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ARTHUR ANDERSEN & CO. SC

Cable Camden Limited

Financial statements 31 December 1994
together with directors' and auditors' reports

Registered number: 1795642

Directors' report

For the year ended 31 December 1994

The directors present their annual report, together with the financial statements and auditors' report, for the year ended 31 December 1994.

Principal activity

The principal activity is to build and operate cable and telecommunications systems.

Results and dividends

	£
Accumulated deficit at 1 January 1994	8,360,706
Loss for the year	1,826,960
Accumulated deficit at 31 December 1994	10,187,666

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

Fixed assets

Movements in fixed assets during the year are summarised in notes 5 and 6 to the financial statements.

Directors and their interests

The directors who served during the year are as shown below:

J.S. Nathan
G.D. Campbell
M.J. Gee

The directors had no beneficial interest in the shares of the company. The directors' interests in the shares of the parent company, Cable London plc, are shown in the parent company's financial statements.

Directors' report (continued)

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 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the 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

The company has passed an elective resolution to dispense with the annual appointment of auditors.

66 Wigmore Street
London
W1H 0HQ

By order of the Board,

D.A. Smyth

Secretary

27 April 1995

Auditors' report

London

To the Shareholders of Cable Camden Limited:

We have audited the financial statements on page 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 8.

Respective responsibilities of directors and auditors
As described on page 2 the company's directors are responsible for the preparation of the 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.

Without qualifying our opinion below, we draw attention to note 9, which outlines the consideration given by the directors to the net liability position of the company.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

27 April 1995

Profit and loss account

For the year ended 31 December 1994

	Notes	1994 £	1993 £
Turnover	1e	8,976,185	7,271,821
Distribution costs		(4,430,289)	(4,726,867)
Administrative expenses		(6,372,856)	(5,228,206)
Loss on ordinary activities for the year	2&3	(1,826,960)	(2,683,252)
Accumulated deficit, beginning of year		(8,360,706)	(5,677,454)
Accumulated deficit, end of year		(10,187,666)	(8,360,706)

The above results are derived from continuing operations.

Statement of total recognised gains and losses

For the year ended 31 December 1994

There are no recognised gains and losses other than the loss for the financial year of £1,826,960 (1993 - £2,683,252 loss).

The accompanying notes are an integral part of these statements.

Balance sheet

31 December 1994

	Notes	1994 £	1993 £
Fixed assets			
Intangible assets	1c&5	1,199,969	1,308,353
Tangible assets	1d&6	26,021,856	23,670,987
		27,221,825	24,979,340
Creditors: Amounts falling due within one year			
- amounts due to parent company		(37,408,491)	(33,339,046)
Net liabilities	9	(10,186,666)	(8,359,706)
Capital and reserves			
Called-up share capital	7	1,000	1,000
Profit and loss account		(10,187,666)	(8,360,706)
Shareholders' funds	8	(10,186,666)	(8,359,706)

Signed on behalf of the Board

J.S. Nathan Director

G.D. Campbell Director

27 April 1995

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

Notes to financial statements

31 December 1994

1 Accounting policies

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

a) Basis of accounting

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

b) Cash flow statement

No cash flow statement has been prepared as the company is a wholly owned subsidiary undertaking of Cable London plc, which publishes consolidated financial statements which include the company, drawn up in accordance with UK companies legislation.

c) Intangible fixed assets

Deferred development expenditure

In the period prior to achieving full target penetration of the franchise area, certain development expenditure is deferred. The nature of costs so deferred depends on whether they fall within the development or prematurity periods.

Development period

The development period is defined as follows:

The period from 1 August 1989 to the date upon which the first subscriber revenue is earned.

During the development period all expenditure not directly attributable to the cable system or other fixed assets is treated as deferred development expenditure within intangible fixed assets, and is amortised over 12 years on a straight-line basis commencing with the month the franchise licence became effective.

Prematurity period

The prematurity period is defined as follows:

The period commencing with the month in which the first subscriber revenue is earned in the franchise area and terminating on the date upon which it is expected that full target penetration of the franchise area will have been achieved.

During the prematurity period appropriate percentages of expenditure not directly attributable to the cable system or other fixed assets are charged to the profit and loss account.

Notes to financial statements (continued)

1 Accounting policies (continued)

d) Tangible fixed assets

All tangible fixed assets are shown at original historical cost less accumulated depreciation. Own labour including attributable overheads is capitalised, at cost, in respect of the construction of the system.

<u>Non-system assets</u>

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over its estimated useful life, as follows:

Fixtures, fittings and equipment	5 years straight-line
Computer equipment	4 years straight-line

<u>System assets</u>

During the development period (as defined above), no depreciation is charged in respect of system assets. During the prematurity period (as defined above), depreciation on system assets is charged as follows:

The following fraction shall be determined for each month of the prematurity period. The denominator of the fraction shall be the total number of subscribers expected at the end of the prematurity period. The numerator of the fraction shall be the greatest of:

a. the average number of subscribers expected that month as estimated at the beginning of the prematurity period,

b. the average number of subscribers that would be attained using at least equal (that is, straight-line) monthly progress in adding new subscribers towards the estimate of subscribers at the end of the prematurity period, and

c. the average number of actual subscribers.

During the prematurity period, depreciation and amortisation expense shall be determined on a monthly basis by multiplying:

a. the implied monthly depreciation and amortisation based on total capitalised costs expected on completion of the prematurity period, by

b. the fraction described above.

Notes to financial statements (continued)

1 Accounting policies (continued)

d) Tangible fixed assets (continued)

At the end of the prematurity period, depreciation is charged to write off the undepreciated cost over the following estimated useful lives:

Plant and machinery	
- civils	40 years straight-line
- network	15 years straight-line
- head-end equipment	15 years straight-line
- subscriber related equipment	6-8 years straight-line
- computer equipment	4 years straight-line

See non-system assets for explanation of revision of estimated useful lives.

e) Turnover

Turnover comprises the value of sales in the UK derived from television and telecommunication customers, net of VAT.

2 Loss on ordinary activities before taxation

The auditors' remuneration is borne by the company's parent and is recovered by way of management fees.

3 Taxation on loss on ordinary activities

The company has incurred trading losses which will be available for set off against future income for tax purposes.

4 Staff costs

The company had no employees during the year (1993 - nil) and no director received any emoluments from the company (1993 - £nil).

Notes to financial statements (continued)

5 Intangible fixed assets

The following are included in the net book value of intangible fixed assets:

	£
Cost	
At 1 January 1994	1,618,124
Additions	-
At 31 December 1994	1,618,124
Amortisation	
At 1 January 1994	309,771
Charge	108,384
At 31 December 1994	418,155
Net book value	
At 1 January 1994	1,308,353
At 31 December 1994	1,199,969

6 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	Computer equipment £	Fixtures, fittings and equipment £	Plant and machinery £	Total £
Cost				
At 1 January 1994	268,163	125,595	26,101,477	26,495,235
Additions	-	-	3,717,002	3,717,002
At 31 December 1994	268,163	125,595	29,818,479	30,212,237
Depreciation				
At 1 January 1994	243,275	91,744	2,489,229	2,824,248
Charge	24,856	25,119	1,316,158	1,366,133
At 31 December 1994	268,131	116,863	3,805,387	4,190,381
Net book value				
At 1 January 1994	24,888	33,851	23,612,248	23,670,987
At 31 December 1994	32	8,732	26,013,092	26,021,856

Notes to financial statements (continued)

7 Called-up share capital

	1994	1993
	£	£
Authorised, allotted, called-up and fully-paid		
1,000 ordinary shares of £1 each	1,000	1,000

8 Reconciliation of movements in shareholders' funds

	1994	1993
	£	£
Loss for the financial year	(1,826,960)	(2,683,252)
Shareholders' funds at beginning of year	(8,359,706)	(5,676,454)
Shareholders' funds at end of year	(10,186,666)	(8,359,706)

9 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Cable London plc, incorporated in England and Wales. The only group in which the results of Cable Camden Limited are consolidated is that headed by Cable London plc, whose principal place of business is at 2 Stephen Street, London W1P 1PL. The consolidated financial statements of this group are publicly available.

Cable London plc has confirmed that it will continue to provide financial support to the company. The directors have considered the financial position of the company and have concluded that the company is able to meet its liabilities as they fall due.