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Ernst & Young

Derbyshire Cablevision Limited

(formerly Chulsawood Limited)

Report and Financial Statements

For the period from May 22, 1989 to December 31, 1989

Ernst & Young

Directors' Report

The directors submit their first report and the audited financial statements for the period from incorporation on May 22, 1989 to December 31, 1989.

Results and dividends

The company has no profit and loss account for the period as all expenditure to December 31, 1989 relates to the obtaining of the cable franchise. All expenditure to December 31, 1989 has been treated as start-up or franchise costs.

Review of the business and future developments

The principal activity of the company is that of providing cable television in the Derbyshire area.

The results for the period and the financial position at the period end were considered satisfactory by the directors, given that the company has only incurred preliminary expenditure to date. The company was awarded the franchise by the Cable Authority in February 1990. Work is progressing with the installation of cable and equipment. Transmissions are expected to commence in January 1991.

Pacific Telesis, the ultimate holding company, is committed to providing the necessary funds in this the initial phase.

Change of name

The name of the company was changed to Derbyshire Cablevision Limited from Chulsawood Limited on July 6, 1989.

Directors

The directors of the company who held office during the period and since the end of the period, were:

David Henry Tate	(Appointed on Incorporation; resigned September 1, 1989)
Martin Edgar Richards	(Appointed on Incorporation; resigned September 1, 1989)
Daryl E Harms	(Appointed September 1, 1989; resigned November 5, 1990)
Joseph E Gibbs	(Appointed September 1, 1989: resigned November 5, 1990)
William P Collatos	(Appointed September 1, 1989; resigned November 5, 1990)
Therese M Cleary	(Appointed September 1, 1989)
Forrest F Miller	(Appointed September 1, 1989)
Helen W Y Sze	(Appointed July 18, 1990)

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Wally Sleeth was erroneously appointed as a director of the company at a meeting of the board of directors held on September 1, 1989. Wally Sleeth failed to consent to act and has at no time acted as a director of the company.

Fixed Assets

Details of changes in the fixed assets are shown in notes 3 and 4 to the financial statements.

Auditors

As Ernst & Young do not seek reappointment as auditors of the company, a resolution to appoint Coopers & Lybrand, Deloitte will be put to the members at the Annual General Meeting.

ON BEHALF OF THE BOARD

Secretary

WE CERTIFY THIS TO BE A TRUE COPY OF THE ORIGINAL

28 LINCOLN'S INN FIELDS
LONDON WC2

25/11/1991

Ernst & Young

Report of the Auditors
to the members of Derbyshire Cablevision Limited
(Formerly Chulsawood Limited)

We have audited the financial statements on pages 4 to 8 in accordance with Auditing Standards.

In our opinion the balance sheet gives a true and fair view of the state of the company's affairs at December 31, 1989 and has been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

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TRUE COPY OF THE ORIGINAL

Frere Cholmeley
FRERE CHOLMELEY
LINCOLNS INN FIELDS
LONDON WC2
25/1/91

ERNST & YOUNG
Chartered Accountants
PETERBOROUGH

[illegible] 1991

Balance sheet
at December 31, 1989

	Notes	1989 £
Fixed assets		
Intangible assets	3	149,604
Tangible assets	4	2,173
		151,777
Creditors: amounts falling due within one year	5	151,775
Total assets less current liabilities		£ 2
Capital and reserves		
Called up share capital	6	2
Profit and loss account		-
		£ 2

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Helen Y. Sq — January 21, 1991
Terrence E. Milby — Directors January 21, 1991
Theresa M. Colley — January 21, 1991

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Grace Chadwick
25/1/1991

The notes on pages 4 to 8 form part of these financial statements.

Notes to the financial statements at December 31, 1989

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention.

Profit and loss account

No profit and loss account is presented as all expenditure to December 31. 1989 relates to the obtaining of the franchise, that was awarded to the company by the cable authority in February 1990. All expenditure to December 31, 1989 has been treated as start-up or franchise cost.

Intangible fixed assets

Intangible fixed assets comprises start - up and franchise costs. Start - up costs are to be amortised evenly over a period of five years from the time the cable system becomes operational. Franchise costs are to be amortised evenly over the period from the time the cable system becomes operational to the end of the life of the franchise (15 years maximum).

Depreciation

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

Cable engineering	-	over forty years
Cable equipment	-	over seven years
Office equipment	-	over four years

Cable engineering and equipment is depreciated from the time that each section of the network becomes operational.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that the tax will be payable.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

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Notes to the financial statements at December 31, 1989

(continued)

2. Operating loss

(a) This is stated after charging:

	1989 £
Auditors' remuneration	1,000

(b) No directors fees and emoluments were paid in the period.

3. Intangible fixed assets

	Start-up Costs £	*Franchise Costs* £	*Total* £
Cost:			
Additions	8,737	140,867	149,604
At December 31, 1989	8,737	140,867	149,604
Amortization:			
Charge for the period	-	-	-
At December 31, 1989	-	-	-
Net book value:			
December 31, 1989	£ 8,737	140,867	149,604

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Notes to the financial statements at December 31, 1989

(continued)

4. Tangible fixed assets

	Cable Equipment & Engineering £
Cost:	
Additions	2,173
At December 31, 1989	2,173
Depreciation:	
Charge for the period	-
At December 31, 1989	-
Net book value:	
At December 31, 1989	£ 2,173

5. Creditors: amounts falling due within one year

	1989 £
Amounts due to connected company	£151,775

6. Called up share capital

	Authorised 1989 No	*Allotted, called up and fully paid 1989 £*
Ordinary shares of £1 each	100	2

By special resolution dated July 17, 1990 the authorised share capital was increased to £20,001,001 by the creation of £20,000,000 Preferred Shares of £1 each, 900 Ordinary Shares of £1 each and 1 Special Share of £1.

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Notes to the financial statements at December 31, 1989

(continued)

7. Financial support

Pacific Telesis, the company's ultimate holding company, has indicated its intention to continue to provide financial and other support to the company for the foreseeable future.

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