



**CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND
EASTLEIGH) LIMITED**

(formerly Videotron Southampton and Eastleigh Limited)

Report and Accounts

31 March 1999

**CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH)
LIMITED**

REPORT AND ACCOUNTS 1999

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**CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH)
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 (SOUTHAMPTON AND EASTLEIGH) LIMITED

DIRECTORS' REPORT

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

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.

On 26 February 1999, the Company changed its name to Cable & Wireless Communications (Southampton and Eastleigh) Limited.

RESULTS AND DIVIDENDS

The Company made a profit for the year of £25,000 (1998: £17,000). The Directors do not recommend the payment of a dividend.

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:

	At 1 April 1998 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 1999
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).

CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH) LIMITED

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

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).

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.

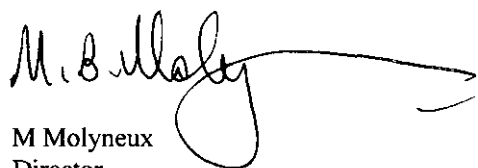
YEAR 2000

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

**CABLE & WIRELESS COMMUNICATIONS (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
CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH)
LIMITED**

We have audited the accounts on pages 6 to 9 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.

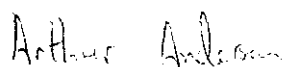
Basis of opinion

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 1999 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

25 January 2000

**CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH)
LIMITED**

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1999

	Note	Year ended 31 March 1999 £'000	Year ended 31 March 1998 £'000
TURNOVER	1b	25	25
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		25	25
Taxation	3	-	(8)
PROFIT FOR THE FINANCIAL YEAR		25	17

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 either year other than the profit for the year.

All activities derive from continuing operations.

The accompanying notes form an integral part of this statement.

**CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH)
LIMITED**

**BALANCE SHEET
31 March 1999**

	Note	1999 £'000	1998 £'000
CURRENT ASSETS			
Debtors	4	71,642	71,633
CREDITORS: Amounts falling due within one year	5	-	(16)
NET ASSETS		<u>71,642</u>	<u>71,617</u>
CAPITAL AND RESERVES			
Called up equity share capital	6	11,444	11,444
Share premium account	7	60,139	60,139
Profit and loss account	7	59	34
EQUITY SHAREHOLDERS' FUNDS		<u>71,642</u>	<u>71,617</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.

CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH) LIMITED

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.

(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 9).

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors did not receive any remuneration during the year (1998: £nil).

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.

3. TAXATION

	1999 £'000	1998 £'000
UK Corporation tax at 31%	-	8

The Company has no current year UK Corporation tax liability due to the availability of group relief from other Group Companies.

4. DEBTORS

	1999 £'000	1998 £'000
Due from fellow Group undertakings	71,642	71,633

**CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH)
LIMITED**

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Due to fellow Group undertakings	-	16

6. SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
28,000,000 ordinary shares of £1 each	28,000	28,000
Allotted, called up and fully paid:		
11,443,824 ordinary shares of £1 each	11,444	11,444

7. RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 April 1998	60,139	34
Profit for the year	-	25
At 31 March 1999	60,139	59

8. 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.

9. 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.