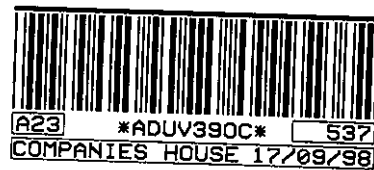


CABLE & WIRELESS CIS SERVICES LIMITED
(formerly RUSSIA SERVICES LIMITED)

Report and Financial Statements

31 March 1998

Registered Office:
124 Theobalds Road
London
WC1X 8RX



CABLE & WIRELESS CIS LIMITED (formerly RUSSIA 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 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 1998

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CABLE & WIRELESS CIS LIMITED (formerly RUSSIA SERVICES LIMITED)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 1998.

ACTIVITIES AND REVIEW OF DEVELOPMENTS

The Company changed its name from Russia Services Limited to Cable & Wireless CIS Limited on 18 February 1998. The Company did not trade in the year and had no income or expenditure during the year.

DIVIDENDS

The Directors do not recommend payment of a dividend.

MILLENNIUM COMPLIANCE

The Company participates in the Cable & Wireless Group Millennium Compliance initiative which began in mid 1996. The programme is progressing well with management ownership and accountability for all major activities identified and assigned. It is the Company's objective to be fully ready for the Year 2000 by the end of 1998.

DIRECTORS AND THEIR INTERESTS

The Directors who held office at the end of the year, together with their interests and the interests of their families in the ordinary shares of Cable and Wireless plc, are shown below:

	At 1 April 1997 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 1998
K K Claydon	101	8,034	2,691	5,444
	16,921	-	7,540	9,381 (a)
	63,981	15,000	-	78,981 (b)
	-	9,674	-	9,674 (c)
	-	9,674	-	9,674 (d)
J Lyon	-	-	-	-
(appointed 26 January 1998)	7,577	-	-	7,577 (a)
	-	5,000	-	5,000 (b)
A Reid	3,954	-	506	3,448
(appointed 26 January 1998)	4,799	-	-	4,799 (a)
	34,830	-	-	34,830 (b)

In addition, T P Lowry served as a Director until his resignation on 26 January 1998.

All interests are in fully paid ordinary shares, unless marked (a) which are options to purchase ordinary shares under the savings related option scheme for employees, (b) which are options to purchase ordinary shares under the discretionary share option schemes, (c) which are notional allocations of shares under the C&W Long Term Incentive Plan Transitional Scheme 1999 (LTIPTS99) or (d) which are notional allocations of shares under the C&W Long Term Incentive Plan (LTIP). Full details of the LTIPTS99 and the LTIP are included in the financial statements of the ultimate parent company.

By order of the Board of Directors.



K K Claydon
Secretary

Date: 17 August 1998

CABLE & WIRELESS CIS LIMITED (formerly RUSSIA 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 LIMITED (formerly RUSSIA SERVICES LIMITED)

AUDITORS' REPORT TO THE MEMBERS OF CABLE & WIRELESS CIS LIMITED (formerly RUSSIA SERVICES LIMITED)

We have audited the financial statements on pages 5 and 6.

Respective responsibilities of Directors and auditors

As described on page 3 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

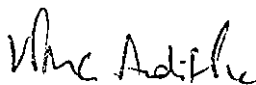
Basis of opinion

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 1998 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
London

17 August 1998

CABLE & WIRELESS CIS LIMITED (formerly RUSSIA SERVICES LIMITED)

BALANCE SHEET

31 March 1998

	Note	1998 £	1997 £
CURRENT ASSETS			
Debtors - amounts owed by parent undertaking		100	100
NET CURRENT ASSETS		100	100
CAPITAL AND RESERVES			
Called up share capital	4	100	100
EQUITY SHAREHOLDERS' FUNDS		100	100

The Company was dormant throughout the financial year. The financial statements on pages 5 and 6 were approved by the Board of Directors on 17 August 1998 and signed on their behalf by:



K K Claydon
Director

CABLE & WIRELESS CIS LIMITED (formerly RUSSIA SERVICES LIMITED)

NOTES THE ACCOUNTS

Year ended 31 March 1998

1. ACCOUNTING POLICIES

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

2. PROFIT AND LOSS ACCOUNT

The Company did not trade during the financial period and received no income and incurred no expenditure. Consequently, the Company made neither a profit nor a loss.

3. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Company had no employees during the year (1997 - nil). The Directors did not receive any emoluments from the Company (1997 - £ nil). The auditors received no remuneration from the Company in the year (1997 - £ nil). These costs were borne by the Parent undertaking.

4. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

5. 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.