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 **ERNST & YOUNG**



REPORT AND ACCOUNTS

Cable Communications  
(Central Lancashire) Limited

31 DECEMBER 1992



# **Cable Communications (Central Lancashire) Limited**

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Registered No. 1737862

## **DIRECTORS**

T C Campbell

M J Turner

M Gilliam

A Sugden

## **SECRETARY**

P Hurst

## **AUDITORS**

Ernst & Young

Commercial Union House

Albert Square

Manchester

M2 6LP

## **BANKERS**

Royal Bank of Scotland PLC

P O Box 58

97 Fishergate

Preston

PR1 2DP

## **REGISTERED OFFICE**

Cable House

2-8 Frenchwood Avenue

Preston

Lancashire

PR1 4QF

**DIRECTORS' REPORT**

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The directors present their report and the accounts for the year ended 31 December 1992.

**RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £4,228,928 (1991: £2,520,983). The directors do not recommend the payment of a dividend (1991 : £Nil).

**REVIEW OF THE BUSINESS**

The principal activity of the company is the development of a cable television and communications business.

**FUTURE DEVELOPMENTS**

At the end of April 1993 the company intends to enter into an agreement to transfer the trade representing operation of its cable network business to SBC Cable Comms (UK) a new UK parent company in return for royalty income. The company will retain the ownership of the network equipment and responsibility for the construction of the network but will lease the equipment to the new parent in return for a rental fee. It is intended that the majority of the employees will transfer to the new parent company.

**FIXED ASSETS**

Movements in fixed assets are shown in note 8 to the accounts.

**DIRECTORS AND THEIR INTERESTS**

The directors of the company who served during the year were as follows:

|              |                           |
|--------------|---------------------------|
| A Sugden     | (appointed 23 April 1993) |
| D B Hartman  | (resigned 2 March 1993)   |
| D K Vaughn   | (resigned 2 March 1993)   |
| T C Campbell |                           |
| M J Turner   | (appointed 23 April 1993) |
| M Gilliam    | (appointed 23 April 1993) |

No director had any beneficial interest in the ordinary share capital of the company at 31 December 1991 and 1992.

The interests of the directors in the share capital of the immediate holding company are disclosed in the accounts of that company.

**AUDITORS**

During the year KPMG Peat Marwick resigned as auditors and Ernst & Young were appointed in their place. A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



P Hurst  
Secretary

27 April 1993

**REPORT OF THE AUDITORS**

to the members of Cable Communications (Central Lancashire) Limited

We have audited the accounts on pages 5 to 11 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1992 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Manchester

27 April 1993

# Cable Communications (Central Lancashire) Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1992

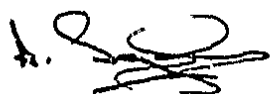
|  | Notes | 1992<br>£                 | 1991<br>£                 |
|--|-------|---------------------------|---------------------------|
| <b>TURNOVER</b>                                    | 3     | 1,514,011                 | 567,443                   |
| Cost of sales                                      |       | (733,662)                 | (245,336)                 |
| <b>GROSS PROFIT</b>                                |       | <u>780,349</u>            | <u>322,107</u>            |
| Distribution costs                                 |       | (93,834)                  | (766,919)                 |
| Administrative expenses                            |       | (4,914,828)               | (2,075,556)               |
| <b>OPERATING LOSS</b>                              | 4     | <u>(4,228,313)</u>        | <u>(2,520,368)</u>        |
| Interest payable                                   | 7     | (615)                     | (615)                     |
| <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |       | <u>(4,228,928)</u>        | <u>(2,520,983)</u>        |
| Tax on loss on ordinary activities                 |       | -                         | -                         |
| Retained loss for the year                         |       | <u>(4,228,928)</u>        | <u>(2,520,983)</u>        |
| Retained loss brought forward                      |       | (4,587,956)               | (2,066,973)               |
| <b>RETAINED LOSS CARRIED FORWARD</b>               |       | <u><u>(8,816,884)</u></u> | <u><u>(4,587,956)</u></u> |

# Cable Communications (Central Lancashire) Limited

## BALANCE SHEET

at 31 December 1992

|  | Notes | 1992<br>£           | 1991<br>£           |
|--|-------|---------------------|---------------------|
| <b>FIXED ASSETS</b>  |       |                     |                     |
| Tangible assets  | 9     | 24,633,886          | 17,612,747          |
| <b>CURRENT ASSETS</b>  |       |                     |                     |
| Stocks - electronic equipment and consumables                  |       | 216                 | 11,011              |
| Debtors  | 10    | 60,507              | 74,970              |
| Cash at bank and in hand                                       |       | 118,955             | 5,544               |
|  |       | <u>179,678</u>      | <u>91,525</u>       |
| <b>CREDITORS: amounts falling due within one year</b>          | 11    | <u>(1,329,134)</u>  | <u>(1,058,858)</u>  |
| <b>NET CURRENT LIABILITIES</b>                                 |       | <u>(1,149,456)</u>  | <u>(967,333)</u>    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |       | 23,484,430          | 16,645,414          |
| <b>CREDITORS: amounts falling due after more than one year</b> | 12    | <u>(32,012,872)</u> | <u>(20,944,928)</u> |
|  |       | <u>(8,528,442)</u>  | <u>(4,299,514)</u>  |
| <b>CAPITAL AND RESERVES</b>                                    |       |                     |                     |
| Called up share capital  | 13    | 288,442             | 288,442             |
| Profit and loss account  |       | <u>(8,816,884)</u>  | <u>(4,587,956)</u>  |
|  |       | <u>(8,528,442)</u>  | <u>(4,299,514)</u>  |



A Sugden

- Director

27 April 1993

# Cable Communications (Central Lancashire) Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 1. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared under the going concern concept because the ultimate parent undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due.

### 2. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### *Basis of accounting*

The accounts have been prepared under the historical cost convention.

#### *Cash flow statements*

The parent company of Northwest Cable Communications Limited registered in England will publish, as part of its own accounts, a consolidated cash flow statement which complies with FRS1. Thus Cable Communications (Central Lancashire) Limited will take advantage of the exemption and will not present its own cash flow.

#### *Capitalisation of fixed assets*

Tangible fixed assets are stated at cost less depreciation. Details of depreciation rates are given below. Cost includes purchase price, labour and expenses. Costs of installation are capitalised and depreciated.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

#### Communications equipment and network

|                                 |              |
|---------------------------------|--------------|
| construction                    | 3 - 40 years |
| Fixtures, fittings and vehicles | 4 - 10 years |

#### *Stocks*

Stocks of finished goods consist of electronic equipment and consumables and are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Cost is based on purchase cost on a first-in, first-out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### *Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

#### *Leasing commitments*

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

### 3. TURNOVER

Turnover represents realised income for installations and television services provided in the franchise area and is stated net of value added tax.



# Cable Communications (Central Lancashire) Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 4. OPERATING LOSS

This is stated after charging:

|   | 1992              | 1991              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Directors' remuneration                       | -                 | 6,096             |
| Auditors' remuneration - audit                | 1,760             | 3,000             |
| - non audit                                   | 1,800             | 1,875             |
| Depreciation of owned fixed assets            | 1,208,314         | 599,676           |
| Operating lease rentals - plant and machinery | 84,372            | 33,989            |
|   | <u>          </u> | <u>          </u> |

### 5. DIRECTORS EMOLUMENTS

|                                 | 1992              | 1991              |
|---------------------------------|-------------------|-------------------|
|                                 | £                 | £                 |
| Fees                            | -                 | 96                |
| Other emoluments                | -                 | 2,000             |
| Compensation for loss of office | -                 | 4,000             |
|                                 | <u>          </u> | <u>          </u> |
|                                 | -                 | 6,096             |

The emoluments, excluding pension contributions, of the Chairman were £Nil (1991: £Nil) and those of the highest paid director were £Nil (1991: £1,000). The emoluments of the directors were within the following range:

|               | 1992              | 1991              |
|---------------|-------------------|-------------------|
|               | No                | No                |
| £Nil - £5,000 | 3                 | 13                |
|               | <u>          </u> | <u>          </u> |

### 6. STAFF COSTS

|                       | 1992              | 1991              |
|-----------------------|-------------------|-------------------|
|                       | £                 | £                 |
| Wages and salaries    | 686,310           | 434,866           |
| Social security costs | 60,939            | 43,026            |
| Pension costs         | 5,377             | -                 |
|                       | <u>          </u> | <u>          </u> |
|                       | 752,626           | 477,892           |

The average weekly number of employees, excluding directors, during the year, analysed by category, was as follows:

|                | 1992              | 1991              |
|----------------|-------------------|-------------------|
|                | No                | No                |
| Administration | 38                | 34                |
|                | <u>          </u> | <u>          </u> |
|                | 38                | 34                |

# Cable Communications (Central Lancashire) Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 7. INTEREST PAYABLE

|                           | 1992 | 1991 |
|---------------------------|------|------|
|                           | £    | £    |
| Bank loans and overdrafts | 615  | 615  |

### 8. TAX ON LOSS ON ORDINARY ACTIVITIES

No liability to corporation tax arises due to losses in the year. Tax losses available for offset against future profits amount to £5,525,956.

### 9. TANGIBLE FIXED ASSETS

|                     | Communications<br>band network | Fixtures<br>fittings and<br>motor vehicles | Total      |
|---------------------|--------------------------------|--|------------|
|                     | £                              | £  | £          |
| Cost:               |                                |  |            |
| At 1 January 1992   | 18,050,854                     | 311,948                                    | 18,362,802 |
| Additions           | 6,956,969                      | 1,272,484                                  | 8,299,453  |
| At 31 December 1992 | 25,007,823                     | 1,584,432                                  | 26,592,255 |
| Depreciation:       |                                |  |            |
| At 1 January 1992   | 700,100                        | 49,955                                     | 750,055    |
| Charge for the year | 793,114                        | 415,200                                    | 1,208,314  |
|                     | 1,493,214                      | 465,155                                    | 1,958,369  |
| Net book value:     |                                |  |            |
| At 31 December 1992 | 23,514,609                     | 1,119,277                                  | 24,633,886 |
| At 1 January 1992   | 17,350,754                     | 261,993                                    | 17,612,747 |

### 10. DEBTORS

|                                    | 1992   | 1991   |
|------------------------------------|--------|--------|
|                                    | £      | £      |
| Trade debtors                      | -      | 11,508 |
| Amounts owed by group undertakings | 57,330 | 57,330 |
| Prepayments and accrued income     | 3,177  | 6,132  |
|                                    | 60,507 | 74,970 |

# Cable Communications (Central Lancashire) Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 11. CREDITORS: amounts falling due within one year

|                 | 1992             | 1991             |
|-----------------|------------------|------------------|
|                 | £                | £                |
| Trade creditors | 796,858          | 837,716          |
| Other creditors | 87,416           | 85,654           |
| Accruals        | 444,860          | 135,488          |
|                 | <u>1,329,134</u> | <u>1,058,858</u> |

### 12. CREDITORS: amounts falling due after more than one year

|  | 1992              | 1991              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Loan stock                                     | 181,867           | 181,867           |
| Amounts owed to parent undertaking             | 31,219,254        | 20,664,433        |
| Amounts owed to fellow subsidiary undertakings | 611,751           | 98,628            |
|  | <u>32,012,872</u> | <u>20,944,928</u> |

The loan stock is non-convertible stock and is held by Northwest Cable Communications Limited.

### 13. SHARE CAPITAL

|  | 31 December 1991 and 1992 |                  |
|--|---------------------------|------------------|
|  | No                        | £                |
| Authorised:                                |                           |                  |
| A ordinary (voting) 1p                     | 10,000,000                | 100,000          |
| B ordinary (voting) 10p                    | 2,466,670                 | 246,667          |
| C ordinary (non voting) 10p                | 8,533,330                 | 853,333          |
|  | <u>21,000,000</u>         | <u>1,200,000</u> |
|  | No                        | £                |
| Allotted, called up and fully paid:        |                           |                  |
| B ordinary (voting) 10p                    | 17,500                    | 1,750            |
| Allotted, partly called up and fully paid: |                           |                  |
| A ordinary (voting) 1p                     | 6,550,000                 | 21,835           |
| B ordinary (voting) 10p                    | 1,786,997                 | 59,567           |
| C ordinary (non voting) 10p                | 6,158,663                 | 205,290          |
|  | <u>14,513,160</u>         | <u>288,442</u>   |

# Cable Communications (Central Lancashire) Limited

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 14. CAPITAL COMMITMENTS

|  | 1992      | 1991      |
|--|-----------|-----------|
|  | £         | £         |
| Contracted   | -         | 2,808,200 |
| Authorised by the directors but not contracted for | 8,358,000 | 7,866,800 |

### 15. CONTINGENT LIABILITY

A sub-contractor has commenced an action against the company in respect of an alleged breach of contract and has claimed a total sum of £8,000,000. The case has been taken to arbitration and provision has been made in these accounts for the full amount awarded by the arbitration which was significantly below the amount claimed. The directors are considering an appeal against the award and consider the provision made in the accounts to be adequate.

### 16. ULTIMATE HOLDING COMPANY

The ultimate parent undertaking is Southwestern Bell Corporation which is incorporated in the United States of America.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member, is Southwestern Bell Corporation, and the parent undertaking of the smallest such group is Northwest Cable Communications Limited, registered in England and Wales.

Copies of the accounts of the Southwestern Bell Corporation can be obtained from One Bell Centre, St Louis, MO63101, United States of America.