

LONDON HYDRAULIC POWER COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1995

Company Registration Number: Z55



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REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 1995.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company owns an underground mains system which is being used for communication purposes. The Company's trading results derive from ancillary operations arising out of ownership of the assets concerned. It is the directors' intention to continue the business in line with current activities.

RESULTS FOR THE YEAR

The results for the year are set out in the profit and loss account on page 6. The loss for the year after taxation is £31,000 (1994: £32,000 loss).

DIVIDENDS

The directors do not recommend the payment of a dividend. The loss for the financial year will be transferred from reserves (1994: transfer from reserves £32,000).

FIXED ASSETS

The movements in fixed assets during the year are set out in note 5 to the financial statements.

DIRECTORS

The following directors held office during the year under review.

	Appointed	Resigned
J A Chisholm		
G L Crew		31 March 1995
F E M Sullivan		12 April 1995
A R Twite	12 April 1995	
R J Weatherhead		26 May 1994

Other than as set out below, the directors have no interest in the shares of the Company, nor any disclosable interest in any contracts or arrangements with the Company, either subsisting at the end of the financial year or entered into since their date of appointment. The beneficial interests of the directors holding office on 31 March 1995 and their families in the shares of the Company and of group companies were as below:

London Hydraulic Power Company ordinary shares of £2 each:

	31 March 1995	31 March 1994 (or date of appointment if later)
	Shares	Shares
F E M Sullivan	20	20

Cable and Wireless plc ordinary shares of 25p each:

	31 March 1995			31 March 1994 (or date of appointment if later)		
	Ordinary Shares	Options (a)	(b)	Ordinary Shares	Options (a)	(b)
J A Chisholm	-	7,061	17,206	2,800	6,765	13,206
F E M Sullivan	-	-	149,614	-	-	116,614

(a) Options granted under the Savings Related Share Option Scheme.

(b) Options granted under the Senior Employees Share Option Scheme.

During the financial year the Group maintained a directors' indemnity policy.

REPORT OF THE DIRECTORS

AUDITORS

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of KPMG as auditors to the Company will be put to the Annual General Meeting.

By order of the Board

S. Boraman.

S Boraman
Secretary

19 January 1996

DIRECTORS' RESPONSIBILITIES AND REPORT OF THE AUDITORS

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

select suitable Accounting Policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable Accounting Standards in the United Kingdom have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements 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, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF LONDON HYDRAULIC POWER COMPANY

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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 financial statements 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 1995 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

22 January 1996

KPMG
Chartered Accountants
Registered Auditors
8 Salisbury Square
London EC4Y 8BB

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 March 1995

	Notes	1995 £'000	1994 £'000
TURNOVER from continuing operations	2	113	113
Operating costs	3	107	109
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6	4
Taxation on profit on ordinary activities	4	37	36
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	10	(31)	(32)

The notes on pages 9 to 11 form part of these financial statements.

BALANCE SHEET

At 31 March 1995

	Notes	1995 £'000	1994 £'000
FIXED ASSETS			
Tangible assets	5	<u>3,171</u>	<u>3,278</u>
CURRENT ASSETS			
Debtors	6	405	294
CREDITORS: amounts falling due within one year	7	37	2
NET CURRENT ASSETS		<u>368</u>	<u>292</u>
NET ASSETS		<u>3,539</u>	<u>3,570</u>
CAPITAL AND RESERVES			
Called up share capital	9	166	166
Profit and loss account	10	117	41
Revaluation reserve	10	3,171	3,278
Other reserves	10	85	85
		<u>3,539</u>	<u>3,570</u>

The notes on pages 9 to 11 form part of these financial statements.

The financial statements on pages 6 to 11 were approved by the Board of Directors on 19/1/96 and signed on its behalf by



J A Chisholm
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS For the Year Ended 31 March 1995

	1995 £'000	1994 £'000
Loss for the year retained	(31)	(32)
Net decrease in shareholders' funds	<u>(31)</u>	<u>(32)</u>
Opening shareholders' funds	3,570	3,602
Closing shareholders' funds	<u>3539</u>	<u>3,570</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no material recognised gains and losses other than the profit or losses for the current and previous financial years.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1995 £'000	1994 £'000
Reported profit on ordinary activities before taxation	6	4
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	107	107
Historical cost profit on ordinary activities before taxation	<u>113</u>	<u>111</u>
Historical cost profit/(loss) retained for the year after taxation	<u>76</u>	<u>75</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 1995

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important Company accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of certain properties.

(b) Cashflow statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking of an EC parent and a Group cashflow statement is included in the financial statements of Mercury Communications Limited.

(c) Turnover

Turnover represents sales at invoiced amounts net of VAT.

(d) Depreciation

Depreciation of tangible fixed assets is set aside on the basis of providing for the cost or revaluation, less estimated residual value, in annual instalments over the estimated lives of these assets. All assets are depreciated over 40 years.

(e) Deferred taxation

The Company does not provide for deferred tax unless there is a reasonable probability that the liability will arise in the foreseeable future. Where deferred tax is provided, the liability method is used.

2. TURNOVER

Turnover comprises amounts derived from ancillary operations of an underground mains system used for communication purposes, net of VAT.

At present a rent review is in progress and if successful, turnover would show an increase.

3. OPERATING COSTS

	1995 £'000	1994 £'000
Depreciation	107	107
Auditors' remuneration - audit	-	2
	<u>107</u>	<u>109</u>

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation, based on the Company's profit for the year, comprises:

	1995 £'000	1994 £'000
Current corporation tax at 33% Current	<u>37</u>	<u>36</u>

If deferred tax had been fully provided in 1995 under the liability method the tax charge for the year would have decreased by £35,000 (1994: £35,000).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 1995

5. TANGIBLE ASSETS

	Plant and Equipment £'000
Valuation	
At 1 April 1994 and 31 March 1995	<u>4,259</u>
Depreciation	
At 1 April 1994	981
Charge for the year	107
	<u>1,088</u>
At 31 March 1995	<u>3,171</u>
Net Book Value	
At 31 March 1995	<u>3,171</u>
	<u>3,278</u>
At 31 March 1994	

The directors revalued the plant and equipment in February 1988 from a net book value of Nil to reflect its fair value for current use to other companies in the Mercury Communications Group who utilise the assets and pay for utilisation.

6. DEBTORS

	1995 £'000	1994 £'000
Amounts falling due within one year		
	405	294
Amounts owed by the parent undertaking	<u>405</u>	<u>294</u>

7. CREDITORS

	1995 £'000	1994 £'000
Amounts falling due within one year		
Accruals and deferred income	-	2
Corporation Tax	37	-
	<u>37</u>	<u>2</u>

8. DEFERRED TAXATION

	1995 £'000	1994 £'000
Potential Liability		
Tax effect of timing differences due to Excess capital allowances	<u>1,081</u>	<u>1,116</u>

There is no provision for deferred taxation in the financial statements.

9. SHARE CAPITAL

	1995 £'000	1994 £'000
Authorised, allotted, called up and fully paid		
79,000 Ordinary shares of £2 each	158	158
790 Preference shares of £10 each	8	8
	<u>166</u>	<u>166</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 1995

10. RESERVES

	Profit and Loss Account	Revaluation Reserve	Other Reserve
	£'000	£'000	£'000
At 1 April 1994	41	3,278	85
Loss for the year	(31)	-	-
Transfer	107	(107)	-
At 31 March 1995	<u>117</u>	<u>3,171</u>	<u>85</u>

11. ULTIMATE HOLDING UNDERTAKING

The Company's immediate parent undertaking is City Cable (Holdings) Limited which is registered in England and Wales. The Company's ultimate holding undertaking, as regarded by the directors, and the head of the Group in which the results of the Company are consolidated is Cable and Wireless plc, registered in England and Wales. A copy of Cable and Wireless plc's financial statements can be obtained from Cable and Wireless plc, 124 Theobalds Road, London WC1X 8RX.