

**Interactive Digital Sales Limited**

**Directors' report and financial statements**

**Registered number 4257717**

**31 December 2004**



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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2004.

### Principal activities

Interactive Digital Sales acts as agent in the sale of advertising airtime on behalf of channels within the Flextech Group, UKTV and external companies.

### Results and business review

The results of the year ended 31 December 2004 and the financial position of the company at that date are set out on pages 6 and 7 of the financial statements.

The directors do not recommend the payment of a dividend (2003: £nil).

In July 2004 the company's ultimate parent, Titan Cable plc (formerly Telewest Communications plc), successfully completed its financial restructuring and Telewest Global, Inc. became the company's ultimate holding company. Further details are set out in note 1, basis of preparation.

In December 2004 Telewest conducted an independent review of certain business practices in the company. This review has been completed with the finding that the activities in question should not result in any material liability, do not evidence material weakness or deficiency in internal controls and do not give rise to any obligation to amend any financial statements.

### Directors and directors' interests

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

M Howe  
L Opie  
N Smith

The company is a wholly-owned subsidiary of Telewest Global, Inc., its ultimate parent company, which is incorporated in Delaware, USA. Therefore under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 directors of the company are exempt from the obligation otherwise imposed by s324 of the Companies Act 1985 to notify the company of their interests in shares in, or debentures of, Telewest Global, Inc.

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 any other UK based group company.

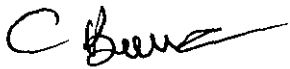
During the financial year, no rights to subscribe for shares in the company or any other UK group company were granted to or exercised by any director who held office at the end of the financial year and to the date of this report or by any member of his immediate family.

## **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**  
*Secretary*

Export House  
Cawsey Way  
Woking  
Surrey  
GU21 6QX

27 May, 2005

## 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 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 group will continue in business.

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

## **Independent auditors' report to the members of Interactive Digital Sales Limited**

We have audited the financial statements on pages 6 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 body, for any audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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 Interactive Digital Sales 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

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

*27 July* 2005

## Profit and loss account

*for the year ended 31 December*

	<i>Note</i>	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>10,803</b>	10,104
Cost of sales		<b>(1,495)</b>	(1,226)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>9,308</b>	8,878
Distribution costs		<b>(3,161)</b>	(2,945)
Administrative expenses (including write back/provision of £21,422,000 (2003: £21,927,000) against intercompany balances)	<i>2</i>	<b>15,275</b>	(27,860)
		<hr/>	<hr/>
<b>Operating profit/(loss)</b>		<b>21,422</b>	(21,927)
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before and after taxation</b>	<i>2-6</i>	<b>21,422</b>	(21,927)
		<hr/>	<hr/>
<b>Retained profit/(loss) for the financial year</b>		<b>21,422</b>	(21,927)
Retained deficit brought forward		<b>(21,927)</b>	-
		<hr/>	<hr/>
<b>Retained deficit carried forward</b>		<b>(505)</b>	(21,927)
		<hr/> <hr/>	<hr/> <hr/>

All of 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 results in the current and prior years are the same as those reported above.

The notes on pages 8 to 14 form part of these financial statements.



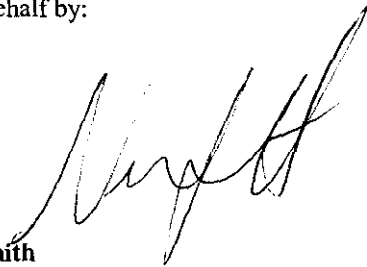
## Balance sheet

at 31 December

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	7	1,272	1,544
<b>Current assets</b>			
Debtors	8	1,484	12,149
		<u>1,484</u>	<u>12,149</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(3,261)</u>	<u>(35,620)</u>
<b>Net current liabilities</b>		<u>(1,777)</u>	<u>(23,471)</u>
<b>Total assets less current liabilities</b>		<u>(505)</u>	<u>(21,927)</u>
<b>Net liabilities</b>		<u>(505)</u>	<u>(21,927)</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account		<u>(505)</u>	<u>(21,927)</u>
<b>Shareholders' deficit - equity</b>	11	<u>(505)</u>	<u>(21,927)</u>

These financial statements were approved by the board of directors on 27 May 2005 and were signed on its behalf by:

Neil Smith  
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 financial statements are prepared on a going concern basis, which the directors believe to be appropriate as the company can rely on support from Telewest UK Limited, an intermediate holding company.

In July 2004, Titan Cable plc (formerly Telewest Communications plc) successfully completed its financial restructuring. This resulted in the reorganisation of the business and operations of Titan Cable plc (formerly Telewest Communications plc) and its subsidiaries ("the group") under Telewest Global, Inc., incorporated in Delaware, USA, which became the new ultimate holding company. The directors believe that the restructuring has left Telewest Global, Inc. and its subsidiaries ("the new Group") with sufficient liquidity to meet the new Group's funding needs and enable it to provide continued support to subsidiary companies.

#### ***Cash flow statement***

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

#### ***Fixed assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer Equipment	-	4 years
Fixtures, Fittings and technical equipment	-	4 – 6 years

#### ***Deferred taxation***

Deferred tax is recognised in respect of all timing difference that have originated but not yet 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover represents the amounts re-charged to fellow subsidiary companies for costs incurred by the company on their behalf during the year.

#### Pension costs

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

### 2 Profit/ (loss) on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit/ (loss) on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	15	15
Depreciation and other amounts written off tangible fixed assets:		
Owned	680	679
(Write-back)/provision against balances due from group undertakings	(21,422)	21,927
	<u>          </u>	<u>          </u>

The company has undertaken a review of amounts due from subsidiary undertakings and parent companies for the year ended December 31, 2004. The basis of assessing the recoverability of these amounts has changed, primarily due to a change in the priority of settlement of these balances. This has resulted in a reduction in the level of provision against such debtors of £21,421,844 as compared to the prior year, which has been released through the profit and loss account for the current year (2003: provision of £21,926,598).

The directors believe the new basis for determining provisions against intercompany debtors in 2004 is preferable since it reflects more fairly the intentions of the Telewest group as to how intercompany debtors will ultimately be repaid and how funds are intended to be used within the group.

### 3 Tax on ordinary activities

	2004 £000	2003 £000
Tax on ordinary activities	-	-
	<u>          </u>	<u>          </u>
Current tax	-	-
	<u>          </u>	<u>          </u>

## Notes (continued)

### 3 Tax on ordinary activities (continued)

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

	2004 £000	2003 £000
Tax on pre-tax profit/(losses) at 30%	6,427	(6,578)
Effects of:		
Amounts not deductible for tax	(6,427)	6,638
Depreciation	204	204
Claim for group relief	(204)	(264)
	<hr/>	<hr/>
Total tax charge (see above)	-	-
	<hr/>	<hr/>

There is no corporation tax liability for the current year as a result of group relief from fellow subsidiary undertakings' losses.

### 4 Deferred tax

As at 31 December 2004, the company estimates that it has, subject to Inland Revenue agreement, £nil (2003: £nil) of tax losses available to relieve future profits. In addition the company estimates that it has unclaimed capital allowances as at 31 December 2004 of £5.6 million (2003: £3.8 million), subject to Inland Revenue agreement.

#### Deferred tax asset

The deferred tax asset of £1.3 million (2003: £670,000) has not been recognised on timing differences. These assets are only deductible against certain types of future income and there is currently insufficient evidence that the right type of income will be generated.

### 5 Directors' remuneration

The highest paid director received the following remuneration:

	2004 £000	2003 £000
Emoluments	280	254
Pension contributions	22	20
	<hr/>	<hr/>
	302	274
	<hr/>	<hr/>

Remuneration received by other directors relates to services to other Telewest group undertakings.

## Notes (continued)

### 6 Staff numbers and costs

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

	Number of employees	
	2004	2003
Sales	84	77
Research	7	7
	<hr/>	<hr/>
	91	84
	<hr/>	<hr/>

The aggregate payroll costs for these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	5,355	4,425
Social Security costs	566	520
Other pension costs	213	217
	<hr/>	<hr/>
	6,134	5,162
	<hr/>	<hr/>

### 7 Tangible fixed assets

	Computer equipment £000	Fixtures, fittings and technical equipment £000	Total £000
<b>Cost</b>			
At the beginning of year	3,770	1	3,771
Additions	1,876	2	1,878
	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>5,646</b>	<b>3</b>	<b>5,649</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At the beginning of year	2,227	-	2,227
Charge for year	2,149	1	2,150
	<hr/>	<hr/>	<hr/>
<b>At the end of year</b>	<b>4,376</b>	<b>1</b>	<b>4,377</b>
	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>			
At 31 December 2004	1,270	2	1,272
	<hr/>	<hr/>	<hr/>
At 31 December 2003	1,543	1	1,544
	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**8 Debtors**

	2004 £000	2003 £000
Amounts owed by group undertakings	1,069	10,901
Other debtors	236	236
Prepayments and accrued income	179	1,012
	<u>1,484</u>	<u>12,149</u>

**9 Creditors: amounts falling due within one year**

	2004 £000	2003 £000
Amounts owed to group undertakings	220	33,972
Other creditors including taxation and social security	818	808
Accruals and deferred income	2,223	840
	<u>3,261</u>	<u>35,620</u>

**10 Called up share capital**

	2004 £	2003 £
<i>Authorised</i>		
1000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted and called up</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

## Notes (continued)

### 11 Reconciliation of movement in shareholders' deficit – equity

	2004 £000	2003 £000
Profit/(loss) for year	21,422	(21,927)
Opening shareholders' deficit – equity	(21,927)	-
	<hr/>	<hr/>
Closing shareholders' deficit– equity	(505)	(21,927)
	<hr/>	<hr/>

### 12 Contingent liabilities

The company has joint and several liabilities under a group VAT registration.

### 13 Related party transactions

As the company was a wholly owned subsidiary of Telewest Global, Inc., the company has taken advantage of the exemption contained in Financial Reporting Standard (FRS) 8 and has therefore not disclosed transactions or balances with entities where 90% or more of the voting rights are controlled within the group. The consolidated financial statements of Telewest Global, Inc., within which this company is included, can be obtained from the address given in note 14.

There were a number of transactions with associated undertakings, being the UKTV joint ventures set up between Telewest and BBC Worldwide.

In total these amounted to:

	2004 £000	2003 £000
Income from associated undertakings*	6,460	5,927
	<hr/>	<hr/>

Balance outstanding at the year end in respect of the above transactions are as follows:

	2004 £000	2003 £000
Amounts due from associated undertakings*	1,124	911
	<hr/>	<hr/>

\*This represents income from management contracts.

## Notes (continued)

### 14 Ultimate parent company

At 31 December 2004, the ultimate parent company was Telewest Global, Inc., which is incorporated in Delaware, USA. Telewest Global, Inc. is the parent of the largest group for which group financial statements, including the company, are drawn up. The smallest group in which the results of the company are consolidated is that headed by Telewest UK Limited, incorporated in England and Wales. Copies of the group financial statements of Telewest Global, Inc. may be obtained from the Company Secretary, Telewest Broadband, Export House, Cawsey Way, Woking, Surrey, GU21 6QX. Telewest Global, Inc. became the ultimate parent of the company on 14 July 2004.