteed borrowings of these companies was £2,250 million *(2002: £2,250 million)* of which £2,000 million *(2002: £2,000 million)* was drawn down at the year end.

In July 2004, Telewest Communications plc, successfully completed its financial restructuring and the terms of the secured borrowing were amended. The above guarantee has remained in place subsequent to the financial restructuring.

18 Related party transactions

As the company was a wholly owned subsidiary of Telewest Communications plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has 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 19.

19 Ultimate parent company

At 31 December 2003, the ultimate parent company was 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 Broadband, Export House, Cawsey Way, Woking, Surrey, GU21 6QX. Telewest Global, Inc, became the ultimate parent of the company on 14 July 2004.