

**NYNEX WIRRAL TELEPHONE & CABLE  
TV COMPANY**

**Report and Accounts**

**31 March 1998**



# **NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY**

## **REPORT AND ACCOUNTS 1998**

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# **NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

G Wallace  
N Mearing-Smith  
R Drolet

### **SECRETARY**

R Drolet

### **REGISTERED OFFICE**

Caxton Way  
Watford Business Park  
Watford  
Hertfordshire  
WD1 8XH

### **AUDITORS**

Arthur Andersen  
1 Surrey Street  
London  
WC2R 2PS

# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## DIRECTORS' REPORT

The Directors present their report and the audited accounts for the 15 months ended 31 March 1998.

## 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 area.

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

## RESULTS AND DIVIDENDS

The Company made a loss for the period of £13,531,000 (Year ended 31 December 1996: £6,251,000) which has been transferred to reserves.

## DIRECTORS AND THEIR INTERESTS

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

J Killian	(resigned 2 June 1997)
N Mearing-Smith	
P Repp	(resigned 2 June 1997)
G Wallace	(appointed 2 June 1997)
R Drolet	(appointed 2 June 1997)

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:

Ordinary shares of Cable & Wireless Communications plc:

	At 1 January 1997 (or later date of appointment)	Shares acquired	Shares disposed	At 31 March 1998
N Mearing-Smith	153,949	-	-	153,949

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

	At 1 January 1997 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 1998	Exercise Price	Date from which exercisable	Expiry Date
R Drolet	57,542	-	-	57,542	\$4.583	1/5/97	2/7/03

## EMPLOYEES

The Company has no employees. Most 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, a fellow Group Company, enters into most contracts with suppliers to the Cable & Wireless Communications Group.

**DIRECTORS' REPORT**

**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 23 of the 1998 Annual Report and Accounts of Cable & Wireless Communications plc.

**AUDITORS**

On 7 July 1998, Coopers & Lybrand resigned and Arthur Andersen were appointed as auditors.

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



R Drolet

Secretary

22 January 1999

**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 NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY**

We have audited the accounts on pages 6 to 17 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.

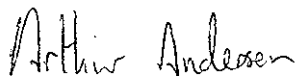
### **Basis of opinion**

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 1998 and of its loss for the period 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

22 January 1999

# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## PROFIT AND LOSS ACCOUNT 15 months ended 31 March 1998

	Note	15 months ended 31 March 1998 £'000	Year ended 31 December 1996 £'000
<b>TURNOVER</b>	2	13,260	5,785
Cost of sales		(5,748)	(2,596)
Gross profit		7,512	3,189
Other operating expenses (net)		(6,168)	(5,398)
Costs of reorganisation	4	(843)	-
Depreciation and amortisation		(1,964)	(2,323)
Write down of fixed assets	10	(6,218)	-
Provisions and write down of other assets	3	(2,186)	-
<b>OPERATING LOSS</b>		(9,867)	(4,532)
Net interest (payable)/receivable	5	(3,664)	(1,719)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	(13,531)	(6,251)
Taxation	9	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	17	(13,531)	(6,251)

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.



# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## BALANCE SHEET

31 March 1998

	Note	31 March 1998		31 December 1996	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	10		66,249		57,704
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due after more than one year	11	-		1,455	
Debtors: amounts falling due within one year	12	-		9,001	
Cash at bank and in hand		-		119	
				<u>10,575</u>	
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(49,858)</u>		<u>(3,592)</u>	
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>			<u>(49,858)</u>		<u>6,983</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			16,391		64,687
<b>CREDITORS: amounts falling due after more than one year</b>	14		<u>-</u>		<u>(34,878)</u>
<b>NET ASSETS</b>			<u>16,391</u>		<u>29,809</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		50,160		13,183
Capital contribution	16		-		36,864
Profit and loss account	17		<u>(33,769)</u>		<u>(20,238)</u>
<b>SHAREHOLDERS' FUNDS</b>	18		<u>16,391</u>		<u>29,809</u>

These accounts were approved by the Board of Directors on 22 January 1999 and signed on its behalf by:



R Drolet

Director

The accompanying notes form an integral part of this statement.

**NOTES TO THE ACCOUNTS**  
**15 months ended 31 March 1998**

**1. STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies, which have been applied consistently in the preparation of the accounts, are as follows:

**(a) Basis of preparation**

The accounts are prepared in accordance with applicable Accounting Standards in the United Kingdom and 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.

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.

Capitalisation of costs ceases once projects are substantially complete. 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. The Directors review the useful economic lives and estimated residual values of all assets annually. Where expectations are significantly different from previous estimates, the remaining net book values of the assets are depreciated over the remaining useful economic life.

**NOTES TO THE ACCOUNTS**  
**15 months ended 31 March 1998**

**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 15 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 that portion commences at the earlier of six months after the release date or when target rates of penetration are achieved.

**(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) Leased assets**

Operating lease costs are charged to operating loss on a straight line basis over the lease term.

**(e) Fixed asset investments**

Fixed asset investments are stated at cost less provisions for impairment.

Consolidated accounts are not prepared as the Company is a wholly owned subsidiary of another Company incorporated in Great Britain which prepares Group accounts (see Note 23).

**(f) 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.

**NOTES TO THE ACCOUNTS**  
**15 months ended 31 March 1998**

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**(g) Pensions**

**Defined contribution schemes**

The Company participates in defined contribution pension schemes for certain employees. The pension costs charged to the profit and loss account represent contributions payable during the period.

**(h) 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.

**(i) Provisions**

The Company accounts for provisions in accordance with Financial Reporting Standard 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.

**(j) 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 incorporated in Great Britain which is part of a Group which prepares a consolidated cash flow statement (see Note 23).

**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 £2,186,000, 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, the nature and focus of operations of Group Companies have been fundamentally reorganised. Costs of £843,000 were incurred by the Company which include its share of the Group's branding, employee related costs such as redundancies, asset write downs and property rationalisations.

# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## NOTES TO THE ACCOUNTS 15 months ended 31 March 1998

### 5. NET INTEREST PAYABLE

	15 months ended 31 March 1998 £'000	Year ended 31 December 1996 £'000
Interest on short term loans	3,089	-
Interest on loans repayable partly by instalments in more than 5 years	671	1,853
Amortisation of option type premiums	45	182
	<u>3,805</u>	<u>2,035</u>
Less: interest capitalised within network fixed assets	(141)	(316)
	<u>3,664</u>	<u>1,719</u>

### 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	15 months ended 31 March 1998 £'000	Year ended 31 December 1996 £'000
Depreciation of owned tangible fixed assets	1,964	2,323
Operating lease payments	65	69
	<u>2,029</u>	<u>2,392</u>

The auditors' remuneration for the current financial period has been borne by a fellow Group Company.

### 7. REMUNERATION OF DIRECTORS

	15 months ended 31 March 1998 £'000	Year ended 31 December 1996 £'000
Directors' emoluments:		
Remuneration as executives	-	58
	<u>-</u>	<u>58</u>

The Directors' emoluments for the current period have been borne by a fellow subsidiary undertaking.

# **NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY**

## **NOTES TO THE ACCOUNTS** **15 months ended 31 March 1998**

### **8. STAFF NUMBERS AND COSTS**

Cable & Wireless Communications plc, a fellow Group Company, employs most 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 year ended 31 December 1996 and the period ended 27 April 1997, payroll costs were incurred directly or indirectly by NYNEX Cablecomms Limited and recharged to the UK Cable Operations of the NYNEX Group under management service agreements. The payroll costs attributable to the Company were as follows:

	<b>4 months ended 27 April 1997</b>	<b>Year ended 31 December 1996</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	578	1,692
Social security costs	67	176
Other pension costs	6	8
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Total staff costs	651	1,876
Less: Staff costs capitalised within network fixed assets	(229)	(886)
	<hr/>	<hr/>
	422	990
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### **9. TAXATION**

No corporation tax has been charged due to the availability of losses brought forward from previous years. The Company has approximately £49,164,000 (1996: £42,961,000) of tax losses available for set off against profits of the same trade. There is no unprovided deferred tax liability.

# **NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY**

## **NOTES TO THE ACCOUNTS** **15 months ended 31 March 1998**

### **10. TANGIBLE FIXED ASSETS**

	Land and buildings £'000	Network cable, plant and equipment £'000	Non-network plant and equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 1997	2,612	58,380	398	61,390
Additions	21	16,657	66	16,744
Disposals	(17)	-	-	(17)
At 31 March 1998	2,616	75,037	464	78,117
<b>Depreciation</b>				
At 1 January 1997	256	3,225	205	3,686
Write down of fixed assets	1,771	4,447	-	6,218
Charge for the period	33	1,789	142	1,964
At 31 March 1998	2,060	9,461	347	11,868
<b>Net book value</b>				
At 31 March 1998	556	65,576	117	66,249
At 31 December 1996	2,356	55,155	193	57,704

The net book value includes capitalised interest of £556,000 (1996: £451,000).

During 1997, Cable & Wireless Communications plc undertook a review of the net book values of the fixed assets of Nynex CableComms Wirral Telephone and Cable TV Company. This resulted in a write down of fixed assets of £6,218,000 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.

The net book value of land and buildings comprised:

	31 March 1998 £'000	31 December 1996 £'000
Freehold	492	2,273
Short leasehold	64	83
	556	2,356

Freehold land is not depreciated.

# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## NOTES TO THE ACCOUNTS 15 months ended 31 March 1998

### 11. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 1998 £'000	31 December 1996 £'000
Deferred costs in respect of hedging instruments	-	947
Deferred loss on hedging instruments	-	872
Amortisation	-	(364)
	<u>-</u>	<u>1,455</u>

### 12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 1998 £'000	31 December 1996 £'000
Trade Debtors	-	766
Amounts owed by fellow subsidiary undertakings	-	7,438
Other debtors	-	691
Prepayments and accrued income	-	106
	<u>-</u>	<u>9,001</u>

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 1998 £'000	31 December 1996 £'000
Trade Creditors	-	285
Amounts owed to fellow subsidiary undertakings	49,858	-
Accruals and deferred income	-	2,540
Other creditors	-	732
Taxation and social security	-	35
	<u>49,858</u>	<u>3,592</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.



# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## NOTES TO THE ACCOUNTS 15 months ended 31 March 1998

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 1998 £'000	31 December 1996 £'000
Long term loan	-	34,878
<b>Long term loan</b>		
Repayable by instalments:		
Between two and five years	-	8,946
In five years or more	-	25,932
Total	-	34,878

### 15. SHARE CAPITAL

	Number	£'000
<b>Authorised</b>		
As at 31 December 1996		
Ordinary shares of £1 each	13,314,503	13,315
 Increase during the period		
Ordinary shares of £1 each	36,977,300	36,977
As at 31 March 1998	50,291,803	50,292
 <b>Allotted, called up and fully paid</b>		
As at 31 December 1996		
Ordinary shares of £1 each	13,182,677	13,183
 Issued during the period		
Ordinary shares of £1 each	36,977,300	36,977
As at 31 March 1998	50,159,977	50,160

### 16. CAPITAL CONTRIBUTION

	31 March 1998 £'000	31 December 1996 £'000
At 1 January	36,864	36,864
Received in the period	113	-
Converted to shares	(36,977)	-
At 31 March/ December	-	36,864

# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## NOTES TO THE ACCOUNTS 15 months ended 31 March 1998

### 17. PROFIT AND LOSS ACCOUNT

	31 March 1998 £'000	31 December 1996 £'000
At 1 January	(20,238)	(13,987)
Retained loss for the financial period	(13,531)	(6,251)
	<hr/>	<hr/>
At 31 March/December	(33,769)	(20,238)
	<hr/>	<hr/>

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 March 1998 £'000	31 December 1996 £'000
Loss for the financial period	(13,531)	(6,251)
Capital contribution	113	-
	<hr/>	<hr/>
	(13,418)	(6,251)
Opening shareholders' funds	29,809	36,060
	<hr/>	<hr/>
Closing shareholders' funds	16,391	29,809
	<hr/>	<hr/>

### 19. CAPITAL COMMITMENTS

Capital commitments at the end of the financial period, for which no provision has been made:

	31 March 1998 £'000	31 December 1996 £'000
Contracted for but not provided	-	-
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### 20. 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.

# NYNEX WIRRAL TELEPHONE & CABLE TV COMPANY

## NOTES TO THE ACCOUNTS 15 months ended 31 March 1998

### 21. FINANCIAL COMMITMENTS

At 31 March 1998 and 31 December 1996, the Company had annual commitments under non-cancellable operating leases as follows:

	31 March 1998		31 December 1996	
	Land & Buildings	Other	Land & Buildings	Other
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	-	-	-	-
Between one and five years	52	-	52	-
Over five years	-	-	-	-
	<u>52</u>	<u>-</u>	<u>52</u>	<u>-</u>

### 22. 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.

### 23. 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 NYNEX UK Telephone & Cable TV Holdings 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.