

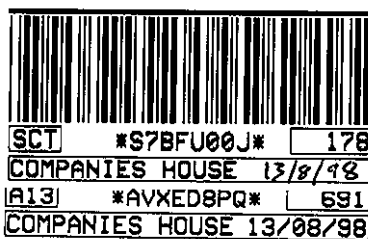
Telewest Communications (Scotland) Limited

Directors' report and financial statements

31 December 1997

Registered number SC80891

13



Telewest Communications (Scotland) Limited

Directors' report and financial statements

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Telewest Communications (Scotland) Limited

Company information

Directors

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

Company 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 (Scotland) Limited

Directors' report

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

Principal activities and business review

The principal activity of the company is, and will continue to be, to invest in and manage, in conjunction with another partner, Telewest Communications (Scotland) Venture, (formerly United Artists Communications (Scotland) Venture). The company holds the licence issued by the Independent Broadcasting Commission to provide cable television services in the City of Edinburgh. Additionally, it holds a public telecommunications operator's licence granted under the Telecommunications Act 1984 authorising the running of a telecommunications system in Edinburgh.

Results and dividends

The result for the year ended 31 December 1997 and the financial position of the company are shown in the annexed financial statements. The directors do not recommend the payment of a dividend in respect of the year.

Directors and directors' 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 had 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.

Telewest Communications (Scotland) Limited

Directors' report (*continued*)

Directors and directors' interests (*continued*)

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

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

1 South Gyle Crescent Lane
Edinburgh
EH12 9EG

30 April 1998

Report of the auditors to the members of Telewest Communications (Scotland) Limited

We have audited the financial statements on pages 5 to 12.

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 (Scotland) Limited

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Share of loss of joint venture	5	(200,314)	(144,227)
Loss for the financial year		(200,314)	(144,227)
Retained loss brought forward		(834,023)	(689,796)
Retained loss carried forward		(1,034,337)	(834,023)

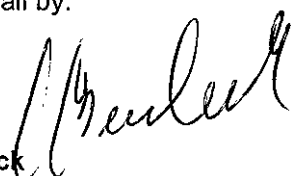
The company had no recognised gains or losses other than those reflected in the profit and loss account.
All expenditure incurred by the company was in connection with continuing operations.

Telewest Communications (Scotland) Limited

Balance sheet at 31 December 1997

	Note	1997 £	1996 £
Fixed assets			
Investments	5	195,258	395,572
Creditors: amounts falling due within one year	6	(749,595)	(749,595)
Net current liabilities		(749,595)	(749,595)
Net liabilities		(554,337)	(354,023)
Capital and reserves			
Called up share capital	7	480,000	480,000
Profit and loss account		(1,034,337)	(834,023)
Equity shareholders' deficit	8	(554,337)	(354,023)

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 (Scotland) 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.

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.

Joint venture

During the year the company incurred expenses on behalf of Telewest Communications (Scotland) Venture ("the joint venture"). These expenses were treated as prepayments in respect of the joint venture and do not fall to be accounted for in the profit and loss account of the company. The company has also collected, on behalf of the joint venture, revenue less VAT invoiced for the services provided by the cable and telephony system. This revenue has been allocated to the joint venture in accordance with the joint venture agreement.

Leases

Finance and operating leases for equipment which have been entered into by the company for use by the joint venture are subject to direct reimbursement from the joint venture.

Pension costs

The company does not have a pension scheme but contributes to the scheme of the employee's choice.

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.

Telewest Communications (Scotland) Limited

Notes (continued)

2 Auditors' remuneration

The auditors' remuneration has been borne by the joint venture.

3 Remuneration of directors

	1997 £	1996 £
Directors' emoluments:		
As directors	-	7,915
Remuneration as executives of the joint venture:		
Salaries and taxable benefits	-	38,223
Pension scheme contributions	-	2,674
	-	48,812

The emoluments, excluding pension contributions, of the chairman up to his point of resignation were £Nil (1996: £4,035) and those of the highest paid director up to his point of resignation were £Nil (1996: £40,897).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	1997	1996
£0 - £5,000	-	3
£35,001 - £40,000	-	1

The directors' remuneration was borne by the joint venture.

Telewest Communications (Scotland) Limited

Notes (continued)

4 Staff numbers and costs

The employment contracts of all staff employed are with a fellow subsidiary undertaking. The joint venture reimburses the fellow subsidiary undertaking for the cost of services of these employees.

The joint venture had no employees during the year (1996 : nil).

5 Investments

	Shares in group undertakings £	Investment in joint venture £	Total £
Investments			
At 1 January and 31 December 1997	239,909	764,760	1,004,669
Share of loss of joint venture			
At 1 January 1997	-	(369,405)	(369,405)
Loss for the year	-	(200,314)	(200,314)
At 31 December 1997	-	(569,719)	(569,719)
Provisions			
At 31 December 1997 and 1996	(239,692)	-	(239,692)
Net book value			
At 31 December 1997	217	195,041	195,258
At 31 December 1996	217	395,355	395,572

Shares in group undertakings

At 31 December 1997 the company owned 100% of the ordinary shares of the following dormant subsidiaries which were incorporated in Great Britain and registered in Scotland:

Capital City Cablevision Limited
Edinburgh Cablevision Limited
Hieronymous Limited

Telewest Communications (Scotland) Limited

Notes (continued)

5 Investments (continued)

The investments in these subsidiaries have been written down to the net book value of the underlying assets, thereby writing off all goodwill. At 31 December 1997 the net assets were represented by cash at bank.

Investment in joint venture

Under an agreement with effect from 1 January 1992, Edinburgh Cable Limited Partnership and the company have agreed to participate in the Telewest Communications (Scotland) Venture, a joint venture relating to the construction, installation and operation of a cable television and telecommunications system in the Edinburgh franchise area. The address of the joint venture's principal place of business is 1 South Gyle Crescent Lane, Edinburgh, EH12 9EX.

Assets purchased or acquired by the company for the business of constructing, installing or operating the system are held on trust for or otherwise for the benefit of the joint venture. These assets are reflected in the financial statements of the joint venture. Profit and losses of the joint venture are allocated 99% to Edinburgh Cable Limited Partnership and 1% to the company.

6 Creditors: amounts falling due within one year

	1997	1996
	£	£
Amounts owed to fellow subsidiary undertakings	749,595	749,595

7 Called up share capital

	1997	1996
	£	£
Authorised		
Ordinary shares of £1 each	20,000,000	20,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	480,000	480,000

Telewest Communications (Scotland) Limited

Notes (continued)

8 Reconciliation of movements in equity shareholders' deficit

	1997 £	1996 £
Shareholders' deficit at 1 January	(354,023)	(209,796)
Loss for the financial year	(200,314)	(144,227)
Shareholders' deficit at 31 December	<u>(554,337)</u>	<u>(354,023)</u>

9 Commitments

Capital commitments

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

	1997 £
Authorised but not contracted	<u>6,120,000</u>

Lease commitments

The company has entered into non-cancellable operating leases for equipment for the business of the joint venture, the payments for which extend for a period over five years. The lease agreements provide that the lessees shall pay all insurance, maintenance and repairs and such liabilities are incurred and settled within the business of the joint venture.

At 31 December 1997, annual commitments under non-cancellable operating leases are as follows:

	Land and buildings £	Others £
Operating leases which expire:		
In two to five years inclusive	-	17,689
Over five years	276,995	-
	<u>276,995</u>	<u>17,689</u>

Telewest Communications (Scotland) Limited

Notes (continued)

Lease commitments (continued)

The company has entered into obligations under finance leases for the business of the joint venture, the maturity of which are as follows:

	1997 £	1996 £
Within one year	793,705	401,859
In the second to fifth years inclusive	3,741,956	3,286,970
Over five years	4,636,900	2,453,711
	9,172,561	6,142,540

The finance lease charges have been borne by the joint venture.

10 Ultimate parent company

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