

Company Registration Number 3057907

**CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2002**



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

**CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED**

**To the Company's Ordinary Shareholders**

**Elective Regime**

On 8<sup>th</sup> 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.

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

**CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
31 MARCH 2002**

<b>CONTENTS</b>	<b>PAGE</b>
<b>Report of the Directors</b>	<b>3</b>
<b>Statement of Directors' responsibilities</b>	<b>6</b>
<b>Independent Auditors' report to the members of Cable and Wireless (CALA Management Services) Limited</b>	<b>7</b>
<b>Profit and loss account</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Notes to the accounts</b>	<b>10</b>

## **REPORT OF THE DIRECTORS**

The Directors submit their Annual Report together with the audited accounts of Cable and Wireless (CALA Management Services) Limited ('the Company') for the year ended 31 March 2002.

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

At 31 March 2002 the Company carried on the business of providing corporate, financial, managerial and technical support to the business units owned and operated by Cable and Wireless (West Indies) Limited, providing international and national communications throughout the Caribbean and neighbouring countries.

## **RESULTS AND DIVIDENDS**

The profit for the year after taxation, amounting to £1,522,000 (*2001: loss £3,746,000*) has been dealt with as shown in the attached accounts.

The Directors do not recommend payment of a dividend (*2001: £nil*).

## **TANGIBLE FIXED ASSETS**

Changes in tangible fixed assets are shown in note 7 to the accounts.

## **DIRECTORS AND THEIR INTERESTS**

The following served as Directors during the year under review:- Mr R E Lerwill (*resigned on 5 June 2003*), Mr J D Fitz (*resigned on 27 May 2003*), Mr P M Dickinson (*resigned on 20 December 2002*), Mr K K Claydon (*resigned on 18 July 2003*) and Mr J M Bolton (*alternate to Mr K K Claydon resigned on 18 July 2003*). Mr J Cheesewright and Mr R F Mortimer were appointed as Directors on 15 July 2003.

**REPORT OF THE DIRECTORS (CONTINUED)****DIRECTORS AND THEIR INTERESTS (cont)**

The Directors have no interest in the shares of the Company nor any disclosable interests in any contracts or arrangements with the Company subsisting at the end of the financial year. The beneficial interests of the Directors in the shares of Cable and Wireless plc are as follows:

	At 1 April 2001	Shares acquired/options granted	Shares disposed/options exercised	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 D Fitz	1,218	4,881	-	6,099	
	619	2,075	-	2,694	(a)
	80,927	176,471	-	257,398	(b)
	4,676	205	4,881	-	(c)
	12,033	-	-	12,033	(d)
	8,261	-	-	8,261	(e)
	-	58,824	-	58,824	(f)
P M Dickinson	1,437	315	-	1,752	
	1,502	5,816	3,859	3,459	(a)
	14,507	16,118	-	30,625	(b)
J M Bolton	814	200	-	1,014	
	-	6,165	2,706	3,459	(a)
	9,895	17,206	-	27,101	(b)

The interests of RE Lerwill are shown in the financial statements of the ultimate parent undertaking, Cable and Wireless plc.

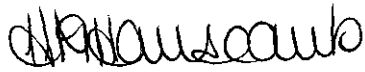
All interests are in fully paid Ordinary Shares, unless marked (a) which are options to purchase Ordinary Shares under the C&W Employee Savings Related Share Option Scheme, (b) which are options to purchase Ordinary Shares under the discretionary share option schemes, (c) which are C&W Long Term Incentive Plan 1998 (notional), (d) which are contingent share awards granted under the C&W Performance Share Plan (PSP) 1999 on 01.04.1999, (e) which are contingent share awards granted under the PSP 2000 on 01.04.2000 or (f) which are contingent share awards granted under the PSP 2001 on 27.07.01. Full details of the LTIP and PSP are included in the financial statements of the ultimate parent company.

**REPORT OF THE DIRECTORS (CONTINUED)**

**APPRECIATION**

The Directors would like to take this opportunity to express their thanks to all employees and their families for their invaluable contribution over the year for the results that have been achieved.

By order of the Board of Directors



**H M HANSCOMB**  
Assistant Secretary

Date: 14 September 2003

**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 year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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.

**REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS  
OF CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED.**

We have audited the financial statements on pages 8 to 15.

This report is made solely to the Company's members, as a body, in accordance with section 236 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 members 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 6, this includes responsibility for preparing 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 whether the financial statements and the part of the directors' remuneration report to be audited have been 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 required for the audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

**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 and the part of the directors' remuneration report to be audited. 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 affairs of the Company as at 31 March 2002 and of the profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

8 Salisbury Square  
London EC4 8BB  
United Kingdom

Date: *9 September 2003*



# CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED

## PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 2002

	Note	2002 £'000	2001 £'000
Turnover	2	24,844	24,408
Operating costs	3	<u>(21,264)</u>	<u>(29,147)</u>
Profit/(loss) on ordinary activities before taxation		3,580	(4,739)
Tax (charge)/credit on ordinary activities	6	<u>(2,058)</u>	<u>993</u>
Profit/(loss) for the financial year	12	<u><u>1,522</u></u>	<u><u>(3,746)</u></u>

Turnover and operating results derive entirely from continuing operations.

The Company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

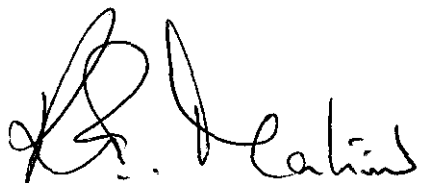
There is no material difference between the Company results as reported and on a historical cost basis. Accordingly, no note of historical cost profits and losses has been prepared.

# CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED

## BALANCE SHEET AS AT 31 MARCH 2002

	Note	2002 £'000	2001 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>-</u>	<u>2</u>
<b>CURRENT ASSETS</b>			
Debtors - due within one year	8	6,090	9,631
- due after more than one year	8	30,472	21,616
Deferred taxation	9	70	-
<b>CURRENT LIABILITIES</b>			
Creditors : amounts falling due within a year	10	<u>(37,256)</u>	<u>(33,395)</u>
<b>NET CURRENT (LIABILITIES)</b>		<u>(624)</u>	<u>(2,148)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(624)	(2,146)
<b>NET (LIABILITIES)</b>		<u><u>(624)</u></u>	<u><u>(2,146)</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	-	-
Profit and loss account	12	<u>(624)</u>	<u>(2,146)</u>
Equity shareholders' deficit		<u><u>(624)</u></u>	<u><u>(2,146)</u></u>

The accounts on pages 8 to 15 were approved by the Board of Directors on 4 September 2003 and signed on its behalf by:



**R F MORTIMER**  
Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

1. ACCOUNTING POLICIES

The principal accounting policies of the Company are summarised below:

(a) 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 liabilities of £624,000. 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.

(b) Foreign currency translation

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.

(c) Tangible fixed assets and depreciation

Depreciation of tangible fixed assets is set aside on the basis of providing in equal annual instalments for the cost over the estimated useful lives of these assets, namely:

	Average
Plant and computer equipment	5 years

(d) Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

(e) 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 the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the 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.

(f) Pensions

The Company operates for its employees a number of defined contribution schemes. The assets of the schemes are held separately from those of the Company in an independently administered fund.

# CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED

The Company is a member of a pension scheme operated by the group and provided benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements; as if it were a defined contribution scheme.

The amounts charged to the profit and loss account include the cost of the contributions payable to the above schemes in respect of the accounting period.

## 2. TURNOVER

Turnover derives from management fees paid by fellow group branches and subsidiaries in respect of corporate, financial, managerial and technical services.

	2002 £'000	2001 £'000
Management fees		
Fellow group branches	6,237	7,477
Fellow group subsidiaries	18,607	16,931
	<u>24,844</u>	<u>24,408</u>

## 3. OPERATING COSTS

	2002 £'000	2001 £'000
Employee costs	17,878	11,601
Pension costs	210	366
Other operating (income) costs	(5,279)	3,760
Management fee to Cable and Wireless plc	8,453	13,418
Depreciation of tangible fixed assets	2	2
	<u>21,264</u>	<u>29,147</u>

Auditors' remuneration for both years was paid by Cable and Wireless (West Indies) Limited.

## 4. EMPLOYEES

	2002 Number	2001 Number
(a) Average weekly number of persons employed by the Company during the year, analysed by category, was as follows:		
Sales and Marketing	92	95
Technical Operations	69	19
Finance, Legal and HR	16	13
Others	16	12
Total	<u>193</u>	<u>139</u>

# CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED

(b) The aggregate remuneration and associated costs of the Company's employees were:

	2002 £'000	2001 £'000
Salaries and wages	12,149	7,731
Social security costs	31	117
Pension costs	210	366
Other staff costs	5,698	3,753
	<u>18,088</u>	<u>11,967</u>

(c) None of the Directors received any emoluments from the Company (2001: *£nil*).

## 5. PENSIONS

The Company is a member of a pension scheme operated by the Group and providing benefits based on final pensionable pay. Particulars of the actuarial valuations of the group schemes are contained in the accounts of Cable and Wireless plc.

The pension cost charged for the year represents contributions payable by the Company to the above schemes. During the year these contributions amounted to £210,000 (2001: £366,000). No amounts were outstanding at the end of the financial year in respect of this charge.

## 6. TAXATION

The charge/(credit) for taxation, based on the profit/(loss) for the year comprises:

	2002 £'000	2001 £'000
UK Corporation tax at 30%	1,201	(1,370)
Overseas taxation	972	733
Adjustments in respect of prior years	(45)	(356)
	2,128	(993)
Deferred Taxation	(70)	-
	<u>2,058</u>	<u>(993)</u>

### Factors affecting current period tax charge

The corporation tax charge/(credit) assessed for the period is higher (2001: lower) than the standard rate of corporation tax of 30% (2001: 30%) for the following reasons:

	2002 £'000	2001 £'000
Tax on pre tax profit at standard rate	1,074	(1,422)
Effects of:		
Expenses not deductible for tax purposes	442	223
Capital allowances in excess of depreciation	(23)	49
Unrelieved foreign tax	680	513
Adjustments in respect of prior year	(45)	(356)
	<u>2,128</u>	<u>(993)</u>

# CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED

## 7. TANGIBLE FIXED ASSETS

	2002 £'000	2001 £'000
<b>Plant &amp; computer equipment</b>		
Cost		
At 1 April 2001/2000	12	57
Disposals	-	(45)
At 31 March	<u>12</u>	<u>12</u>
<b>Depreciation</b>		
At 1 April 2001/2000	10	25
Charge for the year	2	2
Disposals in year	-	(17)
At 31 March	<u>12</u>	<u>10</u>
Net Book Value at 31 March	<u>-</u>	<u>2</u>

## 8. DEBTORS

	2002 £'000	2001 £'000
<b>Amounts falling due within one year:</b>		
Prepayments and accrued income	6,090	9,631
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	<u>30,472</u>	<u>21,616</u>
Total Debtors	<u>36,562</u>	<u>31,247</u>

## 9. DEFERRED TAXATION

Deferred taxation provided in the accounts and the total potential liability including amounts for which provision has been made, are as follows:

	2002 £'000
Amount provided as at 1 April 2001	-
Deferred tax credit	70
Deferred tax asset as at 31 March 2002	<u>70</u>

Deferred taxation has been calculated at rates expected to be applicable at the estimated dates of reversal.

The deferred tax asset is in respect of depreciation in excess of capital allowances.

# CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED

## 10. CREDITORS

	2002 £'000	2001 £'000
Amounts falling due within one year		
Amounts due to group undertakings	32,058	28,582
Accruals and deferred income	4,840	4,251
Overseas tax	358	562
Total creditors	<u>37,256</u>	<u>33,395</u>

## 11. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised share capital: 1,000 ordinary shares of £1 each	1	1
Issued: 2 ordinary shares of £1 each	<u>-</u>	<u>-</u>

## 12. RESERVES

	Profit and loss account
At 1 April 2001	(2,146)
Profit for the financial year	<u>1,522</u>
At 31 March 2002	<u>(624)</u>

## 13. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) Cibertec International, S.A and Inversiones Kamasu, S.A initiated proceedings against Cable & Wireless Panama, S.A and Cable and Wireless (CALA Management Services) Limited in Panama on 29 October 1999. The claim is for approximately US\$125 million and alleges breach of contract. On 18 November 2002, the Panamanian Circuit Court handed down a decision against Cable & Wireless Panama, S.A awarding damages of US\$67,255,000, including moral damages and costs. The Court decided that Cable & Wireless Panama, S.A had failed to maintain in sufficient confidence certain of the proprietary information of the plaintiffs.

Cable & Wireless Panama, S.A appealed the judgement on 3 December 2002 and intends to pursue this appeal vigorously. Pending the resolution of its appeal, Cable & Wireless Panama, S.A is not obliged to pay, and has not paid, any of the awards against it.

- (b) On 16 December 2002, a complaint was filed at the Supreme Court of Justice of Panama against the Minister of Finance and Economy in Panama alleging that the Operating Agreement executed between Cable and Wireless (CALA Management Services) Limited and INTEL, S.A (now Cable & Wireless Panama, S.A) as part of the privatisation agreements was null and void *ab initio*, on the grounds that it had not been published in the Official Gazette in Panama.

## **CABLE AND WIRELESS (CALA MANAGEMENT SERVICES) LIMITED**

On 21 March 2003, the Court admitted the claim against the Minister of Finance and Economy. *Panamanian counsel consider this claim to be without merit and none of Cable and Wireless plc, Cable & Wireless Panama, S.A or Cable and Wireless (CALA Management Services) Limited are parties to the complaint.* However, if the complaint were to be successful and the Operating Agreement declared null and void, then the complainants could file a complaint against Cable and Wireless (CALA Management Services) Limited requiring the return of all management fees collected under the agreement since its execution. This would amount to approximately £60 million. In the event that this complaint is successful, Cable & Wireless and its subsidiaries intend to vigorously pursue any legal recourse available to them.

### **14. CASH FLOW STATEMENT**

The Company does not produce a cash flow statement as it is a wholly owned subsidiary whose ultimate parent company, Cable and Wireless plc, produces consolidated financial statements which include a cash flow statement.

### **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. ULTIMATE PARENT COMPANY**

The Company's holding company is Cable and Wireless (West Indies) Limited and its ultimate parent company is Cable and Wireless plc, both of which are incorporated in England. 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.