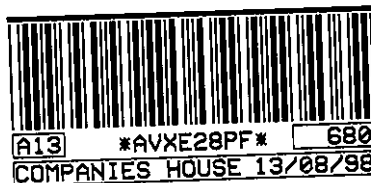


Telewest Communications (Southport) Limited

Directors' report and financial statements

31 December 1997

Registered number 3085912



Telewest Communications (Southport) Limited

Directors' report and financial statements

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Telewest Communications (Southport) Limited

Company information

Directors

S J Davidson
D Van Valkenburg (USA)
CJ Burdick (USA)

Secretary

V Hull

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

Freshfields
65 Fleet Street
London
EC4Y 1HS

Telewest Communications (Southport) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Review of the business and future developments

The company has been awarded the cable telecommunications franchise covering the Southport area. The development of the franchise commenced in the year.

Results and dividends

The loss for the year after taxation amounted to £503,102 (1996: £nil). The directors do not recommend the payment of a dividend. (1996: £nil).

Directors and directors' interests

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

S J Davidson	(resigned 24 April 1998)
L Rexroth	(USA) (resigned 30 June 1997)
D Van Valkenburg	(USA) (appointed 30 June 1997)
CJ Burdick	(USA) (appointed 3 March 1997)

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 1997, SJ Davidson, D Van Valkenburg and CJ Burdick were directors of Telewest Communications plc and their interest in the ordinary share capital of Telewest Communications plc at 31 December 1997 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 (Southport) 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



V Hull
Secretary

Genesis Business Park
Albert Drive
Woking
Surrey
GU21 5RW

30 April 1998

Report of the auditors, KPMG Audit Plc, to the members of Telewest Communications (Southport) Limited

We have audited the financial statements on pages 7 to 13.

Respective responsibilities of directors and auditors

As described on page 5 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 1997 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

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

30 April 1998

Telewest Communications (Southport) Limited

Profit and loss account

for the year ended 31 December 1997

	Note	1997 £	1996 £
Administrative expenses		(617,257)	-
Other operating income		114,155	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(503,102)	-
Tax on loss on ordinary activities	4	-	-
		<hr/>	<hr/>
Loss for the financial year		(503,102)	-
Retained loss brought forward		-	-
		<hr/>	<hr/>
Retained loss carried forward	10	(503,102)	-
		<hr/>	<hr/>

The company had no recognised gains or losses other than those reflected in its profit and loss account for both 1997 and 1996. All income and expenditure incurred by the company was in respect of continuing operations.

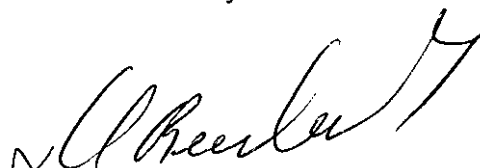
Telewest Communications (Southport) Limited

Balance sheet

at 31 December 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	5	6,482,610	-
Current assets			
Debtors	6	1	1
Creditors: amounts falling due within one year	7	(6,985,712)	-
Net current (liabilities)/ assets		(6,985,711)	1
Total assets less current liabilities		(503,101)	1
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	(503,102)	-
Equity shareholders' funds	10	(503,101)	1

These financial statements were approved by the board of directors on 30 April 1998 and were signed on its behalf by:


CJ Burdick
Director

Telewest Communications (Southport) 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.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

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 (Southport) Limited

Notes (continued)

2 Loss on ordinary activities before taxation

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

	1997 £	1996 £
Royalty income	(6,251)	-
Rental of network assets	(107,904)	-
Depreciation and other amounts written off owned tangible fixed assets	552,263	-
Management charge	64,994	-
	<hr/>	<hr/>

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

3 Directors' emoluments and staff costs

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

The company had no employees during the year (1996: *nil*) and accordingly there are no staff costs (1996: *£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 1997, the company had no tax losses (1996: *£nil*) available for offset against future profits.

Telewest Communications (Southport) Limited

Notes (continued)

5 Tangible fixed assets

	<i>Communications equipment and network construction £</i>
Cost:	
At 1 January 1997	-
Additions	7,034,873
	<hr/>
At 31 December 1997	7,034,873
	<hr/>
Accumulated depreciation:	
At 1 January 1997	-
Charge for year	552,263
	<hr/>
At 31 December 1997	552,263
	<hr/>
Net book value:	
At 31 December 1997	6,482,610
	<hr/> <hr/>
At 31 December 1996	-
	<hr/> <hr/>

6 Debtors

	1997 £	1996 £
Amounts owed by immediate parent company	1	1
Amounts owed by fellow subsidiary undertakings	-	-
	<hr/>	<hr/>
	1	1
	<hr/> <hr/>	<hr/> <hr/>

Telewest Communications (Southport) Limited

Notes (continued)

7 Creditors: amounts falling due within one year

	1997 £	1996 £
Amounts owed to immediate parent company	64,994	-
Amounts owed to fellow subsidiary undertakings	6,920,718	-
	<u>6,985,712</u>	<u>-</u>

8 Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	1997 £ Provided	1997 £ Unprovided	1996 £ Provided	1996 £ Unprovided
Difference between accumulated depreciation and amortisation and capital allowances	-	(155,962)	-	-
Trading losses surrendered from other group companies	-	-	-	-
	<u>-</u>	<u>(155,962)</u>	<u>-</u>	<u>-</u>

Due to the availability of trading losses in other group companies there is no deferred tax provision.

9 Share capital

	1997 £	1996 £
Authorised:		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
Ordinary shares of £1 each	1	1

Telewest Communications (Southport) Limited

Notes (continued)

10 Reconciliation of movements in equity shareholders' funds

	Share capital £	Profit and loss account £	Equity shareholders' funds £
At 1 January 1996	1	-	1
Profit for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 1 January 1997	1	-	1
Loss for the year	-	(503,102)	(503,102)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	1	(503,102)	(503,101)
	<hr/>	<hr/>	<hr/>

11 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.

12 Ultimate parent company

The ultimate parent company of Telewest Communications (Southport) 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 (Southport) 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.