

CABLE ROAD (UK) LIMITED

Report and Financial Statements

31 March 1997



REPORT AND FINANCIAL STATEMENTS 1997

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DIRECTORS' REPORT

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

CHANGE OF ACCOUNTING DATE

The company has changed its accounting date from 31 August to 31 March to align themselves with the accounting date of Cable & Wireless Communications plc (see note 17).

PRINCIPAL ACTIVITIES

The company's principal activity is to provide certain technical services to its subsidiary undertakings. The company owns 153,768,494 ordinary 5p shares in Videotron Holdings Plc ("Videotron"), being 55.6% of the equity of that company. Videotron is London's largest integrated cable television and telecommunications operator and holds licences from the Department of Trade and Industry and the Independent Television Commission to construct and operate broadband cable networks providing a range of cable television and telecommunications services within certain franchise and licence areas in London and Hampshire.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The loss for the period before taxation amounted to £11,272,710 (1996 - profit of £618,280). The directors do not recommend the payment of a dividend (1996 - £nil).

The directors are confident about the future prospects of the company.

SHARE CAPITAL

Changes in share capital are set out in note 12 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the period and to date were as follows:

S Mullens	(resigned 17 December 1996)
L Brunel	(resigned 17 December 1996)
J Drouin	(resigned 11 September 1996)
D Lowry	(appointed 11 September 1996; resigned 17 December 1996)
D Somers	(appointed 17 December 1996; resigned 9 May 1997)
R Cope	(appointed 17 December 1996; resigned 2 June 1997)
M Wilkinson	(appointed 17 December 1996; resigned 2 June 1997)
P Howell-Davies	(appointed 9 May 1997; resigned 2 June 1997)
G Wallace	(appointed 2 June 1997)
N Mearing-Smith	(appointed 2 June 1997)
R Drolet	(appointed 2 June 1997)

None of the directors had any interests in the share capital of the company during the period or the preceding year.

Directors' and officers' liability insurance has been purchased by the company during the period.

DIRECTORS' REPORT

ULTIMATE PARENT COMPANY, CHANGE OF CONTROL AND OTHER POST BALANCE SHEET EVENTS

Until 17 December 1996 Le Groupe Vidéotron Ltée ("GVL"), a public company incorporated in Canada, owned all of the share capital of the company through an immediate parent company, Cable Road Investments Limited ("CRIL").

On 22 October 1996, Bell Cablemedia plc ("BCM") announced that it had entered into a conditional agreement to acquire CRIL's shareholdings in the company. This agreement was conditional upon receipt of certain consents from lenders and noteholders of BCM and the receipt of certain regulatory approvals.

These conditions were satisfied by 17 December 1996 and BCM acquired control of the company on that date. Immediately prior to this transaction (and in anticipation of the contemplated transaction) a number of changes were made to the financial position of the company, the most significant of which are disclosed in note 17 to these financial statements. As at 1 April 1997 BCM had 100% beneficial ownership of Cable Road (UK) Limited.

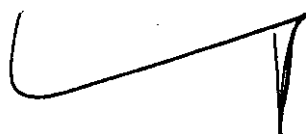
Formation of Cable & Wireless Communications plc.

On 22 October 1996, Cable and Wireless plc, Bell Canada International and NYNEX Corporation announced that they had entered into a Transaction Agreement, whereby, subject to certain conditions precedent, the parties agreed to combine

- (i) Mercury Communications Limited
 - (ii) Bell Cablemedia plc (as enlarged by Videotron Holdings Plc and its subsidiaries)
 - (iii) NYNEX Cable Comms Group PLC and NYNEX Cable Comms Inc.
- under one company called Cable & Wireless Communications plc.

By 25 April 1997 the conditions had been satisfied and the Agreement went unconditional.

Approved by the Board of Directors and signed on behalf of the Board by:



Director

29 January 1998

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 as at the end of the financial year 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;
- prepare the financial statements on a 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF CABLE ROAD (UK) LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

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 March 1997 and of its loss for the seven months then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

29 January 1998

CABLE ROAD (UK) LIMITED

PROFIT AND LOSS ACCOUNT Seven months ended 31 March 1997

	Note	Continuing operations	
		7 months ended 31 March 1997 £	Year ended 31 August 1996 £
TURNOVER		936,321	1,955,918
Administrative expenses (including write off of £11,505,619 of goodwill - see note 5)		(12,239,648)	(1,341,534)
OPERATING (LOSS)/PROFIT		(11,303,327)	614,384
Interest receivable and similar income		30,617	3,896
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(11,272,710)	618,280
Tax on (loss)/profit on ordinary activities	4	(38,725)	(264,382)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED (FROM)/TO RESERVES		(11,311,435)	353,898


There are no recognised gains or losses for the period or the preceding year other than the (loss)/profit for the period.

CABLE ROAD (UK) LIMITED

BALANCE SHEET 31 March 1997

	Note	31 March 1997	31 August 1996
		£	£
FIXED ASSETS			
Intangible assets	6	-	451,226
Tangible assets	7	-	603,956
Investments	8	319,832,242	319,170,589
		<u>319,832,242</u>	<u>320,225,771</u>
CURRENT ASSETS			
Debtors	9	96,856	456,019
Cash at bank and in hand		154,949	229,810
		<u>251,805</u>	<u>685,829</u>
CREDITORS: amounts falling due within one year	10	(526,675)	(100,341,035)
NET CURRENT LIABILITIES		<u>(274,870)</u>	<u>(99,655,206)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>319,557,372</u>	<u>220,570,565</u>
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(207,377)
TOTAL ASSETS		<u><u>319,557,372</u></u>	<u><u>220,363,188</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000	450
Share premium account	13	329,999,100	230,999,650
Goodwill reserve	13	-	(11,505,619)
Profit and loss account	13	(10,442,728)	868,707
EQUITY SHAREHOLDERS' FUNDS	14	<u><u>319,557,372</u></u>	<u><u>220,363,188</u></u>

These financial statements were approved by the Board of Directors on 29 January 1998 and signed on their behalf by:



Director

NOTES TO THE ACCOUNTS

Seven months ended 31 March 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies are described below.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Consolidated financial statements and cash flow statement

The company is exempt under S228 of the Companies Act 1985 and Financial Reporting Standard 2 from the obligation to prepare consolidated financial statements given that its parent company, Bell Cablemedia plc, which is registered in England and Wales, produces such financial statements.

The company is also exempt under Financial Reporting Standard 1 (revised 1996) paragraph 5(a), from the obligation to produce a cash flow statement.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Tangible fixed assets

Fixed assets are recorded at cost which includes material, direct labour and general administrative expenses applicable to the construction and connection of receiving and transmitting networks.

Depreciation is provided on fixed assets at rates which are intended to write off the cost of the assets over their estimated useful lives. Effect is given where necessary to commercial and technical obsolescence. The depreciation rates used, all of which are applied on a straight line basis, are:

Land and buildings	20 years
Electronic equipment	7 to 15 years
Fixtures and fittings	10 years

Investments

Investments are stated at cost less any provision for permanent diminution in value.

Intangible fixed assets

Expenditure relating to certain projects undertaken by the business, which are expected to be revenue generating in the future, were previously treated as deferred development expenditure within intangible fixed assets and amortised over the life of the project. Amortisation commenced when a project was successfully launched.

Following the change in control of Cable Road (UK) Limited (see note 17) these balances have been fully amortised in the period.

NOTES TO THE ACCOUNTS

Seven months ended 31 March 1997

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is likely that a liability or asset will crystallise in the future.

Turnover

Turnover comprises fees exclusive of VAT for the provision of services to subsidiary companies.

Goodwill

Goodwill represents the amount by which the consideration paid on acquisition of subsidiaries exceeds the aggregate of the fair value of the underlying net assets at the date of their acquisition.

Goodwill is written off to a goodwill reserve in the year in which it arises.

2. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
The profit on ordinary activities before taxation is stated after charging:		
Depreciation	4,651	31,182
Amortisation	451,226	48,526
Auditors' remuneration	5,000	5,000
- Audit Fee		
- Other	-	8,000
	<u> </u>	<u> </u>

3. DIRECTORS' EMOLUMENTS AND EMPLOYEES

No directors' emoluments have been charged in the accounts for the period ended 31 March 1997 (1996 - £nil). The company had 1 employee (1996 - 2) the costs of whom, during the period, amounted to £109,790 (year ended 31 August 1996: £134,300). In addition, the costs of certain employees of a subsidiary company were recharged to Cable Road (UK) Limited as follows:

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Wages and salaries	86,175	799,190
Social security costs	10,200	35,010
Other pension costs	-	12,090
	<u> </u>	<u> </u>
	96,375	846,290

NOTES TO THE ACCOUNTS

Seven months ended 31 March 1997

4. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	7 months ended 31 March 1997 £	Year ended 31 August 1996 £
Consortium relief	246,102	182,264
Deferred taxation	(207,377)	82,118
	<u>38,725</u>	<u>264,382</u>

The tax on profit on ordinary activities of £246,102 (1996 - £182,264) has been relieved by the surrender of losses by a subsidiary company in exchange for a payment of the same amount. The tax charge is disproportionately high due to the goodwill charge during the period which is not tax deductible for UK corporation tax purposes.

5. PURCHASE OF SUBSIDIARY UNDERTAKING AND TRANSFER OF NET ASSETS

On 19 December 1995 the company purchased the entire share capital of Videotron Investment (UK) Limited ("VIUK") for £330,000,000.

The principal asset of VIUK was 14.7% of the issued share capital of Videotron Holdings Plc ("Videotron"). The principal purpose of VIUK was the provision of certain technical services to Videotron and its subsidiary companies. On 19 December 1995 VIUK was placed into members voluntary liquidation and on 15 January 1996 the assets and liabilities of VIUK were distributed to Cable Road (UK) Limited. VIUK's rights to provide the technical services to Videotron were novated to Cable Road (UK) Limited.

Fair value of net assets acquired	£
Intangible assets	499,752
Tangible assets	550,409
Investment in Videotron (14.7% of the equity of that company)	234,591,301
Own preference shares	82,092,918
Cash	490,000
Other assets and liabilities	395,260
Deferred taxation	(125,259)
	<u>318,494,381</u>
Goodwill	11,505,619
	<u>330,000,000</u>
Satisfied by	
Issue of shares	231,000,000
Promissory note	99,000,000
	<u>330,000,000</u>

Subsequent to the change in control (see note 17) of the company, the technical service agreements with Videotron were cancelled. As a result the company has written off the goodwill associated with these agreements during the period.

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

6. INTANGIBLE FIXED ASSETS

	Deferred development expenditure £
Cost:	
At 1 September 1996	
and 31 March 1997	617,601
Amortisation:	
At 1 September 1996	166,375
Charge for the period	451,226
At 31 March 1997	617,601
Net book value:	
At 31 March 1997	-
At 31 August 1996	451,226

During the period the remaining deferred development expenditure was amortised to align the company's accounting policies with those of Bell Cablemedia plc. This resulted in a charge of £406,000 over and above the normal amortisation charge.

7. TANGIBLE FIXED ASSETS

	Land and buildings £	Electronic equipment £	Fixture and fittings £	Total £
Costs:				
At 1 September 1996	10,246	652,320	8,637	671,203
Additions	-	23,777	-	23,777
Transfer to subsidiary company	(10,246)	(676,097)	(8,637)	(694,980)
At 31 March 1997	-	-	-	-
Accumulated depreciation:				
At 1 September 1996	727	65,310	1,210	67,247
Charge for the period	43	4,534	74	4,651
Transfer to subsidiary company	(770)	(69,844)	(1,284)	(71,898)
At 31 March 1997	-	-	-	-
Net book value:				
At 31 March 1997	-	-	-	-
At 31 August 1996	9,519	587,010	7,427	603,956

NOTES TO THE ACCOUNTS

Seven months ended 31 March 1997

7. TANGIBLE FIXED ASSETS (continued)

As a result of the change in control (see note 17) all tangible assets of the company were transferred to a subsidiary company.

8. INVESTMENTS HELD AS FIXED ASSETS

	£
Shares in Videotron Holdings Plc at cost:	
Balance at 1 September 1996	319,170,589
Additions	661,653
	<hr/>
Balance at 31 March 1997	319,832,242
	<hr/>

The company owns 153,768,494 ordinary 5p shares in Videotron Holdings Plc ("VHP"), a company incorporated in great Britain and registered in England and Wales, representing 55.6% of the equity of this company as at 31 March 1997. VHP is the parent company of a group of companies engaged in the construction and operation of cable television and telecommunication networks.

9. DEBTORS

	31 March 1997	31 August 1996
	£	£
Amounts owed by fellow subsidiary undertakings	82,168	40,735
Other debtors	14,688	415,284
	<hr/>	<hr/>
	96,856	456,019
	<hr/>	<hr/>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 1997	31 August 1996
	£	£
Amounts owed to group undertakings	-	379,005
Amounts owed to subsidiary undertakings	246,102	479,355
Other creditors and accruals	280,573	482,675
Promissory note owed to affiliated company	-	99,000,000
	<hr/>	<hr/>
	526,675	100,341,035
	<hr/>	<hr/>

The promissory note was repaid during the period from the proceeds of a share issuance (see note 12).

NOTES TO THE ACCOUNTS
Seven months ended 31 March 1997

11. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation £
At 1 September 1996	207,377
Provision for period	(207,377)
	<hr/>
At 31 March 1997	-
	<hr/>

Deferred tax provided in the accounts arises as follows:

	31 March 1997 £	31 August 1996 £
Capital allowances in excess of depreciation	-	58,472
Intangibles	-	148,905
	<hr/>	<hr/>
	-	207,377
	<hr/>	<hr/>

There are no amounts not provided in the accounts (1996 - £nil).

12. CALLED UP SHARE CAPITAL

	Number	31 March 1997 £	Number	31 August 1996 £
Authorised:				
Ordinary shares of 1p each	100,000	1,000	100,000	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted, called up and fully paid:				
Ordinary shares of 1p each	100,000	1,000	45,000	450
	<hr/>	<hr/>	<hr/>	<hr/>

Shares issued by the company during the period were:

	Number	Ordinary shares £	Premium received £	Total £
At 31 August 1996	45,000	450	230,999,650	231,000,100
Ordinary share capital issued	55,000	550	98,999,450	99,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1997	100,000	1,000	329,999,100	330,000,100
	<hr/>	<hr/>	<hr/>	<hr/>

On 9 January 1997 55,000 ordinary shares were issued to Bell Cablemedia plc for £99,000,000. The proceeds were used to repay the promissory note shown in note 10.

NOTES TO THE ACCOUNTS**Seven months ended 31 March 1997****13. RESERVES**

	Share premium account £	Goodwill reserve £	Profit and loss account £
At 1 September 1996	230,999,650	(11,505,619)	868,707
Premium on ordinary shares	98,999,650	-	-
Goodwill written off during the period (see note 5)	-	11,505,619	-
Retained loss for the period	-	-	(11,311,435)
At 31 March 1997	<u>329,999,100</u>	<u>-</u>	<u>(10,442,728)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 March 1997 £	31 August 1996 £
Opening balance	220,363,188	82,607,827
Retained (loss)/profit for the period	(11,311,435)	353,898
Write off of goodwill reserve	11,505,619	-
Shares issued in the period (net)	99,000,000	137,401,463
Closing balance	<u>319,557,372</u>	<u>220,363,188</u>

15. CHARGE OVER ASSETS

During the period certain affiliated companies entered into an Inter-Company Credit Agreement with Cable & Wireless Communications plc. As security, a fixed and floating charge has been granted over all the assets of the company.

16. RELATED PARTY TRANSACTIONS

The company undertook various transactions with certain affiliated companies in the normal course of business. Such transactions take place on commercially available terms. As a result of the change of control referred to in note 17 many of these transactions ceased.

The company received royalties from certain Videotron Holdings Plc group companies, for the provision of interactive programming services to their customers.

The company recharged certain salaries and other expenses to Videotron Holdings Plc group companies.

The company received Technical Assistance Fees from certain Videotron Holdings Plc group companies, which were satisfied by the issue of ordinary shares in Videotron Holdings Plc.

The company pays amounts to certain Videotron Holdings Plc group companies, arising from the sale of their taxable losses.

NOTES TO THE ACCOUNTS

Seven months ended 31 March 1997

16. RELATED PARTY TRANSACTIONS (continued)

	Amounts received/paid by the company		Amounts due from/to related parties	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Royalties	91	185	91	42
Recharged costs	108	148	-	-
Non cash technical assistance fees	658	1,875	658	448
Sale of tax losses	(257)	(142)	(399)	(182)
	<u>600</u>	<u>2,066</u>	<u>350</u>	<u>308</u>

Details of the company's ultimate parent are given in note 17.

17. ULTIMATE PARENT COMPANY

Until 17 December 1996 Le Groupe Videotron Ltee ("GVL"), a public company registered in Canada, indirectly owned all of the share capital of the company. The financial statements of Le Groupe Videotron Ltee are available from the secretary, 300 Avenue Viger Est, Montreal, Quebec, H2X 3W4, Canada. The immediate parent company was Cable Road Investments Limited ("CRIL").

On 22 October 1996 Bell Cablemedia plc ("BCM") announced that it had entered into a conditional agreement to acquire CRIL's shareholdings in the company. This agreement was conditional upon receipt of certain consents from lenders and noteholders of BCM and the receipt of certain regulatory approvals.

These conditions were satisfied by 17 December 1996 and BCM acquired control of the company on that date. Immediately prior to this transaction (and in anticipation of the contemplated transaction) a number of changes were made to the financial position of the company, the most significant of which were:

- the transfer of all tangible assets at net book value to certain of the Videotron Holdings Plc ("Videotron") subsidiaries;
- the write-off of all intangible assets;
- the novation of all legal agreements relating to the provision of Videoway services to Videotron to an affiliated company;
- the settlement of all significant intercompany balances.

Copies of the financial statements of BCM are available from the company secretary, 26 Red Lion Square, London, WC1R 4HQ.

NOTES TO THE ACCOUNTS

Seven months ended 31 March 1997

17. ULTIMATE PARENT COMPANY (continued)

Formation of Cable & Wireless Communications plc.

On 22 October 1996, Cable and Wireless plc, Bell Canada International and NYNEX Corporation announced that they had entered into a Transaction Agreement, whereby, subject to certain conditions precedent, the parties agreed to combine

- (i) Mercury Communications Limited
- (ii) Bell Cablemedia plc (as enlarged by Videotron Holdings Plc and its subsidiaries)
- (iii) NYNEX Cable Comms Group PLC and NYNEX Cable Comms Inc.

under one company called Cable & Wireless Communications plc.

By 25 April 1997 the conditions had been satisfied and the Agreement went unconditional.

The company is taking advantage of the exemption granted in paragraph 3(c) of Financial Reporting Standard 8 not to disclose any transaction with Bell Cablemedia plc group companies who are related parties.