



**CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED**

**(formerly NYNEX CableComms Limited)**

**Report and Accounts**

**31 March 1999**

# **CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED**

## **REPORT AND ACCOUNTS 1999**

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

# **CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED**

## **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 CABLECOMMS LIMITED

## DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The principal activity of the Company was the management of the construction and operation of the UK cable television and telecommunications franchises of Cable & Wireless Communications Cablecomms Group plc (formerly NYNEX CableComms Group plc) and NYNEX CableComms Group Inc ("UK Cable Operations").

Following the acquisition of the NYNEX Group by Cable & Wireless Communications plc in April 1998 the activities of the Company have been transferred to other Companies within the enlarged Group. On 1 March 1999, the Company changed its name to Cable & Wireless Communications Cablecomms Limited.

## RESULTS AND DIVIDENDS

The Company made a loss for the year of £3,960,000 (15 months ended 31 March 1998: loss of £10,121,000).

The Directors do not recommend payment of a dividend (1998 - £nil).

## DIRECTORS AND THEIR INTERESTS

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

R Drolet	
N Mearing-Smith	(resigned 29 January 1999)
G Wallace	(resigned 1 April 1999)
R Beveridge	(appointed 1 April 1999)
G Clarke	(appointed 1 April 1999)
M Molyneux	(appointed 1 April 1999)

Where the Directors held any interest in the shares of Cable and Wireless plc or Cable & Wireless Communications plc, such interest is disclosed in the accounts of Cable & Wireless Communications plc, except as stated below:

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

	At 1 April 1998 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 1999
R Drolet	57,542	-	(57,542)	-

On 18 June 1998, R Drolet exercised options for 6,547 shares at \$4.583 and on the same day sold the shares for £5.22, realising a gain of £16,223 (assuming an exchange rate of \$1.67:£1).

On 23 June 1998, R Drolet exercised further options for 25,000 shares at \$4.583 and on the same day sold the shares for £5.38, realising a gain of £65,860 (assuming an exchange rate of \$1.67:£1).

On 27 January 1999, R Drolet exercised further options for 25,995 shares at \$4.583 and on the same day sold the shares for £8.50, realising a gain of £148,886 (assuming an exchange rate of \$1.65:£1).

# CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED

## 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 Group Company, Cable & Wireless Communications plc.

### PAYMENTS TO SUPPLIERS

The Company does not enter into contracts with suppliers. Cable & Wireless Communications Services Limited and Cable & Wireless Communications Programming Limited, fellow Group Companies, enter into most contracts with suppliers to the Cable & Wireless Communications plc Group.

### YEAR 2000

The matters relating to the impact of the Year 2000 issue on the reporting systems and operations of the Company are set out on page 22 of the 1999 Annual Report and Accounts of Cable & Wireless Communications plc.

### AUDITORS

The Directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

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



M Molyneux

Director

25 January 2000

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a *true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss for the financial period:*

The Directors are responsible for ensuring that in preparing the accounts, the Company has:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards, subject to any explanations and material departures disclosed in the notes to the accounts; and
- prepared the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy the financial position of the Company which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **AUDITORS' REPORT TO THE MEMBERS AND SHAREHOLDERS OF CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED**

We have audited the accounts on pages 6 to 15 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.

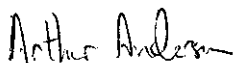
### **Basis of opinion**

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

21 January 2000

# CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 1999

	Note	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Recharges to related companies		-	24,042
Other operating expenses (net)		(277)	(22,882)
Depreciation and amortisation		(945)	(8,355)
Write down of fixed assets	7	-	(4,043)
<b>OPERATING LOSS</b>		<b>(1,222)</b>	<b>(11,238)</b>
Net interest (payable) / receivable	3	(2,738)	1,117
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	<b>(3,960)</b>	<b>(10,121)</b>
Taxation	6	-	-
<b>LOSS FOR THE FINANCIAL PERIOD</b>	11	<b>(3,960)</b>	<b>(10,121)</b>

## RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Year ended 31 March 1999

	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Opening balance	(7,166)	2,955
Loss for the financial period	(3,960)	(10,121)
Closing balance	<b>(11,126)</b>	<b>(7,166)</b>

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 these statements.



# CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED

## BALANCE SHEET

31 March 1999

	Note	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	46,076	49,456
		<u>46,076</u>	<u>49,456</u>
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		-	1,701
		<u>-</u>	<u>1,701</u>
<b>CREDITORS: amounts falling due within one year</b>	8	(57,084)	(55,222)
		<u>(57,084)</u>	<u>(55,222)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(57,084)</u>	<u>(53,521)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(11,008)	(4,065)
<b>CREDITORS: amounts falling due after more than one year</b>	9	(118)	(3,101)
		<u>(118)</u>	<u>(3,101)</u>
<b>NET LIABILITIES</b>		<u>(11,126)</u>	<u>(7,166)</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	10	-	-
Profit and loss account	11	(11,126)	(7,166)
		<u>(11,126)</u>	<u>(7,166)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(11,126)</u>	<u>(7,166)</u>

These accounts were approved by the Board of Directors on 25 January 2000 and signed on its behalf by:



R Beveridge

Director

The accompanying notes form an integral part of this statement.

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 1999**

**1. STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies, which have been applied consistently in the current year and preceding period 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.

General administrative expenses to be capitalised include all overheads of those departments responsible solely for design (including feasibility studies), construction and connection. Where departments spend only part of their time on functions directly connected with design, construction and connection, the relevant proportion of total overheads is capitalised. Costs which are initially capitalised on projects under construction where the projects do not become operational are written off to the profit and loss account, once it is determined that the project will not become operational.

Costs of departments relating to revenue related operations, such as direct selling, marketing and other customer related departments, are not capitalised.

**(i) Capitalisation of interest**

Interest is capitalised as part of the cost of separately identifiable major capital projects, up to the time that such projects are substantially complete. The amount of interest capitalised is calculated as the capitalisation rate multiplied by the weighted average carrying amount of major capital projects under construction during the year. The capitalisation rate during the period was the Company's weighted average cost of capital of 8%.

**(ii) Depreciation**

Depreciation is provided on the difference between the cost of tangible fixed assets and their estimated residual value in equal annual instalments over the estimated useful lives of the assets.

## NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

The current estimated useful lives are as follows:

	Lives:
Land and buildings:	
- freehold buildings	to 40 years
- leasehold land and buildings	to 40 years or term of lease if less
- leasehold improvements	remaining term of lease or expected useful life of the improvements
Communications network plant and equipment:	
- ducting and network construction	10 to 40 years
- electronic equipment and cabling	10 to 20 years
- other network plant and equipment	6 to 25 years
Non-network plant and equipment	3 to 10 years

Freehold land, where the cost is distinguishable from the cost of the building thereon, is not depreciated.

After a portion of the network is fully constructed and released to operations, depreciation of the network commences when target rates of penetration are achieved or no later than one year after the release date.

**(d) Leased assets**

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. Depreciation on the relevant assets and interest are charged to the profit and loss account.

All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

**(e) 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.

**(f) Provisions**

The Company accounts for provisions in accordance with Financial Reporting Standard No. 12 'Provisions and Contingencies'. Consequently, provisions are only recognised when the Company has a legal or constructive obligation to transfer economic benefits as a result of past events. The amount recognised as a provision is a realistic and prudent estimate of the expenditure required to settle the obligation.

# CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

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

#### (g) Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (Revised), the Company has not prepared a cash flow statement because it is a wholly owned subsidiary of a Company incorporated in Great Britain which is part of a Group which prepares a consolidated cash flow statement that includes the Company's cash flows (see Note 15).

### 2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Depreciation of owned tangible fixed assets	780	5,223
Depreciation of leased tangible fixed assets	165	3,132
Operating lease payments	1,630	2,371
Profit on disposal of tangible fixed assets	-	(241)
	<u>          </u>	<u>          </u>

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

### 3. NET INTEREST (PAYABLE) / RECEIVABLE

	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Interest receivable on group loans	-	1,520
Interest Payable on group loans	(2,738)	-
Finance charges payable on finance leases	-	(403)
	<u>          </u>	<u>          </u>
	<u>(2,738)</u>	<u>1,117</u>

# CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

### 4. REMUNERATION OF DIRECTORS

#### Remuneration

The aggregate emoluments of the Directors of the Company were as follows:

	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Emoluments	461	461
	-	461

The above amounts have been recharged to the UK cable operations of the Cable & Wireless Communications (N) Group under management service agreements.

#### Highest-paid Director

The above amounts for remuneration include the following in respect of the highest paid Director:

	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Emoluments and long-term incentive schemes	-	235

From 28 April 1997, the services of the Directors were provided by Cable & Wireless Communications Services Limited and no part of their remuneration was specifically attributed to their services to Cable & Wireless Cablecomms Limited.

### 5. STAFF NUMBERS AND COSTS

Cable & Wireless Communications Services Limited, 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 Services Limited.

In the period ended 27 April 1997, payroll costs were incurred directly or indirectly by the Company and recharged to the UK Cable Operations of the Cable & Wireless Communication CableComms Group under management service agreements,

## NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

## 6. TAXATION

No corporation tax has been charged due to the availability of losses brought forward from previous years. The Company has significant tax losses available for set off against profits of the same trade. There is no unprovided deferred tax liability (1998: £nil).

## 7. TANGIBLE FIXED ASSETS

	Land and buildings	Network cable, plant and equipment	Non-network plant and equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 1998	10,807	52,101	8,796	71,704
Disposals	-	(2,700)	(1,894)	(4,594)
At 31 March 1999	10,807	49,401	6,902	67,110
<b>Depreciation</b>				
At 1 April 1998	2,406	13,939	5,903	22,248
Charge for the year	198	139	608	945
Disposals	-	(412)	(1,747)	(2,159)
At 31 March 1999	2,604	13,666	4,764	21,034
<b>Net book value</b>				
At 31 March 1999	8,203	35,735	2,138	46,076
At 31 March 1998	8,401	38,162	2,893	49,456

Included in tangible fixed assets are assets held under finance leases with a net book value of £262,000 (1998: £7,860,000). Network cable, plant and equipment includes £6,229,000 (1998-£12,835,000) 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 assets of Cable & Wireless CableComms Limited. This resulted in a write down of fixed assets of £4,043,000 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:

	1999 £'000	1998 £'000
Freehold	6,059	6,182
Short leasehold improvements	2,144	2,219
	8,203	8,401

Freehold land amounting to £ 475,000 is not depreciated.

# CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

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

	1999 £'000	1998 £'000
Bank Overdrafts	2	-
Obligations under finance leases	86	5,339
Amounts owed to fellow subsidiary undertakings	56,008	48,895
Taxation	988	988
	<u>57,084</u>	<u>55,222</u>

Since the final quarter of 1997, the current assets and liabilities of Cable & Wireless Communications CableComms Limited have been managed by a fellow Group Company, 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.

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

	1999 £'000	1998 £'000
Finance lease creditor	118	3,006
Reverse lease premium	-	95
	<u>118</u>	<u>3,101</u>

The premium received on acquiring the lease of a building was amortised on a straight line basis until 30 September 1998.

The net finance lease obligations to which the Company is committed are due:

	1999 £'000	1998 £'000
In one year or less	86	5,339
Between one and two years	67	86
Between two and five years	51	2,920
Over five years	-	-
	<u>204</u>	<u>8,345</u>

# CABLE & WIRELESS COMMUNICATIONS CABLECOMMS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

### Year ended 31 March 1999

#### 10. SHARE CAPITAL

	1999 £	1998 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 2 ordinary shares of £1 each	2	2

#### 11. RESERVES

	<b>Profit and loss account £'000</b>
At 1 April 1998	(7,166)
Retained loss for the financial year	(3,960)
At 31 March 1999	(11,126)

#### 12. CAPITAL COMMITMENTS

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

#### 13. OPERATING LEASE COMMITMENTS

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

	1999	Other	1998	Other
	Land & Buildings £'000	£'000	Land & Buildings £'000	£'000
Expiring:				
Within one year	102	542	209	125
Between one and five years	35	-	369	542
Over five years	865	-	385	-
	1,002	542	963	667



**NOTES TO THE ACCOUNTS (Continued)**

**Year ended 31 March 1999**

**14. 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.

**15. 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 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.

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.