

**Flextech Broadcasting Limited**  
*(formerly Cheltrading 284 Limited)*

**Directors' report and financial  
statements**

Registered number 4125325

31 December 2001



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## Directors' report

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

### Principal activity

The principal activity of the company is to hold investments in the 4 main television channels operated by various Flextech subsidiaries being UK Living Limited, Bravo Television Limited, Maidstone Broadcasting and Starstream Limited which operate the 'Living', 'Bravo', 'Challenge' and 'Trouble' television channels respectively. The company was incorporated on 14 December 2000, and on 6 February 2002 changed its name to Flextech Broadcasting Limited.

### Post balance sheet event

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

### Dividends and transfer to reserves

Results for the period ended 31 December 2001 are set out on page 5 of the financial statements.

The directors are unable to recommend the payment of a dividend.

### Directors and directors' interests

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

C Burdick	(appointed 23 January 2001)
SS Cook	(appointed 23 January 2001)
MW Luiz	(appointed 23 January 2001)
Stoorne Incorporations Limited	(appointed 14 December 2000; resigned 23 January 2001)
Stoorne Services Limited	(appointed 14 December 2000; resigned 23 January 2001)

None of the directors had any disclosable interest in the shares of the company during the period.

MW Luiz, SS Cook and C Burdick were also directors of Telewest Communications plc at the period end. The interests of the directors who held office at the end of the period in the share capital of that company are disclosed in the Telewest Communications plc group accounts.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

### 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**  
Secretary

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

31 JANUARY 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 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



KPMG Audit Plc

PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## **Independent auditor's report to the members of Flextech Broadcasting Limited (formerly Cheltrading 284 Limited)**

We have audited the financial statements on pages 5 to 10.

### **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.

### **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 investments.

In view of the significance of these uncertainties, we consider that they should be drawn to your attention but our opinion is not qualified in this respect.

**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 period then ended and have been properly prepared in accordance with the Companies Act 1985.

*W. M. Audit Plc*

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

31<sup>st</sup> JANUARY 2003

## Profit and loss account

*for the period ended 31 December 2001*

	<i>Note</i>	Period from 14 December 2000 to 31 December 2001 £000
<b>Turnover</b>		-
<b>Operating profit</b>		-
Amounts written off investments	3	(649,910)
<b>Loss on ordinary activities before and after taxation and retained for the period</b>		<u>(649,910)</u>

All the above results are derived from continuing operations.

The company has 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 result in the current period is the same as that reported above.

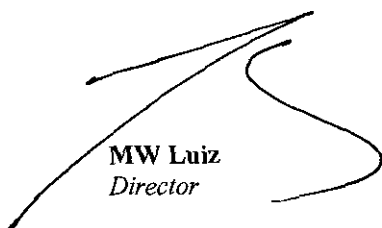
The notes on pages 7 to 10 form part of these financial statements.

## Balance sheet

at 31 December 2001

	Note	2001 £000
<b>Fixed assets</b>		
Investments	3	481,900
<b>Net assets</b>		<u>481,900</u>
<b>Capital and reserves</b>		
Called up share capital	4	1,131,810
Profit and loss account		<u>(649,910)</u>
<b>Shareholders' funds - equity</b>	5	<u>481,900</u>

These financial statements were approved by the board of directors on 31 JANUARY 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 historical cost accounting rules. Under section 228 of the Companies Act 1985 the company is exempt from preparing group accounts as it is a subsidiary of Telewest Communications plc, a UK company producing consolidated financial statements.

These financial statements 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 (including a review of the carrying value of investments at a company level) and the recoverability of its intercompany balances.

#### *Cash flow statement*

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking, Telewest Communications plc, includes the company in its own published consolidated financial statements.

#### *Investments*

Investments held as fixed assets are stated at cost less any provisions for permanent diminution in value.

#### *Administrative expenses*

The audit fee has been borne by a parent undertaking in 2001.

### 2 Directors' remuneration

No directors received remuneration from the company. The company did not have any other employees.

## Notes (continued)

### 3 Fixed asset investments

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At start of the period	-
Additions	1,131,810
	<hr/>
At end of the period	1,131,810
	<hr/>
<b>Provision for impairment</b>	
At start of the period	-
Impairment	649,910
	<hr/>
At end of the period	649,910
	<hr/>
<b>Net book value</b>	
At end of period	481,900
	<hr/>
At start of period	-
	<hr/>

On 16 March 2001 a reorganisation of the Telewest group took place. As a result of this reorganisation the company acquired shareholdings in Bravo TV Limited, Starstream Limited, UK Living Limited and Maidstone Broadcasting from other group companies in exchange for shares in the company.

The companies in which the company's interest at the year end is more than 20% are as follows:

<b>Subsidiary undertakings</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class of percentage of shares held</b>
Bravo TV Limited	England	Operation of a television channel	Ordinary 100%
Starstream Limited	England	Operation of a television channel	"A" Ordinary 100% "B" Ordinary 100% "C" Ordinary 100%
UK Living Limited	England	Operation of a television channel	Ordinary 100%
Maidstone Broadcasting	England	Operation of a television channel	Ordinary 100%

At 31 December 2001, the company carried out an impairment review in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill" to ensure that investments are stated at no more than their recoverable amount, being the higher of their net realisable value and their value in use. As a result, an exceptional charge of £649,910,000 has been charged to the profit and loss account in the year.

**Notes** *(continued)*

**4 Called up share capital**

	2001 £000
<i>Authorised, allotted, called up and fully paid</i>	
1,131,810,002 ordinary shares of £1 each	1,131,810

**5 Reconciliation of shareholders' funds - equity**

	2001 £000
Opening shareholders' funds – equity	-
Issue of share capital	1,131,810
Loss for the financial period	(649,910)
<b>Closing shareholders' funds – equity</b>	<b>481,900</b>

**6 Related party transactions**

As the company is 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 statements of Telewest Communications plc, within which the company is included, can be obtained from the address given in note 8. There were no other related party transactions.

**7 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 of which £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.

**Notes** *(continued)*

**8 Ultimate parent company**

At the year end the company was a subsidiary undertaking of Telewest Communications plc, a company incorporated in England and Wales.

The largest and smallest group in which the results of the company were consolidated is that headed by Telewest Communications plc. The consolidated accounts of Telewest Communications plc may be obtained from 160 Great Portland Street, London W1N 5TB.