

**BELL CABLEMEDIA HOLDINGS (LEEDS)
LIMITED**

Report and Accounts

31 March 1998



REPORT AND ACCOUNTS 1998

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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

BELL CABLEMEDIA HOLDINGS (LEEDS) LIMITED

DIRECTORS' REPORT

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

ACTIVITIES AND REVIEW OF DEVELOPMENTS

The principal activity of the Company continues to be that of a Holding Company. The Company holds all of the issued share capital of Bell Cablemedia (Leeds) Limited, a Company which is engaged in the provision of cable television and telecommunications services in the Leeds franchise area.

The Directors believe the Company's future prospects to be satisfactory.

RESULTS AND DIVIDENDS

The Company made neither a profit nor a loss for the period (1996: profit of £1,000). The Directors do not recommend the payment of a dividend (1996: £nil).

DIRECTORS AND THEIR INTERESTS

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

| | |
|-----------------|--|
| R Drolet | (appointed 31 January 1997) |
| D Somers | (resigned 9 May 1997) |
| W Anderson | (resigned 31 January 1997) |
| P Howell-Davies | (appointed 9 May 1997; resigned 2 June 1997) |
| G Wallace | (appointed 2 June 1997) |
| N Mearing-Smith | (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.

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, Deloitte & Touche 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 its 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 BELL CABLEMEDIA HOLDINGS (LEEDS) LIMITED

We have audited the accounts on pages 6 to 11 which have been prepared under the accounting policies set out on page 8.

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 the affairs of the Company at 31 March 1998 and of its result 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

BELL CABLEMEDIA HOLDINGS (LEEDS) LIMITED

PROFIT AND LOSS ACCOUNT 15 months ended 31 March 1998

| | Note | 15 months ended 31 March 1998 £'000 | Year ended 31 December 1996 £'000 |
|--|------|--|--|
| Net operating expenses | | - | - |
| OPERATING LOSS | | - | - |
| Net interest (payable)/receivable | 2 | - | 1 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | - | 1 |
| Taxation | 4 | - | - |
| PROFIT FOR THE FINANCIAL PERIOD | 9 | - | 1 |

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS 15 months ended 31 March 1998

| | 15 months ended 31 March 1998 £'000 | Year ended 31 December 1996 £'000 |
|---------------------------------|--|--|
| Opening balance | 50,329 | 50,328 |
| Profit for the financial period | - | 1 |
| Closing balance | 50,329 | 50,329 |

All activities derive from continuing operations

The Company had no recognised gains or losses other than those reflected in the profit and loss account.

The accompanying notes form an integral part of these statements.

BELL CABLEMEDIA HOLDINGS (LEEDS) LIMITED

BALANCE SHEET 31 March 1998

| | Note | 31 March 1998 £'000 | 31 December 1996 £'000 |
|---|------|---------------------------|------------------------------|
| FIXED ASSETS | | | |
| Investments | 5 | 50,039 | 50,039 |
| CURRENT ASSETS | | | |
| Debtors | 6 | - | 54,877 |
| Cash at bank and in hand | | 35,845 | 23 |
| | | 35,845 | 54,900 |
| CREDITORS: amounts falling due within one year | 7 | (35,555) | (54,610) |
| NET CURRENT ASSETS | | 290 | 290 |
| NET ASSETS | | 50,329 | 50,329 |
| EQUITY SHAREHOLDERS' FUNDS | | | |
| Called up ordinary share capital | 8 | 881 | 881 |
| Share premium account | 9 | 54,095 | 54,095 |
| Profit and loss account | 9 | (4,671) | (4,671) |
| | | 50,305 | 50,305 |
| NON EQUITY SHAREHOLDERS' FUNDS | | | |
| Called up non voting deferred share capital | 8 | 24 | 24 |
| | | 50,329 | 50,329 |

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:

Basis of preparation

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

Investments

Investments in subsidiary companies are held at cost less provisions for impairment. The Company has taken advantage of the exemption in Financial Reporting Standard No.2 and not prepared consolidated accounts because it is a wholly owned subsidiary of another Company incorporated in Great Britain which prepares Group accounts (see Note 12).

Foreign currencies

Transactions are recorded in sterling at the rate of exchange ruling on the date of the transaction, 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.

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 12).

2. NET INTEREST (PAYABLE)/RECEIVABLE

| | 15 months ended 31 March 1998 £'000 | Year ended 31 December 1996 £'000 |
|---|--|--|
| Interest receivable from subsidiary undertaking | - | 6,746 |
| Interest payable to parent Company | - | (6,745) |
| | <hr/> | <hr/> |
| | - | 1 |
| | <hr/> | <hr/> |

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

There were no employees during the period (1996: nil). None of the Directors received any emoluments from the Company during the period (1996: £nil).

4. TAXATION

No corporation tax has been charged to the profit and loss account due to the availability of tax losses brought forward. There is no unprovided deferred tax liability.

BELL CABLEMEDIA HOLDINGS (LEEDS) LIMITED

NOTES TO THE ACCOUNTS 15 months ended 31 March 1998

5. INVESTMENTS

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|---|---------------------------|------------------------------|
| Shares in Bell Cablemedia (Leeds) Limited | 50,039 | 50,039 |

Investments represent all the issued ordinary share capital of Bell Cablemedia (Leeds) Limited, a Company which is engaged in the provision of cable television and telecommunications services in the Leeds franchise area.

No provision has been made for temporary diminution in the value of investments as the Directors consider it to be fully recoverable, given the long-term nature of the franchise development.

6. DEBTORS

| | 31 March 1998 £'000 | 31 December 1996 £'00 |
|--|---------------------------|-----------------------------|
| Amounts owed by subsidiary undertaking | - | 54,877 |

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|--|---------------------------|------------------------------|
| Amounts owed to parent Company | 35,555 | 54,501 |
| Amounts owed to affiliates and related parties | - | 104 |
| Other creditors | - | 5 |
| | 35,555 | 54,610 |

BELL CABLEMEDIA HOLDINGS (LEEDS) LIMITED

NOTES TO THE ACCOUNTS 15 months ended 31 March 1998

8. SHARE CAPITAL

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|---|---------------------------|------------------------------|
| Authorised: | | |
| 97,550,000 ordinary shares of £0.01 each and 2,450,000 non voting deferred shares of £0.01 each | 1,000 | 1,000 |
| | <u>1,000</u> | <u>1,000</u> |
| | 31 March 1998 £'000 | 31 December 1996 £'000 |
| Called up, allotted and fully paid: | | |
| 88,065,988 ordinary shares of £0.01 each | 881 | 881 |
| 2,450,000 non voting deferred shares of £0.01 each | 24 | 24 |
| | <u>905</u> | <u>905</u> |

The non voting deferred shares do not carry rights to be paid a dividend or to vote at an Annual General Meeting and accordingly have been classified as non equity shares.

9. RESERVES

| | Share Premium £'000 | Profit and loss account £'000 |
|---------------------------------|------------------------|-------------------------------------|
| At 1 January 1997 | 54,095 | (4,671) |
| Profit for the financial period | - | - |
| At 31 March 1998 | <u>54,095</u> | <u>(4,671)</u> |

10. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At the end of the financial period, there were no capital commitments (1996: £nil). The Company guarantees the obligations of Bell Cablemedia (Leeds) Limited under its £35 million lease facility.

11. 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.

NOTES TO THE ACCOUNTS
15 months ended 31 March 1998

12. ULTIMATE PARENT COMPANY

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 plc is the parent Company. The consolidated accounts of Cable & Wireless Communications plc may be obtained from Caxton Way, Watford Business Park, Watford, Hertfordshire WD1 8XH.