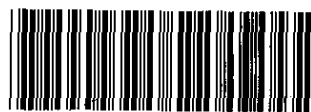


Telewest Communications (Falkirk) Limited

Directors' report and financial statements

31 December 2001

Registered number SC122481



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Telewest Communications (Falkirk) Limited

Directors' report and financial statements

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Telewest Communications (Falkirk) Limited

Directors' report

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

Principal activity and review of business

The principal activity of the Company is, and will continue to be, the development and operation of its cable television and communications network.

Results and dividends

The loss for the year after taxation was £6,310,000 (2000: £4,084,000). The directors recommend that no dividend be paid (2000: £nil).

Directors and their interests

The directors who served during the year, and subsequently, were as follows:

CJ Burdick
SS Cook

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.

At 31 December 2001, CJ Burdick and SS Cook were directors of Telewest Communications plc and their 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.

During the financial year, 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.

Telewest Communications (Falkirk) 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.

Auditors

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditors annually.

On behalf of the board



C Burns
Secretary

1 South Gyle Crescent Lane
Edinburgh
EH12 9EG

28 February 2002

Telewest Communications (Falkirk) Limited

Independent auditors' report to the members of Telewest Communications (Falkirk) Limited

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

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

2 Cornwall Street
Birmingham
B3 2DL

28 February 2002

Telewest Communications (Falkirk) Limited

Profit and loss account

for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover		12,213	10,451
Cost of sales		(4,390)	(4,044)
Gross Profit		7,823	6,407
Administrative expenses		(14,133)	(10,491)
Operating loss	2	(6,310)	(4,084)
Loss on ordinary activities before taxation	2	(6,310)	(4,084)
Tax on loss on ordinary activities		-	-
Loss for the financial year		(6,310)	(4,084)
Retained loss brought forward		(21,639)	(17,555)
Retained loss carried forward		(27,949)	(21,639)

All income and expenditure of the Company arose from continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2001

The Company had no recognised gains and losses other than those reflected in its profit and loss account.

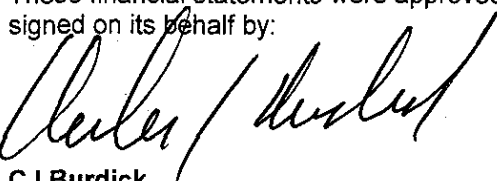
Telewest Communications (Falkirk) Limited

Balance sheet

at 31 December 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	5	34,975	34,408
Current assets			
Debtors	6	1,752	1,349
Cash at bank and in hand		111	220
		<u>1,863</u>	<u>1,569</u>
Creditors: amounts falling due within one year	7	<u>(64,662)</u>	<u>(57,491)</u>
Net current liabilities		<u>(62,799)</u>	<u>(55,922)</u>
Total assets less current liabilities		<u>(27,824)</u>	<u>(21,514)</u>
Net liabilities		<u>(27,824)</u>	<u>(21,514)</u>
Capital and reserves			
Called up share capital	8	125	125
Profit and loss account		<u>(27,949)</u>	<u>(21,639)</u>
Equity shareholder's deficit	9	<u>(27,824)</u>	<u>(21,514)</u>

These financial statements were approved by the board of directors on 28 February 2002 and were signed on its behalf by:


CJ Burdick
Director

Telewest Communications (Falkirk) 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 since the ultimate parent undertaking has agreed to provide or procure financial support for the foreseeable future.

Cash flow exemption

The Company is exempt from the requirement of Financial Reporting Standard No.1 (revised 1996) 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.

Fixed assets and depreciation

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

Freehold and long leasehold property	-	50 years
Cable and ducting	-	20 years
Electronic Equipment	-	5 - 8 years
Other equipment	-	4 - 5 years

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.

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments. All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Telewest Communications (Falkirk) Limited

Notes (continued)

1 Accounting policies (continued)

Turnover

All turnover arises from sales in the United Kingdom.

2 Operating loss

Operating loss is stated after charging:

	2001 £'000	2000 £'000
Depreciation of owned fixed assets	4,822	1,062
Operating lease rentals - other assets	105	96

The beneficial ownership of the operating leases is held by a fellow subsidiary undertaking and the costs are recharged.

3 Directors' remuneration

No remuneration was paid to the directors during the year (2000: £nil).

4 Staff costs

During 2000 all employee contracts were transferred to a fellow subsidiary undertaking. A salary recharge of £2,355,920 (2000:£2,463,013) was made by the fellow subsidiary undertaking during the year.

Telewest Communications (Falkirk) Limited

Notes (continued)

5 Tangible fixed assets

	Cable and ducting £'000	Electronic equipment £'000	Other equipment £'000	Total £'000
Cost				
At 1 January 2001	28,967	12,571	304	41,842
Additions	2,148	3,242	19	5,409
Intergroup transfers	-	-	(20)	(20)
At 31 December 2001	31,115	15,813	303	47,231
Depreciation				
At 1 January 2001	4,724	2,604	106	7,434
Charge for year	1,642	3,167	13	4,822
Intergroup transfers	-	-	-	-
At 31 December 2001	6,366	5,771	119	12,256
Net book value				
At 31 December 2001	24,749	10,042	184	34,975
At 1 January 2001	24,243	9,967	198	34,408

6 Debtors: amounts due within one year

	2001 £'000	2000 £'000
Trade debtors	1,175	1,098
Other debtors	142	-
Prepayments and accrued income	435	251
	<u>1,752</u>	<u>1,349</u>

7 Creditors: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	34	115
Amounts owed to subsidiary and fellow subsidiary undertakings	62,926	55,388
Taxation and social security	125	324
Other creditors	7	18
Accruals and deferred income	1,570	1,646
	<u>64,662</u>	<u>57,491</u>

Telewest Communications (Falkirk) Limited

Notes (continued)

8 Share capital

	2001 £'000	2000 £'000
Authorised:		
30,000,000 ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
Allotted, issued and fully paid:		
124,511 ordinary shares of £1 each	<u>125</u>	<u>125</u>

9 Reconciliation of movements in shareholders' deficit

	2001 £'000	2000 £'000
Opening shareholders' deficit	(21,514)	(17,430)
Loss for the financial year	(6,310)	(4,084)
Closing shareholders' deficit	<u>(27,824)</u>	<u>(21,514)</u>

10 Capital commitments

The Company had no capital commitments at the end of the financial year (2000: £nil).

11 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.