

Company Registration No. 6338C

THE EASTERN TELEGRAPH COMPANY LIMITED

Report and Financial Statements

31 March 2004



Registered Office:
Lakeside House
Cain Road
Bracknell
Berkshire
RG12 1XL

THE EASTERN TELEGRAPH COMPANY LIMITED

To the Company's Ordinary Shareholders

Elective Regime

On 15 October 1993 the Company 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); and
- 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.

THE EASTERN TELEGRAPH COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

CONTENTS

	Page
Directors' Report	2
Statement of Directors' Responsibilities	3
Report of the Independent Auditor, KPMG Audit Plc, to the Members of The Eastern Telegraph Company Limited	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Accounts	7

THE EASTERN TELEGRAPH COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2004.

ACTIVITIES

The Company carried on telecommunications training in the United Kingdom until 2001 when the trade was transferred to another Cable & Wireless Group company. The Company continues to bear the costs of the college land and buildings and costs at the Porthcurno museum site, pending the sale of the college buildings.

POST BALANCE SHEET EVENT

The college buildings were sold for consideration of £19,600,000 in 2005.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounting to £1,952,000 (2003: loss £606,000) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2003: £nil).

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year, and subsequent to the year end were:

K K Claydon	(resigned 15 March 2004)
R E Lerwill	(resigned 5 June 2003)
J M Bolton	(alternate to K K Claydon until 15 March 2004 when he was appointed as a Director in his own right, resigned 31 January 2005)
A S Garard	(appointed 12 March 2004)
H H Hanscomb	(appointed 31 January 2005)

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 Directors who held office at the end of the financial year had the following beneficial interests in the shares of Cable and Wireless plc:

	At 1 April 2003 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 2004
J M Bolton	1,657	535	-	2,192
	15,136	240	-	15,376 (a)
	42,101	75,000	2,650	114,451 (b)
A S Garard	106,236	-	-	106,236
	8,576	-	-	8,576 (a)
	500,000	-	-	500,000 (b)
	105,773	-	-	105,773 (c)

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 and (c) which are restricted share awards which will vest on 1 July 2006.

By order of the Board of Directors.



H M HANSCOMB
Company Secretary

Date: 26 July 2005

THE EASTERN TELEGRAPH COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

As at 31 March 2004

United Kingdom 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 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, subject to any material departures disclosed and explained in the financial statements; and
- 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 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 EASTERN TELEGRAPH COMPANY LIMITED

AUDITOR'S REPORT

As at 31 March 2004

Independent auditor's report to the members of Eastern Telegraph Company Limited

We have audited the financial statements on pages 5 to 10.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Directors' report and, as described on page 3, 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 1985. 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 26/7/05

8 Salisbury Square
London EC4Y 8BB
United Kingdom

THE EASTERN TELEGRAPH COMPANY LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2004

	Note	2004 £000	2003 £000
Operating costs		(2,251)	(1,065)
OPERATING LOSS	3	(2,251)	(1,065)
Net interest and other similar income	4	-	38
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,251)	(1,027)
Tax credit on loss on ordinary activities	5	299	421
LOSS FOR THE FINANCIAL YEAR		(1,952)	(606)
Retained loss brought forward		(15,421)	(14,815)
Retained loss carried forward		(17,373)	(15,421)

There are no recognised gains or losses for the current and prior year other than those presented in the profit and loss account. Accordingly no statement of recognised gains or losses has been prepared. The above results relate to discontinuing activities.

THE EASTERN TELEGRAPH COMPANY LIMITED

BALANCE SHEET As at 31 March 2004

	Note	2004 £000	2003 £000
FIXED ASSETS			
Tangible assets	6	<u>3,068</u>	<u>3,366</u>
CURRENT ASSETS			
Debtors	7	898	768
Cash at bank and in hand		<u>161</u>	<u>81</u>
		1,059	849
CREDITORS: amounts falling due within one year	8	<u>(20,300)</u>	<u>(18,436)</u>
NET CURRENT LIABILITIES		<u>(19,241)</u>	<u>(17,587)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(16,173)</u>	<u>(14,221)</u>
NET LIABILITIES		<u>(16,173)</u>	<u>(14,221)</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,200	1,200
Profit and loss account		<u>(17,373)</u>	<u>(15,421)</u>
EQUITY SHAREHOLDER'S DEFICIT		<u>(16,173)</u>	<u>(14,221)</u>

The financial statements were approved by the Board of Directors on
signed on their behalf by:

26 July

2005 and



H M HANSCOMB
Director

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

1. ACCOUNTING POLICIES

Basis of preparation

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

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £16,173,000. The Directors have reviewed the financial position of the Company, including the arrangements with group undertakings, and believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Tangible fixed assets

Depreciation of tangible fixed assets is set aside on the basis of providing in equal annual instalments for the costs or valuation over the estimated useful life of these assets, namely:

Freehold Buildings	40 years
Plant	3 to 20 years

Freehold land, where the cost is distinguishable from the cost of the building thereon is not depreciated.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. INFORMATION REGARDING DIRECTORS , EMPLOYEES AND AUDITORS

The Company had no employees during the year (2003 - £nil). The Directors did not receive any emoluments from the Company (2003 - £ nil). The audit fee was borne by the ultimate parent company in both the current year and the prior year.

3. OPERATING LOSS

	2004	2003
	£000	£000
Operating loss is after charging:		
Depreciation of owned fixed assets	298	298

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

4. NET INTEREST AND OTHER SIMILAR INCOME

	2004 £000	2003 £000
Deposit and short term interest	-	38

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
The credit for taxation comprises:		
United Kingdom corporation tax at 30% (2003 – 30%)		
Current year	(384)	(303)
Adjustment in respect of prior year	85	(118)
	(299)	(421)

Reconciliation of the Company's current tax to the United Kingdom statutory rate:

	2004 %	2003 %
Tax on pre tax profit at standard tax rate	30	30
Effects of:		
Adjustments in respect of previous periods	(3)	12
Permanent differences	(10)	-
Movement on deferred tax not recognised	(3)	
Depreciation in excess of capital allowances	(1)	(1)
Current tax rate	13	41

A deferred tax asset of £249,000 (2003: £182,000) has not been recognised on excess capital allowances and other short term differences. These assets can only be deducted against certain types of future income. There is currently insufficient evidence that suitable taxable profits will be generated.

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 March 2004

6. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Plant £000	Total £000
Cost or valuation:			
At 1 April 2003 and 31 March 2004	17,426	7,378	24,804
Depreciation:			
At 1 April 2003	14,576	6,862	21,438
Charge for the year	75	223	298
At 31 March 2004	14,651	7,085	21,736
Net book value:			
31 March 2004	2,775	293	3,068
31 March 2003	2,850	516	3,366

7. DEBTORS

	2004 £000	2003 £000
Trade debtors	404	228
Other debtors	494	519
Amounts due from group undertakings	-	3
Prepayments and accrued income	-	18
	898	768

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £000	2003 £000
Trade creditors	-	53
Amounts owed to parent undertaking	20,079	17,888
Accruals and deferred income	221	495
	20,300	18,436

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2004

9. CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
Authorised		
1,200,000 ordinary stock units of £1 each	1,200	1,200
5,800,000 ordinary shares of £1 each	5,800	5,800
	<u>7,000</u>	<u>7,000</u>
Allotted, called up, and fully paid		
1,200,000 ordinary stock units of £1 each	<u>1,200</u>	<u>1,200</u>

10. 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.

11. 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.

12. ULTIMATE PARENT COMPANY

The Company's immediate and ultimate parent undertaking 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, Lakeside House, Cain Road, Bracknell, Berkshire, RG12 1XL. No other group accounts include the results of the Company.

13. POST BALANCE SHEET EVENT

The college buildings were sold for consideration of £19,600,000 in 2005.