

**CABLE & WIRELESS COMMUNICATIONS CABLECOMMS
CHESHIRE**

(formerly NYNEX CableComms Cheshire)

Report and Accounts

31 March 1999



CABLE & WIRELESS COMMUNICATIONS CABLECOMMS CHESHIRE

REPORT AND ACCOUNTS 1999

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
<i>Statement of Directors' responsibilities</i>	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
<i>Notes to the accounts</i>	8

CABLE & WIRELESS COMMUNICATIONS CABLECOMMS CHESHIRE

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Beveridge
G Clarke
R Drolet
M Molyneux

SECRETARY

R Drolet

REGISTERED OFFICE

Caxton Way
Watford Business Park
Watford
Hertfordshire
WD1 8XH

AUDITORS

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

CABLE & WIRELESS COMMUNICATIONS CABLECOMMS CHESHIRE

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 31 March 1999.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The principal activity of the Company is the provision of cable television and telecommunications services under licences awarded to it for the Cheshire area.

The Directors expect the operations of the Company to continue to expand in the forthcoming year.

On 26 February 1999, the company changed its name to Cable & Wireless Communications Cablecomms Cheshire.

RESULTS AND DIVIDENDS

The Company made a loss for the year of £3,106,000 (15 months ended 31 March 1998: loss of £9,543,000). The preference dividend of £494,180 to the non-equity shareholders for the year ended 31 March 1999 (1998: £617,725) has not been declared, but an appropriation equal to the dividend has been made in the profit and loss account in accordance with Financial Reporting Standard No. 4. The retained loss for the year of £3,600,000 (1998: loss of £10,161,000) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The Directors currently serving or who held office during the year were as follows:

R Drolet	
N Mearing-Smith	(resigned 29 January 1999)
G Wallace	(resigned 1 April 1999)
R Beveridge	(appointed 1 April 1999)
G Clarke	(appointed 1 April 1999)
M Molyneux	(appointed 1 April 1999)

Where the Directors held any interest in the shares of Cable and Wireless plc or Cable & Wireless Communications plc, such interest is disclosed in the accounts of Cable & Wireless Communications plc, except as stated below:

Options to subscribe for ordinary shares in Cable & Wireless Communications plc:

	At 1 April 1998 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 1999
R Drolet	57,542	-	(57,542)	-

On 18 June 1998, R Drolet exercised options for 6,547 shares at \$4.583 and on the same day sold the shares for £5.22, realising a gain of £16,223 (assuming an exchange rate of \$1.67:£1).

On 23 June 1998, R Drolet exercised further options for 25,000 shares at \$4.583 and on the same day sold the shares for £5.38, realising a gain of £65,860 (assuming an exchange rate of \$1.67:£1).

On 27 January 1999, R Drolet exercised further options for 25,995 shares at \$4.583 and on the same day sold the shares for £8.50, realising a gain of £148,886 (assuming an exchange rate of \$1.65:£1).

CABLE & WIRELESS COMMUNICATIONS CABLECOMMS CHESHIRE

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

Options to subscribe for ordinary shares in Cable and Wireless plc:

	At 1 April 1998 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 1999	Exercise Price	Date from which exercisable	Expiry Date
R Drolet	(i) -	3,289	-	3,289	£5.59	1/3/01	31/8/06
M Molyneux	(i) 4,816	-	-	4,816	£3.58	1/3/01	31/8/01
	(ii) 8,866	-	-	8,866	£4.21	3/7/99	2/7/03
	(iii) 7,134	-	-	7,134	£4.21	3/7/99	2/7/06

- (i) Granted under the Cable and Wireless Employee Savings-Related Share Option Scheme.
- (ii) Granted under the Cable and Wireless Senior Employees Share Option Scheme.
- (iii) Granted under the Cable and Wireless Revenue Approved Share Option Scheme.

EMPLOYEES

The Company has no employees. All Group employees are employed by a fellow Group Company, Cable & Wireless Communications plc.

PAYMENTS TO SUPPLIERS

The Company does not enter into contracts with suppliers. Cable & Wireless Communications Services Limited and Cable & Wireless Communications Programming Limited, fellow Group Companies, enter into most contracts with suppliers to the Cable & Wireless Communications plc Group.

YEAR 2000

The matters relating to the impact of the Year 2000 issue on the reporting systems and operations of the Company are set out on page 22 of the 1999 Annual Report and Accounts of Cable & Wireless Communications plc.

AUDITORS

The Directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

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



M Molyneux

Director

25 January 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss for the financial period:

The Directors are responsible for ensuring that in preparing the accounts, the Company has:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards, subject to any explanations and material departures disclosed in the notes to the accounts; and
- prepared the accounts on the 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 the financial position of the Company which enable them to ensure that the accounts 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 & WIRELESS COMMUNICATIONS CABLECOMMS CHESHIRE

We have audited the accounts on pages 6 to 16, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of Directors and Auditors

As described on page 4, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

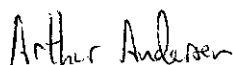
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 March 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

25 January 2000

CABLE & WIRELESS COMMUNICATIONS CABLECOMMS CHESHIRE

PROFIT AND LOSS ACCOUNT

Year ended 31 March 1999

	Note	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
TURNOVER	2	16,120	13,323
Cost of sales		(6,366)	(5,201)
GROSS PROFIT		9,754	8,122
Other operating expenses (net)		(3,904)	(5,486)
Costs of reorganisation	4	-	(847)
Depreciation and amortisation	10	(3,064)	(3,266)
Write down of fixed assets	10	(8)	(2,320)
Provisions and write down of other assets	3	-	(2,227)
OPERATING PROFIT / (LOSS)		2,778	(6,024)
Net interest payable	5	(5,884)	(3,519)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(3,106)	(9,543)
Taxation	9	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(3,106)	(9,543)
Dividends	12	(494)	(618)
RETAINED LOSS FOR THE PERIOD	14	(3,600)	(10,161)

All activities derive from continuing operations. The Company had no recognised gains and losses other than those reflected in the profit and loss account.

The accompanying notes form an integral part of this statement.

CABLE & WIRELESS COMMUNICATIONS CABLECOMMS CHESHIRE

BALANCE SHEET

31 March 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	10	71,060	67,466
CREDITORS: amounts falling due within one year	11	<u>(78,530)</u>	<u>(71,830)</u>
NET CURRENT LIABILITIES		<u>(78,530)</u>	<u>(71,830)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,470)</u>	<u>(4,364)</u>
NET LIABILITIES		<u>(7,470)</u>	<u>(4,364)</u>
CAPITAL AND RESERVES			
Called up share capital	12	22,925	22,925
Capital contribution	13	-	-
Profit and loss account	14	<u>(30,395)</u>	<u>(27,289)</u>
SHAREHOLDERS' FUNDS	15	<u>(7,470)</u>	<u>(4,364)</u>
Equity interests	15	(9,682)	(6,082)
Non-equity interests	15	<u>2,212</u>	<u>1,718</u>
		<u>(7,470)</u>	<u>(4,364)</u>

These accounts were approved by the Board of Directors on 25 January 2000 and signed on its behalf by:



R Beveridge

Director

The accompanying notes form an integral part of this statement.

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently in the preparation of the accounts, for the current year and preceding period, are as follows:

(a) Basis of preparation

The accounts are prepared in accordance with applicable Accounting Standards in the United Kingdom on the historical cost basis.

(b) Turnover and revenue recognition

Turnover, which excludes value added tax, is accounted for on the accruals basis. Revenue is recognised in the period in which the service is provided. Turnover derives from local, national and international telecommunications and cable television services.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost which includes materials, direct labour and general administrative expenses directly attributable to the design, construction and connection of the telecommunications and cable television networks and equipment.

General administrative expenses to be capitalised include all overheads of those departments responsible solely for design (including feasibility studies), construction and connection. Where departments spend only part of their time on functions directly connected with design, construction and connection, the relevant proportion of total overheads is capitalised. Costs which are initially capitalised on projects under construction where the projects do not become operational are written off to the profit and loss account, once it is determined that the project will not become operational.

Costs of departments relating to revenue related operations, such as direct selling, marketing and other customer related departments, are not capitalised.

(i) Capitalisation of interest

Interest is capitalised as part of the cost of separately identifiable major capital projects, up to the time that such projects are substantially complete. The amount of interest capitalised is calculated as the capitalisation rate multiplied by the weighted average carrying amount of major capital projects under construction during the period. The capitalisation rate during the period was the Company's weighted average cost of capital of 8%.

(ii) Depreciation

Depreciation is provided on the difference between the cost of tangible fixed assets and their estimated residual value in equal annual instalments over the estimated useful lives of the assets.

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

1. STATEMENT OF ACCOUNTING POLICIES (continued)

The current estimated useful lives are as follows:

	Lives:
Land and buildings:	
- freehold buildings	to 40 years
- leasehold land and buildings	to 40 years or term of lease if less
- leasehold improvements	Remaining term of lease or expected useful life of the improvements
Communications network plant and equipment:	
- ducting and network construction	10 to 40 years
- electronic equipment and cabling	10 to 20 years
- other network plant and equipment	6 to 25 years
Non-network plant and equipment	3 to 10 years

Freehold land, where the cost is distinguishable from the cost of the building thereon, is not depreciated.

After a portion of the network is fully constructed and released to operations, depreciation of the network commences when target rates of penetration are achieved or no later than one year after the release date.

(d) Deferred taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The Company provides for deferred tax only when there is a reasonable probability that the liability will arise in the foreseeable future. Where deferred tax is provided, the liability method is used. No deferred tax assets are recognised in respect of accumulated tax losses.

(e) Foreign currencies

Transactions are recorded in sterling at the rate of exchange ruling on the date of the transactions, except for those for which forward cover has been purchased. All monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. All exchange differences arising are dealt with through the profit and loss account.

(f) Provisions

The Company accounts for provisions in accordance with Financial Reporting Standard No. 12 'Provisions and Contingencies'. Consequently, provisions are only recognised when the Company has a legal or constructive obligation to transfer economic benefits as a result of past events. The amount recognised as a provision is a realistic and prudent estimate of the expenditure required to settle the obligation.

(g) Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (Revised), the Company has not prepared a cash flow statement because it is a wholly owned subsidiary of a Company of which consolidated accounts are publicly available (see Note 19).

2. TURNOVER

Turnover is attributable principally to the provision of telecommunications (including cable television) services in the United Kingdom. The Directors consider this to be a single class of business and accordingly no segmental analysis of operating loss or net assets is shown.

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

3. PROVISIONS AND WRITE DOWN OF OTHER ASSETS

During 1997, Cable & Wireless Communications plc undertook a review of the net book values of the assets and liabilities of the Company. This resulted in a charge of £2,227,000, principally relating to the write off of long term debtors.

4. COSTS OF REORGANISATION

Following the formation of the Cable & Wireless Communications Group on 28 April 1997, costs of £847,000 were incurred by the Company in the year ended 31 March 1998 which included costs such as redundancies, asset write downs and property rationalisations.

5. NET INTEREST PAYABLE

	Year-ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Interest on short term loans	6,951	3,029
Interest on loans repayable partly by instalments in more than 5 years	-	568
Amortisation of option type premiums	-	47
	<hr/>	<hr/>
	6,951	3,644
Less: interest capitalised within network fixed assets	(1,067)	(125)
	<hr/>	<hr/>
	5,884	3,519
	<hr/>	<hr/>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	Year-ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Depreciation of owned tangible fixed assets	3,064	3,266
	<hr/>	<hr/>

The auditors' remuneration for the current financial year and preceding financial period has been by a fellow Group undertaking.

7. REMUNERATION OF DIRECTORS

The Directors' emoluments for the current financial year and preceding period has been borne by a fellow group undertaking.

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

8. STAFF NUMBERS AND COSTS

Cable & Wireless Communications plc, a fellow Group Company, employs all of the Group's employees. Details of staff numbers and staff costs for the Group are disclosed in the accounts of Cable & Wireless Communications plc.

In the period ended 27 April 1997, payroll costs were incurred directly or indirectly by Cable & Wireless Communications Cablecomms Limited and recharged to the UK Cable Operations of the Cable & Wireless Communications CableComms Group under management service agreements. The payroll costs attributable to the Company were as follows:

	Year-ended 31 March 1999 £'000	4 months ended 27 April 1997 £'000
Wages and salaries	-	503
Social security costs	-	58
Other pension costs	-	5
	<hr/>	<hr/>
Total staff costs	-	566
Less: Staff costs capitalised within network fixed assets	-	(199)
	<hr/>	<hr/>
	-	367
	<hr/>	<hr/>

9. TAXATION

There is no corporation tax charge for the financial year (1998 - £nil). The Company has significant tax losses available for offset against future trading profits. There is no unprovided deferred tax liability.

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Network cable, plant and equipment £'000	Non-network plant and equipment £'000	Total £'000
Cost				
At 1 April 1998	998	74,024	37	75,059
Additions	-	6,672	-	6,672
Disposals	-	(10)	(22)	(32)
At 31 March 1999	998	80,686	15	81,699
Depreciation				
At 1 April 1998	200	7,368	25	7,593
Write down of fixed assets	-	8	-	8
Disposals	-	(4)	(22)	(26)
Charge for the year	41	3,014	9	3,064
At 31 March 1999	241	10,386	12	10,639
Net book value				
At 31 March 1999	757	70,300	3	71,060
At 31 March 1998	798	66,656	12	67,466

The net book value includes capitalised interest of £1,638,000 (1998: £751,000). Network cable, plant and equipment includes £5,004,000 (1998: £3,839,000) in respect of assets not yet in service and consequently upon which depreciation has not been charged.

During 1997, Cable & Wireless Communications plc undertook a review of the net book values of the fixed assets of Cable & Wireless Communications CableComms Cheshire (formerly NYNEX Cablecomms Cheshire). This resulted in a write down of fixed assets of £2,320,000 for the fifteen months ended 31 March 1998, principally relating to assets which will have no value to the company upon the planned introduction of digital cable television. During 1998 an additional write down of £8,000 was made.

The net book value of land and buildings comprised:

	1999 £'000	1998 £'000
Freehold	31	32
Short leasehold	726	766
	757	798

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Amounts owed to fellow group undertakings	77,858	71,830
Accruals and deferred income	672	-
	<u>78,530</u>	<u>71,830</u>

Since the final quarter of 1997, the current assets and liabilities of the Company have been managed by Cable & Wireless Communications Services Limited. The net balance payable by the Company to Cable & Wireless Communications Services Limited is disclosed under amounts owed to fellow subsidiary undertakings.

12. SHARE CAPITAL

	Number	£'000
Authorised		
As at 31 March 1998 and 1999		
Preference shares of £1 each	300	-
'A' ordinary shares of £1 each	124,615,385	124,615
	<u>124,615,685</u>	<u>124,615</u>
Allotted, called up and fully paid		
As at 31 March 1998 and 1999		
Preference shares of £1 each	300	-
'A' ordinary shares of £1 each	22,924,063	22,925
	<u>22,924,363</u>	<u>22,925</u>

Shareholders' voting rights

In the opinion of the Directors, the primary rights attached to the various classes of shares are as follows:

£1 preference shares

The right to attend and speak but not vote at all general meetings of the Company.

£1 'A' ordinary shares

The right to attend, speak and vote at all general meetings of the Company.

Distributable profits

Distributable profits are allocated on the following basis:

Preference Shareholders

A fixed cumulative preferential dividend at the rate of £494,180 per annum. This dividend will accrue on a daily basis from 11 October 1993 until 11 October 2014. After payment of the preference dividend, the Preference Shareholders are entitled to 15% of the remaining distributable profits.

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

12. SHARE CAPITAL (continued)

Ordinary Shareholders

After payment of the preference dividend, Ordinary Shareholders are entitled to 85% of the remaining distributable profits.

Dividends

The preference dividend of £494,180 to the non-equity shareholders for the period ended 31 March 1999 (1998: £617,725) has not been declared. An appropriation equal to the dividend has been made in the profit and loss account in accordance with Financial Reporting Standard No. 4 and is shown in the statement of Reconciliation of Movements in Shareholders' Funds (see Note 15).

13. CAPITAL CONTRIBUTION

	1999	1998
	£'000	£'000
At 1 April	-	13,376
Received in the period	-	42
Converted to shares	-	(13,418)
	<hr/>	<hr/>
At 31 March	-	-
	<hr/>	<hr/>

14. PROFIT AND LOSS ACCOUNT

	1999	1998
	£'000	£'000
At 1 April	(27,289)	(17,746)
Retained loss for the financial year	(3,600)	(10,161)
	<hr/>	<hr/>
	(30,889)	(27,907)
Undeclared dividends due to non-equity	494	618
	<hr/>	<hr/>
At 31 March	(30,395)	(27,289)
	<hr/>	<hr/>

Cumulative undeclared dividends due to non-equity shareholders

	1999	1998
	£'000	£'000
At 1 April	1,718	1,100
Appropriated during the period	494	618
	<hr/>	<hr/>
At 31 March	2,212	1,718
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Loss for the financial period	(3,106)	(9,543)
Capital contribution received in the period	-	42
Non- equity dividends not declared	(494)	(618)
	<u>(3,600)</u>	<u>(10,119)</u>
Reversal of non-equity dividends	494	618
Net movement in shareholders' funds	<u>(3,106)</u>	<u>(9,501)</u>
Opening shareholders' funds	(4,364)	5,137
Closing shareholders' funds	<u><u>(7,470)</u></u>	<u><u>(4,364)</u></u>
Total Shareholders' Funds		
Equity share capital	22,925	22,925
Non-equity share capital	-	-
Capital contribution	-	-
Profit and loss account	(30,395)	(27,289)
Total shareholders' funds	<u><u>(7,470)</u></u>	<u><u>(4,364)</u></u>
Shareholders' funds allocated to non-equity		
Non-equity share capital	-	-
Cumulative dividends not yet declared	2,212	1,718
	<u>2,212</u>	<u>1,718</u>
Shareholders' funds allocated to equity		
Difference between shareholders' funds and amount allocated to non-equity interests	<u>(9,682)</u>	<u>(6,082)</u>
Made up as follows:		
Equity shares	22,925	22,925
Capital contribution	-	-
Profit and loss account	(30,395)	(27,289)
Cumulative dividends due to non-equity shareholders	<u>(2,212)</u>	<u>(1,718)</u>
	<u><u>(9,682)</u></u>	<u><u>(6,082)</u></u>

16. CAPITAL COMMITMENTS

As at 31 March 1998 and 31 March 1999, there was no capital expenditure contracted for and not accrued for in the accounts.

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

17. CONTINGENT LIABILITIES

The Company is party to various legal proceedings in the ordinary course of business, primarily arising from the construction of the network. While no assurance can be given as to the outcome of these matters, in the opinion of management, based upon legal advice, the ultimate resolution of these matters in future periods is not expected to have a material affect on the Company's financial position or operating results.

18. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8 not to disclose related party transactions with Cable & Wireless Communications Group companies.

19. ULTIMATE PARENT COMPANY AND CONTROLLING UNDERTAKING

The Directors regard Cable and Wireless plc, a Company registered in England and Wales, as the ultimate parent Company and controlling undertaking.

The largest Group in which the results of the Company are consolidated is that of which Cable and Wireless plc is the parent Company. The consolidated accounts of Cable and Wireless plc may be obtained from 124 Theobalds Road, London, WC1X 8RX.

The smallest Group in which the results of the Company are consolidated is that of which Cable & Wireless Communications (N) UK Telephone & Cable TV Holding Company Limited (formerly NYNEX UK Telephone & Cable TV Holding Company Limited) is the parent Company. The consolidated accounts of that Company may be obtained from Caxton Way, Watford Business Park, Watford, Hertfordshire, WD1 8XH.

The Company is dependent on the financial support of Cable & Wireless Communications plc in order to meet its obligations as they fall due. Cable & Wireless Communications plc has indicated that it will continue to support the Company, thereby enabling it to meet its obligations as they fall due, for a period of not less than one year from the date of this report.