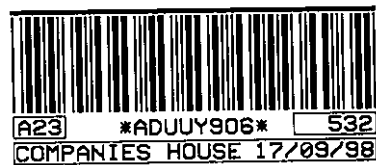


**THE WESTERN TELEGRAPH COMPANY LIMITED**

**Report and Financial Statements**

**31 March 1998**

**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.

**Registered Office:**  
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**WC1X 8RX**

**THE WESTERN TELEGRAPH COMPANY LIMITED**

**REPORT AND FINANCIAL STATEMENTS 1998**

**CONTENTS**

	<b>Page</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of Directors' responsibilities</b>	<b>3</b>
<b>Auditors' report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the accounts</b>	<b>7-8</b>

# THE WESTERN TELEGRAPH COMPANY LIMITED

## DIRECTORS' REPORT

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

### ACTIVITIES

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

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounting to £62,100 (1997 - £60,300) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend.

### FUTURE PROSPECTS

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

### MILLENNIUM COMPLIANCE

The Company participates in the Cable & Wireless Group Millennium Compliance initiative which began in mid 1996. The programme is progressing well with management ownership and accountability for all major activities identified and assigned. It is the Company's objective to be fully ready for the Year 2000 by the end of 1998.

### 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. The interests of R E Lerwill (appointed on 16 December 1997) are shown in the financial statements of the ultimate parent undertaking, Cable and Wireless plc.

	At 1 April 1997 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 1998
J N Gillespie	-	2,046	-	2,046
	5,863	-	-	5,863 (a)
	77,000	40,000	-	117,000 (b)
	-	10,346	-	10,346 (c)
	-	10,346	-	10,346 (d)
K K Claydon	101	8,034	2,691	5,444
	16,921	-	7,540	9,381 (a)
	63,981	15,000	-	78,981 (b)
	-	9,674	-	9,674 (c)
	-	9,674	-	9,674 (d)

In addition R J Olsen served as a Director until his resignation on 16 December 1997. J N Gillespie resigned after the year end on 23 July 1998.

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 notional allocations of shares under the C&W Long Term Incentive Plan Transitional Scheme 1999 (LTIPTS99) or (d) which are notional allocations of shares under the C&W Long Term Incentive Plan (LTIP). Full details of the LTIPTS99 and the LTIP are included in the financial statements of the ultimate parent company.

By order of the Board of Directors.



K K Claydon  
Secretary

Date: 17 August 1998

## THE WESTERN TELEGRAPH COMPANY LIMITED

### 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.

# THE WESTERN TELEGRAPH COMPANY LIMITED

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

We have audited the financial statements on pages 5 to 8.

### Respective responsibilities of Directors and auditors

As described on page 3 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



17 August 1998

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

# THE WESTERN TELEGRAPH COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 March 1998

	Note	1998 £	1997 £
Net interest and other similar income	3	90,000	90,000
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		90,000	90,000
Tax on profit on ordinary activities	4	(27,900)	(29,700)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		62,100	60,300
<b>Retained loss brought forward</b>		(196,567)	(256,867)
<b>Retained loss carried forward</b>		(134,467)	(196,567)

There are no recognised gains or losses other than the profit for the year and the profit 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 profit for the year and the profit in the previous year.

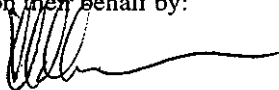
There is no difference between the Company's results as reported and on an historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.

**THE WESTERN TELEGRAPH COMPANY LIMITED**

**BALANCE SHEET**  
**31 March 1998**

	Note	1998 £	1997 £
<b>CURRENT ASSETS</b>			
Debtors	5	<u>5,465,533</u>	<u>5,403,433</u>
<b>NET CURRENT ASSETS</b>		<u>5,465,533</u>	<u>5,403,433</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	5,600,000	5,600,000
Profit and loss account		<u>(134,467)</u>	<u>(196,567)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>5,465,533</u>	<u>5,403,433</u>

The financial statements on pages 5 to 8 were approved by the Board of Directors on 17 August 1998 and signed on their behalf by:



K K Claydon  
Director



# THE WESTERN TELEGRAPH COMPANY LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 1998

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and on the historical cost basis.

### 2. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Company had no employees during the year (1997 - nil). The Directors did not receive any emoluments from the Company (1997 - £ nil). The auditors received no remuneration from the Company in the year (1997 - £ nil).

### 3. NET INTEREST AND OTHER SIMILAR INCOME

	1998 £	1997 £
Interest receivable on loan to parent undertaking	90,000	90,000
	<u>90,000</u>	<u>90,000</u>

### 4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
The charge for taxation comprises: United Kingdom corporation tax - 31% (1997 - 33%)	27,900	29,700
	<u>27,900</u>	<u>29,700</u>

### 5. DEBTORS

	1998 £	1997 £
Other debtors	11	11
Loan to parent undertaking	1,500,000	1,500,000
Interest free loan to parent undertaking	3,482,222	3,482,222
Amount due from parent undertaking	483,300	421,200
	<u>5,465,533</u>	<u>5,403,433</u>

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

### 6. CALLED UP SHARE CAPITAL

	1998 £	1997 £
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>

# THE WESTERN TELEGRAPH COMPANY LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 1998

### 7. 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.

### 8. 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.

### 9. 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.