

CABLE AND WIRELESS (INVESTMENTS) LIMITED

Report and Financial Statements

31 March 2002

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



To the Company's Ordinary Shareholders

Elective Regime

On 8 June 1998 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.

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CABLE AND WIRELESS (INVESTMENTS) LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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CABLE AND WIRELESS (INVESTMENTS) LIMITED

DIRECTORS' REPORT

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

ACTIVITIES

The principal activity of the Company is acting as an investment company.

FUTURE PROSPECTS

The Company is expected to continue to act as an investment company for the foreseeable future.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounting to £657,055,000 (2001 : loss £2,583,000) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2001 : £nil).

POST BALANCE SHEET EVENTS

On 13 November 2002, Cable and Wireless plc announced its consolidated half year results. Included within these results was an exceptional charge of £211 million which reflected the write-down of the Group's shareholding in Pacific Century Cyberworks Ltd ('PCCW') to market value at 30 September 2002. A subsidiary of the Company, Cable and Wireless (Far East) Limited, owns the shareholding in PCCW. Since the write-down reflected in the Group's consolidated half year results related to a further deterioration in value after the year end, any impact of this additional impairment has not been reflected in these financial statements. The Directors will continue to review the carrying value of the fixed asset investments.

CABLE AND WIRELESS (INVESTMENTS) LIMITED

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

	At 1 April 2001 (or later date of appointment	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)
J O'Neill	1,682	140	-	1,822	
(Appointed 15 Nov 2001)	1,549	-	-	1,549	(a)
	86,304	-	-	86,304	(b)
	4,917	-	-	4,917	(e)
	38,235	-	-	38,235	(f)

The interests of R E 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

By order of the Board of Directors.



J M BOLTON
Secretary

Date: 12 May 2003

CABLE AND WIRELESS (INVESTMENTS) LIMITED

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 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 CABLE AND WIRELESS (INVESTMENTS) 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 that 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 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

Date: 12 May 2003

8 Salisbury Square
London, EC4Y 8BB
United Kingdom

CABLE AND WIRELESS (INVESTMENTS) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2002

	Note	2002 £000	2001 £000
Operating costs	3	356	(289)
OPERATING PROFIT/(LOSS)		<u>356</u>	<u>(289)</u>
Net interest and other similar income	4	1,500	-
Amounts written off investments - exceptional	5	(658,354)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(656,498)</u>	<u>(289)</u>
Tax charge on ordinary activities	6	(557)	(2,294)
LOSS FOR THE FINANCIAL YEAR		<u>(657,055)</u>	<u>(2,583)</u>
Retained profit brought forward		153,041	155,624
Retained (loss)/ profit carried forward		<u>(504,014)</u>	<u>153,041</u>

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

There is no material 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.


CABLE AND WIRELESS (INVESTMENTS) LIMITED

BALANCE SHEET

At 31 March 2002

	Note	2002 £000	2001 £000
FIXED ASSETS			
Investments	7	2,763,757	1,462,640
CURRENT ASSETS			
Investments	8	140,184	-
Debtors	9	3,867	7,753
CREDITORS: amounts falling due within one year	10	(2,319,859)	(1,256,210)
NET CURRENT LIABILITIES		(2,175,808)	(1,248,457)
TOTAL ASSETS LESS CURRENT LIABILITIES		587,949	214,183
NET ASSETS		587,949	214,183
CAPITAL AND RESERVES			
Called up share capital	11	270,329	37,930
Share premium account		821,634	23,212
Profit and loss account		(504,014)	153,041
EQUITY SHAREHOLDER'S FUNDS	12	587,949	214,183

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


K K CLAYDON
 Director

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

1. ACCOUNTING POLICIES

Basis of preparation

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

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £2,175,808,000. 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.

Investments

Fixed asset investments are stated at cost less amounts written off in respect of any impairments. Current asset investments are stated at the lower of cost and net realisable 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.

Group accounts

The Company is exempt from the requirement to prepare group accounts under Section 228 of the Companies Act 1985, being a wholly owned subsidiary of Cable and Wireless plc, a company registered in England & Wales.

2. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

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

3. OPERATING COSTS

	2002 £000	2001 £000
Foreign exchange gain	356	-
Write down of investment	-	(289)
	<u>356</u>	<u>(289)</u>

4. NET INTEREST AND OTHER SIMILAR INCOME

	2002 £000	2001 £000
Gain on repurchase of exchangeable bond	<u>1,500</u>	<u>-</u>

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

5. EXCEPTIONAL ITEMS

The Company has carried out a review to determine whether there has been an impairment in the carrying value of its fixed asset investments. This has resulted in an exceptional charge of £658,354,000 following the impairment in value of the Company's fixed asset investment in the subsidiary undertaking, Cable and Wireless (Far East) Limited.

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2002 £000	2001 £000
The charge for taxation comprises:		
United Kingdom corporation tax at 30% (2001 - 30%)		
Current year	557	-
Adjustment in respect of prior year	-	2,294
	<u>557</u>	<u>2,294</u>

Tax reconciliation to UK statutory rate

	2002 %	2001 %
Statutory tax rate	(30)	(30)
Effects of:		
Expenses not deductible for tax purposes	30	30
Adjustment in respect of prior year	-	794
	<u>-</u>	<u>794</u>

7. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings £000	Associated Undertakings £000	Total £000
Cost			
At 1 April 2001	1,462,640	289	1,462,929
Additions	1,961,677	-	1,961,677
Disposals	(2,206)	-	(2,206)
	<u>3,422,111</u>	<u>289</u>	<u>3,422,400</u>
At 31 March 2002			
Amounts written off			
At 1 April 2001	-	(289)	(289)
Amount written off in year	(658,354)	-	
	<u>(658,354)</u>	<u>(289)</u>	
At 31 March 2002			
Net book value			
At 31 March 2002	2,763,757	-	2,763,757
	<u>2,763,757</u>	<u>-</u>	<u>2,763,757</u>
At 31 March 2001	1,462,640	-	1,462,640
	<u>1,462,640</u>	<u>-</u>	<u>1,462,640</u>

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

7. FIXED ASSET INVESTMENTS (Continued)

On 2 April 2001 the Company purchased 143,543,268 shares of HK\$10 each in Cable and Wireless (Far East) Limited ("CWFE"), a wholly owned Group company incorporated in Hong Kong, for £928,649,988.

On 3 May 2001 the Company purchased 84,457 shares of SEK100 each in PI.SE Aktiebolag, a wholly owned Group company incorporated in Sweden, for £2,205,882. On the same day, the Company sold the shares in PI.SE Aktiebolag to Cable & Wireless Eastern Hemisphere UK Limited, a wholly owned Group company incorporated in England for consideration of 2,205,882 shares of £1 each in that company.

On 22 June 2001 the Company subscribed for an additional 253,905,202 shares of HK\$10 each in CWFE for £230,193,019.

On 30 August 2001 the Company subscribed for an additional 1,000 shares of HK\$10 each in CWFE for £181,679,844.

On 6 September 2001 the Company subscribed for an additional 1,000 shares of HK\$10 each in CWFE for £616,742,269.

The principal undertakings, in which the Company's interest consist of ordinary shares are as follows:

Undertaking	Country of incorporation	Percentage of ownership (direct)
Cable Acquisitions Inc.	USA	100
Cable and Wireless (Far East) Limited	Hong Kong	100
Sakhalin Telecom Mobile Limited	Russia	61.4
Cable & Wireless Canada Inc.	Canada	100
Cable & Wireless (Gibraltar) Limited	Gibraltar	100
Cable & Wireless (Singapore) Pte Limited	Singapore	100
Cable & Wireless Eastern Hemisphere UK Ltd	England	100
Cable & Wireless Pty. Limited (formerly Cable and Wireless Services Pty. Ltd)	Australia	50

In the opinion of the Directors of the Company the aggregate value of the assets of the Company consisting of shares, in, or amounts owing from, the Company's subsidiary undertakings is not less than the aggregate of the amount at which those assets are stated or included in the balance sheet at the balance sheet date. Refer to Note 16 'Post balance sheet events'.

8. CURRENT ASSET INVESTMENTS

	2002 £000	2001 £000
Exchangeable bond	140,184	-

During the year the Company purchased US\$200,000,000 zero coupon exchangeable bonds of the principal amount of Pacific Century Cyberworks Ltd ('PCCW') exchangeable bonds issued by Cable and Wireless plc for US\$189,968,040. The exchangeable bonds are redeemable at par on 9 June 2003.

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

9. DEBTORS

	2002 £000	2001 £000
Amounts owed by subsidiary undertakings	3,867	3,501
Corporation tax	-	4,252
	<u>3,867</u>	<u>7,753</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £000	2001 £000
Amounts owed to group undertakings:		
Subsidiary undertakings	929,150	500
Parent undertaking	1,390,709	1,255,710
	<u>2,319,859</u>	<u>1,256,210</u>

11. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised		
2,000,000,000 ordinary shares of 25p each (2001: 180,000,000 ordinary shares of 25p)	500,000	45,000
Allotted, called up, and fully paid		
1,081,318,594 ordinary shares of 25p each (2001: 151,720,989 ordinary shares of 25p)	270,329	37,930
	<u>270,329</u>	<u>37,930</u>

On 3 May 2001 the Company allotted 8,823,528 ordinary shares at par to Cable and Wireless plc ("CWplc") in return for that company's interest in PI.SE Aktiebolag, a wholly owned Group company incorporated in Sweden.

On 22 June 2001 the Company increased its authorised share capital to £500,000,000 divided into 2,000,000,000 ordinary shares of 25p each and, on the same day, allotted 920,772,077 ordinary shares to CWplc at par.

On 30 August 2001 the Company allotted 1,000 ordinary shares to CWplc at a total premium of £181,679,594.

On 6 September 2001 the Company allotted 1,000 ordinary shares to CWplc at a total premium of £616,742,019.

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2002 £000	2001 £000
Loss for the financial year	(657,055)	(2,583)
Issue of share capital	232,399	-
Net premium on shares allotted	798,422	-
	<hr/>	<hr/>
Net increase in equity shareholder's funds	373,766	(2,583)
Opening equity shareholder's funds	214,183	216,766
	<hr/>	<hr/>
Closing equity shareholder's funds	587,949	214,183
	<hr/>	<hr/>

13. SHARE PREMIUM AND RESERVES

	Share premium account £	Profit and loss account £
At 1 April 2001	23,212	153,041
Shares issued	798,422	-
Loss for the year retained	-	(657,055)
	<hr/>	<hr/>
At 31 March 2002	821,634	(504,014)
	<hr/>	<hr/>

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. POST BALANCE SHEET EVENTS

On 13 November 2002, Cable and Wireless plc announced its consolidated half year results. Included within these results was an exceptional charge of £211 million which reflected the write-down of the Group's shareholding in Pacific Century Cyberworks Ltd ('PCCW') to market value at 30 September 2002. A subsidiary of the Company, Cable and Wireless (Far East) Limited, owns the shareholding in PCCW. Since the write-down reflected in the Group's consolidated half year results related to a further deterioration in value after the year end, any impact of this additional impairment has not been reflected in these financial statements. The Directors will continue to review the carrying value of the fixed asset investments.

17. 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.