

Telewest Communications Group Limited

Directors' report and financial statements

31 December 1999

Registered number 2514287



Telewest Communications Group Limited

Directors' report and financial statements

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Telewest Communications Group Limited

Company information

Directors

CJ Burdick (USA)
SS Cook

Company 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
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Solicitors

Freshfields
65 Fleet Street
London
EC4Y 1HS

Weil, Gotshal & Manges LLP
One South Place
London EC2M 2WG

Telewest Communications Group Limited

Directors' report

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

Principal activities and business review

The Company's business is, and will continue to be, the provision of management and administration services to cable television and telephony companies in the Telewest Communications plc group. In addition, the Company sells spare capacity on the Telewest National Network to third parties under leasing contracts.

Results and dividends

The results for the year ended 31 December 1999 and the financial position of the Company are shown in the financial statements. The directors do not recommend the payment of a dividend in respect of the year (1998: £nil).

Directors and directors' interests

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

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

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company or other fellow 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.

No rights to subscribe for shares in the Company or other fellow subsidiary undertakings were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Creditors

The Company agrees payment terms with its suppliers when it enters into binding purchase contracts. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not have a standard code which deals specifically with the payment of suppliers.

Telewest Communications Group Limited

Directors' report *(continued)*

Employment policies

The Company does not discriminate between employees or potential employees on the grounds of colour, race, ethnic or national origin, sex, marital status or religious beliefs. Full consideration is given to applications for employment from disabled persons who are able to demonstrate that they have the necessary aptitudes and abilities. If individuals become disabled during employment and they are unable to continue to perform their jobs, consideration is given to retraining for alternative jobs. The importance of staff training is recognised at all levels. The Company consults with its staff on a regular basis and provides a common awareness of its business aims and performance to maximise the staff's involvement in the Company's affairs. Information is provided to employees, as required, on matters of concern to them.

The Company aims to attract and retain employees of the highest calibre and this is encouraged through participation in various performance-related bonus schemes including employee share schemes of Telewest Communications plc as described in the financial statements of that Company.

Telewest Communications Group 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. 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 maintaining 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.

Auditors

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditors annually.

By order of the board



C Burns
Secretary

Genesis Business Park
Albert Drive
Woking
Surrey
GU21 5RW

27 October 2000

Telewest Communications Group Limited

Report of the auditors, KPMG Audit Plc, to the members of Telewest Communications Group Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

27 Oct 2000

Telewest Communications Group Limited

Profit and loss account for the year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Turnover	1	235,770	165,274
Administrative expenses		(236,644)	(164,607)
Operating (loss)/profit	2	(874)	667
Other interest receivable and similar income	5	1,484	345
Interest payable and similar charges	6	(1,214)	(281)
(Loss)/profit on ordinary activities before and after taxation		(604)	731
Retained profits/(losses) brought forward		678	(53)
Retained profits carried forward		74	678

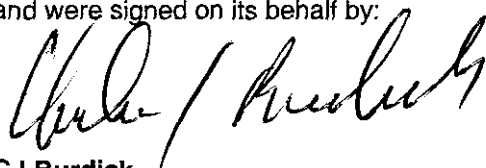
The Company had no recognised gains or losses other than those reflected in its profit and loss account. All income and expenditure arose from continuing operations.

Telewest Communications Group Limited

Balance sheet at 31 December 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	8	223,989	108,077
Investments	9	-	-
		<u>223,989</u>	<u>108,077</u>
Current assets			
Stock	10	20,576	9,240
Debtors	11	891,465	98,084
Cash at bank and in hand		2,196	-
		<u>914,237</u>	<u>107,324</u>
Creditors: amounts falling Due within one year	12	(1,112,175)	(192,861)
Net current liabilities		<u>(197,938)</u>	<u>(85,537)</u>
Total assets less current liabilities		<u>26,051</u>	<u>22,540</u>
Creditors: amounts falling Due after more than one year	13	(24,327)	(20,212)
Net assets		<u>1,724</u>	<u>2,328</u>
Capital and reserves			
Called up share capital	14	-	-
Other reserves	15	1,650	1,650
Profit and loss account		74	678
Equity shareholder's funds	16	<u>1,724</u>	<u>2,328</u>

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 Group 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. The financial statements have been prepared on the basis that the Company will continue as a going concern on the basis that the ultimate parent company has guaranteed ongoing financial support for the Company for the foreseeable future.

Fixed assets and depreciation

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

Leasehold improvements	-	life of lease
Office furniture and equipment	-	5 years
Software costs	-	4 years
Motor vehicles	-	4 years
Network	-	20 years
Network electronics	-	8 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual asset or liability will crystallise.

Telewest Communications Group Limited

Notes *(continued)*

1 **Accounting policies** *(continued)*

Leases *(continued)*

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Pension costs

The group does not have a pension scheme but contributes to the scheme of the employee's choice. The amount charged against the profit and loss account represents the contributions payable to the selected schemes in respect of the accounting period.

Stock

Stock is valued at the lower of cost and net realisable value.

Cash flow exemption

The Company is exempt from the requirement of Financial Reporting Standard No.1 (revised 1997) 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.

Group financial statements

In accordance with Section 228(2) of the Companies Act 1985, the Company is exempt from the requirement to produce group financial statements.

Related party transactions

The Company is exempt from the requirement to disclose transactions with entities that are part of the group headed by Telewest Communications plc, the Company's ultimate parent company undertaking, or investees of that group qualifying as related parties, as more than 90% of the Company's voting rights are controlled within that group and the consolidated accounts of Telewest Communications plc, in which the Company is included, are publicly available.

Investments

Investments in subsidiary undertakings are stated at cost in the balance sheet. Where appropriate, provision is made for any permanent diminution in the value of these investments.

Turnover

Turnover primarily represents the value of management services supplied to fellow subsidiary undertakings in the United Kingdom during the year excluding Value Added Tax.

Telewest Communications Group Limited

Notes (continued)

1 Accounting policies (continued)

Turnover (continued)

The Company also sells spare capacity on the Telewest National Network to third parties under leasing contracts. Substantially all the risks and rewards of ownership accrue to the grantees for a significant proportion of the total life of the network asset.

As is common in the telecoms industry the Company has recognised the income on these contracts as turnover.

2 Operating (loss)/profit

	1999 £'000	1998 £'000
Operating (loss)/profit is stated after charging:		
Auditor's remuneration:		
Audit	23	25
Other services	83	1,235
Depreciation and other amounts written off tangible fixed assets	30,417	17,253
Hire of motor vehicles, accommodation and office equipment – rentals payable under operating leases	2,343	1,232
	<u> </u>	<u> </u>

3 Remuneration of directors

During the year, the directors received no remuneration for their services to this Company (1998: £nil).

Telewest Communications Group Limited

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors and those seconded from group companies) during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Sales and customer services	2,436	2,011
Construction and operations	1,868	1,686
Administration	788	705
	<u>5,092</u>	<u>4,402</u>

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£'000	£'000
Wages and salaries	113,904	92,824
Social security costs	10,773	9,363
Other pension costs	3,254	2,503
	<u>127,931</u>	<u>104,690</u>

On 1 October 1994, the employment contracts of all staff employed by fellow subsidiary undertakings were transferred to the Company. The Company makes available the services of the employees to the fellow subsidiary undertakings who reimburse the Company for the staff costs of the employees.

Telewest Communications Group Limited

Notes (continued)

5 Other interest receivable and similar income

	1999	1998
	£'000	£'000
Bank Interest	-	4
Other	1,484	341
	<u>1,484</u>	<u>345</u>
	<u><u>1,484</u></u>	<u><u>345</u></u>

6 Interest payable and similar charges

	1999	1998
	£'000	£'000
Finance lease interest	999	227
Foreign exchange losses	215	54
	<u>1,214</u>	<u>281</u>
	<u><u>1,214</u></u>	<u><u>281</u></u>

7 Taxation

Due to the availability of trading losses surrendered by other group companies, for which no payment is made, there is no corporation tax charge for the current or previous year.

Telewest Communications Group Limited

Notes (continued)

8 Tangible fixed assets

	Motor vehicles £'000	Other equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At beginning of year	10,849	122,543	5,208	138,600
Additions	5,544	139,874	1,088	146,506
Disposals	(4,211)	-	-	(4,211)
At end of year	12,182	262,417	6,296	280,895
Depreciation				
At beginning of year	1,962	26,194	2,367	30,523
Charge for year	5,054	24,122	1,241	30,417
On disposals	(4,034)	-	-	(4,034)
At end of year	2,982	50,316	3,608	56,906
Net book value				
At 31 December 1999	9,200	212,101	2,688	223,989
At 31 December 1998	8,887	96,349	2,841	108,077

Included in the net book value of motor vehicles and other equipment is £6,085,000 and £11,632,000, respectively (1998: £8,248,000 and £5,594,000, respectively) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation charged on these assets was £6,118,000.

9 Fixed asset investments

	Shares in subsidiary Undertakings	
	1999 £	1998 £
Cost		
The Cable Equipment Store Limited	2	2
Telewest Share Trust Limited	2	2
	4	4

The Company holds 100% of the ordinary shares of The Cable Equipment Store Limited, which supplies telephone equipment, and Telewest Share Trust Limited, which is dormant. Both of these companies are incorporated in Great Britain and registered in England and Wales. As stated in Note 1, consolidated financial statements have not been prepared.

Telewest Communications Group Limited

Notes (continued)

10 Stocks

	1999 £'000	1998 £'000
Cable and ducting and system electronics equipment	20,576	9,240

11 Debtors

	1999 £'000	1998 £'000
Amounts owed by fellow subsidiary undertakings	853,804	87,762
Other debtors	34,977	9,119
Prepayments and accrued income	2,684	1,203
	<u>891,465</u>	<u>98,084</u>

12 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank loans and overdrafts	-	811
Obligations under finance leases (note 17)	7,064	6,201
Trade creditors	12,896	5,679
Amounts owed to parent and fellow subsidiary undertakings	1,028,397	155,829
Taxation and social security	4,224	3,049
Other creditors	-	1,917
Accruals and deferred income	59,395	18,998
Amounts owed to other related parties	199	377
	<u>1,112,175</u>	<u>192,861</u>

13 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Obligations under finance leases (note 17)	10,596	5,458
Amounts owed to fellow subsidiary undertakings	8,232	8,990
Amounts owed to other related parties	5,375	5,375
Other creditors	124	389
	<u>24,327</u>	<u>20,212</u>

Telewest Communications Group Limited

Notes (continued)

13 Creditors: amounts falling due after more than one year(continued)

The amount owed to the parent undertaking represents a loan that has no fixed repayment date but repayment will not be sought within one year. The loan is interest free and denominated in sterling.

14 Called up share capital

	1999 £	1998 £
Authorised		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

15 Other reserves

	£'000
Capital contribution at 1 January 1999 and 31 December 1999	1,650
	<hr/>

The capital contribution was made by TCI/US WEST Cable Communications, Inc. a predecessor of Telewest Communications Holdings Limited, the immediate parent undertaking of the Company, for the purpose of funding capital assets.

16 Reconciliation of movements in equity shareholder's funds

	1999 £'000	1998 £'000
Equity shareholder's funds at 1 January	2,328	1,597
(Loss)/profit for the financial year	(604)	731
	<hr/>	<hr/>
Equity shareholder's funds at 31 December	1,724	2,328
	<hr/>	<hr/>

Telewest Communications Group Limited

Notes (continued)

17 Commitments

(i) Capital commitments

Capital commitments of the Company at the end of the financial year for which no provision has been made:

	1999 £'000	1998 £'000
Contracted	20,542	649

(ii) Leasing commitments

Obligations of the Company in respect of finance leases, net of interest, are payable over the following periods:

	1999 £'000	1998 £'000
Within one year	7,064	6,201
Within two to five years	10,596	5,458
	17,660	11,659

Annual commitments of the Company under non-cancellable operating leases are as follows:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within two to five years	1,147	-	533	-
Over five years	123	164	681	154
	1,270	164	1,214	154

Telewest Communications Group Limited

Notes *(continued)*

18 **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.

19 **Ultimate parent company**

The ultimate parent company of Telewest Communications Group 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 Group 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.