

**NYNEX CABLECOMMS
DERBY**

Report and Accounts

31 March 1998



REPORT AND ACCOUNTS 1998

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

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

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 Derby 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 £9,563,000 (Year ended 31 December 1996: £2,525,000), 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 CABLECOMMS DERBY

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.

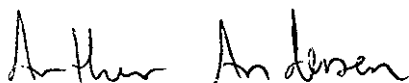
Basis of opinion

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

PROFIT AND LOSS ACCOUNT
15 months ended 31 March 1998

| | Note | 15 months ended 31 March 1998 £'000 | Year ended 31 December 1996 £'000 |
|--|------|--|--|
| TURNOVER | 2 | 13,180 | 8,141 |
| Cost of sales | | <u>(5,351)</u> | <u>(3,219)</u> |
| Gross profit | | 7,829 | 4,922 |
| Other operating expenses (net) | | (5,802) | (3,601) |
| Costs of reorganisation | 4 | (838) | - |
| Depreciation and amortisation | | (3,741) | (2,728) |
| Write down of fixed assets | 11 | (3,028) | - |
| Provisions and write down of other assets | 3 | <u>(1,501)</u> | <u>-</u> |
| OPERATING LOSS | | <u>(7,081)</u> | <u>(1,407)</u> |
| Net interest (payable)/ receivable | 5 | <u>(2,482)</u> | <u>(1,118)</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | (9,563) | (2,525) |
| Taxation | 9 | <u>-</u> | <u>-</u> |
| RETAINED LOSS FOR THE PERIOD | 19 | <u><u>(9,563)</u></u> | <u><u>(2,525)</u></u> |

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.

BALANCE SHEET
31 March 1998

| | Note | 31 March 1998 | | 31 December 1996 | |
|--|------|-----------------|-----------------|------------------|-----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | | |
| Intangible assets | 10 | | 167 | | 174 |
| Tangible assets | 11 | | 52,028 | | 51,380 |
| | | | <u>52,195</u> | | <u>51,554</u> |
| CURRENT ASSETS | | | | | |
| Debtors: amounts falling due after more than one year | 12 | - | | 753 | |
| Debtors: amounts falling due within one year | 13 | - | | 12,916 | |
| Cash at bank and in hand | | - | | 163 | |
| | | | | <u>13,832</u> | |
| CREDITORS: amounts falling due within one year | 14 | <u>(18,945)</u> | | <u>(2,137)</u> | |
| NET CURRENT (LIABILITIES)/ ASSETS | | | <u>(18,945)</u> | | <u>11,695</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 33,250 | | 63,249 |
| CREDITORS: amounts falling due after more than one year | 15 | | - | | <u>(20,646)</u> |
| NET ASSETS | | | <u>33,250</u> | | <u>42,603</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 16 | | 18,131 | | 17,740 |
| Share premium account | 17 | | 45,867 | | 7,124 |
| Capital contribution | 18 | | - | | 38,924 |
| Profit and loss account | 19 | | <u>(30,748)</u> | | <u>(21,185)</u> |
| SHAREHOLDERS' FUNDS | 20 | | <u>33,250</u> | | <u>42,603</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 25).

(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.

(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.

NOTES TO THE ACCOUNTS
15 months ended 31 March 1998

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(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 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.

(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 25).

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, the nature and focus of operations of group Companies have been fundamentally reorganised. Costs of £838,000 were incurred by the Company which include its share of the Group's branding, employee related costs such as redundancies, assets write downs and property rationalisations.

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 | 2,195 | - |
| Interest on loans repayable partly by instalments in more than 5 years | 398 | 1,198 |
| Amortisation of option type premiums | 23 | 94 |
| | <hr/> 2,616 | <hr/> 1,292 |
| Less: interest capitalised within network fixed assets | <hr/> (134) | <hr/> (174) |
| | <hr/> <hr/> 2,482 | <hr/> <hr/> 1,118 |

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 |
|---|--|--|
| Amortisation of intangible fixed assets | 7 | 5 |
| Depreciation of owned tangible fixed assets | 3,741 | 2,723 |
| Operating lease payments | <hr/> 106 | <hr/> 113 |

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 | <hr/> - | <hr/> 32 |

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

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:

| | 4 months ended 27 April 1997 | Year ended 31 December 1996 |
|---|---|--|
| | £'000 | £'000 |
| Wages and salaries | 549 | 957 |
| Social security costs | 63 | 100 |
| Other pension costs | 5 | 5 |
| | <hr/> | <hr/> |
| Total staff costs | 617 | 1,062 |
| Less: Staff costs capitalised within network fixed assets | (217) | (328) |
| | <hr/> | <hr/> |
| | 400 | 734 |
| | <hr/> | <hr/> |

9. TAXATION

No corporation tax has been charged due to the availability of losses brought forward from previous years. The Company has approximately £56,526,000 (1996: £43,828,000 million) of tax losses available for set off against profits of the same trade. There is no unprovided deferred tax liability.

10. INTANGIBLE FIXED ASSETS

| | Franchise Acquisition Costs £'000 |
|-----------------------|--|
| Cost | |
| At 1 January 1997 | 212 |
| Additions | - |
| | <hr/> |
| At 31 March 1998 | 212 |
| | <hr/> |
| Amortisation | |
| At 1 January 1997 | 38 |
| Charge for the period | 7 |
| | <hr/> |
| At 31 March 1998 | 45 |
| | <hr/> |
| Net Book Value | |
| At 31 March 1998 | 167 |
| | <hr/> |
| At 31 December 1996 | 174 |
| | <hr/> |

NOTES TO THE ACCOUNTS
15 months ended 31 March 1998

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 January 1997 | 1,390 | 54,813 | 715 | 56,918 |
| Additions | 9 | 7,350 | 151 | 7,510 |
| Disposals | (67) | - | (149) | (216) |
| At 31 March 1998 | 1,332 | 62,163 | 717 | 64,212 |
| Depreciation | | | | |
| At 1 January 1997 | 126 | 4,980 | 432 | 5,538 |
| Write down of fixed assets | 627 | 2,401 | - | 3,028 |
| Disposals | - | - | (123) | (123) |
| Charge for the period | 28 | 3,420 | 293 | 3,741 |
| At 31 March 1998 | 781 | 10,801 | 602 | 12,184 |
| Net book value | | | | |
| At 31 March 1998 | 551 | 51,362 | 115 | 52,028 |
| At 31 December 1996 | 1,264 | 49,833 | 283 | 51,380 |

The net book value includes capitalised interest of £426,000 (1996: £322,000).

During 1997, Cable & Wireless Communications plc undertook a review of the net book values of the fixed assets of 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.

The net book value of land and buildings comprised:

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|-----------------|---------------------------|------------------------------|
| Freehold | 368 | 1,083 |
| Short leasehold | 183 | 181 |
| | 551 | 1,264 |

Freehold land is not depreciated.

NOTES TO THE ACCOUNTS
15 months ended 31 March 1998

12. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|--|---------------------------|------------------------------|
| Deferred costs in respect of hedging instruments | - | 490 |
| Deferred loss on hedging instruments | - | 451 |
| Amortisation | - | (188) |
| | <u>-</u> | <u>753</u> |

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|--|---------------------------|------------------------------|
| Trade Debtors | - | 1,074 |
| Amounts owed by fellow subsidiary undertakings | - | 11,161 |
| Other debtors | - | 479 |
| Prepayments and accrued income | - | 202 |
| | <u>-</u> | <u>12,916</u> |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|--|---------------------------|------------------------------|
| Trade creditors | - | 15 |
| Amounts owed to fellow subsidiary undertakings | 18,945 | - |
| Accruals and deferred income | - | 1,522 |
| Other creditors | - | 593 |
| Taxation and social security | - | 7 |
| | <u>18,945</u> | <u>2,137</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.

NOTES TO THE ACCOUNTS
15 months ended 31 March 1998

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|----------------------------|---------------------------|------------------------------|
| Long term loan | - | 20,646 |
| Long term loan | | |
| Repayable by instalments: | | |
| Between two and five years | - | 5,296 |
| In five years or more | - | 15,350 |
| Total | - | 20,646 |

16. SHARE CAPITAL

| | Number | £'000 |
|---|---------------|--------|
| Authorised | | |
| As at 31 December 1996 and 31 March 1998 | | |
| Ordinary shares of £0.01 each | 2,000,100,000 | 20,001 |
| Allotted, called up and fully paid | | |
| As at 31 December 1996 | | |
| Ordinary shares of £0.01 each | 1,773,991,029 | 17,740 |
| Called up during the period | 39,134,309 | 391 |
| As at 31 March 1998 | | |
| Ordinary shares of £0.01 each | 1,813,125,338 | 18,131 |
| Allotted but not called up: | | |
| As at 31 December 1996 | | |
| Ordinary shares of £0.01 each, nil paid | 226,108,971 | 2,261 |
| Called up during the period | (39,134,309) | (391) |
| As at 31 March 1998 | | |
| Ordinary shares of £0.01 each, nil paid | 186,974,662 | 1,870 |

17. SHARE PREMIUM

| | Share Premium Account £'000 |
|--|-----------------------------------|
| At 1 January 1997 | 7,124 |
| Issue of shares during the period | |
| 39,134,309 ordinary shares at a premium of 99p per share | 38,743 |
| At 31 March 1998 | 45,867 |

NOTES TO THE ACCOUNTS
15 months ended 31 March 1998

18. CAPITAL CONTRIBUTION

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|------------------------|---------------------------|------------------------------|
| At 1 January | 38,924 | 38,924 |
| Received in the period | 210 | - |
| Converted to shares | (39,134) | - |
| | <hr/> | <hr/> |
| At 31 March/December | - | 38,924 |
| | <hr/> | <hr/> |

19. PROFIT AND LOSS ACCOUNT

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|--|---------------------------|------------------------------|
| At 1 January | (21,185) | (18,660) |
| Retained loss for the financial period | (9,563) | (2,525) |
| | <hr/> | <hr/> |
| At 31 March/December | (30,748) | (21,185) |
| | <hr/> | <hr/> |

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 31 March 1998 £'000 | 31 December 1996 £'000 |
|-------------------------------------|---------------------------|------------------------------|
| Loss for the financial period | (9,563) | (2,525) |
| Capital contribution | 210 | - |
| | <hr/> | <hr/> |
| Net movement in shareholders' funds | (9,353) | (2,525) |
| Opening shareholders' funds | 42,603 | 45,128 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 33,250 | 42,603 |
| | <hr/> | <hr/> |

21. 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 | <hr/> | - |
| | <hr/> | <hr/> |

NOTES TO THE ACCOUNTS
15 months ended 31 March 1998

22. 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.

23. OPERATING LEASE 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 £'000 | Other £'000 | Land & Buildings £'000 | Other £'000 |
| Expiring: | | | | |
| Within one year | - | - | 39 | - |
| Between one and five years | - | - | - | - |
| Over five years | 46 | - | 46 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 46 | - | 85 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

24. 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.

25. 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 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.