

**Telewest Communications Cable
Limited**

(formerly TeleWest Communications plc)

Directors' report and financial statements

31 December 1995

Registered number 2883742



Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Company information	1
Directors' report	2 - 4
Report of the auditors	5
Profit and loss account	6
Balance sheet	7
Notes	8 - 16

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Company information

Directors

SJ Davidson
A Michels (USA)

Secretary

V Hull

Registered office

Genesis Business Park
Albert Drive
Woking, Surrey
GU21 5RW

Auditors

KPMG
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Solicitors

Clifford Chance
200 Aldergate Street
London
EC1A 4JJ

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995

Principal activities and business review

The company continues to act as a holding company for companies with cable television and telephony interests in the United Kingdom.

Until 2 October 1995, the company was a publicly-quoted company with ordinary shares listed on the London Stock Exchange and ADSs, representing ordinary shares, listed on the NASDAQ National Market in the United States. On 2 October 1995, in connection with the merger of the cable television and telephony interests of the company with those of SBC CableComms (UK) ("SBCC") ("the Merger"), the entire issued share capital of the company was transferred to TeleWest plc and all public dealings in the ordinary shares of the company ceased. TeleWest plc thereby became the new parent company of the enlarged group. Public dealings in the ordinary shares of TeleWest plc commenced immediately following the transfer. The company became an intermediate holding company within the enlarged group.

On 10 May 1996, the company changed its name from TeleWest Communications plc to Telewest Communications Cable Limited and was re-registered as a private company. On 16 May 1996, TeleWest plc changed its name to Telewest Communications plc.

Results and dividends

The company made a profit for the year of £4,699,000 (1994: £819,000). The directors do not recommend the payment of a dividend (1994 : £nil).

Directors and directors' interests

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

F A Vierra	(USA)	(resigned 3 October 1995)
A W P Stenham		(resigned 3 October 1995)
A Michels	(USA)	
S J Davidson		
D F Bryan	(USA)	(resigned 1 January 1996)
R J Callahan	(USA)	(resigned 3 October 1995)
B R Clouston	(USA)	(resigned 3 October 1995)
C M Lillis	(USA)	(resigned 3 October 1995)
Sir Gordon Borrie QC		(resigned 3 October 1995)
Lord Griffiths of Fforestfach		(resigned 3 October 1995)

None of the directors who held office at the end of the financial year has any disclosable interest in the shares of subsidiary or fellow subsidiary undertakings of the company.

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

The interests of Mr Michels, Mr Davidson, and Mr Bryan in the share capital of the company during the year were set out below. In connection with the Merger, all directors' interests in shares of the company have been exchanged for equivalent interests in the shares of Telewest Communications plc

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Directors' report (continued)

Directors and directors' interests(continued)

(formerly TeleWest plc) and, accordingly, no director had any interest in the company at 31 December 1995. The interests of the directors in the ordinary share capital of Telewest Communications plc (formerly TeleWest plc) at 31 December 1995 are disclosed in the directors' report attached to the financial statements of that company. No director had any interest in Telewest Communications plc (formerly TeleWest plc) at 1 January 1995.

Ordinary shares

At 1 January 1995, A Michels held 7,010 ordinary shares in the form of American Depositary Shares. Pursuant to the Merger, these shares were exchanged into 7,010 ordinary shares in the form of American Depositary Shares of Telewest Communications plc (formerly TeleWest plc).

TeleWest Restricted Share Scheme

	Awards over ordinary shares at 1 January 1995 Number	Awards exchanged into awards over ordinary shares in Telewest Communications plc (formerly TeleWest plc) Number	Awards over ordinary shares at 31 December 1995 Number
A Michels	434,787	(434,787)	-
SJ Davidson	475,183	(475,183)	-

TeleWest Executive Share Option Scheme

	Exercise price	At 1 January 1995 Number	Granted during the year Number	Lapsed during the year Number	At 31 December 1995 Number
A Michels	173.5	-	36,125	(36,125)	-
	171.5	-	147,312	(147,312)	-
SJ Davidson	171.5	-	166,880	(166,880)	-
D Bryan	173.5	-	36,125	(36,125)	-
	171.5	-	129,524	(129,524)	-

Pursuant to the Merger, the options lapsed, but new options over shares in Telewest Communications plc (formerly TeleWest plc) were granted at the same price, terms, and conditions except for their expiry date.

TeleWest Share Save Scheme

SJ Davidson was interested in 11,500 ordinary shares which were the subject of an option which commenced on 1 February, 1995 to subscribe for shares in the company at 150 pence per share under the TeleWest Share Save Scheme. Pursuant to the Merger, the option now relates to an option over ordinary shares in Telewest Communications plc (formerly TeleWest plc).

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Directors' report (continued)

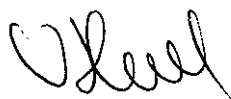
Statement of directors' responsibilities

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 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.

By order of the board



V Hull
Secretary

Genesis Business Park
Albert Drive
Woking, Surrey
GU21 5RW

23 July 1996

Report of the auditors, KPMG, to the members of Telewest Communications Cable Limited (*formerly TeleWest Communications plc*)

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of 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 as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

23 July 1996

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Profit and loss account

for the year ended 31 December 1995

	Note	1995 £'000	1994 £'000
Administrative expenses		(669)	(258)
Operating loss	3	(669)	(258)
Other interest receivable and similar income	7	5,823	1,078
Interest payable and similar charges	8	(455)	(1)
Profit for the financial year		4,699	819
Retained profit brought forward		819	-
Retained profit carried forward		5,518	819

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

Telewest Communications Cable Limited

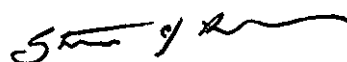
(formerly TeleWest Communications plc)

Balance sheet

at 31 December 1995

	Note	1995 £'000	Restated (see note 1) 1994 £'000
Fixed assets			
Investments	9	354,066	359,859
Current assets			
Debtors: due within one year	10	406,088	55,274
Debtors: due after more than one year	11	-	126,552
Cash and deposits	12	6	219,857
		406,094	401,683
Creditors: amounts falling due within one year	13	(59)	(6,140)
Net current assets		406,035	395,543
Net assets		760,101	755,402
Capital and reserves			
Called up share capital	14, 15	100,124	100,124
Share premium	15	384,272	384,272
Acquisition reserve	15	270,187	270,187
Profit and loss account	15	5,518	819
Equity shareholder's funds	15	760,101	755,402

These financial statements were approved by the board of directors on 23 July 1996 and were signed on its behalf by:



SJ Davidson
Director

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes

(forming part of the financial statements)

1 Basis of preparation

On 22 November 1994, in connection with the global offering of the ordinary share capital of the company, the company acquired TCI/US West Cable Communications Group and its United Kingdom cable interests (the "Former TeleWest Group"). The company did not trade prior to the date of acquisition, and hence did not incur any income or expenditure on its own account prior to this date. The profit and loss account comparatives for 1994 therefore reflect the results of the company for the trading period from 22 November 1994 to 31 December 1994.

Following the issuance of Urgent Issues Task Force Abstract 13 *Accounting for ESOP Trusts*, the balance sheet at 31 December 1994 has been restated so that a provision has been made against the investment in own shares held for the value of awards of ordinary shares to be made to eligible employees in future years to the extent that the awards had been earned by employees at 31 December 1994.

2 Accounting policies

The principal accounting policies which have been applied consistently in the preparation of the financial statements are as follows:

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Investments

Investments in subsidiary undertakings are stated in the balance sheet at cost.

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 gains or losses on translation are included in the profit and loss account.

Cash flow exemption

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 (formerly TeleWest plc) and its cash flows are included within the consolidated cash flows 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

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes (continued)

3 Operating loss

Operating loss is stated after charging:

	1995 £'000	1994 £'000
Auditors' remuneration:		
Audit	-	80
Other services	-	3
	<u> </u>	<u> </u>

In 1995, the auditors' remuneration has been borne by a fellow subsidiary undertaking. In 1994, in addition to the amounts stated above for auditors' remuneration, the company paid £1,781,000 to the auditors for services provided in connection with the global offering of shares of the company. This amount has been set off against share premium.

4 Remuneration of directors

The executive directors of the company are also directors of its subsidiary companies and after 3 October, 1995, are directors of Telewest Communications plc (formerly TeleWest plc), the new parent company of the group, and other fellow subsidiary companies in the enlarged group. The remuneration set out below is for services provided to the company and its subsidiary companies through to 3 October, 1995. The remuneration paid to the directors for their services to group companies after 3 October, 1995 is included within the directors' remuneration set out in the consolidated financial statements of Telewest Communications plc (formerly TeleWest plc).

	1995 £'000	1994 £'000
Fees to non-executive directors	100	53
Remuneration as executives:		
Salary, allowances and taxable benefits	803	79
Performance-related bonuses	59	6
Other bonuses	140	122
Pension scheme contributions	18	1
	<u>1,120</u>	<u>261</u>

The chairman did not receive any remuneration during the year (1994: £nil). The remuneration, excluding pension contributions, of the highest paid director was £428,000 (1994: £122,000).

The remuneration of the executive directors has been borne by a subsidiary undertaking

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes (continued)

4 Remuneration of directors (continued)

The emoluments, excluding pension contributions, of directors (including the highest paid director) who perform their duties wholly or mainly within the United Kingdom fell within the following ranges:

		Number of directors	
		1995	1994
£0	- £ 5,000	-	3
£5,001	- £10,000	-	1
£10,001	- £15,000	-	1
£15,001	- £20,000	-	1
£20,001	- £25,000	-	1
£25,001	- £30,000	2	-
£40,001	- £45,000	1	-
£80,001	- £85,000	-	1
£115,001	- £120,000	-	1
£205,000	- £210,000	1	-
£365,001	- £370,000	1	-
£425,001	- £430,000	1	-
		<hr/>	<hr/>

5 Staff costs and numbers

The company had no employees during the year (1994: nil) and, accordingly, there are no staff costs (1994: £nil).

6 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 year or preceding year.

7 Other interest receivable and similar income

	1995 £'000	1994 £'000
On bank deposits and short-term investments	5,823	1,037
On loans made to associated undertakings	-	11
Exchange gain on foreign currency translation	-	30
	<hr/>	<hr/>
	5,823	1,078
	<hr/>	<hr/>

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes (continued)

8 Interest payable and similar charges

	1995 £'000	1994 £'000
On bank loans and overdrafts and other loans wholly repayable within 5 years	-	1
Exchange loss on foreign currency translation, net	455	-
	<u>455</u>	<u>1</u>

9 Fixed asset investments

	Subsidiary undertakings		Own shares held	Total
	Investments £'000	Loans £'000	£'000	£'000
Cost:				
At beginning of year	270,187	83,941	7,280	361,408
Additions in the year	-	7,750	-	7,750
Transfer to current assets	-	(7,812)	-	(7,812)
Transfer to parent company	-	-	(7,280)	(7,280)
At 31 December 1995	<u>270,187</u>	<u>83,879</u>	<u>-</u>	<u>354,066</u>
Provision:				
At beginning of year (see restated)	-	-	(1,549)	(1,549)
Charge for the year	-	-	(913)	(913)
Transfer to parent company	-	-	2,462	2,462
At 31 December 1995	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment:				
At 31 December 1995	<u>270,187</u>	<u>83,879</u>	<u>-</u>	<u>354,066</u>
At 31 December 1994	<u>270,187</u>	<u>83,941</u>	<u>5,731</u>	<u>359,859</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount at which it is stated in the financial statements.

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes (continued)

9 Fixed asset investments (continued)

Investment in subsidiary undertakings

The company directly holds 100% of the £1 ordinary share capital, which also represents 100% of the voting rights, of Theseus No. 1 Limited and Theseus No. 2 Limited. Theseus No. 1 Limited and Theseus No. 2 Limited are holding companies which operate in the United Kingdom and which are incorporated in Great Britain and registered in England and Wales.

The company also directly owns 100% of the £1 ordinary share capital, which also represents 100% of the voting rights, of TeleWest Trustees Limited, a dormant company incorporated in Great Britain and registered in England and Wales.

The company holds through its subsidiary undertakings the following principal subsidiary undertakings, and participating interests which operate in the United Kingdom. The principal activities of these entities, unless otherwise indicated, are the building and operation of cable television and telephony networks.

	Description of shares held	Proportion of the nominal value of shares held %
Companies:		
Telewest Communications Group Limited (Management Company)	£1 ordinary	100
Telewest Communications (South West) Limited	£1 ordinary	100
Telewest Communications (Cotswolds) Limited	£1 ordinary	80
	10p ordinary	80
Telewest Communications (London South) Limited	10p ordinary	99.75
Telewest Communications (North East) Limited	£1 ordinary	100
Telewest Communications (South East) Limited	£1 ordinary	100
Telewest Communications (Scotland) Limited	£1 ordinary	100
Telewest Communications (Glenrothes) Limited	£1 ordinary	100
Telewest Communications (Motherwell) Limited	£1 ordinary	100
Telewest Communications (Dundee and Perth) Limited	£1 ordinary	100
Cable Guide Limited (Publisher)	£1 ordinary	70
	£1 cumulative convertible preference	60
	Place of business	Percentage of ownership %
Partnerships:		
United Cable (London South) Limited Partnership	Croydon	100
Avon Cable Limited Partnership	Bristol	100

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes (continued)

9 Fixed asset investments (continued)

Investment in subsidiary undertakings(continued)

	Place of business	Percentage of ownership %
Partnerships:		
Cotswolds Cable Limited Partnership	Cheltenham	100
Edinburgh Cable Limited Partnership	Edinburgh	100
Estuaries Cable Limited Partnership	Basildon	100
London South Cable Partnership	Croydon	100
Telewest Communications (North East) Partnership	Newcastle	100
Telewest Communications (South East) Partnership	Basildon	100
Tyneside Cable Limited Partnership	Newcastle	100
Joint ventures:		
Avon Cable Joint Venture	Bristol	100
London South Joint Venture	Croydon	100
Telewest Communications (Scotland) Venture	Edinburgh	100
Telewest Communications (Cotswolds) Venture	Cheltenham	100

Own shares held

The company operated the TeleWest Restricted Share Scheme (the "RSS") in conjunction with an employment trust, the TeleWest Employees Share Ownership Plan Trust (the "TeleWest ESOP") which had been designed to provide incentives, based on the performance of the group, to employees of group companies. Under the rules of the RSS, ordinary shares are awarded to employees and will normally be available for release to the employees three years after the date of the award. In connection with the merger of the company with SBCC, the RSS was transferred to Telewest Communications plc (formerly TeleWest plc). Details of the scheme can be found in the consolidated financial statements of that undertaking.

Loans to subsidiary undertakings

Certain loans made to subsidiary undertakings have been transferred to current assets as they are deemed to be recoverable within one year.

10 Debtors: due within one year

	1995 £'000	1994 £'000
Amounts owed by subsidiary undertakings	393,610	54,058
Amounts owed by fellow subsidiary undertakings	12,054	-
Other debtors	424	151
Prepayments and accrued income	-	1,065
	<u>406,088</u>	<u>55,274</u>

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes (continued)

11 Debtors: due after more than one year

	1995 £'000	1994 £'000
Amounts owed by subsidiary undertakings	-	126,552

Following the merger of the company with SBCC, and the subsequent reorganisation of the group, amounts owed by subsidiary undertakings are receivable within one year.

12 Cash and deposits

	1995 £'000	1994 £'000
Cash at bank and in hand	6	2,746
Short-term investments	-	217,111
	<u>6</u>	<u>219,857</u>

13 Creditors: amounts falling due within one year

	1995 £'000	1994 £'000
Trade creditors	16	1,699
Accruals and deferred income	43	4,441
	<u>59</u>	<u>6,140</u>

14 Called up share capital

	Number of shares 1995	Number of shares 1994	1995 £'000	1994 £'000
Authorised:				
Ordinary shares at 10p each	1,232,558,500	1,293,835,000	123,256	129,384
Convertible preference shares of 10p each	265,276,500	204,000,000	26,528	20,400
As at 31 December	<u>1,497,835,000</u>	<u>1,497,835,000</u>	<u>149,784</u>	<u>149,784</u>

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes (continued)

14 Called up share capital (continued)

<i>Allotted, issued and fully paid:</i>	Number of shares 1995	Number of shares 1994	1995 £'000	1994 £'000
Ordinary shares of 10p each	735,968,440	848,244,940	73,597	84,824
Convertible preference shares of 10p each	265,276,500	153,000,000	26,527	15,300
As at 31 December	1,001,244,940	1,001,244,940	100,124	100,124

In September 1995, in connection with the merger of the company with SBCC, the company restructured its share capital by converting 112,276,500 ordinary shares of 10 pence each into 112,276,500 preference shares of 10 pence each.

On 9 May 1996, in connection with the internal reorganisation of the group for the purposes of bank financing, all issued convertible preference shares of 10 pence each were converted into fully paid ordinary shares of 10 pence each on the basis of one ordinary share for every convertible preference share. The company has no obligations with respect to the payment of fixed dividend to the holders of convertible preference shares.

15 Reconciliation of movements in equity shareholder's funds

	Called up share capital £000	Share premium £000	Acquisition reserve £000	Profit and loss account £000	Equity share- holder's funds £000
At 1 January 1994	-	-	-	-	-
Acquisition of the Former TeleWest Group	-	-	270,187	-	270,187
New share capital subscribed	100,124	384,272	-	-	484,396
Profit for the financial year	-	-	-	819	819
At 1 January 1995	100,124	384,272	270,187	819	755,402
Profit for the financial year	-	-	-	4,699	4,699
At 31 December 1995	100,124	384,272	270,187	5,518	760,101

Telewest Communications Cable Limited

(formerly TeleWest Communications plc)

Notes *(continued)*

16 **Ultimate parent company**

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