

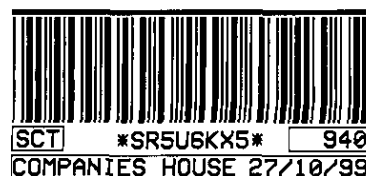
# **Telewest Communications (Scotland) Limited**

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

**31 December 1998**

Registered number SC80891

2



# Telewest Communications (Scotland) Limited

## Directors' report and financial statements

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# Telewest Communications (Scotland) Limited

## Company information

### **Directors**

CJ Burdick (USA)  
AK Illsley  
V Hull

### **Company secretary**

JM Laver

### **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 1998.

### 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 1998 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)      |
| D Van Valkenburg | (USA, resigned 16 March 1999) |
| CJ Burdick       | (USA)                         |
| AK Illsley       | (appointed 29 September 1998) |
| V Hull           | (appointed 29 September 1998) |

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 1998, D Van Valkenburg, AK Illsley, V Hull and CJ Burdick were directors of Telewest Communications plc and their interest in the ordinary share capital of Telewest Communications plc at 31 December 1998 and the beginning of year or date of appointment are disclosed in the directors' report attached to the financial statements of that company.

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.

# Telewest Communications (Scotland) Limited

## Directors' report *(continued)*

### **Year 2000 Compliance**

In November 1997, the group of which the Company is a part established a steering committee, supported by dedicated project teams, to establish and monitor procedures required to achieve Year 2000 compliance in the group's franchises. The project team is responsible for managing programs that review products, systems and services used in the group's business to determine Year 2000 compliance. It relies on in-house testing and confirmation from relevant suppliers and manufacturers.

The project teams work with suppliers and manufacturers to modify or upgrade products, systems and services that are non-compliant. In the event that modifications cannot be made or upgrades are not available, the group intends to actively seek and secure alternative suppliers or develop contingency arrangements. The project teams are also working with those parties with whom the group's networks interconnect and from whom the group otherwise receives services (eg programme suppliers) to determine Year 2000 compliance. The group cannot provide assurance that these parties will achieve Year 2000 compliance or that, even if achieved, there will be no disruptions in interconnection or other supply arrangements in the Year 2000.

The project objective is to ensure complete compliance in advance of the Year 2000. The group believes that its relatively modern systems and systems upgrades planned for 1999 that incorporate external package solutions that are Year 2000 compliant, should help it achieve this objective. The estimated aggregate cost of achieving Year 2000 compliance will be approximately £4.0 million, of which the group had spent approximately £2.5 million up to 31 December 1998. Although the group believes that it will achieve Year 2000 compliance in advance of 1 January 2000, the group cannot provide assurance that it will do so.

# Telewest Communications (Scotland) Limited

## 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

JM Laver  
Secretary



1 South Gyle Crescent Lane  
Edinburgh  
EH12 9EG

31 August 1999

# Telewest Communications (Scotland) Limited

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

We have audited the financial statements on pages 6 to 13.

### 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 1998 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

31 August 1999

# Telewest Communications (Scotland) Limited

## Profit and loss account

for the year ended 31 December 1998

|                                      | <i>Note</i> | <b>1998<br/>£'000</b> | <b>1997<br/>£'000</b> |
|--------------------------------------|-------------|-----------------------|-----------------------|
| Share of loss of joint venture       | 5           | (221)                 | (200)                 |
| <b>Loss for the financial year</b>   |             | <u>(221)</u>          | <u>(200)</u>          |
| Retained loss brought forward        |             | (1,034)               | (834)                 |
| <b>Retained loss carried forward</b> |             | <u><u>(1,255)</u></u> | <u><u>(1,034)</u></u> |

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 1998

|                                                       | Note | 1998<br>£'000 | 1997<br>£'000 |
|-------------------------------------------------------|------|---------------|---------------|
| <b>Fixed assets</b>                                   |      |               |               |
| Investments                                           | 5    | -             | 195           |
| <b>Creditors: amounts falling due within one year</b> | 6    | (749)         | (749)         |
| <b>Net current liabilities</b>                        |      | (749)         | (749)         |
| <b>Provision for liabilities and charges</b>          | 7    | (26)          | -             |
| <b>Net liabilities</b>                                |      | (775)         | (554)         |
| <b>Capital and reserves</b>                           |      |               |               |
| Called up share capital                               | 8    | 480           | 480           |
| Profit and loss account                               |      | (1,255)       | (1,034)       |
| <b>Equity shareholders' deficit</b>                   | 9    | (775)         | (554)         |

These financial statements were approved by the board of directors on 31 August 1999 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. The financial statements have been prepared on the basis that the Company will continue as a going concern and do not include any adjustment that might result from the outcome of uncertainties relating to a change of shareholder control of the ultimate parent company, Telewest Communications plc, ("Telewest").

As discussed in the Annual report of Telewest for the year ended 31 Decemeber 1998, a change of control followed by a specified ratings decline within a certain period of time could require Telewest to offer to repurchase certain of its Notes and Debentures. In the event that such an obligation arises, Telewest would need to seek waivers or would need to arrange appropriate financing. Whilst this potentially creates uncertainty for Telewest, the directors of the Company are of the opinion that the situation will be managed successfully at the parent company level and that these events are sufficiently remote not to impact on the ability of the Company to trade as a going concern.

#### ***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.

The company's share of the joint venture's operating results for the year has been included in the profit and loss account. Where the cumulative losses of the joint venture exceed the finance introduced into the joint venture, the excess is shown as a provision under "Provision for liabilities and charges".

#### ***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.

# Telewest Communications (Scotland) Limited

## Notes *(continued)*

### 1 **Accounting policies *(continued)***

#### ***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.

### 2 **Auditors' remuneration**

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

### 3 **Remuneration of directors**

No director received any remuneration in respect of services provided to the company during the year (1997: £nil).

### 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 (1997 : nil).

# Telewest Communications (Scotland) Limited

## 5 Investments

|                                              | Shares in<br>group<br>undertakings<br>£'000 | Investment<br>in joint<br>venture<br>£'000 | Total<br>£'000 |
|----------------------------------------------|---------------------------------------------|--------------------------------------------|----------------|
| <b><i>Investments</i></b>                    |                                             |                                            |                |
| At 1 January and 31 December 1998            | 240                                         | 765                                        | 1,005          |
|                                              | <hr/>                                       | <hr/>                                      | <hr/>          |
| <b><i>Share of loss of joint venture</i></b> |                                             |                                            |                |
| At 1 January 1998                            | -                                           | (570)                                      | (570)          |
| Loss for the year*                           | -                                           | (195)                                      | (195)          |
|                                              | <hr/>                                       | <hr/>                                      | <hr/>          |
| At 31 December 1998                          | -                                           | (765)                                      | (765)          |
|                                              | <hr/>                                       | <hr/>                                      | <hr/>          |
| <b><i>Provisions</i></b>                     |                                             |                                            |                |
| At 31 December 1998 and 1997                 | (240)                                       | -                                          | (240)          |
|                                              | <hr/>                                       | <hr/>                                      | <hr/>          |
| <b><i>Net book value</i></b>                 |                                             |                                            |                |
| At 31 December 1998                          | -                                           | -                                          | -              |
|                                              | <hr/>                                       | <hr/>                                      | <hr/>          |
| At 31 December 1997                          | -                                           | 195                                        | 195            |
|                                              | <hr/>                                       | <hr/>                                      | <hr/>          |

\*loss for the year taken up to value of investment. Excess remaining of £26,000 is shown as a "Provision for Liabilities and charges"

# Telewest Communications (Scotland) Limited

## Notes (continued)

### 5 Investments (continued)

#### *Shares in group undertakings*

At 31 December 1998 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

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 1998 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

|                                                | 1998<br>£'000 | 1997<br>£'000 |
|------------------------------------------------|---------------|---------------|
| Amounts owed to fellow subsidiary undertakings | 749           | 749           |

### 7 Provision for liabilities and charges

|                                  | 1998<br>£'000 | 1997<br>£'000 |
|----------------------------------|---------------|---------------|
| Provision for joint venture loss | 26            | -             |

# Telewest Communications (Scotland) Limited

## Notes (continued)

### 8 Called up share capital

|                                           | 1998<br>£'000 | 1997<br>£'000 |
|-------------------------------------------|---------------|---------------|
| <b>Authorised</b>                         |               |               |
| Ordinary shares of £1 each                | 20,000        | 20,000        |
|                                           | <hr/>         | <hr/>         |
| <b>Allotted, called up and fully paid</b> |               |               |
| Ordinary shares of £1 each                | 480           | 480           |
|                                           | <hr/>         | <hr/>         |

### 9 Reconciliation of movements in equity shareholders' deficit

|                                      | 1998<br>£'000 | 1997<br>£'000 |
|--------------------------------------|---------------|---------------|
| Shareholders' deficit at 1 January   | (554)         | (354)         |
| Loss for the financial year          | (221)         | (200)         |
|                                      | <hr/>         | <hr/>         |
| Shareholders' deficit at 31 December | (775)         | (554)         |
|                                      | <hr/>         | <hr/>         |

### 10 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:

|                               | 1998<br>£'000 |
|-------------------------------|---------------|
| Authorised but not contracted | 8,659         |
|                               | <hr/>         |

# Telewest Communications (Scotland) Limited

## Notes (continued)

### 10 Commitments (continued)

#### 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 1998, annual commitments under non-cancellable operating leases are as follows:

|                                | Land and<br>buildings<br>£'000 | Others<br>£'000 |
|--------------------------------|--------------------------------|-----------------|
| Operating leases which expire: |                                |                 |
| In less than one year          | -                              | 3               |
| In two to five years inclusive | 126                            | 5               |
| Over five years                | 277                            | 1               |
|                                | <hr/> 403                      | <hr/> 9         |
|                                | <hr/> <hr/>                    | <hr/> <hr/>     |

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

|                                        | 1998<br>£'000 | 1997<br>£'000 |
|----------------------------------------|---------------|---------------|
| Within one year                        | 567           | 794           |
| In the second to fifth years inclusive | 3,954         | 3,742         |
| Over five years                        | 4,161         | 4,637         |
|                                        | <hr/> 8,682   | <hr/> 9,173   |
|                                        | <hr/> <hr/>   | <hr/> <hr/>   |

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

### 11 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.