

**CABLE & WIRELESS GLOBAL MARKETS
EQUIPMENT LIMITED**

**(Formerly Cable & Wireless Business
Networks Limited)**

Report and Financial Statements

31 March 1999

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



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 1999

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DIRECTORS' REPORT

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

ACTIVITIES

The Company's principal activity is to hold network assets for rental to other Cable and Wireless group companies.

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 Global Business Services Limited.

DIVIDENDS AND TRANSFERS TO RESERVES

The loss for the year amounts to £19,092 (1998 : loss of £13,167).

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

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 and changes subsequent to the year end are shown below:

PG Emburey

AC Scott Resigned 4th December 1998

KK Claydon Appointed on 4th December 1998

Also JM Bolton was appointed as an alternative to KK Claydon on 8 July 1999.

The Directors who held office at the end of the financial year (and their families) had the following interests in the shares of Cable and Wireless plc:

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DIRECTORS' REPORT

	<u>At 1 April 1998</u> <u>(or later date of</u> <u>appointment)</u>	Shares acquired or options granted	Shares disposed or options exercised	<u>at 31 March</u> <u>1999</u>	
P G Emburey	3,370	65	-	3,435	
	3,901	-	-	3,901	(a)
	93,282	7,500	-	100,782	(b)
	4,008	-	-	4,008	(c)
K K Claydon	5,352	44,412	44,889	4,875	
	9,381	-	4,044	5,337	(a)
	78,981	7,000	34,609	51,372	(b)
	9,674	-	-	9,674	(c)
	6,553	-	-	6,553	(d)
	9,674	-	-	9,674	(e)

All interests are in fully paid ordinary shares, unless marked (a) which are options to purchase ordinary shares under the Savings Related Share Option scheme for employees or (b) which are options to purchase ordinary shares under the Discretionary Share Option schemes and (c) C&W Long Term Incentive Plan (LTIP) (notional) (d) C&W Long Term Incentive Plan (LTIP) (notional) (e) C&W Long Term Incentive Plan Transitional (LTIPTS99) (notional).

Ken Claydon purchased 10,000 Cable & Wireless Communications plc shares on 25th January 1999.

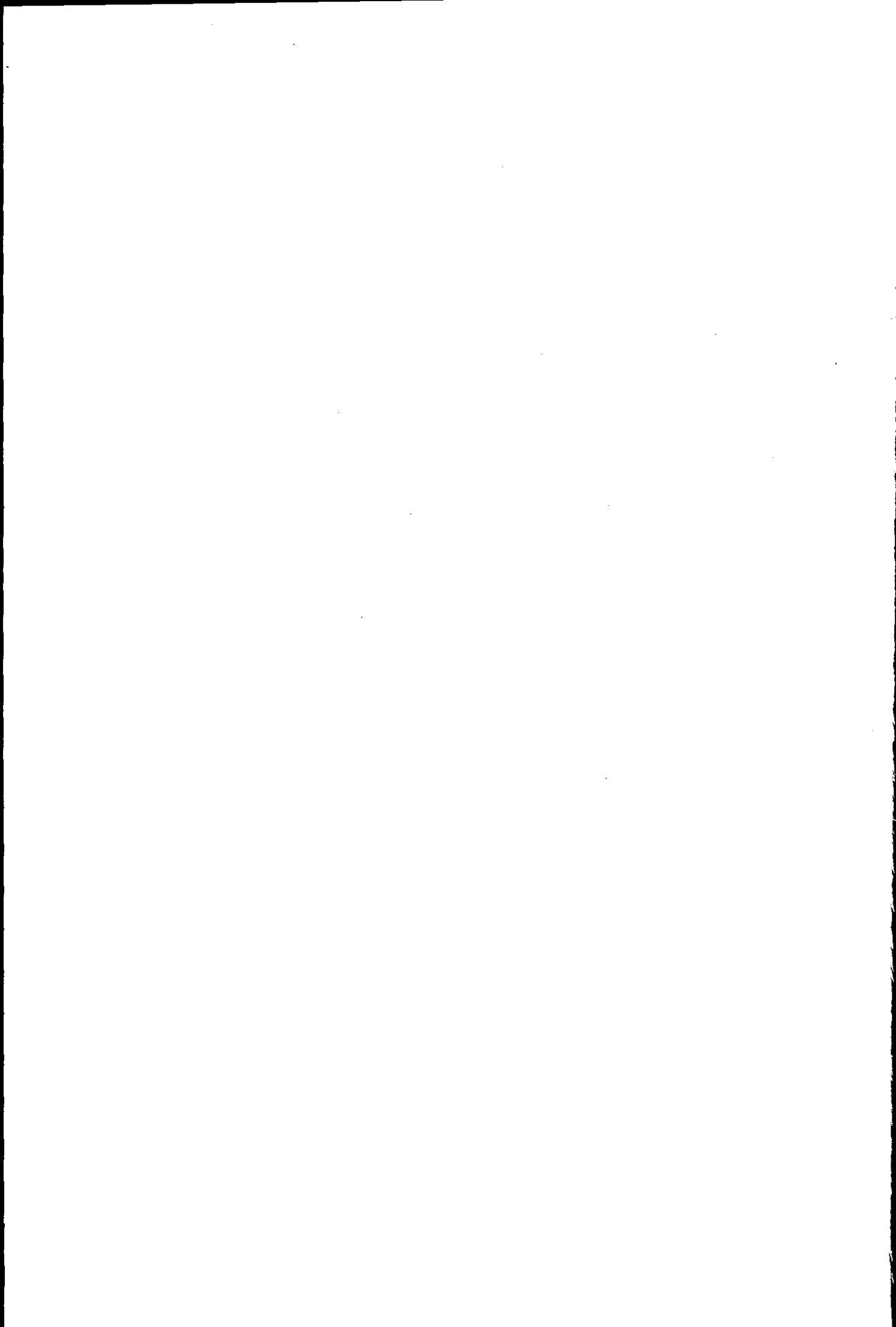
YEAR 2000 READINESS DISCLOSURE

The "Year 2000 Problem" arises because many IT systems have been designed to allocate only two digits for the year part of dates incorporated in code (for example, "99" for 1999). Many systems will therefore represent the year 2000 as "00" and, because this cannot be distinguished from 1900, processing problems and even complete system failures could occur. The problem is not limited to computer systems but extends to networks, security systems and any applications of hardware reliant on embedded chip technology. Systems that do not recognise such information properly could generate erroneous data or fail.

Cable & Wireless Global Markets Equipment Limited is a participating company in the Cable & Wireless Millennium Programme. Cable & Wireless recognises that the risk to its operations is potentially significant. To address the risks associated with this problem, the Cable & Wireless Millennium Programme, which was established in June 1996, requires all of the Group's systems and network element tests to conform to the requirements set out by the British Standards Institution (BSI) in PD 2000-1.

To date the participating businesses, including Cable & Wireless Global Markets Equipment Limited, have completed a detailed inventory and reviewed suppliers' compliance and in all material respects have completed remedial action. They continue to monitor interconnect readiness and have taken an active role in co-operative local and global tests facilitated by the ITU. The Cable & Wireless Group's internal audit function has been utilised to evaluate overall programme implementation in the key participating businesses.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no problems will occur as a result of the Year 2000 issue. The inter-dependent nature of the Cable and Wireless Group's business systems, particularly through interconnection arrangements with other telecommunications providers means that Cable &



DIRECTORS' REPORT

Wireless Global Markets Equipment Limited may be materially, adversely affected if other telecommunications providers' utilities, private businesses or governmental entities with which Cable & Wireless Global Markets Equipment Limited does business or those that provide essential services are not Year 2000 ready.

By order of the Board of Directors



J Bolton
Company Secretary

9/2/2000

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;
- *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.

Cable & Wireless Global Markets Equipment Limited

AUDITORS' REPORT TO THE MEMBERS OF CABLE AND WIRELESS BUSINESS NETWORKS LIMITED

We have audited the financial statements on pages 7 to 12.

Respective responsibilities of Directors and auditors

As described on page 5 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.

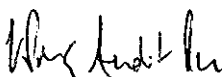
Basis of opinion

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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

9th February 2000

PROFIT AND LOSS ACCOUNT

For the year ended 31 March

	Note	1999 £	1998 £
TURNOVER	2	294,863	247,638
Operating costs	4	<u>(289,922)</u>	<u>(248,994)</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,941	(1,356)
Tax on profit / (loss) on ordinary activities	5	<u>(24,033)</u>	<u>(11,811)</u>
LOSS FOR THE FINANCIAL YEAR		(19,092)	(13,167)
Retained loss brought forward		<u>(34,151)</u>	<u>(20,984)</u>
Retained loss carried forward		<u><u>(53,243)</u></u>	<u><u>(34,151)</u></u>

All turnover is derived from continuing operations.

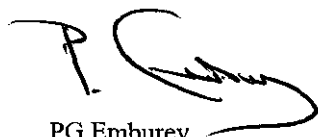
There are no recognised gains or losses for the year other than the loss for the year and of the previous year. Accordingly, no statement of recognised gains and losses has been prepared.

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.

BALANCE SHEET
at 31 March 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible fixed assets	7	1,715,202	514,677
DEBTORS after more than one year			
Amounts owed by parent undertaking		500,000	500,000
CREDITORS: amounts falling due within one year	8	(1,768,445)	(548,828)
NET CURRENT LIABILITIES		(1,268,445)	(48,828)
NET ASSETS		446,757	465,849
CAPITAL AND RESERVES			
Called up share capital	9	500,000	500,000
Profit and loss account	10	(53,243)	(34,151)
EQUITY SHAREHOLDERS' FUNDS		446,757	465,849

The financial statements on pages 7 to 12 were approved by the Board of Directors on 9th February 2000 and signed on their behalf by



PG Emburey
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 March

	1999 £	1998 £
Loss for the year	(19,092)	(13,167)
Net decrease in shareholders' funds	(19,092)	(13,167)
Opening shareholders' funds	465,849	479,016
Closing shareholders' funds	446,757	465,849

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 basis.

Accounting for operating lease contracts

Assets held for use in operating leases are depreciated according to the policy outlined below. Operating lease rentals are recognised on a straight line basis over the periods of the leases.

Tangible fixed assets and 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 life of the assets. These lives are:

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, 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 arises wholly in the United Kingdom and comprises revenue from operating leases.

3. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Company had no employees during the year (1998 - nil). The Directors did not receive any emoluments from the Company (1998 - nil). The auditors remuneration was borne by the parent company (1998 - nil)

4. OPERATING COSTS

	1999 £	1998 £
Management charge	9,100	9,100
Depreciation	280,822	239,794
Other operating costs	-	100
	<u>289,922</u>	<u>248,994</u>

NOTES TO THE ACCOUNTS

5. TAXATION

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

	1999	1998
	£	£
Corporation Tax at 31% (1998 - 33%)		
Current year	<u>24,033</u>	<u>11,811</u>

6. 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		Amount unprovided	
	1999	1998	1999	1998
	£	£	£	£
Tax effect of timing differences due to:				
Excess capital allowances	<u>-</u>	<u>-</u>	<u>49,266</u>	<u>(26,765)</u>

7. TANGIBLE FIXED ASSETS

All plant and machinery are assets held for use in operating leases.

	Plant and machinery £
Cost	
At 1 April 1998	1,198,403
Additions	1,481,348
Disposals	<u>(230,945)</u>
At 31 March 1999	<u>2,448,806</u>
Depreciation	
At 1 April 1998	683,726
Charge for the year	280,822
Disposals	<u>(230,944)</u>
At 31 March 1999	<u>733,604</u>
Net book value	
At 31 March 1999	<u>1,715,202</u>
At 1 April 1998	<u>514,677</u>

NOTES TO THE ACCOUNTS

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Amounts due to group undertakings	1,744,412	548,828
Other creditors including taxation and social security	24,033	-
	<u>1,768,445</u>	<u>548,828</u>

9. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised 5,000,000 ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid 1,000,000 ordinary shares of £1 each 50p paid	<u>500,000</u>	<u>500,000</u>

10. RESERVES

	£
Profit and loss account	
At 1 April 1998	(34,151)
Transfer from profit and loss account for the year	<u>(19,092)</u>
At 31 March 1999	<u>(53,243)</u>

11. CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (revised), 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.

12. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless group, or investees of the group qualifying as related parties, as all of the Company's voting rights are controlled within that group. There are no material transactions with any other related parties.

13. ULTIMATE PARENT COMPANY

The Company's immediate holding company is Cable and Wireless Global Markets SA, registered in Luxembourg. The ultimate parent company is Cable and Wireless plc registered in England and Wales. A copy of Cable and Wireless plc's published consolidated financial statements can be obtained from The Secretary, Cable and Wireless plc, 124 Theobalds Road, London WC1X 8RX.