

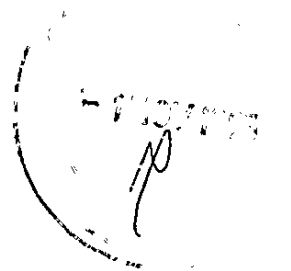
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# Clyde Cablevision

## Report and Accounts

31 December 1992

*Company Registered No 75177*



 **ERNST & YOUNG**

# Clyde Cablevision

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1992.

### ACTIVITIES AND RESULTS

The principal activity of the company is the provision and operation of a cable television service.

The loss after tax for the year is £2,223,000 and reflects operational losses offset by interest receivable and after charging exceptional items of £589,000.

The company undertook no further major construction during the year and trimmed its operations accordingly.

Throughout the year the directors sought funds with which to extend the company's cable network and meet its licence obligations. This search was carried out against a background of difficult but improving economic conditions and the directors are pleased to report that funding was achieved in September and October 1993 as detailed below.

### POST BALANCE SHEET EVENTS

As detailed in note 22 to the accounts, on 26 September 1993 a \$15.6m equity investment was made by a subsidiary company of Ocom Corporation, which is in the course of being merged with International CableTel Inc (CableTel). The above equity investment in CCV has enabled building construction to recommence in October 1993.

At the same time terms have been negotiated for the sale of the company to CableTel. Based on the market price of CableTel shares on 22 October 1993 and the rate of exchange on the same date, this values the company at some £48.3m.

### FIXED TANGIBLE ASSETS

The movements in fixed tangible assets are set out in note 10 to the accounts on page 11.

### DIRECTORS

The directors who served during the year were as follows:

Sir Ian K. MacGregor	(Chairman, resigned 8 October 1993)
C.A. Collins	
P.N. Euler	(resigned 26 September 1993)
K.D. Kelly	(resigned 26 September 1993)
D.A. Kent	(resigned 26 September 1993)
S.R. Knafel	(resigned 14 October 1993)
J.S.C. Morrish	
A.D. Stewart	(resigned 8 October 1993)
M.S. Willner	(resigned 26 September 1993)
R.D. Worboys	(resigned 26 September 1993)

In addition G S Blumenthal, J B Knapp, R J Lubasch, S N Williams, L H Blair and D Jain were appointed directors on 26 September 1993.

# Clyde Cablevision

## DIRECTORS' REPORT

### DIRECTORS (continued)

The directors held no shares in the company at the year end. Options to purchase shares in the company were granted to certain founding directors on 28 August 1985 ("Founding Scheme") and to other directors under the Clyde Cablevision 55 Share Option Scheme approved under Schedule 10 Finance Act 1984 ("Approved Scheme") as follows:

	<i>Subscription price</i>	<i>No of options</i>	<i>Date exercisable</i>
Founding Scheme:			
A.D. Stewart	£1	70,000	To August 1995
Approved Scheme:			
J.S.C. Morrish	£1	60,000	July 1989 - July 1996

CableTel has agreed, following its takeover of the company, to provide alternative arrangements which would be fair and equitable to the optionholders.

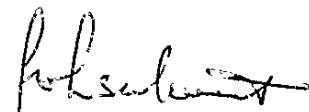
### DONATIONS

During the year the company made £50 of charitable donations.

### AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the Board



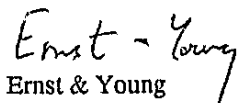
J.S.C. Morrish  
Secretary

29 October 1993

**REPORT OF THE AUDITORS**  
to the members of Clyde Cablevision

We have audited the accounts on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1992 and of the loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Chartered Accountants  
Registered Auditor  
Glasgow  
29 October 1993

# Clyde Cablevision

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1992

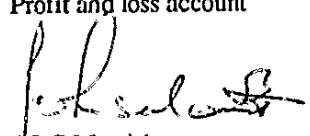
	Notes	1992 £'000	1991 £'000
<b>TURNOVER</b>	2	1,162	1,116
Cost of sales		<u>1,317</u>	<u>1,328</u>
<b>GROSS LOSS</b>		(155)	(212)
Distribution expenses		60	127
Administrative expenses		<u>935</u>	<u>1,091</u>
<b>TRADING LOSS</b>	3 - 5	(1,150)	(1,430)
Interest receivable	6	147	95
Interest payable	7	(631)	(766)
Exceptional items	8	<u>(589)</u>	<u>(664)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(2,223)	(2,765)
Tax credit	9	<u>-</u>	<u>216</u>
<b>LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION</b>		(2,223)	(2,549)
Balance brought forward		<u>(12,720)</u>	<u>(10,171)</u>
Balance carried forward		<u><u>(14,943)</u></u>	<u><u>(12,720)</u></u>

# Clyde Cablevision

## BALANCE SHEET

at 31 December 1992

	Notes	1992 £'000	1991 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	10,236	11,553
Investments	11	-	-
			<u>11,553</u>
<b>CURRENT ASSETS</b>			
Debtors and prepayments	12	61	424
Cash at bank and in hand	13	1,165	1,993
		<u>1,226</u>	<u>2,417</u>
<b>CREDITORS: amounts falling due within one year</b>	14	2,985	3,514
<b>NET CURRENT LIABILITIES</b>		<u>(1,759)</u>	<u>(1,097)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,477</u>	<u>10,456</u>
<b>CREDITORS: amounts falling due after one year</b>	15	5,386	5,089
<b>PROVISIONS: amounts falling due after one year</b>	16, 17	100	100
<b>DEFERRED INCOME</b>	18	585	638
		<u>2,406</u>	<u>4,629</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	19	9,937	9,937
Share premium account		7,412	7,412
Profit and loss account		(14,943)	(12,720)
		<u>2,406</u>	<u>4,629</u>

  
J/S C Morrish  
Director

29 October 1993

# Clyde Cablevision

## CASH FLOW STATEMENT

for the year ended 31 December 1992

	Notes	1992 £'000	1991 £'000
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	3b	<u>(1,254)</u>	<u>(1,537)</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		150	142
Interest paid		<u>(394)</u>	<u>(707)</u>
		<u>(244)</u>	<u>(559)</u>
<b>TAXATION</b>			
Consortium relief received		<u>-</u>	<u>216</u>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire tangible fixed assets		(39)	(485)
Refund of reduction in cost of fixed assets		-	1,875
Sale of tangible fixed assets		<u>18</u>	<u>46</u>
		<u>(21)</u>	<u>1,436</u>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>		<u>(1,519)</u>	<u>(444)</u>
<b>FINANCING</b>	20		
Issue of share capital		355	2,037
Loans received		1,149	360
Loans repaid		<u>(813)</u>	<u>(756)</u>
		<u>691</u>	<u>1,641</u>
<b>NET CASH (OUT)/INFLOW</b>	13	<u><u>(828)</u></u>	<u><u>1,197</u></u>

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

The financial statements have been prepared under the historic cost convention in accordance with applicable accounting standards, and in accordance with the Companies Act 1985.

The accounts have been prepared under the going concern concept on the basis that the security of the funding outlined in note 22 to these accounts will enable the company to continue its operation for the foreseeable future.

#### *Depreciation*

The cost of fixed tangible assets is written off on a straight line basis over their estimated useful economic lives commencing in the year following purchase. This takes account of the directors' estimate of the normal delay between the receipt, and full commissioning, of assets.

The depreciation rates are as follows:

Network	-	2%; 10%
Furniture and fittings	-	6.67%
Headend	-	10%
Motor vehicles	-	25%
Production	-	6.67%
Office equipment	-	10%

In addition, the depreciation rates on certain assets have been accelerated to reflect a revision of their useful lives.

#### *Regional development grants*

Regional development grants are credited to trading profit over the estimated useful economic lives of the assets to which they relate. The amounts shown in the balance sheet represent the total grants received to date less amounts amortised.

#### *Deferred tax*

Provision is made for deferred tax arising from timing differences between profit as computed for tax purposes and profit as stated in the accounts, except to the extent that the liability is unlikely to become payable in the future. Such provision has been reduced to nil by tax losses available for offset against future profits.

#### *Pension costs*

The company operates a defined benefit pension scheme covering all eligible employees. Payments made to the scheme are charged to the profit and loss account represent a proper charge to cover the accruing liabilities on a continuing basis. The pension scheme is subject to valuation, by an independent actuary, every three years.

#### *Operating lease*

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



# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 2. TURNOVER

Turnover represent billings to subscribers during the year together with production and advertising revenue, exclusive of value added tax.

### 3. TRADING LOSS

	1992	1991
	£'000	£'000
(a) Trading loss is stated after charging:		
Loss/(gain) on disposal of fixed tangible assets	24	(32)
Depreciation of fixed tangible assets	742	755
Government grant amortised	(53)	(54)
Equipment leasing and hire charges	12	13
Auditors' remuneration - Audit services	11	9
- Other services	2	-
	<u>          </u>	<u>          </u>

#### (b) Reconciliation of operating profit to net cash inflow from operating activities:

	£'000	£'000
Operating loss	(1,150)	(1,430)
Depreciation charges	742	755
Loss/(gain) on sale of tangible fixed assets	24	(32)
Government grants amortised	(53)	(54)
Decrease/(increase) in debtors	5	(59)
(Decrease)/increase in creditors	(805)	(602)
	<u>(1,237)</u>	<u>(1,422)</u>
Cash elements within exceptional items	(17)	(115)
Net cash outflow from operating activities	<u>(1,254)</u>	<u>(1,537)</u>

### 4. STAFF

	1992	1991
	No.	No.
Average number of employees by activity:		
Administration and finance	5	5
Civil engineering and operations	7	7
Technical	7	10
Production	2	4
Marketing and customer service	9	13
	<u>30</u>	<u>39</u>

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 4. STAFF (continued)

	1992	1991
	£'000	£'000
Employee costs:		
Wages and salaries	324	443
Social security costs	30	36
Pension costs	42	46
	<u>396</u>	<u>525</u>
Capitalised	-	125
Charge for the year	<u>396</u>	<u>400</u>

#### Pension scheme:

The company operates a funded pension scheme providing defined benefits. The assets of the scheme are held separately from those of the company, being invested in units of an exempt unit trust.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the Partly Projected Unit Method, with a control period, and making allowance for new entrants. A valuation was carried out on 6 April 1991. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries, which were 9.5% per annum and 8% per annum respectively. In calculating the discounted income value of assets, equity dividends were assumed to increase in the future at 4.5% per annum. At the valuation date, the market value of the Scheme's assets amounted to £179,000 and the actuarial value of assets was sufficient to cover 132% of the liabilities for in-service members as calculated on the funding method employed. The pension charge was 24.3% for 1 January to 31 August 1992 and 21.5% for 1 September to 31 December 1992.

### 5. DIRECTORS' EMOLUMENTS

	1992	1991
	£'000	£'000
Remuneration including pension fund contributions	<u>72</u>	<u>70</u>

The emoluments (excluding pension contributions) of directors fell within the following ranges:

	No.	No.
£Nil - £ 5,000	8	9
£ 5,001 - £10,000	-	-
£10,001 - £15,000	1	1
£30,001 - £35,000	-	-
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-

Remuneration of the chairman (excluding pension contributions) amounted to £12,000 (1991 - £12,000) and of the highest paid director £50,219 (1991 - £49,487).

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 6. INTEREST RECEIVABLE

	1992	1991
	£'000	£'000
Income from short term deposits	147	95

### 7. INTEREST PAYABLE

	1992	1991
	£'000	£'000
Interest on bank loans, overdrafts and other loans repayable within five years	372	440
Interest on rescheduled debt	18	169
Interest on parent undertaking loan	241	157
	631	766

### 8. EXCEPTIONAL ITEMS

	1992	1991
	£'000	£'000
Accelerated depreciation	(572)	(241)
Redundancy and other costs	(17)	(37)
Provision against called up share capital	-	(308)
Arrangement fees	-	(55)
Franchise application costs	-	(23)
	(589)	(664)

### 9. TAX CREDIT

	1992	1991
	£'000	£'000
Consortium relief payment received	-	216

The company's policy is to account for consortium relief on a cash received basis.

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 10. FIXED TANGIBLE ASSETS

	Network £'000	Headend £'000	Production £'000	Office equipment, fixtures and fittings and motor vehicles £'000	Total £'000
At cost					
At 1 January 1992	14,342	453	429	838	16,062
Additions	39	-	-	-	39
Disposals	(25)	-	(79)	-	(104)
At 31 December 1992	14,356	453	350	838	15,997
Depreciation					
At 1 January 1992	3,537	318	229	425	4,509
Charge for year	641	55	18	28	742
Accelerated depreciation	241	-	63	268	572
Disposals	(11)	-	(51)	-	(62)
At 31 December 1992	4,408	373	259	721	5,761
Net book value					
At 31 December 1992	9,948	80	91	117	10,236
At 1 January 1992	10,805	135	200	413	11,553

### 11. INVESTMENTS

The company has an investment in shares acquired at the cost of £1, representing some 25% of the voting rights of Clyde Cablevision Holdings Limited a company registered in Scotland, which in turn holds 20.5% of the voting rights in the company. Clyde Cablevision Holdings Limited is not regarded as an associated company under SSAP1 as the company does not consider itself to be able to exercise significant influence due to other more dominant shareholders. The particulars of the classes of shares held are stated below:

Number of shares and class held	Percentage of class held	Percentage of equity/ voting rights held
1,500,000 ordinary shares of 2.5p each	14%	4.37%
7,227,812 'D' ordinary shares of 0.5p each	36%	21.8%
		25.45%

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 11. INVESTMENTS (continued)

The results and share capital and reserves of Clyde Cablevision Holdings Limited were:

	1992	1991
	£	£
Loss in the year	-	(308,293)
Share capital and reserves	3,092,966	3,092,966

### 12. DEBTORS

	1992	1991
	£'000	£'000
Trade debtors	11	4
Other debtors	11	16
Call on share capital less provision	-	355
Prepayments and accrued income	39	49
	61	424

### 13. CASH AT BANK AND IN HAND

Analysis of changes in cash during the year:

	1992	1991
	£'000	£'000
At 1 January	1,993	796
Net cash (out)/inflow	(828)	1,197
At 31 December	1,165	1,993

Included in cash and bank is an amount of £1,126,156 (1991 - £1,735,939) in respect of money which is held in escrow in an interest bearing deposit account in the company's name with The Royal Bank of Scotland plc.

### 14. CREDITORS: amounts falling due within one year

	1992	1991
	£'000	£'000
Trade creditors	1,032	1,910
Due to parent company	639	292
Accruals	155	205
Other creditors including tax and social security	138	125
Short term loans	170	180
Loan from European Investment Bank	851	802
	2,985	3,514

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 15. CREDITORS: amounts falling due after more than one year

	1992	1991
	£'000	£'000
Loan from parent undertaking	2,509	1,360
Loan from European Investment Bank	2,877	3,729
	<u>5,386</u>	<u>5,089</u>

The loan from the parent undertaking is subordinated and unsecured. The parent undertaking has confirmed that it has no intention of demanding payment before 31 December 1993.

The EIB loan is repayable in half yearly instalments over seven years commencing in April 1990 and bears interest as a fixed rate of 6% pa. Under an agreement with the Industry Department of Scotland exchange rate fluctuation is covered for an additional fixed fee of 1% per annum. The total amount of £3,728,000 outstanding at the balance sheet date is repayable within 5 years (1991 - £4,530,000 repayable within five years).

This loan is guaranteed by The Royal Bank of Scotland plc and is secured by:

- a floating charge over the company's assets;
- third party indemnities;
- sums held in an escrow account as referred to in note 13 above; and
- the assignation of insurance policies over the company's assets.

### 16. PROVISIONS

As required by the Telecommunications Act 1984 the company has provided £100,000 in respect of any potential restoration costs which may arise in the future.

### 17. DEFERRED TAXATION

Deferred taxation is provided in the accounts at 33% as follows:

	1992	1991
	£'000	£'000
Capital allowances in advance of depreciation	2,825	3,415
Other timing differences	(126)	(51)
	<u>2,699</u>	<u>3,364</u>
Less: Offset against corporation tax losses	(2,699)	(3,364)
Provision required at 31 December	<u>-</u>	<u>-</u>

Cumulative corporation tax losses available to the company, net of consortium relief payments received, amount to £19,177,000 (1991 - £17,936,000) of which £1,179,000 (1991 - £10,194,000) has been dealt with in the above deferred tax calculation.

### 18. DEFERRED INCOME

This represents the value of Regional Development Grants which remains unamortised at the balance sheet date.

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 19. SHARE CAPITAL

	1992 £'000	Authorised 1991 £'000
Ordinary shares of £1 each	1,500	7,500
"B" Ordinary shares of £1 each	92,500	92,500
	<u>100,000</u>	<u>100,000</u>

	Allotted and issued			
	1992		1991	
	No.	£'000	No.	£'000
Ordinary shares of £1 each				
- fully paid	6,736,853	6,737	6,736,853	6,737
"B" Ordinary shares of £1 each				
- fully paid	2,200,000	2,200	2,200,000	2,200
- partly paid	5,000,000	1,000	5,000,000	1,000
	<u>13,936,853</u>	<u>9,937</u>	<u>13,936,853</u>	<u>9,937</u>

There are 308,293 ordinary shares of £1 each which remain unpaid and have been fully provided against.

As stated in note 22, a further 9,353,414 'B' ordinary shares of £1 each were issued on 26 September 1993.

The company has 2 share option schemes under which options have been granted to certain directors and employees. Options have been granted over 82,500 ordinary shares at £1 each exercisable before 1 August 1995, and over 64,000 ordinary shares at £1 each, exercisable between 1 July 1989 and 1 July 1996.

### 20. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1992		1991	
	Share capital £	Loans £	Share capital £	Loans £
Financing at 1 January	9,937	6,071	7,237	6,467
Cash inflow/(outflow) from financing	355	336	2,037	(396)
Share capital issued, unpaid at 31 December 1991				
- subsequently paid	(355)	-	355	-
- fully provided for	-	-	308	-
	<u>9,937</u>	<u>6,407</u>	<u>9,937</u>	<u>6,071</u>

# Clyde Cablevision

## NOTES TO THE ACCOUNTS

at 31 December 1992

### 21. COMMITMENTS

	1992	1991
	£'000	£'000
<i>Capital Commitments:</i>		
Contracted but not provided	8,000	8,000

Information relating to 1991 capital commitments was reviewed and updated during the year resulting in the restatement of the 1991 amount.

#### (b) Operating lease commitments:

Operating lease commitments, excluding property rental commitments, for the year ending 31 December 1992 are:

	1992		1991	
	<i>Motor vehicles</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Office equipment</i>
	£'000	£'000	£'000	£'000
Leases expiring:				
within one year	21	3	14	-
within two to five years	11	9	21	11
	<u>32</u>	<u>12</u>	<u>35</u>	<u>11</u>

### 22. POST BALANCE SHEET EVENTS

On 26 September 1993, a subsidiary of Ocom Corporation subscribed for 9,353,414 'B' ordinary shares of £1 each, carrying 51% of the voting rights of the company, at a subscription price of \$15.6m (£10.3m).

Subsequently, International CableTel Inc (CableTel), which has merged with Ocom Corporation and which is quoted on the NASDAQ National Market System of the New York Stock Exchange, concluded agreements with both Insight Communications UK LP and Clyde Cablevision Holdings Limited, the two shareholders of the company, for the acquisition of the entire share capital of the company, other than that acquired by the subsidiary of Ocom Corporation.

Based on the market price of CableTel shares on 22 October, 1993 and the exchange rate on that date, these agreements valued the company (prior to the investment by the subsidiary of Ocom Corporation) at some £48.3m.

### 23. ULTIMATE PARENT UNDERTAKING

The directors report that Insight Communications Company UK LP (registered in Delaware, USA) was the company's ultimate parent undertaking at 31 December 1992.

### 24. DATE OF APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 29 October 1993.