

**CABLE & WIRELESS COMMUNICATIONS  
(B) PLC  
(formerly Bell Cablemedia plc)**

**Report and Accounts**

**31 March 1999**



# **CABLE & WIRELESS COMMUNICATIONS (B) PLC**

## **REPORT AND ACCOUNTS 1999**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R Drolet  
R Beveridge  
G Clarke  
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

## 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 Company's principal activity is to act as a holding company. The Group, consisting of Cable & Wireless Communications (B) plc and its subsidiaries, is engaged in the construction and operation of cable television and telecommunications networks.

On 26 February 1999, the Company changed its name to Cable & Wireless Communications (B) plc.

## RESULTS AND DIVIDENDS

The Company recorded a nil result in the year (period ended 31 March 1998: loss of £6,405,000).

The Directors do not recommend the 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).

## **DIRECTORS' REPORT**

### **DIRECTORS AND THEIR INTERESTS (continued)**

Options to subscribe for ordinary shares in Cable and Wireless 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>	<b>Exercise Price</b>	<b>Date from which exercisable</b>	<b>Expiry Date</b>
R Drolet	(i)	-	3,289	-	3,289	£5.59	1/3/01	31/8/06
M	(i)	4,816	-	-	4,816	£3.58	1/3/01	31/8/01
Molyneux	(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 & Wireless Employee Savings-Related Share Option Scheme.
- (ii) Granted under the Cable & Wireless Senior Employees Share Option Scheme.
- (iii) Granted under the Cable & Wireless Revenue Approved Share Options 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.

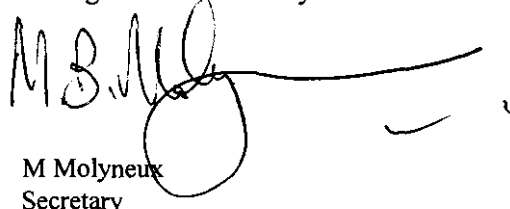
### **YEAR 2000**

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  
Secretary

29 October 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 CABLE & WIRELESS COMMUNICATIONS (B) PLC**

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and 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.

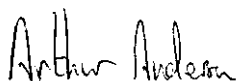
### **Basis of opinion**

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 affairs of the Company at 31 March 1999 and of its result 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

29 October 1999

# CABLE & WIRELESS COMMUNICATIONS (B) PLC

## PROFIT AND LOSS ACCOUNT Year ended 31 March 1999

	Notes	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Other operating (expenses)/income (net)		-	(4,194)
<b>OPERATING LOSS</b>	2	-	(4,194)
Net profit on disposal of fixed assets		-	12
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		-	(4,182)
Net interest payable	3	-	(2,223)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	(6,405)
Taxation	4	-	-
<b>LOSS FOR THE FINANCIAL PERIOD</b>		-	(6,405)

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 March 1999

	Year ended 31 March 1999 £'000	15 months ended 31 March 1998 £'000
Opening balance	762,286	768,343
Loss for the financial year	-	(6,405)
Issue of ordinary shares	-	232
Conversion of convertible notes	-	116
Closing balance	762,286	762,286

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.



# CABLE & WIRELESS COMMUNICATIONS (B) PLC

## BALANCE SHEET 31 March 1999

	Notes	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Investments	6	880,406	880,406
<b>CREDITORS: amounts falling due within one year</b>	7	(117,916)	(117,925)
<b>NET CURRENT LIABILITIES</b>		(117,916)	(117,925)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		762,490	762,481
<b>CREDITORS: amounts falling due after more than one year</b>	8	(204)	(195)
<b>NET ASSETS</b>		762,286	762,286
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	9	100,738	100,738
Share premium account	10	680,229	680,229
Profit and loss account	10	(18,681)	(18,681)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		762,286	762,286

These accounts were approved by the Board of Directors on 21 October 1999 and signed on its behalf by:



R Beveridge

Director

The accompanying notes form an integral part of this statement.

**NOTES TO THE ACCOUNTS**

**31 March 1999**

**1. STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies, which have been applied consistently in the preparation of the accounts throughout the year and the preceding period, 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) 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 12).

**(c) Capital Instruments**

Capital instruments are accounted for and classified as equity or non-equity share capital, equity or non-equity minority interests and debt according to their form. Convertible debt is separately disclosed and regarded as debt unless conversion actually occurs. Provision is made for the accrued premium payable on redemption of redeemable debt or non-equity interests.

**(d) Financial Instruments**

**(i) Foreign exchange forward contracts**

Foreign exchange forward contracts are legal agreements between two parties to purchase and sell a foreign currency for a price specified at the contract date, with delivery and settlement in the future. The Company uses such contracts to hedge risks of changes in foreign currency exchange rates associated with certain obligations denominated in foreign currency. The "contract premium", being the difference between the spot rate at the inception of the contract and the forward rate, is amortised over the life of the contract as interest expense.

**(ii) Currency Options**

Foreign exchange options permit, but do not require, the Company to exchange foreign currencies at a future date with other parties at a contracted exchange rate. The Company uses such contracts to hedge risk of changes in foreign currency exchange rates associated with certain obligations denominated in foreign currency. The time value of premiums paid for the purchase of options designated to hedge exchange movements is amortised on a straight-line basis over the life of the options and classified as interest. The market rate, represented by the intrinsic value of the options, is measured by comparing the movements in the forward exchange rate at the inception of the options to the forward exchange rate at the expiry of the options, at the balance sheet date. Overall gains in the intrinsic value are recognised in the profit and loss account. Overall losses in the intrinsic value are not recognised, as the cost of the options cannot exceed the premiums paid.

**(e) 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.

**(f) Cashflow 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).

**NOTES TO THE ACCOUNTS (continued)**  
**31 March 1999**

**2. OPERATING LOSS**

The operating loss is after charging:

	<b>Year ended 31 March 1999 £'000</b>	<b>15 months ended 31 March 1998 £'000</b>
Foreign exchange gains and losses	-	4,151

The auditors' remuneration in the current year and the preceding period has been borne by a fellow subsidiary undertaking.

**3. NET INTEREST PAYABLE**

	<b>Year ended 31 March 1999 £'000</b>	<b>15 months ended 31 March 1998 £'000</b>
Interest receivable	-	63,819
Interest on Senior Loan	-	(59,740)
Other interest payable	-	(6,302)
	-	(2,223)

**4. TAXATION**

The Company has accumulated tax losses of approximately £22,421,000 (1998: £14,395,000) to be carried forward.

The Company has no provided or unprovided deferred tax liability.

**NOTES TO THE ACCOUNTS (continued)**  
**31 March 1999**

**5. REMUNERATION OF DIRECTORS AND EMPLOYEES**

**Remuneration**

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

	<b>Year ended 31 March 1999 £'000</b>	<b>15 months ended 31 March 1998 £'000</b>
Emoluments	-	242
	-	242

Of the above emoluments £nil (1998: £220,000) was incurred by a subsidiary of Cable & Wireless Communications (B) plc.

**Highest paid Director**

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

	<b>Year ended 31 March 1999 £'000</b>	<b>15 months ended 31 March 1998 £'000</b>
Emoluments	-	143

From 28 April 1997, the services of the Directors were provided by other group companies and no part of their remuneration was specifically attributed to Cable & Wireless Communications (B) plc.

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. Prior to 27 April 1997, all staff within the Cable & Wireless Communications (B) plc Group were employed by individual companies within the Group.

**NOTES TO THE ACCOUNTS (continued)**  
**31 March 1999**

**6. INVESTMENTS HELD AS FIXED ASSETS**

	<b>Associated undertakings £'000</b>	<b>Subsidiary undertakings £'000</b>	<b>Total £'000</b>
<b>Cost and net book value</b>			
At 1 April 1998 and 31 March 1999	14,542	865,864	880,406

Details of the company's principal operating subsidiaries and associates are given in note 13.

**7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>1999 £'000</b>	<b>1998 £'000</b>
Bank loans and overdrafts	7	171
5% unsecured convertible loan notes due 1995	9,099	8,425
Due to other group undertakings	108,810	109,329
	<u>117,916</u>	<u>117,925</u>

**5% unsecured convertible loan notes due 1995**

Each 5% unsecured convertible loan note due 1995 is convertible, at the option of the holder, on the first business day of each calendar quarter, into the number of ordinary shares equal to its principal amount and accrued interest, divided by the sterling equivalent of \$3.40 and automatically exchanged for ordinary shares of Cable & Wireless Communications plc at the rate of 0.69389 Cable & Wireless Communications plc shares for each BCM share. The terms of these may be extended, at the option of the holder, for further one year periods after the initial term, up to a maximum term of seven years from the date of issue of the notes.

**8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>1999 £'000</b>	<b>1998 £'000</b>
3.5% unsecured convertible loan notes due 2001	204	195
	<u>204</u>	<u>195</u>

**3.5% unsecured convertible loan notes due 2001**

In March 1994, the Company issued £993,797 3.5% unsecured convertible loan notes due 2001. Each note is convertible, at the option of the holder, on the first business day of each calendar quarter commencing with the fourth quarter of 1994, into the number of ordinary shares of the Company equal to its principal amount and accrued interest divided by the sterling equivalent of \$3.40 and automatically exchanged for ordinary shares of Cable & Wireless Communications plc at the rate of 0.69389 Cable & Wireless Communication shares for each BCM share.

**NOTES TO THE ACCOUNTS (continued)**  
**31 March 1999**

**8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)**

Repayments of the loan notes, including interest accrued up to the year end, fall due as follows:

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	9,099	8,425
Between two to five years	204	195
	<hr/>	<hr/>
	9,303	8,620
	<hr/>	<hr/>

**9. SHARE CAPITAL**

	<b>Number</b>	<b>£'000</b>
<b>Authorised:</b>		
At 1 April 1998 and 31 March 1999		
4,000,000,000 ordinary shares of 25p each	4,000,000,000	1,000,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid:</b>		
At 1 April 1998 and 31 March 1999		
Ordinary shares of 25p each	402,954,993	100,738
	<hr/>	<hr/>

In connection with acquisitions made in July 1994 the Company granted options to subscribe for a total of 1,893,748 ordinary shares of the Company to certain individuals associated with Jones Intercable. At the date of issue the options, known as 'Founders Options', were valued at £3,740,000 and were fully vested and were exercisable for a three year period ending July 1998 at an exercise price of 25p per ordinary share of Cable & Wireless Communications (B) plc.

Following the combination of Cable & Wireless Communications (B) plc into Cable & Wireless Communications plc on 28 April 1997 all outstanding share options, including the 'Founders Options', were exercisable into shares of Cable & Wireless Communications plc, details of which are disclosed in the published accounts of that company.

**10. RESERVES**

	<b>Share Premium account £'000</b>	<b>Profit and loss account £'000</b>
At 1 April 1998 and 31 March 1999	680,229	(18,681)
	<hr/>	<hr/>

**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 (continued)**

**31 March 1999**

**12. 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.

**13. PRINCIPAL OPERATING SUBSIDIARY AND ASSOCIATED UNDERTAKINGS**

Cable & Wireless Communications (Aylesbury & Chiltern) Limited (formerly Bell Cablemedia (Aylesbury and Chiltern) Limited)

Cable & Wireless Communications (Broadland) Limited (formerly Bell Cablemedia (Broadland) Limited)

Cable & Wireless Communications (Ealing) Limited (formerly Videotron Ealing Limited)

Cable & Wireless Communications (Fenland) Limited (formerly Bell Cablemedia (Fenland) Limited)

Cable & Wireless Communications (Hampshire) Limited (formerly Videotron Hampshire Limited)

Cable & Wireless Communications (Harrogate) Limited (formerly Bell Cablemedia (Harrogate) Limited)

Cable & Wireless Communications (Norwich) Limited (formerly Bell Cablemedia (Norwich) Limited)

Cable & Wireless Communications (Kent) Limited (formerly Bell Cablemedia (Kent) Limited)

Cable & Wireless Communications (Leeds) Limited (formerly Bell Cablemedia (Leeds) Limited)

Cable & Wireless Communications (Peterborough) Limited (formerly Bell Cablemedia (Peterborough) Limited)

Cable & Wireless Communications (South East) Limited (formerly Bell Cablemedia (South East) Limited)

Cable & Wireless Communications (South London) Limited (formerly Videotron South London Limited)

Cable & Wireless Communications (South Hertfordshire) Limited (formerly Bell Cablemedia (South Hertfordshire) Limited (33%))

Cable & Wireless Communications (York) Limited (formerly Bell Cablemedia (York) Limited)

Cable & Wireless Communications (Wearside) Limited (formerly Bell Cablemedia (Wearside) Limited)

Cable & Wireless Communications (West London) Limited (formerly Videotron West London Limited)

The principal operating activity of each of the above subsidiaries, is a Cable TV & Telecommunications provider. All holdings are 100% unless otherwise stated.