

Smashedatom Limited

**Directors' report and financial
statements**

Registered number 03985597

31 December 2001



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Directors' report

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

Principal activities

The principal activity of the company during the year was to provide IT and product development services within the media sector. The company is a joint venture between Telewest Communications Holdco Limited and AtomicTangerine, Inc.

Business results and dividend

During August 2001 the directors took the decision to cease trading due to lack of revenues within the media sector. As the directors intend to liquidate the company following the settlement of the remaining net assets, the directors have not prepared the financial statements on a going concern basis. The effect of adopting this basis of preparation is explained in note 1.

The directors are unable to recommend the payment of a dividend (2000: £nil).

Directors and directors' interests

The directors who held office during the year and to the date of this report were as follows:

MA Campion (resigned 16 August 2001)
SS Cook
D Docherty (resigned 30 November 2002)
PE Fearnley (resigned 1 August 2002)
MW Luiz
TR Nelson (resigned 17 February 2003)
JA Peachey (appointed 5 October 2000; resigned 1 August 2002)

SS Cook and MW Luiz were also directors of Telewest Communications plc at the year end. The interests of the directors who held office at the end of the year in the share capital of that company are disclosed in the Telewest Communications plc group financial statements.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other related company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below or in the financial statements of other related companies:

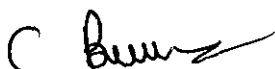
Telewest Communications plc	Number of options during the year			Exer- cise price	Date from which exercisable	Expiry date	
	At start of year	Granted	Exercised	At end of year	p		
D Docherty	18,750	-	-	18,750	160	7 August 2003	6 August 2010
D Docherty	535,294	-	-	535,294	170	7 August 2003	6 August 2010
D Docherty	-	10,977	-	10,977	88.25	1 February 2004	31 July 2004
D Docherty	-	476,911	-	476,911	102	3 April 2004	2 April 2011
D Docherty	-	162,150	-	162,150	75	16 November 2004	15 November 2011

Directors' report *(continued)*

Auditor

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



C Burns
Secretary

Unit 1
Genesis Business Park
Albert Drive
Woking
Surrey
GU21 5RW

25 February 2003

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.

As explained in note 1 to the financial statements, the directors do not believe that the going concern basis is appropriate and consequently, these financial statements have not been prepared on that basis.

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 Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Smashedatom Limited

We have audited the financial statements on pages 5 to 12 which, as described in note 1, have not been prepared on a going concern basis.

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 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 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.

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.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 February 2003

Profit and loss account
for the year ended 31 December 2001

		31 December 2001 £000	4 May 2000 to 31 December 2000 £000
	<i>Note</i>		
Turnover		1,165	905
Cost of sales		(3,067)	(747)
Gross (loss) / profit		(1,902)	158
Administrative expenses	3(a)	(452)	(5,153)
Operating loss		(2,354)	(4,995)
Provision for loss on operations to be discontinued	3(b)	2,324	(2,324)
Loss on ordinary activities before interest	2,4	(30)	(7,319)
Other interest receivable and similar income – bank interest		30	1
Loss on ordinary activities before and after tax		-	(7,318)
Retained loss brought forward		(7,318)	-
Retained loss carried forward		(7,318)	(7,318)

All the above results relate to discontinued activities.

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 losses in the period are the same as those reported above.

The notes on pages 7 to 12 form part of these financial statements.

Balance sheet
at 31 December 2001

	<i>Notes</i>	2001 £000	2000 £000
Current assets			
Intangible assets	5	-	-
Tangible assets	6	-	401
Stock		-	7
Debtors	7	201	1,286
Cash at bank and in hand		-	173
		<hr/> 201	<hr/> 1,867
Creditors: amounts due within one year	8	(1,519)	(2,266)
		<hr/> (1,318)	<hr/> (399)
Net current liabilities			
Provisions for liabilities and charges	9	-	(2,324)
		<hr/> (1,318)	<hr/> (2,723)
Net liabilities			
		<hr/> (1,318)	<hr/> (2,723)
Capital and reserves			
Called up share capital	10	600	600
Share premium	11	5,400	3,995
Profit and loss account		(7,318)	(7,318)
		<hr/> (1,318)	<hr/> (2,723)
Shareholders' deficit - equity	12	(1,318)	(2,723)
		<hr/> (1,318)	<hr/> (2,723)

These financial statements were approved by the board of directors on *25 February* 2003 and were signed on its behalf by:


MW Luiz
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 accounting standards and under the historical cost accounting rules.

Going concern

The financial statements have not been prepared on a going concern basis as the company ceased operations in August 2001 and the directors do not intend to acquire a replacement trade. The financial statements therefore have been prepared on the basis of break up values. Non current assets have been reclassified as current assets, stated at the lower of cost and net realisable value, and provision has been made for future foreseeable losses to the extent they are not offset by future profits.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Taxation

The charge for taxation is based on the profit 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 tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover consists of amounts for IT services and product development work invoiced during the year, excluding value added tax. Revenue is recognised in the period in which the services and product are provided.

Pension costs

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

Tangible assets

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

Depreciation is provided on assets over 4 years, on a straight line basis, to write-off the cost over the useful economic lives.

Notes (continued)

2 Loss on ordinary activities before taxation

	Year ended 31 December 2001 £000	4 May 2000 to 31 December 2000 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	13	12
Depreciation and other amounts written off:		
Tangible fixed assets – owned	81	26
	<u> </u>	<u> </u>

3 Exceptional items

- 3(a) A provision of £303,000 has been made in the financial statements in respect of amounts due relating to share premium owed by one of the shareholders of the company. This is included within administrative expenses.

On 5 October 2000, shares in the company were issued to Telewest Communications Holdco Limited and AtomicTangerine Inc., for a combination of both cash and non-cash consideration, pursuant to a Joint Venture Agreement. As explained in note 1, the financial statements have been prepared on the basis of break up values and non-current assets have been reclassified as current assets stated at the lower of cost and net realisable value. As a result, an exceptional charge of £4,000,000 was charged to the profit and loss account in the prior year in respect of the writedown of intangible assets. This was included within administrative expenses.

- 3(b) During August 2001 the directors of the company took the decision to cease trading. A provision of £2,324,000, which was made in the financial statements for the 8 month period ended 31 December 2000 for anticipated costs over and above forecast revenues for the year ended 31 December 2001, was released during the year.

4 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 2001	4 May 2000 to 31 December 2000
Account and project management	7	7
Corporate	2	2
Creative	6	6
Development	14	13
	<u> </u>	<u> </u>
	29	28
	<u> </u>	<u> </u>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2001 £000	4 May 2000 to 31 December 2000 £000
Wages and salaries	2,643	613
Social security costs	265	53
Pension costs	-	5
	<u>2,908</u>	<u>671</u>

5 Intangible assets

	Development costs £000	Concessions, patents, licences, trade marks and similar rights and assets £000	Goodwill £000	Total £000
<i>Cost</i>				
At beginning and end of year	700	2,400	900	4,000
	<u>700</u>	<u>2,400</u>	<u>900</u>	<u>4,000</u>
<i>Amortisation</i>				
At beginning and end of year	(700)	(2,400)	(900)	(4,000)
	<u>(700)</u>	<u>(2,400)</u>	<u>(900)</u>	<u>(4,000)</u>
<i>Net book value</i>				
At 31 December 2001	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2000	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

6 Tangible assets

	Fixtures and fittings £000	Computer equipment £000	Total £000
<i>Cost</i>			
At beginning of year	52	375	427
Disposals	(52)	(79)	(131)
Transfer to parent company	-	(296)	(296)
At end of year	-	-	-
<i>Depreciation</i>			
At beginning of year	3	23	26
Charge in the year	10	71	81
Disposals	(13)	(20)	(33)
Diminution in value	-	(74)	(74)
At end of year	-	-	-
<i>Net book value</i>			
At 31 December 2001	-	-	-
At 31 December 2000	49	352	401

On 30 September 2001, tangible assets with a net book value of £222,089 were transferred at to a subsidiary undertaking of Telewest Communications plc at that value.

7 Debtors

	2001 £000	2000 £000
<i>Amounts due within one year</i>		
Trade debtors	15	891
Other debtors	21	115
Prepayments and accrued income	165	280
	201	1,286

Notes (continued)

8 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	23	814
Amounts owed to related undertakings	1,473	426
Other creditors including taxation and social security	4	69
Accruals and deferred income	19	957
	<hr/> 1,519 <hr/>	<hr/> 2,266 <hr/>

9 Provisions for liabilities and charges

	Other 2001 £000	Other 2000 £000
At the beginning of the year/period	2,324	-
(Credited) / charged to the profit and loss account (note 3)	(2,324)	2,324
	<hr/> - <hr/>	<hr/> 2,324 <hr/>
At the end of the year/period	-	2,324

10 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
6,000,000 (2000: 6,000,000) 'A' Preference shares of 10 pence each	600	600
2,000,000 (2000: 2,000,000) Non-Voting shares of 10 pence each	200	200
	<hr/> 800 <hr/>	<hr/> 800 <hr/>
<i>Allotted, called up and fully paid</i>		
6,000,000 (2000: 6,000,000) 'A' Preference shares of 10 pence each	600	600
	<hr/> 600 <hr/>	<hr/> 600 <hr/>

Notes (continued)

11 Share premium

	2001 £000	2000 £000
At beginning of year/period	3,995	-
Premium on shares issued	1,405	3,995
	<hr/>	<hr/>
At end of year/period	5,400	3,995
	<hr/>	<hr/>

12 Reconciliation of movement in shareholders' deficit – equity

	2001 £000	2000 £000
Opening shareholders' (deficit)/funds – equity	(2,723)	-
New share capital subscribed	1,405	4,595
Loss for the financial year/period	-	(7,318)
	<hr/>	<hr/>
Closing shareholders' deficit – equity	(1,318)	(2,723)
	<hr/>	<hr/>

13 Related party transactions

Included in the profit and loss account are sales, cost of sales, interest expense and interest income which arise from transactions between the company and related parties. Such transactions mainly comprise sales and purchases of goods and services in the ordinary course of business or from financing transactions between the company and related undertakings, and in total amounted to:

	2001 £000	2000 £000
Sales to Telewest Communications plc and subsidiary undertakings	1,099	856
Administrative expenses	(270)	(969)
	<hr/>	<hr/>

The balance outstanding at the year end in respect of the above transactions was £1,473,000 (2000: £426,000).

14 Ultimate parent undertaking

The company was formed as a joint venture under the Joint Venture Agreement, dated 5 October 2000, between Telewest Communications Holdco Limited and AtomicTangerine, Inc. Both ventures share control of the company under this agreement. The accounts of both of these companies are available to the public and may be obtained from the following addresses:

Telewest Communications plc
160 Great Portland Street
London
W1N 5TB

AtomicTangerine, Inc.
333 Ravenswood Avenue
Menlo Park
California, 94025
United States of America