Flextech (Travel Channel) Limited

Directors' report and financial statements

Registered number 3427763

31 December 2005

Contents

Directors' report

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

Principal activities

The principal activity of the company has previously been to hold an investment in TV Travel Group Limited, which holds an investment in TV Travel Shop Broadcasting Limited, which produces video brochures of holiday destinations and resorts for use in the travel industry.

On 16 March 2001 a reorganisation of the Telewest group took place. As a result of this reorganisation the company disposed of its investment in TV Travel Group Limited to another group undertaking.

On 2 May 2002 the Telewest group completed its disposal of its investment in TV Travel Group Limited to USA Networks Inc., a third party. As a result of this transaction the Senior Loan Notes outstanding (plus accrued interest) were repaid to the company, with approximately half of the total consideration being held in escrow to be released over the two years following completion.

The company has not actively traded in the year but a profit and loss account is presented as there have been adjustments in the year in respect of adjustments to intra-group debt.

Review of the business and dividends

In July 2004 the company's ultimate parent, Titan Cable plc (formerly Telewest Communications plc) successfully completed its financial restructuring and Telewest Global, Inc. became the company's ultimate holding company.

The results for the year ended 31 December 2005 and the financial position of the company at that date are set out on pages 6 and 7 of the financial statements.

The directors do not recommend payment of a dividend *(2004: £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 *(resigned 3 March 2006)*
LM Opie
NR Smith
ntl Directors Limited *(appointed 12 April 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.

Directors' report *(continued)*

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 into 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 1, basis of preparation, and note 12, subsequent events.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditor annually.

By order of the board

C Burns

C Burns
Secretary

Export House
Cawsey Way
Woking
Surrey
GU21 6QX
20 June 2006

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.

KPMG

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Flextech (Travel Channel) Limited

We have audited the financial statements of Flextech (Travel Channel) 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 3, 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.

Independent auditor's report to the members of Flextech (Travel Channel) 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 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

20 June 2006

Profit and loss account

for the year ended 31 December

	Note	2005 £000	2004 £000
Turnover		-	-
Administrative expenses (including write back of £536,000 (*2004: writeback of £4,699,000*) against intercompany balances)	2	538	4,699
Operating profit		538	4,699
Profit on ordinary activities before and after taxation and retained for the year	10	538	4,699

All of the above results are derived from continuing operations.

The company had no recognised gains or 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 in the current and prior year are the same as those reported above.

The notes on pages 8 to 11 form part of these financial statements.

Balance sheet

at 31 December

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Current assets					
Debtors: amounts due within one year	*6*	41,812		41,277	
Current liabilities					
Creditors: amounts falling due within one year	*7*	(44,789)		(44,792)	
Net current liabilities		(2,977)		(3,515)	
Net liabilities			(2,977)		(3,515)
Capital and reserves					
Called up share capital	*8*		-		-
Profit and loss account	*9*		(2,977)		(3,515)
Shareholders' deficit - equity	*9*		(2,977)		(3,515)

These financial statements were approved by the board of directors on 20 June 2006 and were signed on its behalf by:

NR Smith
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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 have been prepared on the going concern basis, notwithstanding net liabilities of £2,977,000 which the directors believe to be appropriate for the following reasons. Telewest UK Limited, an intermediate holding company, has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this indication the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

In July 2004, Titan Cable plc (formerly Telewest Communications plc) successfully completed its financial restructuring. This resulted in the reorganisation of the business and operations of Titan Cable plc and its subsidiaries ('the Group') under Telewest Global, Inc., incorporated in Delaware, USA, which became the ultimate holding company. 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 into a subsidiary of Telewest Global, Inc. The directors believe that the restructuring 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 directors believe that the subsequent merger with NTL Incorporated continues to provide sufficient liquidity to provide continued support to subsidiary companies.

Cash flow statement

Under Financial Reporting Standard (FRS) 1 Cash Flow Statements the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking, Telewest Global, Inc., includes the company 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 10.

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 Profit on ordinary activities before taxation

	2005	*2004*
	£000	*£000*
Profit on ordinary activities before taxation is stated after crediting:		
Write back against balances due from group undertakings	**536**	*4,699*

The company has undertaken a review of amounts due from subsidiary undertakings and parent companies for the year ended December 31, 2005. This has resulted in a reduction in the level of provision against such debtors of £536,491 as compared to the prior year, which has been released through the profit and loss account for the current year (*2004: £4,698,884*).

The auditor's remuneration for 2005 and 2004 was borne by a fellow group company, which was Telewest Communications Group Limited.

3 Taxation

	2005	2004
	£000	£000
Tax on ordinary activities	**-**	-

The current tax charge for the period is lower (*2004: lower*) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005	2004
	£000	£000
Current tax at 30% *(2004:30%)*	**161**	1,410
Effects of:		
Amount not deductible for tax	**(161)**	(1,410)
Total current tax charge (see above)	**-**	-

Notes *(continued)*

4 Deferred tax

A deferred tax asset of £670,000 has not been recognised on carried forward losses and other 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.

There are non-trade losses of £2.2million (*2004: £2.2million*) carried forward as at 31 December 2005.

5 Employees and directors

There were no employees during the year *(2004: nil)*. No remuneration was paid to the directors during the year *(2004:£nil)*.

6 Debtors: amounts falling due within one year

	2005	2004
	£000	£000
Amounts owed by group undertakings	**41,812**	41,277

7 Creditors: amounts falling due within one year

	2005	2004
	£000	£000
Amounts owed to group undertakings	**44,789**	44,790
Accruals	**-**	2
	44,789	44,792

8 Called up share capital

	2005	2004
	£	£
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)*

9 Reconciliation of movements in shareholders' deficit - equity

	Called up share capital £000	Profit and loss account £000	2005 Total £000	2004 £000
Opening shareholders' deficit - equity	-	(3,515)	(3,515)	(8,214)
Profit for the financial year	-	538	538	4,699
Closing shareholders' deficit – equity	-	**(2,977)**	**(2,977)**	(3,515)

10 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 into 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.

11 Contingent liabilities

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

12 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.