

CABLE AND WIRELESS (INVESTMENTS) LIMITED

Report and Financial Statements

31 March 2003



**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 2003

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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 2003.

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 £296,425,000 (2002 : loss £657,055,000) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2002 : £nil).

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year, and subsequent to the year end, were as follows:

K K Claydon	resigned 18 July 2003
R E Lerwill	resigned 5 June 2003
J M Bolton	(alternate to Mr K K Claydon) resigned 18 July 2003
J O'Neill	
A S Garard	appointed 16 July 2003
J S Wilson	appointed 16 July 2003

CABLE AND WIRELESS (INVESTMENTS) LIMITED

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 Directors who held office at the end of the financial year had the following beneficial interests in the shares of Cable and Wireless plc:

	At 1 April 2002	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 2003
K K Claydon	16,571	6,519	4,721	18,369
	7,412	39,780	18,762	28,430 (a)
	131,517	91,000	-	222,517 (b)
	10,782	-	10,782	- (c)
	4,524	-	-	4,524 (d)
	36,326	-	-	36,326 (e)
	-	45,400	-	45,400 (f)
J M Bolton	1,014	643	-	1,657
	3,459	21,134	9,457	15,136 (a)
	27,101	15,000	-	42,101 (b)
J O'Neill	1,822	6,489	-	8,311
	1,549	36,758	11,999	26,308 (a)
	86,304	96,000	-	182,304 (b)
	4,917	-	-	4,917 (d)
	38,235	-	-	38,235 (e)
	-	47,800	-	47,800 (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 contingent share awards granted on 1 April 1999 under the C&W Performance Share Plan (PSP) 1999, (d) which are contingent share awards granted on 1 April 2000 under the C&W PSP 2000 (e) which are contingent share awards granted on 27 July 2001 under the C&W PSP 2001 or (f) which are contingent share awards granted on 23 May 2002 under the C&W PSP 2002. Full details of the PSP are included in the financial statements of the ultimate parent company.

By order of the Board of Directors.



H M HANSCOMB
Assistant Secretary

Date: 27 January 2004

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.

CABLE AND WIRELESS (INVESTMENTS) LIMITED

REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC, 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 2003 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: 27 January 2004

8 Salisbury Square
London, EC4Y 8BB
United Kingdom

CABLE AND WIRELESS (INVESTMENTS) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2003

	Note	2003 £000	2002 £000
Operating gains	3	269	356
OPERATING PROFIT		269	356
Net interest and other similar income	4	11,803	1,500
Amounts written off investments – exceptional charge	5	(303,780)	(658,354)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(291,708)	(656,498)
Tax charge on loss on ordinary activities	6	(4,717)	(557)
LOSS FOR THE FINANCIAL YEAR		(296,425)	(657,055)
Retained (loss)/profit brought forward		(504,014)	153,041
Retained (loss) carried forward		(800,439)	(504,014)

There are no recognised gains or losses for the current and prior year other than those presented in the profit and loss account. Accordingly, no statement of recognised gains and losses has been prepared.

CABLE AND WIRELESS (INVESTMENTS) LIMITED

BALANCE SHEET

At 31 March 2003

	Note	2003 £000	2002 £000
FIXED ASSETS			
Investments	7	<u>2,459,977</u>	<u>2,763,757</u>
CURRENT ASSETS			
Investments	8	510,236	140,184
Debtors	9	4,136	3,867
CREDITORS: amounts falling due within one year	10	<u>(2,682,825)</u>	<u>(2,319,859)</u>
NET CURRENT LIABILITIES		<u>(2,168,453)</u>	<u>(2,175,808)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		291,524	587,949
NET ASSETS		<u>291,524</u>	<u>587,949</u>
CAPITAL AND RESERVES			
Called up share capital	11	270,329	270,329
Share premium account	13	821,634	821,634
Profit and loss account	13	<u>(800,439)</u>	<u>(504,014)</u>
EQUITY SHAREHOLDER'S FUNDS	12	<u>291,524</u>	<u>587,949</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 27 January 2004 and signed on their behalf by:



J O'NEILL
Director

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2003

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 £2,168,453,000. 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.

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 and not about its group.

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.

Tax

The charge for tax is based on the result for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that 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.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

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.

2. INFORMATION REGARDING DIRECTORS , EMPLOYEES AND AUDITORS

The Company had no employees during the year (2002 - nil). The Directors did not receive any emoluments from the Company (2002 - £ nil). The auditors' remuneration for the year and previous year was borne by the parent company.

3. OPERATING GAINS

	2003 £000	2002 £000
Foreign exchange gain	269	356

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

4. NET INTEREST AND OTHER SIMILAR INCOME

	2003 £000	2002 £000
Gain on repurchase of exchangeable bond	<u>11,803</u>	<u>1,500</u>

5. EXCEPTIONAL ITEMS

The Company carried out a review to determine whether there has been an impairment in the carrying value of its fixed asset investments. This resulted in an exceptional charge of £303,780,000 (2002 £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

	2003 £000	2002 £000
The charge for taxation comprises:		
United Kingdom corporation tax at 30% (2002 - 30%)		
Current year	4,354	557
Adjustment in respect of prior period	<u>363</u>	<u>-</u>
	<u>4,717</u>	<u>557</u>

Tax reconciliation to UK statutory rate

	2003 %	2002 %
Tax on pre-tax loss at 30%	(30)	(30)
Effects of:		
Adjustment to permanent differences	31	30
Other differences	<u>1</u>	<u>-</u>
	<u>2</u>	<u>-</u>

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

7. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings £000	Associated Undertakings £000	Total £000
Cost			
At 1 April 2002	3,422,111	289	3,422,400
At 31 March 2003	3,422,111	289	3,422,400
Amounts written off			
At 1 April 2002	(658,354)	(289)	(658,643)
Amounts written off in year	(303,780)	-	(303,780)
At 31 March 2003	(962,134)	(289)	(962,423)
Net book value			
At 31 March 2003	2,459,977	-	2,459,977
At 31 March 2002	2,763,757	-	2,763,757

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

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

8. CURRENT ASSET INVESTMENTS

	2003 £000	2002 £000
Exchangeable bond	510,236	140,184

During the year the Company purchased US\$ 600,000,000 (2002: US\$200,000,000) zero coupon PCCW exchangeable bonds issued by Cable and Wireless plc for US\$585,624,575 (2002: US\$189,968,040). The exchangeable bonds were redeemed at par on 9 June 2003. Refer to Note 16 'Post balance sheet events'.

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

9. DEBTORS

	2003 £000	2002 £000
Amounts owed by subsidiary undertakings	4,136	3,867

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £000	2002 £000
Amounts owed to group undertakings:		
Subsidiary undertakings	929,150	929,150
Parent undertaking	1,753,675	1,390,709
	2,682,825	2,319,859

11. CALLED UP SHARE CAPITAL

	2003 £000	2002 £000
Authorised 2,000,000,000 ordinary shares of 25p each	500,000	500,000
Allotted, called up, and fully paid 1,081,318,594 ordinary shares of 25p each	270,329	270,329

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2003 £000	2002 £000
Loss for the financial year	(296,425)	(657,055)
Issue of share capital	-	232,399
Net premium on shares allotted	-	798,422
Net increase in equity shareholder's funds	(296,425)	373,766
Opening equity shareholder's funds	587,949	214,183
Closing equity shareholder's funds	291,524	587,949

CABLE AND WIRELESS (INVESTMENTS) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

13. MOVEMENT ON RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2002	821,634	(504,014)	317,620
Loss for the year retained	-	(296,425)	(296,425)
At 31 March 2003	<u>821,634</u>	<u>(800,439)</u>	<u>21,195</u>

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 EVENT

The US\$ 800,000,000 exchangeable bonds were redeemed at par on 9 June 2003.

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