

THE EASTERN LEASING COMPANY LIMITED

Report and Financial Statements

31 March 2004

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



THE EASTERN LEASING COMPANY LIMITED

To the Company's Ordinary Shareholders

Elective Regime

On 24 January 1994 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);
- 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 LEASING COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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THE EASTERN LEASING 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's principal business is the provision of lease and hire-purchase finance for capital projects.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounting to £47,860 (2003 - loss £1,137,551,466) 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 18 July 2003
R E Lerwill	resigned 5 June 2003
J M Bolton	(alternate to Mr K K Claydon) appointment ceased 18 July 2003
A S Garard	appointed 16 July 2003
J O'Neill	appointed 16 July 2003, resigned 24 March 2004
J S Wilson	appointed 16 July 2003

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
A S Garard	-	106,236	-	106,236
	-	8,576	-	8,576 (a)
	-	500,000	-	500,000 (b)
	-	105,773	-	105,773 (e)
J S Wilson	17,893	-	-	17,893 (a)
	500,759	-	-	500,759 (b)
	43,382	-	-	43,382 (c)
	54,300	-	-	54,300 (d)

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 27 July 2001 under the C&W Performance Share Plan (PSP) 2001, (d) which are contingent share awards granted on 23 May 2002 under the C&W PSP 2002 or (e) which are restricted shares which will vest on 1 July 2006. 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 28 January 2005

THE EASTERN LEASING COMPANY LIMITED

STATEMENTS 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.

THE EASTERN LEASING COMPANY LIMITED

Independent auditor's report to the members of The Eastern Leasing Company Limited.

We have audited the financial statements on pages 5 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 member 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

8 Salisbury Square
London, EC4Y 8BB
United Kingdom

Date: 28th January 2005

THE EASTERN LEASING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2004

	Note	2004 £	2003 £
TURNOVER	2	-	46,810
Net operating costs	4	(76,986)	(77,057)
OPERATING LOSS		(76,986)	(30,247)
Amounts written off investments - exceptional	5	-	(1,137,523,000)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(76,986)	(1,137,553,247)
Tax credit on loss on ordinary activities	6	29,126	1,781
LOSS FOR THE FINANCIAL YEAR		(47,860)	(1,137,551,466)

There are no recognised gains and losses for the current and prior year other than those presented in the profit and loss account. Accordingly, no statement of recognised gains and losses has been prepared.

All results are derived from continuing operations.

THE EASTERN LEASING COMPANY LIMITED

BALANCE SHEET At 31 March 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	7	-	-
CURRENT ASSETS			
Debtors	8	2,153,486	2,215,823
CREDITORS: amounts falling due within one year	9	(14,681)	(29,158)
NET CURRENT ASSETS		2,138,805	2,186,665
TOTAL ASSETS LESS CURRENT LIABILITIES		2,138,805	2,186,665
NET ASSETS		2,138,805	2,186,665
CAPITAL AND RESERVES			
Called up share capital	10	1,001	1,001
Share premium account	12	687,496,999	687,496,999
Profit and loss account	12	(685,359,195)	(685,311,335)
EQUITY SHAREHOLDERS' FUNDS	11	2,138,805	2,186,665

These financial statements were approved by the Board of Directors on 28 January 2005 and signed on their behalf by:



J S WILSON
Director

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

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

Accounting for finance leases and hire purchase contracts

Finance charges are allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease. The total net investment in finance leases and hire purchase contracts included in the balance sheet represents total lease and hire purchase payments receivable net of finance charges relating to future accounting periods.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or, where exchange rates do not fluctuate significantly, an average rate for the period is used as an approximation. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2. TURNOVER

All income originated in the UK from finance leases and hire-purchase contracts.

	2004 £	2003 £
Income from finance leases and similar hire purchase contracts	-	46,810

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average weekly number of persons employed by the Company on a part time basis was equivalent to less than one full-time member of staff (2003 – less than one). The staff do not have contracts of employment with the Company, but are seconded from the parent undertaking. Staff costs are borne by the parent undertaking. The Directors did not receive any emoluments from the Company (2003 - £nil).

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

4. OPERATING COSTS

	2004 £	2003 £
Finance lease and hire purchase interest payable	44,984	50,927
Write off bad debt	-	124,535
Write back net obligation under finance leases and hire purchase contracts	-	(104,435)
Other operating costs (including exchange (gains)/losses)	32,002	6,030
	<u>76,986</u>	<u>77,057</u>

The auditors' remuneration for the year and the previous year was borne by the ultimate parent company.

5. EXCEPTIONAL ITEMS

The Company carried out a review to determine whether there had been an impairment in the carrying value of its fixed asset investments. This resulted in an exceptional charge of £nil (2003: £1,137,523,000) following the impairment in value of the company's fixed asset investment in the subsidiary undertaking Cable & Wireless Global Holding Limited.

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £	2003 £
The credit/(charge) for taxation comprises:		
United Kingdom corporation tax at 30% (2002 - 30%)		
Current year	23,096	3,044
Prior year	6,030	(1,263)
	<u>29,126</u>	<u>1,781</u>
Tax reconciliation to UK statutory rate		
	2004	2003
	%	%
Statutory tax rate	30	30
Effects of:		
Expenses not deductible for tax purposes - exceptional items (note 5)	8	(30)
	<u>38</u>	<u>-</u>

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

7. FIXED ASSET INVESTMENTS

	2004 £	2003 £
Investments in subsidiary undertakings		
<i>Cost</i>		
At 31 March	2,462,160,043	2,462,160,043
<i>Amounts written-off</i>		
At 31 March	(2,462,160,043)	(2,462,160,043)
<i>Net Book Value</i>		
At 31 March	-	-

Interest in subsidiary:

	Country of incorporation	Class of share	Percentage shareholding	Principal activity
Cable & Wireless Global Holding Limited	UK	Ordinary shares	72.75%	Investment holding company

8. DEBTORS

	2004 £	2003 £
Amounts owed by parent undertaking	2,153,486	2,215,823

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Amounts owed to parent undertaking	1,750	1,750
Obligations under finance leases	12,931	27,408
	14,681	29,158

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2004

10. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised 1,001 ordinary shares of £1 each	1,001	1,001
Allotted, called up, and fully paid 1,001 ordinary shares of £1 each	1,001	1,001

11. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the financial year	(47,860)	(1,137,551,466)
Net (decrease) in equity shareholders' funds	(47,860)	(1,137,551,466)
Opening equity shareholders' funds	2,186,665	1,139,738,131
Closing equity shareholders' funds	2,138,805	2,186,665

12. SHARE PREMIUM AND RESERVES

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2003	1,001	687,496,999	(685,311,335)	2,186,665
Loss for the year retained	-	-	(47,860)	(47,860)
At 31 March 2004	1,001	687,496,999	(685,359,195)	2,138,805

13. FINANCE LEASE COMMITMENTS

The Company has the following finance lease commitments, due within:

	2004 £	2003 £
- one year	12,931	14,477
- one to two year	-	12,931
	12,931	27,408

The finance lease arose on the purchase of plant and machinery. The plant and machinery was disposed of to another group undertaking at net book value in the year ending 31 March 1998. All related plant and machinery now has £nil net book value. These leases are secured on the assets. Repayment is guaranteed by the ultimate parent, Cable and Wireless plc.

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

14. 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.

15. RELATED PARTY TRANSACTIONS

Under FRS 8, Related Party Transactions 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.

16. 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. No other group accounts include the results of the Company.