

THE EASTERN LEASING COMPANY LIMITED

Report and Financial Statements

31 March 2002

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



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 2002

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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 2002.

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 £1,324,653,549 (2001 - profit £70,070) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2001 - nil).

FUTURE PROSPECTS

The Company has remaining a twelve year hire purchase agreement due for completion on the 12 March 2003 with AB LM Ericssons Finans to purchase the Companhia de Telecomunicacoes de Macau Sarl ("CTM") 3rd Digital Exchange. With effect from 12 March 1999, and at six monthly periods until the completion date, the Company has an option to purchase the equipment with subsequent sale to CTM. CTM is a 51% owned subsidiary of Cable and Wireless plc, registered in Macau.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS

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	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 2002	
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 M Bolton	814	200	-	1,014	
	-	6,165	2,706	3,459	(a)
	9,895	17,206	-	27,101	(b)

The interests of RE Lerwill are shown in the financial statements of the ultimate parent undertaking, Cable and Wireless Plc.

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 of Directors.



J M BOLTON

Secretary

Date: 29 January 2003

STATEMENTS 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EASTERN
LEASING 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 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.

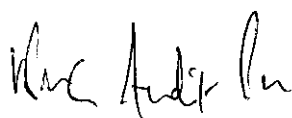
Basis of audit opinion

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

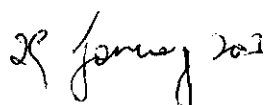
In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London, EC4Y 8BB
United Kingdom

Date:



THE EASTERN LEASING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2002

	Note	2002 £	2001 £
TURNOVER	2	46,810	46,810
Net operating costs	4	(72,194)	(64,520)
OPERATING LOSS		(25,384)	(17,710)
Amounts written off investments - exceptional	5	(1,324,637,043)	-
Interest receivable	6	-	322,489
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,324,662,427)	304,779
Tax credit/(charge) on (loss)/profit on ordinary activities	7	8,878	(234,709)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(1,324,653,549)	70,070
Retained profit brought forward		2,230,639	2,160,569
Retained (loss)/profit carried forward		(1,322,422,910)	2,230,639

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.

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

All turnover and operating losses derive from continuing operations.

THE EASTERN LEASING COMPANY LIMITED

BALANCE SHEET At 31 March 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Investments	8	1,137,523,000	2,462,160,043
CURRENT ASSETS			
Debtors	9	4,682,696	4,768,836
Cash at bank and in hand		14,878	1,973
		4,695,574	4,770,809
CREDITORS: amounts falling due within one year	10	(2,482,443)	(2,539,172)
NET CURRENT ASSETS		2,215,131	2,231,637
TOTAL ASSETS LESS CURRENT LIABILITIES		1,139,738,131	2,464,391,680
NET ASSETS		1,139,738,131	2,464,391,680
CAPITAL AND RESERVES			
Called up share capital	11	1,001	1,001
Share premium account	16	687,496,999	687,496,999
Profit and loss account	16	452,240,131	1,776,893,680
EQUITY SHAREHOLDERS' FUNDS	15	1,139,738,131	2,464,391,680

The financial statements on pages 8 to 14 were approved by the Board of Directors on 29 January 2003 and signed on their behalf by:



K K CLAYDON
Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

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.

	2002 £	2001 £
Income from finance leases and similar hire purchase contracts	46,810	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 (2001 – 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 (2001 - £ nil).

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

4. NET OPERATING COSTS

	2002 £	2001 £
Finance lease and hire purchase interest payable	65,206.	83,131
Other operating costs (including exchange gains)	6,988	(18,611)
	<u>72,194</u>	<u>64,520</u>

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

5. EXCEPTIONAL ITEMS

As at 31 March 2002, the Cable and Wireless plc group (the 'Group') recognised an impairment in its fixed assets and goodwill as a result of undertaking a review to determine their value in use by reference to each income generating unit in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill'. In accordance with FRS11, the value in use of each of the Group's income generating units has been 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 11%. The Company has reviewed the carrying value of its fixed asset investments in subsidiary undertakings which are included in these income generating units. An exceptional write-off of £1,324,637,043 has been charged for the impairment in value of the Company's fixed asset investment in its subsidiary undertakings to reflect its net realisable value.

6. INTEREST RECEIVABLE

	2002 £	2001 £
Interest receivable on loans to parent undertaking	-	322,489
	<u>-</u>	<u>322,489</u>

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

	2002 £	2001 £
The credit/(charge) for taxation comprises:		
United Kingdom corporation tax at 30% (2000 - 30%)		
Current year	8,878	(91,434)
Prior year	-	(143,275)
	<u>8,878</u>	<u>(234,709)</u>
Tax reconcillation to UK statutory rate		
	2002	2001
	%	%
Statutory tax rate	30	30
Effects of:		
Expenses not deductible for tax purposes - exceptional items (note 5)	(30)	-
Adjustments to tax charge in respect of previous periods	-	47
	<u>-</u>	<u>77</u>

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2002

8. INVESTMENTS HELD AS FIXED ASSETS

	2002 £	2001 £
Investments in subsidiary undertakings		
<i>Cost</i>		
At 1 April and 31 March	2,462,160,043	2,462,160,043
<i>Amounts written-off</i>		
At 1 April	-	-
Amounts written off in the year - exceptional impairment (note 5)	(1,324,637,043)	-
At 31 March	(1,324,637,043)	-
<i>Net book value</i>		
At 31 March	1,137,523,000	2,462,160,043

Interest in subsidiary:

	Country of incorporation	Type of holding	Percentage shareholding	Principal activity
Cable & Wireless Global Holding Limited (formerly Cable & Wireless Western Hemisphere Limited)	UK	Ordinary shares	72.75%	Investment holding company

9. DEBTORS

	2002 £	2001 £
Net investment in finance leases and hire purchase contracts	1,669	1,669
Amounts owed by parent undertaking	4,603,302	4,705,806
Other debtors	77,725	61,361
	4,682,696	4,768,836
Net investment in finance leases and hire purchase contracts comprises: Total lease and hire purchase payments receivable	1,669	1,669

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Net obligation under finance leases and hire purchase contracts	356,804	418,934
Amounts owed to parent undertaking	1,750	1,750
Other creditors	14,279	-
Corporation tax	2,109,610	2,118,488
	<u>2,482,443</u>	<u>2,539,172</u>
Net obligation under finance leases and hire purchase contracts are repayable as follows:		
Current instalments due	<u>356,804</u>	<u>418,934</u>
	<u>356,804</u>	<u>418,934</u>

11. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
1,001 ordinary shares of £1 each	<u>1,001</u>	<u>1,001</u>
Allotted, called up, and fully paid		
1,001 ordinary shares of £1 each	<u>1,001</u>	<u>1,001</u>

12. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2002 £	2001 £
(Loss)/Profit for the financial year	<u>(1,324,653,549)</u>	<u>70,070</u>
Net (decrease)/increase in equity shareholders' funds	<u>(1,324,653,549)</u>	<u>70,070</u>
Opening equity shareholders' funds	<u>2,464,391,680</u>	<u>2,464,321,610</u>
Closing equity shareholders' funds	<u>1,139,738,131</u>	<u>2,464,391,680</u>

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

13. SHARE PREMIUM AND RESERVES

	Share premium £	Profit and loss account £
At 1 April 2001	687,496,999	1,776,893,680
Loss for the year retained	-	(1,324,653,549)
At 31 March 2002	<u>687,496,999</u>	<u>452,240,131</u>

The profit and loss account includes a brought forward unrealised gain of £1,774,663,041 on the disposal of a subsidiary undertaking during the year ended 31 March 1999.

14. 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.

15. 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.

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.