

VIDEOTRON SOUTH LONDON LIMITED

Report and Financial Statements

31 March 1997



REPORT AND FINANCIAL STATEMENTS 1997

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 31 March 1997.

CHANGE OF ACCOUNTING DATE

The company has changed its accounting date from 31 August to 31 March to align themselves with the accounting date of Cable & Wireless Communications plc (see note 19).

PRINCIPAL ACTIVITY

The principal activity of the company is the construction and operation of a cable television and telecommunications network in the London Boroughs of Lambeth & Southwark, Greenwich and Lewisham, Wandsworth and Thamesmead pursuant to licences granted under the Telecommunications Act 1984 and Cable and Broadcasting Act 1984 to the company and certain related and subsidiary companies.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

During the period the company made a loss of £16,287,558 (year ended 31 August 1996 loss - £5,401,970).

The directors do not recommend the payment of a dividend (1996 - £nil).

The directors remain confident about the company's future prospects.

DIRECTORS

The directors who held office during the year and to date were:

L Brunel	(resigned 17 December 1996)
D Colley	(resigned 31 January 1997)
R Drolet	(appointed 8 January 1997)
D Somers	(appointed 8 January 1997; resigned 9 May 1997)
P Howell-Davies	(appointed 9 May 1997; resigned 2 June 1997)
G Wallace	(appointed 2 June 1997)
N Mearing-Smith	(appointed 2 June 1997)

At no time during the period did any of the directors have any interest in the share capital of the company. The interests in other group companies of the directors who are also directors of Videotron Holdings Plc, the parent undertaking, are as disclosed in the financial statements of that company.

ULTIMATE PARENT COMPANY

Acquisition by Bell Cablemedia plc

The immediate parent of the company is Videotron Holdings Plc ("VHP"). Cable Road (UK) Limited ("CRUK") is the immediate parent of VHP, holding 56% of its share capital. Until 17 December 1996 Le Group Vidéotron Ltée ("GVL"), a public company incorporated in Canada, had an indirect holding of 100% of the share capital of CRUK.

On 22 October 1996, Bell Cablemedia plc ("BCM") announced that it had entered into a conditional agreement with GVL to acquire CRUK. The conditions were satisfied by 17 December 1996 and BCM acquired control on that date. As at 1 April 1997, BCM had 100% beneficial ownership of VHP.

DIRECTORS' REPORT

ULTIMATE PARENT COMPANY (Continued)

Formation of Cable & Wireless Communications plc.

On 22 October 1996, Cable and Wireless plc, Bell Canada International and NYNEX Corporation announced that they had entered into a Transaction Agreement, whereby, subject to certain conditions precedent, the parties agreed to combine

- (i) Mercury Communications Limited
 - (ii) Bell Cablemedia plc (as enlarged by Videotron Holdings Plc and its subsidiaries)
 - (iii) NYNEX Cable Comms Group PLC and NYNEX Cable Comms Inc.
- under one company called Cable & Wireless Communications plc.

By 25 April 1997 the conditions had been satisfied and the Agreement went unconditional.

AUDITORS

A resolution in accordance with Section 386 of the Companies Act 1985 to dispense with the obligation to appoint auditors annually was passed on 22 July 1994.

Approved by the Board of Directors
and signed on behalf of the Board of Directors



R Drolet

Secretary

29 January 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF VIDEOTRON SOUTH LONDON LIMITED

We have audited the financial statements on pages 5 to 17 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its loss for the seven months then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

30 January 1998

PROFIT AND LOSS ACCOUNT

Seven months ended 31 March 1997

	Note	Continuing operations	
		7 months ended 31 March 1997 £	Year ended 31 August 1996 £
TURNOVER	2	23,266,632	35,665,442
Cost of sales		(8,768,112)	(14,826,649)
Gross profit		14,498,520	20,838,793
Administrative expenses		(29,485,151)	(25,797,314)
OPERATING LOSS		(14,986,631)	(4,958,521)
Net interest expense	3	(1,844,833)	(443,449)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(16,831,464)	(5,401,970)
Taxation credit	5	543,906	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED FROM RESERVES	14	(16,287,558)	(5,401,970)

A statement of total recognised gains and losses has not been presented since there are no recognised gains and losses in the current period and preceding year other than the loss for the period.

VIDEOTRON SOUTH LONDON LIMITED

BALANCE SHEET

31 March 1997

	Note	£	31 March 1997 £	£	31 August 1996 £
FIXED ASSETS					
Intangible fixed assets	7	57,449		2,850,317	
Tangible fixed assets	8	229,882,471		201,117,357	
Investments	9	21,327		21,327	
			229,961,247		203,989,001
CURRENT ASSETS					
Debtors due after more than one year	10	912,000		1,129,200	
Debtors due within one year	10	15,433,930		13,830,771	
Cash at bank and in hand		1,841,084		581,200	
			18,187,014		15,541,171
CREDITORS: amounts falling due within one year	11	(118,696,815)		(103,550,589)	
NET CURRENT LIABILITIES			(100,509,801)		(88,009,418)
TOTAL ASSETS LESS CURRENT LIABILITIES			129,451,446		115,979,583
CREDITORS: amounts falling due after more than one year	12		(124,477,692)		(96,696,713)
TOTAL NET ASSETS			<u>4,973,754</u>		<u>19,282,870</u>
CAPITAL AND RESERVES					
Called up share capital	13		53,783,358		51,804,916
Profit and loss account	14		(48,809,604)		(32,522,046)
TOTAL EQUITY SHAREHOLDER'S FUNDS	15		<u>4,973,754</u>		<u>19,282,870</u>

These financial statements were approved by the Board of Directors on 29 January 1998.

Signed on behalf of the Board of Directors

N Mearing-Smith

Director

NOTES TO THE ACCOUNTS

Seven months ended 31 March 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidated financial statements and cash flow statement

The company is exempt under S228 of the Companies Act 1985 and Financial Reporting Standard 2 from the obligation to prepare consolidated financial statements given that its parent company, Videotron Holdings Plc, a company registered in England and Wales, produces such financial statements.

The company is also exempt under Financial Reporting Standard 1 (revised 1996) paragraph 5(a) from the obligation to produce a cash flow statement.

Intangible fixed assets

(i) Franchise application costs

Franchise application costs represent the acquisition cost of exclusive rights to operate a telecommunications network in a given territory. The company amortises these costs on a straight line basis over the life of these rights, being a maximum of 23 years.

(ii) Deferred development expenditure

During the early years of the business, expenditure was incurred which is not directly attributable to the construction of the telecommunications network. However, these costs were attributable to the development of the business as a whole. An appropriate proportion of these costs was treated as deferred development expenditure within intangible fixed assets and is amortised over the life of the relevant franchise. Amortisation of such deferred development expenditure commences when the depreciation of the telecommunications network commences.

In addition, expenditure relating to certain projects undertaken by the business which are expected to be revenue generating in the future is treated as deferred development expenditure within intangible fixed assets and is amortised over the life of the relevant franchise or project life if shorter. Amortisation commences when a project is successfully launched.

Following the change in control of Videotron Holdings plc (see note 19) these balances have been fully amortised in the period.

Tangible fixed assets

Fixed assets are recorded at cost which included materials, direct labour and general administrative expenses and interest applicable to the construction and connection of telecommunications networks. Depreciation is provided on fixed assets at rates which are intended to write off the cost of the assets over their estimated useful lives.

The assets are depreciated on a straight line basis over the following periods:

Buildings and leasehold improvements	20 to 25 years
Plant and machinery	7 to 15 years
Fixtures and fittings	4 to 10 years
Subscriber electronics and head end equipment	4 to 15 years
Telecommunications network:	
Infrastructure	40 years
Electronics	25 years

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets (continued)

Depreciation of the telecommunications network does not commence until identifiable segments, defined as hubs, are fully operational. The majority of the company's hubs are now combined cable television and telecommunications hubs. A combined cable television and telecommunications hub is not a complete operational unit until the total number of cable television and telecommunications customers exceeds 45% of the total homes in the hub, or three years have elapsed from the commencement of construction, whichever comes sooner. For this purpose each home is treated as having the potential of two customers, being one for a cable television and one for a telephone.

Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is likely that a liability or asset will crystallise in the future.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases and are depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease or contracts in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Pension costs

A defined contribution pension scheme is operated. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to an insurance company for the year.

Interconnection with other operators

When telephony traffic is carried by other operators the company incurs interconnect costs. Interconnect costs payable to British Telecommunications plc ("BT") are subject to regulation in the form of a determination by the Office of Telecommunications ("OFTEL"). A determination may give rise to amendments, most often in the form of reductions, to interconnect costs relating to prior periods. Interconnect costs payable to operators other than BT are based on commercially negotiated contracts but in some cases are subject to adjustments for prior periods from time to time based on the rates determined by OFTEL for BT.

The company reviews its interconnect costs on a regular basis and adjusts the rate at which these costs are charged in the profit and loss account in accordance with estimated interconnect costs for the current period. Amendments to costs relating to prior periods are made in the current period, but only when recovery or payment of these amounts is probable.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

2. TURNOVER

Turnover represents the invoiced value, excluding value added tax, of cable television and telecommunications services in the United Kingdom analysed as follows:

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Cable television	9,836,369	13,878,712
Telecommunications services:		
Residential	10,294,803	16,849,099
Business	3,135,460	4,937,631
	<u>23,266,632</u>	<u>35,665,442</u>

3. NET INTEREST EXPENSE

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Interest on loans from fellow subsidiaries	9,812,877	12,419,741
Guarantee fees payable to principal shareholders of the company	10,839	36,656
Finance leases	284,290	683,228
Other interest payable	-	70,999
Amortisation of foreign exchange option	212,000	290,000
	<u>10,320,006</u>	<u>13,500,624</u>
Other interest receivable	-	(3,440,554)
Exchange gains on foreign currency translation	(727,234)	(127,460)
	<u>(727,234)</u>	<u>(3,568,014)</u>
	9,592,772	9,932,610
Capitalised in fixed assets	(7,747,939)	(9,489,161)
	<u>1,844,833</u>	<u>443,449</u>

The gain on foreign currency translation relates to the retranslation of the company's obligations to Videotron Corporation Limited, in connection with the Senior Discount Notes due 2005 at the balance sheet date (see note 12). These obligations are denominated in US dollars.

The company has hedged against the depreciation of Sterling relative to the US Dollar by purchasing a currency option from a fellow subsidiary company. It is still, however, subject to the inclusion of gains and losses in its profit and loss account to the extent that the Dollar/Sterling exchange rate is greater than the hedged strike rate.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Depreciation of owned tangible fixed assets	13,462,177	5,580,221
Depreciation of leased tangible fixed assets	546,393	973,162
Amortisation of intangible fixed assets	2,792,868	136,456
Auditors' remuneration - audit fees	20,000	20,000
Rentals under operating leases:		
Plant and machinery	47,502	85,657
Land and buildings	105,000	180,000

5. TAXATION

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Group/Consortium relief:		
Current year at 33% (1996 - 33%)	543,906	-

The company has accumulated tax losses to be carried forward of approximately £47,630,000 after disclaiming capital allowances (1996 - £128,521,350 after claiming capital allowances). The potential amount of deferred taxation not provided in these financial statements is approximately:

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Capital allowances in excess of depreciation	(7,532,170)	27,628,616
Timing differences on intangible fixed assets	18,958	1,084,068
Other short term timing differences	9,170,396	4,147,819
	1,657,184	32,860,503
Less trading losses	(1,657,184)	(32,860,503)
	-	-

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All staff are directly employed by Videotron Corporation Limited, a fellow subsidiary company. The aggregate remuneration recharged by Videotron Corporation Limited comprised:

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Wages and salaries	6,664,857	9,276,547
Social security costs	660,640	904,319
Pension costs	104,508	131,525
	<u>7,430,005</u>	<u>10,312,391</u>

The directors of the company who held office during the period were either executives of the group or directors of the parent company, Videotron Holdings Plc. They received total remuneration of £309,205 during the period (year ended 31 August 1996: £170,006). Included in this amount is £30,000 (1996: £nil) paid as compensation to a director for loss of office. It is not practicable to allocate these payments between their services to the group and their services as directors of this company and other fellow subsidiary companies.

7. INTANGIBLE FIXED ASSETS

	Franchise application costs £	Deferred development expenditure £	Total £
Cost:			
At 1 September 1996 and 31 March 1997	<u>104,264</u>	<u>3,092,461</u>	<u>3,196,725</u>
Amortisation:			
At 1 September 1996	42,760	303,648	346,408
Charge for the period	<u>4,055</u>	<u>2,788,813</u>	<u>2,792,868</u>
At 31 March 1997	<u>46,815</u>	<u>3,092,461</u>	<u>3,139,276</u>
Net book value:			
At 31 March 1997	<u>57,449</u>	<u>-</u>	<u>57,449</u>
At 31 August 1996	<u>61,504</u>	<u>2,788,813</u>	<u>2,850,317</u>

During the period the remaining deferred development was amortised to align the company's accounting policies with those of Bell Cablemedia plc. This resulted in a charge of £2.2 million over and above the normal amortisation charge.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

8. TANGIBLE FIXED ASSETS

	Land, buildings and leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Subscriber electronics and head end equipment £	Telecommunications network		
					Excluding capitalised interest £	Capitalised interest £	Total £
Cost:							
At 1 September 1996	3,816,880	15,690,693	317,202	25,173,871	149,076,672	22,877,067	216,952,385
Additions	817,515	2,912,164	166,132	2,887,362	28,242,572	7,747,939	42,773,684
At 31 March 1997	4,634,395	18,602,857	483,334	28,061,233	177,319,244	30,625,006	259,726,069
Accumulated depreciation:							
At 1 September 1996	574,580	4,251,708	69,105	6,330,589	4,363,961	245,085	15,835,028
Charge for period	108,387	993,230	24,352	1,511,146	10,632,310	739,145	14,008,570
At 31 March 1997	682,967	5,244,938	93,457	7,841,735	14,996,271	984,230	29,843,598
Net book value:							
At 31 March 1997	3,951,428	13,357,919	389,877	20,219,498	162,322,973	29,640,776	229,882,471
At 31 August 1996	3,242,300	11,438,985	248,097	18,843,282	144,712,711	22,631,982	201,117,357

Land and buildings comprise leasehold improvements on short leasehold property. The net book value of leased assets included above is £4,570,071 (31 August 1996 - £5,116,464). Depreciation charged during the period on leased assets was £546,393 (year ended 31 August 1996 - £973,162).

Following the acquisition by Bell Cablemedia plc certain of the balances relating to converter assets were written down through depreciation resulting in a charge of £9.3 million over and above the normal depreciation charge.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary companies £	Other investments £	Total £
Cost:			
At 1 September 1996 and 31 March 1997	21,327	12,691	34,018
Provision:			
At 1 September 1996	-	12,691	12,691
Provided in period	-	-	-
At 31 March 1997	-	12,691	12,691
Net book value:			
At 31 March 1997	21,327	-	21,327
At 31 August 1996	21,327	-	21,327

The subsidiary company investments represent 100% of the equity of the following unlisted companies which are registered in England and Wales:

	£
100 ordinary shares of £1 each in Videotron Greenwich and Lewisham Limited	100
2 ordinary shares of £1 each in Videotron Lambeth and Southwark Limited	2
2 ordinary shares of £1 each in Videotron Wandsworth Limited	21,225
	<u>21,327</u>

The directors are of the opinion that the aggregate value of the shares in and amounts owing from the subsidiaries is not less than the aggregate of the amounts at which they are stated in the company's balance sheet.

Other investments comprise 811 ordinary shares of US\$0.01 each in International CableTel Incorporated which holds licences from the Department of Trade and Industry to run broadband cable systems in certain areas of the United Kingdom.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

10. DEBTORS

	31 March 1997 £	31 August 1996 £
Due within one year:		
Trade debtors	5,913,638	7,076,697
Due from principal shareholder and parent company	246,102	-
Due from fellow subsidiaries	297,804	-
Other debtors	7,173,160	5,088,711
Prepayments and accrued income	1,803,226	1,665,363
	<u>15,433,930</u>	<u>13,830,771</u>
Due after more than one year:		
Prepayments and accrued income	<u>912,000</u>	<u>1,129,200</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 1997 £	31 August 1996 £
Obligations under finance leases	1,335,106	1,643,866
Trade creditors	9,263,619	6,830,812
Due to parent company	19,244,229	20,895,546
Due to fellow subsidiaries	76,847,956	66,707,274
Due to principal shareholders of the parent company	431,452	357,268
Other creditors	439,884	318,489
Taxation and social security	339,911	284,806
Accruals and deferred income	10,794,658	6,512,528
	<u>118,696,815</u>	<u>103,550,589</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 1997 £	31 August 1996 £
12.5% unsecured loan stock	402,100	402,100
Due to fellow subsidiaries	121,725,464	93,273,363
Obligations under finance leases	2,350,128	3,021,250
	<u>124,477,692</u>	<u>96,696,713</u>

12.5% unsecured loan stock

The interest owed on the unsecured loan stock has been waived.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

	31 March 1997 £	31 August 1996 £
Analysis of loan and finance lease repayments		
Repayable otherwise than by instalments:		
After five years	122,127,564	93,675,463
Repayable by instalments:		
Between one and two years	556,548	945,708
Between two and five years	1,224,046	1,244,708
After five years	569,534	830,834
	<u>124,477,692</u>	<u>96,696,713</u>

13. CALLED UP SHARE CAPITAL

	31 March 1997 £	31 August 1996 £
Authorised:		
51,804,916 ordinary shares of £1 each	51,804,916	51,804,916
13,195,084 preference shares of £1 each	13,195,084	-
	<u>65,000,000</u>	<u>51,804,916</u>
Allotted, called up and fully paid:		
51,804,916 ordinary shares of £1 each	51,804,916	51,804,916
1,978,442 preference shares of £1 each	1,978,442	-
	<u>53,783,358</u>	<u>51,804,916</u>

On 18 September 1996 the company increased its authorised share capital to include 13,195,084 preference shares of £1 each. During the period 1,978,442 preference shares were issued to Videotron Holdings Plc for cash consideration of £1,978,442 as payment for technical assistance fees charged.

14. PROFIT AND LOSS ACCOUNT

	£
At 1 September 1996	(32,522,046)
Loss retained for the financial period	<u>(16,287,558)</u>
At 31 March 1997	<u>(48,809,604)</u>

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 March 1997	31 August 1996
	£	£
Opening balance	19,282,870	24,684,840
Retained loss for the period	(16,287,558)	(5,401,970)
Shares issued in the period	1,978,442	-
Closing balance	<u>4,973,754</u>	<u>19,282,870</u>

16. FINANCIAL COMMITMENTS

At 31 March 1997 the company was committed to make the following payments during the next year in respect of operating leases:

	Land and buildings £	Other £
Leases which expire:		
Within two to five years	-	33,959
After five years	<u>180,000</u>	<u>-</u>

17. CHARGE OVER ASSETS

During the year ended 31 August 1995 a fellow subsidiary undertaking entered into a senior loan facility with a syndicate of financial institutions. As security the syndicate were granted a fixed and floating charge over all the assets of the company. On 6 May 1997 the total amounts drawn under this facility were repaid and the facility cancelled.

The same company then entered into an Inter-Company Credit Agreement with Cable & Wireless Communications plc. As security, a fixed and floating charge has been granted over all the assets of the company.

18. RELATED PARTY TRANSACTIONS

The company undertook various transactions with certain affiliated companies in the normal course of business. Such transactions take place on commercially available terms. As a result of the change of control referred to in note 18 many of these transactions ceased.

The company paid royalties to Videoway Services International BV ("VSI") an affiliate of Le Groupe Videotron Ltee and Cable Road (UK) Limited ("CRUK"), for the provision of interactive programming services to its customers.

The company purchased Videoway converters from VSI.

The company paid certain Technical Assistance Fees to CRUK and Bell Cablemedia plc ("BCM"), which were satisfied by the issue of ordinary shares in Videotron Holdings Plc.

The company paid lease guarantee fees to GVL and BCM in consideration for the company's lease on its principal office buildings and the guarantee given in respect of certain financing agreements.

The company receives amounts from CRUK and BCM arising from the sale of its taxable losses.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

18. RELATED PARTY TRANSACTIONS (continued)

	Amounts paid/received by the company		Amounts due to/from related parties	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Royalties	264	537	226	104
Purchase of converters	167	6,604	1,354	1,259
Non cash technical assistance fees	444	1,265	444	302
Guarantee fees	11	18	1	1
Sale of tax losses	(257)	-	(257)	-
	<u>629</u>	<u>8,424</u>	<u>1,768</u>	<u>1,666</u>

Details of the company's ultimate parent are given in note 19. The company pays interconnections fees to Mercury Communications Limited (MCL) and receives incoming revenue from the same. The company is party to finance lease arrangements with MCL for the lease of certain of its telephony switches. These amounts have not been included in the analysis above.

19. ULTIMATE PARENT COMPANY

The parent company of the smallest group for which group accounts are prepared is Videotron Holdings Plc, a company registered in England and Wales. The immediate parent of Videotron Holdings Plc is Cable Road (UK) Limited ("CRUK").

Until 17 December 1996 the ultimate parent and controlling company was Le Groupe Vidéotron Ltée ("GVL"), a public company incorporated in Canada.

On 22 October 1996, Bell Cablemedia plc ("BCM") announced that it had entered into a conditional agreement with GVL to acquire CRUK. The conditions were satisfied by 17 December 1996 and BCM acquired control on that date. As at 1 April 1997, BCM had 100% beneficial ownership of Videotron Holdings Plc.

BCM has a 31 December year end. Copies of the financial statements of BCM are available from the secretary, 26 Red Lion Square, London, WC1R 4HQ, England.

The financial statements of Videotron Holdings Plc are available from the company secretary, 26 Red Lion Square, London, WC1R 4HQ. The financial statements of Le Groupe Vidéotron Ltée are available from the secretary, 300 Avenue Viger Est, Montréal, Québec, H2X 3W4, Canada.

Formation of Cable & Wireless Communications plc.

On 22 October 1996, Cable and Wireless plc, Bell Canada International and NYNEX Corporation announced that they had entered into a Transaction Agreement, whereby, subject to certain conditions precedent, the parties agreed to combine

- (i) Mercury Communications Limited
- (ii) Bell Cablemedia plc (as enlarged by Videotron Holdings Plc and its subsidiaries)
- (iii) NYNEX Cable Comms Group PLC and NYNEX Cable Comms Inc.

under one company called Cable & Wireless Communications plc.

By 25 April 1997 the conditions had been satisfied and the Agreement went unconditional.

The company is taking advantage of the exemption granted in paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with Videotron Holdings Plc group companies who are related parties.