

Telewest Communications (Scotland) Limited

Directors' report and financial statements

31 December 2005

Registered number SC80891



Telewest Communications (Scotland) Limited

Directors' report and financial statements

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Telewest Communications (Scotland) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity and review of business

The principal activity of the Company is, and will continue to be, to invest in and manage, in conjunction with another partner, Telewest Communications (Scotland) Venture.

Results and dividends

The profit for the year ended 31 December 2005 and the financial position of the Company is shown in the financial statements. The directors recommend that no dividend be paid (2004: nil).

Directors and their interests

The following were directors of the Company during the year and up to the date of this report:

AWP Stenham
NR Smith
SS Cook (resigned 3/03/2006)

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.

Post balance sheet events

On 3 March 2006, Telewest Global, Inc. executed an agreement of merger with NTL Incorporated (incorporated in Delaware, USA), which resulted in NTL Incorporated being merged with a subsidiary of Telewest Global, Inc. In accordance with the terms of the agreement of merger, Telewest Global, Inc. was renamed NTL Incorporated with immediate effect. Further details are set out in note 1, basis of preparation and note 14, subsequent events.

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

14 June 2006

Telewest Communications (Scotland) Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Telewest Communications (Scotland) Limited

KPMG Audit PLC

2 Cornwall Street
Birmingham
B3 2DL

Independent auditor's report to the members of Telewest Communications (Scotland) Limited

We have audited the financial statements of Telewest Communications (Scotland) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Telewest Communications (Scotland) Limited

Independent auditor's report to the members of Telewest Communications (Scotland) Limited *(continued)*

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit 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

12 June 2006

Telewest Communications (Scotland) Limited

Profit and loss account

For the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Administrative expenses		249	(493)
Operating profit / (loss)		249	(493)
Interest payable and similar charges	5	(30)	(14)
Share of loss of joint venture		(29)	(999)
Profit / (loss) on ordinary activities before taxation		190	(1,506)
Tax on ordinary activities	6	-	-
Profit / (loss) for the financial year		190	(1,506)
Retained loss brought forward		(3,790)	(2,284)
Retained loss carried forward	12	(3,600)	(3,790)

All figures relate to continuing operations and there is no difference between the profit reported in the profit and loss account and the profit on an historical cost basis.

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

Telewest Communications (Scotland) Limited

Balance sheet

At 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	8	-	-
Creditors: amounts falling due within one year	9	(1,037)	(1,256)
Net current liabilities		<u>(1,037)</u>	<u>(1,256)</u>
Total assets less current liabilities		<u>(1,037)</u>	<u>(1,256)</u>
Provision for liabilities and charges	10	(2,083)	(2,054)
Net liabilities		<u>(3,120)</u>	<u>(3,310)</u>
Capital and reserves			
Called up share capital	11	480	480
Profit and loss account	12	(3,600)	(3,790)
Equity shareholders' deficit	12	<u>(3,120)</u>	<u>(3,310)</u>

These financial statements were approved by the board of directors on 14 June 2006 and were signed on its behalf by:



NR Smith
Director

Telewest Communications (Scotland) 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.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £3,120,000 which the directors believe to be appropriate for the following reasons. Telewest UK Limited, an intermediate holding company, has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this indication the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

On 3 March 2006, Telewest Global, Inc. executed an agreement of merger with NTL Incorporated (incorporated in Delaware, USA), which resulted in NTL Incorporated being merged with a subsidiary of Telewest Global, Inc. The directors believe that the restructuring 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. The directors believe that the subsequent merger with NTL Incorporated continues to provide sufficient liquidity to provide continued support to subsidiary companies.

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 Related Party Disclosure, 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 15.

Cash flow exemption

Under Financial Reporting Standard (FRS) 1 Cash Flow Statements, the Company is exempt from producing a cash flow statement on the grounds that the Company's ultimate parent company, Telewest Global, Inc., includes it in its own published consolidated financial statements.

Telewest Communications (Scotland) Limited

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences, which 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 right to pay less tax in future have occurred at the balance sheet date, except as otherwise required by Financial Reporting Standard (FRS) 19 Deferred Tax. 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 in subsidiary undertakings and joint ventures are stated in the Company balance sheet at cost less provision for any impairment in value.

2 Directors' remuneration

No remuneration was paid to the directors during the year (2004: nil).

3 Staff costs

The Company's activities are undertaken by employees of fellow group companies.

4 Audit fees

The auditors' remuneration for 2005 and 2004 was borne by Telewest Communications Group Limited.

5 Interest payable and similar charges

	2005 £'000	2004 £'000
Other	30	14

Telewest Communications (Scotland) Limited

Notes (continued)

6 Tax on ordinary activities

Reconciliation of the Company's current tax to the UK statutory rate

	2005 £000	2004 £000
Profit / (loss) for the financial year	190	(1,506)
Tax on pre tax profit / (loss) at 30%	57	(452)
Effects of:		
Timing differences	(22)	400
(Utilisation) / Creation of tax losses	(35)	52
Current tax	-	-
UK Corporation tax at 30% (2004: 30%)	-	-
UK Deferred tax	-	-
Tax on ordinary activities	-	-

7 Deferred tax

The Company estimates that it has, as at 31 December 2005, £794,000 (2004: £1,150,000) of tax losses available to relieve future profits and unclaimed capital allowances as at 31 December 2005 of £nil (2004: £nil).

A deferred tax asset of £238,000 (2004: £345,000) has not been recognised on carry forward losses and other timing differences. These assets can only be deducted against certain types of future income. There is currently insufficient evidence that the right type of income will be generated.

Telewest Communications (Scotland) Limited

Notes (continued)

8 Investments

	Shares in group Undertakings £'000	Investment in joint venture £'000	Total £'000
Investments			
At 1 January and 31 December 2005	240	765	1,005
Share of loss of joint venture			
At 1 January and 31 December 2005	-	(765)	(765)
Provisions			
At 1 January and 31 December 2005	(240)	-	(240)
Net book value			
At 31 December 2005	-	-	-
At 31 December 2004	-	-	-

At 31 December 2005, the Company owned 100% of the ordinary shares of the following dormant subsidiaries which were incorporated in Great Britain and registered in Scotland:

Capital City Cablevision Limited
Edinburgh Cablevision Limited
Hieronymous Limited

The investments in these subsidiaries have been written down to the net book value of the underlying assets, thereby writing off all goodwill.

Investment in joint venture

Under an agreement with effect from 1 January 1992, Edinburgh Cable Limited Partnership and the Company have agreed to participate in the Telewest Communications (Scotland) Venture, a joint venture relating to the construction, installation and operation of a cable television and telecommunications system in the Edinburgh franchise area. The address of the joint venture's principal place of business is 1 South Gyle Crescent Lane, Edinburgh, EH12 9EX.

Assets purchased or acquired by the Company for the business of constructing, installing or operating the system are held on trust for or otherwise for the benefit of the joint venture. These assets are reflected in the financial statements of the joint venture. Profit and losses of the joint venture are allocated 99% to Edinburgh Cable Limited Partnership and 1% to the Company.

Telewest Communications (Scotland) Limited

Notes (continued)

9	Creditors: amounts falling due within one year	2005	2004
		£'000	£'000
	Amounts owed to group undertakings	749	749
	Other creditors	288	507
		<u>1,037</u>	<u>1,256</u>
10	Provision for liabilities and charges	2005	2004
		£'000	£'000
	Provision for joint venture loss	2,083	2,054
		<u>2,083</u>	<u>2,054</u>
11	Share capital	2005	2004
		£'000	£'000
	Authorised:		
	20,000,000 ordinary shares of £1 each	20,000	20,000
		<u>20,000</u>	<u>20,000</u>
	Allotted, issued and fully paid:		
	480,000 ordinary shares of £1 each	480	480
		<u>480</u>	<u>480</u>
12	Reconciliation of movements in shareholders' deficit and reserves		
		Share Capital	Profit and loss account
		£'000	£'000
	At 1 January 2004	480	(2,284)
	Loss for the year	-	(1,506)
		<u>480</u>	<u>(3,790)</u>
	At 1 January 2005	480	(3,790)
	Profit for the year	-	190
		<u>480</u>	<u>(3,600)</u>
	At 31 December 2005	480	(3,600)
		<u>480</u>	<u>(3,600)</u>

Telewest Communications (Scotland) Limited

Notes (continued)

13 Contingent liabilities

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

In December 2004, the Company, together with other group companies, entered into 2 new facilities agreements pursuant to which it 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 those companies were £1,780 million, of which £1,680 million was drawn down at 31 December 2005. (2004: £1,800 million, of which £1,700 million was drawn down at 31 December).

14 Subsequent events

On 3 March 2006, Telewest Global, Inc., the company's ultimate parent undertaking, and NTL Incorporated announced that they had completed the merger of the two businesses, creating the UK's second largest communications company. Telewest Global, Inc. (now renamed NTL Incorporated), NTL Cable plc, NTL Investment Holdings Limited and certain of its subsidiaries, and Telewest Communications Networks Limited and certain of its subsidiaries executed a Senior Facilities Agreement with a consortium of financial institutions. The new senior secured credit facility has an aggregate principal amount of £3.8 billion, mainly comprising of a £3.2 billion 5-year term loan facility and a £100 million 5-year multi-currency revolving credit facility. Telewest Global, Inc and NTL Incorporated (now renamed NTL Holdings Inc.) also entered into a Senior Bridge Facilities Agreement with a consortium of financial institutions. This facility consists of a 1-year (automatically extendable to a 10-year) senior subordinated bridge facility in an aggregate principal amount of \$3.1 billion (£1.8 billion equivalent) for the purposes of financing the cash consideration payable pursuant to the merger agreement and paying the related fees, costs and expenses in connection therewith. This facility has now been fully drawn. In addition, NTL Incorporated and NTL Investment Holdings Limited agreed to engage the financial institutions for any take-out financing for the bridge facility.

15 Ultimate parent company and parent undertaking of larger group of which the company is a member

At 31 December 2005, 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 prepared. The smallest group in which the results of the Company are consolidated is that headed by Telewest UK Limited, incorporated in England and Wales. On 3 March 2006 Telewest Global, Inc. executed an agreement of merger with NTL Incorporated (incorporated in Delaware, USA), which resulted in NTL Incorporated being merged with a subsidiary of Telewest Global, Inc. In accordance with the terms of the agreement of merger Telewest Global, Inc. was renamed NTL Incorporated with immediate effect. 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. NTL Incorporated became the ultimate parent of the Company on 3 March 2006.