

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

Cambridge Holding Company Limited
and subsidiary undertakings

Accounts 31 December 1994
together with directors' and auditors' reports
Registered number: 2670603



Directors' report

For the year ended 31 December 1994

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 December 1994.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group, and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and business review

The principal activities of the group continue to be the construction and operation of a cable television and telecommunication system.

During 1995, the group will continue to expand its telecommunications network and cable television system over the franchise areas.

Results and dividends

The results for the year are as follows:

	£'000
Accumulated deficit at 31 December 1993	(12,206)
Loss for the year after taxation	(12,223)
Accumulated deficit at 31 December 1994	<u>(24,429)</u>

The company is unable to pay a dividend.

Directors' report (continued)

Directors and their interests

The directors who served during the year were as follows:

Ho Lam Phoh

Richard Davis

Julian Brodsky

Sung Sio Ma

No director had any interest in the shares of any group company at any time during the year.

Fixed assets

Information relating to changes in intangible and tangible fixed assets is given in note 8 and note 9 to the accounts respectively.

Charitable contributions

During the year, the group contributed £500 (1993 - £nil) to charities. No political contributions were made in either year.

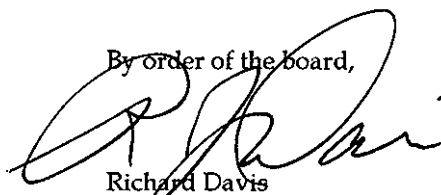
Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

9 Cheapside
London
EC2V 6AD

By order of the board,

Richard Davis
Director

13 June 1995

Auditors' report

Cambridge

To the Shareholders of Cambridge Holding Company Limited:

We have audited the accounts on pages 4 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 11.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, of those accounts and to report our opinion to you.

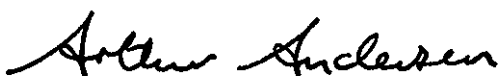
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1994 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Betjeman House

104 Hills Road

Cambridge

CB2 1LH

13 June 1995

Consolidated profit and loss account

For the year ended 31 December 1994

	Notes	1994 £'000	1993 £'000
Turnover	2	12,064	3,571
Cost of sales		(4,894)	(1,935)
Gross profit		7,170	1,636
Other operating expenses (net)		(15,977)	(9,073)
Operating loss		(8,807)	(7,437)
Investment income	3	111	541
Interest payable and similar charges	4	(3,527)	(1,034)
Loss on ordinary activities before taxation	5	(12,223)	(7,930)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year		(12,223)	(7,930)
Accumulated deficit at 1 January 1994		(12,206)	(4,276)
Accumulated deficit at 31 December 1994		(24,429)	(12,206)

There are no recognised gains or losses in either the year ended 31 December 1994 or the previous year, other than the loss for each year shown above, and therefore a statement of recognised gains and losses has not been included in these accounts.

The accompanying notes are an integral part of this profit and loss account.

Consolidated balance sheet

31 December 1994

	Notes	1994 £'000	1993 £'000
Fixed assets			
Intangible assets	8	5,726	4,139
Tangible assets	9	82,722	48,150
		<u>88,448</u>	<u>52,289</u>
Current assets			
Stocks	11	2,206	1,608
Debtors	12	3,056	2,547
Cash		5,565	355
		<u>10,827</u>	<u>4,510</u>
Creditors: Amounts falling due within one year	13	<u>(13,692)</u>	<u>(11,744)</u>
Net current liabilities		(2,865)	(7,234)
Total asset less current liabilities		85,583	45,055
Creditors: Amounts falling due after more than one year	14	<u>(74,916)</u>	<u>(22,163)</u>
Net assets		<u>10,667</u>	<u>22,892</u>
Capital and reserves			
Called-up share capital	15	-	-
Share premium account	16	35,096	35,098
Profit and loss account	16	<u>(24,429)</u>	<u>(12,206)</u>
Total capital employed		<u>10,667</u>	<u>22,892</u>

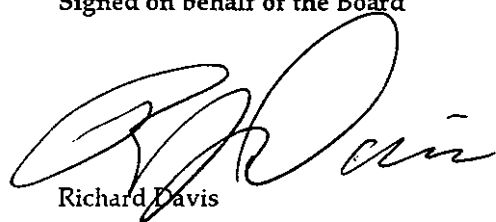
The accompanying notes are an integral part of this balance sheet.

Balance sheet

31 December 1994

	Notes	1994 £'000	1993 £'000
Fixed assets			
Intangible assets	8	15	38
Investments	10	12,351	25,130
		<u>12,366</u>	<u>25,168</u>
Current assets			
Debtors - due after more than one year	12	64,009	17,418
Cash at bank and in hand		107	103
		<u>64,116</u>	<u>17,521</u>
Creditors: Amounts falling due within one year	13	(249)	(81)
Net current assets		<u>63,867</u>	<u>17,440</u>
Total assets less current liabilities		76,233	42,608
Creditors: Amounts falling due after one year	14	(65,566)	(19,716)
Net assets		<u>10,667</u>	<u>22,892</u>
Capital and reserves			
Called-up share capital	15	-	-
Share premium account	16	35,096	35,098
Profit and loss account	16	(24,429)	(12,206)
Total capital employed		<u>10,667</u>	<u>22,892</u>

Signed on behalf of the Board



Richard Davis

Director

13 June 1995

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the year ended 31 December 1994

	Note	1994 £'000	1993 £'000
Net cash (outflow)/inflow from operating activities	18	<u>(2,992)</u>	<u>220</u>
Returns on investments and servicing of finance			
Interest received		111	541
Interest paid		(438)	(68)
Interest element of finance lease rentals		<u>(407)</u>	<u>(232)</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance		<u>(734)</u>	<u>241</u>
Tax paid		<u>-</u>	<u>-</u>
Investing activities			
Purchase of tangible fixed assets		(36,149)	(32,348)
Purchase of subsidiary undertakings		-	(2,000)
Purchase of intangible fixed assets		<u>(2,005)</u>	<u>(572)</u>
Net cash outflow from investing activities		<u>(38,154)</u>	<u>(34,920)</u>
Net cash outflow before financing		<u>(41,880)</u>	<u>(34,459)</u>
Financing			
Issue of ordinary share capital		-	12,298
Movement in share premium	19	(2)	-
New loans	19	48,168	19,508
Capital element of finance leases	19	<u>(332)</u>	<u>(978)</u>
Net cash inflow from financing		<u>47,834</u>	<u>30,828</u>
Increase/(decrease) in cash and cash equivalents	20	<u>5,954</u>	<u>(3,631)</u>

The accompanying notes are an integral part of this consolidated cash flow statement.

Notes to accounts

31 December 1994

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.

a) Basis of accounting

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

b) Basis of consolidation

The group accounts consolidate the accounts of Cambridge Holding Company Limited and its subsidiary undertakings, for the year ended 31 December 1994. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Unless otherwise stated, the acquisition method of accounting has been adopted.

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. Amounts written off during the year represent the losses for the financial year of the subsidiaries. The directors consider that this policy more fairly represents the company's investments than carrying them at cost.

No profit and loss account is presented for Cambridge Holding Company Limited as provided by section 230 of the Companies Act 1985. The company's loss for the financial year, determined in accordance with the Act, was £12,223,000 (1993 - £7,930,000).

c) Intangible fixed assets : deferred development expenditure

In the period prior to achieving full target penetration of the franchise area, certain development expenditure is deferred. The nature of costs so deferred, depends on whether they fall within the pre-energise or pre-maturity periods.

The company has established pre-energise and pre-maturity periods as described below.

Pre-energise period:

The period from incorporation to the date upon which the first subscriber revenue is earned.

During the pre-energise period all expenditure not directly attributable to the cable network or other fixed assets is treated as deferred development expenditure within intangible fixed assets.

Notes to accounts (continued)

1 Accounting policies (continued)

c) *Intangible fixed assets : deferred development expenditure (continued)*

Pre-maturity period:

The period commencing with the month of the first earned subscriber revenue and terminating five years from that date.

During the pre-maturity period appropriate percentages of expenditure not directly attributable to the cable network or other fixed assets is treated as deferred development expenditure within intangible fixed assets.

Expenditure not treated as deferred development expenditure is charged to the profit and loss account.

Deferred development expenditure is amortised over the life of the franchise in three stages:

i) Pre-energise period

No amortisation is charged during this period.

ii) Pre-maturity period

Amortisation is charged in accordance with the formula described in note 1(e).

iii) Mature period

The un-amortised portion of the deferred development expense existing at the end of the pre-maturity period is written-off on a straight-line basis, over nine years, being the remaining life of the franchise.

d) *Tangible fixed assets*

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 network.

Non-network assets:

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life, as follows:

Freehold property	40 years (2.5% per annum)
Fixtures, fittings and equipment	5 years (20% per annum)
Motor vehicles	4 years (25% per annum)

Network assets:

During the pre-energise period no depreciation is charged in respect of network assets. During the pre-maturity period depreciation on network assets is charged in accordance with note 1(e). At the end of the pre-maturity period depreciation is charged on a straight-line basis to write-off the undepreciated cost over the following estimated useful lives:

Plant and machinery	5-10 years (10-20% per annum)
Civils	40 years (2.5% per annum)

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Pre-maturity depreciation and amortisation charges*

The following fraction is determined for each month of the pre-maturity period. The denominator of the fraction is the total number of subscribers expected at the end of the pre-maturity period. The numerator of the fraction is the greatest of:

- i) The average number of subscribers expected that month as estimated at the beginning of the pre-maturity period,
- ii) the average number of subscribers that would be attained using at least equal (that is, straight-line) monthly progress in adding new subscribers towards the estimate of subscribers at the end of the pre-maturity period, and
- iii) the average number of actual subscribers.

During the pre-maturity period, depreciation and amortisation charges are determined on a monthly basis by multiplying:

- i) the implied monthly depreciation and amortisation charge based on total capitalised costs expected on completion of the pre-maturity period, by
- ii) the fraction described above using the depreciation method that will be applied after the pre-maturity period.

f) *Stock*

Stock, which represents raw materials and consumables used for construction of the network, is valued at the lower of cost and net realisable value using the first-in, first-out basis. Provision is made for obsolete, slow-moving or defective items where appropriate.

g) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will not reverse.

h) *Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to accounts (continued)

1 Accounting policies (continued)

i) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of cable television and telephony services provided in the normal course of business.

j) *Pensions*

The company contributes to individual pension plans on a defined contribution basis in respect of full time employees. Payments are made to an insurance company independent from the finances of the company. Contributions are made to match employees contributions to a maximum of 6% of their salaries. Contributions are charged against profit and loss as and when incurred.

k) *Leases*

The company enters into operating leases as described in note 21.

Assets held under finance leases are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance costs are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance costs and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

2 Turnover

All revenue arose from the group's principal activities in the UK.

3 Investment income

	1994 £'000	1993 £'000
Other interest receivable	<u>111</u>	<u>541</u>

Notes to accounts (continued)

4 Interest payable and similar charges

	1994 £'000	1993 £'000
Bank loans, overdrafts and other loans		
- repayable within five years, by instalments	64	95
- repayable within five years, not by instalments	345	6
	<hr/> 409	<hr/> 101
All other loans, due after more than five years		
- secured bank loans	23	46
- unsecured loans from other group undertakings	2,688	655
- interest element of hire purchase and finance lease contracts	407	232
	<hr/> 3,527	<hr/> 1,034

5 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	1994 £'000	1993 £'000
Amortisation of intangible fixed assets	418	238
Depreciation of tangible fixed assets		
- owned	3,960	2,078
- leased	262	351
Other operating lease rentals	365	133
Auditors remuneration		
- audit fees	53	41
- non audit fees	19	12
Staff costs (see note 6)	<hr/> 8,773	<hr/> 4,057

Notes to accounts (continued)

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

Employee costs during the year amounted to:

	1994 £'000	1993 £'000
Wages and salaries	7,969	3,636
Social security costs	680	358
Other pension costs	124	63
	<u>8,773</u>	<u>4,057</u>

The average weekly number of persons employed by the group during the year was as follows:

	Number	Number
Administration	242	154
Selling and distribution	128	36
	<u>370</u>	<u>190</u>

No director received remuneration in respect of services carried out on behalf of the group.

7 Taxation

There is no corporation tax charge due to the availability of tax losses. Subject to agreement with the Inland Revenue, the group has substantial losses available for carry forward under section 393(1) Income and Corporation Taxes Act 1988 at 31 December 1994.

The group has not recognised the deferred tax assets arising from the tax losses and accelerated capital allowances as their recoverability cannot be guaranteed. The total amount of the deferred tax asset not recognised is £7,142,000 (1993 - £4,609,000).

Notes to accounts (continued)

8 Intangible fixed assets

The movement in the year was as follows:

Group	£'000
Cost	
At 1 January 1994	4,406
Additions	2,005
At 31 December 1994	<u>6,411</u>
Amortisation	
At 1 January 1994	267
Additions	418
At 31 December 1994	<u>685</u>
Net book value	
At 1 January 1994	<u>4,139</u>
At 31 December 1994	<u>5,726</u>
The net book value of intangible fixed assets comprises:	
Capitalised organisation costs	15
Deferred development expenditure	4,296
Goodwill arising on consolidation	1,415
	<u>5,726</u>

Company	£'000
Cost	
At 1 January and 31 December 1994	<u>67</u>
Amortisation	
At 1 January 1994	29
Charge	23
At 31 December 1994	<u>52</u>
Net book value	
At 1 January 1994	<u>38</u>
At 31 December 1994	<u>15</u>

Intangible fixed assets above represent capitalised organisation costs that were incurred in forming the company, including legal and professional fees. These costs are being amortised over a 60 month period.

Notes to accounts (continued)

9 Tangible fixed assets

The movement in the year was as follows:

Group	Freehold Property £'000s	Network £'000s	Plant and Equipment £'000s	Motor Vehicles & Test Equipment £'000s	Computer Equipment £'000s	Total £'000s
Cost						
At 1 January 1994	1,952	46,360	1,957	846	779	51,894
Additions	2,936	33,687	320	336	1,515	38,794
Transfers	-	217	-	(217)	-	-
At 31 December 1994	<u>4,888</u>	<u>80,264</u>	<u>2,277</u>	<u>965</u>	<u>2,294</u>	<u>90,688</u>
Depreciation						
At 1 January 1994	153	2,886	230	305	170	3,744
Charge for period	303	3,144	219	230	326	4,222
At 31 December 1994	<u>456</u>	<u>6,030</u>	<u>449</u>	<u>535</u>	<u>496</u>	<u>7,966</u>
Net book value						
At 1 January 1994	<u>1,799</u>	<u>43,474</u>	<u>1,727</u>	<u>541</u>	<u>609</u>	<u>48,150</u>
At 31 December 1994	<u>4,432</u>	<u>74,234</u>	<u>1,828</u>	<u>430</u>	<u>1,798</u>	<u>82,722</u>
Leased assets included in the above:						
Net book value						
At 1 January 1994	<u>-</u>	<u>2,234</u>	<u>-</u>	<u>220</u>	<u>-</u>	<u>2,454</u>
At 31 December 1994	<u>-</u>	<u>4,742</u>	<u>-</u>	<u>90</u>	<u>-</u>	<u>4,832</u>

10 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	1994 £'000	1993 £'000
Subsidiary undertakings	<u>12,351</u>	<u>25,130</u>

Notes to accounts (continued)

10 Fixed asset investments (continued)

The company has investments in the following subsidiary undertakings:

	<u>Country of incorporation and operation</u>	<u>Principal activity</u>	<u>Description and proportion of shares held</u>
Cambridge Cable Limited	United Kingdom	Cable Television and telephony operator	100% issued share capital
Anglia Cable Communications Limited	United Kingdom	Cable Television and telephony operator	100% issued share capital
East Coast Cable Limited	United Kingdom	Cable Television and telephony operator	100% issued share capital
Century Cable Limited	United Kingdom	Dormant	100% issued share capital
Southern East Anglia Cable Limited	United Kingdom	Dormant	100% issued share capital
CCL Corporate Communication Services Limited	United Kingdom	Dormant	100% issued share capital

On 23 January 1995, Southern East Anglia Cable Limited was granted the cable television and telephony network franchise for Bury St. Edmunds and the surrounding area. This franchise will be developed over the next few years in close association with other members of the group.

Notes to accounts (continued)

10 Fixed asset investments (continued)

The movement in the year was as follows:

	£'000
Cost	
At 1 January	37,572
Additions at cost	1,224
Transfer to subsidiary undertakings	(2,000)
At 31 December 1994	<u>36,796</u>
Amounts written off	
At 1 January 1994	12,442
Amounts written off in year	12,003
At 31 December 1994	<u>24,445</u>
Net book value	
At 1 January 1994	<u>25,130</u>
At 31 December 1994	<u>12,351</u>

Additions at cost represent additional investments made in existing investments.

11 Stocks

	Group	
	1994	1993
	£'000	£'000
Raw materials and consumables	<u>2,206</u>	<u>1,608</u>

Stock represents raw materials and consumables used in the construction of the cable network and the telephony system.

In the opinion of the directors there is no material difference between the balance sheet value of the stock and its replacement cost.

Notes to accounts (continued)

12 Debtors

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,686	868	-	-
VAT	903	1,288	-	-
Other debtors	278	200	-	-
Prepayments and accrued income	189	191	-	-
	<u>3,056</u>	<u>2,547</u>	<u>-</u>	<u>-</u>
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	64,009	17,418
	<u>3,056</u>	<u>2,547</u>	<u>64,009</u>	<u>17,418</u>

13 Creditors: Amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	899	521	-	-
Bank loans and overdrafts	38	744	-	-
Trade creditors	7,208	6,352	-	-
Other creditors				
- UK corporation tax payable	10	10	-	-
- Social security and PAYE	236	198	-	-
- Other creditors	586	1,265	-	-
Accruals and deferred income	4,715	2,654	249	81
	<u>13,692</u>	<u>11,744</u>	<u>249</u>	<u>81</u>

Notes to accounts (continued)

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	3,782	1,847	-	-
Bank loans and overdrafts	5,568	600	-	-
Amounts owed to other group undertakings	65,566	19,716	65,566	19,716
	<u>74,916</u>	<u>22,163</u>	<u>65,566</u>	<u>19,716</u>

The amounts owed to other group undertakings are unsecured loans, repayable on demand which accrue interest at a rate of 2% above the published lending rate of Barclays Bank plc. The company is in receipt of a letter from the lenders stating that although the loans are technically repayable on demand, no request for repayment will be made for at least one year from the balance sheet date. The directors have therefore concluded that it is appropriate to classify these loans as due after more than one year.

15 Called-up share capital

	1994	1993
	£	£
<i>Authorised</i>		
'A' Ordinary shares of £1 each	500	500
'B' Ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
'A' Ordinary shares of £1 each	66	66
'B' Ordinary shares of £1 each	66	66
	<u>132</u>	<u>132</u>

Notes to accounts (continued)

16 Reserves

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	Group & Company	
	1994 £'000	1993 £'000
Distributable		
- profit and loss account	(24,429)	(12,206)
Non-distributable		
- share premium account	35,096	35,098
Total reserves	10,667	22,892

The company is unable to pay a dividend as the company has no distributable reserves.

	Group & Company	
	Profit & loss account £'000	Share premium account £'000
Balance as at 1 January 1994	(12,206)	35,098
Loss for the financial year	(12,223)	-
Other	-	(2)
Balance as at 31 December 1994	(24,429)	35,096

17 Reconciliation of movement in shareholders' funds

	Group & Company	
	1994 £'000	1993 £'000
Loss for the year	(12,223)	(7,930)
Movement in share premium account	(2)	-
New share capital subscribed	-	12,298
Net (reduction)/addition to shareholders' funds	(12,225)	4,368
Opening shareholders' funds	22,892	18,524
Closing shareholders' funds	10,667	22,892

Notes to accounts (continued)

18 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	1994 £'000	1993 £'000
Operating loss	(8,807)	(7,437)
Depreciation of tangible fixed assets	4,222	2,429
Amortisation of intangible fixed assets	418	238
Increase in debtors	(509)	(1,756)
Increase in stocks	(598)	(105)
Increase in creditors	2,282	6,851
Net cash (outflow)/inflow from operating activities	<u>(2,992)</u>	<u>220</u>

19 Analysis of changes in financing

	1994 £'000	1993 £'000
Share capital (including premium)	35,098	22,800
Issue of ordinary share capital	-	12,298
Other	(2)	-
Closing balance	<u>35,096</u>	<u>35,098</u>
Loans and finance lease obligations		
Opening balance	22,684	1,819
Repayment of capital element of finance leases	(332)	(978)
Interest on loans from group undertakings	2,688	655
New loans in year	48,168	19,508
Inception of finance lease contracts	2,645	1,680
Closing balance	<u>75,853</u>	<u>22,684</u>

20 Analysis of changes in cash and cash equivalents during the year

	Cash at bank and in hand £'000	Bank overdrafts £'000	Net £'000
Balance at 1 January 1993	3,242	-	3,242
Net cash outflow	<u>(2,887)</u>	<u>(744)</u>	<u>(3,631)</u>
Balance at 31 December 1993	355	(744)	(389)
Net cash inflow	<u>5,210</u>	<u>744</u>	<u>5,954</u>
Balance at 31 December 1994	<u>5,565</u>	<u>-</u>	<u>5,565</u>

The directors have excluded a bank loan of £38,000 from "cash and cash equivalents" at 31 December 1994 as it is repayable after more than three months from the balance sheet date.

Notes to accounts (continued)

21 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments of the group were:

	Group	
	1994	1993
	£'000	£'000
Contracted for but not provided for	-	627
Authorised but not contracted for	54,900	23,522
	<u>54,900</u>	<u>24,149</u>

The company had no capital commitments as at 31 December 1994.

Under the terms of their franchises, companies within the group are committed to passing every home in the franchise area over the life of the franchise. The capital commitments shown above represent the commitment for the following year.

b) Lease commitments

The group leases certain buildings and equipment on short term leases. The annual rental on these leases for 1994 was £603,000 (1993 - £133,000).

The minimum annual rentals under the foregoing leases are as follows:

	1994	1993
	£'000	£'000
Operating leases which expire		
- within 1 year	695	234
- within 2-5 years	1,129	403
- after 5 years	<u>-</u>	<u>-</u>