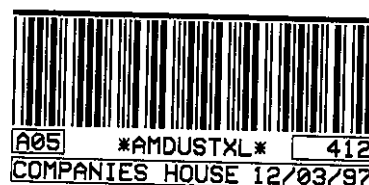


Cable and Wireless Business Networks Limited

Report and Financial Statements

31 March 1996

**Registered Office:
124 Theobalds Road
London
WC1X 8RX**



Cable and Wireless Business Networks Limited

To the Company's Ordinary Shareholder

Elective Regime

The Company has passed elective resolutions in accordance with Section 379A of the Companies Act 1985 as amended ("the Act") to dispense with the formalities of:

- the laying of accounts before the Company in general meeting (Section 252 of the Act);
- the holding of annual general meetings (Section 366A of the Act); and
- the obligation to appoint auditors annually (Section 386 of the Act).

Section 253(2) gives members the right to require the laying of accounts before the company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with Section 238(1) of the Act.

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REPORT AND FINANCIAL STATEMENTS 1996

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DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 1996.

ACTIVITIES

The Company's principal activity is to hold network assets for rental to the Cable & Wireless Business Networks division.

REVIEW OF DEVELOPMENTS

The Company continued to purchase and rent network assets during the year. A management fee was charged this year in respect of services provided by Cable & Wireless Business Networks (a division of Cable & Wireless plc).

DIVIDENDS AND TRANSFERS TO RESERVES

The profit for the year amounts to £8,794 (1995 : loss of £18,863).

The Directors do not recommend payment of a dividend.

FUTURE PROSPECTS

No change in the Company's activities is envisaged in the foreseeable future.

DIRECTORS AND THEIR INTERESTS


The Directors who held office during the year, together with their interests (and the interests of their families) in the shares of Cable and Wireless plc are shown below:

	Opening Balance at 1 April 1995	Shares Acquired or Options granted	Shares disposed or Options exercised	Closing Balance at 31 March 1996
Dr PJ Barnes	6,409 (a)	-	-	6,409 (a)
	30,138 (b)	8,000	-	38,138 (b)

All interests are in fully paid ordinary shares, unless marked (a) which are options to purchase ordinary shares under the Savings Related Option Scheme for Employees or (b) which are options to purchase ordinary shares under the discretionary share option schemes.

A.P.Wallace resigned on the 11th of November 1996

By order of the Board of Directors


H. Chrysostomou
Company Secretary

28/2/97

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year and of the profit or loss of the company 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 have been followed;
- 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 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 AND WIRELESS BUSINESS NETWORKS LIMITED

We have audited the financial statements on pages 5 to 9.

Respective responsibilities of directors and auditors

As described on page 3 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.

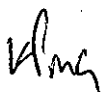
Basis of opinion

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 the Company's affairs as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
London

28 February 1997

Cable and Wireless Business Networks Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 March

	Note	1996 £	1995 £
Turnover	2	58,011	182,000
Operating costs - depreciation		(132,422)	(179,000)
management fees		(9,100)	-
Other operating income		77,174	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,337)	3,000
Tax on (loss)/profit on ordinary activities	4	15,131	(21,863)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		8,794	(18,863)
Retained loss brought forward		(18,863)	-
Retained loss carried forward		(10,069)	(18,863)

There are no recognised gains or losses for the year other than the profit for the year and the loss of the previous year. Accordingly, no statement of recognised gains and losses has been prepared.

There is no material difference between the Company's profit as reported and on an historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.

Cable and Wireless Business Networks Limited

BALANCE SHEET 31 March 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible fixed assets	6	<u>183,369</u>	<u>284,000</u>
CURRENT ASSETS			
Debtors: Amounts falling due after more than one year			
Amounts owed by parent undertaking		515,131	500,000
CREDITORS: amounts falling due within one year	7	<u>(208,569)</u>	<u>(302,863)</u>
NET CURRENT ASSETS		<u>306,562</u>	<u>197,137</u>
NET ASSETS		<u>489,931</u>	<u>481,137</u>
CAPITAL AND RESERVES			
Called up share capital	8	500,000	500,000
Profit and loss account		<u>(10,069)</u>	<u>(18,863)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>489,931</u>	<u>481,137</u>

The financial statements on pages 5 to 9 were approved by the Board of Directors on 28.2.97 and signed on their behalf by



Dr P.J. Barnes
Director

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets and depreciation

Depreciation of tangible fixed assets is set aside on the basis of providing in equal instalments for costs or valuation over the estimated useful life of these assets, namely:

Plant 3 or 5 years

Deferred taxation

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.

2. TURNOVER

Turnover arises wholly in the United Kingdom and comprises revenue from equipment rentals.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company had no employees during the year (1995 - Nil). The Directors did not receive any emoluments from the Company (1995 - Nil).

4. TAXATION

The charge for taxation based on the results for the year comprises:

	1996 £	1995 £
Corporation Tax at 33% (1995 - 33%)		
Current year	(15,131)	21,863
	<u>(15,131)</u>	<u>21,863</u>

5. DEFERRED TAXATION

Deferred taxation provided in the accounts and the potential liability, including amounts for which provision has been made, are as follows:

	Amount provided		Total potential liability	
	1996 £	1995 £	1996 £	1995 £
Tax effect of timing differences due to:				
Excess capital allowances	-	-	(7,824)	(173,663)
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(7,824)</u>	<u>(173,663)</u>

NOTES TO THE ACCOUNTS

6. TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost	
At 1 April 1995	463,000
Additions	31,791
Disposals	-
At 31 March 1996	494,791
Depreciation	
At 1 April 1995	179,000
Charge for the year	132,422
Disposals	-
At 31 March 1996	311,422
Net book value	
At 31 March 1996	183,369
At 1 April 1995	284,000

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Amounts due to parent undertaking	167,012	281,000
Other creditors including taxation and social security :		
Mainstream Corporation tax	-	21,863
Accruals and deferred income	41,557	-
	208,569	302,863

8. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up		
1,000,000 ordinary shares of £1 each		
50p paid	500,000	500,000

NOTES TO THE ACCOUNTS

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit/(loss) for the financial year	8,794	(18,863)
Net increase/(decrease) in shareholders' funds	8,794	(18,863)
Opening shareholders' funds	481,137	500,000
Closing shareholders' funds	489,931	481,137

10. CASH FLOW STATEMENT

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking. A cash flow statement is included in the financial statements of Cable and Wireless plc

11. ULTIMATE PARENT COMPANY

The Company's immediate holding company is Cable and Wireless (Investments) Ltd, registered in England and Wales. The ultimate parent company is Cable and Wireless plc registered in England and Wales. A copy of Cable and Wireless plc's published consolidated accounts can be obtained from The Secretary, Cable and Wireless plc, 124 Theobalds Road, London WC1X 8RX.