

CABLE & WIRELESS EASTERN HEMISPHERE UK 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); 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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DIRECTORS' REPORT

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

ACTIVITIES

The Company's principal activity is to act as an investment holding company. No change in the Company's activities is envisaged in the foreseeable future.

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 interest of the directors in the shares of Cable and Wireless plc are as follows:

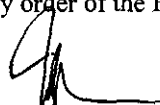
	At 1 April 2001	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 2002
K K Claydon	1,742	14,829	-	16,571
	5,337	4,903	2,828	7,412 (a)
	58,863	72,654	-	131,517 (b)
	6,553	289	6,842	- (c)
	10,782	-	-	10,782 (d)
	4,524	-	-	4,524 (e)
	-	36,326	-	36,326 (f)
J M Bolton	814	200	-	1,014
	-	6,165	2,706	3,459 (a)
	9,895	17,206	-	27,101 (b)
B J Alexis	-	176	-	176
	1,549	-	1,549	- (a)
	11,582	20,106	-	31,688 (b)
L M Breen	903	32	387	548
	-	1,623	-	1,623 (a)
	6,755	21,471	-	28,226 (b)

The interests of R E Lerwill are shown in the financial statements of the ultimate parent undertaking, Cable and Wireless plc.

Mrs L M Breen resigned as a Director of the Company on 27 August 2002.

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:



JM BOLTON

Secretary

Date: 14 January 2003

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 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; and
- 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 CABLE &
WIRELESS EASTERN HEMISPHERE UK LIMITED**

We have audited the financial statements on pages 5 to 8.

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.

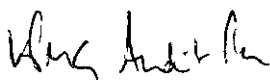
Basis of audit opinion

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 result 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: 16 January 2003

PROFIT AND LOSS ACCOUNT

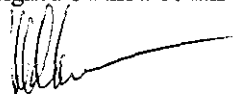
For Year Ended 31 March 2002

The Company did not trade during the year or the previous year and did not receive any income and incurred no expenditure. Consequently the Company made neither a profit nor a loss or any other recognised gains or losses in the current or prior year.

BALANCE SHEET
31 March 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Investments	3	<u>1,444,956,882</u>	<u>1,442,751,000</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,444,956,882</u>	<u>1,442,751,000</u>
CAPITAL AND RESERVES			
Called up share capital	4	2,205,982	100
Share premium account	5	<u>1,442,750,900</u>	<u>1,442,750,900</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,444,956,882</u>	<u>1,442,751,000</u>

These financial statements on pages 5 to 8 were approved by the Board of Directors on 14 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. The particular accounting policies adopted are described below.

(i) Accounting convention

The financial statements are prepared under the historical cost convention.

(ii) Investments

Investments held as fixed assets are stated at cost less amounts written off in respect of any impairments.

(iii) Consolidated financial statements

The Company has taken advantage of Section 228 of the Companies Act 1985 and has not prepared consolidated financial statements, on the grounds that it is a wholly-owned subsidiary undertaking of Cable and Wireless plc, a company registered in the United Kingdom.

2. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Company had no employees during the year. The Directors did not receive any emoluments from the Company (2001: £nil). The auditors' remuneration for the year was borne by the ultimate parent company.

3. INVESTMENTS

	2002	2001
Cost	£	£
At 1 April	1,442,751,000	1,442,751,000
Additions	2,205,882	-
At 31 March	1,444,956,882	1,442,751,000

The Company owns 29.41% of the issued capital of Cable & Wireless Eastern Hemisphere BV, a wholly owned Group company incorporated in the Netherlands whose principal activity is to act as an investment holding company.

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

4. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
2,205,982 ordinary shares of £1 each (2001: 100 ordinary shares of £1 each)	2,205,982	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
2,205,982 ordinary shares of £1 each (2001: 100 ordinary shares of £1 each)	2,205,982	100
	<hr/>	<hr/>

On 3 May 2001 the Company increased its authorised issued capital to 2,205,982 ordinary shares of £1 each and issued a further 2,205,882 shares to its parent, Cable and Wireless (Investments) Limited in return for that company's 29.41% interest in PI.SE Aktiebolag, a wholly owned subsidiary undertaking of Cable and Wireless plc, incorporated in Sweden. On the same day, the Company transferred its interest in PI.SE Aktiebolag to Cable & Wireless Eastern Hemisphere B.V., a fellow subsidiary undertaking of Cable and Wireless plc, incorporated in The Netherlands, in return for further shares in that company.

5. 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.

6. 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.

7. ULTIMATE PARENT COMPANY

The Company's holding company is Cable and Wireless (Investments) Limited and its ultimate parent company is Cable and Wireless plc, both of which are 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.