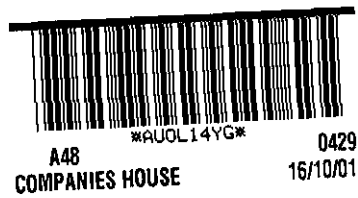


THE WESTERN TELEGRAPH COMPANY LIMITED

Report and Financial Statements

31 March 2001



**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 the 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:
124 Theobalds Road
London
WC1X 8RX

THE WESTERN TELEGRAPH COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS

	Page
Directors' Report	2
Statement of Directors' Responsibilities	4
Auditors' Report	5
Profit & Loss Account	6
Balance Sheet	7
Notes to the Accounts	8

THE WESTERN TELEGRAPH COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2001.

ACTIVITIES

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

RESULTS AND DIVIDENDS

The profit for the year after taxation amounting to £41,175 (2000: £1,555,596) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2000: £nil).

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.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The Directors have no interest in the shares of the company nor any disclosable interests in any contracts or arrangements with the Company either subsisting at the end of the financial year or entered into since the end of the previous financial year. The beneficial interest of the directors in the shares of Cable and Wireless plc are as follows:

	At 1 April 2000	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 2001
K K Claydon	1,937	40,569	40,764	1,742
	5,337	1,329	1,329	5,337 (a)
	64,622	23,613	29,372	58,863 (b)
	9,674	510	10,184	- (c)
	6,553	-	-	6,553 (d)
	10,782	-	-	10,782 (e)
	-	4,524	-	4,524 (f)
J M Bolton	-	814	-	814
	1,241	255	1,496	- (a)
	2,650	7,245	-	9,895 (b)

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 C&W Employee Savings Related Share Option Scheme, (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 (notional), (e) which are contingent share awards under the C&W Performance Share Plan (PSP) 1999 granted on 01.04.99 or (f) which are contingent share awards under the C&W Performance Share Plan (PSP) 2000 granted on 01.04.00. Full details of the LTIP and the PSP are included in the financial statements of the ultimate parent company.

KK Claydon held 1,500 Ordinary Shares in Cable & Wireless Communications plc (CWC) at 1 April 2000. On 30 May 2000, these shares were disposed of in accordance with the terms of the acquisition of the data business of CWC (Dataco) by Cable and Wireless plc and the acquisition of the consumer business of CWC (ConsumerCo) by ntl Incorporated.

By order of the Board of Directors.



JON BOLTON

Secretary

Date: 3 October 2001

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 9.

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.

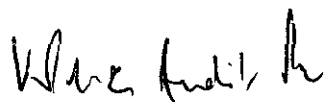
Basis of audit opinion

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 2001 and of its profit 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: 3/10/01

THE WESTERN TELEGRAPH COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2001

	Note	2001 £	2000 £
Net interest and other similar income	3	90,000	90,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		90,000	90,000
Tax (charge) on profit on ordinary activities	4	(48,825)	(1,645,596)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		41,175	(1,555,596)
Retained loss brought forward		(37,527,997)	(35,972,401)
Retained loss carried forward		(37,486,822)	(37,527,997)

There are no recognised gains or losses other than the profit 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 equity shareholder's funds other than the profit 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 2001

	Note	2001 £	2000 £
CURRENT ASSETS			
Debtors	5	3,475,486	3,475,486
CREDITORS: amounts falling due within one year			
	6	<u>(35,362,308)</u>	<u>(35,403,483)</u>
NET CURRENT LIABILITIES		<u><u>(31,886,822)</u></u>	<u><u>(31,927,997)</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	5,600,000	5,600,000
Profit and loss account		<u>(37,486,822)</u>	<u>(37,527,997)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u><u>(31,886,822)</u></u>	<u><u>(31,927,997)</u></u>

The financial statements on pages 6 to 9 were approved by the Board of Directors on **3 October** 2001 and signed on their behalf by:



K K CLAYDON
 Director

THE WESTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2001

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 (2000 - nil). The Directors did not receive any emoluments from the Company (2000 - £nil). The auditors' remuneration for both years was borne by the parent company.

3. NET INTEREST AND OTHER SIMILAR INCOME

	2001 £	2000 £
Interest receivable on loan to parent undertaking	90,000	90,000
	90,000	90,000

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
The charge for taxation comprises:		
United Kingdom corporation tax:		
Current year	27,000	27,000
Adjustment in respect of prior years	21,825	1,618,596
	48,825	1,645,596

5. DEBTORS

	2001 £	2000 £
Other debtors	11	11
Loan to parent undertaking	1,500,000	1,500,000
Corporation tax receivable	1,975,475	1,975,475
	3,475,486	3,475,486

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

6. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Amounts owed to group undertakings	35,362,308	31,175,553
Corporation tax	-	4,227,930
	35,362,308	35,403,483

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

7. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S DEFICIT

	2001 £'000	2000 £'000
Opening equity shareholder's deficit	(31,927,997)	(30,372,401)
Profit/(loss) for the financial year	41,175	(1,555,596)
	<u> </u>	<u> </u>
Closing equity shareholder's deficit	<u>(31,886,822)</u>	<u>(31,927,997)</u>

8. CALLED UP SHARE CAPITAL

	2001 £	2000 £
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> </u>	<u> </u>
	7,000,000	7,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
5,600,000 ordinary stock units of £1 each	5,600,000	5,600,000
	<u> </u>	<u> </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.

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.