

# **Eurobell (South West) Holdings Limited**

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

**31 December 1995**

**Registered number 3006948**



# Eurobell (South West) Holdings Limited

## Directors' report and financial statements

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# Eurobell (South West) Holdings Limited

## Directors' report

The directors present their first report and the audited financial statements for the period ended 31 December 1995.

## Incorporation

The company was incorporated on 6 January 1995 and issued 1 ordinary 'S' share of £1 at par and 1 ordinary 'E' share of £1 at par as the initial share capital of the company.

## Principal activities

The company is a holding company for Eurobell (South West) Limited and its subsidiary, Eurobell (South West) Communications Limited. These companies are engaged in the installation, operation and maintenance of broadband telecommunication networks in the South West of England and the retail sale of telephony equipment, respectively.

## Business review

On 13 January 1995 the company issued 420,100 'E' ordinary shares at par and 180,042 'S' ordinary shares at par in a share for share exchange to the shareholders of Eurobell (South West) Limited.

The consolidated loss for the year is set out in the profit and loss account on page 5.

## Dividends

The directors do not recommend the payment of a dividend.

## Proposed transfer to reserves

The loss for the year of £2,162,876 has been transferred to reserves (1994: £921,219).

## Significant changes in fixed assets

Movements in fixed assets are shown in note 7 to the financial statements.

## Directors and directors' interests

The following were directors of the company during the period up to the date of this report:

MJ Ridley	(appointed 12 January 1995)
A Cornish	(appointed 2 February 1996)
D Mutton	(appointed 12 January 1995, resigned 26 July 1996)
SP Jaggard	(appointed 12 January 1995, deceased 6 May 1996)
DA Lickorish	(appointed 6 November 1995, resigned 26 July 1996)
M Laqua	(appointed 2 February 1996)
A Richards	(appointed 2 February 1996)
TJB Jaggard	(appointed 2 February 1996)
G Mitchell	(appointed 8 February 1996)
ASM Robinson	(appointed 12 January 1995, resigned 24 January 1996)
PD Hoole	(appointed 12 January 1995, resigned 31 January 1996)
PJW Curtis	(appointed 12 January 1995, resigned 19 December 1995)
PB Woodward	(appointed 12 January 1995, resigned 2 February 1996)

# Eurobell (South West) Holdings Limited

## Directors' report *(continued)*

### Directors and directors' interests *(continued)*

GC Markham	(appointed 12 January 1995, resigned 24 January 1996)
EPO Mercer	(appointed 6 January 1995, resigned 12 January 1995)
AM Blankfield	(appointed 6 January 1995, resigned 12 January 1995)
JE Sellers	(appointed 12 January 1995, resigned 29 September 1995)

During the period Mr JAG Bonner and Mr DA Lickorish acted as alternate directors to Mr JE Sellers and Mr D Mutton, respectively. Mr JAG Bonner resigned as alternate director to Mr JE Sellers on 29 September 1995. Mr Oosthuizen acted as alternate director to Mr DA Lickorish since the date of his appointment as a director.

The directors did not have any interest in the share capital of the company at any time in the period. The interests of Mr ASM Robinson in the shares of the parent undertaking, Eurobell (Holdings) PLC, as at 31 December 1995 are shown in that company's financial statements.

### Post balance sheet event

On 26 July 1996 Southern Western Electricity PLC assigned to Eurobell (Holdings) PLC its loan of £2.7m made to Eurobell (South West) Limited. The £2.7m consideration for the assignment is payable on the earlier of 30 June 1997 or a change in ownership or the ultimate ownership of Eurobell (South West) Limited.

### Auditors

Under Section 385 (3) of the Companies Act 1985, KPMG Peat Marwick were appointed as auditors of the company. On 6 February 1995 our auditors changed the name under which they practise to KPMG and have signed their audit report in their new name.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



M Ridley  
Secretary

MultiMedia House  
Lloyds Court  
Manor Royal  
Crawley  
West Sussex  
RH10 2PD

7 August 1996

# Eurobell (South West) Holdings 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 group and of the profit or loss 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and to prevent and detect fraud and other irregularities.



1 Forest Gate  
Brighton Road  
Crawley  
West Sussex RH11 9PT

## Auditors' report to the members of Eurobell (South West) Holdings Limited

We have audited the financial statements on pages 5 to 20.

### **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 group'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.

### *Going concern*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the ability of the company to continue as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1995 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

7 August 1996

# Eurobell (South West) Holdings Limited

## Consolidated profit and loss account for the year ended 31 December 1995

	<i>Note</i>	<b>1995</b> £	<b>1994</b> £
<b>Turnover</b>	<b>2</b>	<b>340,384</b>	-
Cost of sales		(225,753)	-
		<hr/>	<hr/>
<b>Gross profit</b>		<b>114,631</b>	-
Administration expenses		(2,081,615)	(919,777)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(1,966,984)</b>	<b>(919,777)</b>
Interest receivable		31,022	7,821
Interest payable and similar charges	<b>5</b>	(224,959)	(9,263)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(2,160,921)</b>	<b>(921,219)</b>
Tax on loss on ordinary activities	<b>6</b>	(1,955)	-
		<hr/>	<hr/>
<b>Retained loss for the year</b>	<b>13</b>	<b>(2,162,876)</b>	<b>(921,219)</b>
		<hr/>	<hr/>

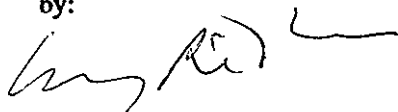
The group had no recognised gains or losses other than the above losses which were derived from continuing activities.

# Eurobell (South West) Holdings Limited

## Consolidated balance sheet at 31 December 1995

	Note	1995 £	£	1994 £	£
<b>Fixed assets</b>					
Tangible assets	7	12,476,370		2,084,992	
<b>Current assets</b>					
Debtors	9	993,795		58,291	
Cash at bank and in hand		1,748		2,300,200	
		<u>995,543</u>		<u>2,358,491</u>	
<b>Creditors: Amounts falling due within one year</b>	10	<u>(7,742,624)</u>		<u>(1,052,958)</u>	
<b>Net current (liabilities)/assets</b>			<u>(6,747,081)</u>		<u>1,305,533</u>
<b>Total assets less current liabilities</b>			<u>5,729,289</u>		<u>3,390,525</u>
<b>Creditors: Amounts falling due after more than one year</b>	11		<u>(4,814,884)</u>		<u>(313,244)</u>
<b>Net assets</b>			<u>914,405</u>		<u>3,077,281</u>
<b>Capital and reserves</b>					
Called up share capital	12	600,142		600,142	
Capital reserve	13	3,819,958		3,819,958	
Profit and loss account	13	<u>(3,505,695)</u>		<u>(1,342,819)</u>	
<b>Equity shareholders' funds</b>	14		<u>914,405</u>		<u>3,077,281</u>

These financial statements were approved by the board of directors on 7 August 1996 and were signed on its behalf by:



**MJ Ridley**  
Director

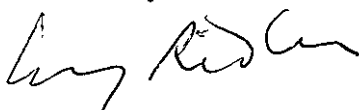


# Eurobell (South West) Holdings Limited

## Balance sheet at 31 December 1995

	<i>Note</i>	1995 £
<b>Fixed assets</b>		
Investments	8	<u>600,142</u>
 <b>Capital and reserves</b>		
Called up share capital	12	600,142
Profit and loss account	13	<u>-</u>
 <b>Equity shareholders' funds</b>		<u>600,142</u>

These financial statements were approved by the board of directors on 7 August 1996 and were signed on its behalf by:



**MJ Ridley**  
*Director*

# Eurobell (South West) Holdings Limited

## Consolidated cash flow statement for the year ended 31 December 1995

	Note	1995		1994	
		£	£	£	£
<b>Net outflow from operating activities</b>	<b>19</b>	<b>(1,925,270)</b>		<b>(125,671)</b>	
<b>Returns on investments and servicing of finance</b>					
Interest received		31,022		7,821	
Interest paid		(178,517)		(1,407)	
Interest element of finance lease rental payments		(7,669)		(7,856)	
		<hr/>		<hr/>	
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(155,164)</b>		<b>(1,442)</b>	
<b>Tax paid</b>		<b>(1,955)</b>		<b>-</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(6,151,951)		(1,856,071)	
		<hr/>		<hr/>	
<b>Net cash outflow from investing activities</b>		<b>(6,151,951)</b>		<b>(1,856,071)</b>	
<b>Net cash outflow before financing</b>		<b>(8,234,340)</b>		<b>(1,983,184)</b>	
<b>Financing</b>					
New loans		5,950,000		315,624	
Repayment of amounts borrowed		-		(431,562)	
Capital element of finance lease payments		(22,077)		(1,767)	
Issue of share capital		-		3,650,000	
Issue of equity notes		-		750,000	
		<hr/>		<hr/>	
<b>Net cash inflow from financing</b>	<b>21</b>	<b>5,927,923</b>		<b>4,282,295</b>	
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>20</b>	<b>(2,306,417)</b>		<b>2,299,111</b>	
		<hr/>		<hr/>	

# Eurobell (South West) Holdings 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 and group financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and on a going concern basis as the parent company has undertaken to provide such support as necessary to enable the company to continue to trade. The ability of the parent company to provide financial support is dependent upon the Group obtaining further finance to meet its obligations to build out its franchises and to provide working capital.

The parent company's directors have satisfied themselves, based on assurances from the shareholders, that, subject to final agreement between the shareholders, additional equity will be available at the necessary time to support the long-term financial needs of the Group. The parent company has been advised by one of its shareholders that it can procure and will make available sufficient finance to fund its 50% share of the cost of building out the Group's franchises and that this might extend to the whole of the cost of financing the build, subject to reaching agreement with the other shareholder.

In addition, the parent company is working with its Bankers and financial advisers to put in place by 31 October 1996 a financial package, to provide further working capital and long-term finance. The Group has in place arrangements, guaranteed by shareholders, to provide working capital until December 1996 and is in discussions with shareholders and its Bankers which will enable the parent company to enter into long-term commitments prior to 31 October 1996.

In view of the above, the directors consider it reasonable to expect the parent company's efforts to raise further finance will be successful, and accordingly consider it appropriate to prepare the financial statements on a going concern basis. However, if the Group does not raise the finance referred to above or implement other similar proposals, such as but not limited to the sale of part of the Group, the directors consider that the Company would then be unable to continue to trade.

Should the Company be unable to continue trading significant adjustments would have to be made to reduce the value of the Company's assets to their immediate realisable amounts and to provide for further liabilities. In these circumstances, it would also be necessary to reclassify fixed assets and long-term liabilities, as current assets and liabilities. It is not practicable to quantify the adjustments that would be required.

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of Eurobell (South West) Holdings Limited and its subsidiary undertakings, all of which are made up to 31 December 1995.

The consolidation of the results of Eurobell (South West) Limited and its subsidiary has been effected in accordance with the principles of merger accounting set out in Financial Reporting Standard No 6 and Schedule 4A to the Companies Act 1985. The results are therefore presented as if Eurobell (South West) Limited and its subsidiary had been owned and controlled throughout the current and comparative accounting periods.

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of consolidation (continued)*

In the company's accounts, investments in subsidiary undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Eurobell (South West) Holdings Limited is exempt from the requirement to present its own profit and loss account.

The company, Eurobell (South West) Holdings Limited did not trade during the year and accordingly made neither a profit nor a loss.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	- over the life of the lease
Civil works and installation	- 5%-15% per annum straight line
Computers and office equipment	- 10%-20% per annum straight line
Motor vehicles	- 25% per annum straight line

#### *Deferred taxation*

Deferred taxation is provided on all material timing differences to the extent that a liability is likely to crystallise in the foreseeable future.

#### *Pension costs*

The group does not operate a pension scheme. It contributes to certain employees' personal pension schemes on a monthly basis. Contributions are written off to the profit and loss account as incurred.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the year.

#### *Leases*

Assets acquired under finance leases are capitalised and the capital element of future repayments is included within creditors. Finance charges in respect of such assets are allocated to the profit and loss account on a straight line basis over the life of the lease. The difference between the amount of finance charges allocated under the straight line basis and that which would produce a constant periodic rate of charge on the remaining balance of the obligation is not material to the financial statements.

Operating lease rentals are charged to the profit and loss account in the period to which they relate.

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 2 Turnover

The turnover and loss of the group during the year related solely to the provision of telecommunications services in the United Kingdom.

### 3 Loss on ordinary activities before taxation

	1995	1994
	£	£
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	15,000	22,000
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned assets	437,237	17,655
Leased assets	22,923	-
Hire of other assets under operating leases		
Plant and machinery	1,804	7,825
Other	40,800	19,993

No emoluments have been paid to directors during the year (1994: £nil).

### 4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1995	1994
Management	3	8
Sales and marketing	5	2
Administration and finance	3	1
Support and development	23	4
	<u>34</u>	<u>15</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	753,765	181,346
Social security costs	75,836	7,946
Other pension costs	1,041	11,247
	<u>830,642</u>	<u>200,539</u>

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 5 Interest payable and similar charges

	1995 £	1994 £
Interest payable on bank overdraft	1,485	1,407
Interest payable on loans due within five years	74,603	-
Interest payable on loans due in more than five years	119,027	-
Finance charges payable in respect of finance leases	7,669	-
Interest payable on overdue accounts	22,175	7,856
	<u>224,959</u>	<u>9,263</u>

### 6 Tax on the loss on ordinary activities

	1995 £	1994 £
Adjustment relating to an earlier year	<u>1,955</u>	<u>-</u>

### 7 Tangible assets

Group	Improvements to leasehold buildings £	Civil works and installation £	Computer and office equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At beginning of year	231,496	1,786,203	44,455	40,493	2,102,647
Additions	<u>194,476</u>	<u>10,429,378</u>	<u>181,647</u>	<u>46,037</u>	<u>10,851,538</u>
At end of year	<u>425,972</u>	<u>12,215,581</u>	<u>226,102</u>	<u>86,530</u>	<u>12,954,185</u>
<b>Depreciation</b>					
At beginning of year	2,894	13,584	1,177	-	17,655
Charged in the year	<u>18,383</u>	<u>386,232</u>	<u>32,622</u>	<u>22,923</u>	<u>460,160</u>
At end of year	<u>21,277</u>	<u>399,816</u>	<u>33,799</u>	<u>22,923</u>	<u>477,815</u>
<b>Net book value</b>					
At 31 December 1995	<u>404,695</u>	<u>11,815,765</u>	<u>192,303</u>	<u>63,607</u>	<u>12,476,370</u>
At 31 December 1994	<u>228,602</u>	<u>1,772,619</u>	<u>43,278</u>	<u>40,493</u>	<u>2,084,992</u>

All motor vehicles are subject to finance leases.

Included within civil works and installation are assets in the course of construction with a cost of £1,846,000 on which no depreciation has been charged. Depreciation on these assets will commence when they are completed and begin to generate revenue for the group.

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 8 Fixed asset investments

Company	Shares in group undertakings £
<i>Cost</i>	
Additions during the period	<b>600,142</b>

Shares in group undertakings comprise £600,142 (1994: £nil) in respect of shares held in subsidiary undertakings. The subsidiary undertakings are unlisted investments.

No provision for diminution in the value of shares in group undertakings is deemed necessary.

The companies in which the company's interest is more than 10%, all of which are subsidiary undertakings and included in the consolidated financial statements, are as follows:

	Country of registration	Principal activity	Percentage of shares held
<i>Subsidiary undertakings</i>			
Eurobell (South West) Limited	England and Wales	*	100%
Eurobell (South West) Communications Limited	England and Wales	**	100%

\* Construction, operating and running of a broad band telecommunications network.

\*\* Retail sales of telephone equipment.

Eurobell (South West) Communications Limited is owned indirectly. The acquisition of 100% of the issued share capital of Eurobell (South West) Limited and its subsidiary, was through a share for share exchange as part of a group reorganisation on 13 January 1995. The company and its subsidiary are included in these consolidated financial statements on a merger accounting basis.

### 9 Debtors

	Group 1995 £	1994 £	Company 1995 £
Trade debtors	50,823	-	-
Amounts owed by parent undertaking	194,174	-	-
Amounts owed by fellow subsidiary undertakings	52,197	-	-
Other debtors	329,604	40,962	-
Prepayments and accrued income	366,997	17,329	-
	<b>993,795</b>	<b>58,291</b>	<b>-</b>

# Eurobell (South West) Holdings Limited

## Notes (continued)

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

	Group		Company
	1995	1994	1995
	£	£	£
Bank loans and overdrafts	9,054	1,089	-
Obligations under finance leases and hire purchase contracts (see note 11)	17,958	9,544	-
Amounts owed to parent undertaking	3,250,000	729,774	-
Trade creditors	2,153,852	187,644	-
Other creditors including taxation and social security	176,314	7,713	-
Accruals and deferred income	2,135,446	117,194	-
	<u>7,742,624</u>	<u>1,052,958</u>	<u>-</u>

Included within other creditors are the following amounts relating to taxation and social security:

	Group		Company
	1995	1994	1995
	£	£	£
PAYE and NI contributions	36,671	-	-
Other taxes	10,241	-	-
	<u>46,912</u>	<u>-</u>	<u>-</u>



# Eurobell (South West) Holdings Limited

## Notes (continued)

### 11 Creditors: amounts falling due after more than one year

	Group		Company
	1995	1994	1995
	£	£	£
Other loans due within five years	2,069,857	284,062	-
Other loans due after more than five years	2,700,000	-	-
Obligations under finance leases and hire purchase contracts (see below)	45,027	29,182	-
	<u>4,814,884</u>	<u>313,244</u>	<u>-</u>

The other loan due within five years bears interest at 2% above the London Inter Bank Offer Rate and is secured on a proportion of the civil works fixed assets of a subsidiary undertaking.

The other loan due after more than five years bears interest at 12.5% and is repayable on or before 31 October 2004. An unsecured guarantee in respect of this loan has been given by the parent undertaking and a fellow subsidiary undertaking. On 26 July 1996 the loan was assigned to Eurobell (Holdings) PLC as explained in note 23.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group	
	1995	1994
	£	£
Within one year	25,418	11,298
In the second to fifth years	49,656	30,707
	<u>75,074</u>	<u>42,005</u>
Less future finance charges	(12,089)	(3,279)
	<u>62,985</u>	<u>38,726</u>
Within one year	17,958	9,544
Between two and five years	45,027	29,182
	<u>62,985</u>	<u>38,726</u>

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 12 Called up share capital

	1995 £
<i>Authorised:</i>	
420,000 'E' ordinary shares of £1 each	420,100
180,042 'S' ordinary shares of £1 each	180,042
	<u>600,142</u>
<i>Allotted, called up and fully paid:</i>	
420,100 'E' ordinary shares of £1 each	420,100
180,042 'S' ordinary shares of £1 each	180,042
	<u>600,142</u>

The company was incorporated on 6 January 1995 and issued 1 ordinary 'E' share at par and 1 ordinary 'S' share at par as the initial share capital of the company.

On 13 January 1995 the company issued 420,999 'E' ordinary shares at par and 180,041 'S' ordinary shares at par in a share for share exchange to the shareholders of Eurobell (South West) Limited.

The 'E' ordinary shares and 'S' ordinary shares rank pari passu in all respects, save as to the right to appoint and remove directors. No 'E' shareholder may vote upon the resolution for the removal of an 'S' shareholder.

'S' shareholders may appoint one third of the total number of directors ('S' directors). The 'E' shareholders are entitled to appoint the remaining directors ('E' directors).

### 13 Reserves

Group	Capital reserve £	Profit and loss account £	Total reserves £
At beginning of year	-	-	-
As restated following merger	3,819,958	(1,342,819)	2,477,139
Loss for the year	-	(2,162,876)	(2,162,876)
At end of year	<u>3,819,958</u>	<u>(3,505,695)</u>	<u>314,263</u>
Company			Profit and loss account £
At beginning and end of period			<u>-</u>

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 13 Reserves (continued)

Included in capital reserves are equity notes of £750,000 issued by a subsidiary undertaking which carry no voting rights or rights to any dividend or other distribution, except for the return of capital paid up on shares (which will not exceed the amount outstanding) if and to the extent that £1 million has been paid in respect of each share of all other classes of shares in the capital of that company.

The equity notes do not bear any interest and are repayable only to the extent that the subsidiary undertaking has any assets, provided that on any liquidation of that company the rights shall be varied so that they are the same as if the amounts outstanding had been converted into deferred shares of a nominal amount equal to the amount outstanding.

Any balance of the equity notes which remains outstanding after December 1999 may, at the subsidiary undertaking's option, be converted into deferred shares of an aggregate nominal amount equal to the amount of such balance.

### 14 Reconciliation of movements in shareholders' funds

Group	Group 1995 £	1994 £	Company 1995 £
Opening shareholders' funds (as restated following merger)	3,077,281	(401,500)	-
Retained loss for the period	(2,162,876)	(921,219)	-
Share capital and premium raised	-	3,650,000	600,142
Issue of equity notes	-	750,000	-
Closing shareholders' funds	<u>914,405</u>	<u>3,077,281</u>	<u>600,142</u>

### 15 Contingent liabilities

A subsidiary undertaking has received a claim for expenses of £134,000 from the landlord of premises which it had considered leasing. The directors consider that there is no substance to the claim and therefore no provision has been made.

### 16 Transactions with related parties

During the year, the group entered into the following transactions with European Broadband Systems PLC and Amador Ltd, companies in which the chairman Mr ASM Robinson has an interest, and Mrs Gail Markham is director.

European Broadband Systems PLC has recharged £nil (1994: £37,451) in respect of goods and services provided for a subsidiary undertaking and Amador Ltd has charged £185,800 (1994: £nil) for building and construction works.

The above transactions were entered into in the normal course of business and on an arms length basis.

# Eurobell (South West) Holdings Limited

Notes (continued)

## 17 Commitments

### Group

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	Group		Company
	1995	1994	1995
	£	£	£
Contracted	1,904,760	-	-
Authorised but not contracted	21,998,000	12,141,000	-

Under the terms of its licence agreement a subsidiary undertaking has an obligation to construct a broadband telecommunications network in the franchise area. The directors estimate that this will require further capital expenditure of approximately £160m, including amounts disclosed as capital commitments above.

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1995		1994	
	Land and buildings	Other	Land and buildings	Other
			£	£
Group				
Operating leases which expire:				
In the second to fifth years inclusive	-	5,282	-	-
Over five years	140,800	96	40,500	-
	<u>140,800</u>	<u>5378</u>	<u>40,500</u>	<u>-</u>

The company has no operating lease commitments.

- (iii) *Pension commitments*

The group does not operate a pension scheme but contributes to certain personal pension schemes on a monthly basis. Contributions for 1995 totalled £1,041 (1994: £11,247).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 18 Deferred tax

The full potential deferred tax liability at 25 % (1994: 25 %) which has not been provided for in these financial statements is as follows:

Group	1995 £	1994 £
Difference between accumulated depreciation and capital allowances	575,997	(4,414)
Other timing differences	(56,239)	
Losses carried forward	(519,758)	-
	<u>-</u>	<u>(4,414)</u>

### Company

The company has no potential deferred tax liabilities (1994: £nil).

In addition to the losses stated above, the group has surplus tax losses of approximately £3.0m (1994: £1.2m) which, subject to agreement with the Inland Revenue, are available for carry forward and offset against future trading profits.

### 19 Reconciliation of operating loss to net cashflow from operating activities

	1995 £	1994 £
Operating loss	(1,966,984)	(919,777)
Depreciation charge	460,160	17,655
Increase in debtors	(935,504)	(58,291)
Increase in creditors	517,058	834,742
Net cash outflow from operating activities	<u>(1,925,270)</u>	<u>(125,671)</u>

### 20 Analysis of changes in cash and cash equivalents

	Cash £	Overdraft £	Net £
Balance at 31 December 1993	-	-	-
Net cash inflow/(outflow)	<u>2,300,200</u>	<u>(1,089)</u>	<u>2,299,111</u>
Balance at 31 December 1994	2,300,200	(1,089)	2,299,111
Net cash outflow	<u>(2,298,452)</u>	<u>(7,965)</u>	<u>(2,306,417)</u>
Balance at 31 December 1995	<u>1,748</u>	<u>(9,054)</u>	<u>(7,306)</u>

# Eurobell (South West) Holdings Limited

## Notes (continued)

### 21 Analysis of changes in financing during the year

	Share capital and capital reserve £	Loans and finance lease obligations £
Balance at 31 December 1993	20,100	400,000
Cash inflow/(inflow) from financing	4,400,000	(117,705)
Inception of finance lease contracts	-	40,493
	<hr/>	<hr/>
Balance at 31 December 1994	4,420,100	322,788
Cash inflow from financing	-	5,927,923
Inception of finance lease contracts	-	46,336
Inception of other capital loans	-	1,785,795
	<hr/>	<hr/>
Balance at 31 December 1995	<u>4,420,100</u>	<u>8,082,842</u>

### 22 Ultimate parent undertaking

Eurobell (Holdings) PLC is the ultimate parent undertaking of the group of undertakings of which Eurobell (South West) Holdings Limited is a member.

The parent undertaking is registered in England and Wales.

Copies of the consolidated financial statements of Eurobell (Holdings) PLC are available from MultiMedia House, Lloyds Court, Manor Royal, Crawley, West Sussex, RH10 2PT.

### 23 Post balance sheet events

On 26 July 1996 Southern Western Electricity PLC assigned to Eurobell (Holdings) PLC its loan of £2.7m made to Eurobell (South West) Limited. The £2.7m consideration for the assignment is payable on the earlier of 30 June 1997 or a change in ownership or the ultimate ownership of Eurobell (South West) Limited.