

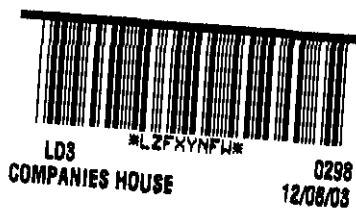
# **Flextech Broadband Holdings Limited**

*(formerly Cheltrading 302 Limited)*

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

**31 December 2001**

Registered number 4197227



# Flextech Broadband Holdings Limited

*(formerly Cheltrading 302 Limited)*

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

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# Flextech Broadband Holdings Limited

*(formerly Cheltrading 302 Limited)*

## Directors' report

The directors present their first annual report and the audited financial statements for the 9 months ended 31 December 2001.

### Principal activity and review of business

The Company was incorporated on 10 April 2001 as Cheltrading 302 Limited and changed its name on 13 June 2001 to Flextech Broadband Holdings Limited.

The principal activity of the Company is that of a holding company.

During the financial period, the Company did not trade and received no income and incurred no expenditure. Consequently, during this period, the Company neither made a profit nor a loss and therefore no profit and loss account has been presented.

In view of the ongoing financial restructuring by Telewest Communications plc (the Group) 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.

### Results and dividends

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

### Directors and their interests

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

Stoorne Incorporations Limited	(appointed 10 April 2001; resigned 12 June 2001)
Stoorne Services Limited	(appointed 10 April 2001; resigned 12 June 2001)
SS Cook	Appointed 12 June 2001
D Docherty	(appointed 12 June 2001; resigned 30 November 2002)
C Burdick	Appointed 3 July 2003

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.

During the financial period, 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.

At 31 December 2001, SS Cook was a director of Telewest Communications plc and his 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.

### Company secretary

Quadrangle Secretaries Limited	(appointed 10 April 2001, resigned 25 July 2001)
C Burns	(appointed 12 June 2001)

# Flextech Broadband Holdings Limited

(formerly Cheltrading 302 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.

### 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.

### Auditors

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit plc will therefore continue in office.

On behalf of the board



**C Burns**  
Secretary

Export House  
Cawsey Way  
Woking  
Surrey  
GU21 6QX

1 August 2003

# Flextech Broadband Holdings Limited

*(formerly Cheltrading 302 Limited)*

## **Independent auditors' report to the members of Flextech Broadband Holdings Limited *(formerly Cheltrading 302 Limited)***

We have audited the financial statements on pages 6 to 10.

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 auditors 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 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 investmentsb.

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.

# Flextech Broadband Holdings Limited

*(formerly Cheltrading 302 Limited)*

## **Independent auditors' report to the members of Flextech Broadband Holdings Limited (formerly Cheltrading 302 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 result for the period from 10 April 2001 (the date of incorporation) to 31 December 2001 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

*1 August* 2003

# Flextech Broadband Holdings Limited

(formerly Cheltrading 302 Limited)

## Balance sheet as at 31 December 2001

	Notes	2001 £'000
<b>Fixed assets</b>		
Investments	4	<u>1,364</u>
<b>Current liabilities</b>		
Amounts due to immediate parent undertaking		<u>(1,364)</u>
<b>Net assets</b>		<u>-</u>
<b>Capital and reserves</b>		
Called up share capital	5	<u>-</u>
<b>Shareholder's funds – equity</b>		<u>-</u>

These financial statements were approved by the board of directors on 1 August 2003 and were signed on its behalf by:



**SS Cook**  
Director

# Flextech Broadband Holdings Limited

*(formerly Cheltrading 302 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.

During the financial period, the company did not trade and received no income and incurred no expenditure. Consequently, during this period, the company neither made a profit nor a loss and therefore no profit and loss account has been presented.

#### ***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 statement***

The Company is exempt from the requirement of Financial Reporting Standard 1 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.



# Flextech Broadband Holdings Limited

(formerly Cheltrading 302 Limited)

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

#### Investments

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

### 2 Profit on ordinary activities before taxation

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

### 3 Employees and directors

There were no employees during the period. No remuneration was paid to the directors during the period.

### 4 Fixed asset investments

	Shares in group undertakings	Participating interests	Loans to group undertakings	Loans to Undertakings in which the company has a participating interest	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At beginning of period	-	-	-	-	-
Additions	153	516	500	195	1,364
<b>At end of period</b>	<b>153</b>	<b>516</b>	<b>500</b>	<b>195</b>	<b>1,364</b>

During the period the following transactions have taken place:

The Company acquired a 34% stake in ICM Interactive Limited, an agency for creative talent in the games development arena.

The Company acquired a 33% stake in Kidstime Entertainment Limited, a developer of on-line educational and entertainment content for use on narrowband and broadband networks

The Company acquired a 70% stake in Start! Games Limited, a fund for early stage development of games concepts.

# Flextech Broadband Holdings Limited

(formerly Cheltrading 302 Limited)

## Notes (continued)

### 4 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>				
Start! Games Limited	England and Wales	Ordinary shares of 1 pence each	70%	Development of games concepts
<b><i>Associated undertakings</i></b>				
ICM Interactive Limited	England and Wales	Ordinary shares of 1 pence each	34%	Creative talent agency in the games development arena
Kidstime Entertainment Limited	England and Wales	Ordinary shares of 1 pence each	33%	Pre-school interactive games

### 5 Called up share capital

2001  
£

#### ***Authorised***

1,000 ordinary shares of £1 each

1,000

#### ***Allotted, issued, called up and fully paid***

2 ordinary shares of £1 each

2

### 6 Capital commitments

The Company had no capital commitments at the end of the financial year.

### 7 Contingent liabilities

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 these companies was £2,250 million of which £1,360 million was drawn down at the year end.

# Flextech Broadband Holdings Limited

*(formerly Cheltrading 302 Limited)*

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

### **7**      **Contingent liabilities** *(continued)*

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. The 2000 draw down and facility represents that of Flextech Limited.

### **8**      **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.