

CABLE & WIRELESS CIS SERVICES LIMITED

Report and Financial Statements

31 March 2001

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



CABLE & WIRELESS CIS SERVICES LIMITED

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 in 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 & WIRELESS CIS SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

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CABLE & WIRELESS CIS SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

The Directors present their annual report and the audited financial statements for the year ended 31 March 2001.

ACTIVITIES AND REVIEW OF DEVELOPMENTS

The principal activity of the Company is to develop telecommunication opportunities and co-ordinate and support ongoing telecommunication activities in Russia.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounting to £1,489,838 (2000: £704,448) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2000: £nil).

FUTURE PROSPECTS

No change in the Company's activities is envisaged in the foreseeable future.

CABLE & WIRELESS CIS SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 2000 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised/elapsed	At 31 March 2001	
K K Claydon	1,937	40,569	40,764	1,742	
	5,337	1,329	1,329	5,337	(a)
	64,622	23,613	29,372	58,863	(b)
	9,674	510	10,184	-	(c)
	6,553	-	-	6,553	(d)
	10,782	-	-	10,782	(e)
	4,524	-	-	4,524	(f)
J M Bolton	-	814	-	814	
	1,242	254	1,496	-	(a)
	2,650	7,245	-	9,895	(b)
N Howell	4,237	1,025	745	4,517	
	1,025	1,040	1,025	1,040	(a)
	38,739	10,350	-	49,089	(b)
C O'Leary	1,163	2,924	-	4,087	(b)

A Reid resigned on 1 May 2000 and J Lyon resigned on 8 August 2000. C O'Leary was appointed as a Director on 6 June 2000 and N Howell was appointed on the 8 August 2000.

Subsequent to the year end the following changes have occurred in the Directors of the Company: C O'Leary resigned on 11 May 2001 and J Spencer was appointed in his place on the same date, and N Howell resigned as a Director on 29 June 2001.

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 1997 (LTIP) (notional), (d) which are C&W Long Term Incentive Plan 1998 (notional), (e) which are contingent share awards under the C&W Performance Share Plan (PSP) 1999 granted on 01.04.99 or (f) which are contingent share awards under the C&W Performance Share Plan (PSP) 2000 granted on 01.04.00.. Full details of the LTIP and the PSP are included in the financial statements of the ultimate parent company.

KK Claydon held 1,500 ordinary shares in Cable & Wireless Communications plc (CWC) at 1 April 2000. On 30 May 2000, these shares were disposed of in accordance with the terms of the acquisition of the data business of CWC (DataCo) by Cable and Wireless plc and the acquisition of the consumer business of CWC (ConsumerCo) by ntl Incorporated.


JM BOLTON
Secretary

13 November 2001

CABLE & WIRELESS CIS SERVICES 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;
- 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 to 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.

CABLE & WIRELESS CIS SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF CABLE & WIRELESS CIS SERVICES LIMITED

We have audited the financial statements on pages 6 to 12.

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. 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.

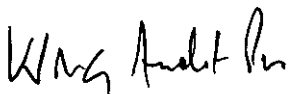
Basis of audit opinion

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 2001 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

Date: 17 November 2001

CABLE & WIRELESS CIS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2001

	Note	2001 £	2000 £
Operating costs	2	<u>(2,111,305)</u>	<u>(1,020,593)</u>
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,111,305)	(1,020,593)
Tax on loss on ordinary activities	4	<u>621,467</u>	<u>316,145</u>
LOSS FOR THE FINANCIAL YEAR		(1,489,838)	(704,448)
Retained loss bought forward		<u>(819,592)</u>	<u>(115,144)</u>
Retained loss carried forward		<u><u>(2,309,430)</u></u>	<u><u>(819,592)</u></u>

All operating loss is derived from continuing operations.

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

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.

CABLE & WIRELESS CIS SERVICES LIMITED

BALANCE SHEET As at 31 March 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	5	76,739	133,859
Investments	6	1,537,805	321
		<u>1,614,544</u>	<u>134,180</u>
CURRENT ASSETS			
Debtors	7	823,352	1,237,032
Cash at bank and in hand		8,988	9,285
		<u>832,340</u>	<u>1,246,317</u>
CREDITORS: amounts falling due within one year	8	<u>(4,756,214)</u>	<u>(2,199,989)</u>
NET CURRENT LIABILITIES		<u>(3,923,874)</u>	<u>(953,672)</u>
NET LIABILITIES		<u>(2,309,330)</u>	<u>(819,492)</u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account		<u>(2,309,430)</u>	<u>(819,592)</u>
EQUITY SHAREHOLDER'S FUNDS	11	<u>(2,309,330)</u>	<u>(819,492)</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on **13 November** 2001 and signed on their behalf by:



K K Claydon
Director

CABLE & WIRELESS CIS SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and on the historical cost basis. The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare Group Accounts. These financial statements present information about the Company as an individual undertaking and not about its Group.

The financial statements are prepared on a going concern basis as the Company has received confirmation from its parent undertaking that it will continue to provide financial support to the Company for the next twelve months.

The particular accounting policies adopted are described below:

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.

Pension costs

The regular cost of providing benefits under defined benefit schemes is charged to operating profit over the expected remaining service lives of the members of the schemes so as to achieve a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the principal defined benefit schemes are allocated to operating profit over the expected remaining service lives of the members. The cost of providing benefits under defined contribution schemes is charged as it becomes payable.

Tangible fixed assets and depreciation

Depreciation of tangible fixed assets is provided over the estimated useful life of these assets over the following lives:

Equipment	3 to 10 years
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Deferred taxation

The Company provides for deferred tax only when there is a reasonable probability that the liability will arise in the foreseeable future. Where deferred tax is provided, the liability method is used.

CABLE & WIRELESS CIS SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2001

2. OPERATING COSTS

	2001	2000
	£	£
Employee costs	410,812	629,294
Depreciation of owned fixed assets	52,190	35,045
Other operating costs	1,648,303	356,254
	<u>2,111,305</u>	<u>1,020,593</u>

3. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Directors did not receive any emoluments from the Company (2000 - £ nil). The average weekly number of persons employed by the Company is 9 (2000 - 12). Their remuneration and associated costs are as follows:

	2001	2000
	£	£
Wages and salaries	319,055	523,617
Social security costs	20,015	25,103
Pension costs	71,742	80,574
	<u>410,812</u>	<u>629,294</u>

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

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	2001	2000
	£	£
The tax charge/(credit) for taxation comprises:		
United Kingdom Corporation tax		
Current year at 30%	(602,725)	(280,664)
Adjustment in respect of prior years	(18,742)	(35,481)
	<u>(621,467)</u>	<u>(316,145)</u>

CABLE & WIRELESS CIS SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2001

5. TANGIBLE FIXED ASSETS

	Equipment £
Cost	
At 1 April 2000	169,253
Disposals	(6,641)
At 31 March 2001	<u>162,612</u>
Depreciation	
At 1 April 2000	(35,394)
Charge for the year	(52,190)
Disposal	1,711
At 31 March 2001	<u>(85,873)</u>
Net Book Value	
At 31 March 2001	<u>76,739</u>
At 31 March 2000	<u>133,859</u>

6. INVESTMENTS

	£
Cost	
At 1 April 2000	321
Additions	1,537,484
At 31 March 2001	<u>1,537,805</u>

In 1998 the Company acquired 100% of the issued share capital of Cable & Wireless CIS Svyaz, a company registered in Russia. Additional capital was injected into the Russian company during the year.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Prepayments and accrued income	6,615	-
Amounts owed by parent undertaking	621,467	331,145
Amounts owed by subsidiary undertaking	195,270	905,887
	<u>823,352</u>	<u>1,237,032</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Accruals and deferred income	13,737	-
Amounts owed to group undertakings	4,742,477	2,199,989
	<u>4,756,214</u>	<u>2,199,989</u>

CABLE & WIRELESS CIS SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

9. DEFERRED TAX

No deferred taxation has been provided in the accounts in view of the uncertainty of the recoverability of the deferred tax asset arising. The potential asset under full provision is as follows:

	Total potential asset	
	2001	2000
	£	£
Tax effect of timing differences due to:		
Excess capital allowances	4,431	10,618
Other	-	-
	<u>4,431</u>	<u>10,618</u>

10. CALLED UP SHARE CAPITAL

	2001	2000
	£	£
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2001	2000
	£	£
Opening equity shareholder's funds	(819,492)	(115,044)
Loss for the financial year	<u>(1,489,838)</u>	<u>(704,448)</u>
Closing equity shareholder's deficit	<u>(2,309,330)</u>	<u>(819,492)</u>

12. 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.

13. 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.

CABLE & WIRELESS CIS SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2001

14. ULTIMATE PARENT COMPANY

The Company's 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.