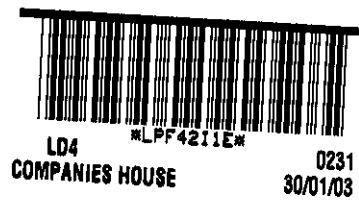


**CABLE & WIRELESS CIS SERVICES LIMITED**

**Report and Financial Statements**

**31 March 2002**



**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); and
- 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.

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

**CABLE & WIRELESS CIS SERVICES LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

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**DIRECTORS' REPORT**

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

**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 £2,603,116 (2001: £1,489,838) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2001: £nil).

**FUTURE PROSPECTS**

The Company's trade will be largely transferred to another Cable & Wireless Group Company in the next twelve months.

**DIRECTORS**

The Directors who held office during the year were:

JM Bolton	(alternate to K K Claydon)
KK Claydon	
C O' Leary	(resigned 11 May 2001)
JR Spencer	(appointed 11 May 2001)
N Howell	(resigned 29 June 2001)

## DIRECTORS' REPORT (CONTINUED)

## DIRECTORS AND THEIR INTERESTS (Continued)

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 (or date of appointment if later)	Shares acquired/ options granted	Shares disposed/ options exercised or lapsed	Closing balance as 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 R Spencer	729	-	-	729	
	30,381	31,299	-	61,680	(b)

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.

Mr J R Spencer resigned as a Director of the Company on 17 January 2003 and Mr J M Bolton was appointed a Director in his place.

By order of the Board of Directors



**J M BOLTON**  
Secretary

Date: 22 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 CIS SERVICES LIMITED**

We have audited the financial statements on pages 6 to 11.

*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.

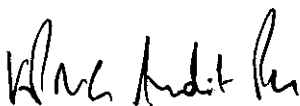
*Basis of audit opinion*

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**  
*Chartered Accountants*  
*Registered Auditor*

8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

Date: 22 January 2003

**CABLE & WIRELESS CIS SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2002**

	<b>Note</b>	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>
Operating costs	2	(1,528,347)	(2,111,305)
Amounts written off investments - exceptional	5	<u>(1,537,805)</u>	<u>-</u>
<b>OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(3,066,152)</b>	<b>(2,111,305)</b>
Tax on loss on ordinary activities	4	<u>463,036</u>	<u>621,467</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(2,603,116)</b>	<b>(1,489,838)</b>
<b>Retained loss bought forward</b>		<u>(2,309,430)</u>	<u>(819,592)</u>
<b>Retained loss carried forward</b>		<u><u>(4,912,546)</u></u>	<u><u>(2,309,430)</u></u>

The results for the year are derived entirely from continuing operations.

There are no recognised gains or losses other than those set out above. Accordingly, no statement of recognised gains and losses has been prepared.

There is no difference between the Company's loss 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 2002

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	6	-	76,739
Investments	7	-	1,537,805
		<hr/>	<hr/>
		-	1,614,544
<b>CURRENT ASSETS</b>			
Debtors	8	1,239,261	823,352
Cash at bank and in hand		7,532	8,988
		<hr/>	<hr/>
		1,246,793	832,340
<b>CREDITORS: amounts falling due within one year</b>	9	(6,159,239)	(4,756,214)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(4,912,446)	(3,923,874)
		<hr/>	<hr/>
<b>NET LIABILITIES</b>		(4,912,446)	(2,309,330)
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	100	100
Profit and loss account		(4,912,546)	(2,309,430)
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDER'S FUNDS</b>	11	(4,912,446)	(2,309,330)
		<hr/>	<hr/>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 22 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 following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

**(i) 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 have been prepared on a going concern basis, notwithstanding net liabilities of £4,912,446. 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.

**(ii) 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.

**(iii) Tangible fixed assets and depreciation**

Depreciation of tangible fixed assets is provided on a straight line basis over the estimated useful life of these assets as follows:

Equipment	3 to 10 years
-----------	---------------

**(iv) Investments**

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

**(v) Deferred taxation**

The Company adopted FRS 19 (Deferred Tax) during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2002**

**2. OPERATING COSTS**

	2002	2001
	£	£
Employee costs	438,697	410,812
Depreciation of owned fixed assets	36,576	52,190
Other operating costs	1,053,073	1,648,303
	<u>1,528,347</u>	<u>2,111,305</u>

**3. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS**

The Directors did not receive any emoluments from the Company (2001 - £ nil). The average monthly number of persons employed by the Company during the year is 9 (2001 - 9). Their remuneration and associated costs were as follows:

	2002	2001
	£	£
Wages and salaries	326,873	319,055
Social security costs	111,824	91,757
	<u>438,697</u>	<u>410,812</u>

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

**4. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2002	2001
	£	£
The tax credit for taxation comprises:		
United Kingdom Corporation tax		
Current year at 30%	(448,869)	(602,725)
Adjustment in respect of prior years	(14,167)	(18,742)
	<u>(463,036)</u>	<u>(621,467)</u>

Reconciliation of the Company's current tax to the United Kingdom statutory rate:

	2002	2001
	%	%
Tax on pre-tax profit at 30%	30.0	30.0
Effects of:		
Expenses not deductible for tax purposes	(15.2)	(1.2)
Capital allowances for period in excess of depreciation	(0.2)	(0.3)
Adjustments to tax charge in respect of previous period	0.5	0.9
Tax charge	<u>15.1</u>	<u>29.4</u>

A deferred tax asset of £13,077 (2001 - £4,431) has not been recognised on excess capital allowances. These assets can only be deducted against certain types of future income. There is currently insufficient evidence that suitable taxable profits will be generated.

# CABLE & WIRELESS CIS SERVICES LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2002

### 5. EXCEPTIONAL ITEMS

An exceptional write-off of £1,537,805 has been charged for the impairment in value of the Company's fixed asset investment in the subsidiary undertaking, Cable & Wireless CIS Svyaz.

### 6. TANGIBLE FIXED ASSETS

	Equipment £
Cost	
At 1 April 2001	162,612
Disposals	(162,612)
At 31 March 2002	-
Depreciation	
At 1 April 2001	(85,873)
Charge for the year	(36,576)
Disposal	122,449
At 31 March 2002	-
Net Book Value	
At 31 March 2002	-
At 31 March 2001	76,739

### 7. INVESTMENTS

	£
Cost	
At 1 April 2001	1,537,805
Amounts written off in the year - exceptional impairment (note 5)	(1,537,805)
At 31 March 2002	-

The Company in which the Company's interest at year end is more than 20% is as follows:

	Country of Incorporation	Principal activity	Class and percentage of shares held
Cable and Wireless CIS Svyaz	Russia	Web hosting centre	100% ordinary

### 8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Prepayments and accrued income	21,689	6,615
Amounts owed by parent undertaking	1,085,679	621,467
Amounts owed by subsidiary undertaking	131,893	195,270
	<u>1,239,261</u>	<u>823,352</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 2002**

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2002	2001
	£	£
Accruals and deferred income	51,279	13,737
Amounts owed to group undertakings	6,107,960	4,742,477
	<u>6,159,239</u>	<u>4,756,214</u>

**10. CALLED UP SHARE CAPITAL**

	2002	2001
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid	<u>100</u>	<u>100</u>
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**11. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS**

	2002	2001
	£	£
Opening equity shareholder's funds	(2,309,330)	(819,492)
Loss for the financial year	(2,603,116)	(1,489,838)
Closing equity shareholder's funds	<u>(4,912,546)</u>	<u>(2,309,330)</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.

**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. No other group accounts include the results of the Company.