LIBERTY MEDIA CORP /DE/
Form 10-K/A
January 21, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K/A
AMENDMENT NO. 2
FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-20421

LIBERTY MEDIA CORPORATION
(Exact name of Registrant as specified in its charter)

STATE OF DELAWARE (State or other jurisdiction of incorporation or organization)	84-1288730 (I.R.S. Employer Identification No.)
12300 LIBERTY BOULEVARD ENGLEWOOD, COLORADO (Address of principal executive offices)	80112 (Zip Code)

Registrant's telephone number, including area code: (720) 875-5400

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED

Series A Common Stock, par value $.01 per share	New York Stock Exchange
Series B Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / /

Indicate by check mark whether the Registrant is an accelerated filer as defined in Rule 12b-2 of the Exchange Act. Yes /X/ No / /

The aggregate market value of the voting stock held by nonaffiliates of Liberty Media Corporation computed by reference to the last sales price of such stock, as of the closing of trading on June 28, 2002, was approximately $25,572,000,000.

The number of shares outstanding of Liberty Media Corporation's common stock as of February 28, 2003 was:

Series A Common Stock--2,473,226,542 shares; and
Series B Common Stock--211,829,828 shares.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY MEDIA CORPORATION

Dated: January 21, 2004

By /s/ CHARLES Y. TANABE

Charles Y. Tanabe
SENIOR VICE PRESIDENT AND
GENERAL COUNSEL

Dated: January 21, 2004

By /s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
SENIOR VICE PRESIDENT AND
CONTROLLER

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)(1) FINANCIAL STATEMENTS

Included in Part II of this Report:

(a)(2) FINANCIAL STATEMENT SCHEDULES

Included in Part IV of this Report:

(i) All schedules have been omitted because they are not applicable, not material or the required information is set forth in the financial statements or notes thereto.

(ii) Separate financial statements for Telewest Communications plc:

(iii) Separate financial statements of Teligent, Inc. were included in Liberty's Registration Statement on Form S-1 related to its split off from AT&T Corp. On May 21, 2001, Teligent and all of its direct and indirect domestic subsidiaries filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Since then Teligent has been subject to a liquidation process. Accordingly, Teligent's financial statements are not included herein.

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(a)(3) EXHIBITS

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

3--Articles of Incorporation and Bylaws:

3.1 Restated Certificate of Incorporation of Liberty, dated August 9, 2001 (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 of Liberty Media Corporation (File No. 333-55998) as filed on February 21, 2001 (the "Split Off S-1 Registration Statement")).

3.2 Bylaws of Liberty, as adopted August 9, 2001 (incorporated by reference to Exhibit 3.4 of the Split Off S-1 Registration Statement).

4--Instruments Defining the Rights of Securities Holders, including Indentures:

4.1 Specimen certificate for shares of Series A common stock, par value $.01 per share, of the Registrant (incorporated by reference to Exhibit 4.1 to the Split Off S-1 Registration Statement).

4.2 Specimen certificate for shares of Series B common stock, par value $.01 per share, of the Registrant (incorporated by reference to Exhibit 4.2 to the Split Off S-l Registration Statement).

4.3 Liberty undertakes to furnish the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10--Material Contracts:

10.1 Inter-Group Agreement dated as of March 9, 1999, between AT&T Corp. and Liberty Media Corporation, Liberty Media Group LLC and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-4 of Liberty Media Corporation (File No. 333-86491) as filed on September 3, 1999, the "Liberty S-4 Registration Statement").

10.2 Ninth Supplement to Inter-Group Agreement dated as of June 14, 2001, between and among AT&T Corp., on the one hand, and Liberty Media Corporation, Liberty Media Group LLC, AGI LLC, Liberty SP, Inc., LMC Interactive, Inc. and Liberty AGI, Inc., on the other hand (incorporated by reference to Exhibit 10.25 to the Registration Statement on

Form S-1 of Liberty Media Corporation (File No. 333-66034) as filed on July 27, 2001).

10.3 Intercompany Agreement dated as of March 9, 1999, between Liberty and AT&T Corp. (incorporated by reference to Exhibit 10.3 to the Liberty S-4 Registration Statement).

10.4 Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.4 to the Liberty S-4 Registration Statement).

10.5 First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.5 to the Liberty S-4 Registration Statement).

10.6 Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 of Liberty Media Corporation (File No. 333-93917) as filed on December 30, 1999 (the "Liberty S-1 Registration Statement)).

10.7 Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.7 to the Liberty S-l Registration Statement).

10.8 Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.8 to the Liberty S-l Registration Statement).

10.9 Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.9 to the Liberty S-l Registration Statement).

10.10	Sixth Amendment to Tax Sharing Agreement dated as of December 10, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.10 to the Liberty S-l Registration Statement).
10.11	Seventh Amendment to Tax Sharing Agreement dated as of December 30, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.11 to the Liberty S-l Registration Statement).
10.12	Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Liberty Media Corporation, AT&T Broadband LLC, Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.12 to the Split Off Registration Statement).
10.13	Instrument dated January 14, 2000, adding The Associated Group, Inc. as a party to the Tax Sharing Agreement dated as of March 9, 1999, as amended, among The Associated Group, Inc., AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.12 to the Liberty S-1 Registration Statement).
10.14	Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Liberty as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Liberty and John C. Malone (incorporated by reference to Exhibit 10.6 to the Liberty S-4 Registration Statement).

10.15	Amended and Restated Agreement and Plan of Restructuring and Merger among UnitedGlobalCom, Inc., New UnitedGlobalCom, Inc., United/New United Merger Sub, Inc., Liberty Media Corporation, Liberty Media International, Inc. and Liberty Global, Inc., dated December 31, 2001 (incorporated by reference to Current Form 8-K filed by Liberty Media Corporation on January 9, 2002, Commission File No. 0-20421).
10.16	Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective September 11, 2002).*
10.17	Liberty Media Corporation 2002 Non-employee Director Incentive Plan.*

21--Subsidiaries of Liberty Media Corporation.*

23.1 Consent of KPMG LLP.*

23.2 Consent of KPMG Audit plc.*

23.3 Consent of KPMG Audit plc, filed herewith.

99.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

99.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

99.3 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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* Previously filed.

(b) Reports on Form 8-K filed during the quarter ended December 31, 2002:

DATE OF REPORT	ITEM REPORTED	FINANCIAL STATEMENTS FILED
November 14, 2002..........................	Item 9	None
November 20, 2002..........................	Items 5 and 7	None

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S REPORT
to the board of directors and shareholders of Telewest Communications plc

We have audited the accompanying consolidated balance sheets of Telewest Communications plc and subsidiaries (the Group) as of December 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity/(deficit) and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements on pages IV-6 to IV-40 present fairly, in all material respects, the financial position of Telewest Communications plc and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002 in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in note 2 to the financial statements, the Group has suffered recurring losses, has a net shareholders deficit and is undergoing financial restructuring and this raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in note 3 to the consolidated financial statements, the 2002 consolidated financial statements have been restated.

As discussed in note 4 to the consolidated financial statements, the Group adopted SFAS 141, BUSINESS COMBINATIONS and SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS, in 2002.

As discussed in note 4 to the consolidated financial statements, the Group changed its method of accounting for derivative instruments and hedging activities in 2001.

KPMG AUDIT PLC
Chartered Accountants
Registered Auditor
London, England

March 26, 2003, except for note 3, which is as of January 16, 2004.

CONSOLIDATED STATEMENTS OF OPERATIONS
years ended December 31

	NOTES	(NOTE 2) 2002 RESTATED $ MILLION	REST L MIL
REVENUE			
Cable television		541	
Consumer telephony		797	
Internet and other		101	
TOTAL CONSUMER DIVISION		1,439	
Business Services Division		455	
TOTAL CABLE DIVISION		1,894	1
Content Division		171	
TOTAL REVENUE		2,065	1

OPERATING COSTS AND EXPENSES			
Consumer programming expenses		206	
Business and consumer telephony expenses		351	
Content expenses		113	
Depreciation		797	
Impairment of fixed assets		1,353	
Cost of sales		2,820	1
Selling, general and administrative expenses		846	
Amortization of goodwill		--	
Impairment of goodwill		2,326	1
		5,992	3
OPERATING LOSS		(3,927)	(2
OTHER INCOME/(EXPENSE)			
Interest income (including L 12 million, L 15 million and L 15 million in 2002, 2001 and 2000, respectively, from related parties)	22	30	
Interest expense (including amortization of debt discount)		(850)	
Foreign exchange gains/(losses), net		343	
Share of net losses of affiliates and impairment		(190)	
Other, net		58	
Minority interests in losses of consolidated subsidiaries, net		2	
LOSS BEFORE INCOME TAXES		(4,534)	(2
Income tax benefit	17	45	
NET LOSS		(4,489)	(2
Basic and diluted loss per ordinary share		$ (1.56)	L (
Weighted average number of ordinary shares outstanding (millions)		2,873	2

All income is derived from continuing operations.

See accompanying notes to the consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS
years ended December 31

	NOTES	(NOTE 2 200 RESTATE $ MILLIO
ASSETS		
Cash and cash equivalents		62
Secured cash deposits restricted for more than one year	21	1
Trade receivables (net of allowance for doubtful accounts of L 12 million and L 16 million)		19
Other receivables	9	11

Prepaid expenses		4
Total current assets		99
Investment in affiliates, accounted for under the equity method, and related receivables	10	60
Property and equipment (less accumulated depreciation of L 3,196 million and L 1,873 million)	11	4,18
Goodwill (less accumulated amortization of L 2,593 million and L 1,148 million)	6	71
Inventory	14	4
Other assets (less accumulated amortization and write offs of L 76 million and L 47 million)	13	4
TOTAL ASSETS		6,59
LIABILITIES AND SHAREHOLDERS' FUNDS		
Accounts payable		17
Other liabilities	15	1,01
Debt repayable within one year	16	8,76
Total current liabilities		9,95
Deferred tax	17	13
Debt repayable after more than one year	16	1
Capital lease obligations		32
TOTAL LIABILITIES		10,43
MINORITY INTERESTS		(
SHAREHOLDERS' (DEFICIT)/EQUITY		
Ordinary shares, 10 pence par value; 4,300 million authorized; 2,873 and 2,886 million issued in 2002 and 2001 respectively		46
Limited voting convertible ordinary shares, 10 pence par value; 300 million authorized and 82 million and 63 million outstanding in 2002 and 2001 respectively		1
Additional paid in capital		6,79
Accumulated deficit		(11,09
Accumulated other comprehensive (loss)/income	20	(1
		(3,84
Ordinary shares held in trust for the Telewest Restricted Share Scheme and the Telewest Long-Term Incentive Plan		-
TOTAL SHAREHOLDERS' (DEFICIT)/EQUITY		(3,84
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,59

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
years ended December 31

	(NOTE 2) 2002 RESTATED $ MILLION	2 RESTA L MILL
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(4,489)	(2,
Adjustments to reconcile net loss to net cash provided/(utilized) by operating activities		
Depreciation	797	
Impairment of fixed assets	1,353	
Amortization of goodwill	--	
Impairment of goodwill	2,326	1,
Amortization and write off of deferred financing costs and issue discount on Senior Discount Debentures	184	
Deferred tax credit	(45)	
Unrealized (gain)/loss on foreign currency translation	(343)	(
Non-cash accrued share based compensation (credit)/cost	(2)	
Share of net (profits)/losses of affiliates and impairment	(16)	
Loss on disposal of assets	148	
Minority interests in losses of consolidated subsidiaries	--	
Changes in operating assets and liabilities net of effect of acquisition of subsidiaries		
Change in receivables	31	
Change in prepaid expenses	10	
Change in accounts payable	27	
Change in other liabilities	160	
Change in other assets	24	
NET CASH PROVIDED/(UTILIZED) BY OPERATING ACTIVITIES	165	
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property and equipment	(721)	(
Cash paid for acquisition of subsidiaries, net of cash acquired	--	
Additional investments in and loans to affiliates	--	
Repayment of loans made to joint ventures (net)	14	
Proceeds from disposal of assets	2	
Disposal of subsidiary undertaking, net of cash disposed	23	
Disposal of associate undertaking, net of cash disposed	95	
NET CASH USED IN INVESTING ACTIVITIES	(587)	(
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	--	
Share issue costs	--	
Proceeds from issue of Senior Discount Notes and Senior Notes 2010	--	
Proceeds from issue of Senior Convertible Notes 2005	--	
Proceeds from issue of Accreting Convertible Notes 2003	--	
Issue costs of Notes and credit facility arrangement costs	--	
Net proceeds from maturity of forward contracts	122	
Release/(placement) of restricted deposits	13	
Repayments from borrowings under old credit facilities	(3)	
Repayment of SMG equity swap	(53)	
Proceeds/(repayment) from borrowings under new credit facility	1,030	
Capital element of finance lease repayments	(82)	
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,027	

Net increase/(decrease) in cash and cash equivalents	605
Cash and cash equivalents at beginning of year	23
CASH AND CASH EQUIVALENTS AT END OF YEAR	628

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY/(DEFICIT) AND COMPREHENSIVE LOSS

	ORDINARY SHARES L MILLION	LIMITED VOTING SHARES L MILLION	SHARES HELD IN TRUST L MILLION	ADDITIONAL PAID-IN CAPITAL L MILLION	COMPR L
BALANCE AT DECEMBER 31, 1999	228	6	(2)	2,328	
Ordinary shares issued on exercise of share options	--	--	--	3	
Shares issued to acquire Flextech Plc net of issue costs	60	--	--	1,873	
Accrued share based compensation cost	--	--	--	5	
Unrealised gain on deemed disposal of shares in an affiliate	--	--	--	7	
Net loss	--	--	--	--	
BALANCE AT DECEMBER 31, 2000	288	6	(2)	4,216	
Unrealised gain/(loss) on derivative financial instruments:					
Cumulative effects of accounting change	--	--	--	--	
Amounts reclassified into earnings	--	--	--	--	
Current period increase in fair value	--	--	--	--	
Net loss	--	--	--	--	
TOTAL COMPREHENSIVE LOSS					
Unrealised gain on deemed partial disposal of investment	--	--	--	--	
Ordinary shares issued on exercise of share options	1	--	1	6	
Gain on retranslation of investment in an overseas subsidiary	--	--	--	1	
Redesignation of ordinary shares	(2)	2	--	--	
Accrued share based compensation cost	--	--	--	1	
BALANCE AT DECEMBER 31, 2001	287	8	(1)	4,224	
Unrealised gain/(loss) on derivative financial instruments:					
Amounts reclassified into earnings	--	--	--	--	
Net loss (restated)	--	--	--	--	
TOTAL COMPREHENSIVE LOSS (RESTATED)					
Accrued share based compensation (credit)/cost	--	--	1	(1)	

BALANCE AT DECEMBER 31, 2002 (RESTATED)	287	8	--	4,223

There was no other comprehensive income in the year ended December 31, 2000.

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

1 ORGANIZATION AND HISTORY

Telewest Communications plc ("the Company") and its subsidiary undertakings (together "the Group") provide cable television, telephony and internet services to business and residential customers in the United Kingdom ("UK"). The Group derives its cable television revenues from installation fees, monthly basic and premium service fees and advertising charges. The Group derives its telephony revenues from connection charges, monthly line rentals, call charges, special residential service charges and interconnection fees payable by other operators. The Group derives its internet revenues from installation fees and monthly subscriptions to its ISP. The cable television, telephony and internet services account in 2002 for approximately 26%, 61% and 5%, respectively, of the Group's revenue.

The Group is also engaged in broadcast media activities, being the supply of entertainment content, interactive and transactional services to the UK pay-TV broadcasting market. The Content Division accounts in 2002 for approximately 8% of the Group's revenue.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Group's significant estimates and assumptions include capitalisation of labor and overhead costs; impairment of goodwill and long-lived assets (see note 6); and accounting for debt and financial instruments (see note 5). Actual results could differ from those estimates.

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

Following the directors' decision on September 30, 2002 not to pay the interest on certain of the Group's bonds and other hedging instruments, the Group is now in default 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 and bank facility creditors to effect a reorganization of the Group's debt. This will involve, among other things, 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. Further details of the planned Financial

Restructuring are included in note 23.

In order for the Financial Restructuring to be effective, the Scheme Creditors need to approve the plans by the relevant statutory majority. In addition, the Group's shareholders need to approve the proposed share capital reorganization.

The directors are of the opinion that the status of negotiations of the financial restructuring will lead to a successful outcome and that this is sufficient grounds for issuing the annual financial statements under the assumption of going concern.

The effect on the financial statements as presented, of the going concern basis of preparation being inappropriate, is principally that the book value of tangible fixed assets and investments would be restated from their present value in use to a net realizable value. Whilst the directors believe that the net realizable values would be lower than the current value in use there is insufficient information available for the directors to quantify the difference.

The Group faces the following significant risks and uncertainties about:

- its continued ability to raise finance to fund its operations;
- its successful execution of its long term business plan, which in turn will affect the Group's ability to raise further finance under the Senior Secured Facility (see note 16); and
- the need to meet financial and other covenants relating to debt instruments which have already been issued.

The economic environment and currency in which the Group operates is the United Kingdom and hence its reporting currency is Pounds Sterling (L). Certain financial information for the year ended December 31, 2002 has been translated into US Dollars ($), with such US Dollar amounts being unaudited and presented solely for the convenience of the reader, at the rate of $1.6095 =L 1.00, the Noon Buying Rate of the Federal Reserve Bank of New York on December 31, 2002. The presentation of the US Dollar amounts should not be construed as a representation that the Pounds Sterling amounts could be so converted into US Dollars at the rate indicated or at any other rate.

3 RESTATEMENT

Subsequent to the issuance of our consolidated financial statements as of and for the year ended December 31, 2002, we have determined the need to adjust the classification of debt previously reflected as non-current in the consolidated balance sheet at December 31, 2002 and write off deferred financing costs as at December 31, 2002 relating to the restated debt. The adjustment of debt reclassifies L 1,792 million from non-current "Debt repayable after more than one year" to "Debt repayable within one year". The write off of deferred financing costs decreases other assets and increases interest expense and net loss as at and for the year ended December 31, 2002 by L 11 million. There was no impact on the 2001 Consolidated Financial Statements.

These adjustments have been made because the Company recently determined that the effect of non-payment of a hedge contract of L 10.5 million in 2002 triggered a default on an additional L 1,792 million of bond debt as at December 31, 2002.

We have also determined the need to accrue additional interest of L 2 million relating to additional interest for bonds in default as at December 31, 2002. This adjustment increases net loss, interest expense and other liabilities by L 2 million as at and for the year ended December 31, 2002.

BALANCE SHEET (IN L MILLIONS)	RESTATEMENT DECEMBE
	As Reported
Other assets	40
Total assets	4,106
Debt repayable within one year	3,652
Other liabilities	631
Total current liabilities	4,393
Debt repayable after more than one year	1,798
Accumulated deficit	(6,880)
Total shareholders' (deficit)/equity	(2,373)

CONSOLIDATED STATEMENT OF OPERATIONS (IN L MILLIONS, EXCEPT PER SHARE DATA)	RESTATEM FOR THE DECEMBE
	As Reported
Interest expense	(515)
Net loss	(2,776)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY/(DEFICIT) AND COMPREHENSIVE LOSS (IN L MILLIONS)
Total comprehensive loss

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and those of its majority-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated upon consolidation. All acquisitions have been accounted for under the purchase method of accounting. Under this method, the results of subsidiaries and affiliates acquired in the year are included in the consolidated statement of operations from the date of acquisition.

IMPAIRMENT OF LONG LIVED ASSETS AND GOODWILL

The Group applies Statement of Financial Accounting Standard ("SFAS") No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. The Group adopted, from January 1, 2002 SFAS 144 which requires that long-lived assets and certain identifiable intangibles, including goodwill, to be held and used by an entity, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indications of impairment are determined by reviewing undiscounted projected future cash flows. If impairment is indicated, the amount of the impairment is the amount by which the carrying value exceeds the fair value of the assets.

BUSINESS COMBINATIONS AND GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, BUSINESS COMBINATIONS and SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS. SFAS 141 requires all business combinations undertaken after June 30, 2001 to be accounted for using the purchase method. Under SFAS 142, goodwill arising from business combinations and intangible assets with indefinite lives are no longer amortized but are subject to annual review for impairment (or more frequently should indications of impairment arise). Goodwill associated with equity- method investments will also no longer be amortized upon adoption of SFAS 142, but will be subject to impairment testing as part of the investment to which it relates in accordance with Accounting Principles Board Opinion No. ("APB") 18, THE EQUITY METHOD OF ACCOUNTING FOR INVESTMENTS IN COMMON STOCK. Separable intangible assets that do not have indefinite lives will continue to be amortized over their estimated useful lives and will be subject to review for impairment in accordance with SFAS 144 (see below). The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. For goodwill and intangible assets acquired prior to July 1, 2001, the Group was required to adopt SFAS 142 effective January 1, 2002. As of January 1, 2002 the Group had L 2,199 million of unamortized goodwill, L 1,892 million of which related to business combinations and L 307 million of which related to equity-method investments.

Impairment under SFAS 142 is measured using a two-step approach, initially based on a comparison of the reporting unit's fair value to its carrying value; if the fair value is lower, then the second step compares the implied fair value of the goodwill with its carrying value to determine the amount of the impairment. In connection with SFAS 142's transitional goodwill impairment evaluation, the Statement required the Company to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption of January 1, 2002. The Company compared the individual carrying value of its two reporting units, Cable and Content, to their respective fair values. The fair values of the respective reporting units were determined from an analysis of discounted cash flows based on the Company's budgets and long range plan. The discounted cash flow analysis was performed at a reporting unit level. At January 1, 2002 the fair values of both reporting units were greater than their respective carrying values and therefore the adoption of SFAS 142 on January 1, 2002, had no impact on the Company's financial position or results of operations.

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CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments with original maturities of three months or less that are readily convertible into cash.

DERIVATIVES AND HEDGING

At January 1, 2001 the Company adopted SFAS 133 ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES as amended by SFAS 137 and SFAS 138. SFAS 133 established accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires the recognition at fair value of all derivative instruments as assets or liabilities in the Company's balance sheet. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated a hedge and if so, the type of hedge and its effectiveness as a hedge.

For derivatives, which are not designated as hedges, changes in fair value are recorded immediately in earnings.

For derivatives designated as cash flow hedges, changes in fair value on the effective portion of the hedging instrument are recorded within other comprehensive income ("OCI") until the hedged transaction occurs and are then recorded within earnings. Changes in the ineffective portion of a hedge are recorded in earnings. For derivatives designated as fair value hedges, changes in fair value are recorded in earnings. The Group has not, however, had any fair value hedges since the adoption of SFAS 133.

The Group discontinues hedge accounting for derivative financial instruments when it is determined that the derivative instrument is no longer effective in offsetting changes in the cash flows of the hedged item; the derivative instrument expires or is sold; the derivative instrument is no longer designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur; a hedged firm commitment no longer meets the definition of a firm commitment; or its management determines that designation of the derivative instrument as a hedging instrument is no longer appropriate. The tests for determining the effectiveness of a cash flow hedge compare on a strict basis the amount and timing of cash flows on the underlying economic exposure with the cash flows of the derivative instrument.

Upon discontinuation of cash flow hedge accounting, the net gain or loss attributable to the hedging instrument, which has been reported in OCI to the date of discontinuation, continues to be reported in OCI until the date the hedged transaction impacts earnings. This occurs unless it is probable that the hedged transaction will not occur by the end of the originally specified time period. If the hedged transaction is not expected to occur, the net gain or loss is reclassified from OCI to earnings upon discontinuation.

Prior to adoption of SFAS 133 the Group had the following accounting policies in respect of financial instruments. Foreign currency forward contracts, options and swaps, which were used to reduce the exchange risk on the principal amounts and early call premiums on certain foreign currency borrowings, were recorded on the balance sheet at their fair value. Gains and losses arising from changes in fair value were recorded concurrently within earnings. Such gains and losses were offset by gains and losses arising from retranslating the principal amounts of the foreign currency borrowings.

The Group also used foreign currency forward contracts and cross currency interest rate swaps to reduce its exposure to adverse changes in exchange rates associated with the interest payments on certain foreign currency borrowings. Such foreign currency forward contracts and cross currency interest rate swaps were accounted for using the accruals method.

The Group also used interest rate swap agreements and an interest rate collar to manage interest rate risk on the Group's borrowings. Net income or expense resulting from the differential between exchanging floating and fixed interest payments was recorded within the consolidated statement of operations on an accruals basis from the effective date of the interest rate swap agreements and interest rate collar.

INVESTMENTS

Generally, investments in partnerships, joint ventures and subsidiaries in which the Group's voting interest is 20% to 50%, and others where the Group has significant influence, are accounted for using the equity method. Investments which do not have a readily determinable fair value, in which the Group's voting interest is less than 20%, and in which the Group does not have significant influence, are carried at cost and written down to the extent that there has been an other-than-temporary diminution in value. The Group accounts for certain investments in which the Group's ownership is greater than 50% using the equity method. This method is used for such subsidiaries where the minorities have substantive participating rights such as veto over key operational and financial matters and equal representation on the board of directors.

The Group reviews the carrying values of its investments in affiliates, including any associated goodwill, to ensure that the carrying amount of such investments are stated at no more than their recoverable amounts. The Group assesses the recoverability of its investments by determining whether the carrying value of the investments can be recovered through projected discounted future operating cash flows (excluding interest) of the operations underlying the investments. The assessment of the recoverability of the investments will be impacted if projected future operating cash flows are not achieved. The amount of impairment, if any, is measured based on the projected discounted future operating cash flows using a rate commensurate with the risks associated with the assets.

ADVERTISING COSTS

Advertising costs are expensed as incurred. The amount of advertising costs expensed was L 52 million, L 48 million, and L 38 million for the years ended December 31, 2002, 2001, and 2000, respectively.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is provided to write-off the cost, less estimated residual value, of property and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold and long leasehold buildings	50 years
Cable and ducting	20 years

Electronic equipment	
System electronics	8 years
Switching equipment	8 years
Subscriber electronics	5 years
Headend, studio, and playback facilities	5 years
Other equipment	
Office furniture and fittings	5 years
Motor vehicles	4 years

The Group accounts for costs, expenses and revenues applicable to the construction and operation of its cable systems in accordance with SFAS 51 FINANCIAL REPORTING BY CABLE TELEVISION COMPANIES. Initial subscriber installation costs are capitalized and depreciated over the life of the network.

DEFERRED FINANCING COSTS

Direct costs incurred in raising debt are deferred and recorded on the consolidated balance sheet in other assets. The costs are amortized to the consolidated statement of operations at a constant rate to the carrying value of the debt over the life of the obligation. Deferred financing costs in respect of bond debt in default are written off immediately to the consolidated statement of operations.

MINORITY INTERESTS

Recognition of the minority interests' share of losses of consolidated subsidiaries is limited to the amount of such minority interests' allocable portion of the equity of those consolidated subsidiaries.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange prevailing at the balance sheet date and the gains or losses on translation are included in the consolidated statement of operations.

REVENUE RECOGNITION

Revenues are recognized as network communication services are provided. Credit risk is managed by disconnecting services to customers who are delinquent. Connection and activation fees relating to cable television, telephony and internet are recognized in the period of connection to the extent that such fees are less than direct selling costs. Any excess connection and activation fees over direct selling costs incurred are deferred and amortized over the expected customer life.

Occasionally the Group sells capacity on its network to other telecommunications providers. Sales of capacity are accounted for as sales-type leases, operating leases, or service agreements depending on the terms of the transaction. If title is not transferred or if the other requirements of sales-type lease accounting are not met, revenues are recognized rateably over the term of the agreement.

Programming revenues are recognized in accordance with Statement of Position ("SOP") 00 - 2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS. Revenue on transactional and interactive sales is recognized as and when the services are delivered. Advertising sales revenue is recognized at estimated realizable values when the advertising is aired.

RECOGNITION OF CONTRACT COSTS

Certain of the sales of network capacity referred to above involve the Group constructing new capacity. Where the Group retains some of this new capacity, either for subsequent resale or for use within the business, then an element of the construction costs is retained within inventory or equipment, respectively. The allocation of construction cost between costs expensed to the statement of operations and costs capitalized within inventory or equipment is based upon the ratio of capacity to be sold and to be retained.

PENSION COSTS

The Group operates a defined contribution scheme (the Telewest Communications plc Pension Trust) or contributes to third-party schemes on behalf of employees. The amount included in expenses in 2002, 2001 and 2000 of L 11 million, L 10 million and L 8 million, respectively, represents the contributions payable to the selected schemes in respect of the relevant accounting periods.

INCOME TAXES

Under the asset and liability method of SFAS 109 ACCOUNTING FOR INCOME TAXES, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered.

The Group recognises deferred tax assets only where it is more likely than not that the benefit will be realized through future taxable income. Otherwise a valuation allowance is established to provide against deferred tax assets.

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SHARE-BASED COMPENSATION

SFAS 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, encourages, but does not require, companies to record compensation costs for share-based employee compensation plans at fair value. The Group has chosen to continue to account for share-based compensation using the intrinsic value method prescribed in APB 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES and related interpretations. Accordingly, compensation cost for fixed plan share options is measured as the excess, if any, of the quoted market price of the Company's shares at the date of the grant over the amount an employee must pay to acquire the shares. Compensation cost for variable plan share options is measured each period using the intrinsic value method until the variable or performance features of the plan become fixed. Compensation expense is recognized over the applicable vesting period.

Shares purchased by the trustees in connection with the Telewest Restricted Share Scheme and certain LTIP awards, are valued at cost and are reflected as a reduction of shareholders' equity in the consolidated balance sheet. This equity account is reduced when the shares are issued to employees based on the original cost of the shares to the trustees.

EARNINGS PER SHARE

Basic earnings per share has been computed by dividing net loss available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding during the year for all dilutive potential ordinary shares outstanding during the year and adjusting the net loss for any changes in income or loss that would result from the conversion of such potential ordinary shares. There is no difference in net loss and number of shares used for basic and diluted net loss per ordinary share, as potential ordinary share equivalents for employee share options and convertible debt are not included in the computation as their effect would be to decrease the loss per share. The number of potential ordinary shares was 393 million, 393 million and 464 million in 2002, 2001 and 2000, respectively.

INVENTORIES

Inventories of equipment, held for use in the maintenance and expansion of the Group's telecommunications systems, are stated at cost, including appropriate overheads, less provision for deterioration and obsolescence. Network capacity and ducting held for resale are stated at the lower of cost and net realizable value.

NEW ACCOUNTING STANDARDS APPLICABLE TO THE GROUP

SFAS 143 ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

In July 2001, the FASB issued SFAS 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. SFAS 143, which is effective for fiscal years beginning after June 15, 2002, requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, an entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

Telewest has evaluated its legal retirement obligations in relation to all of its tangible long-lived assets and specifically in relation to the buildings that it occupies and its network assets. Buildings, which are held under operating leases, do not specify a fixed refurbishment payment, but instead specify a standard of physical restoration for which Telewest is responsible. Telewest attempts to maintain properties on an ongoing basis to the standard required by the lease and consequently would not expect to have significant additional relevant obligations in respect of its leased properties. Also Telewest believes that it has no legal or constructive retirement obligations in relation to its network assets, all located in the United Kingdom, as there is no legal requirement for Telewest to retire such assets. The Group does not therefore believe the adoption of SFAS 143 will have a material impact on the financial statements.

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SFAS 145 RESCISSION OF FASB STATEMENTS 4, 44 AND 64, AMENDMENT OF FASB 13, AND TECHNICAL CORRECTIONS

In April 2002, the FASB issued SFAS 145, "RESCISSION OF FASB STATEMENTS 4, 44 AND 64, AMENDMENT OF FASB 13, AND TECHNICAL Corrections". SFAS 145 provides for the rescission of several previously issued accounting standards, new accounting guidance for the accounting for certain lease modifications and various technical corrections that are not substantive in nature to existing pronouncements. The Group has adopted this standard from January 1, 2002 and reclassified L 15 million from extraordinary items to expense for the year ended December 31, 2001. No material adjustments have been required in 2002.

SFAS 146 ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

In June 2002, the FASB issued SFAS 146, "ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES". SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS 146 applies to costs associated with an exit activity that do not involve an entity newly acquired in a business combination or with a disposal activity covered by SFAS 144 "ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS". The Group does not believe the adoption of this statement will have a material impact on its financial position or results of operations.

SFAS 148 ACCOUNTING FOR STOCK BASED COMPENSATION--TRANSITION AND DISCLOSURE

An amendment of SFAS 123 is effective for the Group for the year ended December 31, 2002. SFAS 148 permits two additional transition methods for entities that adopt the fair value based method of accounting for stock-based employee compensation. The Statement also requires new disclosures about the ramp-up effect of stock-based employee compensation on reported results and that those effects be disclosed more prominently by specifying the form, content, and location of those disclosures. The Group has adopted the disclosure provisions of the Statement in these financial statements. The Group has not adopted the fair value based method of accounting for stock-based employee compensation and still accounts for these in accordance with APB Opinion 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES.

OTHER NEW STANDARDS

In November 2002, the Emerging Issues Task Force issued its consensus on EITF 00-21, REVENUE ARRANGEMENTS WITH MULTIPLE DELIVERABLES (EITF 00-21) on an approach to determine whether an entity should divide an arrangement with multiple deliverables into separate units of accounting. According to the EITF, in an arrangement with multiple deliverables, the delivered item(s) should be considered a separate unit of accounting if all of the following criteria are met: (1) the delivered item(s) has value to the customer on a standalone basis, (2) there is objective and reliable evidence of the fair value of the undelivered item(s), and (3) if the arrangement includes a general right of return, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the vendor. If all the conditions above are met and there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration should be allocated to the separate units of accounting based on their relative fair values. The guidance in this Issue is effective for revenue arrangements entered into in fiscal years beginning after June 15, 2003. The Group believes that the adoption of EITF 00-21 will not have a material impact on the Group's financial statements.

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In November 2002, the FASB issued FASB Interpretation 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS ('FIN 45'), which addresses the disclosure to be made by a guarantor in its financial statements about its obligations under guarantees. FIN 45 also requires the recognition of a liability by a guarantor at the inception of certain guarantees. It requires the guarantor to recognize a liability for the non-contingent component of the guarantee, this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Group has adopted the disclosure requirements and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. To date the Company has not entered into or modified guarantees.

In January 2003, the FASB issued FASB Interpretation 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES (FIN 46) which interprets Accounting Research Bulletin (ARB) 51, CONSOLIDATED FINANCIAL STATEMENTS. FIN 46 clarifies the application of ARB 51 with respect to the consolidation of certain entities (variable interest entities - 'VIEs') to which the usual condition for consolidation described in ARB 51 does not apply because the controlling financial interest in VIEs may be achieved through arrangements that do not involve voting interests. In addition, FIN 46 requires the primary beneficiary of VIEs and the holder of a significant variable interest in VIEs to disclose certain information relating to their involvement with the VIEs. The provisions of FIN 46 apply immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. FIN 46 applies in the first fiscal year beginning after June 15, 2003, to VIEs in which an enterprise holds a variable interest that it acquired before February 1, 2003. To comply with the transitional provisions of FIN 46, Telewest has evaluated its existing structures to determine whether it is reasonably likely that it would be required to consolidate or disclose information about a VIE's nature, purpose, size and activities, together with Telewest's maximum exposure to loss. Telewest is also required to disclose the anticipated impact of adoption of FIN 46 on its financial statements.

Telewest has 50% joint venture interests in two affiliates, UKTV, a joint venture with the BBC, and Front Row Television Limited ("Front Row"), a joint venture with NTL, both of which are accounted for under the equity method, and neither of which are considered VIEs. Management believes that both UKTV and Front Row are businesses as defined by EITF 98-3, DETERMINING WHETHER A NONMONETARY TRANSACTION INVOLVES RECEIPT OF PRODUCTIVE ASSETS OR OF A BUSINESS, and FIN 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES (Revised December 2003), and, accordingly, does not consider that either consolidation or additional disclosures are required. Telewest does not otherwise make use of traditional VIE structures in its business and does not currently securitize its receivables or other financial assets. The Group does not therefore believe that the impact of the adoption of FIN 46 will have a material effect on its financial statements.

5 FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments solely to hedge specific risks and does not hold such instruments for trading purposes. The derivatives are held to hedge against the variability in cash flows arising from the effect of fluctuations of GBP:USD exchange rate on the Group's US Dollar-denominated debt and from changes in interest rates on its variable rate bank debt.

The Group maintains risk management control systems to monitor currency exchange and interest rate risk attributable to forecasted debt principal payments and interest rate exposure.

CASH FLOW HEDGES

HEDGES OF US DOLLAR DENOMINATED DEBT

The Group has issued US Dollar denominated debt instruments with a range of maturities. The Group previously hedged the principal amounts of these instruments up to their first call dates or other such dates where the Group may at its option redeem the instrument before maturity.

The Group has increased its foreign exchange risk since the discontinuation of hedge accounting as described below. The Group continues to monitor this risk until the Financial Restructuring is complete when the US Dollar-denominated debt instruments will be swapped for equity and the foreign exchange risk is minimised.

In the three-month period ended March 31, 2002, the Group determined that it was probable that forecasted future prepayments of principal against outstanding US Dollar-denominated debt would not occur. Accordingly, the cumulative adjustment in OCI of L 53 million resulting from marking to market the derivative instruments has been reclassified from OCI to foreign exchange gains in the Statement of Operations. Subsequent adjustments of the carrying value of these instruments to fair value are taken directly to the Statement of Operations as incurred.

In the nine-month period ended September 30, 2002, the Group had the ability to terminate in-the-money derivative contracts that fluctuate in value. Such derivative contracts hedged our exposure to fluctuations in the US Dollar/pound sterling exchange rates on the Group's US Dollar-denominated debt. In March 2002, the Group terminated certain of these derivative contracts with a nominal value of $999 million (L 688 million), netting L 74 million cash inflow. In May 2002 the Group terminated further derivative contracts with a nominal value of $367 million (L 253 million) realizing an additional L 30 million cash inflow. In the three-month period ended September 30, 2002, the Group terminated arrangements with a nominal value of $2.3 billion (approximately L 1.5 billion). Contracts with a nominal value of $1 billion were settled in cash resulting in an outflow of L 28 million. The remaining contracts with a nominal value of $1.3 billion have yet to be settled for a total cost of L 33 million of which L 19 million was due on October 1, 2002, but the Company deferred such payment and is considering the payment in the context of its Financial Restructuring.

During the 12-month period ended December 31, 2002, the Group recorded a net

L 48 million transfer from cumulative OCI to the Statement of Operations arising from the dedesignation of derivative contracts as ineffective hedges, as described above. In the 12-month period ended December 31, 2001, the Group recorded a L 36 million gain in fair value to cumulative OCI, consisting of a loss of L 25 million to short-term derivative liabilities and a L 61 million gain to long-term derivative assets.

HEDGES OF VARIABLE RATE DEBT

As described in note 16 to the consolidated financial statements, the Group has a Senior Secured Facility with a syndicate of banks and a further amount from an Institutional Tranche ("Institutional Tranche"). Drawdowns under the Senior Secured Facility and the Institutional Tranche bear interest at 0.75% to 2.00% above LIBOR and up to 4% above LIBOR respectively, so the Group is exposed to variable cash flows arising from changes in LIBOR. The Group hedges these variable cash flows by the use of interest rate swaps. The interest rate swaps can be summarised as follows:

EFFECTIVE DATES	MATURITIES	NOTIONAL PRINCIPAL	RECEIVES
1/2/1997 - 7/1/2002	12/31/2003 - 3/31/2005	L 900m	6-month LIBOR

In June 2002, the Group reviewed the effectiveness as hedges of the derivative instruments hedging our exposure to fluctuations in interest rates on its long-term bank debt. The review concluded that continued designation of these instruments as hedges was no longer appropriate and hedge accounting was discontinued with immediate effect. The dedesignation of these instruments as hedges resulted in a transfer of L 7 million from cumulative OCI to interest expense within the Statement of Operations. Any movements in the value of the derivatives after June 2002 are recorded within interest expense.

The Group continues to hedge some of its interest rate risk on its Senior Secured Facility through the use of interest rate swaps. The purpose of the derivative instruments is to provide a measure of stability over the Company's exposure to movements in sterling interest rates on its sterling denominated bank debt.

FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS 107, DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS requires disclosure of an estimate of the fair values of financial instruments. SFAS 107 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined precisely. Changes in assumptions could significantly affect the estimates.

At December 31, 2002 the Group's significant financial instruments include cash and cash equivalents, trade receivables, interest rate swaps, trade payables and short-term and long-term debt instruments. The following table summarizes the fair value of certain instruments held by and obligations of the Group. The fair value of the other financial instruments held by the Group approximates their recorded carrying amount due to the short maturity of these instruments and these instruments are not presented in the following table:

	AT DECEMBER 31, 2002 CARRYING AMOUNT L MILLION	AT DECEMBER 31, 2002 FAIR VALUE L MILLION	AT DE CARRYING AMOUNT L MILLION
FINANCIAL INSTRUMENTS - ASSETS			
Foreign exchange forward contracts	--	--	131
Foreign currency swaps	--	--	15
FINANCIAL INSTRUMENTS - LIABILITIES			
Interest rate swap agreements	(34)	(34)	(25)
Foreign exchange forward contracts	--	--	(4)
DEBT OBLIGATIONS			
Accreting Convertible Notes 2003	282	62	268
Senior Convertible Notes 2005	311	130	344
Senior Debentures 2006	186	39	206
Senior Convertible Notes 2007	300	63	300
Senior Discount Debentures 2007	955	200	1,059
Senior Notes 2008	217	46	226
Senior Discount Notes 2009	563	108	505
Senior Notes 2010	394	83	378
Senior Discount Notes 2010	222	46	185
Senior Secured Facility	2,000	2,000	1,360
Other debt	20	20	66

The estimated fair values of the financial instruments specified above are based on quotations received from independent, third-party financial institutions and represent the net amounts receivable or payable to terminate the position. The estimated fair values of the Debentures and Notes are also based on quotations from independent third-party financial institutions and are based on discounting the future cash flows to net present values using appropriate market interest rates prevailing at the year end.

MARKET RISK AND CONCENTRATIONS OF CREDIT RISK

Market risk is the sensitivity of the value of the financial instruments to changes in related currency and interest rates.

As described above, the Group terminated its portfolio of derivative financial instruments which were used to hedge its exposure to fluctuations in the USD : GBP exchange rate. Consequently the Group is exposed to fluctuations in the value of its US Dollar-denominated debt obligations.

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Generally, the Group is not exposed to such market risk arising on its interest rate derivative financial instruments because gains and losses on the underlying assets and liabilities offset gains and losses on the financial instruments.

The Group may be exposed to potential losses due to the credit risk of non-performance by the financial institution counterparties to its portfolio of derivative financial instruments. However such losses are not anticipated as these counterparties are major international financial institutions and the portfolio is spread over a wide range of institutions.

Temporary cash investments also potentially expose the Group to concentrations of credit risk, as defined by SFAS 133. At December 31, 2002 the Group had L 160 million on deposit with a major international financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base.

6 IMPAIRMENT OF ASSETS AND GOODWILL

During the year ended December 31, 2002, the Group undertook an impairment review of its network assets, of goodwill arising on recent acquisitions and of its investments in affiliates acquired in recent years. The review covered the Cable and Content Divisions. The principal reasons for the review were: a share price decline indicative of a fall in the values of the underlying assets and a softening of the ad-sales market, declining revenue growth and a lower than expected customer take-up of additional services.

The review found evidence of impairment in the value of goodwill arising on the core Cable and Content business and in the value of the affiliated undertaking UKTV. The carrying amounts of goodwill, fixed assets and the investments in the affiliated undertakings were written down to fair value, resulting in a charge of L 1,445 million against goodwill, an impairment of L 841 million against fixed assets and a charge of L 88 million against the investments in affiliated undertakings. These charges have been included in the statement of operations within impairment of goodwill, impairment of fixed assets and share of net losses of affiliates and impairment, respectively. The estimated fair value of the goodwill and the investment in UKTV was based on projected future cash flows at a post-tax discount rate of 11.5% which the Group believes is commensurate with the risks associated with the assets. The projected future cash flows were determined using the Company's ten-year plan for the business, with a terminal value which takes into account analysts' and other published projections of future trends across pay-TV platforms, including the total television advertising market.

The changes in the carrying amount of goodwill for the years ended December 31, 2002 and 2001 by reportable segment are as follows:

	CABLE L MILLION	CONTENT L MILLION	TOTAL L MILLION
Balance as of January 1, 2001	1,394	1,409	2,803
Addition in year	11	--	11
Amortization in year	(83)	(73)	(156)
Impairment of goodwill	--	(766)	(766)

Balance as of January 1, 2002	1,322	570	1,892
Impairment of goodwill	(1,016)	(429)	(1,445)
Balance as of December 31, 2002	306	141	447

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Amortization expense related to goodwill was L 183 million (including L 27 million related to equity investment goodwill) for the year ended December 31, 2001 (L 147 million for the year ended December 31, 2000). The following table reconciles previously reported net income as if the provisions of SFAS 142 were in effect in 2001 and 2000:

	2002 RESTATED L MILLION	2001 L MILLION	2000 L MILLION
Net loss			
Reported net loss	(2,789)	(1,741)	(755)
Add back amortization of goodwill	--	183	147
Adjusted net loss	(2,789)	(1,558)	(608)

	PENCE	PENCE	PENCE
Basic and diluted net loss per share			
Reported net loss per share	(97)	(60)	(28)
Add back amortization of goodwill	--	6	5
Adjusted net loss per share	(97)	(54)	(23)

7 BUSINESS COMBINATIONS

On May 30, 2001, the Group acquired 51% of the issued share capital of Rapid Travel Solutions Limited ("Rapid Travel") and was granted a series of call options by, and granted a series of put options to, the vendors in respect of the balance of 49%. Assuming that either party exercises these options, the Group will acquire the remainder of the share capital in tranches ending on November 30, 2003 for total consideration of L 4 million. The acquisition has been accounted for using the purchase method of accounting. Goodwill arising on the acquisition was L 7 million.

If the Group had acquired Rapid Travel at the beginning of 2000 and 2001, the Group's results would not have been materially different from the actual results as disclosed in these financial statements.

On April 19, 2000 the Company acquired the entire issued share capital of Flextech Plc ("Flextech"), a company engaged in broadcast media activities, for a total consideration of L 1,978 million. This comprised 601 million shares of 10p each and acquisition costs of L 31 million. The value attributed to the shares issued was 323.85 pence per share, being the average share market price for a five day period around December 17, 2000, the day the terms of the acquisitions were agreed to and announced. The acquisition was accounted for using the purchase method of accounting. The goodwill arising on acquisition of Flextech was L 1,382 million. As described in note 16, the Group has undertaken an impairment review of goodwill. As a result of the review, a charge of L 429 million has been made.

On November 1, 2000 the Company acquired the entire issued share capital of Eurobell (Holdings) PLC ("Eurobell"), from Deutsche Telekom ("DT") and agreed to pay initial and deferred consideration to DT, (as discussed below), in the form of 5% Accreting Convertible Notes due 2003. The aggregate principal amount of such Notes, following agreement of the deferred consideration is L 254 million. The terms of the Accreting Convertible Notes are described in note 16 to these financial statements.

Upon completion of the acquisition, the Company issued a L 220 million Accreting Convertible Note to DT in consideration for:

- Eurobell's entire issued share capital, L 72 million

- the assignment of an inter-company loan previously owed by Eurobell to DT, L 128 million, and

- a cash payment remitted to Eurobell by DT shortly after the acquisition, L 20 million.

Subsequently, on January 15, 2001 DT remitted a further cash payment, L 30 million, to Eurobell and the Company issued an additional Accreting Convertible Note to DT for L 30 million.

In addition under the terms of the acquisition, the Company was obliged to provide deferred consideration, contingent on Eurobell's turnover for the year ended December 31, 2000 exceeding a certain target. As a result, an additional L 3.5 million Accreting Convertible Note, dated April 2, 2001 was issued to DT. This deferred consideration was accrued for at December 31, 2000.

Goodwill of L 1 million arose on the acquisition.

If the Company had acquired Flextech and Eurobell on January 1, 2000 the Group's net loss of L 755 million and loss per share of L 0.28 would have been L 820 million and L 0.28, respectively.

8 SUPPLEMENTAL DISCLOSURES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash paid for interest was L 287 million, L 335 million and L 164 million for the years ended December 31, 2002, 2001 and 2000, respectively.

During 2002 there were no significant non-cash investing activities. The amounts stated for 2001 represent the purchase of Rapid Travel. The amounts stated for 2000 represent the purchase of Flextech and Eurobell. These transactions are described in note 7 to the consolidated financial statements.

	YEAR ENDED DECEMB		
	2002	2001	
	L MILLION	L MILLION	L MI
Acquisitions:			
Assets	--	1	
Liabilities assumed	--	(2)	
Debt assumed	--	--	
Net (liabilities)/assets (contributed)/ assumed	--	(1)	
Less:			
Goodwill arising	--	7	
	--	6	
Share consideration/capital contribution	--	--	
Debt consideration	--	--	
Purchase of shares	--	2	
Option consideration	--	4	
Direct costs of acquisition	--	--	
	--	6	

In 2002 the Group entered into capital lease obligations with a total capital value of L 17 million. The Group entered into no vendor financing arrangements during the year, but had a remaining financed balance of L 11 million at December 31, 2002. At December 31, 2002, the Group had accrued a further L 57 million of capital expenditure for property and equipment.

9 OTHER RECEIVABLES

	AT DECEMBER 31	
	2002	2001
	L MILLION	L MILLION
Interconnection receivables	7	2
Accrued income	32	68
Other	29	27
Foreign currency swap	--	15
	68	112

Accrued income primarily represents telephone calls made by Cable Division subscribers and Business Services Division customers that have not been billed as at the accounting period end. The period of time over which billings have not been billed varies between two days and four weeks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

10 INVESTMENTS

The Group has investments in affiliates accounted for under the equity method at December 31, 2002 and 2001 as follows:

	PERCENTAGE OWNERSHIP AT DECEMB 2002
Front Row Television Limited	50.0%
UKTV	50.0%
Blue Yonder Workwise Limited	100.0%
SMG	--

During the year Blue Yonder Workwise Limited became a wholly owned subsidiary of the Group. No goodwill arose on the acquisition.

Summarized combined financial information for such affiliates which operate principally in the cable television, broadcasting and interactive media industries is as follows:

	AT DECEMBER 31 2002 L MILLION	 2001 L MILLION
COMBINED FINANCIAL POSITION		
Current assets	61	162
Property and equipment, net	--	54
Intangible assets, net	--	112
Other assets, net	31	7
Total assets	92	335
Current liabilities	42	133
Debt	176	66
Other liabilities	--	557
Owners' equity	(126)	(421)
Total liabilities and equity	92	335

	YEAR ENDED DECEMBER 31 2002 L MILLION	 2001 L MILLION	 2000 L MILLION

COMBINED OPERATIONS			
Revenue	128	408	406
Operating expenses	(103)	(324)	(343)
Operating profit	25	84	63
Interest expense	(12)	(38)	(30)
Net profit	13	46	33

	AT DECEMBER 31 2002 L MILLION	2001 L MILLION
THE GROUP'S INVESTMENTS IN AFFILIATES ARE COMPRISED AS FOLLOWS:		
Goodwill	--	27
Loans	208	260
Share of net assets	168	260
	376	547

On September 4, 2002 the investment in SMG plc, a listed investment in an associated undertaking, was reclassified as a current asset investment at net realizable value. This resulted in L 42 million being written off the carrying value of the investment. The investment in SMG plc was subsequently sold in November 2002 realizing a gain of L 1 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

11 PROPERTY AND EQUIPMENT

	LAND L MILLION	BUILDINGS L MILLION	CABLE AND DUCTING L MILLION	ELECTRONIC EQUIPMENT L MILLION
ACQUISITION COSTS				
Balance at January 1, 2002	6	133	3,186	1,424
Additions	--	7	269	135
Disposals	--	(2)	--	--
Balance at December 31, 2002	6	138	3,455	1,559
ACCUMULATED DEPRECIATION				
Balance at January 1, 2002	--	45	894	661
Charge for the year	--	10	159	223

Impairment	--	39	678	90
Disposals	--	(2)	--	--
Balance at December 31, 2002	--	92	1,731	974
2002 NET BOOK VALUE	6	46	1,724	585
ACQUISITION COSTS				
Balance at January 1, 2001	6	119	2,630	1,393
Additions	--	14	556	31
Disposals	--	--	--	--
Balance at December 31, 2001	6	133	3,186	1,424
ACCUMULATED DEPRECIATION				
Balance at January 1, 2001	--	35	546	605
Charge for the year	--	10	348	56
Disposals	--	--	--	--
Balance at December 31, 2001	--	45	894	661
2001 NET BOOK VALUE	6	88	2,292	763

Cable and ducting consists principally of civil engineering and fiber optic costs. In addition, cable and ducting includes net book value of pre-construction and franchise costs of L 18 million and L 14 million as of December 31, 2002 and 2001, respectively. Electronic equipment includes the Group's switching, headend and converter equipment. Other equipment consists principally of motor vehicles, office furniture and fixtures and leasehold improvements.

12 VALUATION AND QUALIFYING ACCOUNTS

		BALANCE AT JANUARY 1 L MILLION	ACQUISITION OF SUBSIDIARIES L MILLION	ADDITIONS CHARGED TO COSTS AND EXPENSES L MILLION	DEDUCT L MIL
2002	Deferred tax valuation allowances	901	--	382	
	Allowance for doubtful accounts	16	--	--	
2001	Deferred tax valuation allowances	733	--	168	
	Allowance for doubtful accounts	19	--	3	
2000	Deferred tax valuation allowances	491	38	204	
	Allowance for doubtful accounts	13	5	14	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

years ended December 31, 2002, 2001 and 2000

13 OTHER ASSETS

The components of other assets, net of amortization and write offs, are as follows:

	AT DECEMBER 31 2002 RESTATED L MILLION	2001 L MILLION
Deferred financing costs of debentures	--	22
Deferred financing costs of Senior Secured Facility	29	36
	29	58

During the year L 11 million of deferred financing costs of debentures were written off in connection with bond debt default.

14 INVENTORY

	AT DECEMBER 31 2002 L MILLION	2001 L MILLION
Raw materials and consumables	--	1
Inventories of spare capacity and duct held for resale	4	36
Programming inventory	24	30
	28	67

15 OTHER LIABILITIES

Other liabilities are summarized as follows:

	AT DECEMBER 31 2002 RESTATED L MILLION	2001 L MILLION
Deferred income	111	114
Accrued construction costs	64	67
Accrued programming costs	21	24
Accrued interconnect costs	17	39
Accrued interest	222	111
Accrued staff costs	10	35
Accrued expenses	42	41
Other liabilities	146	93

	633	524

16 DEBT

Debt is summarized as follows at December 31, 2002 and 2001:

	WEIGHTED AVERAGE INTEREST RATE 2002	2001	2000	2002 L MILLION
Accreting Convertible Notes 2003	5%	5%	5%	282
Senior Convertible Notes 2005	6%	6%	6%	311
Senior Debentures 2006	9.625%	9.625%	9.625%	186
Senior Convertible Notes 2007	5.25%	5.25%	5.25%	300
Senior Discount Debentures 2007	11%	11%	11%	955
Senior Notes 2008	11.25%	11.25%	11.25%	217
Senior Discount Notes 2009	9.875%	9.875%	9.875%	287
Senior Discount Notes 2009	9.25%	9.25%	9.25%	276
Senior Notes 2010	9.875%	9.875%	9.875%	394
Senior Discount Notes 2010	11.375%	11.375%	11.375%	222
Senior Secured Facility	6.223%	7.265%	7.553%	2,000
Other debt	6.7%	6.767%	7.432%	20
				5,450

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

NOTES AND DEBENTURES

		PRINCIPAL AT MATURITY MILLION	ORIGINAL MATURITY DATE	EAR
Accreting Convertible Notes 2003	GBP	294	November 1, 2003	
Senior Convertible Notes 2005	USD	500	July 7, 2005	
Senior Debentures 2006	USD	300	October 1, 2006	
Senior Convertible Notes 2007	GBP	300	February 19, 2007	
Senior Discount Debentures 2007	USD	1,537	October 1, 2007	
Senior Notes 2008	USD	350	November 1,2008	
Senior Discount Notes 2009	GBP	325	April 15, 2009	
Senior Discount Notes 2009	USD	500	April 15, 2009	
Senior Notes 2010	GBP	180	February 1, 2010	
Senior Notes 2010	USD	350	February 1, 2010	
Senior Discount Notes 2010	USD	450	February 1, 2010	

The Debentures and Notes are unsecured liabilities of the Group.

The Senior Convertible Notes 2005 are convertible into 114 million ordinary shares of the Group at a conversion price of 288 pence per ordinary share. Conversion is at the holders' option at any time up to the close of business on June 22, 2005. The Senior Convertible Notes 2007 are convertible into 92 million ordinary shares of the Group at a conversion price of 325 pence per ordinary share. Conversion is at the holders' option at any time up to close of business on February 2, 2007. If Notes are called for redemption prior to maturity, each holder has the right to convert Notes into ordinary shares. The Accreting Convertible Notes 2003 are convertible into 162 million ordinary shares of the Group at an initial conversion price of 156.56 pence per ordinary share. Conversion is at maturity at the holder's option, but the Group can elect to settle in cash at any time, in whole but not in part, at 100% of the accreted value provided that for a certain 10 day period prior to redemption, the price per ordinary share has been at least 130% of the average conversion price in effect on each day during the 10 day period.

On January 15, 2001, DT remitted a cash payment of L 30 million to its former subsidiary Eurobell, under the terms of the acquisition of Eurobell by the Company on November 1, 2000. In consideration the Company issued additional Accreting Convertible Notes 2003 for the same amount. In addition, under the terms of the acquisition, the Company was obliged to provide deferred consideration, contingent on Eurobell's turnover for the year ended December 31, 2000 exceeding a certain target. As a result additional L 3.5 million Accreting Convertible Notes 2003, dated April 2, 2001, were issued to DT.

The unamortized portion of the discounts on issue of the Senior Discount Notes 2009 and Senior Discount Notes 2010 was L 73 million and L 58 million respectively. The discount on issue is being amortized up to the first call dates of the bonds, such as to produce a constant rate of return on the carrying amount.

The indentures under which the Debentures and Notes were issued contain various covenants, which among other things, restrict the ability of the Group to incur additional indebtedness, pay dividends, create certain liens, enter into certain transactions with shareholders or affiliates, or sell certain assets. As part of its refinancing, the Group elected not to pay: the interest due on October 1, 2002 on its Senior Debentures 2006 and its Senior Discount Debentures 2007; the interest due on November 1, 2002 on its Senior Notes 2008; and the interest due on January 7, 2003 on its Senior Convertible Notes 2005. The non-payment of interest constitutes a default event under the terms of these four bonds. As a consequence of the non-payment of hedge contracts of L 10.5 million, all of the remaining bonds were also in default as at December 31, 2002.

SENIOR SECURED FACILITY

On March 16, 2001 the Group entered into a new senior secured credit facility (the "Senior Secured Facility") with a syndicate of banks for L 2 billion, of which L 1,855 million was drawn down at December 31, 2002. The Group is also able to raise a further L 250m from institutional investors (the "Institutional Tranche") of which L 145 million was drawn down at December 31, 2002. The first drawdowns under the Senior Secured Facility were used to repay amounts owed under the old senior secured credit facilities.

Borrowings under the Senior Secured Facility are secured on the assets of the Group including the partnership interests and shares of subsidiaries and bear interest at 0.75% to 2.0% over LIBOR (depending on the ratio of borrowings to quarterly, annualized, consolidated net operating cash flow). Borrowings under the Institutional Tranche bear interest at up to 4% above LIBOR.

The Senior Secured Facility contains cross default clauses with other debt instruments. As a result of the Group being in default of its Debentures and Notes, it is in default on the Senior Secured Facility. In addition, on March 14, 2003, Telewest notified its Senior Lenders that, as a result of the exceptional items incurred in 2002 and their impact on Telewest's net operating cash flow, it would breach certain financial covenants under its bank facility in respect of the quarter ended December 31, 2002.

The Group is renegotiating its bank facilities and debt financing arrangements. Further details of the Financial Restructuring are included in note 23.

VENDOR FINANCING

The Group has entered into vendor financing arrangements to fund its purchase of equipment from certain suppliers. Under the terms of these arrangements the Group defers payment for periods up to 36 months. Interest is charged on these arrangements at a rate that is fixed for the life of the arrangements. The balance on these arrangements at December 31, 2002 was L 11 million.

SMG LOAN

On July 11, 2001, the Group entered into a contract with Toronto Dominion Bank ("TD"), whereby TD provided a loan to the Group, in return for security over 55% of the Group's shareholding in SMG plc. The loan was fully repaid during the year following the sale of the Group's investment in SMG.

BANK LOANS

Bank loans are property loans secured on certain freehold land and buildings held by the Group. The balance at December 31, 2002 was L 7 million.

MATURITY PROFILE

As a consequence of the defaults referred to above, the Group's long-term debt has been disclosed as repayable within one year. The original Maturity Profile of the Group's long-term debt was as follows:

	2002 L MILLION
2003	3,652
2004	1
2005	316
2006	--
2007	300
2008 and thereafter	1,181
	5,450

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

17 INCOME TAXES

Loss before income taxes is solely attributable to the United Kingdom.

The provisions for income taxes follow:

	2002 L MILLION	2001 L MILLION	2000 L MILLION
Deferred tax benefit	28	70	6

A reconciliation of income taxes determined using the statutory UK rate of 30% (2001: 30%) to the effective rate of income tax is as follows:

	YEAR ENDED DECEMBER 31 2002 %	2001 %	2000 %
Corporate tax at UK statutory rates	(30)	(30)	(30)
Write down of goodwill	12	--	--
Change in valuation allowance	14	34	31
	(4)	4	1

Deferred income tax assets and liabilities at December 31, 2002 and 2001 are summarized as follows:

	2002 L MILLION	2001 L MILLION
Deferred tax assets relating to:		
Fixed assets	763	410
Net operating loss carried forward	494	465
Other--investments	26	26
Deferred tax asset	1,283	901
Valuation allowance	(1,283)	(901)
Investments in affiliates	(85)	(113)
DEFERRED TAX LIABILITY PER BALANCE SHEET	(85)	(113)

At December 31, 2002 the Group estimates that it has, subject to Inland Revenue agreement, net operating losses ("NOLs") of L 1,647 million available to relieve against future profits. This excludes capital allowances on assets which are available to the Group, but have not been claimed.

A valuation allowance of 100% has been provided due to a history of operating losses and management's belief that the likelihood of realizing the benefit of the deferred tax asset is not more likely than not.

The NOLs have an unlimited carry forward period under UK tax law, but are limited to their use to the type of business which has generated the loss.

18 SHAREHOLDERS' EQUITY

MOVEMENT IN SHARE CAPITAL

On March 31, 2000 the authorized share capital of the Company was increased to L 460 million divided into 4,300 million ordinary shares of 10 pence each and 300 million limited voting convertible ordinary shares of 10 pence each.

Between May 5 and July 5, 2000 the Company issued 601 million ordinary shares of 10 pence each in consideration for the entire issued share capital of Flextech. Also in 2000, 4 million ordinary shares of 10 pence each were issued in consideration of L 4.6 million on exercise of employee share options.

During 2001 the Company issued 7 million ordinary shares of 10 pence each upon exercise of employee share options. Total consideration received was L 6 million. In addition the Company redesignated 20 million ordinary shares of 10 pence each into 20 million limited voting convertible ordinary shares of 10 pence each.

LIMITED VOTING CONVERTIBLE ORDINARY SHARES

The ordinary shares and the limited voting convertible ordinary shares have the same rights, except that the limited voting convertible ordinary shares do not confer the right to vote on resolutions to appoint, reappoint, elect or remove directors of Telewest. No application will be made for the limited voting convertible ordinary shares to be listed or dealt in on any stock exchange. Holders of limited voting convertible ordinary shares are entitled to convert all or some of their limited voting convertible ordinary shares into fully paid ordinary shares, provided that the conversion would not result in a change of control of the Company for the purposes of the indentures governing certain Notes and Debentures. The limited voting convertible ordinary shares are convertible into ordinary shares at the Company's option at any time, subject to certain conditions. The sole holders of the limited voting convertible ordinary shares are Liberty Media and Microsoft.

Members of the Liberty Media Group and/or the Microsoft Group can redesignate all or any of their ordinary shares into limited voting convertible ordinary shares. This is to ensure that, on any future purchase of ordinary shares by members of the Microsoft Group and/or members of the Liberty Media Group, they will, at that time, be able to re-designate such number of their then existing holding of ordinary shares so as to avoid a change of control of the Company for the purposes of the Notes and Debentures.

Future purchases of ordinary shares and/or limited voting convertible ordinary shares by members of the Liberty Media Group and/or the Microsoft Group will, however, be subject to Rule 9 of the UK's City Code on Takeovers and Mergers because both classes of shares are treated as voting shares for that purpose. Under Rule 9, when any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more (but less than 50%) of the voting rights of a public company, that person is normally required to make a general offer to shareholders for the entire share capital of the company then in issue. Any person, or group of persons acting in concert, owning shares carrying 50% or more of the voting rights of a public company, subject to their own individual limits, is free to acquire further shares in that public company without giving rise to the requirement to make a general offer for the entire issued share capital of that company.

In May 2001, Liberty Media increased its shareholding in the Company as a result of the purchase of 20 million ordinary shares of 10 pence each. Prior to the increase in shareholding, Liberty Media redesignated 20 million ordinary shares of 10 pence each as limited voting convertible ordinary shares of 10 pence each. As a result Liberty Media and Microsoft's combined shareholdings remained below 50% of the issued ordinary share capital, above which level a change of control for the purposes of the Group's debt securities may occur.

19 SHARE-BASED COMPENSATION PLANS

At December 31, 2002, the Company operated five types of share-based compensation plans: the Executive Share Option Schemes, the Sharesave Schemes, the Telewest Restricted Share Scheme ("RSS"), the Telewest Long Term Incentive Plan ("LTIP") and an Equity Participation Plan ("EPP").

The Company applies APB 25 and related interpretations in accounting for its share-based compensation plans. Compensation cost is recognized over the estimated service period in respect of performance based share option grants to the extent that the market value of the Company's ordinary shares exceeds the exercise price at the earlier of the vesting date or the Balance Sheet date. Compensation cost is recognized for awards over ordinary shares made under the RSS since the awards have no exercise price. Compensation cost is recognized over the estimated service period in respect of the LTIP to the extent that the market value of the Company's ordinary shares exceeds the exercise price at the earlier of the vesting date or the Balance Sheet date.

IV-30

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

Compensation cost recognized for share option grants and awards is as follows:

	2002 L MILLION	2001 L MILLION	2000 L MILLION

LTIP	(1)	--	5
Executive Share Option Scheme	--	1	2
EPP	--	1	1
	(1)	2	8

During the year, no options or awards were granted over any ordinary shares of the Company. If compensation costs for share option grants and awards under the RSS, LTIP, Executive Option Schemes and EPP had been determined based on their fair value at the date of grant for 2001 and 2000 consistent with the method prescribed by SFAS 123, the Group's net loss and basic and diluted loss per share would have been adjusted to the PRO FORMA amounts set out below:

	2002 RESTATED L MILLION	2001 L MILLION	2000 L MILLION
Net loss			
as reported	(2,789)	(1,741)	(755)
PRO FORMA	(2,766)	(1,750)	(757)
	PENCE	PENCE	PENCE
Basic and diluted loss per share			
as reported	(97)	(60)	(28)
PRO FORMA	(96)	(61)	(28)

The fair value of each option grant in all plans was estimated as at the date of grant using a Black-Scholes option-pricing model. The model used a weighted-average, risk-free interest rate of 5.5% and 5.8% for grants in 2001 and 2000 respectively, and an expected volatility of 55% and 30%, respectively. The Group does not expect to pay a dividend on its ordinary shares at any time during the expected life of any outstanding option. The Group expects options to be held until maturity.

PERFORMANCE-BASED SHARE OPTION COMPENSATION PLANS

The Group has two performance-based share option plans: the 1995 (No. 1) Executive Share Option Scheme and the 1995 (No. 2) Executive Share Option Scheme. Under both plans, certain officers and employees are granted options to purchase ordinary shares of the Company. The exercise price of each option generally equals the market price of the Company's ordinary shares on the date of grant. The options are exercisable between three and ten years after the date of the grant with exercise conditional on the Company's shares out-performing by price the FTSE100 Index over any three-year period preceding exercise. The Company may grant options for up to 295 million ordinary shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

A summary of the status of the Company's performance-based share option plans as of December 31, 2002, 2001, and 2000 and changes during the years ended on those dates are presented below:

	NUMBER OF SHARES	2002 WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	2001 WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	97,699,837	136.4p	52,503,409	173.2p
Adjustments during the year	--	--	--	--
Granted	--	--	53,709,994	98.8p
Exercised	--	--	(1,210,816)	78.2p
Forfeited	(7,642,594)	126.0p	(7,302,750)	134.3p
Outstanding at end of year	90,057,243	137.3p	97,699,837	136.4p
Options exercisable at year end	36,358,298	141.4p	16,577,655	132.0p
Weighted average fair value of options granted during the year		--		69.7p

The adjustments during 2000 arose as a result of the transfer in of former Flextech outstanding options.

Share options are forfeited due to employees leaving the Group before their share options become exercisable.

The following table summarizes information about the Company's performance-based share option plans outstanding at December 31, 2002.

	OPTIONS OUTSTANDING			
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT DECEMBER 31, 2002	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMB EXERCISABLE DECEMBER 20
65.7 - 76.8p	13,890,131	7.4 yrs	74.2p	6,307,9
81.5 - 82.5p	2,025,479	8.6 yrs	81.7p	257,8
84.6 - 99.9p	2,212,140	2.5 yrs	89.2p	2,212,1
102.0 - 109.1p	33,133,132	8.2 yrs	103.8p	10,574,5
114.0 - 125.9p	11,133,884	7.5 yrs	119.2p	3,890,5
130.4 - 142.9p	982,642	4.2 yrs	139.1p	982,6
160.0 - 170.0p	1,502,207	7.3 yrs	166.2p	709,3
202.4 - 235.0p	23,883,741	7.5 yrs	229.4p	10,638,1
237.3 - 249.4p	543,216	7.1 yrs	239.7p	268,4
274.3 - 276.5p	361,832	6.4 yrs	276.4p	332,8

289.0 - 294.8p	388,839	6.8 yrs	291.2p	183,7
65.7 - 294.8p	90,057,243	7.6 yrs	137.3p	36,358,2

FIXED SHARE OPTION COMPENSATION PLANS

The Company also operates the Sharesave Scheme, a fixed share option compensation scheme. Under this plan, the Company grants options to employees to purchase ordinary shares at up to a 20% discount to market price. These options can be exercised only with funds saved by employees over time in a qualified savings account. The options are exercisable between 37 and 66 months after commencement of the savings contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

A summary of the status of the Company's fixed share option plan as of December 31, 2002, 2001, and 2000 and the changes during the years ended on those dates are presented below:

	NUMBER OF SHARES	2002 WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	20 WEIGHT AVERA EXERCI PRI
Outstanding at beginning of year	21,519,334	80.5p	26,635,135	91
Adjustments during the year	--	--	--	
Granted	--	--	9,205,135	60
Exercised	--	--	(4,380,809)	57
Forfeited	(12,550,048)	82.3p	(9,940,127)	100
Outstanding at end of year	8,969,286	78.0p	21,519,334	80
Options exercisable at year end	36,272	159.1p	72,926	98
Weighted average fair value of options granted during the year	--	--	--	33

The adjustments during 2000 arose as a result of the transfer in of former Flextech outstanding options.

Share options are forfeited due to employees leaving the Group before their share options become exercisable.

The following table summarizes information about the Company's fixed share options outstanding at December 31, 2002:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING: NUMBER OUTSTANDING AT DECEMBER 31, 2002	OPTIONS OUTSTANDING: WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE
58.5 - 88.3p	8,652,129	2.1 yrs
103.9 - 115.9p	40,262	0.9 yrs
128.6 - 161.9p	24,455	0.5 yrs
191.0 - 236.5p	252,440	0.6 yrs
58.5 - 236.5p	8,969,286	2.0 yrs

TELEWEST RESTRICTED SHARE SCHEME ("RSS")

The Company operates the RSS in conjunction with an employment trust, the Telewest 1994 Employees' Share Ownership Plan Trust (the "Telewest ESOP"), which has been designed to provide incentives to executives of the Company. Under the RSS, executives may be granted awards over ordinary shares of the Company based on a percentage of salary. The awards are made for no monetary consideration. The awards generally vest three years after the date of the award and are exercisable for up to seven years after the date when they vest.

The compensation charge related to each award is based on the share price of the ordinary shares on the date the award was made.

A summary of the status of the RSS at December 31, 2002, 2001, and 2000 and changes during the years ended on those dates are presented below:

	2002 NUMBER OF SHARES	2001 NUMBER OF SHARES
Outstanding at beginning of year	530,855	358,316
Granted	--	248,595
Exercised	(37,821)	(76,056)
Forfeited	--	--
Outstanding at end of year	493,034	530,855
Awards exercisable at year end	214,114	38,338
Weighted average fair value of awards granted during the year	--	L 1.10

Share awards are forfeited due to employees leaving the Group before their awards become exercisable.

At December 31, 2002, the 493,034 awards outstanding and the 214,114 awards exercisable have weighted average remaining contractual lives of 7.4 years and 6.3 years respectively.

Deferred compensation cost relating to RSS is L 38,000 (2001: L 478,000.)

LONG TERM INCENTIVE PLAN ("LTIP")

The LTIP provides for share awards to executive directors and senior executives. Under the LTIP, an executive will be awarded the provisional right to receive, for no payment, a number of Telewest shares with a value equating to a percentage of base salary. The shares will not vest unless certain performance criteria, based on total shareholder return assessed over a three-year period are met. The percentage of salary will be determined by the Remuneration Committee and will be up to 100% of base salary for executive directors.

A summary of the status of the LTIP at December 31, 2002, 2001, and 2000 and changes during the years ended on those dates are presented below:

	2002 NUMBER OF SHARES	2001 NUMBER OF SHARES
Outstanding at beginning of year	1,566,507	2,714,552
Granted	--	910,730
Exercised	(29,502)	(1,220,362)
Forfeited	(1,113,733)	(838,413)
Outstanding at end of year	423,272	1,566,507
Awards exercisable at year end	108,569	265,939
Weighted average fair value of awards granted during the year	--	L 1.09

Share awards are forfeited due to employees leaving the Group before their share options become exercisable or due to performance criteria not being met.

Deferred compensation cost relating to the LTIP is L nil (2001: L 189,000.)

EQUITY PARTICIPATION PLAN ("EPP")

The Remuneration Committee has provided that, under the EPP, an employee with two years service or at manager level or above, can use up to 100% of the Short Term Incentive Plan ("STIP") bonus payable to the employee to acquire Telewest shares ("bonus shares"). The employee must deposit the bonus shares with the Trustee of the existing Telewest ESOP. In return, the employee is provisionally allocated for no payment a matching number of Telewest shares. Provided the bonus shares are retained for three years and the employee remains employed for three years, the bonus and matching shares would thereafter be released to the employee.

A summary of the status of the Company's EPP at December 31, 2002, 2001, and 2000 and the changes during the years ended on those dates are presented below:

	2002 NUMBER OF SHARES	2001 NUMBER OF SHARES
Outstanding at beginning of year	572,053	1,193,839
Granted	--	--
Exercised	(256,790)	(579,430)
Forfeited	(9,693)	(42,356)
Outstanding at end of year	305,570	572,053
Awards exercisable at year end	123,168	26,443
Weighted average fair value of awards granted during the year	--	--

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

Share awards are forfeited due to employees leaving the Group before their share options become exercisable.

Deferred compensation cost relating to the EPP is L 80,000 (2001: L 419,000.)

20 ACCUMULATED OTHER COMPREHENSIVE INCOME

	2002 GAINS/ (LOSSES) ON MARK TO MARKET OF CASH FLOW HEDGES L MILLION	2001 GAINS/ LOSSES) ON MARK TO MARKET OF CASH FLOW HEDGES L MILLION
Balance at January 1	37	--
Cumulative effect of accounting change	--	(16)
Amounts reclassified into earnings	(48)	(5)
Current period increase in fair value	--	57
Unrealised gain on deemed partial disposal of investment	--	1
BALANCE AT DECEMBER 31	(11)	37

The amounts reclassified into earnings are detailed in note 5.

21 COMMITMENTS AND CONTINGENCIES

RESTRICTED CASH

At December 31, 2002, the Group has cash restricted as to use of L 12 million which provides security for leasing obligations.

OTHER COMMITMENTS

The amount of capital expenditure authorized by the Group for which no provision has been made in the consolidated financial statements is as follows:

	2002 L MILLION	2001 L MILLION
Contracted	13	28

In addition the Group has contracted to buy L 28 million of programming rights for which the license period has not yet started.

CAPITAL AND OPERATING LEASES

The Group leases a number of assets under arrangements accounted for as capital leases, as follows:

	ACQUISITION COSTS L MILLION	ACCUMULATED DEPRECIATION L MILLION	NET BOOK VALUE L MILLION
At December 31, 2002 :			
Electronic equipment	283	(185)	98
Other equipment	118	(58)	60
At December 31, 2001 :			
Electronic equipment	290	(187)	103
Other equipment	109	(43)	66

Depreciation charged on these assets was L 44 million and L 45 million for the years ended December 31, 2002 and 2001 respectively.

The Group leases business offices and uses certain equipment under lease arrangements accounted for as operating leases. Minimum rental expense under such arrangements amounted to L 21 million, L 19 million and L 17 million for the years ended December 31, 2002, 2001 and 2000, respectively and is included in depreciation expense detailed in note 11.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

Future minimum lease payments under capital and operating leases are summarized as follows as of December 31, 2002:

	CAPITAL LEASES L MILLION	OPERATING LEASES L MILLION
2003	89	25
2004	46	18
2005	38	14
2006	29	13
2007	19	12
2008 and thereafter	13	91
	234	
Imputed interest	(30)	
	204	

It is expected that, in the normal course of business, expiring leases will be renewed or replaced.

The Group leases capacity on its network to other telecommunications companies. These leases are accounted for as operating leases and revenues received are recognized over the life of the leases as follows:

	L MILLION
2003	5
2004	5
2005	3
2006	1
2007	1
2008 and thereafter	5

The assets held under these leases are accounted for as follows:

	ACQUISITION COSTS L MILLION	ACCUMULATED DEPRECIATION L MILLION	NET BOOK VALUE L MILLION
At December 31, 2002			
Cable and ducting	45	(5)	40
At December 31, 2001			
Cable and ducting	45	(3)	42

Depreciation charged on these assets was L 2 million and L 2 million for the years ended December 31, 2002 and 2001 respectively.

CONTINGENT LIABILITIES

The Group has provided performance bonds in respect of its national licence and to local authorities up to a maximum amount of L 6 million (2001: L 7 million).

The Group is a party to various other legal proceedings in the ordinary course of business which it does not believe will result, in aggregate, in a material adverse effect on its financial condition or results of operations.

22 RELATED-PARTY TRANSACTIONS

IDENTITY OF RELEVANT RELATED PARTIES

Liberty Media, Inc ("Liberty") and Microsoft are related parties of the Group, in that they control or controlled, directly or indirectly, more than 20% of the voting rights of the Company in 2002, 2001 and 2000.

Flextech up to its acquisition on April 19, 2000 was a related party of the Group as Liberty owned more than 20% of the voting rights of Flextech.

UKTV is a related party of the Group, as the Group owns 50% of the voting rights.

TV Travel Group Limited ("TVT") was a related party of the Group, as the Group owned 37.95% of the voting rights before disposal in 2002.

In 2001 Screenshop Limited ("Screenshop") became a related party when the Group sold its shareholding in Screenshop to Sit-Up Limited in return for a 39.02% shareholding in Sit-Up Limited.

NATURE OF TRANSACTIONS

The Group had a L 10 million loan facility with Liberty. Interest charged on this loan was L nil in 2001 and L 1 million in 2000. The balance due to Liberty at December 31, 2000 was L 17 million including accrued interest and was repaid in 2001.

The Group purchases software and consultancy services from Microsoft, on normal commercial terms. Purchases in the year ended December 31, 2002 amounted to L 1 million (2001: L 2 million, 2000: L 2 million). The balance outstanding in respect of these purchases was Lnil at December 31, 2002, 2001 and 2000.

The Group has billed overheads and costs incurred on their behalf to UKTV, TVT and Screenshop of L 11 million, L 1 million and L 1 million (2001: L 8 million, L 3 million and L 1 million, 2000: L 7 million, L 10 million and L nil) respectively. The Group has also made a loan to UKTV. Interest charged on this loan was L 12 million (2001: L 12 million, 2000: L 15 million). Amounts due from UKTV, TVT and Screenshop at December 31, 2002 were L 208 million, L 1 million and L 4 million respectively (2001: L 218 million, L 28 million and L nil and 2000: L 229 million, L 31 million and Lnil respectively).

In the normal course of its business the Group purchases programming from UKTV on normal commercial terms. Purchases in the year ended December 31, 2002 were L 13 million (2001: L 9 million, 2000: L 7 million). The balance due to UKTV at December 31, 2002 was L nil (2001: L 2 million, 2000: L nil).

23 SUBSEQUENT EVENTS AND FINANCIAL RESTRUCTURING

The Group is renegotiating its bank facilities and debt financing arrangements. Further details of the proposed Financial Restructuring are as follows:

On September 30, 2002, we announced that we had reached a preliminary agreement relating to a financial restructuring (the "Financial Restructuring") with an AD HOC committee of our bondholders ("the Bondholder Committee"). That agreement provides for the cancellation of all outstanding notes and debentures (the "Notes"), representing approximately L 3.4 billion of indebtedness, issued by the Company and Telewest Finance (Jersey) Limited and certain other unsecured foreign exchange hedge contracts (the "Hedge Contracts") of the Company in exchange for New Ordinary Shares ("New Shares") representing 97% of the issued share capital of the Company immediately after the Financial Restructuring. The Company's current ordinary shareholders will receive the remaining 3% of the Company's issued ordinary share capital.

We also announced on September 30, 2002 that we were deferring payment of interest under certain of our Notes and the settlement of the Hedge Contracts. Such non-payment continues and has resulted in defaults under the Group's bank facilities and its bonds. Based on one such default, in respect of non-payment of approximately L 10.5 million to a Hedge Contract counter-party, that counter-party has filed a petition for the winding-up of the Company with a UK court. The Company intends to deal with this claim as part of the overall restructuring of its unsecured debt obligations and does not believe that the legal action will delay or significantly impede the Financial Restructuring process. The Company will of course continue to meet its obligations to its suppliers and trade creditors and this legal action is expected to have no impact on customer service.

On January 15, 2003, we announced that we had reached a non-binding agreement with respect to the terms of amended and restated credit facilities with both the steering committee of our senior lenders and the Bondholder Committee. In addition, the terms of these facilities have received credit committee approval, subject to documentation and certain other issues, from all of our senior lenders, save for those banks which are also creditors by virtue of the unsecured Hedge Contracts with which we will deal in the overall Financial Restructuring.

The terms of the amended and restated bank facilities are as follows:

- the amended facilities total L 2,155 million, comprising term loans of L 1,840 million, L 190 million of committed overdraft and revolving credit facilities and an uncommitted term facility of L 125 million;

- the amended facilities do not amortise; and the majority of the facilities will mature on December 31, 2005 with the balance maturing on June 30, 2006;

- financial covenants will be re-set to reflect the Company's new business plan; and

- the pricing on the facilities will be increased to reflect market sentiment.

These amended facilities will replace the Group's existing bank facilities, (the "Senior Secured Facility") and are, as noted above, conditional on various matters, including the satisfactory finalisation of arrangements for dealing with foreign exchange creditors and the completion of our balance sheet restructuring. These amended credit facilities will provide the Company with substantial liquidity, which is expected to be sufficient to see the Company through to cash flow positive after completion of the Financial Restructuring.

Negotiations are continuing with the Bondholder Committee, the Company's senior lenders and certain other major stakeholders with a view to the timely completion of the Financial Restructuring.

These financial statements have been prepared on a going concern basis and do not include any adjustments that would arise as a result of the going concern basis of preparation being inappropriate. The board of directors have confidence in the successful conclusion of a restructuring of the Company's balance sheet (and any required amendments to the Senior Secured Facility) and, together with and on the basis of cash flow information that they have prepared, the directors consider that the Group will continue to operate as a going concern for a period of at least 12 months from the date of issue of these financial statements. Any restructuring will require the approval of our bankers and various stakeholders. Inherently, there can be no certainty in relation to any of these matters.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
years ended December 31, 2002, 2001 and 2000

24 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	TOTAL RESTATED L MILLION	FOURTH QUARTER* RESTATED L MILLION	THIRD QUARTER L MILLION
Revenue	1,283	307	323
Gross profit (after L 841 million fixed asset impairment charge in the fourth quarter)	(469)	(764)	97
Operating loss	(2,440)	(2,349)	(31)
Finance expenses, net	(296)	(65)	(70)
Net loss	(2,789)	(2,471)	(134)
Basic and diluted loss per ordinary share	(97p)	(86p)	(5p

* In the fourth quarter the Group recorded a goodwill impairment charge of L 1,445 million, wrote down the value of its investments in affiliates by

L 130 million and recorded a fixed asset impairment charge of L 841 million.

	TOTAL L MILLION	FOURTH QUARTER* L MILLION	THIRD QUARTER L MILLION
Revenue	1,254	329	312
Gross profit	325	91	85
Operating loss	(1,121)	(844)	(83)
Finance expenses, net	(472)	(131)	(104)
Net loss	(1,741)	(1,122)	(192)
Basic and diluted loss per ordinary share	(60p)	(38p)	(7p

* In the fourth quarter the Group recorded a goodwill impairment charge of L 766 million and wrote down the value of its investments in affiliates by L 202 million.

Finance expenses include foreign exchange gains and losses on the retranslation or valuation of US Dollar-denominated financial instruments using period end exchange rates and market valuations.

25 SEGMENTAL INFORMATION

The Group applies SFAS 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION. SFAS 131 establishes standards for reporting information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Group's chief operating decision-making group is the board of directors. The operating segments are managed separately because each operating segment represents a strategic business unit that offers different products and services in different markets. The Group operates in two main segments: Cable and Content. The Cable segment of our business can be subdivided, for revenue purposes only, between four product ranges: Cable Television, Consumer Telephony, Internet and other, and Business Services. The Internet and other unit comprises internet sales and sales of cable publications. The Content segment provides entertainment content, interactive and transactional services to the UK pay-TV broadcasting market.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. In 2001, the Group changed the structure of its segmental analysis, and certain corresponding information from the previous years has been restated to reflect the change in structure.

The following tables present summarized financial information relating to the reportable segments for each of the three years ended December 31, 2002:

	NOTE 2 2002 RESTATED $ MILLION	2002 RESTATED L MILLION
CABLE		
Cable television	541	336
Consumer telephony	797	495
Internet and other	101	63
TOTAL CONSUMER DIVISION	1,439	894
Business Services Division	455	283
THIRD PARTY REVENUE	1,894	1,177
Operating costs and expenses	(1,333)	(828)
Depreciation(3)	(2,134)	(1,326)
Amortization of goodwill(2)	(1,635)	(1,016)
OPERATING LOSS	(3,208)	(1,993)
Share of net loss of affiliates	--	--
Additions to property and equipment	737	458
Investment in affiliates	5	3
Goodwill	492	306
Total assets	5,833	3,624
CONTENT		
Content division	195	121
Inter-segmental(1)	(24)	(15)
THIRD PARTY REVENUE	171	106
Operating costs and expenses	(183)	(114)
Depreciation(3)	(16)	(10)
Amortization of goodwill(2)	(691)	(429)
OPERATING LOSS	(719)	(447)
Share of net loss of affiliates and impairment	(190)	(118)
Additions to property and equipment	5	3
Investment in affiliates	600	373
Goodwill	227	141
Total assets	758	471
TOTAL		
Cable television	541	336
Consumer telephony	797	495
Internet and other	101	63
TOTAL CONSUMER DIVISION	1,439	894
Business Services Division	455	283
TOTAL CABLE DIVISION	1,894	1,177
Content division	195	121

Inter-segmental(1)	(24)	(15)
TOTAL REVENUE	2,065	1,283
Operating costs and expenses	(1,516)	(942)
Depreciation(3)	(2,150)	(1,336)
Amortization of goodwill(2)	(2,326)	(1,445)
OPERATING LOSS	(3,927)	(2,440)
Other expense(2)	(607)	(377)
Income tax benefit	45	28
NET LOSS	(4,489)	(2,789)
Share of net loss of affiliates and impairment	(190)	(118)
Additions to property and equipment	742	461
Investment in affiliates	605	376
Goodwill	719	447
Total assets	6,591	4,095

(1) Inter-segmental revenues are revenues from sales in our Content Division which are costs in our Cable Division and are eliminated on consolidation.

(2) In the fourth quarter of 2002, the Group recorded a goodwill impairment charge of L 1,445 million and wrote down the value of its investments in affiliates by L 130 million. In the fourth quarter of 2001, the Group recorded a goodwill impairment charge of L 766 million and wrote down the value of its investments in affiliates by L 202 million.

(3) In the fourth quarter of 2002 the Group recorded a fixed asset impairment charge of L 841 million.

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CERTIFICATIONS

I, Robert R. Bennett, certify that:

1. I have reviewed this annual report on Form 10-K/A of Liberty Media Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 21, 2004

/s/ ROBERT R. BENNETT

Robert R. Bennett
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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I, David J.A. Flowers, certify that:

1. I have reviewed this annual report on Form 10-K/A of Liberty Media Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 21, 2004

/s/ DAVID J.A. FLOWERS

David J.A. Flowers

SENIOR VICE PRESIDENT AND TREASURER

I, Christopher W. Shean, certify that:

1. I have reviewed this annual report on Form 10-K/A of Liberty Media Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for

establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 21, 2004

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
SENIOR VICE PRESIDENT AND CONTROLLER

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EXHIBIT INDEX

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

3--Articles of Incorporation and Bylaws:

3.1 Restated Certificate of Incorporation of Liberty, dated August 9, 2001 (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 of Liberty Media Corporation (File No. 333-55998) as filed on February 21, 2001 (the "Split Off S-1 Registration Statement")).

3.2 Bylaws of Liberty, as adopted August 9, 2001 (incorporated by reference to Exhibit 3.4 of the Split Off S-1 Registration Statement).

4--Instruments Defining the Rights of Securities Holders, including Indentures:

4.1 Specimen certificate for shares of Series A common stock, par value $.01 per share, of the Registrant (incorporated by reference to Exhibit 4.1 to the Split Off S-1 Registration Statement).

4.2 Specimen certificate for shares of Series B common stock, par value $.01 per share, of the Registrant (incorporated by reference to Exhibit 4.2 to the Split Off S-l Registration Statement).

4.3 Liberty undertakes to furnish the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10--Material Contracts:

10.1 Inter-Group Agreement dated as of March 9, 1999, between AT&T Corp. and Liberty Media Corporation, Liberty Media Group LLC and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-4 of Liberty Media Corporation (File No. 333-86491) as filed on September 3, 1999, the "Liberty S-4 Registration Statement").

10.2 Ninth Supplement to Inter-Group Agreement dated as of June 14, 2001, between and among AT&T Corp., on the one hand, and Liberty Media Corporation, Liberty Media Group LLC, AGI LLC, Liberty SP, Inc., LMC Interactive, Inc. and Liberty AGI, Inc., on the other hand (incorporated by reference to Exhibit 10.25 to the Registration Statement on Form S-1 of Liberty Media Corporation (File No. 333-66034) as filed on July 27, 2001).

10.3 Intercompany Agreement dated as of March 9, 1999, between Liberty and AT&T Corp. (incorporated by reference to Exhibit 10.3 to the Liberty S-4 Registration Statement).

10.4 Tax Sharing Agreement dated as of March 9, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.4 to the Liberty S-4 Registration Statement).

10.5 First Amendment to Tax Sharing Agreement dated as of May 28, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.5 to the Liberty S-4 Registration Statement).

10.6	Second Amendment to Tax Sharing Agreement dated as of September 24, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-1 of Liberty Media Corporation (File No. 333-93917) as filed on December 30, 1999 (the "Liberty S-1 Registration Statement)).
10.7	Third Amendment to Tax Sharing Agreement dated as of October 20, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.7 to the Liberty S-l Registration Statement).
10.8	Fourth Amendment to Tax Sharing Agreement dated as of October 28, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.8 to the Liberty S-l Registration Statement).
10.9	Fifth Amendment to Tax Sharing Agreement dated as of December 6, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.9 to the Liberty S-l Registration Statement).
10.10	Sixth Amendment to Tax Sharing Agreement dated as of December 10, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.10 to the Liberty S-l Registration Statement).
10.11	Seventh Amendment to Tax Sharing Agreement dated as of December 30, 1999, by and among AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.11 to the Liberty S-l Registration Statement).
10.12	Eighth Amendment to Tax Sharing Agreement dated as of July 25, 2000, by and among AT&T Corp., Liberty Media Corporation, AT&T Broadband LLC, Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.12 to the Split Off Registration Statement).

10.13 Instrument dated January 14, 2000, adding The Associated Group, Inc. as a party to the Tax Sharing Agreement dated as of March 9, 1999, as amended, among The Associated Group, Inc., AT&T Corp., Liberty Media Corporation, Tele-Communications, Inc., Liberty Ventures Group LLC, Liberty Media Group LLC, TCI Starz, Inc., TCI CT Holdings, Inc. and each Covered Entity listed on the signature pages thereof (incorporated by reference to Exhibit 10.12 to the Liberty S-1 Registration Statement).

10.14 Restated and Amended Employment Agreement dated November 1, 1992, between Tele-Communications, Inc. and John C. Malone (assumed by Liberty as of March 9, 1999), and the amendment thereto dated June 30, 1999 and effective as of March 9, 1999, between Liberty and John C. Malone (incorporated by reference to Exhibit 10.6 to the Liberty S-4 Registration Statement).

10.15 Amended and Restated Agreement and Plan of Restructuring and Merger among UnitedGlobalCom, Inc., New UnitedGlobalCom, Inc., United/New United Merger Sub, Inc., Liberty Media Corporation, Liberty Media International, Inc. and Liberty Global, Inc., dated December 31, 2001 (incorporated by reference to Current Form 8-K filed by Liberty Media Corporation on January 9, 2002, Commission File No. 0-20421).

10.16 Liberty Media Corporation 2000 Incentive Plan (As Amended and Restated Effective September 11, 2002).*

10.17 Liberty Media Corporation 2002 Non-employee Director Incentive Plan.*

21--Subsidiaries of Liberty Media Corporation.*

23.1 Consent of KPMG LLP.*

23.2 Consent of KPMG Audit plc.*

23.3 Consent of KPMG Audit plc, filed herewith.

99.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

99.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

99.3 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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* Previously filed.