

Cable and Wireless International

Finance B.V.

Annual Report 2008/2009

Amsterdam, The Netherlands

Cable and Wireless International Finance B.V.
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The Netherlands
Chamber of Commerce: 33.214.341

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1 Directors' report

1.1 Directors' report

Management hereby presents to the shareholder the financial statements of Cable and Wireless International Finance B.V. ("the Company") for the period April 1, 2008 up to and including March 31, 2009.

1.1.1 General

The Company was incorporated on September 28, 1989. The objective of the Company is to act as a finance company.

1.1.2 Activities and results

On September 23, 2008 the Company sold the bonds, which were repurchased by the Company during the years 2005, 2007 and 2008 to Cable and Wireless plc., London, United Kingdom at par. The par value of the bonds sold amounted to GBP 53,300,000. The bonds are listed on the London, Hong Kong and Frankfurt stock exchange and are due in 2019. The bonds are secured by a guarantee given by Cable and Wireless plc., one of the world's leading telecommunications companies.

The equity ratio decreased from 3.65% to 2.86% as a result of the increased debt to the bondholders.

During the year under review, the Company realized a net profit of GBP 320,654. The activities of the Company developed in line with expectations.

1.1.3 Future outlook

No material change in activities is contemplated for the coming year. It is expected that the result will be in line with that of the reporting period.

Furthermore management is not aware of events that have occurred since the balance sheet date that could have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

1.1.4 Financial risks

The Company's objectives and policies regarding risk management in respect of the use of financial instruments are described in note 2.4 to the financial statements.

Exposures to risks associated with financial instruments are disclosed in note 2.5.1 to the financial statements.

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The Company does not enter into derivative financial instruments to protect itself against changes in exchange rates or interest rates. Risks in connection with anticipated significant classes of transactions are not hedged.

1.1.5 Statement ex Article 5:25c Paragraph 2 sub c Financial Markets Supervision Act ("Wet op het Financieel Toezicht")

To our knowledge,

1. the financial statements give a true and fair view of the assets, liabilities, financial position and profit of Cable and Wireless International Finance B.V.;
2. the directors' report gives a true and fair view of the position as per 31 March 2009 and the developments during the financial year 2008/2009 of Cable and Wireless International Finance B.V.; and
3. the directors' report describes the material risks that Cable and Wireless International Finance B.V. is facing.

Amsterdam, July 1, 2009

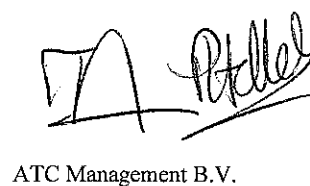
Managing directors,



R.S. Burge



Rokin Corporate Services B.V.



ATC Management B.V.

2 Financial statements

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2.1 Balance sheet as at March 31, 2009 (before appropriation of result)

		<u>March 31, 2009</u>		<u>March 31, 2008</u>	
		GBP	GBP	GBP	GBP
ASSETS					
Fixed assets	2.5.1				
Loans due from group companies			200,000,000		146,700,000
Current assets	2.5.2				
Due from group companies		6,081,911		5,556,812	
Cash and cash equivalents		<u>154,078</u>		<u>489,277</u>	
			6,235,989		6,046,089
			<u>206,235,989</u>		<u>152,746,089</u>
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	2.5.3				
Share capital		678,074		568,085	
Share premium		15,954,786		15,954,786	
Other reserve		(196,546)		(86,557)	
Accumulated deficit		(10,866,591)		(11,358,373)	
Unappropriated result		<u>320,654</u>		<u>491,782</u>	
			5,890,377		5,569,723
Long-term liabilities	2.5.4		200,000,000		146,700,000
Current liabilities	2.5.5				
Interest payable		287,500		210,882	
Corporate income tax		13,608		230,668	
Accrued expenses and other liabilities		<u>44,504</u>		<u>34,816</u>	
			345,612		476,366
			<u>206,235,989</u>		<u>152,746,089</u>

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2.2 Statement of income for the period April 1, 2008 up to and including March 31, 2009

		<u>01/04/08 - 31/03/09</u>		<u>01/04/07 - 31/03/08</u>	
		GBP	GBP	GBP	GBP
<u>Income</u>					
Interest income	2.5.6	15,533,090		14,419,571	
Currency exchange results	2.5.7	<u>16,437</u>		<u>289,076</u>	
			15,549,527		14,708,647
<u>Expense</u>					
Interest expense	2.5.8	(15,075,194)		(13,944,922)	
Discount on settlement bonds		<u>-</u>		<u>(19,384)</u>	
			(15,075,194)		(13,964,305)
Net operating result			474,333		744,342
Management and administration fee		(17,600)		(28,171)	
Tax advisory fee		(9,244)		(8,083)	
Legal fees		-		(562)	
Audit fees		(24,334)		(44,172)	
Bank charges		(2,081)		(1,901)	
Other operating expenses		<u>(9,140)</u>		<u>(4,590)</u>	
			(62,399)		(87,479)
Income before taxation			411,934		656,862
Corporate income tax	2.5.9		<u>(91,280)</u>		<u>(165,080)</u>
Net result			<u><u>320,654</u></u>		<u><u>491,782</u></u>

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2.3 Cash flow statement for the period March 31, 2009

	<u>01/04/08 - 31/03/09</u>		<u>01/04/07 - 31/03/08</u>	
	GBP	GBP	GBP	GBP
Result after taxation	320,654		477,285	
Adjusted for:				
Changes in working capital	<u>(655,853)</u>		<u>(591,492)</u>	
Cash flow from operating activities		(335,199)		(114,207)
Cash flow from investing activities		<u>-</u>		<u>-</u>
Cash flow from financing activities		<u>-</u>		<u>-</u>
Changes in cash and cash equivalents		<u>(335,199)</u>		<u>(114,207)</u>

The cash flow statement is prepared according to the indirect method.

2.4 Notes to the financial statements

2.4.1 General information

Cable and Wireless International Finance B.V. ("the Company") was incorporated with limited liability under the laws of The Netherlands on September 28, 1989. The registered office of the Company is in Amsterdam, The Netherlands. The objective of the Company is to act as a finance company.

2.4.2 Group structure

The Company is a subsidiary of Sable Holding Limited, London, United Kingdom, which owns 100% of the Company's shares. The ultimate shareholder of the Company is Cable and Wireless plc., London, United Kingdom. The Company's figures are taken up in the consolidated accounts of Cable and Wireless plc., which can be obtained from their website: www.cw.com.

2.4.3 Related parties

The Company is engaged in the financing of its ultimate parent company out of bond loans secured by its ultimate parent company. The conditions of these loans are all at-arms-length. Please refer to the Notes to the balance sheet items for further details.

The company acts as a group financing company. As such the company is economically and organizationally linked to the ultimate parent company, Cable and Wireless plc. Therefore the solvency of the parent company and that of the group should be included when assessing the company's solvency.

2.4.4 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

The Company qualifies as a large sized company and the financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention and presented in British pound ("GBP"). The Company is part of an international group which reports in GBP therefore the financial statements of the Company are presented in GBP. Assets and liabilities are stated at nominal value, unless otherwise stated. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable.

Comparison previous year

The accounting principles remained unchanged compared to the previous year.

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Payables and receivables

Payables are included at face value. Receivables are included at face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

Revenue recognition

Interest income and expense are recognized in the income statement based on accrued amounts. Operating expenses are accounted for in the period in which these are incurred. Losses are accounted for in the year in which they are identified.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement. Non-monetary balance sheet items, which are valued at cost and resulting from transactions in foreign currencies, are translated at the rate prevailing on the date of the transaction.

Financial fixed assets

Financial fixed assets are valued at nominal value.

Corporate income tax

Permanent and temporary differences may exist between the result before taxation as presented in these financial statements and the fiscal result for corporate income tax purposes. Temporary differences between the reporting for tax purposes and the financial statements are recognized as deferred taxes based on the statutory tax rate expected to exist in the future. Deferred tax assets and liabilities are netted. Net deferred tax assets will be included in the balance sheet if actual recovery is assumed possible by the company's management.

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2.5 Notes to the balance sheet and the statement of income

2.5.1 Fixed assets

Loans due from group companies

The movements in the loans due from group companies can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Opening Balance	146,700,000	178,600,000
Repayments during the year	-	(31,900,000)
Drawn during the year	53,300,000	-
Closing Balance	200,000,000	146,700,000

The loans due from group companies relates to a loan due from Cable and Wireless plc., London, United Kingdom. The loan original amounted to GBP 200,000,000 and is fully repayable on March 25, 2019. The loan carries interest at 8.75% per annum.

Financial risks arising from the ordinary business activities of Cable and Wireless International Finance B.V. consist mainly of default and liquidity risks if Cable and Wireless plc. would not be able to meet its obligations in respect of the loan and the secured bond loan. Management is of the opinion that there is no reason to believe that Cable & Wireless plc. is not able to meet its obligations in the foreseeable future.

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2.5.2 Current assets

Due from group companies

The amount due from group companies can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Short term loan due from Cable and Wireless plc., London, United Kingdom	5,560,169	5,332,273
Accrued interest due from Cable and Wireless plc., London, United Kingdom	323,074	222,752
Short-term receivable from Cable and Wireless plc., London, United Kingdom	217,058	-
Short term loan due to Cable and Wireless plc., London, United Kingdom	(20,448)	-
Accrued interest due to Cable and Wireless plc., London, United Kingdom	(75)	-
Short term loan due from Cable & Wireless Eastern Hemisphere B.V., Amsterdam, the Netherlands	2,133	1,787
	6,081,911	5,556,812

It is expected that the amounts will be repaid within one year after the balance sheet date.

Cash and cash equivalents

The cash relates to bank balances and are available on demand.

2.5.3 Shareholder's equity

Share capital

The authorized capital amounts to EUR 3,640,000 consisting of 8,000 ordinary shares of EUR 455 each, of which 1,601 shares are issued and paid-up.

In accordance with article 373, section 5, Book 2 of the Dutch Civil Code, the issued and paid-up capital is translated at the year-end rate of EUR 1 = GBP 0.9308 (prior year; EUR 1 = GBP 0.77985). Gains or losses resulting from this translation are recorded in the Other reserve.

Share premium

There were no movements in the share premium during the year under review.

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Other reserve

The Other reserve relates to the gains and losses resulting from the translation of the share capital from EUR to GBP.

Details of shareholder's equity are as follows:

	Share capital	Share premium	Accumulated deficit	Other reserve	Unappropriated Result	Total
Balance as at 31 March 2008	568,085	15,954,786	(11,358,373)	(86,557)	491,782	5,569,723
Appropriation of result	-	-	491,782	-	(491,782)	-
Result for the year	-	-	-	-	320,654	320,654
Translation Adjustment	109,989	-	-	(109,989)	-	-
Balance as at 31 March 2009	678,074	15,954,786	(10,866,591)	(196,546)	320,654	5,890,377

2.5.4 Long-term liabilities

In June 1994 the Company issued GBP 200,000,000 8.625% bonds due in 2019 secured by a guarantee given by Cable and Wireless plc. The proceeds of the bonds were lent to Cable and Wireless plc. The bonds are listed on the London, Hong Kong and Frankfurt stock exchanges.

On September 23, 2008 the Company sold the bonds it held, which were repurchased by the Company during the years 2005, 2007 and 2008 to Cable and Wireless plc. London, United Kingdom at par. The par value of the bonds sold amounted to GBP 53,300,000.

As at March 31, 2009 the total book value of the bond loan amounts to GBP 200,000,000 (March 31, 2008: GBP 146,700,000).

The position as at March 31, 2009 is as follows:

	Currency	Interest rate	Maturity date	GBP
Issued in 1994	GBP	8.625%	25/03/2019	200,000,000
Repurchased in 2005	GBP	8.625%	25/03/2019	(19,900,000)
Repurchased in 2007	GBP	8.625%	25/03/2019	(1,500,000)
Repurchased in 2008	GBP	8.625%	25/03/2019	(31,900,000)
Sold during 2008/2009	GBP	8.625%	25/03/2019	53,300,000
				<u>200,000,000</u>

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The amounts presented as repurchased in the relevant years are stated at par value. Any differences between the par value and market price were expensed by Cable and Wireless plc.

Details of movements are as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Opening Balance	146,700,000	178,600,000
Repayments during the year	-	(31,900,000)
Sold during the year	53,300,000	-
Closing Balance	200,000,000	146,700,000

The market value of the bonds at the balance sheet date amounts to GBP 171,560,000 (March 31, 2008: GBP 200,500,000).

2.5.5 Current liabilities

Interest payable

The amount due to third parties relates to interest payable on the bond loan, which is payable at March 31, 2009. As at March 31, 2009 an amount of GBP 76.619 included in the interest payable is due to Cable and Wireless plc.

Corporate income tax

The corporate income tax due can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
CIT receivable for the period 01/08/06 – 31/03/07	(5,732)	65,588
CIT receivable for the period 01/04/07 – 31/03/08	(22,814)	165,080
CIT due for the period 01/04/08 – 31/03/09	42,154	-
	13,608	230,668

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Accrued expenses

The accrued expenses can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Management and accounting fee payable	4,403	5,173
Tax advisory fee payable	6,981	5,968
Other accrued expenses	33,120	23,675
	44,504	34,816

2.5.6 Interest income

The interest income can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Interest income group companies	15,522,253	14,402,692
Interest income banks	10,837	16,879
	15,533,090	14,419,571

2.5.7 Currency exchange results

The currency exchange results can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Exchange results on amounts due from group companies	-	303,707
Exchange gain others	16,437	(14,631)
Net exchange gain/(loss)	16,437	289,076

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2.5.8 Interest expense

The interest expense can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Interest expense - bonds	15,053,596	13,944,493
Interest expense - group companies	75	-
Interest expense - banks	3,198	429
Other interest	18,325	-
	15,075,194	13,944,922

2.5.9 Audit fee disclosure

The following fees for 2008/2009 have been or will be charged by KPMG to the Company:

	KPMG Accountants N.V. 2008/2009 GBP	Other KPMG network 2008/2009 GBP	Total KPMG GBP
Statutory audit of annual accounts	24,339	-	24,339
Tax advisory services	-	9,244	9,244
	24,339	9,244	33,583

2.5.10 Corporate income tax

The tax charge for the year can be detailed as follows:

	March 31, 2009	March 31, 2008
	GBP	GBP
Charge for the year	91,280	165,080
	91,280	165,080

During the accounting period under review the currency exchange exposure was reduced therefore the Company realized a lower fiscal profit during the accounting period under review compared with the previous accounting period.

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2.5.11 Employees and Directors

During the year under review the Company did not employ any personnel (previous year: nil). The Company has three statutory directors. Two directors received a total remuneration of GBP 6.349 in that capacity (previous year: GBP 5.394).

Amsterdam, July 1, 2009

Managing directors,



R.S. Burge



Rokin Corporate services B.V.



ATC Management B.V.

3 Other information

3.1 Appropriation of result

In accordance with article 23 of the Articles of Association, the profit for the year is at the disposal of the Annual Meeting of Shareholders.

Management proposes to credit the profit for the year to the accumulated deficit brought forward from the previous accounting period.

3.2 Post-balance sheet events

Management is not aware of events that took place after balance sheet date that could have a material effect on the financial position of the Company.

3.3 Audit of the financial statements

The Company qualifies as a large sized company. Therefore, based on Part 9 of Book 2 of the Dutch Civil Code, the Company is required to have its financial statements audited.

4 Auditor's Report



To: The General Meeting of Shareholders of Cable and Wireless International Finance B.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements Cable and Wireless International Finance B.V., Amsterdam, which comprise the balance sheet as at 31 March 2009, the income statement and cash flow statement for the year then ended, and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cable and Wireless International Finance B.V. as at 31 March 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 1 July 2009

KPMG ACCOUNTANTS N.V.



R.J. Groot RA