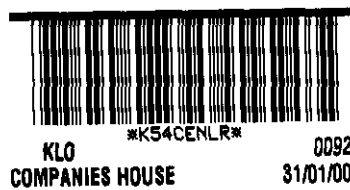


**CABLE & WIRELESS COMMUNICATIONS
CABLECOMMS DERBY
(formerly NYNEX CableComms DERBY)**

Report and Accour

31 March 1999



REPORT AND ACCOUNTS 1999

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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

DIRECTORS' REPORT

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

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 Derby 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 Derby.

RESULTS AND DIVIDENDS

The Company made a loss for the year of £1,557,000 (15 months ended 31 March 1998: £9,563,000) which has been transferred to reserves. The directors do not recommend payment of a dividend (1998: £nil).

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).

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.

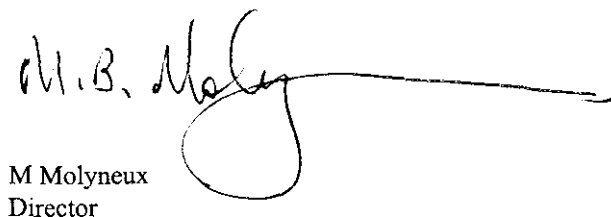
YEAR 2000

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 DERBY

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 to 10.

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.

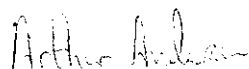
Basis of opinion

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 DERBY

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	12,850	13,180
Cost of sales		(4,877)	(5,351)
GROSS PROFIT		7,973	7,829
Other operating expenses (net)		(3,306)	(5,802)
Costs of reorganisation	4	-	(838)
Depreciation and amortisation		(2,853)	(3,741)
Write down of fixed assets	11	(277)	(3,028)
Provisions and write down of other assets	3	-	(1,501)
OPERATING PROFIT / (LOSS)		1,537	(7,081)
Net interest payable	5	(3,094)	(2,482)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(1,557)	(9,563)
Taxation	9	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	16	(1,557)	(9,563)

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 DERBY

BALANCE SHEET

31 March 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Intangible assets	10	147	167
Tangible assets	11	53,082	52,028
		<u>53,229</u>	<u>52,195</u>
CREDITORS: amounts falling due within one year	12	<u>(21,536)</u>	<u>(18,945)</u>
NET CURRENT LIABILITIES		<u>(21,536)</u>	<u>(18,945)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>31,693</u>	<u>33,250</u>
NET ASSETS		<u>31,693</u>	<u>33,250</u>
CAPITAL AND RESERVES			
Called up equity share capital	13	18,131	18,131
Share premium account	14	45,867	45,867
Capital contribution	15	-	-
Profit and loss account	16	<u>(32,305)</u>	<u>(30,748)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>31,693</u>	<u>33,250</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.

(iii) Franchise applications and other start-up costs

Franchise application costs represent the acquisition costs of rights to operate a telecommunications network in a given territory. Costs of successful and unsuccessful cable television franchise applications are written off as incurred. Costs incurred between the award of a franchise licence and the connection of the first customer are written off over the period during which revenues are generated by the franchise.

(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.

NOTES TO THE ACCOUNTS**Year ended 31 March 1999****1. STATEMENT OF ACCOUNTING POLICIES (continued)****(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 22).

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.

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 £1,501,000, 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 £838,000 were incurred by the Company in the year ended 31 March 1998 which included employee related 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	3,760	2,195
Interest on loans repayable partly by instalments in more than 5 years	-	398
Amortisation of option type premiums	-	23
	<hr/> 3,760	<hr/> 2,616
Less: interest capitalised within network fixed assets	(666)	(134)
	<hr/> <hr/> 3,094	<hr/> <hr/> 2,482

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXTION

Loss on ordinary activities before taxation is stated after charging:

	Year-ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Amortisation of intangible fixed assets	20	7
Depreciation of owned tangible fixed assets	2,833	3,741
Operating lease payments	46	106
	<hr/>	<hr/>

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

7. REMUNERATION OF DIRECTORS

The Directors' emoluments for the current year and preceding period have been borne by a fellow Group undertaking.

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	-	549
Social security costs	-	63
Other pension costs	-	5
	<hr/>	<hr/>
Total staff costs	-	617
Less: Staff costs capitalised within network fixed assets	-	(217)
	<hr/>	<hr/>
	-	400
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS**Year ended 31 March 1999****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.

10. INTANGIBLE FIXED ASSETS

	Franchise Acquisition Costs £'000
Cost	
At 1 April 1998 and 31 March 1999	212
Amortisation	
At 1 April 1998	45
Charge for the year	20
At 31 March 1999	65
Net Book Value	
At 31 March 1999	147
At 31 March 1998	167

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

11. 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	1,332	62,163	717	64,212
Additions	-	4,190	-	4,190
Disposals	-	(67)	(260)	(327)
At 31 March 1999	1,332	66,286	457	68,075
Depreciation				
At 1 April 1998	781	10,801	602	12,184
Write-down of fixed assets	-	277	-	277
Disposals	-	(52)	(249)	(301)
Charge for the year	19	2,728	86	2,833
At 31 March 1999	800	13,754	439	14,993
Net book value				
At 31 March 1999	532	52,532	18	53,082
At 31 March 1998	551	51,362	115	52,028

The net book value includes capitalised interest of £941,000 (1998: £426,000). Network cable, plant and equipment includes £2,300,000 (1998-£1,579,000) 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 Derby (formerly NYNEX CableComms Derby). This resulted in a write down of fixed assets of £3,028,000 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 £277,000 was made.

The net book value of land and buildings comprised:

	1999 £'000	1998 £'000
Freehold	359	368
Short leasehold	173	183
	532	551

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Accruals and deferred income	184	-
Due to fellow subsidiary undertakings	21,352	18,945
	<u>21,536</u>	<u>18,945</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.

13. SHARE CAPITAL

	Number	£'000
Authorised		
Ordinary shares of £0.01 each		
As at 31 March 1998 and 1999	2,000,100,000	20,001
	<u>2,000,100,000</u>	<u>20,001</u>
Allotted, called up and fully paid		
Ordinary shares of £0.01 each		
As at 31 March 1998 and 1999	1,813,125,338	18,131
	<u>1,813,125,338</u>	<u>18,131</u>

14. SHARE PREMIUM ACCOUNT

	Share Premium Account £'000
At 1 April 1998 and 31 March 1999	45,867
	<u>45,867</u>

15. CAPITAL CONTRIBUTION

	1999 £'000	1998 £'000
At 1 April	-	38,924
Received in the period	-	210
Converted to shares	-	(39,134)
	<u>-</u>	<u>-</u>
At 31 March	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

16. PROFIT AND LOSS ACCOUNT

	1999 £'000	1998 £'000
At 1 April	(30,748)	(21,185)
Retained loss for the financial period	(1,557)	(9,563)
At 31 March	<u>(32,305)</u>	<u>(30,748)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Loss for the financial period	(1,557)	(9,563)
Capital contribution received in the period	-	210
Opening shareholders' funds	<u>33,250</u>	<u>42,603</u>
Closing shareholders' funds	<u>31,693</u>	<u>33,250</u>

18. CAPITAL COMMITMENTS

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

19. 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.

20. FINANCIAL COMMITMENTS

At 31 March 1998 and 1999 the Company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring:				
Within one year	-	-	-	-
Between one and five years	-	-	-	-
Over five years	<u>46</u>	<u>-</u>	<u>46</u>	<u>-</u>
	<u>46</u>	<u>-</u>	<u>46</u>	<u>-</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

21. 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.

22. 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.