Registered No: ~~2466954~~
2466594

# Barnsley Cable Communications Limited

# Annual Report

# for the year ended 31 December 1998

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# Annual Report
# for the year ended 31 December 1998

# Directors and advisers

## Directors

**C J Burdick**
**V M Hull**
**A K Illsley**

## Registered Auditors

KPMG Audit Plc
Edward VII Quay
Navigation Way
Ashton-on-Ribble
Preston
Lancashire PR2 2YF

## Secretary and registered office

**J M Laver**
Communications House
Mayfair Business Park
Broad Lane
Bradford
BD4 8PW

## Bankers

Barclays Bank plc
10 Market Street
Bradford
BD1 1NR

# Directors' report
# for the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998

On 1 September 1998, the company became a wholly owned subsidiary of Telewest Communications plc, following the merging of the interests of that company with those of General Cable plc.

## Principal activities

The company owns and operates an integrated broadband and telecommunications network in the Barnsley franchise covering 87,000 franchised premises.

## Review of business

1998 was a year of continued strong growth, in which significant increases in turnover and operating cash flow were achieved in all the Company's trading areas.

The useful lives of all the company's fixed assets have been changed with effect from 1 September 1998 to those applied by Telewest Communications plc and the net book value of all assets at this date has been recalculated using the new rates. The resultant decrease of £219,000 in the value of the fixed assets at August 1998 has been shown as an exceptional item in 1998 (see note 4).

During the year, the book value of company assets sold under a sale and leaseback facility totalled £1,654,000 and the consideration was £1,654,000 plus VAT ( see note 13 ).
Funds raised through this agreement will be made available to the company to finance the continuing development of its network.

## Results

Turnover for the year was £3,585,000 (1997: £3,246,000). The loss on ordinary activities before taxation was £2,493,000 (1997: £4,055,000). The loss transferred to reserves was £2,493,000 (1997: £4,055,000).

The directors do not propose to pay a dividend (1997: £Nil).

## Fixed assets

The movement in fixed assets during the year is set out in note 9.

## Future Developments

The company will focus its resources into areas that offer the most attractive returns in supplying its customers with broadband telecommunications.

# Directors' report (continued)

## Directors

The directors who held office during the year were:

| | |
|---|---|
| D R Van Valkenburg | (Appointed 03.09.98, resigned 16.03.99) |
| C J Burdick | (Appointed 03.09.98) |
| V M Hull | (Appointed 03.09.98) |
| A K Illsley | (Appointed 23.11.98) |
| B M Massey | (Resigned 16.01.98) |
| P X Galteau | (Resigned 03.09.98) |
| I Gray | (Resigned 03.09.98) |
| D J Miller | (Resigned 03.09.98) |

## Directors' interests

D R Van Valkenberg, C J Burdick, V M Hull and A K Illsley are directors of Telewest Communications plc. As permitted by statutory instrument, the financial statements do not disclose the interest of directors who are also directors of a parent company. Accordingly the interests of these directors are detailed in the financial statements of Telewest Communications plc.

## Statement of directors' responsibilities

(i) In compliance with legal requirements, the directors have prepared financial statements for the year ended 31 December 1998 which give a true and fair view of the state of the affairs of the company as at the end of the financial year and of the loss for the year ended on that date.

(ii) The financial statements have been prepared in accordance with applicable Accounting Standards and on the going concern basis.

(iii) The directors have adopted suitable accounting policies which have been consistently applied in the preparation of the financial statements for the year ended 31 December 1998 and these have been supported by reasonable and prudent judgements and estimates.

(iv) The directors are responsible for the maintenance of adequate accounting records, for safeguarding the assets of the company and hence for taking reasonable steps to prevent and detect fraud and other irregularities. The directors also have responsibility for ensuring that the company keeps accounting records which disclose, with reasonable accuracy, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985.

# Directors' report (continued)

## Year 2000 Compliance

In November 1997, the group of which the company is a part established a steering committee, supported by dedicated project teams, to establish and monitor procedures required to achieve Year 2000 compliance in the group's franchises. The project team is responsible for managing programs that review products, systems and services used by the group's business to determine Year 2000 compliance. It relies on in-house testing and confirmation from relevant suppliers and manufacturers.

The project teams work with suppliers and manufacturers to modify or upgrade products, systems and services that are non-compliant. In the event that modifications cannot be made or upgrades are not available, the group intends to actively seek and secure alternative suppliers or develop contingency arrangements. The project teams are also working with those parties with whom the group's networks interconnect and from whom the group otherwise receives services (e.g. programme suppliers) to determine Year 2000 compliance. The group cannot provide assurance that these parties will achieve Year 2000 compliance or that, even if achieved, there will be no disruptions in in interconnection or other supply arrangements in the Year 2000.

The project objective is to ensure complete compliance in advance of the Year 2000. The group believes that its relatively modem systems and systems upgrades planned for 1999 that incorporate external package solutions that are Year 2000 compliant, should help it achieve this objective. The estimated aggregate cost of achieving Year 2000 compliance will be approximately £4.0 million, of which the group had spent approximately £2.5 million up to 31 December 1998. Although the group believes that it will achieve Year 2000 compliance in advance of 1 January 2000, the group cannot provide assurance that it will do so.

## Auditors

KPMG Audit Plc were appointed as auditors during the year and offer themselves for reappointment at the next annual general meeting.

**By order of the board**

**JM Laver**

Secretrary
31 August 1999

# Report of the auditors to the members of Barnsley Cable Communications Limited

We have audited the financial statements on pages 6 to 14 in accordance with Auditing Standards.

## Respective responsibilities of directors and auditors

As described on page 3 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.

## Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc**
Chartered Accountants
Registered Auditor
Preston

31 August 1999

# Profit and loss account
# for the year ended 31 December 1998

| | Notes | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| Turnover | 2 | **3,585** | 3,246 |
| Cost of sales | 3 | **(1,055)** | (1,008) |
| Gross profit | 3 | **2,530** | 2,238 |
| **Operating loss before exceptional charge** | 3 | **(552)** | (905) |
| Exceptional charges | 4 | **(219)** | (1,411) |
| **Operating loss after exceptional charge** | | **(771)** | (2,316) |
| Interest payable and similar charges | 6 | **(1,722)** | (1,739) |
| **Loss on ordinary activities before taxation** | 7 | **(2,493)** | (4,055) |
| Taxation | 8 | **-** | - |
| **Loss on ordinary activities after taxation** | 16 | **(2,493)** | (4,055) |

All activities relate to continuing operations.

The company had no recognised gains or losses other than those shown in the profit and loss account, therefore a statement of total recognised gains and losses has not been presented.

There is no difference between the reported results and the historical cost results.

# Balance sheet
# as at 31 December 1998

| | Notes | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | **24,646** | 23,246 |
| **Current assets** | | | |
| Debtors: amounts falling due within one year | 10 | **474** | 405 |
| Creditors: amounts falling due within one year | 11 | **(1,287)** | (1,880) |
| **Net current liabilities** | | **(813)** | (1,475) |
| **Total assets less current liabilities** | | **23,833** | 21,771 |
| Creditors: amounts falling due after more than one year | 12 | **(32,460)** | (27,905) |
| **Net liabilities** | | **(8,627)** | (6,134) |
| **Capital and reserves** | | | |
| Called up share capital | 15 | **-** | - |
| Profit and loss account | 16 | **(8,627)** | (6,134) |
| **Equity shareholders' funds** | 17 | **(8,627)** | (6,134) |

The financial statements on pages 6 to 14 were approved by the board of directors on 31 August 1999 and were signed on its behalf by:

**CJ Burdick**

Director

# Notes to the financial statements for the year ended 31 December 1998

## 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements have been prepared in accordance with the historical cost convention. The financial statements are prepared on a going concern basis and do not include any adjustment that might result from outcome of uncertainties relating to a change of shareholder control of the ultimate parent company, Telew Communication plc,("Telewest").

As discussed in the Annual Report of Telewest for the year ended 31 December 1998, a change of control followed by a specific ratings decline within a certain period of time could require Telewest to offer to repurchase certain of its Notes or Debentures. In the event that such an obligation arises, Telewest would need to seek waivers or would need to arrange appropriate financing. Whilst this potentially creates uncertainty for Telewest, the directors of the Company are of the opinion that the situation will be managed successfully at the parent company level and that these events are sufficiently remote not to impact on the ability of the Company to trade as a going concern.

**Tangible fixed assets**

The cost of tangible fixed assets comprises the purchase cost, together with any incidental acquisition and installation costs. In the case of the telecommunications network this includes the costs of planning, design and supervision of construction.

Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over their expected useful economic lives. The useful lives for all assets were changed with effect from 1 September 1998 to those applied by Telewest Communications plc:-

| | Years | |
|---|---|---|
| | New rates | Old rates |
| Freehold buildings | 50 | 50 |
| Network civil work and ducting | 20 | 40 |
| Cable and installations | 20 | 10 |
| Headend, switch and line electronics | 8 | 7 |
| Set-top converters | 5 | 4 |
| Other fixed assets | 5 | 4 - 7 |

The effect of this change is to increase the depreciation charge in 1998 by £29,000.

**Turnover**

Turnover, which excludes Value Added Tax, represents the invoice value of services provided.

**Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Foreign currencies**

Invoices denominated in foreign currencies are translated at the rate ruling at the time of the transaction. All monetary assets and liabilities are subsequently translated at the year-end rate or the hedged forward rate. Differences arising on translation are charged to the profit and loss account in the year incurred.

# Notes to the financial statements

**Leased Assets**

Assets funded through finance leases are capitalised and the resulting lease obligations are included in creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.
Rentals payable under operating leases are charged to the profit and loss account as incurred.

**Cash Flow**

The company has not prepared a cashflow statement as the company is a wholly owned subsidiary of a company established under the law of a member state of the European Community.

## 2 Segmental analysis

Turnover is attributable principally to the provision of cable television and telephony services in the United Kingdom which the directors consider to be the same class of business and accordingly no segmental analysis of operating loss is shown. Turnover comprised the following:

| | **1998** | 1997 |
|---|---|---|
| | **£'000** | £'000 |
| **Turnover** | | |
| Cable telephony | **2,477** | 2,124 |
| Cable television | **1,108** | 1,122 |
| Total turnover | **3,585** | 3,246 |

## 3 Cost of Sales and other operating expenses

| | **1998** | 1997 |
|---|---|---|
| | **£'000** | £'000 |
| Cost of sales | **1,055** | 1,008 |
| **Gross profit** | **2,530** | 2,238 |
| Selling and distribution costs | **327** | 483 |
| Administrative expenses | **2,755** | 2,660 |
| Net operating expenses | **3,082** | 3,143 |
| **Operating loss** | **(552)** | (905) |

## 4 Exceptional charges

The useful lives of all the company's fixed assets have been changed with effect from 1 September 1998 to those applied by Telewest Communications plc. The net book value of all assets at this date has been recalculated using the new rates. The resultant decrease of £219,000 in the value of the fixed assets at August 1998 has been recorded as an exceptional item in 1998

The 1997 exceptional charge of £1.4m was the write down of certain categories of analogue cable television equipment.

# Notes to the financial statements

## 5 Directors remuneration

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Aggregate emoluments | - | 18 |
| Company pension contributions to money purchase schemes | - | 1 |
| Directors emoluments (excluding pension contributions) include amounts paid to the highest paid director | - | 14 |

The company has no employees other than the directors. The company's activities are undertaken by employees of fellow group companies.

## 6 Interest payable and similar charges

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| On loans from group companies repayable after 5 years | 1,722 | 1,739 |

## 7 Loss on ordinary activities before taxation

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation is stated after charging: | | |
| Depreciation of tangible owned fixed assets | 875 | 450 |
| Adjustment to asset values at 1 September 1998 | 219 | - |
| Provision for diminution in value | - | 1,411 |
| Depreciation of assets held under finance leases | 955 | 1,028 |
| Auditors' remuneration for audit work | - | 2 |

## 8 Taxation

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| United Kingdom Corporation tax at 31% (1997: 31.5%) | - | - |

The company has accumulated tax losses available for offset against future trading profits amounting to not less than £9.9 million, subject to agreement with the Inland Revenue.

# Notes to the financial statements

## 9 Tangible fixed assets

| | Freehold land and buildings £'000 | Cable network construction and equipment £'000 | Other Fixed Assets £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 1998 | 1,517 | 25,610 | 132 | 27,259 |
| Additions | 24 | 3,420 | 5 | 3,449 |
| **At 31 December 1998** | **1,541** | **29,030** | **137** | **30,708** |
| **Depreciation** | | | | |
| At 1 January 1998 | 33 | 3,951 | 29 | 4,013 |
| Charge for year | 30 | 1,771 | 29 | 1,830 |
| Adjustment to the asset values at 1 September, 1998 | (1) | 228 | (8) | 219 |
| **At 31 December 1998** | **62** | **5,950** | **50** | **6,062** |
| **Net book value** | | | | |
| **At 31 December 1998** | **1,479** | **23,080** | **87** | **24,646** |
| Net book value | | | | |
| At 31 December 1997 | 1,484 | 21,659 | 103 | 23,246 |
| Net book value of assets held under finance leases included above | | | | |
| **at 31st December 1998** | **-** | **7,951** | **-** | **7,951** |
| at 31st December 1997 | - | 7,453 | - | 7,453 |

The ability of the company to recover its investment in tangible fixed assets is dependent upon the continued successful development of the cable telecommunications business.

## 10 Debtors

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade debtors | **469** | 396 |
| Prepayments and accrued income | **5** | 9 |
| | **474** | 405 |

# Notes to the financial statements

## 11 Creditors: amounts falling due within one year

| | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| Trade creditors | - | 1,018 |
| Other creditors | 152 | 308 |
| Obligations under finance leases | 540 | 420 |
| Accruals and deferred income | 595 | 134 |
| | 1,287 | 1,880 |

## 12 Creditors: amounts falling due after more than one year

| | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| Loans from parent and fellow subsidiaries | 23,150 | 19,772 |
| Obligations under finance leases | 9,297 | 8,098 |
| Retentions on civil contracts | 13 | 35 |
| | 32,460 | 27,905 |

The loans payable to parent and fellow subsidiaries have no fixed terms of repayment. Interest is allocated on the basis of cash resources made available.
Repayment is expected to be made after more than five years.

## 13 Obligations under Finance Leases

| | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| Obligations under finance leases fall due as follows: | | |
| In one year or less | 540 | 420 |
| Between one and two years | - | 520 |
| Between two and five years | 3,509 | 1,798 |
| In five years or more | 5,788 | 5,780 |
| | 9,837 | 8,518 |

On 24 December 1996, the group entered into a sale and leaseback agreement with a consortium of financial institutions. During the year, assets with a book value of £1,654,000 were sold for a consideration of £1,654,000 plus VAT.
In accordance with the provisions of Financial Reporting Standard Number 5, the transaction has not been reflected in the movements on tangible fixed assets in note 9.
These obligations are secured with fixed and floating charges over the assets of the company.

# Notes to the financial statements

## 14 Provisions for liabilities and charges
### Deferred tax: total potential liability

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Tax effect of timing differences because of: | | |
| Excess of tax allowances over depreciation | - | 1,659 |
| Tax losses | - | (1,659) |
| | - | - |

## 15 Called up share capital

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| **Authorised** | | |
| 1,000 ordinary shares of £1 each | 1 | 1 |
| **Allotted, called up and fully paid** | | |
| 2 ordinary shares of £1 each | - | - |

## 16 Reserves

| | Profit & loss account £'000 |
|---|---|
| At 1 January 1998 | (6,134) |
| Loss for the year | (2,493) |
| **At 31 December 1998** | **(8,627)** |

## 17 Reconciliation of movement in equity shareholders' funds

| | £'000 |
|---|---|
| Equity shareholders' funds at 1 January 1998 | (6,134) |
| Loss for the year | (2,493) |
| **Equity shareholders' funds at 31 December 1998** | **(8,627)** |

# Notes to the financial statements

## 18 Capital commitments

| | **1998** | 1997 |
|---|---|---|
| | **£'000** | £'000 |
| Capital expenditure which has been contracted for but not provided for in the financial statements | **49** | 2 |

## 19 Contingent liabilities

The company acts as a guarantor to the £500,000,000 loan facility arranged by General Cable Holdings Limited, the company's intermediate holding company, and to the finance leasing facilities arranged by the Yorkshire Cable Group Limited. In accordance with these facilities, the syndicate banks and lessors have first charge over the assets of the company.
As at 31 December 1997, amounts drawn down by General Cable Holdings Limited amounted to £390,000,000 whilst The Yorkshire Cable Group's finance lease commitments were £107,000,000.

## 20 Related party transactions

As permitted by Financial Reporting Standard Number 8, transactions which eliminate on consolidation have not been reported as the company is a wholly owned subsidiary of The Yorkshire Cable Group Limited.

## 21 Ultimate parent company

The ultimate parent company is Telewest Communications plc, a company incorporated and registered in England. Copies of the consolidated financial statements of Telewest Communications plc may be obtained from The Secretary, Genesis Business Park, Albert Drive, Woking, Surrey, GU21 5RW.

The intermediate parent company is The Yorkshire Cable Group Limited, a company incorporated and registered in England. Copies of the financial statements of The Yorkshire Cable Group Limited may be obtained from The Secretary, Communications House, Mayfair Business Park, Broad Lane, Bradford, BD4 8PW.