

THE EASTERN TELEGRAPH COMPANY LIMITED

Report and Financial Statements

31 March 2000

**Registered Office:
124 Theobalds Road
London
WC1X 8RX**



THE EASTERN 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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THE EASTERN TELEGRAPH COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND AUDITORS

DIRECTORS

K K Claydon
R E Lerwill

SECRETARY

K K Claydon (Resigned 12/04/99)
J M Bolton (Appointed 12/04/99)

AUDITORS

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
PO Box 695
London
EC4Y 8BB

THE EASTERN TELEGRAPH COMPANY LIMITED

DIRECTORS' REPORT

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

ACTIVITIES

The Company carries on telecommunications training in the United Kingdom.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company through its college in Coventry continues to be the centre of excellence for telecommunications education and training. The college will continue to provide education and training facilities in Coventry.

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 business participating in the programme reported their major services to be unaffected by the millennium transition and the leap year.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounting to £777,000 (1999 - profit £1,515,000) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend.

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 1999 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 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	704	-	1,242	(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.

DIRECTORS' REPORT

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.

K K Claydon sold 8,500 Cable & Wireless Communications plc shares during the year. His holding as at 31 March 2000 was 1,500 shares.

By order of the Board of Directors.



J M Bolton
Secretary

Date: 17 JANUARY 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, subject to any material departures disclosed and explained in the financial statements;
- 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 EASTERN TELEGRAPH
COMPANY LIMITED**

We have audited the financial statements on pages 8 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 6, 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:

17/1/01

THE EASTERN TELEGRAPH COMPANY LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2000

	Note	2000 £000	1999 £000
TURNOVER	2	13,630	13,877
Operating costs		(14,076)	(11,872)
OPERATING (LOSS)/PROFIT	4	(446)	2,005
(Loss) on disposal of fixed assets		-	(521)
Net interest and other similar income	6	77	65
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(369)	1,549
Tax charge on profit on ordinary activities	7	(408)	(34)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(777)	1,515
Retained profit/(loss) brought forward		590	(925)
Retained (loss)/profit carried forward		(187)	590

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

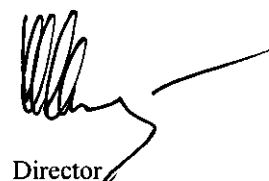
There is no difference between the Company's results as reported and on an historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.

THE EASTERN TELEGRAPH COMPANY LIMITED

BALANCE SHEET 31 March 2000

	Note	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	8	1,687	1,877
CURRENT ASSETS			
Stocks - consumable stores		42	9
Debtors	9	3,904	4,487
Cash at bank and in hand		893	950
		4,839	5,446
CREDITORS: amounts falling due within one year	10	(5,143)	(5,533)
NET CURRENT LIABILITIES		(304)	(87)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,383	1,790
PROVISIONS FOR LIABILITIES AND CHARGES			
Other provisions	11	(370)	-
NET ASSETS		1,013	1,790
CAPITAL AND RESERVES			
Called up share capital	12	1,200	1,200
Profit and loss account		(187)	590
EQUITY SHAREHOLDERS' FUNDS		1,013	1,790

The financial statements on pages 6 to 14 were approved by the Board of Directors and signed on 17 JANUARY 2001 on their behalf by:


Director

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2000

1. ACCOUNTING POLICIES

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

Tangible fixed assets and depreciation

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	Average	40 years
Plant	3 to 20 years	Average	5 years

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

Deferred taxation

The Company provides for deferred tax only when there is a reasonable probability that the liability will arise in the foreseeable future. Where deferred tax is provided, the liability method is used.

Pensions

Charges from group pension schemes operated by Cable and Wireless plc are charged to the profit and loss account in the period to which they relate.

2. TURNOVER

Turnover arises wholly in the United Kingdom and comprises fees for telecommunications training.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000	1999
Average monthly number of persons employed by the Company during the year was:	115	122
The Directors did not receive any emoluments from the Company (1999 - £ nil).		
	2000 £000	1999 £000
The aggregate remuneration and associated costs of employees were:		
Salaries and wages	4,655	4,076
Social security costs	329	313
Pension costs	374	417
Redundancy provision	370	-
	5,728	4,806

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

4. OPERATING PROFIT

	2000 £000	1999 £000
Operating profit is after charging:		
Depreciation of owned fixed assets	614	479
Audit fee	5	5
	<u>619</u>	<u>484</u>

5. PENSIONS

The Company participates in pension schemes operated by Cable and Wireless plc. The schemes are principally of the defined benefit type whereby retirement benefits are based on the employee's final remuneration and length of service and are funded through separate trustee administered schemes. Contributions to the scheme are made in accordance with the recommendations of independent actuaries who value the scheme at regular intervals, usually triennially. Further information relating to the scheme is disclosed in the accounts of Cable and Wireless plc.

6. NET INTEREST AND OTHER SIMILAR INCOME

	2000 £000	1999 £000
Deposit and short term interest	77	65
	<u>77</u>	<u>65</u>

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
The (credit)/charge for taxation comprises:		
United Kingdom corporation tax at 31% (1999 – 31%)		
Current year	(122)	34
Adjustment in respect of prior year	530	-
	<u>408</u>	<u>34</u>

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2000

8. TANGIBLE FIXED ASSETS

	Plant £000
Cost or valuation	
At 1 April 1999	6,886
Additions	424
	<hr/>
At 31 March 2000	7,310
Depreciation	
At 1 April 1999	5,009
Charge for the year	614
	<hr/>
At 31 March 2000	5,623
Net book value	
At 31 March 2000	1,687
	<hr/>
At 31 March 1999	1,877
	<hr/>

9. DEBTORS

	2000 £000	1999 £000
Trade debtors	884	1,214
Other debtors	1,443	1,480
Prepayments and accrued income	1,577	1,793
	<hr/>	<hr/>
	3,904	4,487
	<hr/>	<hr/>

Deferred tax provided in the accounts and the potential liability, including amounts for which provision has been made, are as follows:

	Asset recognised		Total potential (asset)/liability	
	2000 £000	1999 £000	2000 £000	1999 £000
Tax effect of timing differences due to:				
Excess capital allowances	-	-	614	(57)
Other	-	-	(337)	(302)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	277	(359)
	<hr/>	<hr/>	<hr/>	<hr/>

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£000	£000
Bank overdraft	90	-
Trade creditors	398	404
Amounts owed to parent undertaking	2,060	3,057
Other creditors	687	197
Accruals and deferred income	1,908	1,875
	<u>5,143</u>	<u>5,533</u>

11. OTHER PROVISIONS

	2000	1999
	£000	£000
At 1 April	-	1,135
Charge to current profit and loss account	370	-
Amounts paid or released during the year	-	(1,135)
Transfers	-	-
	<u>370</u>	<u>-</u>
At 31 March	<u>370</u>	<u>-</u>
	2000	1999
	£000	£000
Redundancy provision	<u>370</u>	<u>-</u>

12. CALLED UP SHARE CAPITAL

	2000	1999
	£000	£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>

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

13. 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.

14. 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 materials transactions with any other related parties.

15. 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.