Company Registration No. 1648524

CABLE & WIRELESS GLOBAL MARKETS EQUIPMENT LIMITED

Report and Financial Statements

31 March 2003

Registered Office:
124 Theobalds Road
London
WC1X 8RX

To the Company's Ordinary Shareholder

Elective regime

On 5th 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.

Contents

Directors' report

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

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 £3,353,378 (2002: loss of £1,288,883). The Directors do not recommend payment of a dividend (2002: £nil).

As at 31 March 2003 Cable and Wireless plc undertook a review to determine whether there had been a further impairment of its fixed assets and goodwill. In accordance with FRS 11, the value in use of each of the Group's income generating units was determined with reference to the Group's five year plan, using a growth rate of 2.5% in the period beyond the Group's five year plan, and a discount rate of 14%. The resulting charge in the company was £3,497,734 (2002: £918,571) in respect of fixed assets.

Directors and their interests

The Directors who held office during the year and subsquent to the year end are as follows:

KK Claydon	Resigned 14 July 2003
JRW Powell	Resigned 14 July 2003
JM Bolton	(alternate to K K Claydon), office ceased on 14 July 2003
R Hoggarth	Appointed 14 July 2003
G H Norton	Appointed 1 July 2003

Directors' report (continued)

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	At 31 March 2003	
J M Bolton	1,014	643	-	1,657	
	3,459	21,134	9,457	15,136	(a)
	27,101	15,000	-	42,101	(b)
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 R W Powell	101,261	100,000	-	201,261	(b)
	38,824	-	-	38,824	(e)
	-	50,000	-	50,000	(f)

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

HMHanscomb

H M HANSCOMB
Assistant Secretary

Date: 2 April 2004

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.

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 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 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

2 April 2004

Profit and loss account

for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover	2	758,000	2,483,000
Operating costs before depreciation		(151,136)	(1,529,789)
Depreciation before exceptional items		(501,850)	(952,742)
Exceptional depreciation	5	(3,497,734)	(918,751)
Depreciation		(3,999,584)	(1,871,493)
Total operating costs		(4,150,720)	(3,401,282)
Operating loss		(3,392,720)	(918,282)
Loss on sale of fixed assets	4	-	(242,521)
Loss on ordinary activities before taxation	4	(3,392,720)	(1,160,803)
Tax on ordinary activities	6	39,342	(128,080)
Retained loss for the financial year		(3,353,378)	(1,288,883)

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 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible fixed assets	7	-	2,253,846
Current assets			
Debtors	8	3,636,079	2,929,570
Creditors: amounts falling due within one year	9	(7,966,320)	(6,160,279)
Net current liabilities		(4,330,241)	(3,230,709)
Net liabilities		(4,330,241)	(976,863)
Capital and reserves			
Called up share capital	10	500,000	500,000
Profit and loss account	11	(4,830,241)	(1,476,863)
Equity shareholder's funds		(4,330,241)	(976,863)

The financial statements on pages 6 to 12 were approved by the Board of Directors on 2 April 2004 and signed on their behalf by:

G H NORTON
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 March 2003

	2003 £	2002 £
Retained loss for the financial year	(3,353,378)	(1,288,883)
Net reduction in shareholder's deficit	(3,353,378)	(1,288,883)
Opening shareholder's (deficit)/ funds	(976,863)	312,020
Closing shareholder's deficit	(4,330,241)	(976,863)

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.

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 £4,330,241 (2002: £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

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, except as otherwise required by FRS 19. 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 FRS 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 (2002 - nil). The directors did not receive any remuneration from the Company (2002 - £nil).

Notes to the financial statements *(continued)*

4. (Loss) on ordinary activities before taxation

	2003 £	2002 £
(Loss) on ordinary activities before taxation is stated after charging:		
Depreciation	501,850	952,742
Impairment of tangible fixed assets (note 5)	3,497,734	918,751
Loss on disposal of fixed assets	-	242,521

The auditors' remuneration for the current and preceding financial year was borne by a fellow group company.

5. Exceptional depreciation

As at 31 March 2003 Cable and Wireless plc undertook a review to determine whether there had been a further impairment of its fixed assets and goodwill. In accordance with FRS 11, the value in use of each of the Group's income generating units was determined with reference to the Group's five year plan, using a growth rate of 2.5% in the period beyond the Group's five year plan, and a discount rate of 14%. The resulting charge in the company was £3,497,734 (2002: £918,571) in respect of fixed assets.

6. Tax on ordinary activities

Analysis of charges in the period:	2003 £	2002 £
UK Corporation tax		
Current tax on income for the year	(50,637)	128,080
Adjustments in respect of prior periods	11,295	-
Tax on ordinary activities	(39,342)	128,080

Factors affecting the tax charge for the current period

The current tax charge is higher (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below:

	2003 £	2002 £
Loss on ordinary activities before taxation	(3,392,720)	(1,160,803)
Current tax at 30% (2002: 30%)	(1,017,816)	(348,241)
Effects of:		
- Depreciation for period in excess of capital allowances	967,179	476,321
-Adjustments in respect of prior periods	11,295	-
Total current tax (credit)/charge (see above)	(39,342)	128,080

Factors that may affect future tax charges

A deferred tax asset of £1,870,792 (2002: £675,800) 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 2002	4,625,168	1,018,495	5,643,663
Additions	2,442,017	91,011	2,533,028
Transfers	833,433	(833,433)	-
Disposals	(602,228)	-	(602,228)
Transfers out	-	(185,062)	(185,062)
At 31 March 2003	7,298,390	91,011	7,389,401
Depreciation			
At 1 April 2002	3,389,817	-	3,389,817
Charge for the year	501,850	-	501,850
Impairment charge (note 5)	3,406,723	91,011	3,497,734
At 31 March 2003	7,298,390	91,011	7,389,401
Net book value			
At 31 March 2003	-	-	-
At 1 April 2002	1,235,351	1,018,495	2,253,846

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

8. Debtors

	2003 £	2002 £
Amounts owed by group undertakings	3,108,251	2,218,218
Called up share capital not paid	500,000	500,000
Other debtors	27,828	211,352
	3,636,079	2,929,570

9. *Creditors: amounts falling due within one year*

	2003 £	2002 £
Trade creditors	62,196	61,363
Amounts due to group undertakings	7,904,124	6,098,916
	7,966,320	6,160,279

Notes to the financial statements *(continued)*

10. Called up share capital

	2003	2002
	£	£
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

Unpaid called up share capital of £500,000 (see note 8) arises as the investment by Cable & Wireless (Investments) Limited in this company comprises a £500,000 investment in shares and a further intercompany loan of £500,000.

11. Reserves

	£
Profit and loss account	
At 1 April 2002	(1,476,863)
Retained loss for the year	(3,353,378)
At 31 March 2003	(4,830,241)

12. Related party transactions

Under FRS 8 'Related Parties', 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.