

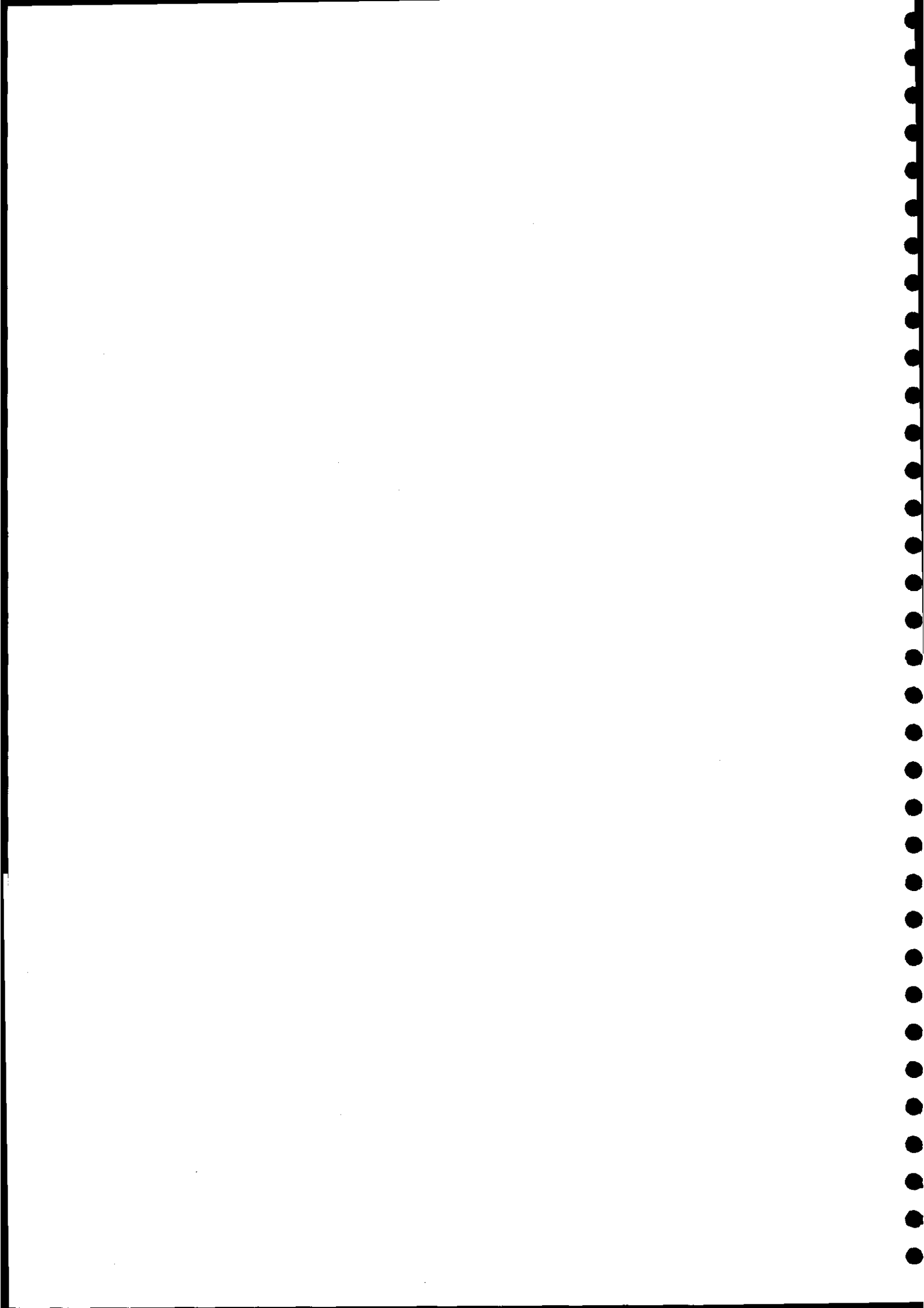
**THE WESTERN TELEGRAPH COMPANY LIMITED**

**Report and Financial Statements**

**31 March 2000**

Registered Office:  
124 Theobalds Road  
London  
WC1X 8RX





# THE WESTERN TELEGRAPH COMPANY LIMITED

## To the Company's Ordinary Shareholders

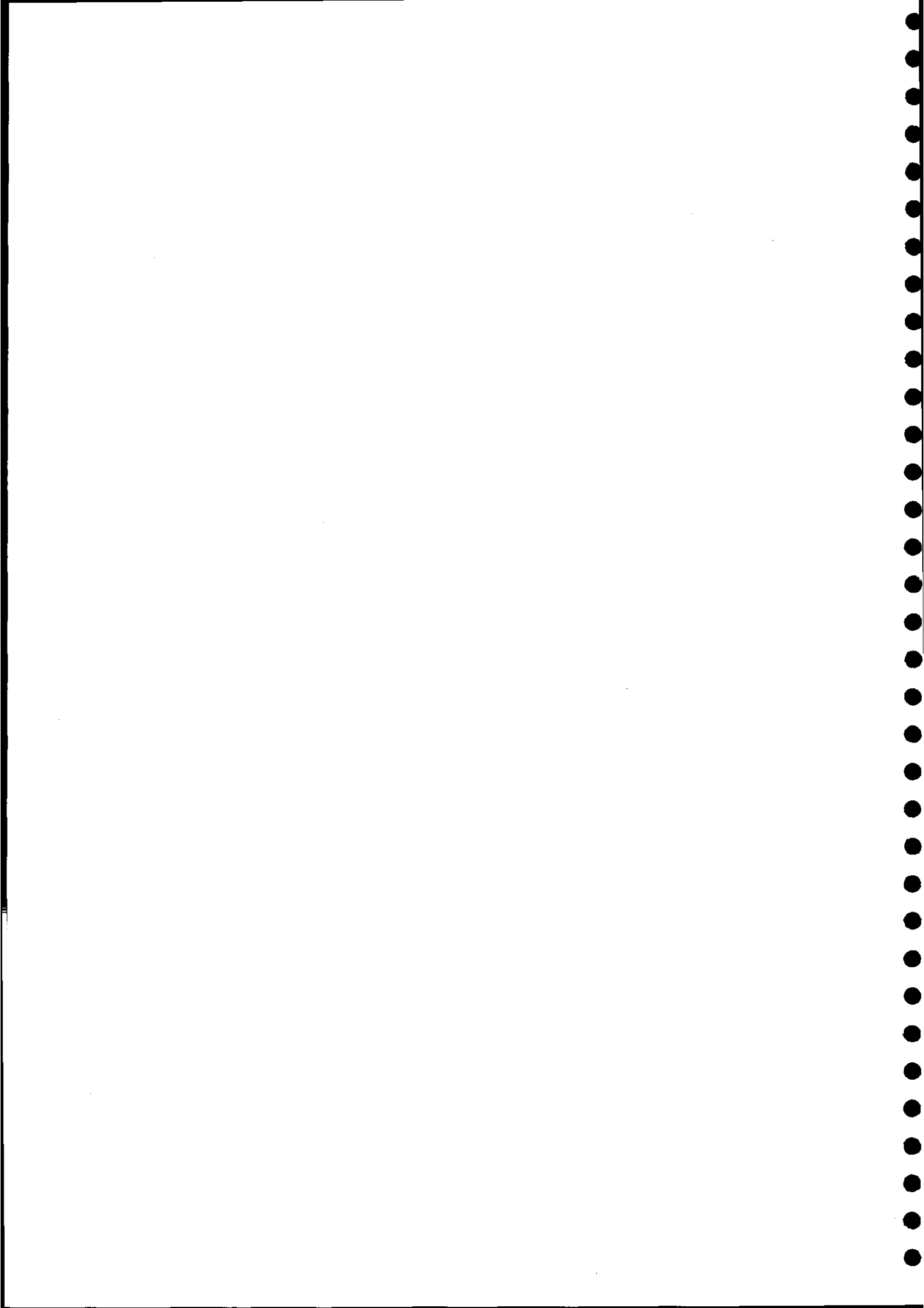
### Elective Regime

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);
- 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.

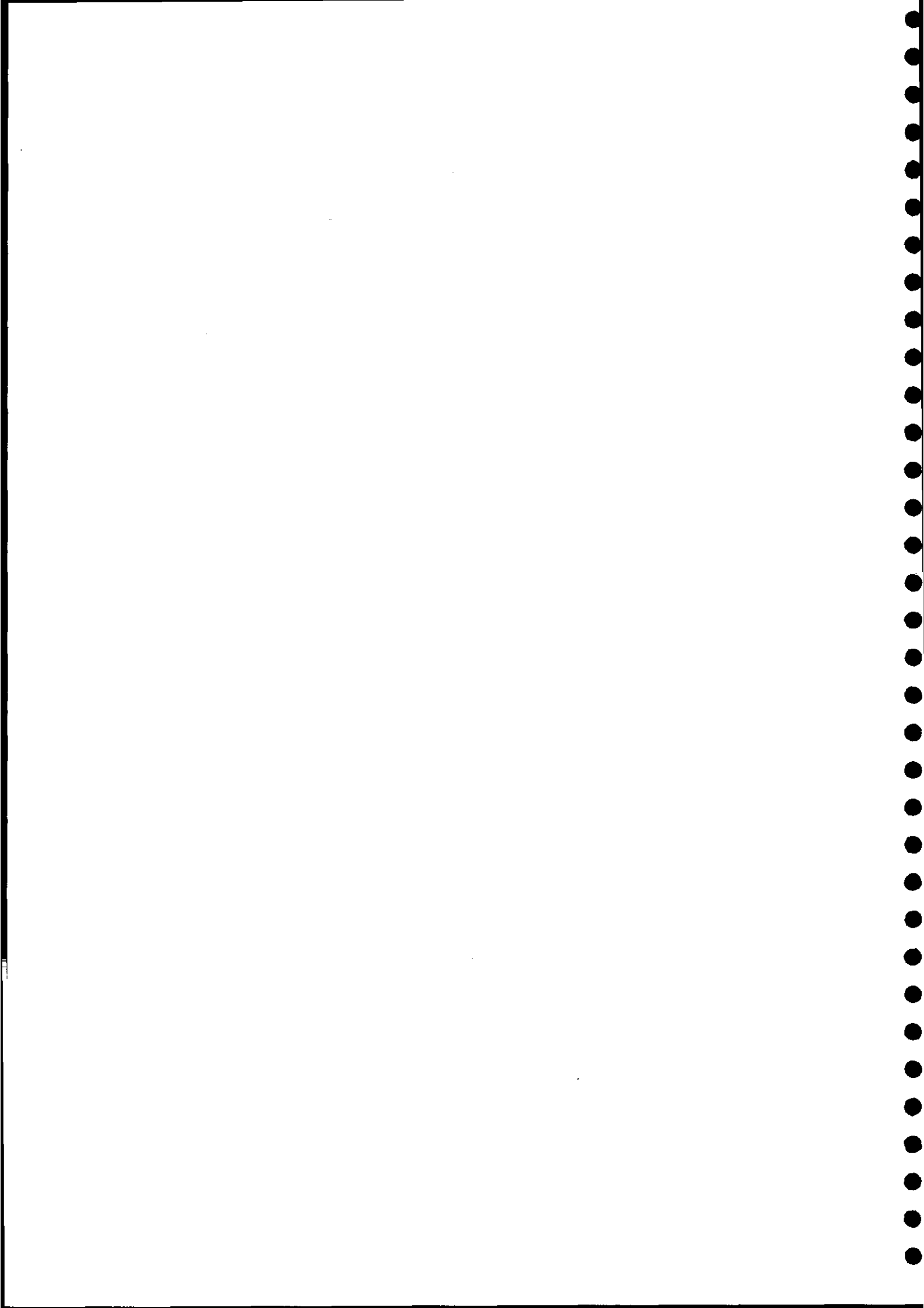
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REPORT AND FINANCIAL STATEMENTS 2000

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**DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 March 2000.

**ACTIVITIES**

The Company derives income from a loan to its parent company.

**RESULTS AND DIVIDENDS**

The loss for the year after taxation amounting to £1,555,596 (1999: £35,837,934) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend.

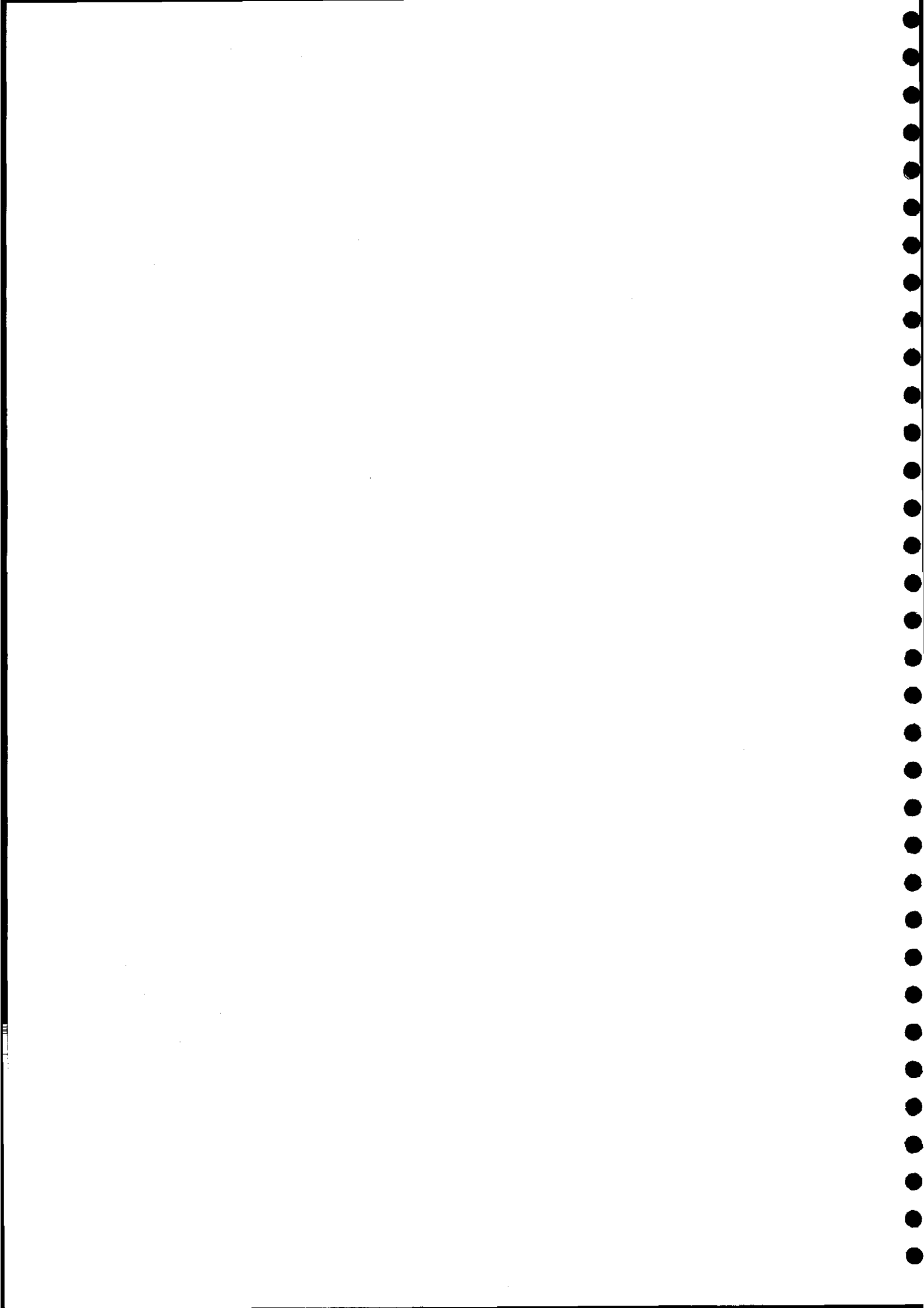
**FUTURE PROSPECTS**

The company is not expected to trade in the foreseeable future. The Directors consider that the current level of interest income will continue.

**YEAR 2000 READINESS**

To address the risks associated with the much publicised 'millennium bug' or inability of computer systems to cope with the new century date change and leap year, the Cable & Wireless Millennium Programme was established in June 1996. This comprehensive, global programme required all of the Group's systems and network element tests to conform to the requirements for the year 2000 functionality and performance, as set out by The British Standards Institution (BSI) in PD 2000-01.

All Cable & Wireless businesses participating in the programme reported their major services to be unaffected by the millennium transition and the leap year.





DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The Directors who held office at the end of the year, together with their interests and the interests of their families in the ordinary shares of Cable and Wireless plc, are shown below.

|             | At 1 April<br>1999<br><br>(or later date of<br>appointment) | Shares acquired or<br>options granted | Shares disposed or<br>options<br>exercised/elapsed | At 31 March<br>2000 |
|-------------|---|---------------------------------------|--|---------------------|
| K K Claydon | 4,875   | 7,622                                 | (10,560)   | 1,937               |
|             | 5,337   | -                                     | -  | 5,337 (a)           |
|             | 51,372  | 13,250                                | -  | 64,622 (b)          |
|             | 9,674   | -                                     | -  | 9,674 (c)           |
|             | 6,553   | -                                     | -  | 6,553 (d)           |
|             | 9,674   | -                                     | (9,674)  | - (e)               |
|             | -   | 10,782                                | -  | 10,782 (f)          |
| J M Bolton  | 538   | 703                                   | -  | 1,241 (a)           |
|             | 2,650   | -                                     | -  | 2,650 (b)           |

J M Bolton was appointed as Alternate Director to K K Claydon on 8 July 1999.

The interests of R E Lerwill are shown in the financial statements of the ultimate parent undertaking, Cable and Wireless plc.

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, (b) which are options to purchase ordinary shares under the discretionary share option schemes, (c) which are C&W Long Term Incentive Plan 1997 (LTIP) (notional) (d) which are C&W Long Term Incentive Plan 1998 (LTIP) (notional) (e) which are C&W Long Term Incentive Plan Transitional Scheme 1999 (LTIPTS99) (notional) (f) which are Cable & Wireless Performance Share Plan (PSP). Full details of the LTIPTS99, LTIP and the PSP are included in the financial statements of the ultimate parent company.

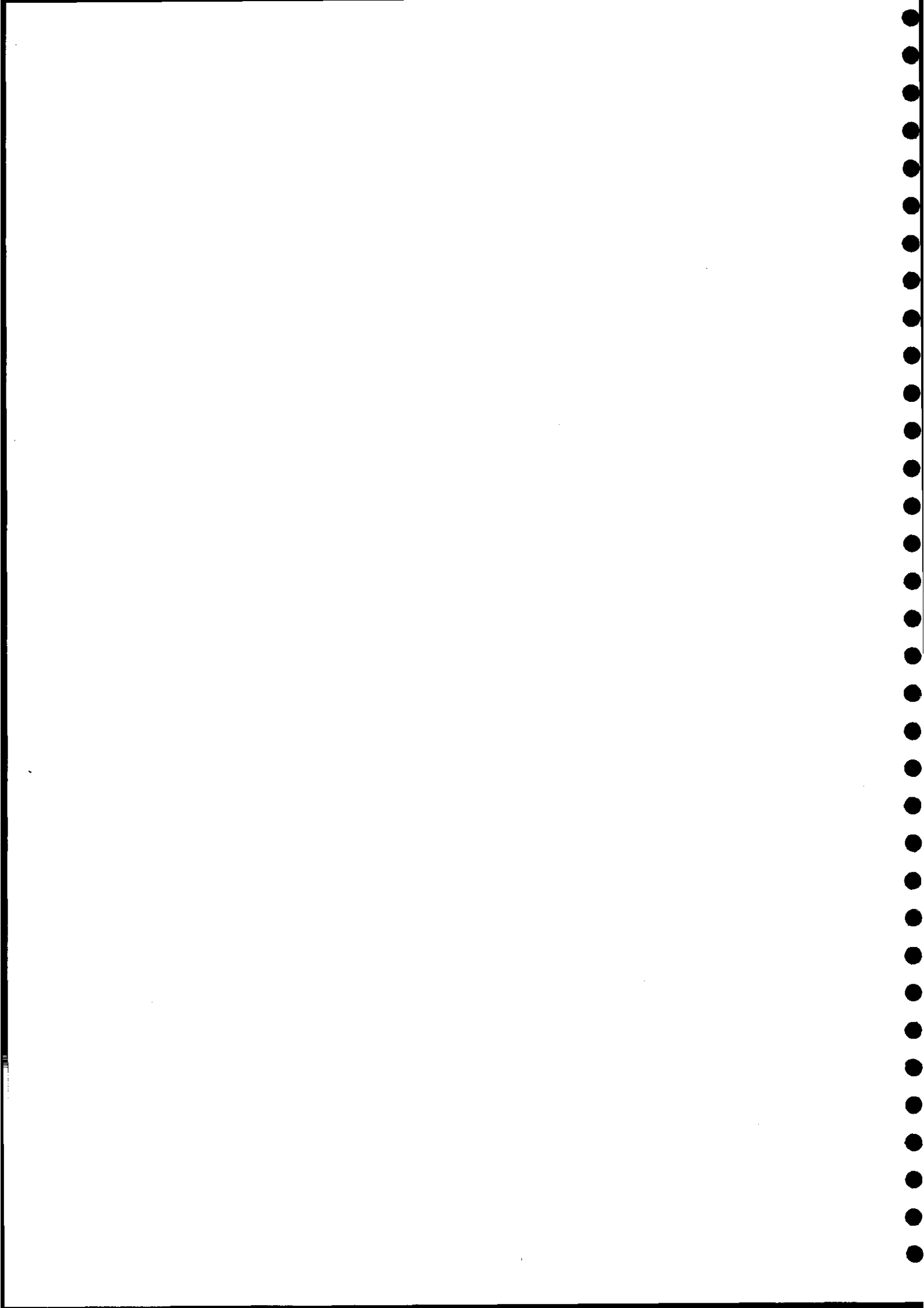
KK Claydon held 10,000 Cable & Wireless Communications plc shares at 1 April 1999 and sold 8,500 shares during the year. His holding as at 31 March 2000 was 1,500 shares.

By the order of the Board of Directors.



J M BOLTON  
Secretary

Date: 11.12.00



**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 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.

**AUDITORS' REPORT TO THE MEMBERS OF THE WESTERN TELEGRAPH COMPANY LIMITED**

We have audited the financial statements on pages 6 to 10.

*Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

*Basis of audit 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.

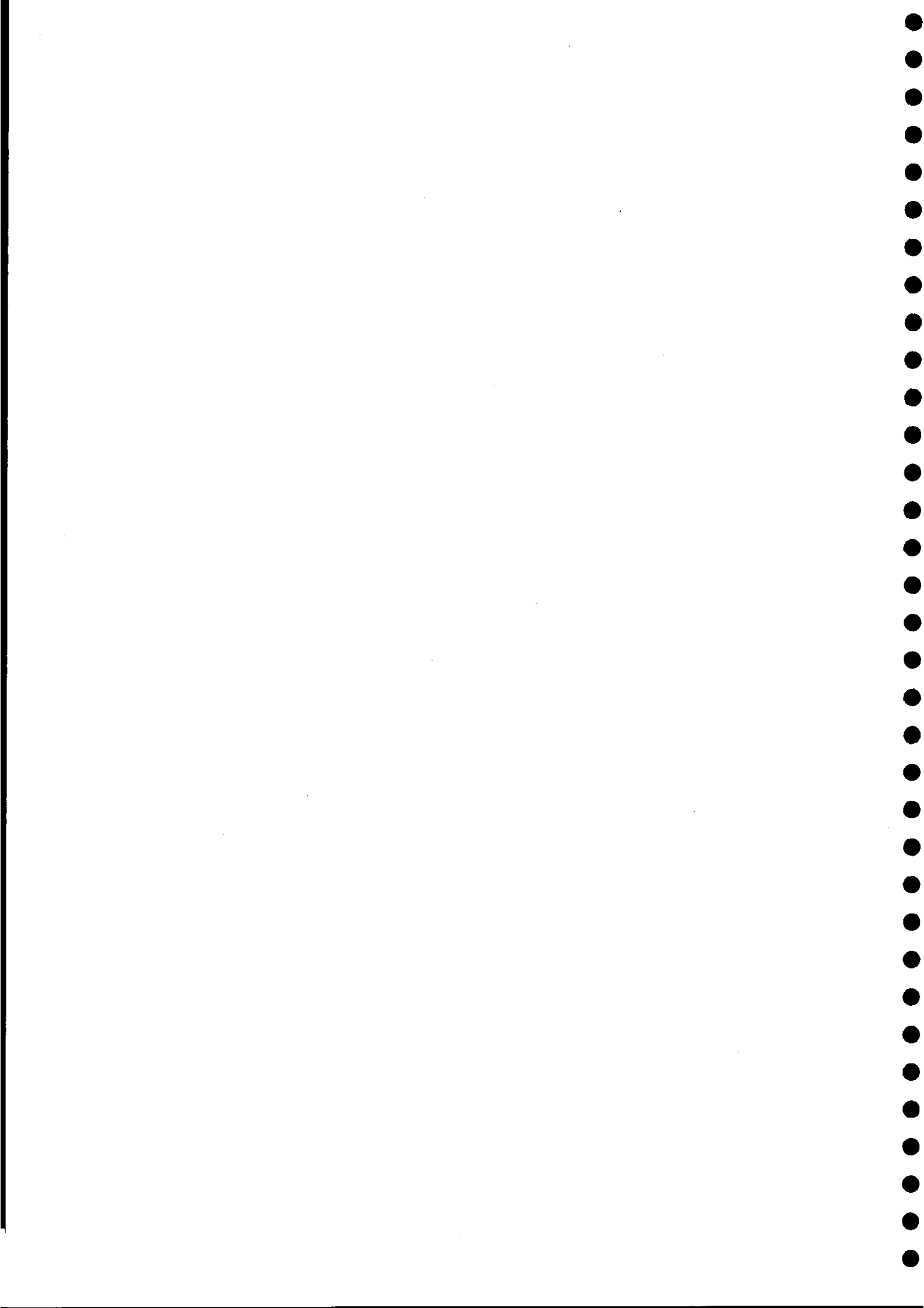
*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2000 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

Date: 11 DECEMBER 2006



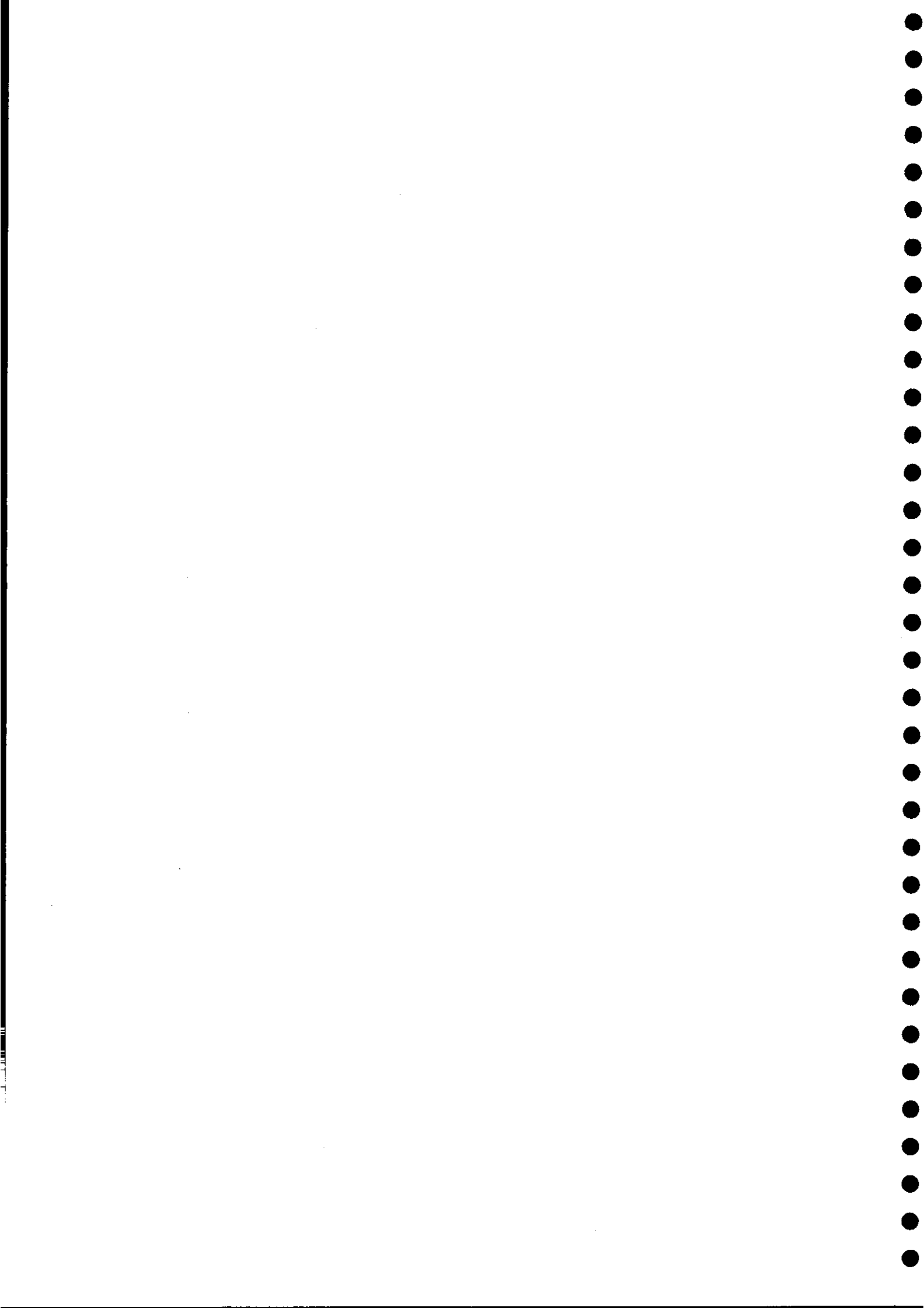
**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2000**

|  | Note | 2000<br>£                  | 1999<br>£                  |
|--|------|----------------------------|----------------------------|
| Net interest and other similar income                    | 3    | 90,000                     | 90,000                     |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |      | <u>90,000</u>              | <u>90,000</u>              |
| Tax on profit on ordinary activities                     | 4    | (1,645,596)                | (35,927,934)               |
| <b>LOSS FOR THE FINANCIAL YEAR</b>                       |      | <u>(1,555,596)</u>         | <u>(35,837,934)</u>        |
| Retained loss brought forward                            |      | (35,972,401)               | (134,467)                  |
| Retained loss carried forward                            |      | <u><u>(37,527,997)</u></u> | <u><u>(35,972,401)</u></u> |

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

There are no movements in shareholders' funds other than the loss for the year and the loss in the previous year.

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



THE WESTERN TELEGRAPH COMPANY LIMITED

BALANCE SHEET  
31 March 2000

|   | Note | 2000<br>£           | 1999<br>£           |
|---|------|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                                 |      |                     |                     |
| Debtors   | 5    | 3,475,486           | 4,982,233           |
| <b>CREDITORS: amounts falling due within one year</b> |      |                     |                     |
|   | 6    | <u>(35,403,483)</u> | <u>(35,354,634)</u> |
| <b>NET CURRENT LIABILITIES</b>                        |      | <u>(31,175,553)</u> | <u>(30,372,401)</u> |
| <b>CAPITAL AND RESERVES</b>                           |      |                     |                     |
| Called up share capital                               | 9    | 5,600,000           | 5,600,000           |
| Profit and loss account                               |      | <u>(37,527,997)</u> | <u>(35,972,401)</u> |
| <b>EQUITY SHAREHOLDERS' DEFICIT</b>                   |      | <u>(31,927,997)</u> | <u>(30,372,401)</u> |

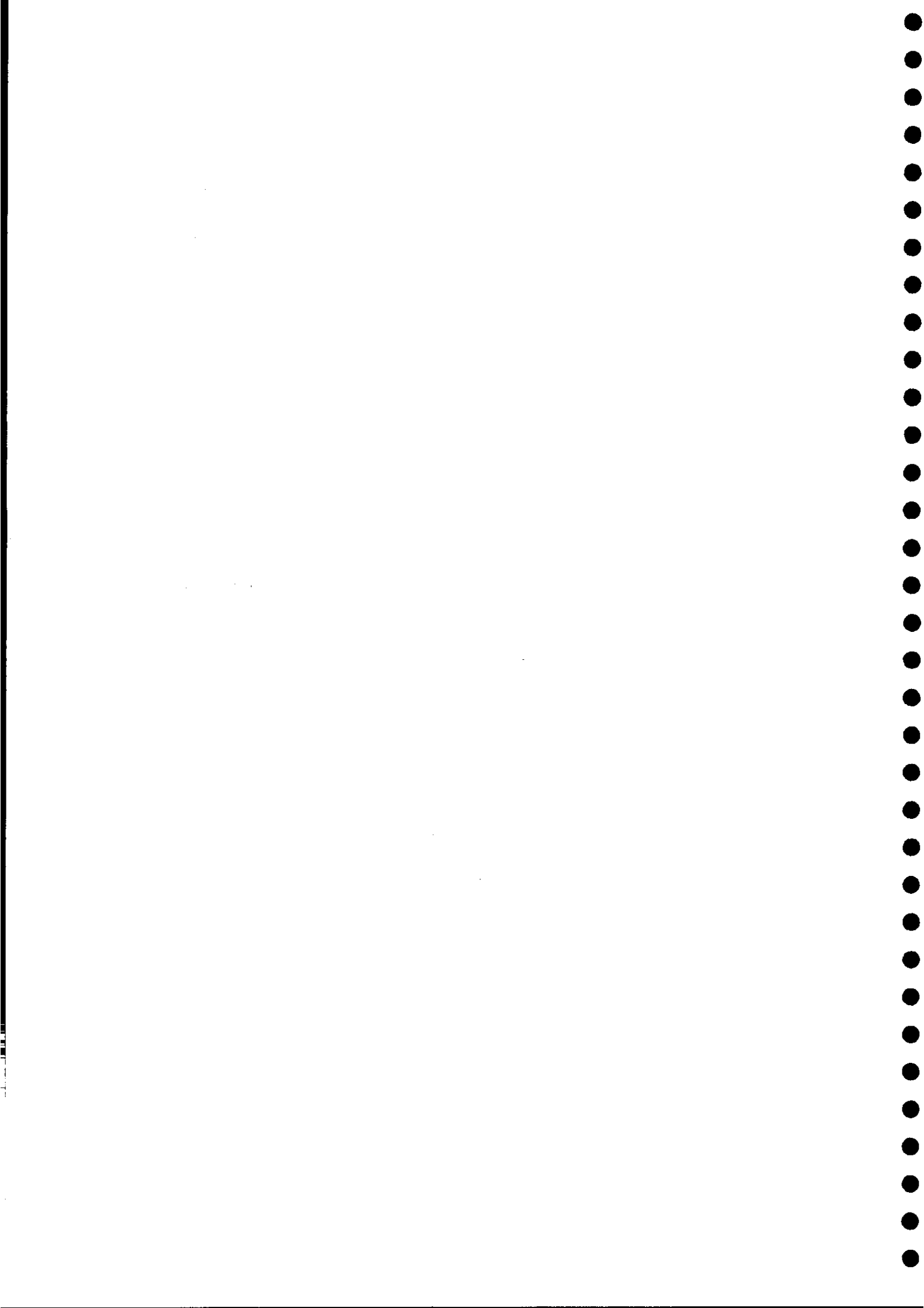
The financial statements on pages 6 to 10 were approved by the Board of Directors on 11<sup>th</sup> December 2000 and signed on their behalf by:



Director

11.12.00





NOTES TO THE ACCOUNTS

Year ended 31 March 2000

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards on the historical cost basis and on a going concern basis as the Company has received confirmation from its parent company that it will continue to provide financial support to the Company for the foreseeable future.

2. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Company had no employees during the year (1999 - nil). The Directors did not receive any emoluments from the Company (1999 - £nil). The auditors remuneration for the year and the previous year was borne by the parent company.

3. NET INTEREST AND OTHER SIMILAR INCOME

|   | 2000<br>£ | 1999<br>£ |
|---|-----------|-----------|
| Interest receivable on loan to parent undertaking | 90,000    | 90,000    |

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

|  | 2000<br>£        | 1999<br>£         |
|--|------------------|-------------------|
| The charge for taxation comprises:<br>United Kingdom corporation tax - 30%<br>(1999 - 31%) |                  |                   |
| Current Year   | 27,000           | 35,927,934        |
| Adjustment in respect of prior years   | 1,618,596        | -                 |
|  | <u>1,645,596</u> | <u>35,927,934</u> |

NOTES TO THE ACCOUNTS  
Year ended 31 March 2000

5. DEBTORS

|  | 2000             | 1999             |
|--|------------------|------------------|
|  | £                | £                |
| Other debtors                            | 11               | 11               |
| Loan to parent undertaking               | 1,500,000        | 1,500,000        |
| Corporation tax receivable               | 1,975,475        | -                |
| Interest free loan to parent undertaking | -                | 3,482,222        |
|  | <u>3,475,486</u> | <u>4,982,233</u> |

The loan to the parent undertaking of £1,500,000 earns interest at 6% per annum.

6. CREDITORS: amounts falling due within one year

|                                    | 2000              | 1999              |
|------------------------------------|-------------------|-------------------|
|                                    | £                 | £                 |
| Amounts owed to group undertakings | 31,175,553        | 13,519,210        |
| Corporation tax                    | 4,227,930         | 20,062,034        |
| Accruals                           | -                 | 1,773,390         |
|                                    | <u>35,403,483</u> | <u>35,354,634</u> |

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS DEFICIT

|                                      | 2000                | 1999                |
|--------------------------------------|---------------------|---------------------|
|                                      | £'000               | £'000               |
| Opening shareholders funds           | (30,372,401)        | 5,465,533           |
| Profit/(loss) for the financial year | (1,555,596)         | (35,837,934)        |
|                                      | <u>(31,927,997)</u> | <u>(30,372,401)</u> |

8. CALLED UP SHARE CAPITAL

|   | 2000             | 1999             |
|---|------------------|------------------|
|   | £                | £                |
| Authorised                                |                  |                  |
| 5,600,000 ordinary stock units of £1 each | 5,600,000        | 5,600,000        |
| 1,400,000 ordinary shares of £1 each      | 1,400,000        | 1,400,000        |
|   | <u>7,000,000</u> | <u>7,000,000</u> |
| Allotted, called up and fully paid        |                  |                  |
| 5,600,000 ordinary stock units of £1 each | 5,600,000        | 5,600,000        |
|   | <u>5,600,000</u> | <u>5,600,000</u> |

9. 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.

**NOTES TO THE ACCOUNTS**

Year ended 31 March 2000

**10. 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.

**11. ULTIMATE PARENT COMPANY**

The Company's holding company and 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.

