Flextech Broadcasting Limited

(formerly Cheltrading 284 Limited)

Directors' report and financial statements

Registered number 4125325

31 December 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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.

Going concern

The company's ultimate shareholder, 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.

Dividends and transfer to reserves

Results for the period ended 31 December 2002 are set out on page 6 of the financial statements.

The directors are unable to recommend the payment of a dividend *(2001: £nil)*.

Directors and directors' interests

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

CJ Burdick	
SS Cook	
MW Luiz	
LM Opie	(appointed 16 September 2003)
NR Smith	(appointed 15 September 2003)

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

MW Luiz, SS Cook and CJ 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.

Directors' report *(continued)*

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

C Burns
Secretary

Export House
Cawsey Way
Woking
Surrey
GU21 6QX

30 OCTOBER 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

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Flextech Broadcasting Limited

We have audited the financial statements on pages 6 to 12.

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 any 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.

Independent auditors' report to the members of Flextech Broadcasting Limited *(continued)*

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 on 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 this should be brought 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 2002 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

30 OCTOBER 2003

Profit and loss account

for the year ended 31 December 2002

	Note	2002 £000	Period from 14 December 2000 to 31 December 2001 £000
Turnover		-	-
Administrative expenses		-	-
Operating profit		-	-
Amounts written off investments	4	(285,700)	(649,910)
Loss on ordinary activities before and after taxation and retained for the period		(285,700)	(649,910)

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 and prior period is the same as that reported above.

The notes on pages 8 to 12 form part of these financial statements.

Balance sheet

at 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Investments	*4*	**196,200**	481,900
Net assets		**196,200**	481,900
Capital and reserves			
Called up share capital	*5*	**1,131,810**	1,131,810
Profit and loss account		**(935,610)**	(649,910)
Shareholders' funds - equity	*6*	**196,200**	481,900

These financial statements were approved by the board of directors on 30 OCTOBER 2003 and were signed on its behalf by:

CJ Burdick
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 UK accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts, as it is a subsidiary of Telewest Communications plc, an UK company producing consolidated financial statements.

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons.

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.

Following the Group's decision on 30 September 2002 not to pay 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 ("the Scheme Creditors") and bank facility creditors ("Senior Lenders") 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 restructuring to be effective, the Scheme Creditors need to approve the plan 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 renegotiation of the financial restructuring will lead to a successful outcome.

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.*

The Company has adopted FRS 19 (Deferred Tax) during the year.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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. 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.

Investments

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

Administrative expenses

Auditors' remuneration has been borne by a fellow group company in both the current and prior year.

2 Tax on ordinary activities

	2002	2001
	£000	£000
Tax on ordinary activities	-	-

Reconciliation of the company's current tax to the UK statutory rate:

	2002	2001
	£000	£000
Tax on pre-tax losses at 30%	**(85,710)**	(194,973)
Effects of:		
Timing differences	**85,710**	194,973
Current tax (see above)	-	-

Notes *(continued)*

3 Directors' remuneration

No directors received remuneration from the company *(2001: £nil)*. The company did not have any other employees *(2001: nil)*.

4 Fixed asset investments

	Shares in group undertakings £000
Cost	
At start and end of year	1,131,810
Provision for impairment	
At start of year	649,910
Impairment losses	285,700
At end of year	935,610
Net book value	
At 31 December 2002	**196,200**
At 31 December 2001	481,900

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.

Notes *(continued)*

4 Fixed asset investments *(continued)*

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

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class of percentage of shares held**
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 2002, the company carried out an impairment review in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill" to ensure that investments were 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 £285,700,000 has been charged to the profit and loss account in the year.

5 Called up share capital

	2002	2001
	£000	£000
Authorised, allotted, called up and fully paid		
1,131,810,002 Ordinary shares of £1 each	**1,131,810**	1,131,810

6 Reconciliation of movements in shareholders' funds - equity

	2002	2001
	£000	£000
Opening shareholders' funds – equity	**481,900**	-
Issue of share capital	**-**	1,131,810
Loss for the financial period	**(285,700)**	(649,910)
Closing shareholders' funds – equity	**196,200**	481,900

Notes *(continued)*

7 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 9. There were no other related party transactions.

8 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 *(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.

9 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 W1W 5QA.