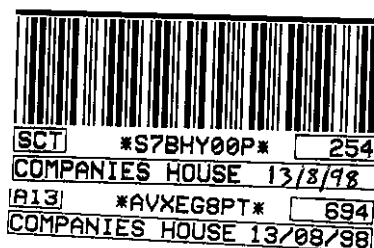


# **Telewest Communications (Falkirk) Limited**

## **Directors' report and financial statements**

31 December 1997

Registration number SC122481



# Telewest Communications (Falkirk) Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Company information	1
Directors' report	2 - 3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes	7 - 11

# Telewest Communications (Falkirk) Limited

## Company information

### Directors

SJ Davidson  
D Van Valkenburg (USA)  
CJ Burdick (USA)

### Secretary

V Hull

### Registered office

1 South Gyle Crescent Lane  
Edinburgh  
EH12 9EG

### Auditors

KPMG Audit Plc  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### Solicitors

Bell and Scott  
16 Hill Street  
Edinburgh  
EH2 3LD

Clifford Chance  
200 Aldersgate Street  
London  
EC1A 4JJ

Freshfields  
65 Fleet Street  
London  
EC4Y 1HS

# Telewest Communications (Falkirk) 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

The company has been awarded a cable television franchise for the Falkirk area. The principal activity of the company during the year was the construction and operation of the related cable television and telephone network. The company also holds a telecommunications operator's licence authorising the running of a telecommunications system in the area.

### Results and dividends

The company's loss for the year was £3,733,924 (1996: £Nil ) which has been taken from reserves. The directors do not recommend payment of a dividend. The accumulated deficit at 31 December 1997 was £3,735,424 (1996 :£1,500).

### Directors and their interests

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

SJ Davidson	(resigned 24 April 1998)
LC 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 disclosable interest in the shares of the company or fellow 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.

During the financial period, no rights to subscribe shares in the company or fellow subsidiary undertakings were granted to or exercised by any director who held office at the end of the financial period or by any member of his immediate family.

# Telewest Communications (Falkirk) Limited

## Directors' report *(continued)*

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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**  
*Company secretary*

1 South Gyle Crescent Lane  
Edinburgh  
EH12 9EG

30 April 1998

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

We have audited the financial statements on pages 5 to 11.

## **Respective responsibilities of directors and auditors**

As described on page 3 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*

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

30 April 1998

# Telewest Communications (Falkirk) Limited

## Profit and loss account

for the year ended 31 December 1997

	Note	1997 £	1996 £
<b>Turnover</b>		<b>3,200,034</b>	-
Cost of sales		(1,247,118)	-
		<hr/>	<hr/>
<b>Gross profit</b>		<b>1,952,916</b>	-
Administrative expenses		(5,689,995)	-
		<hr/>	<hr/>
<b>Operating loss</b>	2	<b>(3,737,079)</b>	-
Other interest receivable and similar income		3,155	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>	9	<b>(3,733,924)</b>	-
Retained loss brought forward		(1,500)	(1,500)
		<hr/>	<hr/>
<b>Retained loss carried forward</b>		<b>(3,735,424)</b>	<b>(1,500)</b>
		<hr/>	<hr/>

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


# Telewest Communications (Falkirk) Limited

## Balance sheet

at 31 December 1997

	Note	£	1997 £	£	1996 £
<b>Fixed assets</b>					
Tangible assets	5		16,577,759		128,861
<b>Current assets</b>					
Debtors	6	809,446		-	
Cash at bank and in hand		49,115		-	
		<u>858,561</u>		<u>-</u>	
<b>Creditors: amounts falling due within one year</b>	7	<u>(21,047,233)</u>		<u>(5,850)</u>	
<b>Net current liabilities</b>			<u>(20,188,672)</u>		<u>(5,850)</u>
<b>Net (liabilities)/assets</b>			<u>(3,610,913)</u>		<u>123,011</u>
<b>Capital and reserves</b>					
Called up share capital	8		124,511		124,511
Profit and loss account			<u>(3,735,424)</u>		<u>(1,500)</u>
<b>Equity shareholders' (deficit)/funds</b>	9		<u>(3,610,913)</u>		<u>123,011</u>

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 (Falkirk) 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.

#### ***Turnover***

Turnover represents amounts invoiced and accrued (excluding Value Added Tax) for the services provided by the cable television and telephony system. All turnover was earned in the United Kingdom.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the end of the month in which the transaction arose. 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.

#### ***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 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 financial statements of Telewest Communications plc, in which the company is included, are publicly available.

#### ***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 and its cash flows are included within the consolidated cash flow statement of that company.

#### ***Fixed assets and depreciation***

Depreciation is provided on all tangible fixed assets at annual rates estimated to write off their cost over the term of their useful economic life as follows:

Cable and ducting	-	20 years
Electrical equipment	-	5 - 10 years
Other equipment	-	4 - 5 years

# Telewest Communications (Falkirk) Limited

## Notes (continued)

### 2 Operating loss

*Operating loss is stated after charging:*

	1997 £	1996 £
Auditors' remuneration		
- audit fees	1,049	-
- other	219	-
Depreciation and other amounts written off tangible fixed assets	566,629	-
	<hr/>	<hr/>

### 3 Staff numbers and costs

The employment contracts of all employees are held by a fellow subsidiary undertaking. The company reimburses the fellow subsidiary undertaking for the cost of services of these employees.

The average number of persons made available to the company during the year, analysed by category, was as follows:

	Number of Employees	
	1997	1996
Sales and customer services	43	-
Construction and operations	74	-
Administration	4	-
	<hr/>	<hr/>
	121	-
	<hr/>	<hr/>

The aggregate payroll costs of these persons, including amounts capitalised in tangible assets, were as follows:

	1997 £	1996 £
Wages and salaries	2,803,111	-
Social security costs	290,229	-
Other pension costs	174,137	-
	<hr/>	<hr/>
	3,267,477	-
	<hr/>	<hr/>

# Telewest Communications (Falkirk) Limited

## Notes (continued)

### 4 Remuneration of directors

No director received any remuneration for services performed on behalf of the company during the year (1996: £nil).

### 5 Tangible fixed assets

	Cable and ducting £	Electronic equipment £	Other equipment £	Total £
<b>Cost</b>				
At beginning of year	0	0	128,861	128,861
Additions	15,757,510	1,078,874	179,143	17,015,527
Disposals	0	0	0	0
<b>At end of year</b>	<b>15,757,510</b>	<b>1,078,874</b>	<b>308,004</b>	<b>17,144,388</b>
<b>Accumulated depreciation</b>				
At beginning of year	0	0	0	0
Charge for the year	393,149	112,562	60,918	566,629
Disposals	0	0	0	0
<b>At end of year</b>	<b>393,149</b>	<b>112,562</b>	<b>60,918</b>	<b>566,629</b>
<b>Net book value:</b>				
<b>At 31 December 1997</b>	<b>15,364,361</b>	<b>966,312</b>	<b>247,086</b>	<b>16,577,759</b>
At 31 December 1996	0	0	128,861	128,861

### 6 Debtors

	1997 £	1996 £
Trade debtors	244,577	-
Other debtors and prepayments	564,869	-
	<b>809,446</b>	<b>-</b>

# Telewest Communications (Falkirk) Limited

## Notes (continued)

### 7 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	194,394	-
Amount due to fellow subsidiary undertakings	19,529,173	5,850
Other creditors and accruals	1,323,666	-
	<u>21,047,233</u>	<u>5,850</u>

### 8 Called up share capital

	1997 £	1996 £
<b>Authorised</b>		
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>124,511</u>	<u>124,511</u>

### 9 Reconciliation of movements in equity shareholders'(deficit)/ funds

	1997 £	1996 £
Shareholders' funds at 1 January	123,011	123,011
Loss for the financial year	(3,733,924)	-
Equity shareholders' (deficit) / funds at 31 December	<u>(3,610,913)</u>	<u>123,011</u>

### 10 Commitments

#### Capital commitments

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

	1997 £
Authorised but not contracted	<u>18,097,000</u>

# Telewest Communications (Falkirk) Limited

## Notes *(continued)*

### 11 **Ultimate parent company**

The ultimate parent company of Telewest Communications (Falkirk) 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 including Telewest Communications (Falkirk) 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.