

Internet Network Services Limited

**Directors' report and financial
statements**

Registered number 3047165

31 March 2001



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 the 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.

Registered Office:
124 Theobalds Road
London
WC1X 8RX

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Directors' report

The Directors submit the Annual Report together with the audited accounts of Internet Network Services Limited ('the Company') for the year ended 31 March 2001.

Principal activities and business review

At 31 March 2001 the Company carried on the business of providing leased line Internet connections, virtual private network services, co-location facilities, and some international private circuit services. The markets addressed with these services were principally composed of corporate end-users, although a significant volume of business is also with ISPs.

Results and dividends

The loss for the year after taxation, amounting to £4,393,000 (2000: £21,074,000), has been dealt with as shown in the attached financial statements.

In view of the adverse result shown by the profit and loss account the Directors are unable to recommend the payment of a dividend (2000: nil).

Directors and directors' 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 2000	Shares acquired or options granted	Shares disposed or options exercised/lapsed	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)
J D Fitz	1,209	9	-	1,218	
	619	-	-	619	(a)
	52,180	28,747	-	80,927	(b)
	4,008	668	-	4,676	(d)
	12,033	-	-	12,033	(e)
	8,261	-	-	8,261	(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 1997 Long Term Incentive Plan (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 2000 granted on 01.04.00. Full details of the LTIP and PSP are included in the financial statements of the ultimate parent company.

Directors' report *(continued)*

Political and charitable contributions

The Company made no political or charitable contributions during the year (2000: *nil*).

By order of the Board



J M BOLTON
Secretary

Date: 18 October 2002

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 and of the profit or loss 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Internet Network Services Limited

We have audited the financial statements on pages 5 to 18.

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 and group 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

18 October 2002

Profit and loss account

for the year ended 31 March 2001

	Note	Year ended 31 March 2001 £000	18 months ended 31 March 2000 £000
Turnover		22,811	19,667
Cost of sales		(11,101)	(16,238)
Gross profit		11,710	3,429
Administrative expenses		(14,339)	(23,711)
Operating loss		(2,629)	(20,282)
Other interest receivable and similar income	4	-	43
Interest payable and similar charges	5	(1,764)	(835)
Loss on ordinary activities before and after taxation	2	(4,393)	(21,074)

All disclosures relate only to continuing operations.


There are no recognised gains and losses other than the loss for the year.

Balance sheet

at 31 March 2001

	Note	31 March 2001 £000	31 March 2000 £000
Fixed assets			
Intangible assets	7	7	28
Tangible assets	8	8,740	6,283
		<u>8,747</u>	<u>6,311</u>
Current assets			
Stocks	10	-	176
Debtors	11	9,268	7,378
Cash at bank and in hand		4,312	989
		<u>13,580</u>	<u>8,543</u>
Creditors: amounts falling due within one year	12	<u>(40,758)</u>	<u>(26,086)</u>
Net current liabilities		<u>(27,178)</u>	<u>(17,543)</u>
Total assets less current liabilities		<u>(18,431)</u>	<u>(11,232)</u>
Creditors: amounts falling due after more than one year	13	<u>(1,861)</u>	<u>(4,667)</u>
		<u>(20,292)</u>	<u>(15,899)</u>
Capital and reserves			
Called up share capital	14	9,225	9,225
Profit and loss account	15	(29,517)	(25,124)
Equity shareholders' deficit		<u>(20,292)</u>	<u>(15,899)</u>

These financial statements were approved by the Board of Directors on 18 October 2002 and were signed on its behalf by:


K K CLAYDON
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2001

	Year ended 31 March 2001 £000	18 months ended 31 March 2000 £000
Loss for the year / period	(4,393)	(21,074)
Shares issued during the period	-	3,650
	<hr/>	<hr/>
Opening equity shareholders (deficit)/funds	(4,393) (15,899)	(17,424) 1,525
	<hr/>	<hr/>
Closing equity shareholders' deficit	(20,292)	(15,899)
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £20,292,000. 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 on the grounds that it is a wholly owned subsidiary of Cable and Wireless plc which in turn is established under the law of a member State of the European Economic Community. These financial statements present information about the Company alone and not about its group.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

Intangible fixed assets and amortisation

Expenditure in respect of acquiring telecoms licences is carried forward and amortised over ten years.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	life of lease (to the first break point)
Fixtures and fittings	-	20% on cost
Computer equipment	-	Three years straight line
Software	-	Three years straight line
Telecoms infrastructure	-	8% on cost

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Subscriptions are apportioned over time on a straight line basis.

Notes (continued)

2 Loss on ordinary activities before taxation

	Year ended 31 March 2001 £	18 months ended 31 March 2000 £
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	30	30
Depreciation and other amounts written off tangible fixed assets	3,258	2,353
Amortisation of intangible fixed assets	21	161
Rentals payable under operating leases	830	1,285
Impairment charge	-	4,444
Goodwill write off	-	284
Exchange profits / (losses)	46	(396)
	<u> </u>	<u> </u>

3 Information regarding directors and employees

The Directors did not receive emoluments from the company (2000: £175,000). The Company made no pension contributions on behalf of the directors (2000: £25,000).

The Company did not employ any staff during the year. Staff working for the business are employed by Cable & Wireless Global Business Services Limited.

Notes *(continued)*

4 Other interest receivable and similar income

	Year ended 31 March 2001 £000	18 months ended 31 March 2000 £000
Bank deposit interest receivable	-	43
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	Year ended 31 March 2001 £000	18 months ended 31 March 2000 £000
Interest payable – other	-	11
Amounts payable to group undertakings	1,518	247
Finance charges payable in respect of finance leases and hire purchase contracts	246	577
	<u> </u>	<u> </u>
	<u>1,764</u>	<u>835</u>

6 Tax on loss on ordinary activities

There is no liability to UK corporation tax for the year (2000:nil) as a result of the losses incurred.

Notes *(continued)*

7 Intangible fixed assets

	Licences £000	Total £000
<i>Cost</i>		
At beginning and end of year	37	37
	<hr/>	<hr/>
<i>Amortisation</i>		
At beginning of year	9	9
Charged in year	21	21
	<hr/>	<hr/>
At end of year	30	30
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March 2001	7	7
	<hr/>	<hr/>
At 31 March 2000	28	28
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment and software	Telecoms infrastructure	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	125	225	6,778	6,742	13,870
Additions	70	82	5,563	-	5,715
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	195	307	12,341	6,742	19,585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of year	34	48	2,364	5,141	7,587
Charge for year	33	56	3,019	150	3,258
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	67	104	5,383	5,291	10,845
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2001	128	203	6,958	1,451	8,740
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	91	177	4,414	1,601	6,283
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the above are assets held under finance leases and hire purchase contracts:

	Net book value		Depreciation	
	31 March 2001 £000	31 March 2000 £000	Year ended 31 March 2001 £000	18 months ended 31 March 2000 £000
Computer equipment and software	281	527	246	369
Telecoms infrastructure	1,451	1,601	150	4,961
	<hr/>	<hr/>	<hr/>	<hr/>
	1,732	2,128	396	5,330
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Fixed asset investments

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

	Principal activity	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>		
The Education Exchange Limited	Internet & Intranet services	100%
Wisper Limited	Dormant	100%
Wisper Bandwidth Limited	Dormant	100%
The Web Internet Services Limited	Dormant	100%

Subsequent to the year end, both Wisper Limited and Wisper Bandwidth Limited filed applications to be struck off the Companies Register and were dissolved in May 2002.

10 Stocks

	31 March 2001 £000	31 March 2000 £000
Goods for resale	-	176

11 Debtors

	31 March 2001 £000	31 March 2000 £000
Trade debtors	7,991	3,711
Amounts owed by group undertakings	-	1,970
Other debtors	-	108
Prepayments and accrued income	1,277	1,589
	<u>9,268</u>	<u>7,378</u>

Notes (continued)

12 Creditors: amounts falling due within one year

	31 March 2001 £000	31 March 2000 £000
Trade creditors	1,021	5,609
Amounts owed to group undertakings	30,348	10,283
Obligations under finance leases and hire purchase contracts	2,872	1,570
Other creditors including tax and social security	1,020	175
Accruals	1,269	5,637
Deferred income	4,228	2,812
	<hr/> 40,758 <hr/>	<hr/> 26,086 <hr/>

13 Creditors: amounts falling due after more than one year

	31 March 2001 £000	31 March 2000 £000
Obligations under finance leases and hire purchase contracts	1,861	4,667
	<hr/> 1,861 <hr/>	<hr/> 4,667 <hr/>

Notes *(continued)*

13 Creditors: amounts falling due after more than one year *(continued)*

The maturity of obligations under finance leases and hire purchase contract as follows:

	31 March 2001 £000	31 March 2000 £000
Within one year	2,872	1,570
In the second to fifth years	1,861	4,667
	4,733	6,237
	<hr/>	<hr/>

14 Called up share capital

	31 March 2001 £	31 March 2000 £
<i>Authorised</i>		
Ordinary shares of £1 each	10,000,000	10,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	9,225,000	9,225,000
	<hr/>	<hr/>

Notes (continued)

15 Profit and loss account

	Profit and loss account £000
At beginning of the year	(25,124)
Retained loss for the year	(4,393)
	<hr/>
At end of the year	(29,517)
	<hr/>

16 Commitments

	Year ending 31 March 2001		18 months ending 31 March 2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	1,281	-	2,009	258
In the second to fifth years inclusive	317	-	1,284	154
	<hr/>	<hr/>	<hr/>	<hr/>
	1,598	-	3,293	412
	<hr/>	<hr/>	<hr/>	<hr/>

17 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the fund and amounted to £83,862 (2000:£ 176,309).

Contributions amounting to £nil (2000:£176,309) were payable to the fund and are included in creditors.

18 Cash flow statement

Under Financial Reporting Standard (revised), the Company is exempt from the requirement to prepare a cash flow statement on the ground that it is a wholly-owned subsidiary undertaking. A cash flow statement is included in the financial statements of Cable and Wireless plc.

Notes *(continued)*

19 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.

20 Ultimate parent company and controlling undertaking

The Directors regard Cable and Wireless plc, a company registered in England and Wales, as the ultimate parent company and controlling undertaking.

The largest group in which the results of the Company are consolidated is that of which Cable and Wireless plc is the parent company. The consolidated accounts of Cable and Wireless plc may be obtained from 124 Theobalds Road, London WC1X 8RX. No other group accounts include the results of the Company.