

**CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL  
TELEPHONE AND CABLE TV COMPANY  
(Formerly Nynex Wirral Telephone and Cable TV Company)**

**Report and Accounts**

**31 March 1999**



**CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE  
TV COMPANY**

**REPORT AND ACCOUNTS 1999**

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**CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE  
TV COMPANY**

**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 (N) WIRRAL TELEPHONE AND CABLE TV COMPANY**

## **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 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 (N) Wirral Telephone and Cable TV Company.

## **RESULTS AND DIVIDENDS**

The Company made a loss for the year of £3,432,000 (15 months ended 31 March 1998: loss of £13,531,000) 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:

	<b>At 1 April 1998 (or later date of appointment)</b>	<b>Granted Number</b>	<b>Exercised Number</b>	<b>At 31 March 1999</b>
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 exchange rate \$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 exchange rate \$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 exchange rate \$1.65:£1).

# CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE TV COMPANY

## 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

**CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE  
TV COMPANY**

**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 (N) WIRRAL TELEPHONE AND  
CABLE TV COMPANY**

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.

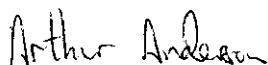
**Basis of opinion**

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 (N) WIRRAL TELEPHONE AND CABLE  
TV COMPANY**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1999**

	Note	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
<b>TURNOVER</b>	2	14,307	13,260
Cost of sales		(5,545)	(5,748)
<b>GROSS PROFIT</b>		8,762	7,512
Other operating expenses (net)		(3,503)	(6,168)
Costs of reorganisation	4	-	(843)
Depreciation and amortisation	10	(3,195)	(1,964)
Write down of fixed assets	10	-	(6,218)
Provisions and write down of other assets	3	-	(2,186)
<b>OPERATING PROFIT / (LOSS)</b>		2,064	(9,867)
Net interest payable	5	(5,496)	(3,664)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	(3,432)	(13,531)
Taxation	9	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	14	(3,432)	(13,531)

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 (N) WIRRAL TELEPHONE AND CABLE  
TV COMPANY**

**BALANCE SHEET**  
**31 March 1999**

	Note	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	68,818	66,249
<b>CREDITORS: amounts falling due within one year</b>	11	(55,859)	(49,858)
<b>NET CURRENT LIABILITIES</b>		(55,859)	(49,858)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,959	16,391
<b>NET ASSETS</b>		12,959	16,391
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	12	50,160	50,160
Capital contribution	13	-	-
Profit and loss account	14	(37,201)	(33,769)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	12,959	16,391

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 this 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.

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 year. The capitalisation rate during the year 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 and 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) Leased assets**

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

#### **(e) Deferred taxation**

The charge for taxation is based on the results for the year 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**

**Year ended 31 March 1999**

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

**(f) 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.

**(g) 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.

**(h) 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 20).

**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 in the year ended 31 March 1998 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, 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.

**CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE TV  
COMPANY**

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

**5. NET INTEREST PAYABLE**

	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Interest on short term loans	6,424	3,089
Interest on loans repayable partly by instalments in more than 5 years	-	671
Amortisation of option type premiums	-	45
	<hr/> 6,424	<hr/> 3,805
Less: interest capitalised within network fixed assets	<hr/> (928)	<hr/> (141)
	<hr/> <hr/> 5,496	<hr/> <hr/> 3,664

**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	3,195	1,964
Operating lease payments	52	65
	<hr/> <hr/>	<hr/> <hr/>

The auditors' remuneration for the current financial year and previous 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.

# CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE TV COMPANY

## 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	15 months ended 31 March 1997 £'000
Wages and salaries	-	578
Social security costs	-	67
Other pension costs	-	6
	<hr/>	<hr/>
Total staff costs	-	651
Less: Staff costs capitalised within network fixed assets	-	(229)
	<hr/>	<hr/>
	-	422
	<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.

# CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE TV COMPANY

## 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
<b>Cost</b>				
At 1 April 1998	2,616	75,037	464	78,117
Additions	-	5,795	-	5,795
Disposals		(23)	(319)	(342)
At 31 March 1999	2,616	80,809	145	83,570
<b>Depreciation</b>				
At 1 April 1998	2,060	9,461	347	11,868
Disposals	-	(14)	(297)	(311)
Charge for the year	21	3,103	71	3,195
At 31 March 1999	2,081	12,550	121	14,752
<b>Net book value</b>				
At 31 March 1999	535	68,259	24	68,818
At 31 March 1998	556	65,576	117	66,249

The net book value includes capitalised interest of £1,313,000 (1998: £556,000). Network cable, plant and equipment includes £4,277,000 (1998: £2,916,000) 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 NYNEX CableComms Wirral Telephone and Cable TV Company (formerly NYNEX Wirral Telephone & 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 1999 £'000	31 March 1998 £'000
Freehold	475	492
Short leasehold	60	64
	535	556

Freehold land amounting to £32,500 is not depreciated.

# CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE TV COMPANY

## NOTES TO THE ACCOUNTS

Year ended 31 March 1999

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

	31 March 1999 £'000	31 March 1998 £'000
Amounts owed to fellow Group undertakings	54,958	49,858
Accruals and deferred income	901	-
	<u>55,859</u>	<u>49,858</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
<b>Authorised</b>		
As at 31 March 1998 and 31 March 1999		
Ordinary shares of £1 each	<u>50,291,803</u>	<u>50,292</u>
<b>Allotted, called up and fully paid</b>		
As at 31 March 1998 and 31 March 1999		
Ordinary shares of £1 each	<u>50,159,977</u>	<u>50,160</u>
<b>Allotted, but not called up</b>	<u>131,826</u>	<u>132</u>

### 13. CAPITAL CONTRIBUTION

	31 March 1999 £'000	31 March 1998 £'000
At 1 April / January	-	36,864
Received in the period	-	113
Converted to shares	<u>-</u>	<u>(36,977)</u>
At 31 March	<u>-</u>	<u>-</u>



# CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE TV COMPANY

## NOTES TO THE ACCOUNTS

Year ended 31 March 1999

### 14. PROFIT AND LOSS ACCOUNT

	31 March 1999 £'000	31 March 1998 £'000
At 1 April / January	(33,769)	(20,238)
Retained loss for the financial period	(3,432)	(13,531)
	<hr/>	<hr/>
At 31 March	(37,201)	(33,769)
	<hr/>	<hr/>

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

	31 March 1999 £'000	31 March 1998 £'000
Loss for the financial period	(3,432)	(13,531)
Capital contribution	-	113
	<hr/>	<hr/>
	(3,432)	(13,418)
Opening shareholders' funds	16,391	29,809
	<hr/>	<hr/>
Closing shareholders' funds	12,959	16,391
	<hr/>	<hr/>

### 16. 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.

### 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.

# CABLE & WIRELESS COMMUNICATIONS (N) WIRRAL TELEPHONE AND CABLE TV COMPANY

## NOTES TO THE ACCOUNTS

Year ended 31 March 1999

### 18. FINANCIAL COMMITMENTS

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

	31 March 1999		31 March 1998	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Expiring:				
Within one year	-	-	-	-
Between one and five years	42	-	52	-
Over five years	-	-	-	-
	<u>42</u>	<u>-</u>	<u>52</u>	<u>-</u>

### 19. 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 plc Group companies.

### 20. 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 and Cable TV Holding Company (formerly 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.