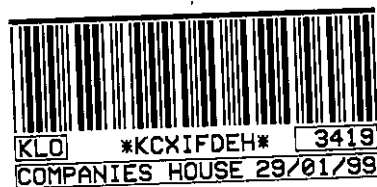


**VIDEOTRON SOUTHAMPTON AND
EASTLEIGH LIMITED**

Report and Accounts

31 March 1998



VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

REPORT AND ACCOUNTS 1998

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VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Wallace
N Mearing-Smith
R Drolet

SECRETARY

R Drolet

REGISTERED OFFICE

Caxton Way
Watford Business Park
Watford
Hertfordshire
WD1 8XH

AUDITORS

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited accounts for the year ended 31 March 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The Company holds licences from the Department of Trade and Industry to construct and operate broadband cable networks providing the full range of telecommunications services within the City of Southampton and the Borough of Eastleigh.

The Company also holds a prescribed diffusion services licence under the Cable and Broadcasting Act 1984 which continues in effect under the Broadcasting Act 1990. The licence authorises the Company to deliver television and radio programme services in the above mentioned cable franchise area.

The Company started to trade during the period ended 31 March 1997.

RESULTS AND DIVIDENDS

The Company made a profit for the year of £17,000 (1997: £17,000). The Directors do not recommend the payment of a dividend.

During the period ended 31 March 1997 the Company declared a dividend of £99,480,130. As the distributable reserves held in the profit and loss account stood at £4,833,991 it was necessary to reduce the Company's share premium account by £94,646,139 in order to create sufficient distributable reserves. The reduction of the share premium account required approval by way of a special resolution of the Company and a subsequent confirmation by the High Court.

DIRECTORS AND THEIR INTERESTS

The Directors currently serving or who held office during the year were as follows:

R Drolet	
D Somers	(appointed 8 January 1997; resigned 9 May 1997)
P Howell-Davies	(appointed 9 May 1997; resigned 2 June 1997)
G Wallace	(appointed 2 June 1997)
N Mearing-Smith	(appointed 2 June 1997)

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:

Ordinary shares of Cable & Wireless Communications plc:

	At 1 January 1997 (or later date of appointment)	Shares acquired	Shares disposed	At 31 March 1998
N Mearing-Smith	153,949	-	-	153,949

Options to subscribe for ordinary shares in Cable & Wireless Communications plc:

	At 1 January 1997 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 1998	Exercise Price	Date from which exercisable	Expiry Date
R Drolet	57,542	-	-	57,542	\$4.583	1/5/97	2/7/03

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

DIRECTORS' REPORT

EMPLOYEES

The Company has no employees. Most 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, a fellow Group Company, enters into most contracts with suppliers to the Cable & Wireless Communications 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 23 of the 1998 Annual Report and Accounts of Cable & Wireless Communications plc.

AUDITORS

On 7 July 1998, Deloitte & Touche resigned and Arthur Andersen were appointed as auditors.

Approved by the Board of Directors
and signed on its behalf by


R Drolet

Secretary

22 January 1999

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

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 VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

We have audited the accounts on pages 6 to 10 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.

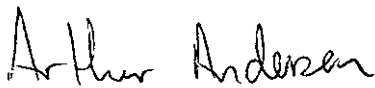
Basis of opinion

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 1998 and of its profit 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

22 January 1999

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 1998

	Note	Year ended 31 March 1998 £'000	7 months ended 31 March 1997 £'000
TURNOVER		25	25
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		25	25
Taxation	3	(8)	(8)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		17	17
Equity dividends		-	(99,480)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		17	(99,463)

A statement of total recognised gains and losses and a reconciliation of movements in shareholders' funds have not been presented because there are no recognised gains and losses or other movements in shareholders' funds in the current year and preceding period other than the profit for the year.

All activities derive from continuing operations.

The accompanying notes form an integral part of this statement.

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

BALANCE SHEET 31 March 1998

	Note	31 March 1998 £'000	31 March 1997 £'000
CURRENT ASSETS			
Debtors	4	71,633	71,608
CREDITORS: amounts falling due within one year	5	(16)	(8)
NET ASSETS		<u>71,617</u>	<u>71,600</u>
CAPITAL AND RESERVES			
Called up share capital	6	11,444	11,444
Share premium account	7	60,139	60,139
Profit and loss account	7	34	17
EQUITY SHAREHOLDERS' FUNDS		<u>71,617</u>	<u>71,600</u>

These accounts were approved by the Board of Directors on 22 January 1999 and signed on its behalf by:



R Drolet

Director

The accompanying notes form an integral part of this statement.

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently 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 and on the historical cost basis.

(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 represents licence fees in accordance with Licence Agreements.

(c) 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 10).

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors did not receive any remuneration during the year (1997: £309,205). Included in the 1997 amount is £30,000 paid as compensation to a Director for loss of office. The directors were either executives of the group or directors of the holding company, Videotron Holdings plc. It is not practicable to allocate these comparative payments between their services to the Videotron sub-group and their services as directors of this company and other fellow subsidiary companies.

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.

3. TAXATION

	Year ended 31 March 1998 £'000	7 months ended 31 March 1997 £'000
Group relief at 31% (1997: 33%)	8	8

4. DEBTORS

	31 March 1998 £'000	31 March 1997 £'000
Due from fellow subsidiaries	71,633	71,608

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 1998 £'000	31 March 1997 £'000
Due to fellow subsidiaries	<u>16</u>	<u>8</u>

6. SHARE CAPITAL

	31 March 1998 £'000	31 March 1997 £'000
Authorised:		
28,000,000 ordinary shares of £1 each	<u>28,000</u>	<u>28,000</u>
Allotted, called up and fully paid:		
11,443,824 ordinary shares of £1 each	<u>11,444</u>	<u>11,444</u>

7. RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 April 1997	60,139	17
Profit for the year	<u>-</u>	<u>17</u>
At 31 March 1998	<u>60,139</u>	<u>34</u>

8. CHARGE ON ASSETS

On 6 May 1997 a fellow subsidiary undertaking entered into an Inter-Company Credit Agreement with Cable & Wireless Communications plc. As security, a fixed and floating charge has been granted over all the assets of the Company.

9. 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.

VIDEOTRON SOUTHAMPTON AND EASTLEIGH LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1998

10. 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.