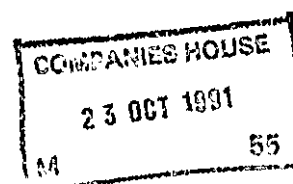


WINDSOR TELEVISION LIMITED

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FINANCIAL STATEMENTS -- 31 DECEMBER 1990

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



The company's registered number is 1745542.

WINDSOR TELEVISION LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1990

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 1990.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the company continues to be the construction and operation of a cable television network within its franchise area.

The company is a wholly-owned subsidiary company of The Cable Corporation Limited ("TCC"), a company incorporated in England, and has therefore not presented consolidated results.

RESULTS AND DIVIDENDS:

Turnover was £4,028,000 (1989 - £2,358,000) during the year and the company generated a loss on ordinary activities after taxation of £5,250,000 (1989 - £6,047,000). The company has continued to make losses as the cable network continues to develop. The company's parent company, The Cable Corporation Limited, is currently negotiating further financing to enable Windsor Television Limited to complete the cabling of the network for the remainder of its franchise area as planned.

A summary of the results is as follows-

	£'000
Accumulated deficit at 1 January 1990	12,672
Loss for the year	5,250

Accumulated deficit carried forward	17,922
	=====

The directors do not recommend the payment of a dividend.

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were-

R.W. Whitney (Chairman)
J.J. Delahunty
T.R. Halfhead (Managing Director)
S. Penrose
M. Noblet (France)
E.F. Potter
A. Hindley (appointed 27 November 1990)
B.A.S. Panesar (resigned 4 May 1990)
N.L. Taylor (resigned 25 May 1990)

All the directors' share interests in the company were exchanged for shares in TCC under an offer dated 6 March 1987 when the company became a wholly-owned subsidiary.

With the exception of S. Penrose and A. Hindley all the directors who held office at 31 December 1990 were also directors of TCC and their interests in TCC are disclosed in the financial statements of that company.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 7 to the accounts.

AUDITORS:

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD,

Cable House
Waterside Drive
Langley
Berkshire SL3 6EZ



R.G. Castle
Secretary

26 June 1991

ARTHUR ANDERSEN & CO.

1 SURREY STREET
LONDON WC2R 2PS

To the Members of WINDSOR TELEVISION LIMITED:

We have audited the financial statements set out on pages 4 to 14 in accordance with Auditing Standards.

The financial statements have been prepared on the going concern basis. This basis may not be appropriate because the company is still in the development stage, continues to incur substantial losses, and has net liabilities of £11,463,000 as at 31 December 1990. This includes amounts due to its parent company, The Cable Corporation Limited of £25,921,000. The company will continue to be dependent on the shareholders of The Cable Corporation Limited for funding until such time as its principal assets, the cable network and the related franchise, reach maturity and become profitable and self-financing. The cable network has been recorded at cost less depreciation on the assumption that its net book value will be recovered from operations.

Subject to the above, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1990, and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

26 June 1991

Arthur Andersen & Co.

WINDSOR TELEVISION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>Notes</u>	<u>1990</u> <u>E'000</u>	<u>1989</u> <u>E'000</u>
TURNOVER	2	4,028	2,358
Cost of sales		(3,546)	(2,423)
GROSS PROFIT (LOSS)		482	(65)
Administrative expenses		(3,977)	(3,760)
OPERATING LOSS		(3,495)	(3,825)
Exceptional item	3	-	(733)
Interest receivable		301	223
Interest payable and similar charges	4	(2,056)	(1,712)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(5,250)	(6,047)
Tax on loss on ordinary activities	13	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(5,250)	(6,047)
ACCUMULATED DEFICIT, at beginning of year		(12,672)	(6,625)
ACCUMULATED DEFICIT, at end of year		(17,922)	(12,672)

The accompanying notes are an integral part of this profit and loss account.

WINDSOR TELEVISION LIMITED

BALANCE SHEET -- 31 DECEMBER 1990

	<u>Notes</u>	<u>1990</u> £'000	<u>1989</u> £'000
FIXED ASSETS			
Tangible assets	7	27,179	24,044
Investments	8	20	10
		<u>27,199</u>	<u>24,054</u>
CURRENT ASSETS			
Investments	9	-	425
Debtors	10	1,571	909
Cash at bank and in hand		2	266
		<u>1,573</u>	<u>1,600</u>
CREDITORS: Amounts falling due within one year	11	(2,779)	(1,980)
NET CURRENT LIABILITIES		<u>(1,206)</u>	<u>(380)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,993	23,674
CREDITORS: Amounts falling due after more than one year	12	(37,456)	(29,887)
NET LIABILITIES		<u>(11,463)</u>	<u>(6,213)</u>
CAPITAL AND RESERVES			
Called-up share capital	14	451	451
Share premium account		6,008	6,008
Profit and loss account		(17,922)	(12,672)
TOTAL CAPITAL EMPLOYED		<u>(11,463)</u>	<u>(6,213)</u>

SIGNED ON BEHALF OF THE BOARD

T.R. Halfhead

, Director

26th June 1991

The accompanying notes are an integral part of this balance sheet.

WINDSOR TELEVISION LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1990

	<u>1990</u> £'000	<u>1989</u> £'000
SOURCE OF FUNDS		
Proceeds from sale of investment	466	-
Proceeds from sale of tangible fixed assets	22	14
Decrease in creditors falling due after more than one year	7,569	14,539
	<u>8,057</u>	<u>14,553</u>
	=====	=====
APPLICATION OF FUNDS		
Loss on ordinary activities after taxation	5,250	6,047
Deduct (add) items not involving the movement of funds		
- depreciation	(1,652)	(1,364)
- loss on disposal of fixed assets	(6)	(4)
- transfer from fixed to current investments	-	(190)
- profit on disposal of current asset investments (see Note 9)	41	-
	<u>3,633</u>	<u>4,489</u>
Total funds absorbed by operations		
Purchase of tangible fixed assets at cost	4,815	8,074
Purchase of investments at cost	10	5
(Increase) decrease in net current liabilities as shown below (excludes disposal of current asset investments shown above)	(401)	1,985
	<u>8,057</u>	<u>14,553</u>
	=====	=====
(INCREASE) DECREASE IN NET CURRENT LIABILITIES		
Investments (movement included in profit on disposal above)	-	425
Debtors	662	(560)
Creditors falling due within one year	(799)	2,252
	<u>(137)</u>	<u>2,117</u>
Movement in net liquid funds		
- cash at bank and in hand	(264)	(132)
	<u>(401)</u>	<u>1,985</u>
	=====	=====

The accompanying notes are an integral part of this statement.

WINDSOR TELEVISION LIMITED

NOTES TO THE FINANCIAL STATEMENTS -- 31 DECEMBER 1990

1. ACCOUNTING POLICIES:

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are set out below-

a) Basis of accounting

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

b) Basis of presentation

The company is a wholly-owned subsidiary company of The Cable Corporation Limited ("TCC"), incorporated in England, and has therefore not presented consolidated accounts.

c) Tangible fixed assets

Fixed assets are shown at original cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their estimated useful lives, as follows-

Office equipment	- 4 years
Motor vehicles	- 4 years
Cables, ducting and engineering	- 40 years
Electronics	- 2-10 years

d) Investments

Fixed asset investments are stated at the lower of cost or directors' valuation.

e) Turnover

Turnover comprises the value of sales (excluding VAT) of services in the normal course of business.

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences, which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors will probably not reverse.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued):

g) Leased assets

Assets acquired under finance leases are treated as if they had been purchased and an amount equivalent to their cost is included in tangible fixed assets and depreciation provided over the shorter of the lease term and its useful economic life. The capital element of future lease payments is included in creditors. Interest, calculated on a straight-line basis, is included in interest payable.

Rental costs under operating leases are charged to the profit and loss account as they arise.

h) Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separate of the company in an independently administered fund. The charge represents contributions payable by the company in the year. Further information on pension costs is provided in Note 15.

2. TURNOVER:

All of the company's turnover and loss before taxation arose in the United Kingdom. The principal activities related to construction and operation of a cable television network within the franchise area and provision of value added network and telephony services.

3. EXCEPTIONAL ITEM:

The exceptional item in the year ended 31 December 1989 represented the write-down of the investment in Internet Technology Limited and receivables from that company to directors' valuation (see Note 9).

4. INTEREST PAYABLE:

	<u>1990</u> £'000	<u>1989</u> £'000
On bank loans		
- repayable within 5 years, by instalments	2,024	1,700
On all other loans	32	12
	<u>2,056</u>	<u>1,712</u>
	=====	=====

Included in the above is the interest element of charges payable under finance leases amounting to £11,000 (1989 - £12,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

Loss on ordinary activities before taxation is stated after charging-

	<u>1990</u> £'000	<u>1989</u> £'000
a) Depreciation of tangible fixed assets		
- owned	1,593	1,304
- held under finance leases	59	60
b) Operating lease rentals	217	179
c) Auditors' remuneration	21	17
d) Staff costs (see Note 6)	1,872	2,047
	=====	=====

6. STAFF COSTS:

Particulars of employees (including executive directors) are as shown below-

	<u>1990</u> £'000	<u>1989</u> £'000
Wages and salaries	1,700	1,886
Social security costs	172	161
	-----	-----
	1,872	2,047
	=====	=====

The average monthly number of persons employed during the year was as follows-

	<u>1990</u> Number	<u>1989</u> Number
Sales	33	30
Engineering	32	25
Administration	57	58
	===	===

Directors' remuneration-

Directors of the company received the following remuneration-

	£'000	£'000
Directors' emoluments	128	140
Compensation for loss of office	7	-
	-----	-----
Total remuneration	135	140
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. STAFF COSTS (Continued):

The directors' remuneration shown above (excluding pensions and pension contributions) included-

Chairman	-	-
	=====	=====
Highest paid director	69	61
	=====	=====

Other directors received emoluments (excluding pensions and pension contributions) in the following ranges-

	<u>Number</u>	<u>Number</u>
£ Nil - £ 5,000	6	7
£10,001 - £15,000	-	1
£15,001 - £20,000	-	4
£20,001 - £25,000	1	-
£35,001 - £40,000	1	-
	===	===

7. TANGIBLE FIXED ASSETS:

The movement in the year was as follows-

	<u>Cables, ducting & engineering £'000</u>	<u>Electronic equipment £'000</u>	<u>Motor vehicles £'000</u>	<u>Office equipment £'000</u>	<u>Total £'000</u>
COST OR VALUATION-					
Beginning of year	19,125	6,786	142	521	26,574
Additions	3,162	1,427		226	4,815
Disposals	-	-	(89)	(4)	(93)
	-----	-----	-----	-----	-----
End of year	22,287	8,213	53	743	31,296
	-----	-----	-----	-----	-----
DEPRECIATION-					
Beginning of year	746	1,499	71	214	2,530
Charge	497	992	22	141	1,652
Disposals	-	-	(62)	(3)	(65)
	-----	-----	-----	-----	-----
End of year	1,243	2,491	31	352	4,117
	-----	-----	-----	-----	-----
NET BOOK VALUE					
beginning of year	18,379	5,287	71	307	24,044
	=====	=====	=====	=====	=====
NET BOOK VALUE					
end of year	21,044	5,722	22	391	27,179
	=====	=====	=====	=====	=====

The net book value of assets held under finance leases was £79,000 (1989 - £27,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. FIXED ASSET INVESTMENTS:

The following are included in fixed asset investments-

	<u>1990</u> £'000	<u>1989</u> £'000
Subsidiary companies	-	-
Other investments	20	10
	=====	=====

The only active subsidiary companies at 31 December 1990 is Cable Telecom Limited (100% owned, registered in England), whose principal activity is the sale and rental of telecommunications hardware.

Movement during the year-

	<u>1990</u> £'000
Beginning of year	10
Additions	10

End of year	20
	=====

9. CURRENT ASSET INVESTMENTS:

On 6 August 1990 the investment in Internet Technology Limited was sold. In 1989 this investment had been included in current investments at £425,000.

	<u>1990</u> £'000
Sale proceeds	466
Carrying value of investment	(425)

Profit on disposal	41
	=====

10. DEBTORS:

The following are included in debtors-

	<u>1990</u> £'000	<u>1989</u> £'000
Trade debtors	716	492
Amounts owed by associated companies	182	58
VAT recoverable	230	73
Other debtors	343	178
Prepayments and accrued income	100	108
	-----	-----
	1,571	909
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following are included in creditors falling due within one year-

	<u>1990</u> £'000	<u>1989</u> £'000
Obligations under finance leases	26	59
Trade creditors	1,819	1,279
Amounts owed to associated companies	136	-
Other creditors		
- UK corporation tax payable	-	52
- social security and PAYE	68	70
- other creditors	180	78
Accruals and deferred income	550	442
	<u>2,779</u>	<u>1,980</u>
	=====	=====

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

The following amounts are included in creditors falling due after more than one year-

	<u>1990</u> £'000	<u>1989</u> £'000
Obligations under finance leases	35	58
Bank loans	11,500	11,500
Amount due to parent company	25,921	18,329
	<u>37,456</u>	<u>29,887</u>
	=====	=====

£9,500,000 of the £11,500,000 bank loans are the amounts drawn down by the company at 31 December 1990 on a £10,000,000 revolving credit facility made available to finance the expansion of the cable television system in the Windsor franchise area. Interest is charged at 1.5 per cent above LIBOR.

The amounts available under this credit facility have been increased periodically to a maximum of £10,000,000 from 1 July 1989, subject to the achievement of agreed levels of profitability, rate of construction of the cable television system and minimum numbers of subscribers.

The loans may be repaid periodically and are required to be repaid under 3 annual instalments so that the loans do not exceed in aggregate-

£'000

At 31 December 1992

6,000

At 31 December 1993

Fully repaid

=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The loan is secured by a fixed charge over the shares of the company and a debenture incorporating a first fixed and floating charge over all its property, assets and undertaking.

The remaining £2,000,000 has been drawn down under a separate facility to be fully repaid by 30 June 1994. The loan is secured by a second fixed and floating charge over all the property, assets and undertaking of Windsor Television Limited. Interest was charged during the year at 8 per cent above LIBOR. From 1 March 1991 the rate has been reduced to 2.5% above LIBOR.

The amount due to the parent company is an interest free loan which has no fixed repayment date.

13. TAXATION:

The amounts of deferred taxation are as follows-

	<u>1990</u> £'000	<u>1989</u> £'000
Excess of tax allowances over book depreciation of fixed assets	3,234	3,500
Tax effect of losses carried forward	(3,234)	(3,500)
	-----	-----
	-	-
	=====	=====

The company has available for carry forward tax losses in excess of £28,000,000 (1989 - £19,000,000) which are available for set off against future taxable profits from the same trade.

14. SHARE CAPITAL:

	<u>1990</u> £'000	<u>1989</u> £'000
Authorised-		
4,000,000 ordinary shares of 25p each	1,000	1,000
	=====	=====
Allotted, called-up and fully paid-		
1,805,716 ordinary shares of 25p each	451	451
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. FINANCIAL COMMITMENTS:

a) Lease commitments

Minimum annual rentals payable under operating leases are as follows-

	<u>1990</u> <u>£'000</u>	<u>1989</u> <u>£'000</u>
Operating leases which expire		
- within 1 year	30	25
- within 2-5 years	181	83
	<u>211</u>	<u>108</u>
	=====	=====

The company leases land and buildings on which the minimum rental payable is as follows-

Operating leases which expire		
-- after 5 years	264	264
	=====	=====

b) Capital commitments

At the end of the year capital commitments contracted but not provided for amounted to £192,000 (1989 - £100,000).

c) Pension arrangements

The pension cost charge for the year was £14,000 (1989 - £Nil). Contributions totalling £19,000 (1989 - £Nil) were payable to the fund at the year-end and are included in creditors.

16. SUBSEQUENT EVENT:

The company has received loans of £5,400,000 from its parent, The Cable Corporation Limited after 31 December 1990, to enable further development of the cable television network. The loan is interest free and has no fixed repayment date.

17. ULTIMATE HOLDING COMPANY:

The company is a wholly-owned subsidiary of The Cable Corporation Limited which is incorporated in England.