

# **Telewest Communications Holdco Limited**

**Directors' report and financial statements**

**31 December 2002**

Registered number 3761983



# 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 2002.

### Principal activity and review of business

The principal activity of the Company is, and will continue to be, that of a holding company.

### 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 loss for the year after taxation was £175,966,000 (2001: £190,779,000). 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  
MW Luiz (appointed 14 October 2002)

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 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:

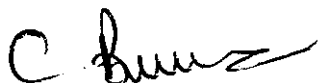
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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.

### 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

16 August

2003

# Telewest Communications Holdco Limited

## Independent auditors' report to the members of Telewest Communications Holdco 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 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 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. 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 Holdco Limited

## Independent 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*V. Smith Auditor Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

*14 August*

2003

# Telewest Communications Holdco Limited

## Profit and loss account

For the year ended 31 December 2002

|  | Note  | 2002<br>£'000    | 2001<br>£'000    |
|--|-------|------------------|------------------|
| Administrative expenses                            | 2     | (80,851)         | (854)            |
| <b>Operating loss</b>                              | 2     | <b>(80,851)</b>  | <b>(854)</b>     |
| Profit on disposal of subsidiary undertaking       | 8     | 1,682            | -                |
| Amounts written off investments                    | 8     | (95,138)         | (188,597)        |
|  |       | <b>(174,307)</b> | <b>(189,451)</b> |
| Interest receivable and similar income             | 6     | -                | 8,168            |
| Interest payable and similar charges               | 7     | (1,661)          | (9,496)          |
| <b>Loss on ordinary activities before taxation</b> |       | <b>(175,968)</b> | <b>(190,779)</b> |
| Tax on loss on ordinary activities                 | 3 - 4 | -                | -                |
| <b>Loss for the financial year</b>                 |       | <b>(175,968)</b> | <b>(190,779)</b> |
| Dividend from associate undertaking                |       | 2                | -                |
| <b>Retained loss for the financial year</b>        |       | <b>(175,966)</b> | <b>(190,779)</b> |

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.

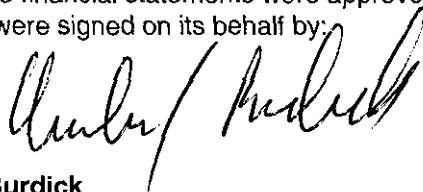
# Telewest Communications Holdco Limited

## Balance sheet

At 31 December 2002

|  | Note | 2002<br>£'000 | 2001<br>£'000  |
|--|------|---------------|----------------|
| <b>Fixed assets</b>                                    |      |               |                |
| Investments  | 8    | 6,957         | 201,806        |
|  |      | <u>6,957</u>  | <u>201,806</u> |
| <b>Current assets</b>                                  |      |               |                |
| <b>Debtors:</b> amounts due within one year            | 9    | -             | 152            |
| <b>Debtors:</b> amounts due after more than one year   | 9    | 48,544        | 189,914        |
| Secured cash deposit restricted for more than one year |      | -             | 8,034          |
| <b>Creditors:</b> amounts falling due within one year  | 10   | (21,072)      | (38,995)       |
| <b>Net current assets</b>                              |      | <u>27,472</u> | <u>159,105</u> |
| <b>Total assets less current liabilities</b>           |      | <u>34,429</u> | <u>360,911</u> |
| <b>Creditors:</b> amounts due after more than one year | 10   | (26,397)      | (176,913)      |
| <b>Net assets</b>                                      |      | <u>8,032</u>  | <u>183,998</u> |
| <b>Capital and reserves</b>                            |      |               |                |
| Called up share capital                                | 11   | 374,777       | 374,777        |
| Profit and loss account                                | 12   | (366,745)     | (190,779)      |
| <b>Equity shareholder's funds</b>                      | 13   | <u>8,032</u>  | <u>183,998</u> |

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 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.

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 plans 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 Holdco Limited

## Notes (continued)

### 1 Accounting policies (continued)

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

The Company adopted FRS19 *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 Operating loss

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

Operating loss has been stated after £80,850,817 has been written off balances due from group undertakings due to their irrecoverability.

# Telewest Communications Holdco Limited

## Notes (continued)

### 3 Tax on ordinary activities

Reconciliation of the Company's current tax to the UK statutory rate

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| Tax on pre tax loss at 30%                           | (52,790)      | (57,234)      |
| Effects of:  |               |               |
| Amounts not deductible for tax purposes              | 24,255        | -             |
| Timing differences:                                  |               |               |
| Amounts written off investments                      | 28,541        | 56,579        |
| Tax losses unable to be utilised in the current year | -             | 655           |
| Utilisation of tax losses brought forward            | (6)           | -             |
| Current tax  | -             | -             |

There is no corporation tax liability for the current year as a result of group relief from fellow subsidiary undertakings' losses. As at 31 December 2002, the Company has no tax losses or other timing differences available to relieve future profits, and as such no deferred tax has been recognised.

### 4 Deferred tax

As at 31 December 2002, the Company estimates that it has, subject to Inland Revenue agreement, £2.2 million (2001: £2.2 million), of tax losses available to relieve future profits.

No deferred tax asset of has been recognised on carry 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.

### 5 Employees and directors

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

### 6 Interest receivable and similar income

|                                     | 2002<br>£'000 | 2001<br>£'000 |
|-------------------------------------|---------------|---------------|
| On loans made to group undertakings | -             | 8,168         |

# Telewest Communications Holdco Limited

## Notes (continued)

### 7 Interest payable and similar charges

|                                 | 2002<br>£'000 | 2001<br>£'000 |
|---------------------------------|---------------|---------------|
| On loans from group undertaking | -             | 8,168         |
| Other                           | 1,661         | 1,328         |
|                                 | <u>1,661</u>  | <u>9,496</u>  |

### 8 Fixed asset investments

|   | Subsidiary undertakings |                | Associated undertakings | Joint Ventures | Participating interests | Other loans | Total        |
|---|-------------------------|----------------|-------------------------|----------------|-------------------------|-------------|--------------|
|   | Shares<br>£'000         | Loans<br>£'000 | Shares<br>£'000         | £'000          | £'000                   | £'000       | £'000        |
| At beginning of year                        | 175,513                 | 605            | 21,877                  | 508            | 3,053                   | 250         | 201,806      |
| Additions                                   | -                       | 390            | -                       | 250            | -                       | -           | 640          |
| Disposals                                   | -                       | -              | (19,500)                | -              | -                       | -           | (19,500)     |
| Transfers to fellow subsidiary undertakings | (80,851)                | -              | -                       | -              | -                       | -           | (80,851)     |
| Reclassification                            | -                       | -              | -                       | 53             | (53)                    | -           | -            |
| Impairment                                  | (88,700)                | -              | (2,377)                 | (811)          | (3,000)                 | (250)       | (95,138)     |
| <b>At end of year</b>                       | <b>5,962</b>            | <b>995</b>     | <b>-</b>                | <b>-</b>       | <b>-</b>                | <b>-</b>    | <b>6,957</b> |

During the year the following transactions have taken place:

The whole of the investment in Eurobell (Holdings) Limited, a fellow subsidiary undertaking, was transferred to Telewest Limited at market value which corresponded to its carrying value of £80.9 million at that date.

The Company sold its 37.95% stake in TV Travel Group Limited for a consideration of £21,182,000, realising a profit of £1,682,000.

The Company has carried out an impairment review of subsidiary undertakings in accordance with FRS 11 *Impairment of Fixed Assets and Goodwill* to ensure that investments are stated at no more than the recoverable amount being the higher of net realisable value and value in use. As a result £95,138,333 has been charged to the profit and loss account in the year.

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.

# Telewest Communications Holdco Limited

## Notes (continued)

### 8 Fixed asset investments (continued)

At 31 December 2002, the Company directly held the following investments:

| <b>Subsidiary undertakings</b>        | <b>Country of registration and operation</b> | <b>Holding</b>                      | <b>Proportion held</b> | <b>Nature of business</b>                             |
|---------------------------------------|--|-------------------------------------|------------------------|---|
| Rapid Travel Solutions Limited        | England and Wales                            | Ordinary shares of 1p each          | 91%                    | 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                                       |
| Take Four BV                          | Amsterdam                                    | Ordinary shares of 1000 Dfl         | 100%                   | Holding company                                       |
| Telewest Workwise Limited             | England and Wales                            | Ordinary shares of £1 each          | 100%                   | Holding company                                       |
| Flextech Broadband Holdings Limited   | England and Wales                            | Ordinary shares of £1 each          | 100%                   | Holding company                                       |
| <b>Associated undertakings</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    | 50%                    | 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                            | A Ordinary shares of 1p each        | 32.9%                  | Provision of pay per view television                  |
| <b>Joint ventures</b>                 |  |                                     |                        |   |
| ISee Ventures Limited                 | England and Wales                            | Ordinary shares of £1 each          | 50%                    | Provision of broadband consumer services              |

# Telewest Communications Holdco Limited

## Notes (continued)

### 9 Debtors

|  | 2002<br>£'000 | 2001<br>£'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            | 24,785        | 33,285        |
| Amounts due from fellow subsidiary undertaking | 23,759        | 156,629       |
|  | <hr/>         | <hr/>         |
|  | 48,544        | 189,914       |
|  | <hr/>         | <hr/>         |

### 10 Creditors

|                                     | 2002<br>£'000 | 2001<br>£'000 |
|-------------------------------------|---------------|---------------|
| <b>Due within one year</b>          |               |               |
| SMG Equity Swap Loan                | -             | 33,285        |
| Amounts due to group undertakings   | 19,386        | 1,124         |
| Accruals                            | 1,686         | 4,586         |
|                                     | <hr/>         | <hr/>         |
|                                     | 21,072        | 38,995        |
|                                     | <hr/>         | <hr/>         |
| <b>Due after more than one year</b> |               |               |
| Amounts owed to group undertakings  | 26,397        | 176,913       |
|                                     | <hr/>         | <hr/>         |

### 11 Called up share capital

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| <b>Authorised</b>  |               |               |
| 374,776,688 ordinary shares of £1 each (20010: 374,776,688 ordinary shares of £1 each) | 374,777       | 374,777       |
|  | <hr/>         | <hr/>         |
|  | 2002<br>£'000 | 2001<br>£'000 |
| <b>Allotted, issued and fully paid</b>   |               |               |
| At beginning of the year   | 374,777       | 2,377         |
| Issued to acquire subsidiary and associate undertakings                                | -             | 372,400       |
|  | <hr/>         | <hr/>         |
| At end of the year   | 374,777       | 374,777       |
|  | <hr/>         | <hr/>         |

# Telewest Communications Holdco Limited

## Notes (continued)

### 12 Reserves

|                             | Profit and loss<br>account<br>£'000 |
|-----------------------------|-------------------------------------|
| At 1 January 2002           | (190,779)                           |
| Loss for the financial year | (175,966)                           |
| At 31 December 2002         | <u>(366,745)</u>                    |

### 13 Reconciliation of movements in shareholders' funds

|  | 2002<br>£'000 | 2001<br>£'000  |
|--|---------------|----------------|
| Opening shareholders' funds  | 183,998       | 2,377          |
| Issue of ordinary shares to acquire subsidiary and<br>associate undertakings | -             | 372,400        |
| Loss for the financial year  | (175,966)     | (190,779)      |
| Closing equity shareholders' funds   | <u>8,032</u>  | <u>183,998</u> |

### 14 Capital commitments

The Company had commitments at the end of the financial year of £1,686,000 relating to the acquisition of Rapid Travel Solutions limited (2001: £4,429,000).

### 15 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.

# Telewest Communications Holdco Limited

## **Notes** *(continued)*

### **16 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.