

**CABLE & WIRELESS GLOBAL MARKETS
EQUIPMENT LIMITED**

Report and Financial Statements

31 March 2002



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

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Directors' report for the year ended 31 March 2002

The Directors present their annual report and the audited financial statements for the year ended 31 March 2002.

Principal activity

The Company's principal activity is to hold network assets which are used by other Cable & Wireless Group companies.

Review of developments and future prospects

No change in the Company's activities is envisaged in the foreseeable future.

Results & dividends

The loss for the year amounts to £1,288,883 (2001: loss of £107,139). The Directors do not recommend payment of a dividend (2001: £Nil).

Directors and their interests

The Directors who held office during the year are shown below:

PG Emburey	(resigned 24 May 2001)
JM Bolton	(alternate to K K Claydon)
KK Claydon	
JRW Powell	(appointed 24 May 2001)

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 interests of the Directors in the shares of Cable and Wireless plc are as follows:

	At 1 April 2001 (or date of appointment if later)	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 2002	
J M Bolton	814	200	-	1,014	
	-	6,165	2,706	3,459	(a)
	9,895	17,206	-	27,101	(b)
K K Claydon	1,742	14,829	-	16,571	
	5,337	4,903	2,828	7,412	(a)
	58,863	72,654	-	131,517	(b)
	6,553	289	6,842	-	(c)
	10,782	-	-	10,782	(d)
	4,524	-	-	4,524	(e)
	-	36,326	-	36,326	(f)
J R W Powell	23,614	77,647	-	101,261	(b)
	-	38,824	-	38,824	(f)

Directors' report (*continued*)

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 1998 (notional), (d) which are contingent share awards granted on 1 April 1999 under the C&W Performance Share Plan (PSP) 1999, (e) which are contingent share awards granted on 1 April 2000 under the C&W PSP 2000 or (f) which are contingent share awards granted on 27 July 2001 under the C&W PSP 2001. Full details of the LTIP and the PSP are included in the financial statements of the ultimate parent company.

By order of the Board

A handwritten signature in black ink, appearing to be 'JM BOLTON', written in a cursive style.

J M BOLTON
Secretary

Date: 10 February 2003

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 and of the profit or loss 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 Cable & Wireless Global Markets Equipment Limited

We have audited the financial statements on pages 6 to 12.

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 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 2002 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

10 February 2003

Profit and loss account*for the year ended 31 March 2002*

	Note	2002 £	2001 £
Turnover	2	2,483,000	836,000
Operating costs before exceptional items	4	(2,482,531)	(840,235)
Exceptional depreciation	5	(918,751)	-
Operating loss		(918,282)	(4,235)
Loss on sale of fixed assets	4	242,521	-
Loss on ordinary activities before taxation		1,160,803	4,235
Tax on loss on ordinary activities	6	(128,080)	(102,904)
Retained loss for the financial year		(1,288,883)	(107,139)
Retained loss brought forward		(187,980)	(80,841)
Retained loss carried forward		(1,476,863)	(187,980)

All turnover is derived from continuing operations.

There are no recognised gains or losses for the year other than the loss for the year and of the previous year. Accordingly, no statement of recognised gains and losses has been prepared.

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

Balance sheet
at 31 March 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible fixed assets	7	2,253,846	2,646,674
Current assets			
Debtors	8	2,929,570	500,000
Creditors: amounts falling due within one year	9	(6,160,279)	(2,834,654)
Net current (liabilities)		(3,230,709)	(2,334,654)
Net (liabilities)/assets		(976,863)	312,020
Capital and reserves			
Called up share capital	10	500,000	500,000
Profit and loss account	11	(1,476,863)	(187,980)
Equity shareholder's funds		(976,863)	312,020

The financial statements on pages 6 to 12 were approved by the Board of Directors on 10 February 2003 and signed on their behalf by:



K K CLAYDON
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 March 2002

	2002 £	2001 £
Retained loss for the financial year	(1,288,883)	(107,139)
Net reduction in shareholder's funds	(1,288,883)	(107,139)
Opening shareholder's funds	312,020	419,159
Closing shareholder's funds	(976,863)	312,020

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements except as noted below. The Company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements. No material adjustment has arisen through the adoption of these standards and consequently the comparative figures have not been restated.

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £976,863. 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.

Turnover

Turnover, which excludes value added tax, is accounted for on the accruals basis. Revenue is recognised in the period in which the service is provided.

Accounting for operating lease contracts

Assets held for use in operating leases are depreciated according to the policy outlined below. Operating lease rentals are recognised on a straight line basis over the periods of the leases.

Tangible fixed assets and depreciation

Depreciation is provided on the difference between the cost of tangible fixed assets and their estimated residual value in equal annual instalments over the estimated useful life of the assets. These lives are:

Plant and equipment 3 or 5 years

Deferred taxation

The Company adopted FRS 19 'Deferred Tax' during the year. 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.

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 consolidated cash flow statement is included in the financial statements of Cable and Wireless plc.

2. Turnover

Turnover arises wholly in the United Kingdom and comprises revenue earned from the use of its assets by fellow group companies.

3. Information regarding Directors and employees

The Company had no employees during the year (2001 - Nil). The Directors did not receive any remuneration from the Company (2001 - £Nil).

Notes to the financial statements (continued)

4. Loss on ordinary activities before taxation

	2002 £	2001 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation	952,742	682,976
Exceptional depreciation	918,751	-
Loss on disposal of fixed assets	242,521	-
	<u> </u>	<u> </u>

The auditors' remuneration was borne by a fellow group company.

5. Exceptional depreciation

Following Cable and Wireless plc's review to determine whether there had been an impairment of the Group's fixed assets and goodwill, the fixed assets of Cable & Wireless Global Markets Equipment Limited were impaired by £918,751 (note 7). This charge resulted from an assessment of the carrying values of fixed assets and goodwill of each of the Group's income generating units as compared to their recoverable amounts, represented by their value in use to the Group. In accordance with FRS 11 'Impairment of fixed assets and goodwill', the value in use of each income generating unit was determined by reference to the Group's five year plan. This used a growth rate of 2.5% in the period beyond the Group's five year plan and a discount rate of 11%.

6. Tax on ordinary activities

Analysis of charges in the period:	2002 £	2001 £
<i>UK Corporation tax</i>		
Current tax on loss for the year	128,080	77,664
Tax on prior year	-	25,240
	<u> </u>	<u> </u>
Tax on ordinary activities	128,080	102,904

Factors affecting the tax charge for the current period

The current tax charge is higher (2001: higher) than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before taxation	(1,160,803)	(4,235)
	<u> </u>	<u> </u>
Current tax at 30% (2001: 30%)	(348,241)	(1,271)
Effects of:		
-Exceptional items (note 5)	275,625	-
-Depreciation for period in excess of capital allowances	200,696	78,935
-Adjustment of tax charge in respect of previous periods	-	25,240
	<u> </u>	<u> </u>
Total current tax charge (see above)	128,080	102,904

Factors that may affect future tax charges

A deferred tax asset of £664,505 (2001: £188,184) has not been recognised on timing differences resulting from depreciation in excess of capital allowances as these are not considered recoverable in the foreseeable future.

Notes to the financial statements (continued)

7. Tangible fixed assets

	Plant and equipment £	Assets in the course of construction £	Total £
Cost			
At 1 April 2001	4,487,913	-	4,487,913
Additions	1,272,639	1,018,495	2,291,134
Disposals	(1,135,384)	-	(1,135,384)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	4,625,168	1,018,495	5,643,663
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 April 2001	1,841,239	-	1,841,239
Charge for the year	952,742	-	952,742
Impairment	918,751	-	918,751
Disposals	(322,915)	-	(322,915)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	3,389,817	-	3,389,817
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2002	1,235,351	1,018,495	2,253,846
	<hr/>	<hr/>	<hr/>
At 1 April 2001	2,646,674	-	2,646,674
	<hr/>	<hr/>	<hr/>

Depreciation has not been charged on cost of assets not yet in service. The impairment charge is explained in note 5.

8. Debtors

	2002 £	2001 £
Amounts owed by group undertakings	2,718,218	500,000
Other debtors	211,352	-
	<hr/>	<hr/>
	2,929,570	500,000
	<hr/>	<hr/>

9. Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	61,363	270,718
Amounts due to group undertakings	6,098,916	2,489,623
Corporation tax	-	64,081
Other creditors	-	10,232
	<hr/>	<hr/>
	6,160,279	2,834,654
	<hr/>	<hr/>

Notes to the financial statements (continued)**10. Called up share capital**

	2002 £	2001 £
Authorised:		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called up and paid:		
1,000,000 ordinary shares of £1 each		
50p paid	500,000	500,000

11. Reserves

	£
Profit and loss account	
At 1 April 2001	(187,980)
Retained loss for the year	(1,288,883)
At 31 March 2002	(1,476,863)

12. 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.

13. Ultimate parent company

The Company's immediate holding company is Cable & Wireless Global Businesses International Sarl, registered in Luxembourg. The 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.