



**CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED**

**(formerly Videotron South London Limited)**

**Report and Accounts**

**31 March 1999**

# **CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED**

## **REPORT AND ACCOUNTS 1999**

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# **CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) 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 (SOUTH LONDON) LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

## **PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS**

The principal activity of the Company is the construction and operation of a cable television and telecommunications network in the London Boroughs of Lambeth & Southwark, Greenwich and Lewisham, Wandsworth and Thamesmead pursuant to licences granted under the Telecommunications Act 1984 and Cable and Broadcasting Act 1984 to the Company and certain related and subsidiary companies.

On 26 February 1999 the Company changed its name to Cable & Wireless Communications (South London) Limited.

## **RESULTS AND DIVIDENDS**

The Company made a loss for the year of £3,215,000 (1998 loss: £73,111,000).

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:

	<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>
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 (SOUTH LONDON) LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### 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 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.

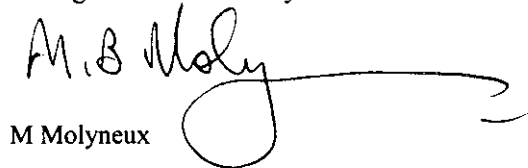
### YEAR 2000

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

Director

25 January 2000

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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 (SOUTH LONDON) 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.

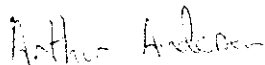
### **Basis of opinion**

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

25 January 2000

# CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 1999

	Note	1999 £'000	1998 £'000
<b>TURNOVER</b>	2	57,019	50,477
Cost of sales		(22,488)	(22,272)
Gross profit		34,531	28,205
Other operating expenses (net)		(13,607)	(21,987)
Costs of reorganisation	4	-	(3,836)
Depreciation and amortisation	10	(8,976)	(3,540)
Write down of fixed assets	10	-	(31,631)
Provisions and write down of other assets	3	-	(24,799)
<b>OPERATING PROFIT / (LOSS)</b>		11,948	(57,588)
Net interest payable	5	(15,163)	(15,523)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	(3,215)	(73,111)
Taxation	8	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		(3,215)	(73,111)

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS Year ended 31 March 1999

	1999 £'000	1998 £'000
Opening balance	(68,138)	4,973
Retained loss for the year	(3,215)	(73,111)
Closing balance	(71,353)	(68,138)

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 (SOUTH LONDON) LIMITED

## BALANCE SHEET 31 March 1999

	Note	1999 £'000	1998 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	43	50
Tangible assets	10	245,548	227,385
Investments	11	21	21
		<u>245,612</u>	<u>227,456</u>
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		1,051	-
		<u>1,051</u>	<u>-</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(318,016)</u>	<u>(295,340)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(316,965)</u>	<u>(295,340)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(71,353)</u>	<u>(67,884)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	<u>-</u>	<u>(254)</u>
<b>NET LIABILITIES</b>		<u><u>(71,353)</u></u>	<u><u>(68,138)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	53,783	53,783
Profit and loss account	15	(125,136)	(121,921)
<b>EQUITY SHAREHOLDER'S FUNDS</b>		<u>(71,353)</u>	<u>(68,138)</u>
Equity interests		<u>(73,331)</u>	<u>(70,116)</u>
Non-equity interests		1,978	1,978
		<u><u>(71,353)</u></u>	<u><u>(68,138)</u></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 and preceding year 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 on the historical cost basis. 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 18).

**(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) Intangible fixed assets**

Franchise application costs represent the acquisition cost of exclusive rights to operate a telecommunications network in a given territory. The Company amortises these costs on a straight line basis over the life of these rights, being a maximum of 23 years.

**(d) Tangible fixed assets and depreciation**

Tangible fixed assets are recorded at cost which includes materials, direct labour and administrative expenses directly attributable to the 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 construction and connection. Where departments spend only part of their time on functions directly connected with 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 year 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**

**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 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 the network commences when target rates of penetration are achieved and no later than one year after the release date.

**(e) Fixed asset investments**

Fixed asset investments are stated at cost less provisions for impairment.

**(f) 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.

**(g) 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.

**(h) 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.

**(i) 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 18).

# CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 1999

### 2. TURNOVER

Turnover is attributable principally to the provision of cable television and telecommunications services in the United Kingdom. The Directors consider this to be a single class of business and accordingly no segmental analysis of operating profit / (loss) or net liabilities is shown.

### 3. PROVISIONS AND WRITE DOWN OF OTHER ASSETS

During 1997, Cable & Wireless Communications plc undertook a review of financing within the Group. This resulted in a charge of £24,799,000 principally relating to the Company's share of financing costs incurred as part of the Cable & Wireless Communications' plc refinancing strategy.

### 4. COSTS OF REORGANISATION

Following the formation of the Cable & Wireless Communications Group on 28 April 1997, costs of £3,836,000 were incurred by the Company in the year ended 31 March 1998, which employee related costs such as redundancies, asset write downs and property rationalisations.

### 5. NET INTEREST PAYABLE

	1999 £'000	1998 £'000
Interest on loans from fellow Group undertakings	19,261	15,523
Less : capitalised in tangible fixed assets	(4,098)	-
	<u>15,163</u>	<u>15,523</u>

### 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Loss on ordinary activities before taxation is stated after charging:		
Depreciation of owned tangible fixed assets	8,969	3,535
Depreciation of fixed assets held under finance leases	-	5
Amortisation of intangible asset	7	-
Rentals under operating leases:		
Plant and machinery	34	34
Land and buildings	180	180
	<u>9,180</u>	<u>3,719</u>

The auditors' remuneration for the current and preceding year has been borne by fellow Group undertakings.

# CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 1999

### 7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors did not receive any remuneration during the current or preceding year.

Cable & Wireless Communications plc, 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 plc.

### 8. TAXATION

No current year UK corporation tax has been charged as the Company made a loss in the period. The Company has significant tax losses available for set off against profits of the same trade. There is no unprovided deferred tax liability.

### 9. INTANGIBLE FIXED ASSETS

	Franchise Application costs £'000
<b>Cost:</b>	
At 1 April 1998 and 31 March 1999	104
<b>Amortisation:</b>	
At 1 April 1998	54
Charge for the year	7
At 31 March 1999	61
<b>Net book value:</b>	
At 31 March 1999	43
At 31 March 1998	50

# CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 1999

### 10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Network cable, plant and equipment £'000	Non-network plant and equipment £'000	Total £'000
<b>Cost</b>				
At 1 April 1998	4,916	283,330	1,572	289,818
Additions	-	27,151	-	27,151
Disposals	-	(1,156)	-	(1,156)
At 31 March 1999	4,916	309,325	1,572	315,813
<b>Accumulated depreciation</b>				
At 1 April 1998	1,012	60,393	1,028	62,433
Disposals	-	(1,137)	-	(1,137)
Charge for the year	115	8,673	181	8,969
At 31 March 1999	1,127	67,929	1,209	70,265
<b>Net book value</b>				
At 31 March 1999	3,789	241,396	363	245,548
At 31 March 1998	3,904	222,937	544	227,385

Included above are assets held under finance leases with a net book value of £nil (31 March 1998: £351,000).

The net book value includes capitalised interest of £24,195,000 (31 March 1998: £20,644,000). Network cable, plant and equipment includes £17,982,000 (1998-£15,900,000) 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 Communications (South London) Limited (formerly Videotron South London Limited.) This resulted in a write down of fixed assets of £31,631,000 for the year 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 land & buildings	1,128	1,162
Short leasehold improvements	2,661	2,742
	<u>3,789</u>	<u>3,904</u>

# CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 1999

### 11. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary companies £'000	Other investments £'000	Total £'000
<b>Cost:</b>			
At 1 April 1998 and 31 March 1999	21	13	34
<b>Provision:</b>			
At 1 April 1998 and 31 March 1999	-	13	13
<b>Net book value:</b>			
At 31 March 1998 and 31 March 1999	21	-	21

The subsidiary Company investments represent 100% of the equity of the following unlisted Companies which are registered in England and Wales:

	£
100 ordinary shares of £1 each in Cable & Wireless Communications (Greenwich and Lewisham) Limited (formerly Videotron Greenwich and Lewisham Limited)	100
2 ordinary shares of £1 each in Cable & Wireless Communications (Lambeth and Southwark Limited (formerly Videotron Lambeth and Southwark Limited )	2
2 ordinary shares of £1 each in Cable & Wireless Communications (Wandsworth ) Limited (formerly Videotron Wandsworth Limited)	21,225
	<u>21,327</u>

The Directors are of the opinion that the aggregate value of the shares in and amounts owing from the subsidiaries is not less than the aggregate of the amounts at which they are stated in the Company's balance sheet.

Other investments comprise 811 ordinary shares of US\$0.01 each in International CableTel Incorporated which holds licences from the Department of Trade and Industry to run broadband cable systems in certain areas of the United Kingdom.

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

	1999 £'000	1998 £'000
Obligations under finance leases	-	410
Bank loans and overdrafts	-	104
Amounts due to fellow Group undertakings	318,016	294,826
	<u>318,016</u>	<u>295,340</u>

# CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 1999

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

	1999 £'000	1998 £'000
Obligations under finance leases	-	254
	-	254
	1999 £'000	1998 £'000
<b>Analysis of loan and finance lease repayments</b>		
Repayable otherwise than by instalments:		
After five years	-	-
Repayable by instalments:		
Between one and two years	-	254
Between two and five years	-	-
After five years	-	-
	-	254

### 14. SHARE CAPITAL

	1999 £'000	1998 £'000
<b>Authorised:</b>		
51,804,916 ordinary shares of £1 each	51,805	51,805
13,195,084 preference shares of £1 each	13,195	13,195
	65,000	65,000
<b>Allotted, called up and fully paid:</b>		
51,804,916 ordinary shares of £1 each	51,805	51,805
1,978,442 preference shares of £1 each	1,978	1,978
	53,783	53,783

No distribution has been made to Preference Shareholders in the Year (1998 - £Nil)

### 15. RESERVES

	Profit and loss account £'000
At 1 April 1998	(121,921)
Loss for the year	(3,215)
At 31 March 1999	(125,136)



# CABLE & WIRELESS COMMUNICATIONS (SOUTH LONDON) LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 1999

### 16. OPERATING LEASE COMMITMENTS

At 31 March 1999 the Company was committed to making the following payments during the next year in respect of operating leases:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	-	34	-	-
Within two to five years	40	-	-	34
After five years	209	-	180	-
	<hr/>	<hr/>	<hr/>	<hr/>
	249	34	180	34
	<hr/>	<hr/>	<hr/>	<hr/>

### 17. 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.

### 18. 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.