

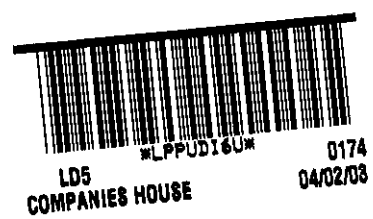
# **Telewest Communications Holdco Limited**

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

**31 December 2001**

Registered number 3761983

**RE-SCAN**



8-2-03 327

# Telewest Communications Holdco Limited

## Directors' report and financial statements

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# Telewest Communications Holdco Limited

## Directors' report

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

### Principal activity and review of business

The principal activity of the Company is, and will continue to be, that of a holding company. During the year the Telewest Group ("Group"), of which the Company is a part, entered in to a contract with Toronto Dominion Bank ("TD"), whereby TD provides a loan to the Group, in return for security over the Group's shareholding in SMG plc. The contract is held by the Company.

### Results and dividends

The loss for the year after taxation was £190,779,000 (2000: £nil). The directors recommend that no dividend be paid (2000: £nil).

### Directors and their interests

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

CJ Burdick	(USA)
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 2001, 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 2001 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 Holdco 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.

### Subsequent events

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

### 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

Genesis Business Park  
Albert Drive  
Woking, Surrey  
GU21 5RW

31 January 2003

# **Telewest Communications Holdco Limited**

## **Auditors report to the members of Telewest Communications Holdco Limited**

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

### **Respective responsibilities of directors and auditors**

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 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**

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 of investments and inter-company debt.

# Telewest Communications Holdco Limited

## **Auditors report to the members of Telewest Communications Holdco 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 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*

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

31 January 2003

# Telewest Communications Holdco Limited

## Profit and loss account

for the year ended 31 December 2001

	<i>Note</i>	<b>2001</b> <b>£'000</b>	<b>2000</b> <b>£'000</b>
Operating expenses		<b>(854)</b>	-
<b>Operating loss</b>	<b>2</b>	<b>(854)</b>	-
Loss on write-down of investments	<b>7</b>	<b>(188,597)</b>	-
		<b>(189,451)</b>	-
Interest receivable and similar income	<b>4</b>	<b>8,168</b>	-
Interest payable and similar charges	<b>5</b>	<b>(9,496)</b>	-
<b>Loss on ordinary activities before taxation</b>		<b>(190,779)</b>	-
Tax on profit/(loss) on ordinary activities	<b>6</b>	-	-
<b>Loss for the financial year</b>	<b>2</b>	<b>(190,779)</b>	-
<b>Retained profit brought forward</b>		-	-
<b>Retained loss carried forward</b>		<b>(190,779)</b>	-

All income and expenditure of the Company arose from continuing operations.

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

# Telewest Communications Holdco Limited

## Balance sheet

at 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Investments	7	201,806	7,727
		<u>201,806</u>	<u>7,727</u>
<b>Current assets</b>			
<b>Debtors:</b> amounts due within one year:	8	152	-
<b>Debtors:</b> amounts due after more than one year:	8	189,914	-
Secured cash deposit restricted for more than one year		8,034	-
<b>Creditors:</b> amounts falling due within one year:	9	(38,995)	(5,350)
<b>Net current assets</b>		<u>159,105</u>	<u>(5,350)</u>
<b>Total assets less current liabilities</b>		<u>360,911</u>	<u>2,377</u>
<b>Creditors:</b> amounts due after more than one year	9	(176,913)	-
<b>Net assets</b>		<u>183,998</u>	<u>2,377</u>
<b>Capital and reserves</b>			
Called up share capital	10	374,777	2,377
Profit and loss account	11	(190,779)	-
<b>Equity shareholder's funds</b>	12	<u>183,998</u>	<u>2,377</u>

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



CJ Burdick  
Director



# Telewest Communications Holdco 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. They 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 and recoverability of its inter-company balances.

#### ***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.

#### ***Taxation and deferred taxation***

The charge for taxation is based on the loss for the year 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 taxation only to the extent that it is probable that an actual asset or liability will crystallise.

# Telewest Communications Holdco Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### Investments

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

### 2 Operating loss

The cost of the auditors' remuneration has been borne by a fellow subsidiary undertaking.

### 3 Employees and directors

There were no employees during the year (2000: nil). No remuneration was paid to the directors during the year (2000: Enil).

### 4 Interest receivable and similar income

	£'000 2001	£'000 2000
On loans made to group undertakings	8,168	-

### 5 Interest payable and similar charges

	£'000 2001	£'000 2000
On loans from group undertaking	8,168	-
Other	1,328	-
	9,496	-

### 6 Taxation

Due to the availability of trading losses surrendered by other group companies, for which no payment is made, there is no corporation tax charge for the year (2000: Enil).

# Telewest Communications Holdco Limited

## Notes (continued)

### 7 Fixed asset investments

	Subsidiary undertakings		Associated undertakings	Joint Ventures	Participating interests	Other loans	Total
	Shares	Loans	Shares				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of year	-	-	2,377	3,600	-	1,750	7,727
Additions	5,962	605	-	643	1553	-	8,763
Disposals	-	-	-	(3,735)	-	-	(3,735)
Transfers from fellow subsidiary undertakings	352,900	-	19,500	-	-	-	372,400
Impairment	(183,349)	-	-	-	-	-	(183,349)
Reclassification	-	-	-	-	1,500	(1,500)	-
<b>At end of year</b>	<b>175,513</b>	<b>605</b>	<b>21,877</b>	<b>508</b>	<b>3,053</b>	<b>250</b>	<b>201,806</b>

During the year the following transactions have taken place:

The whole of the investment in Eurobell (Holdings) plc, a fellow subsidiary undertaking, was transferred from Telewest Communications plc at market value. This was funded by issuing shares as disclosed in note 10. The investment in Eurobell (Holdings) plc was subsequently impaired by £122,649,183.

The Company acquired, at market value from fellow group undertakings the entire issued share capital of: Flextech Investments (Jersey) Limited and Take Four BV. This was funded by issuing shares as disclosed in note 10. The investment in Flextech Investments (Jersey) Limited was subsequently impaired by £60,700,000.

The Company acquired, at market value from fellow group undertakings 80% of the issued share capital of: Flextech Homeshopping Limited and Florida Homeshopping Limited. This was funded by issuing shares as disclosed in note 10.

The Company acquired a 37.95% stake in TV Travel Group Limited, a transactional travel service, from a fellow group undertaking. This was funded by issuing shares as disclosed in note 10.

The Company acquired a 32.9% stake in Kidstime Entertainment Limited, a developer of on-line educational and entertainment content for use on narrowband and broadband networks

The Company acquired the whole of the issued share capital of Rapid Travel Solutions Limited, a software development and consultancy company.

The Company acquired a 50% stake in Isee Ventures Limited, an interactive television company.

The investment in Smashed Atom was written off.

In the opinion of the directors, at 31 December 2001 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.

# Telewest Communications Holdco Limited

## Notes (continued)

### 7 Fixed asset investments (continued)

At 31 December 2001, the Company directly held the following investments:

	Country of registration and operation	Holding	Proportion held	Nature of business
<b><i>Subsidiary undertakings</i></b>				
<i>Eurobell (Holdings) PLC</i>	England and Wales	Ordinary shares of £1 each	100%	Building and operation of cable TV and telephony networks
		Preference shares of £1 each	100%	
Rapid Travel Solutions Limited	England and Wales	Ordinary shares of 1p each	100%	Software development and consultancy
Flextech Investments (Jersey) Limited	England and Wales	Ordinary shares of £1 each	100%	Investment holding company
Flextech Homeshopping Limited	England and Wales	Ordinary shares of £1 each	80%	Investment holding company
Florida Homeshopping Limited	England and Wales	Ordinary shares of £1 each	80%	Dormant company
<i>Take Four BV</i>	Amsterdam	Ordinary shares of 1000 Dfl	100%	Holding company
<i>Telewest Workwise Limited</i>	England and Wales	Ordinary shares of £1 each	100%	Holding company
<i>Flextech Broadband Holdings Limited</i>	England and Wales	Ordinary shares of £1 each	100%	Holding company
<b><i>Associated undertakings</i></b>				
Cable Guide Limited	England and Wales	15,000 Ordinary shares of £1 each	15%	Publication of a monthly television listings magazine
		10,000 Preference shares of £1 each	20%	
Front Row Television Limited	England and Wales	Ordinary shares of 10 pence each	53%	Provision of pay per view television
ICM Interactive Limited	England and Wales	Ordinary shares of 10 pence each	34%	Provision of pay per view television
Kidstime Entertainment Limited	England and Wales	Ordinary shares of £1 each	32.9%	Provision of pay per view television

# Telewest Communications Holdco Limited

## Notes (continued)

### 7 Fixed asset investments (continued)

<b>Associated undertakings (continued)</b>	<b>Country of registration and operation</b>	<b>Holding</b>	<b>Proportion held</b>	<b>Nature of business</b>
TV Travel Group Limited	England and Wales	Ordinary shares of £1 each	37.95%	Operation of a transactional travel service
<b>Joint ventures</b>				
Isee Ventures Limited	England and Wales	Ordinary shares of £1 each	50%	Provision of broadband consumer services

The Company holds through its subsidiary companies, the following principal subsidiary companies which operate in the United Kingdom.

<b>Subsidiary undertakings (Indirectly owned)</b>	<b>Country of registration and operation</b>	<b>Holding</b>	<b>Proportion held</b>	<b>Nature of business</b>
Eurobell (Sussex) Limited	England and Wales	Ordinary shares of £1 each	100%	Building and operation of cable TV and telephony networks
Eurobell (South West) Limited	England and Wales	Ordinary shares of £1 each	100%	Building and operation of cable TV and telephony networks
Eurobell (West Kent) Limited	England and Wales	Ordinary shares of £1 each	100%	Building and operation of cable TV and telephony networks
Eurobell CPE Limited	England and Wales	Ordinary shares of £1 each	100%	Dormant
Eurobell Internet Services Limited	England and Wales	Ordinary shares of £1 each	100%	Provision of internet services
Eurobell (IDA) Limited	England and Wales	Ordinary shares of £1 each	100%	Provision of indirect access telephone services
Eurobell Limited	England and Wales	Ordinary shares of £1 each	100%	Dormant

# Telewest Communications Holdco Limited

## Notes (continued)

### 8 Debtors

	2001 £'000	2000 £'000
<b>Due within one year</b>		
Other debtors	152	-
	<hr/>	<hr/>
<b>Due after more than one year</b>		
Amounts due from parent undertaking	33,285	-
Amounts due from fellow subsidiary undertaking	156,629	-
	<hr/>	<hr/>
	189,914	-
	<hr/>	<hr/>

### 9 Creditors

	2001 £'000	2000 £'000
<b>Due within one year</b>		
SMG Equity Swap Loan	33,285	-
Amounts due to group undertakings	1,124	4,507
Accruals	4,586	843
	<hr/>	<hr/>
	38,995	5,350
	<hr/>	<hr/>
<b>Due after more than one year</b>		
Amounts owed to group undertakings	176,913	-
	<hr/>	<hr/>

# Telewest Communications Holdco Limited

## Notes (continued)

### 10 Called up share capital

	2001 £'000	2000 £'000
<b>Authorised</b>		
374,776,688 ordinary shares of £1 each (2000: 10,000,000 ordinary shares of £1 each)	<b>374,777</b>	10,000
	2001 Number – thousands	2001 £'000
<b>Allotted, issued and fully paid</b>		
At beginning of the year	<b>2,377</b>	2,377
Issued to acquire subsidiary and associate undertakings (note 7)	<b>372,400</b>	372,400
At end of the year	<b>374,777</b>	374,777

Consideration received in respect of the shares issued during the year was as follows:

	Number of shares issued – thousands
Issued share capital of Eurobell (Holdings) plc	203,500
Issued share capital of Flextech Investments (Jersey) Limited	143,900
Issued share capital of Flextech Homeshopping Limited	5,500
Issued share capital of TV Travel Group Limited	19,500
	<b>372,400</b>

### 11 Reserves

	Profit and loss account £'000
At 1 January 2001	-
Loss for the financial year	<b>(190,779)</b>
At 31 December 2001	<b>(190,779)</b>

# Telewest Communications Holdco Limited

## Notes (continued)

### 12 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Opening shareholders' funds	2,377	2,377
Issue of ordinary shares to acquire subsidiary and associate undertakings	372,400	-
Loss for the financial year	(190,779)	-
Closing equity shareholders' funds	<u>183,998</u>	<u>2,377</u>

### 13 Capital commitments

The Company had commitments at the end of the financial year of £4,429,000 relating to the acquisition of Rapid Travel Solutions Limited (2000: *Nil*).

### 14 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, Genesis Business Park, Albert Drive, Woking, Surrey, GU21 5RW.