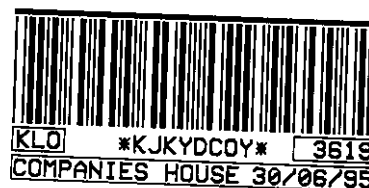


VIDEOTRON SOUTH LONDON LIMITED

Report and Financial Statements

31 August 1994

**Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1994

CONTENTS	Page
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the accounts	6

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 August 1994.

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 year the company made a loss of £3,359,629 (1993 - profit of £989,628) which has been transferred (from)/to reserves.

The directors do not recommend the payment of a dividend (1993 - £nil).

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

FIXED ASSETS

The company has invested substantially in the expansion of its cable television and telecommunications network during the year.

Details of movements in fixed assets during the year are given in notes 8, 9 and 10 to the financial statements.

DIRECTORS

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

L Brunel	(resigned 1 April 1995)
N J Kane	(appointed 25 May 1994)
J M Riches	(appointed 30 March 1995; resigned 31 March 1995)
J Cavallancia	(appointed 1 April 1995)

At no time during the year 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 are as disclosed in the accounts of that company. The directors who are not directors of Videotron Holdings Plc did not have any interests in any UK group company.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



B L HERRMANN

Secretary

29 June 1995

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. 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.



Chartered Accountants

Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR

Telephone: National 0171 936 3000
International + 44 171 936 3000
Telex: 884739 TRLNDN G
Fax (Gp. 3): 0171 583 8517
LDE: DX 599

AUDITORS' REPORT TO THE MEMBERS OF VIDEOTRON SOUTH LONDON LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 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 August 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co.

Chartered Accountants and Registered Auditors
London

29 June 1995

PROFIT AND LOSS ACCOUNT
Year ended 31 August 1994

	Note	Continuing operations	
		1994	1993
		£	£
TURNOVER	2	16,201,310	8,543,846
Cost of sales		(7,500,249)	(3,978,355)
Gross profit		8,701,061	4,565,491
Distribution costs		(4,634,122)	(2,739,051)
Administrative expenses		(6,622,172)	(4,018,983)
OPERATING LOSS		(2,555,233)	(2,192,543)
Interest receivable and similar income	3	144,358	3,413,332
Interest payable and similar charges	4	(948,754)	(231,161)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION TRANSFERRED (FROM)/TO RESERVES	5,16	<u>(3,359,629)</u>	<u>989,628</u>

A statement of total recognised gains and losses and a reconciliation of movements in shareholders' funds have not been presented since there are no recognised gains and losses or other movement in shareholders' funds in the financial year or previous financial year other than the (loss)/profit for the year.

BALANCE SHEET
31 August 1994

	Note	£	1994 £	£	1993 £
FIXED ASSETS					
Intangible fixed assets	8	2,787,554		2,701,776	
Tangible fixed assets	9	116,237,064		90,868,399	
Investments	10	23,860		23,860	
			119,048,478		93,594,035
CURRENT ASSETS					
Debtors	11	13,131,748		33,105,745	
Cash at bank and in hand		-		3,296,286	
		13,131,748		36,402,031	
CREDITORS: amounts falling due within one year	12	(67,460,162)		(60,230,664)	
NET CURRENT LIABILITIES			(54,328,414)		(23,828,633)
TOTAL ASSETS LESS CURRENT LIABILITIES			64,720,064		69,765,402
CREDITORS: amounts falling due after more than one year	13		(20,950,236)		(22,635,945)
TOTAL NET ASSETS			43,769,828		47,129,457
CAPITAL AND RESERVES					
Called up share capital	15	51,804,916		51,804,916	
Profit and loss account	16	(8,035,088)		(4,675,459)	
			43,769,828		47,129,457
Shareholders' funds are attributable to:					
Equity shareholders' funds			(6,717,637)		(3,358,008)
Non-equity shareholders' funds			50,487,465		50,487,465
TOTAL SHAREHOLDERS' FUNDS			43,769,828		47,129,457

These financial statements were approved by the Board of Directors on 27 June 1995.

Signed on behalf of the Board of Directors

N J Kane

N J KANE

Director

NOTES TO THE ACCOUNTS
Year ended 31 August 1994

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 accounts and cash flow statement

The company is exempt under S228 of the Companies Act 1985 from the obligation to prepare group accounts given that its parent company, Videotron Holdings Plc, which is incorporated in England and Wales, produces such accounts.

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 is incurred which is not directly attributable to the construction of the telecommunications network. However, these costs are attributable to the development of the business as a whole. Consequently, an appropriate proportion of these costs is treated as deferred development expenditure within intangible fixed assets. Expenditure not treated as deferred development expenditure is charged to the profit and loss account.

Deferred development expenditure is amortised over the life of the franchise rights and commences when depreciation of the cable network commences.

Tangible fixed assets

(i) Fixed assets are recorded at cost which includes material, direct labour and general administrative expenses applicable to the construction and connection of telecommunications networks. Cost also includes interest incurred during construction.

(ii) Depreciation is provided on fixed assets at rates which are intended to write off the cost of the assets over their estimated useful lives. Effect is given where necessary to commercial and technical obsolescence. The annual rates used are:

Land, buildings and leasehold improvements	4% to 5% straight line
Plant and machinery:	
Headend equipment	6.67% straight line
Other plant and machinery	10% to 25% straight line
Fixtures and fittings	10% straight line
Terminals and converters	10% to 16.67% straight line
Cable and telecommunications network:	
Infrastructure	2.5% straight line
Electronics	4% straight line

NOTES TO THE ACCOUNTS
Year ended 31 August 1994

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. A cable television hub is not a complete operational unit until 25% of the total homes in the hub are customers or three years have elapsed from the commencement of construction, whichever comes sooner. 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 customer and one for a telephone customer.

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. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term or useful life of the assets, whichever is shorter, using the sum of digits method or the interest rate inherent in the lease.

Operating lease rentals are charged to profit and loss in equal annual amounts over the life of the leases.

Pensions

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.

2. TURNOVER

Turnover represents income, excluding value added tax, earned from the provision of cable television and telecommunications services analysed as follows:

	1994 £	1993 £
Cable television	8,159,590	7,213,431
Telecommunications services	8,041,720	1,330,415
	<u>16,201,310</u>	<u>8,543,846</u>

NOTES TO THE ACCOUNTS
Year ended 31 August 1994

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	1994 £	1993 £
Bank interest receivable	144,358	2,548,969
Capital gain on investments	-	864,363
	<u>144,358</u>	<u>3,413,332</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1994 £	1993 £
Interest payable to group undertakings	620,376	-
Guarantee fees payable to the Canadian parents of the principal shareholders of the ultimate parent company	147,711	160,052
Finance leases	1,852,003	1,640,031
	<u>2,620,090</u>	<u>1,800,083</u>
Capitalised in fixed assets	(1,671,336)	(1,568,922)
	<u>948,754</u>	<u>231,161</u>

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION

The (loss)/profit on ordinary activities before and after taxation is stated after charging:

	1994 £	1993 £
Depreciation of owned tangible fixed assets	2,087,299	1,436,683
Depreciation of leased tangible fixed assets	822,739	305,113
Amortisation of intangible fixed assets	27,956	36,164
Auditors' remuneration	15,000	15,000
Rentals under operating leases:		
Plant and machinery	9,550	5,506
Motor vehicles	318,865	288,316
Land and buildings	196,501	360,505

The amounts above are shown before capitalisation of expenditure.

NOTES TO THE ACCOUNTS
Year ended 31 August 1994

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

No provision for taxation has been made in view of the losses available. The company has accumulated tax losses to be carried forward of approximately £52,300,000 (1993 - £34,900,000).

The potential amount of deferred taxation not provided in these accounts is approximately:

	1994 £	1993 £
Capital allowances in excess of depreciation	12,962,850	8,243,411
Timing differences on intangible fixed assets	919,893	862,900
Other short term timing differences	1,665,225	1,323,861
	<u>15,547,968</u>	<u>10,430,172</u>
Less trading losses	(15,547,968)	(10,430,172)
	<u>-</u>	<u>-</u>

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1994 £	1993 £
The aggregate remuneration of all employees (before capitalisation of expenditure) comprised:		
Wages and salaries	5,694,787	3,647,220
Social security costs	565,679	369,550
Pension costs	59,253	33,077
	<u>6,319,719</u>	<u>4,049,847</u>
	Number	Number
The average number of persons employed was:		
Construction	47	23
Engineering	41	24
Customer operations	136	95
Marketing and sales	70	48
Management and administration	4	4
	<u>298</u>	<u>194</u>

No emoluments were paid to the directors in respect of their services to the company (1993 - £nil).


NOTES TO THE ACCOUNTS
Year ended 31 August 1994
8. INTANGIBLE FIXED ASSETS

	Franchise application costs £	Deferred development expenditure £	Total £
Cost:			
At 1 September 1993	104,264	2,651,008	2,755,272
Additions	-	113,734	113,734
At 31 August 1994	104,264	2,764,742	2,869,006
Amortisation:			
At 1 September 1993	21,908	31,588	53,496
Charge for the year	6,950	21,006	27,956
At 31 August 1994	28,858	52,594	81,452
Net book value:			
At 31 August 1994	75,406	2,712,148	2,787,554
At 31 August 1993	82,356	2,619,420	2,701,776

9. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Terminals and converters £	Cable and telecommu- nications network £	Total £
Cost:						
At 1 September 1993	1,660,796	10,292,516	50,768	15,720,544	66,543,805	94,268,429
Additions	1,516,001	2,749,389	4,334	458,817	27,291,266	32,019,807
Transfers to fellow subsidiaries	-	-	-	(3,639,722)	-	(3,639,722)
Disposals	-	-	-	(457,705)	-	(457,705)
At 31 August 1994	3,176,797	13,041,905	55,102	12,081,934	93,835,071	122,190,809
Accumulated depreciation:						
At 1 September 1993	161,667	999,165	9,733	1,601,425	628,040	3,400,030
Charge for year	101,133	1,077,979	5,113	1,160,683	565,130	2,910,038
Disposals	-	-	-	(356,323)	-	(356,323)
At 31 August 1994	262,800	2,077,144	14,846	2,405,785	1,193,170	5,953,745
Net book value:						
At 31 August 1994	2,913,997	10,964,761	40,256	9,676,149	92,641,901	116,237,064
At 31 August 1993	1,499,129	9,293,351	41,035	14,119,119	65,915,765	90,868,399

Land and buildings comprise leasehold improvements on short leasehold property.

NOTES TO THE ACCOUNTS

Year ended 31 August 1994

9. TANGIBLE FIXED ASSETS (continued)

At 31 August 1994 the net book value of leased assets included above was £23,043,426 (1993 - £23,771,348). Depreciation charged during the year on leased assets was £822,739 (1993 - £305,113).

Cable and telecommunications network includes £4,630,668 (1993 - £2,959,332) of capitalised interest.

10. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary companies £	Other investments £	Total £
Cost:			
At 1 September 1993 and 31 August 1994	21,327	12,691	34,018
Provision:			
At 1 September 1993 and 31 August 1994	-	(10,158)	(10,158)
Net book value:			
At 31 August 1994 and 31 August 1993	<u>21,327</u>	<u>2,533</u>	<u>23,860</u>

The subsidiary company investments represent 100% of the equity of the following unlisted companies which are registered in England and Wales and have never traded:

	£
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 50,764 ordinary shares of 2.5 pence each in Clyde Cablevision Holdings Limited. Clyde Cablevision Holdings Limited holds a licence from the Department of Trade and Industry to install and run a broadband cable system providing the full range of telecommunications services within its franchise area.

NOTES TO THE ACCOUNTS
Year ended 31 August 1994

11. DEBTORS

	1994	1993
	£	£
Trade debtors	3,807,157	948,018
Amounts owed by fellow subsidiaries	7,113,266	29,544,983
Amounts owed by principal shareholders of the parent company	-	34,988
Other debtors	1,982,877	2,463,341
Prepayments and accrued income	228,448	114,415
	<u>13,131,748</u>	<u>33,105,745</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994	1993
	£	£
Bank loans and overdrafts	180,785	-
Obligations under finance leases	1,878,278	1,559,347
Trade creditors	3,216,443	2,971,473
Amounts owed to parent company	626,814	168,485
Amounts owed to fellow subsidiaries	55,617,726	50,335,040
Amounts owed to principal shareholders of the parent company	671,813	2,756,956
Other creditors	95,304	97,623
Taxation and social security	210,734	121,383
Accruals and deferred income	4,962,265	2,220,357
	<u>67,460,162</u>	<u>60,230,664</u>

For additional information regarding obligations under finance leases see notes 13 and 14 to the accounts.

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

	1994	1993
	£	£
12.5% unsecured loan stock	402,100	402,100
Amounts owed to fellow subsidiary	739,549	739,549
Obligations under finance leases	19,808,587	21,494,296
	<u>20,950,236</u>	<u>22,635,945</u>

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

The amounts owed to the fellow subsidiary are repayable on demand, but the company has received assurances from that company that it is not their intention to call in the loans within twelve months of the year end.

The most significant element of the finance lease obligations results from a sale and leaseback transaction involving the cable and telecommunications network. The lease has a primary period of 10 years and the interest rate is floating rate three month LIBOR. The obligations under this lease are subject to guarantee by the Canadian parents of the principal shareholders of the parent company. The leases are secured against the leased assets.

NOTES TO THE ACCOUNTS
Year ended 31 August 1994

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

Subsequent to the year end, a fellow subsidiary company has entered into a senior loan facility with a syndicate of financial institutions. As security the syndicate have been granted a first fixed and floating charge over all the assets of the company. No amounts have been drawn under this facility at the date of signature of these financial statements.

14. FINANCE LEASES

	1994 £	1993 £
Obligations under finance leases:		
Payable within one year	1,878,278	1,559,347
Payable within two to five years	9,865,786	9,053,502
Payable in more than five years	9,942,801	12,440,794
	<u>21,686,865</u>	<u>23,053,643</u>

15. CALLED UP SHARE CAPITAL

	1994 £	1993 £
Authorised, allotted and fully paid:		
1,317,451 ordinary shares of £1 each	1,317,451	1,317,451
50,487,465 redeemable ordinary shares of £1 each	50,487,465	50,487,465
	<u>51,804,916</u>	<u>51,804,916</u>

The redeemable ordinary shares are redeemable at three months notice at the option of the shareholder. No premium is payable on redemption.

Subsequent to the year end the redeemable ordinary shares were converted to ordinary shares.

16. PROFIT AND LOSS ACCOUNT

	£
At 1 September 1993	(4,675,459)
Loss retained for year	<u>(3,359,629)</u>
At 31 August 1994	<u>(8,035,088)</u>

NOTES TO THE ACCOUNTS
Year ended 31 August 1994

17. OPERATING LEASE COMMITMENTS

At 31 August 1994 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 one year	-	10,795
Within two to five years	-	145,254
After five years	180,000	-
	<u>180,000</u>	<u>-</u>

18. 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 ultimate parent company is Le Groupe Vidéotron Ltée, a public company incorporated in Canada.

The financial statements of Videotron Holdings Plc are available from the company secretary, Videotron House, 76 Hammersmith Road, London W14 8UD. The financial statements of Le Groupe Vidéotron Ltée are available from the secretary, 300, avenue Viger Est, Montréal, Québec, H2X 3W4, Canada.