Deloitte & Touche

Deloitte Touche Tohmatsu International

Company Registration No.1795642

CABLE CAMDEN LIMITED

Report and Financial Statements

31 December 1996

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COMPANIES HOUSE 05/08/97

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Deloitte & Touche

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REPORT AND FINANCIAL STATEMENTS 1996

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

ACTIVITIES AND FUTURE PROSPECTS

The principal activity is to build and operate cable and telecommunication systems. The construction of the network is proceeding well and strong customer growth is anticipated in 1997.

RESULTS AND DIVIDENDS

The loss for the year was £1,656,455 (1995 - £1,534,092).

The directors do not recommend payment of a dividend (1995 - £nil).

DIRECTORS AND THEIR INTERESTS

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

J S Nathan	(resigned 7 February 1997)
G D Campbell	
M J Gee	(resigned 31 October 1996)
E N Johnson	(appointed 25 January 1996)

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

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

PAYMENTS TO CREDITORS

It is the company's normal practice to make payments to suppliers promptly provided that the supplier has performed in accordance with the relevant terms and conditions.

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

D A Smyth

Secretary

4/7/97

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 period. 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; and
- 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.

Deloitte &
Touche

Chartered Accountants

Deloitte & Touche
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AUDITORS' REPORT TO THE MEMBERS OF

CABLE CAMDEN LIMITED

We have audited the financial statements on pages 4 to 9 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 December 1996 and of its loss for the year 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

4 - 7 - 1997

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £	1995 £
TURNOVER	1	13,869,377	10,465,073
Distribution costs		(6,072,336)	(5,048,453)
Administrative expenses		(5,289,231)	(4,653,996)
Depreciation and amortisation		(3,069,598)	(2,296,716)
Operating loss	2	(561,788)	(1,534,092)
Interest payable and similar charges		(1,094,667)	-
Loss on ordinary activities for the year		(1,656,455)	(1,534,092)
Accumulated deficit, at beginning of year		(11,721,758)	(10,187,666)
Accumulated deficit, at end of year		(13,378,213)	(11,721,758)

All activities derive from continuing operations.

There are no recognised gains or losses other than the loss for the financial year of £1,656,455 (1995 - £1,534,092).

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BALANCE SHEET
31 December 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Intangible assets	5	968,771	1,076,646
Tangible assets	6	41,460,788	38,097,448
		42,429,559	39,174,094
CREDITORS: amounts falling due within one year:			
Amounts owed to parent company		(55,806,772)	(50,894,852)
NET LIABILITIES		(13,377,213)	(11,720,758)
CAPITAL AND RESERVES			
Called up share capital	7	1,000	1,000
Profit and loss account		(13,378,213)	(11,721,758)
EQUITY SHAREHOLDERS' FUNDS	8	(13,377,213)	(11,720,758)

These financial statements were approved by the Board of Directors on 4/7/1997

Signed on behalf of the Board of Directors

Director E.N. [illegible]

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

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.

Basis of accounting

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

Certain of the comparative figures have been restated to reflect the current year presentation.

Cash flow statements

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.

Intangible fixed assets - deferred development expenditure

Development period

The development period is defined as 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 15 years on a straight-line basis commencing with the month the franchise licence became effective.

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.

Tangible fixed assets are depreciated over the following 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
- fixtures, fittings and equipment	5 years straight-line
- computer equipment	4 years straight-line

Development period

During the development period (as defined above), no depreciation is charged in respect of tangible fixed assets.

Prematurity period

This is defined as the period commencing with the month in which the first subscriber revenue is earned in the franchise area and terminating on the date that the building of the franchise is expected to be completed.

During the prematurity period, the depreciation expense is determined on a monthly basis by multiplying the implied monthly depreciation based on the above useful lives and the expected total capital expenditure at the end of the prematurity period by a prematurity fraction calculated as follows:

The numerator shall be the greater of:

- the average number of subscribers expected that month assuming straight line growth towards the estimate of subscribers at the end of the prematurity period; and

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

1. **ACCOUNTING POLICIES (continued)**

Tangible fixed assets (continued)

Prematurity period (continued)

- the average number of actual subscribers.

The denominator shall be the total number of subscribers expected at the end of the prematurity period.

Maturity period

At the end of the prematurity period, depreciation is charged to write off the undepreciated amount on a straight line basis over the remainder of the estimated useful lives.

Turnover

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

2. **OPERATING LOSS**

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

Amortisation of intangible fixed assets amounted to £107,875 for the year (1995 - £123,323). Depreciation of tangible fixed assets amounted to £2,961,723 for the year (1995 - £2,173,393).

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 (1995 - nil) and no director received any emoluments from the company (1995 - £nil).

5. **INTANGIBLE FIXED ASSETS**

	£
Cost	
At 1 January 1996 and 31 December 1996	1,618,124
Accumulated amortisation	
At 1 January 1996	541,478
Charge for the year	107,875
At 31 December 1996	649,353
Net book value	
At 31 December 1996	968,771
At 31 December 1995	1,076,646

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

6. TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures fittings, and equipment £	Plant and equipment £	Total £
Cost				
At 1 January 1996	268,163	125,595	43,842,133	44,235,891
Additions	-	-	6,325,063	6,325,063
At 31 December 1996	268,163	125,595	50,167,196	50,560,954
Accumulated depreciation				
At 1 January 1996	268,163	125,595	5,744,685	6,138,443
Charge for the year	-	-	2,961,723	2,961,723
At 31 December 1996	268,163	125,595	8,706,408	9,100,166
Net book value				
At 31 December 1996	-	-	41,460,788	41,460,788
At 31 December 1995	-	-	38,097,448	38,097,448

7. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised, allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	1,000	1,000

8. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1996 £	1995 £
Loss for the financial year	(1,656,455)	(1,534,092)
Equity shareholders' funds at beginning of year	(11,720,758)	(10,186,666)
Equity shareholders' funds at end of year	(13,377,213)	(11,720,758)

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

9. NET LIABILITIES POSITION & POST BALANCE SHEET EVENT NOTE

The liabilities of the Company exceed its assets. Since the year end the group has arranged a debt facility for £170m with a consortium of banks. The directors have considered the financial position of the Company and concluded that it is able to meet its liabilities as they fall due.

10. ULTIMATE PARENT COMPANY

The parent company of the largest and smallest group which includes the company and for which group accounts are prepared is Cable London Plc, a company incorporated in Great Britain.

The Company is taking advantage of the exception granted by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with Cable London Plc group companies who are related parties. Copies of the group financial statements of Cable London Plc are publicly available.