

**CABLE & WIRELESS COMMUNICATIONS ACQUISITION COMPANY
LIMITED**

(formerly Bell Cablemedia Acquisition Company Limited)

Report and Accounts

31 March 1999



CABLE & WIRELESS COMMUNICATIONS ACQUISITION COMPANY LIMITED

REPORT AND ACCOUNTS 1999

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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

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 is the parent company of Cable & Wireless Communications Holdings (East London) Limited, (formerly Bell Cablemedia (East London) Limited), which in turn is the parent company of Cable & Wireless Communications (South East) Limited. Cable & Wireless Communications (South East) Limited (formerly Bell Cablemedia (South East) Limited), is the parent company of Cable & Wireless Communications (Kent) Limited, (formerly Bell Cablemedia (Kent) Limited), and Cable & Wireless Communications (Equipment) Limited, (formerly Bell Cablemedia (Equipment) Limited). The principal activity of Cable & Wireless Communications (Equipment) Limited is the provision of telephone equipment.

Cable & Wireless Communications (South East) Limited and Cable & Wireless Communications (Kent) Limited's principal activity is the installation of cable television and telecommunications systems and the provision of cable television systems, telecommunications and related services in franchise areas which comprise:

Tower Hamlets and Newham
Greater London East (Bexley, Barking and Redbridge)
Waltham Forest
Dartford
Havering
Epping Forest
South East Kent

The directors expect the operations of the group to continue to expand in the forthcoming year.

On 26 February 1999, the Company changed its name to Cable & Wireless Communications Acquisition Company Limited.

RESULTS AND DIVIDENDS

The Company did not trade during the year ended 31 March 1999 and there was no income or expenditure in the year (1998 - £nil). The Directors do not recommend 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:

	At 1 April 1998 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 1999
R Drolet	57,542	-	(57,542)	-

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

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).

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 Group.

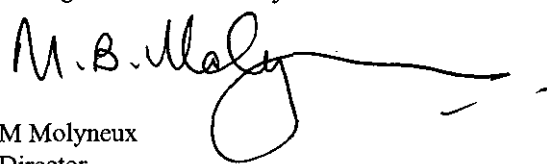
YEAR 2000

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 period which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss for the financial period:

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 ACQUISITION COMPANY 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 7.

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 result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

25 January 2000

CABLE & WIRELESS COMMUNICATIONS ACQUISITION COMPANY LIMITED

BALANCE SHEET 31 March 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Investments	3	<u>103,141</u>	<u>103,141</u>
CREDITORS: amounts falling due within one year	4	<u>(43)</u>	<u>(43)</u>
NET CURRENT LIABILITIES		<u>(43)</u>	<u>(43)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		<u>103,098</u>	<u>103,098</u>
CAPITAL AND RESERVES			
Called up share capital	5	6,317	6,317
Share premium account	6	96,789	96,789
Profit and loss account	6	<u>(8)</u>	<u>(8)</u>
SHAREHOLDERS' FUNDS		<u>103,098</u>	<u>103,098</u>
Shareholders' funds are attributable to:			
Equity interests		103,026	103,026
Non-equity interest		<u>72</u>	<u>72</u>
		<u>103,098</u>	<u>103,098</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 these statements.

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 1999

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently throughout the year and preceding period 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) Investments

Investments in subsidiary companies are held at cost less provisions for impairment. The Company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act because it is a wholly owned subsidiary of another Company incorporated in Great Britain which prepares Group accounts (see Note 9).

(c) 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.

(d) 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 for which consolidated accounts are publicly available (see Note 9).

2. PROFIT AND LOSS ACCOUNT

The Company did not trade during the year ended 31 March 1999 and there was no income or expenditure in the year (1998: £nil). No profit and loss account has therefore been prepared.

The auditors' remuneration for the current financial year and the preceding financial period has been borne by a fellow Group undertaking.

There were no employees during the year (1998: nil). None of the Directors received any emoluments from the Company during the year (1998: £nil).

CABLE & WIRELESS COMMUNICATIONS ACQUISITION COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued) Year ended 31 March 1999

3. INVESTMENTS

	1999 £'000	1998 £'000
Investment in subsidiary undertaking	103,141	103,141

The company holds 100% of the shares of Cable & Wireless Communications Holdings (East London) Limited (formerly Bell Cablemedia Holdings (East London) Limited, a company incorporated in Great Britain and registered in England and Wales, which is a holding company with no trading activity.

The company's subsidiary undertaking holds 100% of the shares in Cable & Wireless Communications (South East) Limited, (formerly Bell Cablemedia (South East) Limited) which in turn holds 100% of the shares in Cable & Wireless Communications (Equipment) Limited (formerly Bell Cablemedia (Equipment) Limited) and 100% of the shares in Cable & Wireless Communications (Kent) Limited (formerly Bell Cablemedia (Kent) Limited. All companies are incorporated in Great Britain and registered in England and Wales.

No provision has been made for temporary diminution in the value of investments as the directors consider it to be fully recoverable, given the long-term nature of the franchise development.

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Amounts owed to fellow Group undertakings	43	3
Accruals and deferred income	-	40
	<u>43</u>	<u>43</u>

5. SHARE CAPITAL

	Number	£'000
Authorised at 31 December 1998 and 31 March 1999		£'000
100,000,001 Ordinary Shares of 10p each		10,000
100,000,000 Convertible Preferred Shares of 10p each		10,000
Allotted, called up and fully paid:		
Ordinary Shares of 10p each At 31 March 1998 and 1999	62,453,701	6,245
Convertible Preferred Shares of 10p each At 31 March 1998 and 1999	720,180	72
		<u>6,317</u>

Each holder of convertible preferred shares is entitled at any time on the last business day of each month to convert into ordinary shares all or part of the preferred shares held. Each convertible preferred share will be converted into 10 ordinary shares plus such a number of ordinary shares valued at 10 pence each that is equivalent to the cumulative amount of notional interest calculated at the rate of 25% per annum compound on the subscription price for the convertible preferred shares.

CABLE & WIRELESS COMMUNICATIONS ACQUISITION COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued) Year ended 31 March 1999

6. RESERVES

	Share premium account £'000	Profit and loss account £'000
At 31 March 1998 and 1999	96,789	(8)

7. 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.

8. SUBSIDIARIES

Name	Nature of business	Nature of holding
Cable & Wireless Communications Holdings (East London) Limited (formerly Bell Cablemedia (East London) Limited).	Holding company	100% of ordinary shares owned directly
Cable & Wireless Communications (South East) Limited (formerly Bell Cablemedia (South East) Limited).	Cable television and telecommunications	100% of ordinary shares held by subsidiary
Cable & Wireless Communications (Kent) Limited (formerly Bell Cablemedia (Kent) Limited).	Cable television and telecommunications	100% of ordinary shares held by subsidiary
Cable & Wireless Communications (Equipment) Limited (formerly Bell Cablemedia (Equipment) Limited).	Equipment rental	100% of ordinary shares held by subsidiary

All companies are incorporated in Great Britain, registered in England and Wales, and operate in the United Kingdom.

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.

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.