

Telewest Communications (St Helens & Knowsley) Limited

Directors' report and financial statements

31 December 1999

Registered number 2466599



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Telewest Communications (St Helens & Knowsley) Limited

Directors' report and financial statements

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Telewest Communications (St Helens & Knowsley) Limited

Company information

Directors

CJ Burdick (USA)
SS Cook

Secretary

JM Laver (resigned 1 August 2000)
C Burns (appointed 1 August 2000)

Registered office

Genesis Business Park
Albert Drive
Woking, Surrey
GU21 5RW

Auditors

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

Solicitors

Clifford Chance
200 Aldersgate
London
EC14 4JJ

Telewest Communications (St Helens & Knowsley) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

Review of the business and future developments

The principal activity of the Company is, and will continue to be, the development of a cable television and communications network.

Results and dividends

The loss for the year after taxation amounted to £1,914,581 (1998: £1,552,667). The directors do not recommend the payment of a dividend (1998: £nil).

Directors and directors' interests

The directors of the company who held office during the year were as follows :

CJ Burdick	(USA)
SS Cook	(appointed 18 August 2000)
D Van Valkenburg	(USA, resigned 16 March 1999)
AK Illsley	(resigned 19 April 2000)
VM Hull	(resigned 18 August 2000)

None of the directors who held office at the end of the financial year has any discloseable interest in the shares of the Company or group subsidiary undertakings.

At 31 December 1999, AK Illsley, CJ Burdick and VM Hull were directors of Telewest Communications plc and their interest in the ordinary share capital of Telewest Communications plc at 31 December 1999 and the beginning of year or date of appointment are disclosed in the directors' report attached to the financial statements of that company.

Telewest Communications (St Helens & Knowsley) Limited

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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the board



C Burns
Secretary

Genesis Business Park
Albert Drive
Woking
Surrey
GU21 5RW

27 October 2000

Report of the auditors, KPMG Audit Plc, to the members of Telewest Communications (St Helens & Knowsley) Limited

We have audited the financial statements on pages 7 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of audit 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

27 October 2000

KPMG Audit Plc
Chartered Accountants
Registered Auditor

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

Telewest Communications (St Helens & Knowsley) Limited

Profit and loss account

for the year ended 31 December 1999

	Note	1999 £	1998 £
Administrative expenses		(7,719,626)	(6,143,089)
Other operating income		5,805,045	4,590,422
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(1,914,581)	(1,552,667)
Tax on loss on ordinary activities	4	-	-
		<hr/>	<hr/>
Loss for the financial year		(1,914,581)	(1,552,667)
Retained loss brought forward		(3,413,721)	(1,861,054)
		<hr/>	<hr/>
Retained loss carried forward	8	(5,328,302)	(3,413,721)
		<hr/>	<hr/>

The Company had no recognised gains or losses other than those reflected in its profit and loss account for both 1999 and 1998. All income and expenditure incurred by the Company was in respect of continuing operations.

Telewest Communications (St Helens & Knowsley) Limited

Balance sheet

at 31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	5	58,725,516	58,233,518
		<hr/>	<hr/>
Creditors: amounts falling due within one year	6	(64,053,816)	(61,647,237)
		<hr/>	<hr/>
Net current liabilities		(64,053,816)	(61,647,237)
		<hr/>	<hr/>
Total assets less current liabilities		(5,328,300)	(3,413,719)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	2	2
Profit and loss account	8	(5,328,302)	(3,413,721)
		<hr/>	<hr/>
Equity shareholders' funds	8	(5,328,300)	(3,413,719)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 27 October 2000 and were signed on its behalf by:



CJ Burdick
Director

Telewest Communications (St Helens & Knowsley) Limited

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. They have been prepared on a going concern basis since the ultimate parent undertaking has agreed to provide or procure financial support for the foreseeable future.

Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Telewest Communications plc and its cash flows are included within the consolidated cash flow statement of that company.

Fixed assets and depreciation

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Communications equipment and network construction 3 - 20 years.

Provision for depreciation commences at the start of the month in which the asset is first brought into use.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Related party transactions

The directors have taken advantage of the exemption in Financial Reporting Standard No.8, paragraph 3(c), and have not disclosed any related party transactions with parent and fellow subsidiary undertakings.

Telewest Communications (St Helens & Knowsley) Limited

Notes (continued)

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after (crediting)/charging:

	1999 £	1998 £
Royalty income	(370,985)	(311,212)
Rental of network assets	(5,434,060)	(4,279,210)
Depreciation and other amounts written off owned tangible fixed assets	7,031,568	5,482,660
Management charge	688,058	660,429

Auditors' remuneration has been borne by a fellow subsidiary undertaking.

During 1999 Telewest Communications plc, the ultimate parent company of Telewest Communications (St Helens & Knowsley) Limited, announced plans to launch digital television. As a result the economic useful life of certain analogue equipment, primarily set-top boxes, has been reduced. A review of these assets was undertaken resulting in an exceptional accelerated depreciation charge of £1,417,000.

3 Directors' emoluments and staff costs

Directors' emoluments have been paid by a fellow subsidiary undertaking.

The Company had no employees during the year (1998: nil) and accordingly there are no staff costs (1998: £nil).

4 Tax on Loss on ordinary activities

No liability to corporation tax arises due to group relief of tax losses in the year. At 31 December 1999, the Company had no tax losses (1998: £nil) available for offset against future profits.

Telewest Communications (St Helens & Knowsley) Limited

Notes (continued)

5 Tangible fixed assets

	Communications Equipment and network Construction £
Cost:	
At 1 January 1999	72,682,879
Additions	<u>7,523,566</u>
At 31 December 1999	<u>80,206,445</u>
Accumulated depreciation:	
At 1 January 1999	14,449,361
Charge for year	<u>7,031,568</u>
At 31 December 1999	<u>21,480,929</u>
Net book value:	
31 December 1999	<u>58,725,516</u>
31 December 1998	<u>58,233,518</u>

The depreciation charge for the year includes an exceptional charge of £1,417,000 (see note 2).

6 Creditors: amounts falling due within one year

	1999 £	1998 £
Amounts owed to immediate parent company	23,165,116	22,477,058
Amounts owed to fellow subsidiary undertakings	<u>40,888,700</u>	<u>39,170,179</u>
	<u>64,053,816</u>	<u>61,647,237</u>

7 Share capital

	1999 £	1998 £
Authorised:		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

Telewest Communications (St Helens & Knowsley) Limited

Notes (continued)

8 Reconciliation of movements in equity shareholders' funds

	Share capital £	Profit and loss account £	Equity Shareholders' funds £
At 1 January 1998	2	(1,861,054)	(1,861,052)
Loss for the year	-	(1,552,667)	(1,552,667)
At 1 January 1999	2	(3,413,721)	(3,413,719)
Loss for the year	-	(1,914,581)	(1,914,581)
At 31 December 1999	2	(5,328,302)	(5,328,300)

9 Contingent liabilities

The Company, along with fellow subsidiary undertakings, is party to a senior secured credit facility with a syndicate of banks. Borrowings under the facility are secured by the assets of the group including those of the Company.

10 Ultimate parent company

The ultimate parent company of Telewest Communications (St Helens & Knowsley) Limited is Telewest Communications plc which is registered in England and Wales. Telewest Communications plc is the parent of the smallest and largest group for which group financial statements which include Telewest Communications (St Helens & Knowsley) Limited are drawn up. Copies of these group financial statements can be obtained from The Company Secretary, Telewest Communications plc, Genesis Business Park, Albert Drive, Woking, Surrey, GU21 5RW.