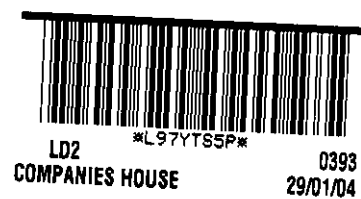


THE EASTERN TELEGRAPH COMPANY LIMITED

Report and Financial Statements

31 March 2003

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



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.

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REPORT AND FINANCIAL STATEMENTS 2003

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DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2003.

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 continued to bear the costs of the college land and buildings and costs incurred at the Porthcurno site.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The college buildings, which were put up for sale in the year ended March 2001, were still unsold at the date of this report. If the college buildings are sold, it is envisaged that on-going costs should reduce in the future.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounting to £606,000 (2002: loss £268,000) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2002: £nil).

DIRECTORS AND THEIR INTERESTS

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

Mr K K Claydon
 Mr R E Lerwill (resigned 5 June 2003)
 Mr J M Bolton (alternate to Mr K K Claydon)

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 2002	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 2003	
K K Claydon	16,571	6,519	4,721	18,369	
	7,412	39,780	18,762	28,430	(a)
	131,517	91,000	-	222,517	(b)
	10,782	-	10,782	-	(c)
	4,524	-	-	4,524	(d)
	36,326	-	-	36,326	(e)
	-	45,400	-	45,400	(f)
J M Bolton	1,014	643	-	1,657	
	3,459	21,134	9,457	15,136	(a)
	27,101	15,000	-	42,101	(b)

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 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 contingent share awards granted on 1 April 1999 under the C&W Performance Share Plan (PSP) 1999, (d) which are contingent share awards granted on 1 April 2000 under the C&W PSP 2000, (e) which are contingent share awards granted on 27 July 2001 under the C&W PSP 2001 or (f) which are contingent share awards granted on 23 May 2002 under the C&W PSP 2002. Full details of the PSP are included in the financial statements of the ultimate parent company.

By order of the Board of Directors.



H M HANSCOMB
Assistant Secretary

Date: 27 January 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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.

REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF THE EASTERN TELEGRAPH COMPANY LIMITED

We have audited the financial statements on pages 7 to 11.

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 5, 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 2003 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

8 Salisbury Square
London EC4Y 8BB
United Kingdom

Date: 27 January 2004

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Note	2003 £000	2002 £000
Operating costs		(1,065)	(819)
OPERATING LOSS	3	(1,065)	(819)
Profit on sale of land		-	279
Net interest and other similar income	4	38	41
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,027)	(499)
Tax credit on loss on ordinary activities	5	421	231
LOSS FOR THE FINANCIAL YEAR		(606)	(268)
Retained loss brought forward		(14,815)	(14,547)
Retained loss carried forward		(15,421)	(14,815)

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.

BALANCE SHEET
31 March 2003

	Note	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	6	3,366	3,664
CURRENT ASSETS			
Stocks – consumable stores		-	11
Debtors	7	768	1,056
Cash at bank and in hand		81	1,887
		849	2,954
CREDITORS: amounts falling due within one year	8	(18,436)	(20,233)
NET CURRENT LIABILITIES		(17,587)	(17,279)
TOTAL ASSETS LESS CURRENT LIABILITIES		(14,221)	(13,615)
NET LIABILITIES		(14,221)	(13,615)
CAPITAL AND RESERVES			
Called up share capital	9	1,200	1,200
Profit and loss account		(15,421)	(14,815)
EQUITY SHAREHOLDER'S DEFICIT		(14,221)	(13,615)

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

27 January

2004 and signed



K K CLAYDON
Director

NOTES TO THE ACCOUNTS**Year ended 31 March 2003****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 £14,221,000. 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.

(i) 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	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

(ii) 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.

(iii) Stock

Stocks of equipment are stated at cost including appropriate overheads, less provision for deterioration and obsolescence.

2. INFORMATION REGARDING DIRECTORS , EMPLOYEES AND AUDITORS

The Company had no employees during the year (2002 - £nil). The Directors did not receive any emoluments from the Company (2002 - £ nil). The audit fee was borne by the ultimate parent company in both the current year and the prior year.

3. OPERATING LOSS

	2003	2002
	£000	£000
Operating loss is after charging:		
Depreciation of owned fixed assets	298	539

NOTES TO THE ACCOUNTS**Year ended 31 March 2003****4. NET INTEREST AND OTHER SIMILAR INCOME**

	2003 £000	2002 £000
Deposit and short term interest	<u>38</u>	<u>41</u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £000	2002 £000
The credit for taxation comprises:		
United Kingdom corporation tax at 30% (2002 – 30%)		
Current year	(303)	(100)
Adjustment in respect of prior year	<u>(118)</u>	<u>(131)</u>
	<u>(421)</u>	<u>(231)</u>

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

	2003 %	2002 %
Tax on pre tax profit at standard tax rate	(30)	(30)
Effects of:		
Adjustments in respect of previous periods	(12)	(26)
Depreciation in excess of capital allowances	<u>1</u>	<u>10</u>
Current tax rate	<u>(41)</u>	<u>(46)</u>

A deferred tax asset of £98,000 (2002: £155,000) 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.

6. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Plant £000	Total £000
Cost or valuation:			
At 1 April 2002 and 31 March 2003	<u>17,426</u>	<u>7,378</u>	<u>24,804</u>
Depreciation:			
At 1 April 2002	14,501	6,639	21,140
Charge for the year	<u>75</u>	<u>223</u>	<u>298</u>
At 31 March 2003	<u>14,576</u>	<u>6,862</u>	<u>21,438</u>
Net book value:			
31 March 2003	<u>2,850</u>	<u>516</u>	<u>3,366</u>
31 March 2002	<u>2,925</u>	<u>739</u>	<u>3,664</u>

NOTES TO THE ACCOUNTS**Year ended 31 March 2003****7. DEBTORS**

	2003	2002
	£000	£000
Trade debtors	228	188
Other debtors	519	577
Amounts due from group undertakings	3	278
Prepayments and accrued income	18	13
	<u>768</u>	<u>1,056</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£000	£000
Trade creditors	53	26
Amounts owed to parent undertaking	17,888	20,103
Accruals and deferred income	495	104
	<u>18,436</u>	<u>20,233</u>

9. CALLED UP SHARE CAPITAL

	2003	2002
	£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	1,200	1,200

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, 124 Theobalds Road, London WC1X 8RX. No other group accounts include the results of the Company.