IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary offering memorandum, and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached preliminary offering memorandum. In accessing the attached preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, you must: (i) not be a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and be outside the United States; or (ii) be a qualified institutional buyer (as defined in Rule 144A under the Securities Act). You have been sent the attached preliminary offering memorandum on the basis that you have confirmed to each of the initial purchasers set forth in the attached preliminary offering memorandum (collectively, the "**Initial Purchasers**"), being the sender or senders of the attached, that either: (A)(i) you and any customers you represent are not U.S. persons; and (ii) the e-mail address to which this preliminary offering memorandum has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; or (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Initial Purchasers, any person who controls any Initial Purchaser, Sable International Finance Limited, Cable and Wireless plc or any of its subsidiaries, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession this preliminary offering memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not nor are you authorised to deliver this preliminary offering memorandum to any other person. You will not transmit the attached preliminary offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers.

Restrictions: Recipients of this preliminary offering memorandum who intend to subscribe for or purchase securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the final offering memorandum. Any securities to be issued will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Notwithstanding the foregoing, prior to the expiration of a 40-day distribution compliance period (as defined under Regulation S under the Securities Act) commencing on the issue date, the securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to another exemption from the registration requirements of the Securities Act.

This communication is directed solely at persons who (i) are outside the United Kingdom or (ii) are investment professionals, as such term is defined in Article 19(1) of the Financial Promotion Order (iii) are persons falling within Article 49(2)(a) to (d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). This preliminary offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this preliminary offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this preliminary offering memorandum or any of its contents.

The information in this offering memorandum is not complete and may be changed. This offering memorandum is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.

PRELIMINARY OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

(SUBJECT TO COMPLETION DATED 2 FEBRUARY 2010)

CABLE & WIRELESS

$500,000,000

Sable International Finance Limited

% Senior Secured Notes due 2017
fully and unconditionally guaranteed by

Cable and Wireless plc

and certain of its subsidiaries

The Issuer	Sable International Finance Limited, a limited company organised under Cayman law (the **Issuer**), and an indirect subsidiary of each of Cable and Wireless plc and, after the Scheme (as defined below), Cable & Wireless Communications Plc. The Cable & Wireless Communications Group was formerly known as Cable & Wireless International (CWI).
Issue Price	% plus accrued interest from the issue date.
Maturity	2017.
Interest Rate	% per annum, payable semi-annually on and of each year commencing 2010.
Redemption	• Prior to 2014, the Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Notes (the **Notes**) by paying the relevant "make-whole" premium. • At any time on or after 2014, the Issuer may redeem all or part of the Notes by paying a specified premium. • The Issuer may redeem all, but not less than all, of the Notes at 100% of their principal amount plus accrued interest if at any time the Issuer or any guarantor becomes obligated to pay withholding taxes as a result of a change in law.
Offers to Purchase	Upon the occurrence of certain change of control events, each holder of Notes may require the Issuer to repurchase all or a portion of its Notes.
Ranking	The Notes will be senior secured debt of the Issuer and will rank *pari passu* in right of payment to all of the Issuer's existing and future senior indebtedness.
Guarantees	The Notes will be unconditionally guaranteed by Cable and Wireless plc (the **Parent Guarantor**) and certain of its non-operating subsidiaries that will be part of the Cable & Wireless Communications Group after the Demerger (each, **a Subsidiary Guarantor**) and, after the Scheme, also by Cable & Wireless Communications Plc (together with the Parent Guarantor and the Subsidiary Guarantors, the **Guarantors**).
Security	The Notes will be secured by a first-ranking lien over all of the shares of the Issuer and of the Subsidiary Guarantors.
Listing	Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**).

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 28.

The Notes and Guarantees have not been, and will not be, registered under the US Securities Act of 1933, as amended (the **Securities Act**). The Notes and Guarantees may not be offered or sold within the United States or to, or for the account or benefit of, US persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act (**Rule 144A**) and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act (**Regulation S**). You are hereby notified that sellers of the Notes and Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "*Notice to Investors*" for additional information about eligible offerees and transfer restrictions.

The Issuer expects that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company (**DTC**) on or about . Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See "*Book-Entry, Delivery and Form*".

Joint Lead Book-Running Managers

Barclays Capital **BNP PARIBAS** **J.P. Morgan** **RBS**

Joint Book-Running Managers

Citi **HSBC** **Lloyds TSB Corporate Markets**

The date of this offering memorandum is 2010.

You should rely only on the information contained in this offering memorandum. None of the Issuer, the Guarantors or any of the initial purchasers named in "*Plan of Distribution*" (collectively, **Initial Purchasers)** has authorised anyone to provide you with different information. None of the Issuer, the Guarantors or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate at any date other than the date on the front of this offering memorandum.

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IN CONNECTION WITH THIS OFFERING, THE ROYAL BANK OF SCOTLAND PLC (THE **STABILISING MANAGER**) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

The Issuer is providing this offering memorandum only to prospective purchasers of the Notes. You should read this offering memorandum before making a decision whether to purchase any Notes. You must not:

- **use this offering memorandum for any other purpose;**
- **make copies of any part of this offering memorandum or give a copy of it to any other person; or**
- **disclose any information in this offering memorandum to any other person.**

You are responsible for making your own examination of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group in the event the Demerger does not occur, and its business and your own assessment of the merits and risks of investing in the Notes. You may contact the Issuer if you need any additional information. By purchasing the Notes, you will be deemed to have acknowledged that:

- **you have reviewed this offering memorandum;**
- **you have had an opportunity to request any additional information that you need from the Issuer; and**
- **the Initial Purchasers are not responsible for, and are not making any representation to you concerning, the Cable & Wireless Communications Group's future performance or the accuracy or completeness of this offering memorandum.**

The Issuer is not providing you with any legal, business, tax or other advice in this offering memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. None of the Issuer, the Guarantors, the Cable & Wireless Communications Group or the Initial Purchasers are responsible for your compliance with these legal requirements.

The Issuer is offering the Notes in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes have not been recommended by any US federal, state or any non-US securities authorities, nor have any such authorities determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Initial Purchasers shall have any responsibility therefor.

The Notes are subject to restrictions on resale and transfer as described under "*Notice to Investors*" and "*Plan of Distribution*". By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this offering memorandum. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

The Issuer and the Guarantors (together, the "Responsible Persons") each accept responsibility for the information contained in this offering memorandum. To the best of the knowledge of the Issuer and Guarantors (each of which has taken all reasonable care to ensure such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorised in connection with any offering of Notes made by this offering memorandum to give any information or to make any representation not contained in or incorporated by reference in this offering memorandum, and, if given or made, such other information or representation must not be relied upon as having been authorised by the Issuer, any Guarantor or Barclays Bank PLC, BNP Paribas, J.P. Morgan Securities Ltd, RBS Securities Inc. or any of the other Initial Purchasers. The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by any Initial Purchaser.

The information contained in this offering memorandum speaks only as of the date hereof and any information incorporated by reference herein speaks only as of the date of the document from which such information is incorporated by reference and each is subject to change without notice. Neither the delivery of this offering memorandum at any time nor any subsequent commitment to enter into any financing agreement shall, under any circumstances, create any implication that there has been no change in the information set forth in or incorporated by reference in this offering memorandum or in the Issuer's or the Cable & Wireless Communications Group's affairs since the date of this offering memorandum.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "Book-Entry, Delivery and Form," is subject to change in or reinterpretation of the rules, regulations and procedures of The Depository Trust Company (**DTC**), Euroclear Bank S.A./N.V. (**Euroclear**) or Clearstream Banking, société anonyme (**Clearstream**) currently in effect. While the Issuer accepts responsibility for accurately summarizing the information concerning DTC, Euroclear and Clearstream, the Issuers accept no further responsibility in respect of such information.

The Issuer cannot guarantee that its application for the admission of the Notes to trading on the London Stock Exchange and to listing of the Notes on the Official List of the UK Listing Authority and the London Stock Exchange, will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See "*Notice to Investors*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISION OF THIS PARAGRAPH.

NOTICE TO INVESTORS IN THE UNITED STATES

The Notes and the Guarantees have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of US persons, except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the Securities Act. Except as permitted by the purchase agreement relating to the Notes, the Notes shall not be offered, sold or delivered (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the latest closing date, within the United States or to, or for the account or benefit of, US persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S. See "*Notice to Investors*".

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the **Prospectus Directive**), as implemented in member states of the European Economic Area (the **EEA**), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorised, nor do they authorise, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**), the offer is not being made and will not be made to the public of any Notes which are the subject of the offering contemplated by this offering memorandum in that Relevant Member State, other than: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of Notes to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom This offering memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the **Financial Promotion Order**), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

France This document is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411-1 of the *Code monétaire et financier*, and has therefore not been submitted to the *Autorité des marchés financiers* for prior approval and clearance procedure.

Each of the Initial Purchasers and the Issuer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, the Notes to the public in France, and has not distributed or caused to be distributed, and will not distribute or cause to be distributed, to the public in France, this document or any other offering materials relating to the Notes, and that such offers, sales and distributions have only been and shall only be made in France to: (i) providers of investment services relating to portfolio management for the account of third parties; and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-3 of the *Code monétaire et financier*. Investors in France falling within the qualified investors or restricted circle of investors exemption may only participate in the offering of the Notes for their own account in accordance with the conditions set out in Articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the *Code monétaire et financier*. The Notes may only be offered, directly or indirectly, to the public in France in accordance with Articles L.411-1 to L.412-1 and L.621-8 to L.621-8-3 of the *Code monétaire et financier*.

Germany The offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the **Securities Prospectus Act** *Wertpapierprospektgesetz, WpPG),* as amended, and any other applicable German law. No application has been made under German law to publicly market the Notes in or out of the Federal Republic of Germany. The Notes are not registered or authorised for distribution under the Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. Therefore, the offering memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this offering memorandum and any other offering material in relation to the Notes is directed only at persons who are qualified investors *(qualifizierte Anleger)* within the meaning of Section 2, No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Republic of Italy This offering of Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this document or of any other document relating to the Notes be distributed in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Italian Financial Services Act**) and Article 34-ter, first paragraph, letter b) of Regulation No.11971 of 14 May 1999, as amended from time to time (**Regulation No.11971**); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter of Regulation No. 11971. Any offer, sale or delivery of the Notes, or distribution of copies of this document or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No.16190 of 23 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and (b) in compliance with any other applicable laws and regulations, or requirement imposed by CONSOB or any other Italian authority.

The Netherlands Each of the Initial Purchasers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell the Notes in the Netherlands other than to qualified investors as defined in article 1:1 of the Act on Financial Supervision (*Wet op het financieel toezicht*).

The Kingdom of Spain The Notes may not be offered or sold in the Kingdom of Spain by means of a public offer as defined and construed by Article 30 bis of Law 24/1988 of 28 July, on the Spanish Securities Market (as amended by Law 37/1998, of 16 November and Royal Decree Law 5/2005, of 11 March, among others), Article 38 of Royal Decree 1310/2005, of 4 November, on admission to listing and public offer of securities, and any other regulations that may be in force from time to time, but the Notes may be offered or sold in Spain in compliance with the requirements of such Law 24/1988 (as amended), Royal Decree 1310/2005, and any regulations developing it which may be in force from time to time.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements," as that term is defined by the US federal securities laws, relating to the Cable & Wireless Communications Group's business, financial condition and results of operations. You can find many of these statements by looking for words such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "projected," "should," "will," "would" and similar words used in this offering memorandum.

By their nature, forward-looking statements are subject to numerous known and unknown assumptions, risks and uncertainties. Accordingly, actual results, performance, achievements or industry results may differ materially from those expressed or implied by the forward-looking statements. The Issuer cautions readers not to place undue reliance on the statements, which speak only as of the date of this offering memorandum. Such forward-looking statements are not guarantees of future performance.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Issuer or persons acting on its behalf may issue. Any forward-looking statement speaks only as of the date on which it is made, and Cable & Wireless Communications Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this offering memorandum. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, Cable & Wireless Communications Group cannot assess the impact of each factor on Cable & Wireless Communications Group's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

Risks, uncertainties and other factors that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this offering memorandum include, but are not limited to:

- underperformance of the local and national economies in which the Cable & Wireless Communications Group operates, including prolonged recession, falling gross domestic product, and increased unemployment;
- the negative impact of competitors who may benefit from greater economies of scale driving prices down and the entrance of new competitors into the market, or failure on the part of Cable & Wireless Communications Group to effectively compete by identifying new sources of revenue and adjusting quickly to both technological change and shifts in consumer demand;
- difficulties implementing Cable & Wireless Communications Group transformation initiatives, including centralising the management and standardising the branding of subsidiaries and developing common sets of products in the Caribbean, and difficulties implementing strategies post-Demerger, including the successful operation of the Cable & Wireless Communications Group as a standalone entity and the sharing of the "Cable & Wireless" brand by both the Cable & Wireless Communications and Cable & Wireless Worldwide Groups;
- interruption or failure of information technology systems upon which the Cable & Wireless Communications Group's operations are reliant, including interruption or failure resulting from security breaches, terrorist action, human error, natural disasters, failure by third parties to provide necessary support and network access and other factors beyond the Cable & Wireless Communications Group's direct control;
- adverse effects from complaints, litigation and adverse publicity, including industrial action by labour unions and litigation threatened or initiated by customers, competitors or regulatory authorities;
- unforeseen difficulty meeting the Cable & Wireless Communications Group's financial obligations, as a result of exposure to market and other risks, including difficulty servicing outstanding debt and debt acquired after the Demerger, and difficulty funding the Cable & Wireless Communications Group's pension scheme; and
- changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals.

The Issuer and the Guarantors disclose important factors that could cause the Cable & Wireless Communications Group's or the Cable & Wireless Worldwide Group's actual results to differ materially from expectations under "*Risk Factors*," "*Cable & Wireless Communications Group Operating and Financial Review,*" "*Annex A—Cable & Wireless Worldwide Group Operating and Financial Review*" and elsewhere in this offering memorandum.

These cautionary statements qualify all forward-looking statements attributable to the Cable & Wireless Communications Group, Cable & Wireless Worldwide Group or persons acting on their behalf. When the Issuer and/or the Guarantors indicates that an event, condition or circumstance could or would have an adverse effect on it, it means to include effects upon the Cable & Wireless Communications Group's and Cable & Wireless Worldwide Group's business, operating, financial and other conditions, results of operations and ability to make payments on the Notes.

You are urged to read the sections of this offering memorandum entitled "*Risk Factors*," "*Cable & Wireless Communications Group Operating and Financial Review*," "*Annex A—Cable & Wireless Worldwide Group Operating and Financial Review*," "*Cable & Wireless Communications Group Business*," "*Annex A—Cable & Wireless Worldwide Risk Factor*s" "*Annex A—Cable & Wireless Worldwide Group Business*" for a more complete discussion on the factors that could affect the Group's future performance and the markets in which it operates.

INDUSTRY AND MARKET DATA

Statements regarding market leadership are based on the Cable & Wireless Communications Group's internal analysis and by reference to one or a combination of sources set forth in "*Definitions—market leader*". The Issuer believes these sources are reliable but cannot assure you that the information is accurate or correctly reflects its position in its industry or its markets.

PRESENTATION OF INFORMATION

This offering memorandum refers to the Cable & Wireless Group, the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group.

References to the **Issuer** mean Sable International Finance Limited.

References to the **Cable & Wireless Group** mean Cable and Wireless plc and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings, which includes, prior to the Demerger Effective Time, both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group. The **Demerger** means the proposed demerger of the Cable & Wireless Worldwide Group from the Cable & Wireless Group which was announced on 5 November 2009. The **Demerger Effective Time** means the date and time at which the Demerger becomes effective, expected to be at or around 8.00 a.m. (London time) on 26 March 2010.

References to the **Cable & Wireless Communications Group** or the **Group** mean, prior to the Scheme Effective Time, the international operating units of the Cable & Wireless Group that provide mobile, broadband and domestic and international fixed line services to homes, small and medium enterprises, corporate customers and governments through its four regional operations in Panama, Macau, the Caribbean and Monaco & Islands and mean, following the Scheme Effective Time, the subsidiaries and subsidiary undertakings held by Cable & Wireless Communications. The Cable & Wireless Communications Group was formerly known as Cable & Wireless International. The **Scheme Effective Time** means the date and time on which the Scheme becomes effective in accordance with its terms, which is expected to be at or around 5.00 p.m. (London time) on 19 March 2010. The **Scheme** means the scheme of arrangement proposed to be made under Part 26 of the Companies Act 2006 between Cable and Wireless plc and the holders of Scheme Shares as set out in the Cable and Wireless plc Circular, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Cable and Wireless plc and Cable & Wireless Communications.

References to the **Cable & Wireless Worldwide Group** mean, prior to the Demerger Effective Time, the international operating units of the Cable & Wireless Group that provide managed services such as data, hosting and voice across the UK, Continental Europe, Asia and the US to the world's largest users of telecommunications and mean, following the Demerger Effective Time, the subsidiaries and subsidiary undertakings held by Cable & Wireless Worldwide plc. Information related to the Cable & Wireless Worldwide Group is presented in "*Annex A—Cable & Wireless Worldwide Group Information*".

The proposed Demerger involves a number of steps, each of which must be approved or sanctioned if the process is to result in the successful demerger of the Cable & Wireless Worldwide Group from the existing Cable & Wireless Group: (i) the insertion of Cable & Wireless Communications Plc as the new holding company for the

Cable & Wireless Group through a court-sanctioned scheme of arrangement; (ii) the Cable & Wireless Communications reduction of capital to facilitate the Demerger and provide potentially distributable reserves for the Cable & Wireless Communications Group (the **Cable & Wireless Communications Reduction of Capital**); (iii) the Demerger and issue of Cable & Wireless Worldwide ordinary shares; and (iv) the Cable & Wireless Worldwide reduction of capital to provide potentially distributable reserves for the Cable & Wireless Worldwide Group (the **Cable & Wireless Worldwide Reduction of Capital**). The Demerger will create two new holding companies, Cable & Wireless Worldwide plc, which will be the new holding company of the Cable & Wireless Worldwide Group, and Cable & Wireless Communications Plc, which initially will be the new holding company of the current Cable & Wireless Group (including, prior to the effective time of the Demerger, the Cable & Wireless Worldwide Group) and will remain the holding company for the Cable & Wireless Communications Group following the Demerger. The **Demerger Proposals** are, collectively, the Scheme, the Cable & Wireless Communications Reduction of Capital, the Demerger and the subsequent Cable & Wireless Worldwide Reduction of Capital.

The Demerger is the culmination of work which began in April 2006, when the Cable & Wireless Group created two largely distinct operating units under the Cable and Wireless plc umbrella to reflect the differing characteristics of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group and to establish clear strategies for both. Significant progress has been made since then, including the institution of separate stand alone capital structures, and the Cable and Wireless plc Board considers that the two businesses have now put in place the necessary arrangements to operate as independent, publicly-quoted businesses.

Although it is expected that the Scheme and the Demerger will become effective before the end of March 2010, disclosure about the Cable & Wireless Worldwide Group is included in this offering memorandum because the Cable & Wireless Worldwide Group is currently part of the Cable & Wireless Group and will remain owned by Cable & Wireless Communications Plc until the Demerger becomes effective. If the Demerger does not become effective by the Demerger Long Stop Date, the Cable & Wireless Worldwide Group will remain owned by Cable & Wireless Communications Plc indefinitely.

The Cable & Wireless Worldwide Group subsidiaries will not guarantee the Notes and will be "Unrestricted Subsidiaries" as defined in the section "*Description of Notes*" not subject to the restrictions of the indenture governing the Notes.

PRESENTATION OF FINANCIAL INFORMATION

This offering memorandum contains or incorporates by reference the following financial information:

- The audited consolidated financial statements (including relevant accounting policies and notes) of **Cable and Wireless plc** as of and for the years ended 31 March 2007, 31 March 2008 (including the comparative figures for the year ended 31 March 2007) and 31 March 2009 (including the comparative figures for the year ended 31 March 2008). The audited consolidated financial statements for the year ended 31 March 2007, the year ended 31 March 2008 (including the re-presented comparative figures for the year ended 31 March 2007) and the year ended 31 March 2009 (including the re-presented comparative figures for 2008) have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee published by the International Accounting Standards Board (**IFRS**) as adopted by the European Union (**EU**). The consolidated financial statements as of and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 were audited by KPMG. The consolidated financial statements of Cable and Wireless plc are in pounds sterling.
- The unaudited consolidated financial statements of **Cable and Wireless plc** as of and for the six months ended 30 September 2009 (including the comparative figures for the six months ended 30 September 2008), prepared in accordance with IFRS as adopted by the EU.
- The audited historical financial information (including relevant accounting policies and notes) of Cable & Wireless Communications Plc as of and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009. This audited historical financial information has been extracted from the "*Historical Financial Information*" section of the Cable & Wireless Communications Prospectus Relating to admission to the Official List and to trading on the London Stock Exchange of up to 2,971,693,401 Cable & Wireless Communications Ordinary Shares (2 February 2010) (the **Cable & Wireless Communications Prospectus**) and has been prepared in accordance with IFRS as adopted by the EU,

save that IFRS does not provide for the preparation of extracted financial information. Accordingly, the historical financial information relating to Cable & Wireless Communications has been prepared using certain commonly used accounting conventions (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). For further information, see note 2.1 to the audited historical financial information. The consolidated financial statements as of and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 were audited by KPMG. The historical financial information of Cable & Wireless Communications is in US dollars.

- The unaudited historical financial information of **Cable & Wireless Communications Plc** as of and for the six months ended 30 September 2009 (including the comparative figures for the six months ended 30 September 2008), prepared in accordance with IFRS as adopted by the EU save that IFRS does not provide for the preparation of extracted financial information. Accordingly, the historical financial information relating to Cable & Wireless Worldwide has been prepared using certain commonly used accounting conventions (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). For further information, see note 2.1 to the accounts.

- The audited historical financial information (including relevant accounting policies and notes) of **Cable & Wireless Worldwide plc** as of and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 and for the six months ended 30 September 2009. This audited historical financial information has been extracted from the "*Historical Financial Information*" section of the Cable & Wireless Worldwide Prospectus Relating to admission to the Official List and to trading on the London Stock Exchange of up to 2,971,693,401 Cable & Wireless Worldwide Ordinary Shares (2 February 2010) the **Cable & Wireless Worldwide Prospectus**, and has been prepared in accordance with IFRS as adopted by the EU save that IFRS does not provide for the preparation of extracted financial information. Accordingly, the historical financial information relating to Cable & Wireless Worldwide has been prepared using certain commonly used accounting conventions (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). For further information, see note 2.1 to the accounts. The historical financial information as of and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 and as of and for the six months ended 30 September 2009 were audited by KPMG. The historical financial information of Cable & Wireless Worldwide is in pounds sterling.

- The audited financial statements (including relevant accounting policies and notes) of **Sable Holding Limited** as Guarantor as of and for the year ended 31 March 2008 (including the comparative figures for the year ended 31 March 2007) and 31 March 2009 (including the comparative figures for the year ended 31 March 2008) prepared under UK GAAP. The financial statements as of and for the years ended 31 March 2008 and 31 March 2009 were audited by KPMG. The financial statements of the Sable Holding Limited are in pounds sterling.

- The audited financial statements (including relevant accounting policies and notes) of **CWIGroup Limited** as Guarantor as of and for the years ended 31 March 2008 (including the comparative figures for the year ended 31 March 2007) and 31 March 2009 (including the comparative figures for the year ended 31 March 2008) prepared under UK GAAP. The financial statements as of and for the years ended 31 March 2008 and 31 March 2009 were audited by KMPG. The financial statements of CWI Group Limited are in pounds sterling.

- The audited financial statements (including relevant accounting policies and notes) of **Cable and Wireless (West Indies) Limited** as Guarantor as of and for the years ended 31 March 2008 (including the comparative figures for the year ended 31 March 2007) and 31 March 2009 (including the comparative figures for the year ended 31 March 2008) prepared under UK GAAP. The financial statements as of and for the years ended 31 March 2008 and 31 March 2009 were audited by KPMG. The financial statements of Cable and Wireless (West Indies) Limited are in pounds Sterling.

This offering memorandum includes Cable & Wireless Communications Group historical financial information which has been adjusted to reflect certain effects of the offering of the Notes and the entry into the New Credit Facilities and the use of proceeds thereof (the **Financing**) on the financial position and net financial expenses of the Cable & Wireless Communications Group as of and for the twelve months ended 30 September 2009. This data has been prepared for illustrative purposes only and does not purport to represent what the actual financial position or net financial expenses of the Cable & Wireless Communications Group would have been if the Financings had occurred (i) on 30 September 2009 for the purposes of the calculation of the net financial position and (ii) on

1 October 2008 for the purposes of the calculation of net financial expenses, nor does it purport to project the Cable & Wireless Communications Group's financial position and net financial expenses at any future date. The unaudited adjustments and the unaudited adjusted financial data set forth in this offering memorandum are based on available information and certain assumptions and estimates that the Cable & Wireless Communications Group believes are reasonable and may differ materially from the actual adjusted amounts.

Cable and Wireless plc's, the Issuer's and the Guarantors' financial years commence on 1 April and end on 31 March of each year.

The financial information set forth in this offering memorandum has been rounded for ease of presentation. Accordingly, in certain cases, the sum of the numbers in a column in a table may not conform to the total figure given for that column. Percentage figures included in this offering memorandum have not been calculated on the basis of rounded figures but have rather been calculated on the basis of such amounts prior to rounding.

All unaudited financial information in this document has been extracted without material adjustment from the relevant group's accounting records. Prospective investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. Unless otherwise indicated, financial information in this document has been prepared in accordance with IFRS as adopted by the European Union and is presented in US dollars, except with respect to information with respect to the Cable & Wireless Worldwide Group in Annex A, which is presented in pounds sterling. Financial information presented in US dollars with respect to Cable and Wireless Group has been converted to US dollars for convenience using the exchange rates for the relevant period set out below:

	Year ended 31 March			Six months ended 30 September	
US$: £	**2007**	**2008**	**2009**	**2008**	**2009**
Average	1.8807	2.0041	1.7581	1.9613	1.5707
Period end	1.9631	1.9997	1.4498	1.8471	1.5945

Use of Non-IFRS financial information

This offering memorandum contains certain measures that the Issuer believes will assist understanding of the performance of the business. This approach is largely comparable with that used by Cable and Wireless plc, but as the measures are not defined under IFRS they may not be directly comparable with other companies' adjusted measures. The non-IFRS measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management have included them as these are considered to be important comparables and key measures used within the business for assessing performance and supporting the performance measures derived in accordance with IFRS.

The following are the key non-IFRS measures identified by the Cable & Wireless Communications Group:

- **EBITDA**: Earnings before interest, tax, depreciation, amortisation, LTIP charge, net other operating income/expenses and exceptional items.
- **EBITDA margin percentage**: EBITDA divided by revenue.
- **Exceptional items**: Material items which derive from individual events that fall within the ordinary activities of the Cable & Wireless Communications Group that are identified as exceptional items by virtue of their size, nature or incidence.
- **Operating Cash Flow**: EBITDA less balance sheet capital expenditure and cashflow associated with exceptional items.
- **Gross margin**: Revenue less cost of sales.
- **Gross margin percentage**: Gross margin divided by revenue.
- **Operating cost margin**: Operating cost divided by revenue.
- **Trading Cash Flow:** Net cash flow before financing, acquisitions and disposals and top-up contributions to the Cable & Wireless Superannuation Fund.
- **Active GSM mobile customers** or **active mobile customers**: An active customer is defined as one having performed a revenue-generating event in the previous 60 days.

- **Broadband customers**: Includes residential and business customers who receive 'always on' Internet services via cable, traditional fixed line network, wireless network or satellite access.
- **Fixed line connections**: Includes residential and business lines, with each business line counted as one connection.

The Cable & Wireless Communications Group notes that the above non-IFRS financial measures, in particular, EBITDA and Operating Cash Flow, have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for analysis of, results of operations, as reported under IFRS. Some of these limitations are:

- they do not reflect all of the Cable & Wireless Communications Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Cable & Wireless Communications Group's working capital needs;
- they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the Cable & Wireless Communications Group's debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;
- they are not adjusted for all non-cash income or expense items that are reflected in the Cable & Wireless Communications Group's statements of cash flows; and
- other companies in the telecommunications industry may calculate these measures differently than the Cable & Wireless Communications Group does, limiting their usefulness as a comparative measure.

As a result of these limitations, EBITDA and Operating Cash Flow should not be considered as a measure of discretionary cash available to the Cable & Wireless Communications Group to invest in the growth of its business. The Cable & Wireless Communications Group compensates for these limitations by relying primarily on its IFRS measures and using EBITDA and Operating Cash Flow measures only supplementally. See the "*Cable & Wireless Communications Group Operating and Financial Review*" and the "*Cable & Wireless Communications Group Selected Historical Financial Information*".

Currencies

All references to **pounds**, **pounds sterling**, **sterling**, **£**, **pence**, **penny** and **p** are to the lawful currency of the United Kingdom and all references to **US dollars**, **US$, cents** and **c** are to the lawful currency of the United States.

AVAILABLE INFORMATION

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from the reporting requirements of the Exchange Act under Rule 12g3-2(b) thereunder, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the indenture governing the Notes (the **Indenture**) and so long as the Notes are outstanding, the Issuer will furnish periodic information to holders of the Notes. For so long as the Notes are listed on the London Stock Exchange and the rules of such exchange so require, copies of the Issuer's and the Guarantors' organisational documents, the indenture governing the Notes and the most recent consolidated financial statements published by the Issuer may be inspected and obtained at the office of Deutsche Bank AG, London Branch at Winchester House, 1 Great Winchester Street, London, EC2N 2DB. See "*Listing and General Information*".

OVERVIEW

The following overview contains basic information about the Cable & Wireless Communications Group and this offering and highlights information appearing elsewhere in this offering memorandum. This overview is not complete and does not contain all of the information that you should consider before investing in the Notes. For a more complete understanding of this offering, the Issuer encourages you to read this entire offering memorandum carefully, including "Risk Factors," "Cable & Wireless Communications Group Operating and Financial Review," "Annex A—Cable & Wireless Worldwide Group Information" and the Cable and Wireless Group's, the Cable & Wireless Communications Group's and Cable & Wireless Worldwide Group's financial statements and the Notes to those financial statements contained elsewhere in this offering memorandum or incorporated by reference.

The Cable & Wireless Communications Group's business

The Cable & Wireless Communications Group (formerly known as Cable & Wireless International (**CWI**)), headquartered in London, England, owns and operates full-service telecommunications businesses providing mobile, broadband and domestic and international fixed line services to consumers, small and medium-sized enterprises, corporate customers (including other carriers) and governments. The Cable & Wireless Communications Group is the market leading telecommunications provider in the majority of its markets around the world. The business is managed as four regional operations—the Caribbean, Panama, Macau and Monaco & Islands each of which is profitable and cash generative in its own right. These four regional operations span 38 countries through 33 subsidiaries and five joint ventures, with Panama, Macau, Jamaica, the Maldives and Monaco being the main markets by revenue. The ownership of these businesses varies—some are wholly owned and others are partly owned with either public, governmental or corporate partners. The Cable & Wireless Communications Group generated revenue of US$2,306 million and EBITDA (excluding exceptional items) of US$854 million in the twelve months ended 30 September 2009.

The Cable & Wireless Communications Group has four principal revenue streams, all of which are provided in the majority of its markets—mobile, broadband, fixed line and enterprise, data and other. The Cable & Wireless Communications Group derives its mobile revenue from both retail and wholesale streams. Retail revenue is derived from billing customers for the provision of services, such as direct dial, SMS and mobile Internet; wholesale revenue is largely made up of interconnect revenue, which arises when customers of other mobile operators make a call that terminates on, or transfers over, the Cable & Wireless Communications Group network. Fixed line is a traditional service provided over a legacy network and in recent years it has faced the challenge of substitution by newer services such as mobile and broadband. Enterprise, data and other revenue includes revenue from the provision of corporate telecommunications solutions. Generally, broadband services are billed as packages that offer download and service speed limits for a monthly fee—the higher the download limits and service speed, the higher the monthly fee. The type and variety of packages offered varies across the Cable & Wireless Communications Group business and are tailored to the needs of each market.

Each of the Cable & Wireless Communications Group's regional operations delivers a broad range of services across mobile, broadband, fixed line and enterprise, data and other. In the Caribbean, the Cable & Wireless Communications Group covers 14 countries through 13 subsidiaries and one joint venture, and as of 31 March 2009 had (excluding the Trinidad and Tobago joint venture) 1.3 million active GSM mobile customers, 0.2 million broadband customers and 0.7 million fixed line connections. In Monaco & Islands, the Cable & Wireless Communications Group covers 22 countries through its subsidiaries and four joint ventures, and in its joint ventures as of 31 March 2009 had 3.7 million mobile customers, 14,000 broadband customers and 48,000 fixed line connections. As of 31 March 2009, the subsidiaries of the Monaco & Islands operations had 0.2 million active GSM mobile customers, 32,000 broadband customers and 0.2 million fixed line connections. In Panama, as of 31 March 2009, the Group had 2.3 million active GSM mobile customers, 0.1 million broadband customers and 0.4 million fixed line connections. In Macau, as of 31 March 2009, the Group had 0.4 million active mobile customers, 0.1 million broadband customers and 0.2 million fixed line connections.

The Group's earnings are broadly diversified across its four regional operations, with the Caribbean (excluding the Trinidad and Tobago joint venture), Panama, Macau and Monaco & Islands regional operations contributing 39%, 32%, 16% and 16% of total EBITDA respectively in the year ended 31 March 2009.

The Cable & Wireless Communications Group is the only full service telecommunications provider in the majority of its markets. It is the market leader in 19 out of 27 mobile markets in which it competes, 25 out of

34 broadband markets in which it competes and 25 out of 27 fixed line markets in which it competes. As at 30 September 2009, the Cable & Wireless Communications Group, through its subsidiaries and joint ventures, provided services to approximately 8.3 million mobile, 0.6 million broadband and 1.8 million fixed line customers.

Following the Demerger, the Cable & Wireless Communications Group will comprise Cable & Wireless Communications Plc and the entities forming the Cable & Wireless Group other than those entities comprising the demerged Cable & Wireless Worldwide Group. Principally, the Cable & Wireless Communications Group will comprise the Cable & Wireless Communications Group businesses and the Central operations of the Cable & Wireless Group.

Background to and reasons for the Demerger

In November 2009, the Cable and Wireless plc Board announced its intention to separate the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, reflecting its belief that the businesses had reached a position where they would deliver increased value to shareholders as independently listed companies. The separation is the culmination of work which began in April 2006, when Cable and Wireless plc created two distinct operating units under the Cable and Wireless plc umbrella to reflect their differing characteristics and the establishment of clear strategies for both. As a result of the significant progress made since then, the Cable and Wireless plc Board considers that the two businesses have now put in place the necessary arrangements to operate as independent, publicly-quoted businesses.

The Cable and Wireless plc Board believes that the separation will deliver further value for shareholders by:

- allowing the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group to pursue their strategies independently with greater flexibility over management of resources and opportunities;
- creating two separately listed companies with distinct investment profiles and clear market valuations;
- sharpening management focus further, helping the two businesses maximise their performance; and
- providing a transparent capital structure and an efficient balance sheet for each business.

There are a number of different steps that will, if approved and sanctioned, culminate in the Demerger of the Cable & Wireless Worldwide Group from the existing Cable & Wireless Group. The demerger process will involve the insertion of a new holding company above Cable and Wireless plc, known as Cable & Wireless Communications, and the demerger of the Cable & Wireless Worldwide Group by the new Cable & Wireless Communications to a second new holding company, Cable & Wireless Worldwide.

The Cable & Wireless Communications Group's business strengths

The Cable & Wireless Communications Group has significant competitive strengths and the Board believes it is well positioned to deliver strong cash generation and long-term earnings growth to create further shareholder value. These competitive strengths include:

Market leadership

The Cable & Wireless Communications Group is the market leader in the majority of its markets and the primary challenger in others. It is the market leader in 19 out of 27 markets in mobile, 25 out of 34 markets in broadband and 25 out of 27 markets in fixed line services. Among its main markets by revenue, Cable & Wireless Communications Group is the market leader in all services in Panama, Macau, Monaco and the Maldives.

Cable & Wireless Communications is an integrated, full service provider

The Cable & Wireless Communications Group provides fixed, broadband and mobile services in the majority of its markets, and is broadening its proposition into entertainment (such as pay-TV) and enterprise services. In several markets, the Cable & Wireless Communications Group is the only full service telecommunications provider including in Panama, Macau, Monaco, the Seychelles, the Maldives and several countries in the Caribbean. In these markets, its major competitors do not provide all three of mobile, broadband and fixed line services. The Cable & Wireless Communications Group's integrated capability allows it to provide 'bundled' offers to its customers, under which they are able to buy all telecommunications needs from one provider, provided it is permitted by law or regulation. The Cable & Wireless Communications Group believes this ‘bundled’ product offering enhances customer retention and serves to limit customer churn.

Diversity across geography and product

The Cable & Wireless Communications Group operates in 38 countries, spanning the Caribbean, Central America, Europe, Africa, Middle East, Asia as well as the Atlantic and Pacific Oceans. In financial terms, the spread of geographies from which it draws revenue reduces Cable & Wireless Communications exposure to any single country or region. For the six months ended 30 September 2009, the split of the Cable & Wireless Communications Group’s EBITDA across the four regional operations was as follows: Panama (34%), Caribbean (33%), Macau (17%) and Monaco & Islands (16%). The Cable & Wireless Communications Group’s revenue is also spread across a range of products and services, reducing its reliance on any single product line. For the six months ended 30 September 2009, the Cable & Wireless Communications Group reported revenue was split across its product set as follows: mobile (39%), broadband (9%), domestic voice (21%), international voice (8%), enterprise, data and other products (23%).

Strong cash generation and cash conversion of profit

The Cable & Wireless Communications Group is a highly cash generative group of businesses and has a good track record of converting its EBITDA to cash flow with US$1.6 billion of cash repatriation since April 2006. A strong existing asset base and management discipline on capital expenditure underpins the Cable & Wireless Communications Group’s focus on cash generation.

Period	Operating Cash Flow	Trading Cash Flow
	(US$ millions)	
Year ended 31 March 2009	445	343
Year ended 31 March 2008	382	478
Year ended 31 March 2007	400	437

Brand strength

The Cable & Wireless Communications Group has a recognised and respected brand in “Cable & Wireless”, which has been used for more than 70 years. The Cable & Wireless Communications Group will be able to continue to leverage the “Cable & Wireless” brand’s heritage and recognition following the Demerger. In Panama, the Seychelles, Bermuda and the South Atlantic islands business units, the “Cable & Wireless” brand is the Cable & Wireless Communications Group’s primary product brand, while in the rest of the business, it remains an important secondary brand, which is known in the market and is used particularly with government, regulatory and enterprise customers. In the Caribbean, the Cable & Wireless Communications Group uses the “LIME” brand, in Macau, the “CTM” brand and in Monaco, the “Monaco Telecom” brand, each of which are recognised as strong brands in their respective markets, associated with the “Cable & Wireless” name.

Exposure to markets with enhanced GDP growth

Certain markets within the Cable & Wireless Communications Group’s business have in recent years enjoyed economic growth above the rates of growth being achieved in more developed markets such as the US and Europe. Panama and Macau, in particular, have enjoyed enhanced GDP growth in the past few years. In 2009, Panama achieved an estimated GDP growth rate of 1.8%, in contrast to the economic recessions suffered in many other countries. In 2008, Panama reported official GDP growth of 9.2%. Macau’s economy has also grown rapidly in recent years, driven by the construction and operation of large-scale casinos. In 2007 and 2008, its GDP figures grew by 32.0% and 15.5% respectively. In the early part of 2009, Macau suffered an economic downturn, in part due to visa restrictions on Chinese mainland tourists travelling to Macau, but its economy began to recover in the middle of 2009 as restrictions were relaxed. In July to September 2009, Macau reported GDP growth of 1.2%.

Network reach and fixed line infrastructure strength

In many of its markets, including Panama, Macau, Monaco and many of its markets in the Caribbean, the Cable & Wireless Communications Group operates the largest fixed line telecommunications network, providing the most comprehensive coverage. In several markets, including Macau, Monaco and the Maldives, the Cable & Wireless Communications Group is currently the sole fixed line network operator, providing a significant strategic advantage, and positioning it as the leading provider of fixed voice and broadband services.

Ownership of, and access to, regional cable networks

The Cable & Wireless Communications Group owns solely or in partnership, or has substantial IRU capacity on a number of regional sub-sea cable systems with land capacity in over 60 countries. This allows the Cable & Wireless Communications Group to carry large amounts of voice and data traffic on behalf of consumers, enterprises and carriers and provides inbuilt resilience due to the capability of rerouting traffic.

Management experience and diversity

The Cable & Wireless Communications Group has a senior executive team which combines international as well as local experience. Each business has a local management team which reports into one of the four regional operations. The senior executive team has more than 125 years of experience in the telecommunications industry among them.

Positive and constructive government relations

The Cable & Wireless Communications Group has long-standing governmental relationships in most of the countries where it operates. In several countries where the Cable & Wireless Communications Group provides services, for example, Panama, Macau, Monaco, Grenada, Dominica and the Maldives, the government part-owns the relevant business and works with the Cable & Wireless Communications Group as a partner. In several markets, the Cable & Wireless Communications Group is also one of the largest employers and corporate taxpayers.

Strategy

The Cable & Wireless Communications Group's strategy is focused on developing and growing its businesses to drive strong returns to shareholders. Each regional operation operates as a stand-alone competitive telecommunications enterprise, and is required to meet annual financial performance targets. Each is profitable and cash generative in its own right and strives to deliver world class metrics. The Cable & Wireless Communications Group operation in London brings scale, collaboration, expertise, access to finance and governance on behalf of shareholders to the entire Cable & Wireless Communications Group's regional operations.

The Cable & Wireless Communications Group's strategic plan focuses on generating growth and value for shareholders through three elements:

Delivering operational excellence

Each business operation seeks to drive service excellence and efficiency to maintain a strong competitive foundation, enabling the businesses to win new customers as well as retain existing customers. Each business will strive to achieve leading positions in service and network coverage in its markets, increase its efficiency and streamline its processes.

The Cable & Wireless Communications Group's business operations target operational excellence in customer services, aiming to provide market leading service against metrics such as response times to repair faults or responses to customer enquiries. Network coverage is another area in which the strategy of operational excellence is applied, with new processes and technology being deployed and, where necessary, new capital expenditure investment to ensure superior coverage for customers on both wireless and fixed networks.

The strategy of operational excellence requires business units to streamline their current cost bases and capital expenditure, while striving to achieve improved service and coverage. An example of this is the mobile tower sharing agreement into which the Cable & Wireless Communications Group's subsidiary in Jamaica has entered with one of its competitors which has increased network coverage and lowered long-term capital expenditure costs. Other cost reduction activities may include outsourcing and increased collaboration amongst Cable & Wireless Communications Group companies on procurement activities to maximise synergies.

Expanding product offering through new services

The Cable & Wireless Communications Group is focused on capturing new organic growth opportunities from services which can be offered to its customer base. These services, in most cases, will leverage the Cable & Wireless Communications Group's strengths, for example, mobile market leadership, fixed line networks and strength, ownership of and access to regional cable networks. The introduction of new services aims to drive revenue and offset any decline in existing services as well as repositioning the business to the changing demands of the markets in which it operates.

New services include:

— Managed services

A service in which the Cable & Wireless Communications Group takes on the management of a corporate or government customer's telecommunication services, as well as providing the telecom service (e.g. voice and data) itself. The Panama operation has won several managed services contracts with the Panamanian government including running the telecom platform for the country's "911" emergency services.

— Cable/Carrier

The Cable & Wireless Communications Group has substantial cable assets in the Caribbean and Central American regions, which offer new commercial opportunities as the Cable & Wireless Communications Group's focus broadens from using these assets for internal purposes only to capitalising on the growing wholesale market. The Cable & Wireless Communications Group's cable assets are strategically placed to capture the rapidly increasing demand for resilient and large bandwidth data transit between Central and South America, and the United States.

— Pay-TV

Pay-TV services enable the Cable & Wireless Communications Group's business operations to offer bundled 'triple-play' (pay-TV, fixed line and broadband) or 'quad-play' (pay-TV, fixed line, broadband and mobile) services where permitted by law. Pay-TV operators have emerged in several telecommunications markets as a competitive threat to telecommunications companies, as many have the capability to provide fixed line and broadband services. In Panama, the Cable & Wireless Communications Group launched a pay-TV service in December 2009.

— Mobile data

Mobile data services have emerged through the development of higher capacity mobile networks—in particular 3G networks—and the development of mobile handsets being capable of receiving the Internet (data) at, relatively, high speeds. In markets in which it operates high capacity networks, the Cable & Wireless Communications Group is able to offer its customers mobile broadband propositions and value-added services, such as commercial services available over the Internet and instant messaging services.

Developing core regional hubs

The Cable & Wireless Communications Group's long-term business development strategy is focused around a small number of core regional hubs from which it will develop a scalable platform of services, capabilities and management. This focuses on: Latin America, led by the Panama operation; the Caribbean; Macau; and the clusters of the Monaco & Islands business. In developing these hubs, the Cable & Wireless Communications Group is seeking to take advantage of its proximity to markets adjacent to each hub, as well as creating a base for offering cross-border telecommunication services, such as managed services for multinational customers. The Cable & Wireless Communications Group will also manage its business around these regional hubs to deliver value to shareholders. This will include considering the acquisition of licences and the roll out of services into adjacent territories, acquisitions or disposals or increasing its stake in current investments, for example, the recent additional investment in the Maldives, when it is possible to enhance value.

Use of proceeds

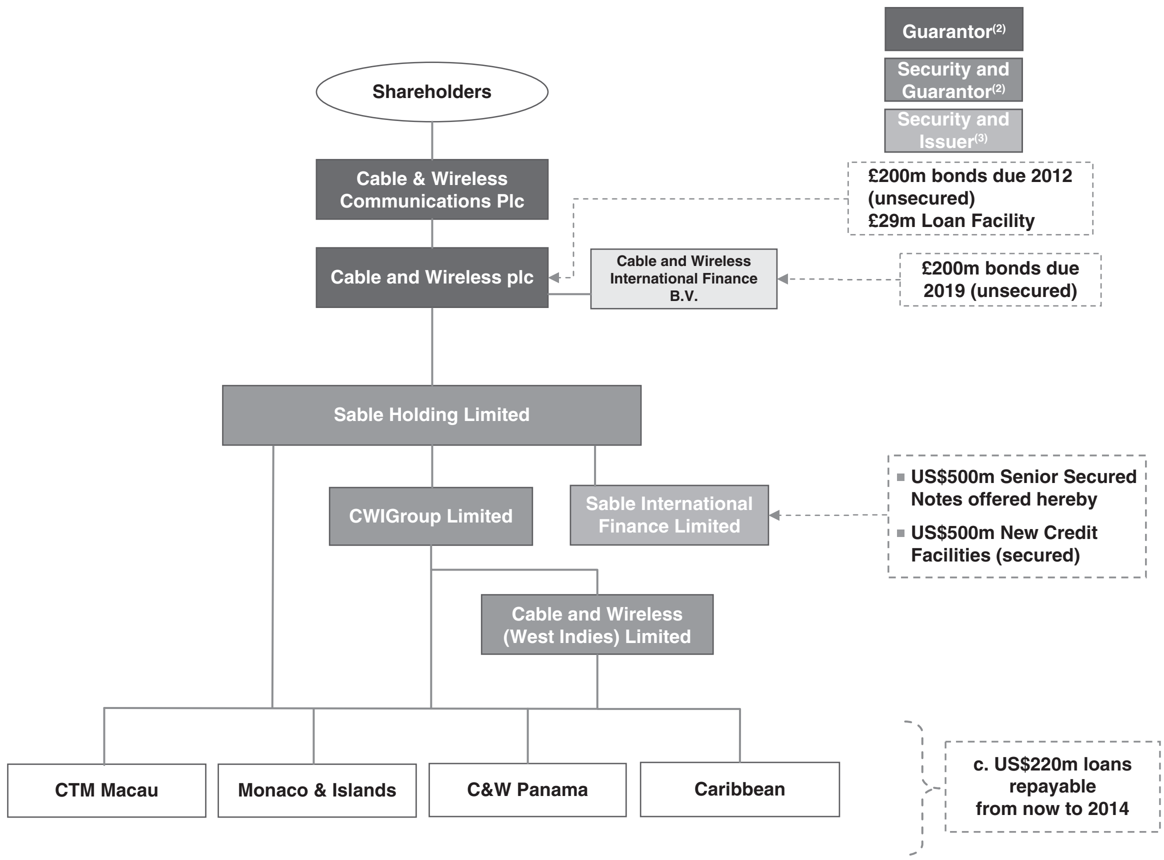
The US$500 million proceeds of the offering, less fees and expenses of approximately US$12 million, will be used to repay drawings under the revolving portion of the New Credit Facilities (the New Credit Facilities comprise a US$400 million revolving credit facility and a US$100 million term loan), to fund working capital needs and for general corporate purposes.

Sources	(US$ millions)	Uses	(US$ millions)
Notes offered hereby	500	Repayment of credit facilities	415(1)
		Expenses	12
		Additional cash liquidity	73
Total	500	Total	500

(1) On 29 January 2010, the Cable & Wireless Communications Group's previously existing US$415 million credit facility (carrying value of US$410 million and US$5 million of capitalised fees in each case as of 30 September 2009) was repaid with drawings under the revolving portion of the New Credit Facilities and cash on hand and cancelled; the revolving portion of the New Credit Facilities will be repaid with an equivalent amount of proceeds from this offering, following which no amounts will be outstanding under the New Credit Facilities. As at 30 September 2009 adjusted for the Financing, the Cable & Wireless Communications Group would have had available liquidity of approximately US$1 billion (comprising the undrawn US$500 million New Credit Facilities and US$510 million cash and cash equivalents).

Summary Corporate and Financing Structure

The following is a simplified structure chart showing the anticipated capital structure of the Cable & Wireless Communications Group immediately following the Demerger(1):



(1) In addition to the capital structure set forth in this chart with respect to the anticipated capital structure of Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group has obtained financing in the form of a £300 million secured bank revolving credit facility (an increase from a prior £200 million

facility) and £230 million in Convertible Bonds due 2014. The principal debtor under the Convertible Bonds is currently Cable and Wireless plc. The Convertible Bonds and their proceeds net of costs will transfer to the Cable & Wireless Worldwide Group, subject to certain conditions, at Demerger. See "*Risk Factors—The Cable & Wireless Communications Group's ability to refinance its existing debt and raise new debt may be constrained". For a further description of the Cable & Wireless Worldwide Facilities and the Convertible Bond see "Annex A—Cable & Wireless Worldwide Group Business—Finance Arrangements".*

(2) Share pledges over each of the Guarantors and the Issuer have been granted to the Noteholders and to the lenders under the New Credit Facilities. In addition, each of the Guarantors of the Notes is also a guarantor of the New Credit Facilities and the Cable & Wireless Superannuation Fund. See "*Description of Certain Financing Arrangements*" and "*Cable & Wireless Communications Group Operating and Financial Review—Pensions*".

(3) Sable International Finance Limited is a wholly-owned finance company whose only significant assets following completion of the offering of the Notes will be various intercompany loans. See "*Information on the Issuer, the Subsidiary Guarantors, Cable and Wireless plc and Cable & Wireless Communications*".

THE OFFERING

The following overview of the offering contains basic information about the Notes, the guarantees and the security. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees, including certain definitions of terms used in this overview, please refer to the section of this offering memorandum entitled "Description of Notes".

Issuer . . . . Sable International Finance Limited. For more information on the Issuer, see "*Information on the Issuer*, *Cable & Wireless Communications and the Subsidiary Guarantors*".

Notes offered . . . . US$ aggregate principal amount of % senior secured notes due 2017.

Issue date . . . . On or about February 2010 (the **Issue Date**).

Maturity date . . . . 2017.

Interest payment dates . . . . Semi-annually in arrears on each and commencing 2010. Interest will accrue from the issue date of the Notes.

Denominations . . . . US$100,000 and any integral multiple of US$1,000 in excess of US$100,000. Notes in denominations of less than US$100,000 will not be available.

Ranking of the Notes . . . . The Notes will be the general senior obligations of the Issuer and:

- will be *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- will rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes; and
- be unconditionally guaranteed by the Guarantors.

Guarantees . . . . The Notes will be unconditionally guaranteed by Cable and Wireless plc (the **Parent Guarantor**) and certain of its non-operating subsidiaries (each, a **Subsidiary Guarantor**) that will be part of the Cable & Wireless Communications Group after the Demerger and, after the Scheme, also by Cable & Wireless Communications Plc (together with the Parent Guarantor and the Subsidiary Guarantors, the **Guarantors**).

Ranking of the Guarantees . . . . The guarantee of each Guarantor (the **Guarantee**) will be a general senior obligation of such Guarantor and:

- will be *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to such Guarantee; and
- will rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Guarantee.

Security . . . . The Notes will be secured by a first-ranking lien over all of the shares of the Issuer and the Subsidiary Guarantors. See "*Description of Notes—Security*". Subject to certain exceptions, the holders of the Notes will have limited ability to instruct the Security Trustee to enforce the Security. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Intercreditor agreement	The intercreditor agreement (**Intercreditor Agreement**) will contain a standstill on the ability of the trustee or holders of the Notes to take enforcement action in respect of the Indenture, the Notes or the security documents. The Intercreditor Agreement also restricts the ability of the trustee or the holders of the Notes from instructing the security trustee on how and when to enforce the security. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".
Optional redemption	The Issuer may redeem all or part of the Notes on or after 2014 at the redemption prices as described under "*Description of Notes—Optional Redemption*". Prior to 2014, the Issuer may redeem all or part of the Notes by paying a "make whole" premium as described under "*Description of Notes—Optional Redemption*".
Change of control	Upon the occurrence of certain events constituting a "change of control", the Issuer will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued interest to the date of such repurchase. See "*Description of Notes—Repurchase at the Option of Holders—Change of Control*".
Additional amounts; tax redemption	All payments in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, in any jurisdiction in which the Issuer or any Guarantor (including any surviving corporation), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent) subject to certain exceptions, the Issuer, the relevant Guarantor or other payor, as applicable, will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See "*Description of Notes—Additional Amounts*". The Issuer may redeem the Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, the Issuer or, in certain circumstances, a Guarantor is or will be required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay you a price equal to the principal amount of the notes plus interest and additional amounts, if any, to the date of redemption. See "*Description of Notes—Redemption for Changes in Taxes*".
Original issue discount	The Notes may be issued with original issue discount (**OID**) for US federal income tax purposes. If the Notes are issued with more than *de minimis* original issue discount, in addition to the stated interest on the Notes, US Holders (as defined under "*Tax Considerations—US Taxation*") of Notes issued with OID will be required to include the amounts representing the OID in gross income (as ordinary income) generally on a constant yield basis in advance of receipt of the cash payments to which such income is attributable, regardless of the US Holder's regular method of accounting for US federal income tax

	purposes. For a discussion of the material tax consequences of an investment in the notes, see "*Tax Considerations—US Taxation*".
Certain covenants	The Indenture, among other things, will contain certain covenants that will limit (but not prohibit) the ability of Cable & Wireless Communications and its restricted subsidiaries (including the Issuer) to, among other things, create or incur certain liens, to incur structurally senior debt, to consolidate or merge with other entities and to impair the security interest. Each of these covenants are subject to significant exceptions and qualifications. See "*Description of Notes— Certain Covenants".*
Transfer restrictions	The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the Securities Act. See "*Notice to Investors*" and "*Plan of Distribution*". The Issuer has not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer).
Absence of a public market for the Notes	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed the Issuer that they intend to make a market in the Notes, they are not obligated to do so, and they may discontinue market making at any time without notice. Accordingly, the Issuer cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's regulated market.
Trustee	Deutsche Trustee Company Limited.
Paying Agent, Registrar and Transfer Agent	Deutsche Bank Trust Company Americas.
Principal Paying Agent and (with respect to the Regulation S Notes) Transfer Agent	Deutsche Bank AG, London Branch.
Security trustee	BNP Paribas.
Governing law of the Indenture, Notes and Guarantees	New York.
Governing law of the Intercreditor Agreement and the Security Documents	England and Wales.

RISK FACTORS

Investing in the Notes involves substantial risks. In evaluating an investment in the Notes you should carefully consider all of the information provided in this offering memorandum and, in particular, the specific factors set out under "*Risk Factors*" beginning on page 28 and "*Annex A—Cable & Wireless Worldwide Group Risk Factors*".

THE ISSUER

Sable International Finance Limited was formed on 1 April 2008 as a limited company under Cayman law and registered as an exempted company in the Cayman Islands with registered number CD-207737. Its principal executive offices and registered office are located at Card Corporate Services Limited, PO Box 709, Grand Cayman, KY1-1107, Cayman Islands. The telephone number of its registered office is 345 949 4544.

The Issuer is a wholly-owned finance company that conducts no business operations. It has limited assets, no subsidiaries and a limited ability to generate revenues. Upon completion of the offering of the Notes, the only significant assets of the Issuer will be various intercompany loans. The Issuer's material liabilities will include the Notes and the obligations under the New Credit Facilities and any additional Notes it may issue under the Indenture in the future, see "*Description of Notes—Principal, Maturity and Interest*".

For further information on the Issuer, see "*Information on the Issuer, the Subsidiary Guarantors, Cable and Wireless plc and Cable & Wireless Communications*".

SUMMARY HISTORICAL FINANCIAL INFORMATION

The summary Cable & Wireless Communications Group financial information provided below has been extracted without material adjustment from the Cable & Wireless Communications Group's audited historical financial information as at and for the years ended 31 March 2007, 2008 and 2009 and unaudited historical financial information as at and for the six month periods ended 30 September 2008 and 2009. This information represents the financial record for the periods indicated of those businesses that will be held by the Cable & Wireless Communications Group after the Demerger. For a discussion of the basis of the preparation of the Cable & Wireless Communications Group's historical financial information, see note 2 to the audited historical financial information and the unaudited historical financial information. The Cable & Wireless Communications Group's audited historical financial information as at and for the years ended 31 March 2007, 2008 and 2009 have been audited by KPMG, as stated in the report incorporated by reference into this offering memorandum. These statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union with some exceptions common to historical financial information. See "Cable & Wireless Communications Group Operating and Financial Review—Basis of Preparation."

The summary Cable and Wireless plc financial information provided below has been derived from Cable and Wireless plc's audited consolidated financial statements as at and for the years ended 31 March 2007, 2008 and 2009 and unaudited consolidated interim financial statements as at and for the six month periods ended 30 September 2008 and 2009. For a discussion of the basis of the preparation of Cable and Wireless plc's consolidated financial statements, see note 2 to the audited consolidated financial statements and the unaudited interim financial statements. Cable and Wireless plc's audited consolidated financial statements as at and for the years ended 31 March 2007, 2008 and 2009 have been audited by KPMG, as stated in the report elsewhere incorporated into this offering memorandum. Cable and Wireless plc's unaudited consolidated interim financial statements as at and for the six month periods ended 30 September 2008 and 2009 have been reviewed by KPMG in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

You should read the data below together with the information included under the headings "Risk Factors," "Cable & Wireless Communications Group Selected Historical Financial Information," "Cable & Wireless Communications Group Operating and Financial Review" and the audited consolidated financial statements and the related notes and the unaudited financial statements and the related notes which are included elsewhere in this offering memorandum.

Summary of the Cable & Wireless Communications Group Income Statement

Summary income statement of the Cable & Wireless Communications Group results for the six months ended 30 September 2008 and 2009, for the years ended 31 March 2007, 2008 and 2009 and for the twelve months ended 30 September 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Continuing operations						
Revenue	2,310	2,462	2,447	1,273	1,132	2,306
Operating costs before depreciation and amortisation	(1,586)	(1,731)	(1,676)	(876)	(768)	(1,568)
Depreciation and amortisation	(273)	(358)	(294)	(151)	(152)	(295)
Net operating income/(expense)	31	5	(3)	—	4	1
Group operating profit	**482**	**378**	**474**	**246**	**216**	**444**
Total operating profit[(1)]	**466**	**455**	**534**	**282**	**242**	**494**
Net finance expense	(41)	(52)	(159)	(43)	(23)	(139)
Other income	328	31	19	1	—	18
Profit before income tax	**753**	**434**	**394**	**240**	**219**	**373**
Income tax expense	(98)	(106)	(88)	(49)	(58)	(97)
Profit for the period from continuing operations	**655**	**328**	**306**	**191**	**161**	**276**
Discontinued operations						
Profit for the period from discontinued operations	53	—	18	—	—	18
Profit for the period	708	328	324	191	161	294

(1) Total operating profit comprises Group operating profit less investment in joint ventures and associates, which is the cost of the investment together with the Group's share of post acquisition profit or loss any impairments.

Summary of the Cable & Wireless Communications Group Cash Flow Statement

Summary cash flow statement of the Cable & Wireless Communications Group for the six months ended 30 September 2008 and 2009 and for the years ended 31 March 2007, 2008 and 2009 and for the twelve months ended 30 September 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Net cash from operating activities	621	715	636	251	209	594
Net cash used in investing activities	353	(307)	(314)	(124)	(93)	(283)
Net cash used in financing activities	(1,083)	(1,110)	(881)	(380)	(303)	(804)
Purchase of property, plant and equipment	(293)	(311)	(329)	(157)	(101)	(273)
Dividends paid to equity holders of the parent	(156)	(277)	(258)	(180)	(181)	(259)
Minority dividends paid (dividends paid to non-controlling interests)	(175)	(116)	(135)	(67)	(66)	(134)

Summary of the Cable & Wireless Communications Group financial position

Summary statement of financial position of the Cable & Wireless Communications Group as at 30 September 2009 and 31 March 2007, 2008 and 2009.

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 30 September 2009
	(US$ millions)			
Cash and cash equivalents	2,017	1,360	581	437
Current assets	2,634	1,974	1,093	1,013
Current liabilities	(1,232)	(1,307)	(1,014)	(1,074)
Total assets	5,147	4,578	3,521	3,434
Total liabilities	(2,913)	(2,457)	(2,432)	(2,562)
Invested capital	2,234	2,121	1,089	872

Other financial information

Summary of certain financial information of Cable & Wireless Communications Group as at and for the years ended 31 March 2007, 2008 and 2009, the six months ended 30 September 2008 and 2009 and the twelve months ended 30 September 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	As at or for the year ended 31 March			As at or for the six months ended 30 September		As at or for the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
	(US$ millions, except ratios)					
EBITDA (excluding exceptional items)[(1)]	767	774	871	423	406	854
EBITDA margin[(2)]	33.2%	31.4%	35.6%	33.2%	35.9%	37.0%
Net interest expense	21	20	42	6	39	75
Trading cash flow[(3)]	437	478	343	135	119	327
Net cash/(debt)[(4)]	651	487	(571)	94	(784)	(784)
Financial information and ratios adjusted for the Financing[(5)]:						
Net interest expense						104
Cash and cash equivalents						510
Net debt[(4)]						(789)
EBITDA (excluding exceptional items)/net interest expense						8.2x
Net debt/EBITDA (excluding exceptional items)						0.9x

(1) EBITDA has been calculated as earnings before interest, tax, depreciation, amortisation, LTIP charge, net other operating income/expenses and exceptional items. EBITDA is a supplemental measure of Cable & Wireless Communications Group's performance that is not required by or presented in accordance with IFRS. EBITDA should not be considered as an alternative to IFRS measures, such as profit before income tax and profit for the period or any other performance measures derived in accordance with IFRS. The Cable & Wireless Communications Group uses EBITDA to facilitate operating performance comparisons and because it believes it is frequently used by securities analysts. EBITDA has limitations as an analytical tool, and prospective purchasers should not consider it in isolation from, or as a substitute analysis for, Cable & Wireless Communications Group's results of operations. Other companies may define EBITDA differently and, as a result, Cable & Wireless Communications Group's measure of EBITDA may not be directly comparable to the EBITDA of other companies. EBITDA is presented herein including costs attributable to the Central operations for the relevant period. Historically, Cable and Wireless plc has reported EBITDA for its CWI business excluding such costs. Accordingly, the financial information and guidance presented *in "Cable & Wireless Communications Operating and Financial Review—Financial Guidance for 2009/2010"* is shown excluding costs attributable to the Central operations. Costs of Central operations included in the Cable & Wireless Communications Group's EBITDA (excluding exceptional items) presented herein were £22 million

(US$41 million), £28 million (US$56 million) and £28 million (US$50 million) for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 respectively.

Reconciliation of profit for the period from continuing operations to EBITDA (excluding exceptional items)

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Profit for the period	655	328	306	191	161	276
Add back:						
Net finance expense	41	32	61	19	50	92
Income tax expense	98	106	88	49	58	97
Depreciation and amortisation	273	284	294	151	152	295
LTIP charge	19	16	—	(5)	11	16
Net other income/expenses	(52)	(101)	(76)	(37)	(30)	(69)
Exceptional items	(267)	109	198	55	4	147
EBITDA (excluding exceptional items)	767	774	871	423	406	854

(2) EBITDA margin is calculated as EBITDA (excluding exceptional items) divided by revenue.

(3) Trading cash flow has been calculated as net cash flow before financing, acquisitions and disposals and top-up contributions to the Cable & Wireless Superannuation Fund. Trading cash flow is a supplemental measure of Cable & Wireless Communications Group's performance and liquidity that is not required by or presented in accordance with IFRS. Trading cash flow should not be considered as an alternative to IFRS measures. The Cable & Wireless Communications Group uses trading cash flow to facilitate operating performance comparisons and because it believes it is frequently used by securities analysts. Trading cash flow has limitations as an analytical tool, and prospective purchasers should not consider it in isolation from, or as a substitute analysis for, Cable & Wireless Communications Group's results of operations. Other companies may define trading cash flow differently and, as a result, Cable & Wireless Communications Group's measure of trading cash flow may not be directly comparable to the trading cash flow of other companies.

Reconciliation of EBITDA to trading cash flow

	For the year ending 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
EBITDA (excluding exceptional items)	767	774	871	423	406	854
Exceptional items (cash flow statement)	(24)	(27)	(100)	(31)	(31)	(100)
Movement in exceptional provisions	(28)	16	11	—	(17)	(6)
Capital expenditure (balance sheet)	(315)	(381)	(337)	(155)	(104)	(286)
Operating cash flow	**400**	**382**	**445**	**237**	**254**	**462**
Movement in working capital and other provisions	(20)	40	(49)	(90)	(101)	(60)
Income taxes paid	(84)	(92)	(115)	(61)	(50)	(104)
Investment income	141	148	62	49	19	32
LTIP payments	—	—	—	—	(3)	(3)
Trading cash flow	**437**	**478**	**343**	**135**	**119**	**327**

(4) Net cash/(debt) is defined as cash and cash equivalents less debt at the end of the period. The following table shows the reconciliation of debt to net cash/(debt).

	As at 31 March			As at 30 September	
	2007	2008	2009	Actual 2009	As adjusted 2009
			(US$ millions)		
Cash and cash equivalents	2,017	1,360	581	437	510
Debt*	(1,366)	(873)	(1,152)	(1,221)	(1,299)
Net cash/(debt)	651	487	(571)	(784)	(789)

* Debt is equal to total "loans and bonds" as described in footnote 27 of the Cable & Wireless Communications Group financial information included herein.

(5) Financial information and ratios adjusted for the Financing gives effect to the issuance of the Notes offered hereby and the application of proceeds therefrom and the entry into the New Credit Facilities and the use of proceeds therefrom as described in "*Use of Proceeds*" (the **Financing**) as if such transactions had occurred on 30 September 2009 with respect to balance sheet data and 1 October 2008 with respect to income statement data.

Summary of the Cable & Wireless Group Income Statement

Summary consolidated income statement (converted to US$ for convenience using exchange rates set out on page 9) of the Cable & Wireless Group for the six months ended 30 September 2008 and 2009 and for the years ended 31 March 2007, 2008 and 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
	(US$ millions)					
Continuing Operations						
Revenue	6,297	6,317	6,410	3,228	2,914	6,096
Operating costs before depreciation and amortisation	(5,569)	(5,265)	(5,229)	(2,644)	(2,276)	(4,861)
Depreciation and amortisation	(538)	(673)	(666)	(324)	(358)	(700)
Net operating income/(expense)	24	116	(4)	4	5	(3)
Group operating profit	**214**	**495**	**511**	**264**	**285**	**532**
Total operating profit[(1)]	**194**	**569**	**571**	**300**	**311**	**582**
Net finance expense	(53)	(64)	(179)	(49)	(41)	(171)
Other income	327	30	18	2	(2)	14
Profit before income tax	**468**	**535**	**410**	**253**	**268**	**425**
Income tax expense	(81)	(94)	(30)	(27)	(13)	(16)
Profit for the period from continuing operations	**387**	**441**	**380**	**226**	**255**	**409**
Discontinued operations						
Profit for the period from discontinued operations	53	—	18	—	—	18
Profit for the period	**440**	**441**	**398**	**226**	**255**	**427**

(1) Total operating profit comprises Group operating profit less investment in joint ventures and associates, which is the cost of the investment together with the Group's share of post acquisition profit or loss any impairments.

Summary consolidated cash flow statement of Cable & Wireless Group

Summary consolidated cash flow statement (converted to US$ for convenience using exchange rates set out on page 9) of the Cable & Wireless Group for the six months ended 30 September 2008 and 2009 and for the years ended 31 March 2007, 2008 and 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
	(US$ millions)					
Net cash from operating activities	476	918	1,062	457	380	985
Net cash used in investing activities	(13)	(655)	(1,313)	(520)	(287)	(1,080)
Net cash used in financing activities	(570)	(960)	(92)	(176)	(269)	(185)
Purchase of property, plant and equipment	(636)	(685)	(726)	(361)	(295)	(660)
Dividends paid to equity holders of the parent	(156)	(277)	(258)	(180)	(181)	(259)

Summary of the Cable & Wireless Group financial position

Summary consolidated statement of the financial position (converted to US$ for convenience using exchange rates set out on page 9) of the Cable & Wireless Group results as at 30 September 2009 and 31 March 2007, 2008 and 2009.

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	(US$ millions)			
Cash and cash equivalents	2,047	1,398	790	676
Current assets	3,873	3,154	2,235	2,287
Current liabilities	(3,066)	(3,118)	(2,691)	(2,845)
Total assets	8,816	8,317	7,527	7,920
Total liabilities	(5,106)	(4,559)	(4,563)	(5,225)
Invested capital	3,710	3,758	2,964	2,695

RISK FACTORS

An investment in the Notes to be issued in this offering involves a high degree of risk. You should carefully consider the following risk factors before purchasing the Notes in addition to the other information contained in this offering memorandum. The risks and uncertainties the Issuer describes below are not the only ones the Cable & Wireless Communications Group faces, but the Issuer has endeavoured to present all risks that pose a material threat to its business, reputation, financial condition and/or operating results. Additional risks and uncertainties of which the Issuer is not aware or that it currently believes are immaterial may also adversely affect the Cable & Wireless Communications Group's business, financial condition or results of operations. If any of the possible events described below occurs, the Cable & Wireless Communications Group's business, financial condition or results of operations could be materially and adversely affected. If that happens, the Issuer may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. The Cable & Wireless Communications Group's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum. See "Forward-Looking Statements".

Until the Demerger Effective Time, the Cable & Wireless Worldwide Group will be a part of the Cable & Wireless Group. The Demerger may not occur. Therefore, in addition to the risks set forth below, see "Annex A – Cable & Wireless Worldwide Group Risk Factors".

Risks relating to the telecommunications industry and markets in which the Cable & Wireless Communications Group operates

The Cable & Wireless Communications Group may fail to compete effectively in the competitive markets in which it operates

The Cable & Wireless Communications Group faces competition in almost all areas and markets of its business. Certain of the Cable & Wireless Communications Group's competitors in some of these markets may have greater financial, marketing or other resources, which may allow them to provide services more effectively and at a lower cost than the Cable & Wireless Communications Group. These competitors, or potential competitors from other territories who choose to enter the Cable & Wireless Communications Group's market, may adopt more aggressive pricing policies, undertake more extensive advertising and marketing campaigns or successfully replicate or impact the Cable & Wireless Communications Group's business model. The telecommunications sector in the markets in which the Cable & Wireless Communications Group operates may experience further consolidation, which could result in, among other things, competitors with greater scale operating aggressively in these markets. Failure of the Cable & Wireless Communications Group's businesses to compete effectively could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

Additional competition may enter the Cable & Wireless Communications Group's key markets

As the markets for some of the Cable & Wireless Communications Group's services expand, additional competition may emerge in the Cable & Wireless Communications Group's key markets and existing competitors may commit more resources to such markets. For example, in the second half of the Cable & Wireless Communications Group's financial year 2008/09, two additional mobile competitors launched in Panama, raising the number of mobile providers to four, and a new competitor entered the Jamaican mobile market in 2007. Despite the Cable & Wireless Communications Group taking steps to prepare for additional competition and the likely growth in market penetration and, therefore, the total size of the market available in its key markets, there is a risk that the Cable & Wireless Communications Group will lose market share and its pricing, revenue and/or margins may come under pressure.

In addition, the Cable & Wireless Communications Group may experience additional competition from new Internet service providers which are able to offer voice, messaging and content services directly to the Cable & Wireless Communications Group's customers and its networks and from pay-TV operators, which are able to offer fixed line and broadband services. For example, increasing customer take-up of free Voice over Internet Protocol (**VoIP**) services provided by Internet-based competitors could pose a risk to the Cable & Wireless Communications Group's fixed and mobile international voice calling revenue. In some markets, regulators may intervene to encourage additional access-based competition by means such as Local Loop Unbundling and mandated access to mobile networks as well as introducing other measures such as number portability. The impact of increased competition in the Cable & Wireless Communications Group's markets could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group may be adversely affected by poor local, national and worldwide economic conditions

With major operations in the Caribbean, Panama, Macau and Monaco & Islands, the Cable & Wireless Communications Group operates in 38 countries and offers mobile, broadband, domestic and international fixed line services to residential and business customers.

The Caribbean economy has suffered from the recent global recession due to its heavy reliance on tourism. In addition to the direct impact of fewer tourist visitors, the local economies in the Caribbean have suffered from the subsequent effects of falling gross domestic product and increasing unemployment. This has had an adverse effect on the Cable & Wireless Communications Group's revenue in the Caribbean and its profits. The other Cable & Wireless Communications Group businesses have seen a less significant impact of the global recession, although there has been some impact on revenue, in particular revenue from international voice services in part reflecting lower levels of tourism and other business activity in the Cable & Wireless Communications Group's other operating regions.

Should the poor economic conditions continue or recur, there may be resultant fluctuations in exchange rates, increases in interest rates or inflation and a further adverse effect on the Cable & Wireless Communications Group's revenue and profits. Recessionary pressures, including country specific issues, such as visa restrictions on Chinese mainland tourists travelling to Macau, could, among other things, affect products and services, the level of tourism experienced by some countries and local consumer and business expenditure on telecommunications. In addition, some of the Cable & Wireless Communications Group's operations are in developing economies, which historically have experienced more volatility in their general economic conditions. The impact of poor economic conditions at a local or national level in the countries in which the Cable & Wireless Communications Group operates or globally could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group may not be successful in renewing the necessary regulatory licences or other operating agreements needed to operate its businesses and such licences may be subject to termination, revocation or material alteration in the event of a breach or to promote public interest

The Cable & Wireless Communications Group believes that it has all the necessary regulatory licences and operating agreements that it needs to operate its present businesses. These licences are limited to a certain period of time—for example, the current licence to offer telecommunications services in Panama expires in 2016. Whilst the Cable & Wireless Communications Group actively engages with the applicable governments and regulators in advance of the expiry of its licences and operating agreements, there can be no guarantee that when such licences and operating agreements expire, the Cable & Wireless Communications Group will be able to renew them at all or on similar or commercially viable terms. Some of these licences may also include clauses which allow the grantor to terminate or revoke or alter them in the event of a default or to promote public interest. Failure of the Cable & Wireless Communications Group to hold or to continue to hold or obtain the necessary licences and other operating agreements required to operate its businesses could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group may not be successful in acquiring future spectrum or other licences that it needs to offer new mobile data or other services

The Cable & Wireless Communications Group currently offers mobile data services through the Global System for Mobile Communications (**GSM**) and UMTS licences in a number of markets. While these licences enable the Cable & Wireless Communications Group to offer mobile data services today, as technology develops and customer needs change, it may be necessary to acquire new spectrum licences in the future to provide the Cable & Wireless Communications Group with additional capacity and/or offer new technologies or services. While the Cable & Wireless Communications Group actively engages with regulators and governments to ensure that its spectrum needs are met, there can be no guarantee that future spectrum licences will be made available in certain or all territories or that they will be made available on commercially viable terms. Failure of the Cable & Wireless Communications Group to acquire necessary new spectrum licences or other required licences for new services or products could have a material adverse effect on the Cable & Wireless Communications Group's business, financial condition and/or operating results.

The Cable & Wireless Communications Group may be affected by unforeseen changes in regulation and government policy

The Cable & Wireless Communications Group's ability to provide telecommunications services depends in most countries on government licences, telecommunications regulations and applicable law in the markets in which it operates. Compliance with these licences and the applicable local laws will often require that the Cable & Wireless Communications Group companies obtain consents or approvals from regulatory authorities for certain activities.

Typically, telecommunications licences, including the Cable & Wireless Communications Group's licences, contain extensive obligations with which the licencee is required to comply. These licences also typically include provisions for the termination of the licences in specific circumstances, for example, the non-compliance with licence conditions or for the general public interest.

Future changes to regulation or a significant deterioration in the Cable & Wireless Communications Group's relationship with relevant regulators in the jurisdictions in which the Cable & Wireless Communications Group operates may have a material adverse effect on the Cable & Wireless Communications Group. Failure to acquire and retain the necessary consents and approvals or in any other way to comply with regulatory requirements or, alternatively, the costs to the Cable & Wireless Communications Group of complying with new or more onerous regulations and restrictions could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which the Cable & Wireless Communications Group operates

The Cable & Wireless Communications Group operates in multiple jurisdictions and its profits are taxed according to the tax laws of such jurisdictions. The Cable & Wireless Communications Group's effective tax rate may be affected by changes in tax laws or interpretations of tax laws in any given jurisdiction, including those tax laws relating to the utilisation of capital allowances, net operating losses and tax credit carry forwards, changes in geographical split of income and expense, and changes in management's assessment of matters such as the ability to realise deferred tax assets.

The Cable & Wireless Communications Group's effective tax rate in any given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. As a result, the Cable & Wireless Communications Group's effective tax rate may increase in future periods, which could have a material adverse effect on the Cable & Wireless Communications Group's financial results and, specifically, its net income, cash flow and earnings may decrease.

A number of the Cable & Wireless Communications Group's licences include change of control clauses that would result in the inability to operate in that location in the event of a change of control

A number of the Cable & Wireless Communications Group's operating licences include change of control clauses, which may be triggered by the sale of a business to which those clauses relate, or certain types of corporate restructuring. The Board believes that the Cable & Wireless Communications Group does not have any material operating licences which contain a change of control clause that may be triggered by the Scheme or the Demerger other than those in respect of which consent has been obtained. Notwithstanding the relationships the Cable & Wireless Communications Group has with local governments and regulators and the full range of legal resources at its disposal, some of these change of control clauses may restrict the Cable & Wireless Communications Group's strategic options, including the ability to complete any potential disposal of individual businesses, a combination of businesses or the entire Cable & Wireless Communications Group, and, if triggered, may lead to some licences being terminated, which could, in turn, have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

Technological changes in communication and information technology may render the Cable & Wireless Communications Group's products, services and supporting infrastructure obsolete or uncompetitive

The telecommunications industry is subject to rapid and significant changes in technology. Despite the strength of its existing networks and its investment in product development and supporting infrastructure, it is not possible to predict with certainty the effect of future technological changes and the associated licences on the industry and on the Cable & Wireless Communications Group's individual businesses. For example, as technology evolves, the Cable & Wireless Communications Group may need to obtain new and/or additional regulatory licences, or make significant investments to upgrade its existing networks to new technologies. Competitors may also acquire rights to newer and more competitive technologies not available to the Cable & Wireless Communications Group. Additionally, should items of mechanical and electrical plant remain in use beyond their anticipated service life, these assets may present a risk to service. Any such changes could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group relies on other telecommunications operators for network access and interconnection and is affected by the behaviour of other market participants that it does not own or control

Parts of the Cable & Wireless Communications Group's operations rely on access to networks that it does not own or entirely control. In these cases and in some cases where infrastructure such as mobile network towers is shared, the Cable & Wireless Communications Group's operations depend on other network operators to provide network access and interconnection services for the origination, carriage and/or termination of some of its telecommunications services.

If the Cable & Wireless Communications Group is unable to obtain and maintain the necessary interconnection and other transmission services in a timely fashion and on acceptable commercial terms in each country in which access to other telecommunications operators' networks is required to introduce or continue to offer its telecommunications services, this could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

Concerns about perceived or actual health risks related to mobile communications devices and facilities could have an adverse effect on the Cable & Wireless Communications Group

The Cable & Wireless Communications Group provides mobile services across many of its markets and also provides national and international network capacity to mobile operators. Research and studies into the health risks posed by mobile telephone handsets and transmission facilities are continuing. The Cable & Wireless Communications Group reviews scientific and medical research and studies, media, legal, regulatory and other developments, as well as the public perception of risk arising from the use of mobile telephone handsets.

New research and/or increased speculation regarding health risks associated with mobile telephone handsets and transmission facilities or any subsequent substantiation of such risks could have an adverse impact on the Cable & Wireless Communications Group's customer numbers or customers' usage of mobile devices or could expose the Cable & Wireless Communications Group to litigation, regulatory intervention and/or new legislation, each of which could materially adversely affect the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group is exposed to currency exchange and fluctuation risk

The Cable & Wireless Communications Group's business is conducted in a number of jurisdictions and in a number of foreign currencies, predominantly the US dollar and the euro (including currencies either linked or pegged to the US dollar or other currencies). It is also exposed to a number of other currencies, including sterling, the Jamaican dollar and the Seychelles rupee, some of which have been and may continue to be volatile or subject to devaluation, resulting from, among other things, inflationary pressure. It is also possible that currencies in which the Cable & Wireless Communications Group businesses operate which are currently pegged to the US dollar such as the Maldivian rufiyaa might be reset or floated, leading to volatility and/or devaluation. In addition, the income generated by the Cable & Wireless Communications Group is largely in US dollars while head office costs, pension fund commitments and coupons on the Existing Bonds are in sterling which exposes the Cable & Wireless Communications Group to the risk of further exchange rate changes. The Cable & Wireless Communications Group is therefore exposed to movements in exchange rates in relation to foreign currency receipts and payments, dividend and other income from foreign subsidiaries, reported profits of foreign subsidiaries and the net asset carrying value of foreign investments. The Cable & Wireless Communications Group manages and will continue to manage its exposure to movements in exchange rates. Should the Cable & Wireless Communications Group's activities not adequately manage such exposure, fluctuations in exchange rates could have a material adverse effect on the Cable & Wireless Communications Group's financial condition and/or operating results.

The Cable & Wireless Communications Group may be exposed to restrictions on the access to foreign currencies and the repatriation of funds

As the Cable & Wireless Communications Group generates cash in a number of overseas markets and in a number of currencies, if any jurisdiction in which the Cable & Wireless Communications Group, now or in the future, operates imposes restrictions on access to foreign currencies or the repatriation of funds, such restrictions, if any, could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

Risks relating to the Cable & Wireless Communications Group

Transformation initiatives by the Cable & Wireless Communications Group may not be successfully implemented or achieve the intended results

Since 2000, the vast majority of the Cable & Wireless Communications Group businesses have experienced liberalisation in the markets where they were previously the monopoly providers of all telecommunications products and services and liberalisation is expected to occur in certain of the other markets in which the Cable & Wireless Communications Group operates. In response, the Cable & Wireless Communications Group businesses are transforming themselves through business initiatives to enhance the customer experience, strengthen their competitive positions and improve their cost efficiency. For example, a key initiative is the "One Caribbean" transformation programme which was launched in 2008, in which 13 subsidiaries are being brought together under one management structure, with a single brand and a common set of products and services. This programme is complex as it involves, *inter alia*, managing and integrating the businesses of 13 sets of stakeholders.

Historically, the Cable & Wireless Communications Group has dedicated, and expects in the future to dedicate, significant resources to drive the transformation of its businesses, as well as integrating any businesses that it has acquired or may acquire in the future. As with all business transformation activities, implementation of these elements is complex, time-consuming and expensive, and failure of the Cable & Wireless Communications Group to execute the plans effectively or achieve the intended results could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

New sources of revenue growth may prove insufficient or fail to develop

New revenue sources, such as mobile value added services, pay-TV entertainment, managed services and enterprise solutions, are crucial to the Cable & Wireless Communications Group's strategy. If these revenue sources fail to develop as well as the Cable & Wireless Communications Group expects, revenue may fall as other core services reach full market penetration. To the extent that the Cable & Wireless Communications Group's new product development and marketing strategies are not wholly successful, this could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group may not accurately forecast demand for its products and/or services, and as a result, may have excess resources or suffer from resource shortages

The level of resources required in the Cable & Wireless Communications Group's business is sensitive to changes in the actual demand for Cable & Wireless Communications Group's services compared with forecasts of demand for such services. Accurate forecasting of demand in volatile and dynamic telecommunications sectors such as those in which the Cable & Wireless Communications Group operates can be very difficult, particularly in times of rapidly changing economic conditions and uncertain consumer demand. However, competition for customers drives telecommunications companies, including the Cable & Wireless Communications Group, to invest in capacity and new technologies. The Cable & Wireless Communications Group commits substantial capital expenditure each year to the development of its networks and technologies. If actual market conditions are less favourable than those projected, the Cable & Wireless Communications Group will have excess resources because actual customer demand will fall short of projected customer demand. This also exposes the Cable & Wireless Communications Group to the risk that it may be unable to recoup the investments it has made and to asset impairment charges. In times of growing demand, either generally or for particular services, the Cable & Wireless Communications Group may have insufficient resources and, as a result, may not be able to meet customer demand in a timely manner. Failure to meet customer needs may adversely affect customer relationships, weaken its competitive position and reduce the Cable & Wireless Communications Group's revenue and could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

After the Demerger, use of the "Cable & Wireless" brand will be shared by both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group

The value of the Cable & Wireless Communications Group's business depends, to a certain extent, upon the Cable & Wireless Trademarks. After the Demerger, both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group will share the use of the "Cable & Wireless" name and have ongoing rights to use the Cable & Wireless Trademarks.

The Cable & Wireless Communications Group currently protects the Cable & Wireless Trademarks and its other intellectual property rights through a variety of methods, including obtaining and maintaining registered intellectual property rights, maintaining the confidentiality of valuable technical information and the enforcement of its legal rights. Details of the ownership and rights to use the Cable & Wireless Trademarks are set out in the section entitled "*Cable & Wireless Communications Group Business—Intellectual Property Arrangements*".

Use of the Cable & Wireless Trademarks by the Cable & Wireless Worldwide Group could cause diminution in the value of the Cable & Wireless Trademarks. For example, the Cable & Wireless Trademarks could be damaged if they are used inappropriately or in respect of goods or services of a poor quality, or if there are complaints, adverse publicity or litigation affecting the Cable & Wireless Worldwide Group. It could also make it more difficult to enforce intellectual property rights in the Cable & Wireless Trademarks against third parties, for example if they are used in a descriptive manner, or if the distinctiveness of the Cable & Wireless Trademarks is diluted due to confusion among consumers. Consequently, both the value of the Cable & Wireless Trademarks to the Cable & Wireless Communications Group, and the Cable & Wireless Communications Group's business, could be negatively impacted by the use of the Cable & Wireless Trademarks by the Cable & Wireless Worldwide Group.

Prior to the Demerger Effective Time, the Cable & Wireless Communications Group will be granted rights under the Cable & Wireless Communications Licence to use the Cable & Wireless Trademarks in the Cable & Wireless Communications Territory and in relation to the "Cable & Wireless Globe" logo and the acronym "CWC" only, globally. The Cable & Wireless Communications Group is also authorised to use the Cable & Wireless Trademarks outside the Cable & Wireless Communications Territory in relation to its Carrier Business and for certain incidental uses and certain 'grandfathered' use on existing materials. Under the terms of the Cable & Wireless Communications Licence, the Cable & Wireless Communications Group is largely unrestricted in its use of the Cable & Wireless Trademarks within the Cable & Wireless Communications Territory but is restricted outside the Cable & Wireless Communications Territory as described in the section entitled "*Cable & Wireless Communications Group Business—Intellectual Property Arrangements*" of this document. Therefore, to the extent the Cable & Wireless Communications Group has activities outside the Cable & Wireless Communications Territory, it must, subject to these limited exceptions, operate under trademarks other than the Cable & Wireless Trademarks. As both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group have certain rights across the world to use the Cable & Wireless Trademarks in connection with their respective Carrier Businesses, this could cause confusion among customers and potential customers.

Under the terms of the Cable & Wireless Communications Licence, the Cable & Wireless Communications Group is largely unrestricted in its use of the Cable & Wireless Trademarks within the Cable & Wireless Communications Territory. The Cable & Wireless Communications Group's use of the Cable & Wireless Trademarks outside the Cable & Wireless Communications Territory is severely restricted, save for use in relation to its Carrier Business and for certain incidental use or certain grandfathered use. Therefore, to the extent the Cable & Wireless Communications Group has activities outside the Cable & Wireless Communications Territory which are not part of its Carrier Business, it must operate under trademarks other than the Cable & Wireless Trademarks. As both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group have rights across the world to use the Cable & Wireless Trademarks in connection with their respective Carrier Businesses, this could cause confusion among customers and potential customers.

Under the terms of the Cable & Wireless Communications Licence, the Cable & Wireless Communications Group is responsible, within the Cable & Wireless Communications Territory, and in relation to the "Cable & Wireless Globe" logo and the acronym "CWC" only, also outside the Cable & Wireless Communications Territory for prosecuting applications for registration and maintaining existing trademark registrations of the Cable & Wireless Trademarks at its own cost. The Cable & Wireless Communications Group could, through its own acts or omissions, fail to obtain the registration of trademark applications, allow registered trademarks to lapse or allow registered trademarks to become subject to challenges of invalidity (e.g. through non-usage of the registered trademark within the jurisdictions in the Cable & Wireless Communications Territory), thereby reducing the value of the Cable & Wireless Trademarks to the Cable & Wireless Communications Group. This could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group's joint ventures in which the Cable & Wireless Communications Group does not have management control may underperform

Despite representation on the boards of these companies, the Cable & Wireless Communications Group does not have management control of its five joint ventures. In the year ended 31 March 2009, the Cable & Wireless Communication Group's joint ventures contributed US$60 million or 9% to total operating profit of US$634 million. The Cable & Wireless Communications Group is therefore able to influence but not always control the performance or decisions made by these joint ventures, and, as such, a lack of business and management control may result in strategic differences with the Cable & Wireless Communications Group, poor performance of these businesses and constraints on their ability to distribute funds to the joint venture partners. The Cable & Wireless Communications Group seeks to influence positively the performance of the Cable & Wireless Communications Group's joint ventures through regular dialogue with key stakeholders, active engagement with local management, operational involvement where practicable and enforcing its rights under the shareholders' agreements and its representation on the boards of the relevant companies. The Cable & Wireless Communications Group's ability to exercise its rights under relevant shareholders' agreements and otherwise to influence the performance of its joint ventures may be additionally constrained by political factors, particularly in the case of joint ventures with the government in the relevant jurisdiction. Should these actions fail to mitigate the risk of the potential poor performance of the Cable & Wireless Communications Group's joint ventures successfully, this could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. The Cable & Wireless Communications Group's joint venture partners may also face financial difficulties which may prevent them from supporting the operations or from investing further capital in the joint venture.

The Cable & Wireless Communications Group's ability to dispose of investments in certain subsidiaries and joint ventures may be constrained

The Cable & Wireless Communications Group's investments in certain subsidiaries and joint ventures are subject to pre-emption rights which give the owners of such subsidiaries or joint venture companies the first option to acquire any shares in any such company that become available either on a resale or new issue. Should the Cable & Wireless Communications Group wish to dispose of its shares in any such company, such pre-emption rights may restrict a commercial tendering process for these shares and, therefore, reduce the maximum value realisable upon a disposal. In addition, the agreements governing the rights and obligations of the other shareholders may require the shares to be sold at a pre-determined price or at a price determined pursuant to a specified formula. For example, under the terms of the Dhiraagu (the Maldives) shareholders' agreement, any transfer of shares by a shareholder is subject to pre-emption rights, whereby the Cable & Wireless Communications Group has the obligation to first offer the relevant shares to the other shareholders at a price to be mutually agreed or otherwise determined by an independent accountant. Such price could be materially lower than the price that could be obtained through a third-party tendering process. This could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation and financial condition and/or operating results. Moreover, the Cable & Wireless Communications Group's ability to dispose of interests in certain subsidiaries and joint ventures may be constrained by political factors in a particular jurisdiction and the Cable & Wireless Communications Group may make decisions with regard to any such disposal based on political and commercial considerations rather than by reference to its legal or contractual rights. Any inability of the Cable & Wireless Communications Group to dispose of an interest in a subsidiary or joint venture at a time, at a price or to a third party of its choosing could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group's operations in some markets are constrained by political factors

The Cable & Wireless Communications Group operates in 38 countries. The governments in these countries differ widely with respect to structure, constitution, stability and level of regulation. Many of the Cable & Wireless Communications Group's operations depend on governmental approval and regulatory decisions and the Cable & Wireless Communications Group provides services to governmental organisations in certain markets. In addition, due to political pressure in a territory, the Cable & Wireless Communications Group may make decisions influenced by political and commercial considerations rather than fully exploiting its contractual or legal rights or all opportunities available to it. Accordingly, the operations of the Cable & Wireless Communications Group may be constrained by the relevant political environment and may be adversely affected by such constraints as well as by changes to the political structure or government representatives in any of the markets in which the Cable & Wireless Communications Group operates. In certain countries in which the Cable & Wireless Communications Group operates, political, security and economic changes may result in political and regulatory uncertainty and civil unrest. In addition, certain countries in which the Cable & Wireless Communications Group operates or in which the Cable & Wireless Communications Group may operate in the future, face significant challenges relating to lack, or poor condition, of physical infrastructure, including transportation, electricity generation and transmission. Such countries may also be subject to a higher risk of inflationary pressures which could increase the Cable & Wireless Communications Group's operating costs and decrease consumer demand and spending power. Each of these factors could, individually or in aggregate, have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group's ability to refinance its existing debt and raise new debt may be constrained

In addition to the Notes, the Cable & Wireless Communications Group currently has in issue two series of bonds which mature in 2012 and 2019 (the **Existing Bonds**), as well as bank facilities due for repayment in 2013 comprising a US$400 million revolving credit facility and a US$100 million term loan facility (the **New Credit Facilities**). The Cable & Wireless Communications Group does not need to refinance any of its existing debt until 2012, when certain of the Existing Bonds mature. Although the Cable & Wireless Communications Group is not reliant on the refinancing of existing debt, should the Cable & Wireless Communications Group's financial condition or general economic conditions at the relevant time prevent the Cable & Wireless Communications Group from successfully refinancing its existing debt, the Cable & Wireless Communications Group would have more limited access to funds in the longer term to finance its investment in the development of the business, any potential acquisitions and dividend payments. The failure to refinance its existing debt could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

For further details on the Cable & Wireless Communications Group's existing debt facilities, refer to the section entitled "*Cable & Wireless Communications Group Operating and Financial Review—Comparative Overview of Financial Condition—Aggregate contractual debt obligations*" and "*Description of Certain Financing Arrangements*".

The Cable & Wireless Communications Group's debt obligations require significant amounts of cash and impose certain covenants on the Cable & Wireless Communications Group

The Cable & Wireless Communications Group's credit facilities impose financial and other restrictive covenants that limit the ability of the Cable & Wireless Communications Group to, among other things, borrow additional funds, create security of assets and/or pay dividends. In addition, to the extent that Cable & Wireless Communications remains the principal debtor under the Convertible Bonds, the Convertible Bonds may, subject to a carve-out up to a specified threshold and certain other customary exceptions, restrict or limit the issuance by certain members of the Cable & Wireless Communications Group of secured capital markets indebtedness capable of being listed (or the giving of guarantees or indemnities in respect of secured capital markets indebtedness which is capable of being listed) unless the benefit of such security guarantee or indemnity, or similar security, guarantee or indemnity is extended to the Convertible Bonds or otherwise permitted in accordance with, and subject to, the terms of the Convertible Bonds. Cable & Wireless Communications is not required to issue any such capital markets indebtedness in the short term.

The Convertible Bonds also contain anti-dilution provisions related to capital distributions and extraordinary dividends which, subject to a threshold up to a specified yield in the case of extraordinary dividends, will require such distributions or a downward adjustment to the effective conversion price of the Convertible Bonds on the making or paying of dividends by Cable & Wireless Communications (see "*Description of Certain Financing Arrangements—Convertible Bonds*" for further information on the Convertible Bond negative pledge and anti-dilution provisions and the conditions under which Cable & Wireless Communications may remain the principal debtor under the Convertible Bonds).

In the case of the Notes, New Credit Facilities and the Existing Bonds and, subject to the above paragraph, the Convertible Bonds, the failure to comply with such covenants or other provisions may constitute an event of default. Such events of default may lead to the acceleration of the repayment of principal and accrued (but unpaid) interest under the Notes, New Credit Facilities and the Existing Bonds and/or the Convertible Bonds, as applicable, which could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. In addition, payment obligations on this indebtedness require significant amounts of cash, which may impact the Cable & Wireless Communications Group's operations.

If any financing arrangements (including the New Credit Facilities, Existing Bonds and, if applicable, the Convertible Bonds) were withdrawn or in default or the Cable & Wireless Communications Group was unable to meet accelerated repayment requirements triggered as a result of an event of default, this could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. In addition, a breach of the Cable & Wireless Communications Group's banking covenants could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. In the case of the Convertible Bonds, the failure to comply with such covenants and other provisions may constitute an event of default. Such events of default may lead to acceleration of the repayment of principal and accrued (but unpaid) interest under the Convertible Bonds which could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. In the event of a breach of covenant under the New Credit Facilities or Convertible Bonds, the Cable & Wireless Communications Group would seek to renegotiate the terms of the relevant debt or obtain a waiver in respect of any breach, but it may not be successful in such effort. In the event that the Cable & Wireless Communications Group is unable to meet its payment or other obligations under the Convertible Bonds, the Cable & Wireless Communications Group will seek to refinance the debt owed under the Convertible Bonds in order to repay the Convertible Bonds to the extent possible under their terms, or inter alia, buy back, cash settle or exchange the Convertible Bonds by means of an appropriate liability management transaction.

The Cable & Wireless Communications Group's credit facilities, the Existing Bonds and the Convertible Bonds are described in the section entitled "*Description of Certain Financing Arrangements*" of this document.

The funding requirements or obligations in respect of the defined benefit pension schemes may increase

The Cable & Wireless Communications Group operates defined benefit and defined contribution pension schemes for its current and former UK and overseas employees. The funding position of the Cable & Wireless Communications Group's defined benefit pension schemes will be affected by the investment performance of the pension funds' investments, the life expectancy of the schemes' members, changes in the actuarial assumptions used to assess the pension schemes' funding position, changes in the rate of inflation and interest rates, the Cable & Wireless Communications Group's financial position, as well as other changes in economic conditions.

Following the Demerger, the main UK defined benefit pension scheme, the Cable & Wireless Superannuation Fund, is expected to have a deficit. The deficit may increase or decrease based on a number of actuarial factors, changes to other assumptions and market conditions. Changes to the funding level may continue to require the Cable & Wireless Communications Group to increase its cash contributions to the Cable & Wireless Superannuation Fund on terms to be agreed with the trustee. Although the pension scheme deficit on the IAS 19 accounting basis is expressed in US dollars the ongoing scheme specific deficit and any contributions paid to the Cable & Wireless Superannuation Fund are paid in sterling, creating an exchange rate risk.

Furthermore, the trustee of the Cable & Wireless Superannuation Fund has the power to trigger the winding-up of the Cable & Wireless Superannuation Fund if the trustee resolves that it is in the best interests of the members of the Cable & Wireless Superannuation Fund as a whole. If the trustee were to use this power, the participating employers in the Cable & Wireless Communications Group would become liable by statute to make contributions to the pension scheme to remove any deficit calculated on the more conservative, buy-out basis, enabling the trustee of the Cable & Wireless Superannuation Fund to purchase individual annuity policies for all members of the Cable & Wireless Superannuation Fund.

The rules of the Cable & Wireless Superannuation Fund also give the scheme actuary a wide power to determine the contributions that the Cable & Wireless Communications Group is required to make to the Cable & Wireless Superannuation Fund. The next triennial actuarial valuation of the Cable & Wireless Superannuation Fund is due as at 31 March 2010, following which Cable & Wireless Communications will have, under statute, until 30 June 2011 to agree such valuation and any relevant contributions with the trustee of the Cable & Wireless Superannuation Fund. The Cable & Wireless Communications Group expects that the 31 March 2010 valuation will be completed on a basis consistent with, and that the approach taken to funding any deficit will be consistent with, that agreed with the trustee of the Cable & Wireless Superannuation Fund under the heads of terms signed on 20 January 2010. However, if the pension trustee and Cable & Wireless Communications are unable to agree the amount and timing of the relevant contribution by 30 June 2011, the process would be referred to the Pensions Regulator, who has certain powers to impose a specified rate of contribution upon, or make other orders applying to, Cable & Wireless Communications.

Beyond that timeframe, changes to the funding position of the pension schemes in the longer term may lead to the Cable & Wireless Communications Group being required to contribute additional funding to satisfy pension obligations (including any ongoing liability to the Cable & Wireless Worldwide defined benefit pension schemes). This could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group has credit facilities with interest payment obligations that could be affected by changes in interest rates

The Cable & Wireless Communications Group has senior bank facilities of US$500 million at variable interest rates, as described in the section entitled "*Description of Certain Financing Arrangements*" of this document. The Cable & Wireless Communications Group is, therefore, exposed to fluctuations in interest rates which could affect its profits. Should the Cable & Wireless Communications Group's financial performance not be sufficient to meet the associated interest and repayment obligations as well as the financial covenants, this would result in an event of default which, if not resolved or waived, may result in the relevant financing arrangement, and (as a result of cross-default provisions) other financing arrangements, being withdrawn and any outstanding indebtedness being repayable immediately. The Cable & Wireless Communications Group may not be able to repay such facilities which could have a material adverse effect on its business, reputation, financial condition and/or operating results. In addition, a breach of the Cable & Wireless Communications Group's banking covenants could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. In the event of a breach of covenant under any financing arrangement, the Cable & Wireless Communications Group would seek to renegotiate the terms of the relevant debt or obtain a waiver in respect of any breach, but it may not be successful in such effort.

Failures or interruptions may affect the Cable & Wireless Communications Group's network and/or information technology (IT) systems

The Cable & Wireless Communications Group's networks are a critical asset in providing its customers with efficient and extensive telecommunications services. The Cable & Wireless Communications Group is reliant on its IT systems for operation and management of its business, including its networks, the provision of services to its customers, customer billing and the provision of information regarding most aspects of its financial and operational performance. Like other telecommunications operators, the Cable & Wireless Communications Group's network and/or IT systems are vulnerable to interruption and damage from security breaches, software malfunction, terrorist action, power outages, human error or other factors outside its control. The Cable & Wireless Communications Group's network and/or IT systems are also vulnerable to interruption as a result of equipment failures particularly for ageing equipment.

The Cable & Wireless Communications Group has in place business continuity and disaster recovery plans including contingency equipment and suppliers, network monitoring and resilience plans. However, there can be no certainty that such plans and systems will be effective in the event that they need to be activated. The failure or interruption of all or part of the Cable & Wireless Communications Group's network and/or IT systems would restrict the Cable & Wireless Communications Group's ability to continue to operate at its current performance levels and may result in both the loss of customers and potential exposure to claims from customers based on loss of service. Should the Cable & Wireless Communications Group experience problems with the integrity of its data and the adequacy of some or all of the associated systems and processes, it could have an impact on its transformation initiatives and its ability to provide services and conduct its operations. Any insurance maintained to protect against certain of these risks may not be adequate to cover any loss suffered by the Cable & Wireless Communications Group, including lost sales or increased expenses. Each of these matters could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

Third parties may gain access to the Cable & Wireless Communications Group's network and/or sensitive data unlawfully

The Cable & Wireless Communications Group is dependent on third-party suppliers for equipment, network infrastructure, components and services, for example, it carries sensitive data across its networks globally on behalf of a number of its customers. Despite security management across the Cable & Wireless Communications Group's network, there is a risk that third parties may gain access unlawfully to the Cable & Wireless Communications Group's networks and/or highly sensitive data. Should steps that the Cable & Wireless Communications Group takes to prevent occurrences of this unlawful conduct be unsuccessful the Cable & Wireless Communications Group could become subject to regulatory actions, or its customers could seek to claim compensation for breach of the Cable & Wireless Communications Group's contractual obligations or, in severe cases, terminate their contracts with the Cable & Wireless Communications Group. Each of these matters could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group is reliant on third parties for certain support activities

The Cable & Wireless Communications Group has outsourced a number of support activities to third parties, including the provision of call centre services in Jamaica, St. Lucia, Panama and Monaco, the management of the stock of mobile handsets in Jamaica, the provision of key equipment and certain network operations contracts in Kosovo. The Cable & Wireless Communications Group has also entered into a Transitional Services Agreement with Cable & Wireless Worldwide pursuant to which each party provides the other with certain services. The specified services under the Transitional Services Agreement include services in respect of information technology, tax and networks and other services to be agreed. In the event that such third parties, including the Cable & Wireless Worldwide Group, fail to deliver contracted activities and services and the Cable & Wireless Communications Group's service to its customers is interrupted, this could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group also may not be able to recover monies paid to such third parties for their services or obtain contractual damages to which it may be entitled (if any) in such an event. This could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group is reliant on third-party standards and protocols

The Cable & Wireless Communications Group is reliant on third-party standards and protocols in its delivery of communication services. The operation of the Cable & Wireless Communications Group's business depends on the efficient and uninterrupted operation of communication networks. The Cable & Wireless Communications Group's mobile networks are predominantly based on GSM standards managed by the GSM Association and the Cable & Wireless Communications Group's IP networks are based on standards from IETF. These standards could be compromised due to various factors, including but not limited to, power loss, telecommunications failures, attacks, data corruption, security breaches, software malfunction, natural disasters or other acts not in its control. If either of these standards were to be compromised, or in the case of GSM, the encryption code breached, customers could lose faith in the integrity of the affected mobile networks and move to providers with alternative delivery methods such as CDMA where possible. Any compromise in third-party standards and protocols or customers moving to providers with alternative delivery methods could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results of the affected telecommunications companies, including the Cable & Wireless Communications Group.

The Cable & Wireless Communications Group is exposed to the risks of internal fraud or illegal activities by third parties

The Cable & Wireless Communications Group expects to maintain an effective system of internal controls after the Demerger; however, any failure to implement such controls may result in the Cable & Wireless Communications Group not being able to report its financial results accurately or prevent fraud. Current and potential stakeholders could therefore lose confidence in the Cable & Wireless Communications Group's financial reporting, which would harm its business and the trading price of its securities. In addition, third parties may also utilise the Cable & Wireless Communications Group's communications networks for illegal activities which are beyond its control or subject them to damage, theft or other loss. For example, hackers could use the Cable & Wireless Communications broadband services to hack into websites and Internet accounts, or broadband users could download music content illegally. Any such fraudulent or illegal activities could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that any company in the Cable & Wireless Communications Group with securities admitted to the Official List will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Cable & Wireless Communications Group may be adversely affected by any failure to protect or any infringement on its intellectual property rights, or may infringe on the proprietary intellectual property rights of others

The Cable & Wireless Communications Group uses its intellectual property rights in several different countries, and it cannot be certain that the steps that have been taken to protect its intellectual property rights, including its trademarks know-how and inventions, will be adequate or that third parties will not infringe or misappropriate its intellectual property rights. While the Cable & Wireless Communications Group intends to enforce its intellectual property rights vigorously, it may not be successful in doing so and there can be no assurance that despite internal controls, the Cable & Wireless Communications Group may inadvertently infringe or misappropriate the intellectual property rights of third parties. In the communications industry, fast evolving technologies and know-how may increase the risk of such inadvertent violations by the Cable & Wireless Communications Group or by third parties. Any such infringement or misappropriation of, and/or absence of strong legal protection for, its intellectual property rights could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. For further details of any material litigation in which the Cable & Wireless Communications Group is engaged, see the section entitled "*Cable & Wireless Communications Group Business—Material Litigation*".

The Cable & Wireless Communications Group's success depends on attracting and retaining highly skilled and qualified management and employees and the Cable & Wireless Communications Group could suffer material adverse effects if it fails to do so

The recruitment and retention of highly skilled management and employees is important to the Cable & Wireless Communications Group's success. The number of suitable employees at higher levels may be limited, especially in certain geographic locations, and key employees, many of whom have significant experience within the Cable & Wireless Communications Group and the telecommunications sector, may be difficult to replace. There can be no certainty that the Cable & Wireless Communications Group's succession planning, retention policies and incentive plans will be successful in attracting and retaining the right calibre of key employees and management. The failure to retain and attract key employees and management could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

Exposure to industrial action by the Cable & Wireless Communications Group's employees could affect the Cable & Wireless Communications Group's operations

In parts of the Cable & Wireless Communications Group's operations where there is significant union representation (for example, in some countries in the Caribbean, most notably Trinidad and Tobago and Barbados), the Cable & Wireless Communications Group's businesses may be exposed to the risk of industrial action by its employees. In the last 12 months there has been significant union activity, including the threat of strike action in Barbados relating to proposed redundancies in LIME and in Trinidad and Tobago relating to proposals for changes to working arrangements in TSTT. The Cable & Wireless Communications Group has developed industrial relations programmes and formal and informal employee communication channels, and regularly consults with employees and their representatives on issues that affect them. However, the risk of industrial action remains and may become more pronounced in connection with the transformation programmes, and any such action could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group's operations could be affected by natural disasters or climate change

The Cable & Wireless Communications Group's business operations are subject to interruption by natural disasters, including, but not limited to, hurricanes, fire, floods and earthquakes and other events beyond its control. As the Cable & Wireless Communications Group operates in certain jurisdictions in which existing infrastructure and telecommunications equipment (such as cables) may not be able to withstand a major natural disaster and/or in which emergency response time may be significant, prolonged recovery time could be required to resume operations. Moreover, the Cable & Wireless Communications Group operates in jurisdictions susceptible to natural disasters, in particular, the Caribbean, which pose a seasonal risk to its business operations. For example, in September 2004, Hurricane Ivan hit the Cable & Wireless Communications Group's operations in Grenada, Jamaica and the Cayman Islands. This had a major impact on the Cable & Wireless Communications Group's network, operations and employees in these markets, with the required restoration work incurring significant time and cost to complete. The Cable & Wireless Communications Group has in place disaster recovery plans. However, there can be no certainty that such natural disasters will not cause loss and/or damage in spite of the disaster recovery plans and failure to activate such plans effectively could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. Certain countries in which the Cable & Wireless Communications Group operates are exposed to the developing threat of climate change. For example, in the past, the Maldives has experienced tidal surges and flooding that may have been caused in part by climate change. In the future, certain countries in which the Cable & Wireless Communications Group operates may be affected by the environmental impacts of climate change, such as raised sea and air temperatures, extreme weather conditions or food shortages, which, in turn, could have an effect on the habitability of these countries and the cost and feasibility of providing telecommunications services. These consequences may have a material adverse effect on the Cable & Wireless Communications Group's business, financial condition and operating results. Any insurance maintained to protect against certain of these risks may not be adequate to cover losses suffered by Cable & Wireless Communications Group, including lost sales or increased expenses.

The Cable & Wireless Communications Group may be adversely affected by complaints, litigation and adverse publicity

The Cable & Wireless Communications Group may be adversely affected by complaints and litigation including from customers, competitors or regulatory authorities, as well as any adverse publicity that the Cable & Wireless Communications Group may attract. The risk of litigation being brought against the Cable & Wireless Communications Group is higher in certain areas in which it operates, notably Panama and the Caribbean. For example, the Cable & Wireless Communications Group is currently involved in litigation proceedings with a Caribbean competitor (for further information see the section entitled "*Cable & Wireless Communications Group Business—Material Litigation*"). Any litigation, complaints or adverse publicity could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

A number of estimates and assumptions have been used in the preparation of the Cable & Wireless Communications Group's consolidated financial statements

The preparation of the Cable & Wireless Communications Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. These estimates and assumptions form the basis of judgments about the carrying values of assets and liabilities that are not readily available from other sources. Should the actual results differ from these estimates and assumptions, this could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Communications Group's operations, facilities, products and employees are subject to a wide range of health and safety regulations and concerns

The Cable & Wireless Communications Group is subject to certain environmental, health and safety laws and regulations that affect its operations, facilities, products and employees in each of the jurisdictions in which it operates. There is a risk that the Cable & Wireless Communications Group may have to incur expenditures to cover environmental and health liabilities to maintain compliance with current or future environmental, health and safety laws and regulations or to undertake any necessary remediation.

In addition, certain employees or contractors of Cable & Wireless Communications Group may be required to work under extreme or dangerous conditions (for example, heights or weather) or in extreme or dangerous locations. The Cable & Wireless Communications Group is subject to potentially material liabilities, including those related to personal injuries or property damage, that may result from working under extreme or dangerous conditions or in extreme or dangerous locations.

Until the Demerger Effective Time, the Cable & Wireless Worldwide Group will be a part of the Cable & Wireless Group. The Demerger may not occur. Therefore, in addition to the risks set forth below, see "*Annex A – Risk Factors relating to the Cable & Wireless Worldwide Group*".

Risks relating to the Demerger Proposals

The Demerger Proposals may not be approved and the Demerger may not complete

Completion of the Demerger Proposals is subject to the satisfaction of a number of conditions precedent, including the approval of the Scheme at the Court Meeting and the approval of the Scheme, the Demerger Proposals and the certain incentives proposals by the Cable and Wireless plc Ordinary Shareholders at the General Meeting, details of which are contained in paragraph 3.4 of Part V: *"Explanatory Statement*" of the Cable and Wireless plc Circular. If the Cable and Wireless plc Ordinary Shareholders do not approve the Scheme at the Court Meeting or the Court fails to sanction the Scheme or confirm the Cable and Wireless plc Reduction of Capital, Cable & Wireless Communications will not be inserted as a new holding company and the Demerger will not complete. If the Court does not approve the Cable & Wireless Communications Reduction of Capital, the Demerger will not complete. If completion of the Demerger does not occur in part or in whole, then the Cable & Wireless Communications Group may experience a delay in the execution of its strategic objectives and may be unable to realise the benefits for Cable & Wireless Communications Shareholders that the Directors believe will result from the Demerger.

The Demerger may not occur even after the Scheme has become effective

Although the Demerger Proposals are intended to be implemented in full, in the unexpected event that the Demerger does not occur after Cable & Wireless Communications has become the new holding company of the Cable & Wireless Group pursuant to the Scheme, the Cable & Wireless Communications 'B' Shares held by the Cable & Wireless Communications Shareholders will not be cancelled and Cable & Wireless Communications Shareholders will not receive Cable & Wireless Worldwide Ordinary Shares. If the Demerger does not become effective by the Demerger Long Stop Date, the Cable & Wireless Communications 'B' Shares will be redenominated, reorganised and reclassified as Cable & Wireless Communications Ordinary Shares, such redenomination, reorganisation and reclassification subject only to Admission of those shares to the Official List and to trading on the London Stock Exchange.

The Demerger Long Stop Date has been set by the Cable and Wireless plc Board based on its determination of the minimum practicable period necessary for Cable & Wireless Communications to convene the Demerger Court Hearing and, in the event any objections or issues are raised at such Demerger Court Hearing, to enable it to have an opportunity to respond to such objections or issues. The relevant resolutions to effect the redenomination, reorganisation and reclassification of the Cable & Wireless Communications 'B' Shares should the Demerger not become effective will be passed prior to the Scheme Effective Time, and will be conditional on announcement by Cable & Wireless Communications on an RIS that the Demerger will not proceed. The Demerger Agreement requires Cable and Wireless plc to notify Cable & Wireless Communications by no later than the Demerger Long Stop Date if the Demerger will not be effective by such date and, upon receipt of such notice, Cable & Wireless Communications must forthwith announce on an RIS that the Demerger will not proceed.

In such case, a new application for Admission of the additional Cable & Wireless Communications Ordinary Shares into which the Cable & Wireless Communications 'B' Shares will be redenominated, reorganised and reclassified will be made as soon as reasonably practicable after such announcement has been made and, in any event, no later than 5 Business Days after the date of such announcement.

The Cable & Wireless Communications Group may not realise the anticipated benefits of the Demerger

There can be no guarantee that the Cable & Wireless Communications Group will realise any or all of the anticipated benefits of the Demerger, either in a timely manner or at all.

For example, although the Cable & Wireless Communications Group expects that the Demerger will result in benefits to it as a standalone entity, the Cable & Wireless Communications Group may not realise those benefits because of the challenges relating to operating as a standalone business. These challenges include completing the separation of the Cable & Wireless Worldwide Group from the Cable & Wireless Communications Group, retaining key employees, retaining existing and attracting new customers, implementing and maintaining sufficient internal controls, procedures and policies to operate as a standalone business, potential disruption of the Cable & Wireless Communications Group's continuing operations and distraction of its management, difficulty in effectively marketing and communicating the capabilities of each standalone company, the potential need to demonstrate to customers that the Demerger will not result in adverse changes in customer service standards or in a company's business, impairment of relationships with employees, suppliers or customers as a result of the Demerger and the ongoing implications of sharing the Cable & Wireless Trademarks. Any failure of the Cable & Wireless Communications Group to meet the challenges involved in operating as a standalone business or to realise any of the anticipated benefits of the Demerger could harm the business. This could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results.

The financial results of the Cable & Wireless Communications Group after the Demerger may be more volatile than those of the Cable & Wireless Group before the Demerger

Cable and Wireless plc currently benefits from diversification, resulting from operating the business of the Cable & Wireless Worldwide Group alongside the business of the Cable & Wireless Communications Group. These two businesses operate in different geographical markets with different target customers, which tends to moderate financial and operational volatility. Following the Demerger, that diversification will end and the Cable & Wireless Communications Group may demonstrate increased volatility in its operations and/or financial results.

The Demerger Proposals may give rise to unanticipated tax consequences

Cable and Wireless plc has undertaken tax due diligence to identify the likely tax treatment of the Demerger Proposals and has structured the Demerger Proposals so as to reduce any adverse tax consequences. However, tax law and practice can be subject to differing interpretations and, in some jurisdictions, the tax authorities are entitled to exercise discretion in how the tax law should be applied in certain cases. Consequently, the Cable & Wireless Communications Group is not able to guarantee that the tax authorities in each jurisdiction in which companies in the Cable & Wireless Communications Group have a taxable presence will interpret or apply the relevant tax law and practice in the manner in which the Cable & Wireless Communications Group anticipates and this may give rise to adverse consequences.

The Cable & Wireless Communications Group will have significant indemnification and guarantee obligations in favour of the Cable & Wireless Worldwide Group after the Demerger

The Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group have entered into certain Demerger Transaction Agreements, as described in "*Cable & Wireless Communications Group Business—Material Contracts*", that govern the allocation of the assets and liabilities of the businesses, their post-Demerger obligations to each other in respect of, among other things, taxes and transitional services and their respective guarantee and indemnity obligations. Subject to certain conditions contained in such agreements, each of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group has agreed to indemnify the other and provide guarantees in favour of the other in respect of certain liabilities associated with the indemnifying or guarantor party's business prior to the Demerger. The amounts payable by the Cable & Wireless Communications Group pursuant to such indemnity obligations or guarantees could be significant and could have a material adverse effect on the Cable & Wireless Communications Group's business, reputation, financial condition and/or operating results. See "*Cable & Wireless Communications Group Operating and Financial Review—Off balance sheet arrangements*" for further information.

Risks relating to the Notes

The Cable & Wireless Communications Group requires a significant amount of cash to make payments on the Notes and to service its debt; its ability to generate sufficient cash depends on a number of factors, many of which are beyond its control

The Cable & Wireless Communications Group's ability to make payments on and to refinance its debt will depend on its future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond the its control, as well as the other factors discussed herein.

Historically, the Cable & Wireless Communications Group has met its debt service and other cash requirements with cash flows from operations and borrowing facilities. Although the Cable & Wireless Communications Group's expected cash flows from operating activities, together with cash on hand and available borrowing facilities, is believed to be adequate to meet its anticipated liquidity and debt service needs, there is a risk that in the future the Cable & Wireless Communications Group's business will not generate sufficient cash flows from operating activities, or that future financing will not be available to it in an amount sufficient to enable it to pay its debts when due, including the Notes, or to fund its other liquidity needs. See "*Cable & Wireless Communications Group Operating and Financial Review*" and "*Capitalisation*". If the Cable & Wireless

Communications Group's future cash flows from operations and other capital resources are insufficient to pay its obligations as they mature or to fund its liquidity needs, it may be forced to reduce or delay its business plan, and capital expenditures; sell assets; obtain additional debt or equity capital; or restructure or refinance all or a portion of its debt, including the Notes, on or before maturity.

There is a risk that the Cable & Wireless Communications Group would not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. If it obtains additional debt financing, the related risks it now faces will increase.

The Cable & Wireless Communications Group may incur additional indebtedness both prior to and following the completion of the Demerger

The terms of the indenture governing the Notes and the New Credit Facilities will limit the circumstances in which the Cable & Wireless Communications Group may incur additional indebtedness, but will not prohibit it from doing so. Consequently, the Cable & Wireless Communications Group may incur additional indebtedness both prior to and following the completion of the Demerger. Any such incurrence of additional indebtedness could inhibit the Cable & Wireless Communications Group's ability to pursue its business strategies.

Agreements governing the Cable & Wireless Communications Group's New Credit Facilities may restrict the Cable & Wireless Communications Group's ability to pursue its business strategies

The New Credit Facilities will include restrictive covenants and will require the Cable & Wireless Communications Group to maintain compliance with specified financial ratios. The Cable & Wireless Communications Group's ability to comply with ratios may be affected by events beyond its control. A breach of any of these restrictive covenants or the Cable & Wireless Communications Group's failure to comply with the required financial ratios could result in a default under the agreement governing its New Credit Facilities. If a default occurs, the lenders under the Cable & Wireless Communications Group's New Credit Facilities may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable, which would result in an event of default under the Notes. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If the Cable & Wireless Communications Group is unable to repay certain borrowings when due, the lenders under its New Credit Facilities will also have the right to claim against the collateral granted to them to secure the indebtedness. If the payments under the Cable & Wireless Communications Group's New Credit Facilities and the Notes were to be accelerated, it cannot assure you that its assets would be sufficient to repay in full that indebtedness, including the Notes. See "*Description of Certain Financing Arrangements*".

The Issuer is a finance company which will depend on payments under various intercompany loans to provide it with funds to meet its obligations under the Notes and the Guarantors are holding companies without independent operations

The Issuer is a wholly-owned finance company that conducts no business operations. It has limited assets, no subsidiaries and a limited ability to generate revenues. Upon completion of the offering of the Notes, the only significant assets of the Issuer will be various intercompany loans. The Issuer's material liabilities will include the Notes and the obligations under the New Credit Facilities and any additional debt it may incur under the Indenture in the future, see "*Description of Notes*". As such, the Issuer will be dependent upon payments from other members of the Cable & Wireless Communications Group to make any payments due on the Notes. If these other members of the Cable & Wireless Communications Group fail to make scheduled payments on these intercompany loans, it is not expected that the Issuer will have any other sources of funds that would allow it to make payments on its indebtedness. In addition, the Guarantors are holding companies that conduct no independent business operations.

Each of the Notes and the Guarantees are subject to restrictions on enforcement

Unless the aggregate amount committed or funded under the secured debt of the Issuer and the Guarantors (excluding debt represented by the Notes) represents less than 20% of the aggregate outstanding principal amount of the total secured debt (including the Notes), except with the prior consent of or as required by more than 66⅔% of the senior creditors excluding the holders of the Notes, neither the trustee nor the holders of the Notes may take enforcement action with respect to the Notes or any Guarantee unless and until:

- an insolvency event in respect of the Issuer or a Guarantor is continuing, except that enforcement action may only be taken in relation to that Issuer or Guarantor;

- an event of default as defined in the indenture is continuing and the security trustee has received a notice of the relevant event of default specifying the circumstances of that event of default from the trustee and a period of not less than 179 days has elapsed from the date that notice was given to the security trustee;
- any enforcement action is taken by creditors under the outstanding secured debt in respect of any Guarantor or the Issuer, except that the trustee and the holders of the Notes may only take the same or equivalent enforcement action as that taken by the relevant finance parties against such Guarantor or the Issuer;
- an event of default in respect of non-payment on the Notes has occurred and is continuing in relation to the non-payment in excess of US$500,000 (or its equivalent), following which the trustee and/or the holders of the Notes may either take (i) action to demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of the Notes or demand for payment under any Guarantee or (ii) any other Enforcement Action in respect of the unpaid sum only (other than any action to petition for an insolvency event in relation to any member of the Group or any other obligor), except to the extent such action is of the type set forth in the preceding clause (i)); or
- on the originally scheduled maturity date, any amount owing under the relevant Notes has not been repaid and remains outstanding.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement—Enforcement Action*".

Your rights to enforce remedies with respect to the collateral securing the Notes and the Guarantees are limited as long as any senior bank debt is outstanding

The Notes will be secured by the same collateral securing the New Credit Facilities. In addition, under the terms of the indenture governing the Notes, the Cable & Wireless Communications Group will be permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the collateral securing the Notes and the liens on the collateral securing its other senior secured credit facilities.

The Intercreditor Agreement provides that a common security trustee, who will serve as the security trustee for the secured parties under the New Credit Facilities and the Notes and will (subject to certain limited exceptions) act with respect to such collateral only at the direction of the creditors with respect to the then outstanding secured debt, other than holders of the Notes and any additional notes subject to the Intercreditor Agreement (**Additional Notes**), (including creditors under the New Credit Facilities) until the aggregate amount committed or funded under such secured debt is less than 20% of the aggregate principal amount of all committed or funded secured debt (including the Notes and any Additional Notes) or until after the expiration of a 179-day enforcement standstill. At any time in which the secured debt (other than debt under the Notes and any Additional Notes) is less than 20% of the aggregate amount of secured debt, creditors holding 66⅔% of the aggregate amount of outstanding secured debt (including the Notes and any Additional Notes) will be able to instruct the security trustee to enforce the security. In addition, after the expiration of the above referenced standstill period, to the extent that the security trustee is not taking enforcement action, creditors holding 66⅔% of the total amount of outstanding secured debt (including the Notes and any Additional Notes) will be able to instruct the security trustee to enforce the security. Until the expiration of the above referenced standstill period, the creditors and the agent under the secured debt (other than the Notes and any Additional Notes) including the creditors and agents under the New Credit Facilities will have (subject to certain limited exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to such collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". As a result, the holders of the Notes will not be able to force a sale of such collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents until the expiration of the applicable standstill period for so long as any amounts under other senior debt remain outstanding in an amount greater than 20% of the aggregate principal amount of total secured debt (including the Notes and any Additional Notes). The creditors under other secured debt (including the New Credit Facilities) may have interests that are different from the interests of holders of the Notes and they may not elect to pursue their remedies under the security documents at a time when it would otherwise be advantageous for the holders of the Notes to do so.

In addition, if the Security Trustee sells the shares of Cable & Wireless Communications Group's subsidiaries that have been pledged as collateral through an enforcement of their security interest in accordance with the Intercreditor Agreement, claims under the Guarantees and the liens over any other assets securing the Notes and each Guarantee may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement".* See "*Description of Notes—Security".*

Your ability to recover under the share pledges constituting the collateral securing the Notes may be limited

Ratable first priority interests in the shares pledged as collateral have been granted for the benefit of creditors under the New Credit Facilities and ratable first priority interests may be granted for the benefit of the creditors of additional debt that may be incurred in the future.

The holders of obligations secured by the existing liens on the collateral will be entitled to receive proceeds from any realisation of the collateral to repay their obligations in addition to the holders of the Notes. The Issuer cannot assure you that, in the event of a sale or other disposition in connection with an enforcement action, the proceeds from the sale of all of such collateral would be sufficient to satisfy the amounts outstanding under the Notes and other obligations secured by first priority liens on the collateral. If the amount of proceeds recovered from such a sale or other disposition is less than the aggregate amount of the obligations secured by such collateral, the holders of Notes will not fully recover (if at all) under such collateral and the holders of the Notes (to the extent not repaid from the proceeds of the sale of the collateral) would have only an unsecured claim against the remaining assets, which claim will rank equal in priority to the unsecured claims with respect to any unsatisfied portion of the obligations owed by the Issuer and Guarantors under their other unsecured senior indebtedness. As of 30 September 2009, on an adjusted basis giving effect to the issuance of the Notes and the New Credit Facilities, no indebtedness would have been outstanding under the New Credit Facilities and US$500 million would have been available for additional borrowing under the New Credit Facilities. Under the indenture governing the Notes, the Cable & Wireless Communications Group could also incur additional indebtedness secured by first priority liens so long as such liens are securing indebtedness permitted to be incurred by the covenants described under "*Description of Notes—Certain Covenants*" and certain other conditions are met. The Cable & Wireless Communications Group's ability to designate future debt as first priority secured, and to enable the holders thereof to share in the collateral on a first priority basis with holders of the Notes and lenders under its New Credit Facilities, may have the effect of diluting the ratio of the value of such collateral to the aggregate amount of the obligations secured by the collateral.

No appraisals of any collateral have been prepared in connection with this offering. The value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers. By their nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value, and its value to other parties may be less than its value to the pledgors. The Issuer cannot assure you that the fair market value of the collateral as of the date of this offering memorandum exceeds the principal amount of the debt secured thereby. The value of the assets pledged as collateral for the Notes may decline over time and could be impaired in the future as a result of changing economic conditions, the Cable & Wireless Communications Group's failure to implement its business strategy, competition and other future trends, as well as by the incurrence of additional debt secured by the collateral. The shares that constitute collateral are shares in holding companies of the Cable & Wireless Communications Group and may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to any operating company of the Cable & Wireless Communications Group because all of the obligations of the relevant operating company must be satisfied prior to distribution to their respective equity holders. As a result, the creditors secured by a pledge of the shares of a holding company may not recover anything of value in the case of an enforcement sale.

Your rights in the collateral may be adversely affected by the failure to perfect security interests in collateral

Applicable law requires that a security interest in certain assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens in the collateral securing the Notes may not be perfected with respect to the claims of the Notes if the security trustee is not able to take the actions necessary to perfect any of these liens on or prior to the date of the indenture governing the Notes. The Issuer and the Guarantors have limited obligations to assist the security trustee in perfecting the noteholders' security interest in specified collateral. There can be no assurance that the trustee or the security trustee for the Notes will monitor, or that the Cable & Wireless Communications Group will inform such trustee or security trustee of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. The security trustee for the Notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in the collateral or the priority of the security interest in favour of the Notes against third parties.

The Notes and each of the Guarantees will each be structurally subordinated to the liabilities and preference shares (if any) of Cable & Wireless Group's non-guarantor subsidiaries

As of the Issue Date, no operating companies will guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors and preference shareholders (if any), will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by noteholders under the Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the non-guarantor subsidiaries. At 30 September 2009, the indebtedness of the non-guarantor subsidiaries of the Cable & Wireless Communications Group (other than the unsecured Existing Bonds due 2019 issued by Cable & Wireless International Finance B.V. and guaranteed by Cable and Wireless plc) was US$220 million. In addition, the Indenture will allow the non-guarantor subsidiaries to incur more debt in the future.

Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability

As of the Issue Date, each Guarantor will guarantee the payment of the Notes on a senior basis. Each Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture will provide that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee voidable or otherwise ineffective under applicable law and enforcement of each Guarantee would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, insolvency or bankruptcy challenges, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could subordinate or void the Guarantees and, if payment had already been made under a Guarantee, require that the recipient return the payment to the relevant Guarantor, if the court found that:

- the relevant Guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Guarantee;
- the Guarantor did not receive fair consideration or reasonably equivalent value for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalised or became undercapitalised because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee were held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

The measure of insolvency for purposes of insolvency or bankruptcy challenges varies depending on the law applied. For example, generally, a company incorporated in the UK or the Cayman Islands would be considered insolvent if it is demonstrated that it was unable to pay its debts as they become due. If a court decided that either a Guarantee was a fraudulent conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of the other Guarantor under the relevant Guarantee which has not been declared void.

The insolvency laws to which the Issuer and Guarantors are subject pose certain risks for holders of the Notes

The Issuer is registered in the Cayman Islands as a limited company and is therefore subject to the insolvency laws of the Cayman Islands. Under the insolvency laws of the Cayman Islands, a transaction entered into by a Cayman company may be invalid or voidable in certain circumstances. Similarly, the Guarantors are all incorporated in England, maintain their registered offices and conduct the administration of their respective interests on a regular basis in England and Wales. On the basis of those factors, an English court would be likely to conclude those entities have their "centre of main interests" (**CoMI**) in England, within the meaning of Council Regulation (EC) No 1346/2000 of 29 May 2000 on Insolvency Proceedings (the **EU Insolvency Regulation**), and therefore determine that those entities are eligible to commence insolvency proceedings in England that would constitute "main insolvency proceedings" under article 3(1) of the EU Insolvency Regulation. English law would apply to such main insolvency proceedings, subject to particular exceptions set out in the EU Insolvency Regulation. Under English insolvency law, a transaction entered into by an English company may also be invalid or voidable in certain circumstances (described below).

Under the insolvency law of the Cayman Islands, if a company formed and registered in the Cayman Islands enters into a transaction at a time when it was unable to pay its debts (as defined in section 93 of the Companies Law (2009 Revision) of the Cayman Islands) with a view to giving a creditor of the company a preference over the other creditors of the company, that transaction is invalid if liquidation proceedings are commenced against the company within 6 months of that transaction. In addition, any disposition of property made by a company for no consideration (or for a consideration worth significantly less than the value of the property subject to that disposition) with the intent to defraud its creditors (which is defined as "an intention wilfully to defeat an obligation owed to a creditor") is voidable at the instance of the liquidator or a creditor of the company. A liquidator or creditor of the company must bring such an action within 6 years of the relevant disposition. The Issuer believes that the Issuer's entry into the transactions contemplated by this offering memorandum (including, without limitation, the issue of the Notes) will not amount to giving a creditor of the Issuer a preference over the other creditors of the Issuer and is not made with an intention to defraud its creditors. However, there can be no assurance that the issuance of the Notes will not be challenged or that a court would support the Issuer's analysis.

The insolvency laws of the Cayman Islands empower the courts of the Cayman Islands to appoint a provisional liquidator of a company on an *ex parte* application by the company if the company is, or is likely to become, unable to pay its debts (as defined in section 93 of the Companies Law (2009 Revision) of the Cayman Islands) and the company intends to present a compromise or arrangement to its creditors. A provisional liquidator may also be appointed if there are prima facie grounds for the making of a winding up order and the appointment of a provisional liquidator is necessary in order to prevent the dissipation or misuse of the company's assets, the oppression of minority shareholders or misconduct or mismanagement by the company's directors. Once a provisional liquidator has been appointed, no suit or action can be continued or commenced against the company except with the leave of the court. If a provisional liquidator were to be appointed over the Issuer, the Cayman courts may not allow enforcement of the Notes while the provisional liquidator is in office.

Under the insolvency laws of the Cayman Islands, certain preferential claims against a company, including certain sums payable to, and in respect of, employees of the company, annual fees due to the Government of the Cayman Islands from the company and all expenses properly incurred in the winding up of the company may, while ranking behind the claims of holders of fixed security granted by the company, rank ahead of other creditors of the company.

Under the insolvency laws of the Cayman Islands, once compulsory insolvency proceedings are commenced against a company (which lead to a winding up order being made against the company) any transfer of shares in the company, or alteration in the status of the company's members made after commencement of those insolvency proceedings, is void unless the court otherwise orders. In addition, once voluntary insolvency proceedings are commenced against a company, any transfer of shares in the company not sanctioned by the liquidator of the company, and any alteration in the status of the company's members, is void. These provisions may restrict any ability to enforce the pledge over the shares in the Issuer.

As set out above, and for the reasons set out above, English insolvency laws would be likely to apply to the Guarantors. Under English insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to unwind a transaction entered into by such company, if such company was unable to pay its debts (as defined in section 123 of the Insolvency Act) at the time of, or as a result of, the transaction and enters into liquidation or administration proceedings within two years of the completion of the transaction. A transaction might be subject to a challenge if it was entered into by a company "at an undervalue", that is, it involved a gift by the company or the company received consideration of "significantly less" value than the benefit given by such company. However, a court generally will not intervene if a company entered into the transaction in good faith for the purpose of carrying on its business and at the time it did so there were reasonable grounds for believing the transaction would benefit such company.

Accordingly, under English insolvency law a liquidator or administrator of one of the Guarantors could apply to the court to unwind the issuance of its guarantee if such liquidator or administrator believed that issuance of such guarantee constituted a transaction at an undervalue. The Issuer believes that each guarantee will not be provided by the Guarantors in a transaction at an undervalue and that each guarantee will be provided in good faith for the purposes of carrying on the business of the relevant Guarantor and its subsidiaries and that there are reasonable grounds for believing that the transactions will benefit each such subsidiary Guarantor. However, there can be no assurance that the provision of the Guarantees will not be challenged by a liquidator or administrator or that a court would support the Issuer's analysis.

If the liquidator or administrator can show that a Guarantors has given "preference" to any person within six months of the onset of liquidation or administration of such company (or two years if the preference is to a "connected person") and, at the time of the preference, such Guarantor was technically insolvent or became so as a result of the preferential transaction, then a court has the power under English insolvency law to, among other things, void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company's creditors (or a surety or guarantor for any of the company's debts or liabilities) and the company does anything or suffers anything to be done which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done. The court may not make an order avoiding a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by any of the Guarantors during the period prior to its liquidation or administration.

In addition, if it can be shown that a transaction entered into by an English company was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside under English insolvency law as a transaction defrauding creditors. Any person who is a "victim" of the transaction, and not just liquidators or administrators, may assert such a claim (although the application to the court would in the first instance be made by the relevant officeholder). There is no statutory time limit within which a claim must be made, and the company need not be insolvent at the time of the transaction.

The relevant English insolvency statutes empower English courts to make an administration order in respect of a company with its CoMI in England. An administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration. In addition, the holder of a "qualifying floating charge" over the assets of a company with its CoMI in England may appoint an administrator out of court, provided such floating charge has become enforceable and the company need not necessarily be insolvent. In this case the prospective administrator must be satisfied that the purpose of administration is reasonably likely to be achieved. A company with its CoMI in England or the directors of such company may also appoint an administrator out of court, although the company must be unable to pay its debts at the time of such appointment. The purpose of an administration is comprised of three parts which must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole or, if neither of those objectives are reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realising property to make a distribution to secured or preferred creditors.

The rights of creditors, including secured creditors, are particularly curtailed in an administration. During the administration, no proceedings or other legal process may be commenced or continued against the debtor, except with leave of the court or consent of the administrator. In particular, upon the appointment of an administrator, no step may be taken to enforce security over the company's property, except with the consent of the administrator or the leave of the court. If a Guarantor were to enter into administration proceedings, the guarantees and the related security from the Guarantor could not be enforced while the relevant company was in administration without the leave of the Court or the consent of the administrator.

In addition, an administrator is given wide powers to conduct the business and, subject to certain requirements under the Insolvency Act 1986, dispose of the property of a company in administration.

However, the general prohibition against enforcement by secured creditors without consent of the administrator or leave of the Court, and the administrators' powers with respect to floating and other security, do not apply to any security interest created or arising under a financial collateral arrangement within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003 (UK). A financial collateral arrangement includes (subject to certain other conditions) a pledge over shares in a company, where both the collateral provider and collateral taker are non-natural persons.

Under English insolvency law, any interest accruing under or in respect of the Notes for any period from the date of commencement of administration or liquidation proceedings, to the extent not fully covered by the assets securing the Notes, could be recovered by holders of the Notes only from any surplus remaining after payment of all other debts proven in the administration or liquidation.

Certain preferential claims, including unpaid contributions to occupational pension schemes in respect of the twelve month period prior to insolvency, and unpaid employees' remuneration in respect of the four month period prior to insolvency, will, while ranking behind the claims of holders of fixed security, rank ahead of floating charges under English insolvency law. In addition, a prescribed part of floating charge realisations (being 50% of the first £10,000 of net realisations and 20% of the net realisations hereafter, up to a maximum of £600,000) is required to be set aside for the benefit of unsecured creditors and, as such, ranks ahead of the relevant floating charge.

The Issuer may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the Notes

Upon the occurrence of certain events constituting a change of control, the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price of 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase. However, it is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required repurchase of Notes. In addition, the Cable & Wireless Communications Group may require third-party financing to make an offer to repurchase the Notes upon a change of control. The Issuer may not be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the New Credit Facilities and certain financing arrangements. See "*Description of Notes—Repurchase at the Option of Holders—Change of Control*".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganisation, restructuring, merger or other similar transaction involving the Cable & Wireless Communications Group that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under "*Description of Notes—Repurchase at the Option of Holders—Change of Control,*" the Indenture will not contain provisions that would require them to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalisation or similar transaction.

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of Cable and Wireless plc (or, after the Demerger, Cable & Wireless Communications Plc) and its restricted subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of Cable and Wireless plc (or, after the Demerger, Cable & Wireless Communications) and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes. See "*Description of Notes*".

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited

The Issuer cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, the Cable & Wireless Communications Group's operating results and the market for similar securities. Historically, the market for non investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on holders of the Notes, regardless of the Cable & Wireless Communications Group's prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made for the Notes to be listed for trading on the London Stock Exchange, the Issuer cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity the Notes as a result of the admission to trading on the London Stock Exchange, failure to be approved for listing or the delisting of the Notes, as applicable, from the London Stock Exchange may have a material effect on a holder's ability to resell the Notes, as applicable in the secondary market.

In addition, the Indenture will allow the Issuer to issue additional notes in the future, which could adversely impact the liquidity of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold

The Notes and the Guarantees have not been registered under, and the Issuer is not obliged to register the Notes or the Guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "*Notice to US Investors*". The Issuer has not agreed to or otherwise undertaken to register the Notes, and the Issuer has no intention to do so. The Notes may only be transferred to people outside the United States in offshore transactions pursuant to Regulation S or to qualified institutional buyers within the United States in reliance on Rule 144A of the Securities Act.

The Notes may be issued with original issue discount for US federal income tax purposes

The Notes may be issued with original issue discount (**OID**) for US federal income tax purposes. If the Notes are issued with more than *de minimis* original issue discount, in addition to the stated interest on the notes, US Holders (as defined under "*Tax Considerations—US Taxation*") of Notes issued with OID will be required to include the amounts representing the OID in gross income (as ordinary income) generally on a constant yield basis in advance of receipt of the cash payments to which such income is attributable, regardless of the US Holder's regular method of accounting for US federal income tax purposes. For a discussion of certain material tax consequences of an investment in the notes, see "*Tax Considerations—US Taxation*".

USE OF PROCEEDS

The US$500 million proceeds of the offering, less fees and expenses of approximately US$12 million, will be used to repay drawings under the revolving portion of the New Credit Facilities (the New Credit Facilities comprise a US$400 million revolving credit facility and a US$100 million term loan), to fund working capital needs and for general corporate purposes.

Sources	(US$ millions)	Uses	(US$ millions)
Notes offered hereby	500	Repayment of credit facilities	415(1)
		Expenses	12
		Additional cash liquidity	73
Total	500	Total	500

(1) On 29 January 2010, the Cable & Wireless Communications Group's previously existing US$415 million credit facility (carrying value of US$410 million and US$5 million of capitalised fees in each case as of 30 September 2009) was repaid with drawings under the revolving portion of the New Credit Facilities and cash on hand and cancelled; the revolving portion of the New Credit Facilities will be repaid with an equivalent amount of proceeds from this offering, following which no amounts will be outstanding under the New Credit Facilities.

At Demerger, the Cable & Wireless Communications Group is expected to have net debt representing approximately 0.8 times, on a consolidated basis, the Cable & Wireless Communications Group's 2009/10 EBITDA (excluding exceptional items) guidance of US$880 – US$900 million and approximately 1.2 times on a proportionate ownership basis. This guidance does not include US$42 million of estimated Central operations costs. The total amount of new and replacement Demerger financing for the Cable & Wireless Communications Group will be US$1 billion. As at 30 September 2009 adjusted for the Financing, the Cable & Wireless Communications Group would have had available liquidity of approximately US$1 billion (comprising the undrawn US$500 million New Credit Facilities and US$510 million cash and cash equivalents).

CAPITALISATION

The following table sets out the Cable & Wireless Communications Group's cash and cash equivalents and the Cable & Wireless Communications Group's capitalisation (at reported exchange rates), (i) as of 30 September 2009, on a historical basis derived from the Cable & Wireless Communications Group's unaudited historical financial information as at and for the six month period ended 30 September 2009, included elsewhere in this offering memorandum and (ii) as adjusted to give effect to this offering of the Notes and the application of the proceeds therefrom as described under "*Use of Proceeds*" and the entry into the New Credit Facilities and the use of proceeds thereof. The table should be read in conjunction with "*Use of Proceeds,*" "*Cable & Wireless Communications Group Operating and Financial Review,*" the consolidated financial statements and the related notes appearing elsewhere in this offering memorandum, and "*Description of Certain Financing Arrangements*".

	As at 30 September 2009		
	Actual Cable & Wireless Communications Group[1]	Adjustments	As adjusted Cable & Wireless Communications Group
		(US$ millions)	
Cash:			
Cash and cash equivalents	437	73[2]	510
Current debt:			
US dollar loans	116	—	116
US dollar secured credit facility	50	(50)[3]	—
Currency loans	19	—	19
Total current debt	185	(50)	135
Long-term debt:			
£200 million 8.75% unsecured bonds due 2012	311	—	311
£200 million 8.625% unsecured bonds due 2019	234	—	234
Sterling secured loan	46	—	46
US dollar loans	63	—	63
US dollar secured credit facility	360	(360)[4]	—
Currency loans	22	—	22
US$500 million Notes due 2017 offered hereby	—	488[5]	488
Total long term debt	1,036	128	1,164
Total debt	1,221	78	1,299
Invested capital	872	(5)[6]	867
Total capitalisation	2,093	73	2,166

(1) This capitalisation table reflects the capitalisation of Cable & Wireless Communication Group and adjustments made thereto. In the event that the Demerger does not occur, the capitalisation of the Cable & Wireless Group (including the Cable & Wireless Worldwide Group) would be substantially different. As of 30 September 2009 on an adjusted basis to take into account the new Cable & Wireless Worldwide Group facilities and the issuance of the Convertible Bond and the transfer of the Convertible Bond obligations and proceeds related thereto at Demerger, Cable & Wireless Worldwide Group would have had cash and cash equivalents of US$239 million, current debt of US$30 million, non-current debt of US$195 million under its credit facilities and other obligations and a US$319 million obligation with respect to the Convertible Bond (on an IFRS basis).

(2) Represents the additional estimated net surplus proceeds from the offering of the Notes, after giving effect to the use of proceeds as shown in this Adjustments column.

(3) Represents the current portion of the previously existing US$415 million credit facility (carrying value of US$410 million and US$5 million of capitalised fees) repaid with drawings under the revolving portion of the New Credit Facilities and cash on hand; the revolving portion of the New Credit Facilities will be repaid with an equivalent amount of proceeds from this offering.

(4) Represents the non-current portion of the previously existing US$415 million credit facility (carrying value of US$410 million and US$5 million of capitalised fees) repaid with drawings under the revolving portion of the New Credit Facilities and cash on hand; the revolving portion of the New Credit Facilities will be repaid with an equivalent amount of proceeds from this offering.

(5) Represents the offering of the US$500 million Notes as presented under IFRS on the balance sheet, in which indebtedness is stated as net proceeds received (i.e., including any premium or discount and after deducting estimated net issuance costs of US$12 million).

(6) Represents US$5 million in capitalised fees on the US$415 million facility written off on repayment of that facility.

CABLE & WIRELESS COMMUNICATIONS GROUP SELECTED HISTORICAL FINANCIAL INFORMATION

The selected Cable & Wireless Communications Group financial information provided below has been extracted without material adjustment from the Cable & Wireless Communications Group's audited historical financial information as at and for the years ended 31 March 2007, 2008 and 2009 and unaudited historical financial information as at and for the six month periods ended 30 September 2008 and 2009. This information represents the financial record for the periods indicated of those businesses that will be held by the Cable & Wireless Communications Group after the Demerger. For a discussion of the basis of the preparation of the Cable & Wireless Communications Group's historical financial information, see note 2 to the audited historical financial information and the unaudited historical financial information. The Cable & Wireless Communications Group's audited historical financial information as at and for the years ended 31 March 2007, 2008 and 2009 have been audited by KPMG, as stated in the report incorporated by reference into this offering memorandum.

The summary Cable and Wireless plc financial information provided below has been derived from Cable and Wireless plc's audited consolidated financial statements as at and for the years ended 31 March 2007, 2008 and 2009 and unaudited consolidated interim financial statements for the six month periods ended 30 September 2008 and 2009. For a discussion of the basis of the preparation of Cable and Wireless plc's consolidated financial statements, see note 2 to the audited consolidated financial statements and the unaudited interim financial statements. Cable and Wireless plc's audited consolidated financial statements as at and for the years ended 31 March 2007, 2008 and 2009 have been audited by KPMG, as stated in the report elsewhere incorporated into this offering memorandum. Cable and Wireless plc's unaudited consolidated interim financial statements for the six month periods ended 30 September 2008 and 2009 have been reviewed by KPMG in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

Summary of the Cable & Wireless Communications Group Income Statement

Summary income statement of the Cable & Wireless Communications Group results for the six months ended 30 September 2008 and 2009, for the years ended 31 March 2007, 2008 and 2009 and for the twelve months ended 30 September 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
	(US$ millions)					
Continuing operations						
Revenue	2,310	2,462	2,447	1,273	1,132	2,306
Operating costs before depreciation and amortisation	(1,586)	(1,731)	(1,676)	(876)	(768)	(1,568)
Depreciation and amortisation	(273)	(358)	(294)	(151)	(152)	(295)
Net operating income/(expense)	31	5	(3)	—	4	1
Group operating profit	**482**	**378**	**474**	**246**	**216**	**444**
Total operating profit(1)	**466**	**455**	**534**	**282**	**242**	**494**
Net finance expense	(41)	(52)	(159)	(43)	(23)	(139)
Other income	328	31	19	1	—	18
Profit before income tax	**753**	**434**	**394**	**240**	**219**	**373**
Income tax expense	(98)	(106)	(88)	(49)	(58)	(97)
Profit for the period from continuing operations	**655**	**328**	**306**	**191**	**161**	**276**
Discontinued operations						
Profit for the period from discontinued operations	53	—	18	—	—	18
Profit for the period	708	328	324	191	161	294

(1) Total operating profit comprises Group operating profit less investment in joint ventures and associates, which is the cost of the investment together with the Group's share of post acquisition profit or loss any impairments.

Summary of the Cable & Wireless Communications Group Cash Flow Statement

Summary cash flow statement of the Cable & Wireless Communications Group for the six months ended 30 September 2008 and 2009 and for the years ended 31 March 2007, 2008 and 2009 and for the twelve months ended 30 September 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Net cash from operating activities	621	715	636	251	209	594
Net cash used in investing activities	353	(307)	(314)	(124)	(93)	(283)
Net cash used in financing activities	(1,083)	(1,110)	(881)	(380)	(303)	(804)
Purchase of property, plant and equipment	(293)	(311)	(329)	(157)	(101)	(273)
Dividends paid to equity holders of the parent	(156)	(277)	(258)	(180)	(181)	(259)
Minority dividends paid (dividends paid to non-controlling interests)	(175)	(116)	(135)	(67)	(66)	(134)

Summary of the Cable & Wireless Communications Group financial position

Summary statement of financial position of the Cable & Wireless Communications Group as at 30 September 2009 and 31 March 2007, 2008 and 2009.

	As at 31 March			As at 30 September
	2007	2008	2009	2009
		(US$ millions)		
Cash and cash equivalents	2,017	1,360	581	437
Current assets	2,634	1,974	1,093	1,013
Current liabilities	(1,232)	(1,307)	(1,014)	(1,074)
Total assets	5,147	4,578	3,521	3,434
Total liabilities	(2,913)	(2,457)	(2,432)	(2,562)
Invested capital	2,234	2,121	1,089	872

Other financial information

Summary of certain financial information of Cable & Wireless Communications Group as at and for the years ended 31 March 2007, 2008 and 2009, the six months ended 30 September 2008 and 2009 and the twelve months ended 30 September 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	As at or for the year ended 31 March			As at or for the six months ended 30 September		As at or for the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
			(US$ millions, except ratios)			
EBITDA (excluding exceptional items)[1]	767	774	871	423	406	854
EBITDA margin[2]	33.2%	31.4%	35.6%	33.2%	35.9%	37.0%
Net interest expense	21	20	42	6	39	75
Trading cash flow[3]	437	478	343	135	119	327
Net cash/(debt)[4]	651	487	(571)	94	(784)	(784)
Cash and cash equivalents	2,017	1,360	581	1,029	437	437
Financial information and ratios adjusted for the Financing[5]:						
Net interest expense						104
Net debt[4]						(789)
EBITDA (excluding exceptional items)/net interest expense						8.2x
Net debt/EBITDA (excluding exceptional items)						0.9x

(1) EBITDA has been calculated as earnings before interest, tax, depreciation, amortisation, LTIP charge, net other operating income/expenses and exceptional items. EBITDA is a supplemental measure of Cable & Wireless Communications Group's performance that is not required by or presented in accordance with IFRS. EBITDA should not be considered as an alternative to IFRS measures, such as profit before income tax and profit for the period or any other performance measures derived in accordance with IFRS. The Cable & Wireless Communications Group uses EBITDA to facilitate operating performance comparisons and because it believes it is frequently used by securities analysts. EBITDA has limitations as an analytical tool, and prospective purchasers should not consider it in isolation from, or as a substitute analysis for, Cable & Wireless Communications Group's results of operations. Other companies may define EBITDA differently and, as a result, Cable & Wireless Communications Group's measure of EBITDA may not be directly comparable to the EBITDA of other companies. EBITDA is presented herein including costs attributable to the Central operations for the relevant period. Historically, Cable and Wireless plc has reported EBITDA for its CWI business excluding such costs. Accordingly, the financial information and guidance presented *in "Cable & Wireless Communications Operating and Financial Review—Financial Guidance for 2009/2010"* is shown excluding costs attributable to the Central operations. Costs of Central operations included in the Cable & Wireless Communications Group's EBITDA (excluding exceptional items) presented herein were £22 million (US$41 million), £28 million (US$56 million) and £28 million (US$50 million) for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 respectively.

Reconciliation of profit for the period from continuing operations to EBITDA (excluding exceptional items)

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Profit for the period	655	328	306	191	161	276
Add back:						
Net finance expense	41	32	61	19	50	92
Income tax expense	98	106	88	49	58	97
Depreciation and amortisation	273	284	294	151	152	295
LTIP charge	19	16	—	(5)	11	16
Net other income/expenses	(52)	(101)	(76)	(37)	(30)	(69)
Exceptional items	(267)	109	198	55	4	147
EBITDA (excluding exceptional items)	767	774	871	423	406	854

(2) EBITDA margin is calculated as EBITDA (excluding exceptional items) divided by revenue.

(3) Trading cash flow has been calculated as net cash flow before financing, acquisitions and disposals and top-up contributions to the Cable & Wireless Superannuation Fund. Trading cash flow is a supplemental measure of Cable & Wireless Communications Group's performance and liquidity that is not required by or presented in accordance with IFRS. Trading cash flow should not be considered as an alternative to IFRS measures. The Cable & Wireless Communications Group uses trading cash flow to facilitate operating performance comparisons and because it believes it is frequently used by securities analysts. Trading cash flow has limitations as an analytical tool, and prospective purchasers should not consider it in isolation from, or as a substitute analysis for, Cable & Wireless Communications Group's results of operations. Other companies may define trading cash flow differently and, as a result, Cable & Wireless Communications Group's measure of trading cash flow may not be directly comparable to the trading cash flow of other companies.

Reconciliation of EBITDA to trading cash flow

	For the year ending 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
EBITDA (excluding exceptional items)	767	774	871	423	406	854
Exceptional items (cash flow statement)	(24)	(27)	(100)	(31)	(31)	(100)
Movement in exceptional provisions	(28)	16	11	—	(17)	(6)
Capital expenditure (balance sheet)	(315)	(381)	(337)	(155)	(104)	(286)
Operating cash flow	**400**	**382**	**445**	**237**	**254**	**462**

	For the year ending 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Movement in working capital and other provisions	(20)	40	(49)	(90)	(101)	(60)
Income taxes paid	(84)	(92)	(115)	(61)	(50)	(104)
Investment income	141	148	62	49	19	32
LTIP payments	—	—	—	—	(3)	(3)
Trading cash flow	**437**	**478**	**343**	**135**	**119**	**327**

(4) Net cash/(debt) is defined as cash and cash equivalents less debt at the end of the period. The following table shows the reconciliation of debt to net cash/(debt).

	As at 31 March			As at 30 September	
	2007	2008	2009	Actual 2009	As adjusted 2009
			(US$ millions)		
Cash and cash equivalents	2,017	1,360	581	437	510
Debt*	(1,366)	(873)	(1,152)	(1,221)	(1,299)
Net cash/(debt)	651	487	(571)	(784)	(789)

* Debt is equal to total "loans and bonds" as described in footnote 27 of the Cable & Wireless Communications Group financial information included herein.

(5) Financial information and ratios adjusted for the Financing gives effect to the issuance of the Notes offered hereby and the application of proceeds therefrom and the entry into the New Credit Facilities and the use of proceeds therefrom as described in "*Use of Proceeds*" (the **Financing**) as if such transactions had occurred on 30 September 2009 with respect to balance sheet data and 1 October 2008 with respect to income statement data.

Summary of the Cable & Wireless Group Income Statement

Summary consolidated income statement (converted to US$ for convenience using exchange rates set out on page 9) of the Cable & Wireless Group for the six months ended 30 September 2008 and 2009 and for the years ended 31 March 2007, 2008 and 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Continuing Operations						
Revenue	6,297	6,317	6,410	3,228	2,914	6,096
Operating costs before depreciation and amortisation	(5,569)	(5,265)	(5,229)	(2,644)	(2,276)	(4,861)
Depreciation and amortisation	(538)	(673)	(666)	(324)	(358)	(700)
Net operating income/(expense)	24	116	(4)	4	5	(3)
Group operating profit	**214**	**495**	**511**	**264**	**285**	**532**
Total operating profit[(1)]	**194**	**569**	**571**	**300**	**311**	**582**
Net finance expense	(53)	(64)	(179)	(49)	(41)	(171)
Other income	327	30	18	2	(2)	14
Profit before income tax	**468**	**535**	**410**	**253**	**268**	**425**
Income tax expense	(81)	(94)	(30)	(27)	(13)	(16)
Profit for the period from continuing operations	**387**	**441**	**380**	**226**	**255**	**409**

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Discontinued operations						
Profit for the period from discontinued operations	53	—	18	—	—	18
Profit for the period	**440**	**441**	**398**	**226**	**255**	**427**

(1) Total operating profit comprises Group operating profit less investment in joint ventures and associates, which is the cost of the investment together with the Group's share of post acquisition profit or loss any impairments.

Summary consolidated cash flow statement of Cable & Wireless Group

Summary consolidated cash flow statement (converted to US$ for convenience using exchange rates set out on page 9) of the Cable & Wireless Group for the six months ended 30 September 2008 and 2009 and for the years ended 31 March 2007, 2008 and 2009. Financial information for the twelve months ended 30 September 2009 is calculated by subtracting the US dollar results for the six months ended 30 September 2008 from the US dollar results of the year ended 31 March 2009 and adding the US dollar results for the six months ended 30 September 2009.

	For the year ended 31 March			For the six months ended 30 September		For the twelve months ended 30 September
	2007	2008	2009	2008	2009	2009
				(US$ millions)		
Net cash from operating activities	476	918	1,062	457	380	985
Net cash used in investing activities	(13)	(655)	(1,313)	(520)	(287)	(1,080)
Net cash used in financing activities	(570)	(960)	(92)	(176)	(269)	(185)
Purchase of property, plant and equipment	(636)	(685)	(726)	(361)	(295)	(660)
Dividends paid to equity holders of the parent	(156)	(277)	(258)	(180)	(181)	(259)

Summary of the Cable & Wireless Group financial position

Summary consolidated statement of the financial position (converted to US$ for convenience using exchange rates set out on page 9) of the Cable & Wireless Group results as at 30 September 2009 and 31 March 2007, 2008 and 2009.

	As at 31 March			As at 30 September
	2007	2008	2009	2009
		(US$ millions)		
Cash and cash equivalents	2,047	1,398	790	676
Current assets	3,873	3,154	2,235	2,287
Current liabilities	(3,066)	(3,118)	(2,691)	(2,845)
Total assets	8,816	8,317	7,527	7,920
Total liabilities	(5,106)	(4,559)	(4,563)	(5,225)
Invested capital	3,710	3,758	2,964	2,695

CABLE & WIRELESS COMMUNICATIONS GROUP OPERATING AND FINANCIAL REVIEW

This "Cable & Wireless Communications Group Operating and Financial Review" contains discussion and analysis on the Cable & Wireless Communications Group. Following the Demerger, the Cable & Wireless Communications Group will comprise Cable & Wireless Communications and the entities forming the Cable & Wireless Group other than those entities comprising the demerged Cable & Wireless Worldwide Group. Principally, the Cable & Wireless Communications Group will comprise the Cable & Wireless Group businesses and the Central operations of the Cable & Wireless Group. For a discussion on the basis of preparation of the financial information for the Cable & Wireless Communications Group, see section entitled "Basis of Preparation—Overview" in this "Cable & Wireless Communications Group Operating and Financial Review". The historical financial information of the Cable & Wireless Communications Group is audited as of and for the financial years ended 31 March 2007, 31 March 2008 and 31 March 2009, and is unaudited as of and for the six month periods ended 30 September 2008 and 30 September 2009. From the Scheme Effective Time, the Central operations of the Cable & Wireless Group will be combined with the Cable & Wireless Communications Group, as described below. Central operations comprising primarily corporate, administration and finance functions, formed a de minimis part of the wider operations of the Cable & Wireless Group for the periods under review. A discussion and analysis of Central operations over the period of the historical financial information, described above, has been included within the discussion of the Cable & Wireless Communications Group. Financial information relating to the Central operations of the Cable & Wireless Group has been extracted without material adjustment (unless otherwise stated) from the audited financial information of Cable and Wireless plc as of, and for the years ended, 31 March 2007, 31 March 2008, 31 March 2009 and the unaudited financial information of Cable and Wireless plc as at and for the six month periods ended 30 September 2008 and 30 September 2009, prepared in accordance with IFRS as adopted in the European Union.

"Annex A—Cable & Wireless Worldwide Group Operating and Financial Review" contains discussion and analysis on the Cable & Wireless Worldwide Group. For a discussion on the basis of preparation of the financial information for the Cable & Wireless Worldwide Group, see section entitled "Basis of Preparation—Overview". The historical financial information of the Cable & Wireless Worldwide Group is audited as of and for the financial years ended 31 March 2007, 31 March 2008 and 31 March 2009 and as of and for the six month period ended 30 September 2009. From the Demerger Effective Time, the Cable & Wireless Worldwide Group will cease to be a subsidiary of Cable & Wireless Communications.

The Operating and Financial Reviews also contain:

- *unaudited operating information in relation to each of the Cable & Wireless Communications Group, the Central operations of the Cable & Wireless Group and the Cable & Wireless Worldwide Group which is extracted without material adjustment from historical financial information for the relevant accounting periods presented and internal financial reporting systems supporting the preparation of this information. An analysis of certain non-IFRS financial information is contained in the section entitled "Presentation of Financial Information—Use of Non-IFRS financial information"; and*
- *certain forward-looking statements that involve risks and uncertainties and investors should be aware that the actual results for each of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group may differ materially from the results discussed in the forward-looking statements as a result of certain factors, including those set out under the sections entitled "Forward-Looking statements", "Risk Factors" and elsewhere in this document.*

The following discussion should be read in conjunction with the historical financial information set out in "Historical Financial Information of the Cable & Wireless Communications Group" of this document which has been prepared on the basis of IFRS (as adopted by the European Union), with some exceptions common to historical financial information (see section entitled "Basis of Preparation—Overview").

OVERVIEW OF THE CABLE & WIRELESS COMMUNICATIONS GROUP

Introduction

The Cable & Wireless Communications Group (formerly known as Cable & Wireless International (CWI)), headquartered in London, England, owns and operates full-service telecommunications businesses providing mobile, broadband and domestic and international fixed line services to consumers, small and medium-sized enterprises, corporate customers (including other carriers) and governments. The Cable & Wireless Communications Group is the market leading telecommunications provider in the majority of its markets. The business is managed as four regional operations—the Caribbean, Panama, Macau and Monaco & Islands each of which is profitable and cash generative in its own right. These four regional operations span 38 countries through 33 subsidiaries and five joint ventures, with Panama, Macau, Jamaica, the Maldives and Monaco being the main markets by revenue. The ownership of these businesses varies—some are wholly owned and others are partly owned with either public, government or corporate partners.

The Cable & Wireless Communications Group is the only full service telecommunications provider in the majority of its markets. It is the market leader in 19 out of 27 mobile markets in which it competes, 25 out of 34 broadband markets in which it competes and 25 out of 27 fixed line markets in which it competes. As at 30 September 2009, the Cable & Wireless Communications Group, through its subsidiaries and joint ventures, provided services to approximately 8.3 million mobile, 0.6 million broadband and 1.8 million fixed line customers.

Since April 2006, the Cable & Wireless Group has been separated internally into two principal business units, the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group, supported by the Central operations. The Central operations have provided corporate services such as treasury, remuneration, pensions, company secretarial, insurance, legal, external affairs and corporate finance to each of the Cable & Wireless Worldwide Group and Cable & Wireless Communications Group. For the purposes of "*Historical Financial Information of the Cable & Wireless Communications Group*", the results of the Central operations are combined with the Cable & Wireless Communications Group. In the year ended 31 March 2009, the Central operations generated an EBITDA loss of £28 million (US$50 million) and employed an average of 85 staff.

The Cable & Wireless Communications Group's total revenue for the year ended 31 March 2009 was US$2,447 million. Including the costs of Central, Cable & Wireless Communications Group's total EBITDA (excluding exceptional items) for the year ended 31 March 2009 was US$871 million. Profit before income tax for the year ended 31 March 2009 was US$394 million. At 31 March 2009, the Cable & Wireless Communications Group had 8.7 million mobile customers, 0.6 million broadband customers and 1.8 million fixed line customers and for the year ended 31 March 2009, employed an average of 7,303 employees.

Cable & Wireless Communications Group's principal activities

The Cable & Wireless Communications Group has four principal revenue streams, all of which are provided in the majority of its markets—mobile, broadband, fixed line and enterprise, data and other.

Mobile: The Cable & Wireless Communications Group operates GSM networks in 27 markets and is the market leader in 19 markets. In addition, the Cable & Wireless Communications Group operates UMTS and WiMax (Worldwide Interoperability for Microwave Access) networks in a number of markets. In the year ended 31 March 2009, mobile contributed US$907 million, or 37%, to Cable & Wireless Communications Group's total revenue. At 31 March 2009, the Cable & Wireless Communications Group had 4.1 million active GSM mobile customers in its subsidiaries and a further 4.5 million in its joint ventures. The Cable & Wireless Communications Group offers both prepaid and post-paid services in the majority of its mobile markets, however, the mix of each varies greatly from market to market depending on local economic conditions and customer demand. For example, in terms of revenue generated, prepaid services are dominant in Jamaica and Panama while post-paid services are dominant in Macau and Monaco.

The Cable & Wireless Communications Group derives its mobile revenue from both retail and wholesale streams. Retail revenue is derived from billing customers for the provision of services such as: calls including domestic, international direct dial and those made while overseas (outbound roaming); value added services such as SMS, mobile Internet, and push email; handsets and equipment; and inbound roaming, which arises when a foreign customer generates a call domestically using the Cable & Wireless Communications Group's network. Connection fees may be charged for each call. Generally, calls are charged by usage, the units for which vary from market to market, however the industry trend is for unlimited use packages, where services are charged pursuant to a fixed monthly fee.

Wholesale revenue is largely made up of interconnect revenue, which arises when customers of other mobile operators make a call that terminates on, or transfers over, the Cable & Wireless Communications Group network. It also includes items such as the sale of the Cable & Wireless Communications Group's mobile network capacity to other mobile operators; wholesaling of mobile equipment, such as handsets; and charges for bulk SMS broadcasting.

Fixed line: Of its 27 fixed line markets, the Cable & Wireless Communications Group is the market leader in 25 of these. Fixed line is a traditional service provided over a legacy network and in recent years it has faced the challenge of substitution by newer services such as mobile and broadband. As a result, the Cable & Wireless

Communications Group's fixed line voice revenue has declined as mobile and broadband have grown. In the year ended 31 March 2009, fixed line services contributed US$764 million, or 31%, to Cable & Wireless Communications Group's total revenue. At 31 March 2009, the Cable & Wireless Communications Group had 1.5 million fixed line connections in its subsidiaries and a further 0.3 million in its joint ventures.

Fixed line revenue is categorised into two principal revenue streams—domestic voice and international voice.

Domestic voice revenue includes: calls made from a Cable & Wireless Communications Group fixed line which terminate domestically; installation and disconnection charges; line rental; voicemail and other value added services such as call waiting; directory services; wholesale services such as the resale of minutes or toll free numbers, co-location fees like pole sharing; equipment revenue and domestic interconnect revenue. Interconnect revenues arise from charges to third-party carriers for carrying and terminating their traffic on the Cable & Wireless Communications Group's network.

International voice revenue includes: outbound international direct dialled (**IDD**) calls made from a Cable & Wireless Communications Group fixed line; wholesale carrier services; outgoing IDD calls sold wholesale to service suppliers, such as international toll free numbers; international calling cards; and international interconnect revenue for the delivery of other carriers' calls over the Cable & Wireless Communications Group's network.

A connection fee may be charged for fixed line calls and/or by usage, the units for which vary from market to market.

Enterprise, data and other: Enterprise, data and other revenue includes revenue from the provision of corporate telecommunications solutions, international traffic management contracts, leased circuits, legacy data services such as dial-up Internet, Internet hosting, directory services, wholesale data services, equipment rentals and cable television services. For example, the Cable & Wireless Communications Group's Panama business has a well developed enterprise proposition and currently operates the 911 emergency services call platform and other similar services for government bodies. In the year ended 31 March 2009, enterprise, data and other contributed US$577 million of revenue representing 24% of revenue.

Broadband: The Cable & Wireless Communications Group provides broadband services in 34 markets and is the market leader in 25 of these. In the year ended 31 March 2009, broadband contributed US$199 million, or 8%, to Cable & Wireless Communications Group's total revenue. At 31 March 2009, the Cable & Wireless Communications Group had 0.5 million broadband customers in its subsidiaries and a further 0.1 million in its joint ventures.

Generally, broadband services are billed as packages that offer download and service speed limits for a monthly fee—the higher the download limits and service speeds, the higher the monthly fee. The type and variety of packages offered varies across the Cable & Wireless Communications Group's business and are tailored to the needs of each market.

Cable & Wireless Communications Group geographic operations

The Cable & Wireless Communications Group operates in 38 markets through four regional operations—the Caribbean, Panama, Macau and Monaco & Islands—with a small London head office providing financial and strategic support. For a breakdown of the Cable & Wireless Communications Group's economic interests in its operations in various countries, see the section entitled "*Cable & Wireless Communications Group Business—Geographic Operations*".

Caribbean: The Caribbean operation covers 14 countries through 13 subsidiaries and one joint venture. For the year ended 31 March 2009, the Caribbean (excluding the Trinidad and Tobago joint venture) contributed US$975 million in revenue and US$337 million in EBITDA before exceptional items. These, respectively, represent 40% and 39% of the Cable & Wireless Communications Group's total revenue and EBITDA before exceptional items. At 31 March 2009, the Cable & Wireless Communications Group's Caribbean subsidiaries (excluding the Trinidad and Tobago joint venture) had 1.3 million active GSM mobile customers, 0.2 million broadband customers and 0.7 million fixed line connections. The Cable & Wireless Communications Group's Caribbean joint venture in Trinidad and Tobago, has 0.9 million active GSM mobile customers, 0.1 million broadband customers and 0.3 million fixed line connections at the same date. For the year ended 31 March 2009, the Caribbean operation (excluding the Trinidad and Tobago joint venture) employed an average of 3,196 employees.

Panama: For the year ended 31 March 2009, Panama contributed US$667 million in revenue and US$276 million in EBITDA before exceptional items. These, respectively, represent 27% and 32% of the Cable & Wireless Communications Group's total revenue and EBITDA before exceptional items. At 31 March 2009, Panama had 2.3 million active GSM mobile customers, 0.1 million broadband customers and 0.4 million fixed line connections. For the year ended 31 March 2009, Panama employed an average of 1,900 employees.

Macau: For the year ended 31 March 2009, Macau contributed US$302 million in revenue and US$139 million in EBITDA before exceptional items. These, respectively, represent 12% and 16% of the Cable & Wireless Communications Group's total revenue and EBITDA before exceptional items. At 31 March 2009, Macau had 0.4 million active mobile customers, 0.1 million broadband customers and 0.2 million fixed line connections. For the year ended 31 March 2009, Macau employed an average of 903 employees.

Monaco & Islands: The Monaco & Islands operation covers 22 countries through subsidiaries and joint ventures. For the year ended 31 March 2009, Monaco & Islands contributed US$506 million in revenue and US$137 million in EBITDA before exceptional items. These, respectively, represent 21% and 16% of the Cable & Wireless Communications Group's total revenue and EBITDA before exceptional items. At 31 March 2009, the joint ventures of Monaco & Islands had 3.7 million mobile customers, 14,000 broadband customers and 48,000 fixed line connections. In its subsidiaries at the same date, Monaco & Islands had 0.2 million active GSM mobile customers, 32,000 broadband customers and 0.2 million fixed line connections. For the year ended 31 March 2009, Monaco & Islands employed an average of 1,106 employees in its subsidiaries.

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following section contains a description of the key drivers of the results of the Cable & Wireless Communications Group, both in general and those issues specific to the periods under review.

Demand drivers

The Cable & Wireless Communications Group provides a full range of telecommunications services in the majority of its markets to retail customers, small and medium-sized enterprises and corporate (including carriers) and government customers. The key drivers of demand for products and services are generally consistent across the business.

Technological development: The telecommunications industry is characterised by technological advances and the frequent introduction of new services and products. This drives demand for new products and services, and churn from other products and services, for example, the fixed to mobile and broadband substitution that has materially changed Cable & Wireless Communications Group's revenue mix in recent years. The most significant recent advancements in telecommunications technology that have affected the results of the Cable & Wireless Communications Group in the period under review are the introduction of new mobile technologies and the growth of broadband. Television and entertainment are expected to become increasingly important segments to the Cable & Wireless Communications Group during the coming years with Panama having launched a pay-TV business in December 2009 and a roll-out being planned in other countries.

In the year ended 31 March 2009, 31% of the Cable & Wireless Communications Group's total revenue came from fixed line voice services and 45% from mobile and broadband, compared with 39% from fixed line and 39% from mobile and broadband in the year ended 31 March 2007.

Economic conditions: The markets in which the Cable & Wireless Communications Group operates are at various stages of economic development, and economic growth rates vary widely from market to market. The recent global downturn had an impact in all of its markets, but most significantly in the Caribbean, Seychelles, the Maldives and, to a lesser extent, Macau. The decrease in tourists in the regions exacerbated the effect of the downturn on these mostly tourism dependant economies. Changes in the economic conditions of its markets not only affect the total demand for its services but the types of services demanded during a downturn with, in particular, international voice and roaming services being adversely affected.

Market penetration: Market penetration measures the total number of customers in each market as a proportion of the addressable market, and can therefore be an indicator of future growth potential and desirability of the market to both the Cable & Wireless Communications Group and other market participants. In the periods under review, the Cable & Wireless Communications Group has focused its investment in part on increasing its network coverage and as a result, has contributed to growing the size of its mobile and broadband markets, at the same time growing its mobile and broadband revenue. Some of the Cable & Wireless Communications Group's markets, for example Panama, still have relatively low broadband penetration rates, offering further growth opportunity.

Cost drivers

The Cable & Wireless Communications Group has three general categories of costs—those which are directly related to the generation of revenue (cost of sales), operating costs and exceptional restructuring costs.

Cost of sales accounts for those costs that are either variable in line with changes in revenue or can be directly attributable to a single customer. A major item in the cost of sales of the Cable & Wireless Communications Group is the cost that arises when a Cable & Wireless Communications Group customer makes a call which transfers over or terminates on another operator's network, either fixed or wireless. The other network operator charges the Cable & Wireless Communications Group for this service, and these charges are generally referred to as outpayments. These outpayments are based on usage and charges are regulated. Cost of sales also includes items such as the cost of mobile handsets and subsidies, equipment to be installed in a single customer's premises, the cost of a dedicated network to a single customer's premises, and payments to third parties for distribution of products such as prepaid mobile credit vouchers.

Operating costs are those costs that are not directly variable in line with changes in revenue, and cannot be directly attributed to a single customer. These include costs such as the salaries and wages of employees, licence and operating arrangement fees, network maintenance and support fees, equipment support fees and costs, rental on property, sales and marketing costs, travel, consultancy fees and utilities.

Exceptional restructuring costs are costs associated with the transformation activities that the Cable & Wireless Communications Group has undertaken in the period under review to drive improved business performance and reduce operating costs. They include the cost of regional programmes which have focused largely on the Caribbean including headcount management programmes. The Cable & Wireless Communications Group recorded restructuring charges of US$33 million and US$87 million for the years ended 31 March 2008 and 2009 respectively (see section entitled "—*Transformation*" for transformation initiatives).

Long Term Incentive Plan (LTIP)

The LTIP was introduced on 1 April 2006 for the Cable & Wireless Communications Group's most senior managers. For more details on the LTIP and its calculation see "*Information on the Issuer, the Subsidiary Guarantors, Cable and Wireless plc and Cable & Wireless Communications—The Cable & Wireless Long Term Incentive Plan (LTIP)*".

Members of the Cable & Wireless Communications Group senior management team have waived their right to immediate vesting of their Cable & Wireless Communications-related LTIP awards on Demerger so that those awards can continue until 31 March 2011.

The LTIP is accounted for in accordance with IAS 19 *Employee Benefits*. The amount accrued as a liability at each reporting date represents the estimated time pro-rated present value of the obligation. This requires estimates of the valuation of the Cable & Wireless Communications Group to determine the obligation and requires the use of a number of assumptions which, by their nature, are subjective and subject to fluctuation. The income statement charge for each period reflects the movement in the amount accrued in the period. For the periods under review the income statement charge for the LTIP was US$19 million for the year ended 31 March 2007, US$16 million for the year ended 31 March 2008, nil for the year ended 31 March 2009 and US$11 million for the six months ended 30 September 2009.

Acquisitions and disposals

In the periods under review and subsequent, the Cable & Wireless Communications Group's organic growth strategy has been complemented by the acquisition of assets that have enhanced its business, and the disposal of assets that were no longer aligned with its overall strategy or where the Cable & Wireless Communications Group could not see a path to achieving management control of the business.

In January 2007, the Cable & Wireless Communications Group disposed of its 20% stake in its associate in Bahrain, Batelco, for net proceeds of US$481 million. The profit on disposal was US$288 million. In the year ended 31 March 2006, Batelco contributed US$47 million to the results of the Cable & Wireless Communications Group.

On 21 September 2007, the Cable & Wireless Communications Group purchased an additional 17% shareholding in Cable & Wireless St Kitts and Nevis Limited for cash consideration of US$14 million. The shares were previously held by the government of the Federation of St Kitts and Nevis (the **Federation**). As a result of the acquisition, the Cable & Wireless Communications Group's effective interest in Cable & Wireless St Kitts and Nevis Limited was increased from 65% to 82%. As part of the purchase agreement with the government, the Cable & Wireless Communications Group committed to offer 5% of the shares acquired to residents of the Federation which were subscribed in full, reducing the Cable & Wireless Communications Group's effective interest to 77%.

In January 2008, the Cable & Wireless Communications Group's subsidiary in Monaco purchased a 49% stake in the Connecteo Group and gained management control of the holding company for cash consideration of US$14 million. In January 2009, the Cable & Wireless Communications Group paid US$8 million for a further 16% interest. The Connecteo Group provides satellite, data and Internet services via VSAT (Very Small Aperture Terminals) and WLL (Wireless Local Loops) in Benin, Burkina Faso, Cameroon, Guinea, Niger and Senegal.

In October 2009, the Cable & Wireless Communications Group purchased a further 7% stake in Dhiraagu from the Maldives government for US$40 million, bringing its total stake in Dhiraagu to 52%. In the Maldives, Dhiraagu is the exclusive provider of fixed line and broadband services.

In November 2009, the Cable & Wireless Communications Group increased its stake in Divona Algerie, a telecommunications operator providing broadband services in Algeria, to almost 100% for US$1 million.

Exchange rates

Due to the nature and geographic diversity of its business, the Cable & Wireless Communications Group is exposed to foreign exchange risk. In the year ended 31 March 2009, approximately 75% of the Cable & Wireless Communications Group's EBITDA was generated in US dollar denominated, pegged or linked currencies, while approximately 25% was generated mainly in Jamaican dollars, euros, sterling and, to a lesser extent the Seychelles rupee.

The reported profits of the Cable & Wireless Communications Group are translated in accordance with Adopted IFRS at average rates of exchange prevailing during each period. In the year ended 31 March 2009, the impact of changes in exchange rates based on the prior year results translated at current exchange rates decreased EBITDA by approximately US$5 million.

Transformation

For the period under review, the Cable & Wireless Communications Group has undertaken transformation initiatives to drive improved business performance and reduce costs. During the periods under review, three key transformation activities occurred:

- the separation of the Cable & Wireless Group into two standalone businesses, the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, and the reshaping of the Central operations of the Cable & Wireless Group, which will be part of the Cable & Wireless Communications Group from the Scheme Effective Time;
- a programme focused on streamlining the Cable & Wireless Communications Group London head office; and
- reducing the cost base in the Cable & Wireless Communications Group's Caribbean business, the "One Caribbean" transformation programme.

Impairment of assets

In the year ended 31 March 2009, the Cable & Wireless Communications Group did not impair any assets.

In the year ended 31 March 2008, the Cable & Wireless Communications Group recorded a US$74 million write down of assets in its Jamaican business as part of its year end review of asset carrying values. This impairment related to the Jamaican business' mobile network assets and reflected the poor recent trading performance of the business and additional competition in the mobile market.

In the year ended 31 March 2007, the Cable & Wireless Communications Group recorded a US$55 million write down of its joint venture operation, TSTT, in the Caribbean operation. This impairment reflected the poor trading performance in the year following the introduction of competition in the year ended 31 March 2006. Neither of these asset write downs impacted cash flow.

Legacy issues

In June 2003, Cable and Wireless plc announced that it planned to withdraw from the US domestic market and on 8 December 2003, Cable & Wireless America (**CWA**) filed for Chapter 11 bankruptcy protection under the US Bankruptcy Code. As of 8 December 2003, the CWA entities were deconsolidated from the Cable & Wireless Group. As a result of this transaction, Cable and Wireless plc made a change to its income statement to cover risks and costs associated with the exit from the US. As these issues have been addressed, unused provisions and accruals have been released as results from discontinued operations in the income statement of Cable & Wireless Communications. In the years ended 31 March 2007, 31 March 2008 and 31 March 2009, these releases amounted to US$53 million, US$4 million and US$7 million. At 31 March 2009, provision had been fully released in respect of the exit from the US. On 18 December 2009, the final decree in respect of the Chapter 11 proceedings was made and the proceedings closed.

Pender Insurance Limited (**Pender**) was Cable and Wireless plc's Isle of Man domiciled captive insurance company which ceased to underwrite any new business from April 2003. Pender purchased reinsurance for many of the risks it underwrote and remains liable for all policies it underwrote in the first instance, notwithstanding the reinsurances. In 2003, certain of Pender's reinsurers instituted proceedings seeking a declaration that they were entitled to avoid some of their reinsurance obligations and as a result, certain accruals and provisions were booked in Cable and Wireless plc's accounts in respect of Pender. As these issues have been addressed, unused provisions and accruals have been released as gains on termination of operations in the income statement of the Cable & Wireless Communications Group. In the years ended 31 March 2007, 31 March 2008 and 31 March 2009 these releases amounted to US$34 million, US$12 million and US$3 million, respectively. At 30 September 2009, there was a further US$1 million remaining in the Cable and Wireless plc provision.

BASIS OF PREPARATION

Overview

The historical financial information discussed below represents the financial record as of and for the three years ended 31 March 2009 and the two six month periods ended 30 September 2008 and 30 September 2009 of those businesses that will be held by the Cable & Wireless Communications Group at the date of Admission.

The financial record is based on historical financial information extracted from the consolidation schedules which supported the audited financial statements of the Cable & Wireless Group for the three years ended 31 March 2009 and the unaudited consolidation schedules for the six months ended 30 September 2008 and 30 September 2009.

The Cable & Wireless Communications Group has not in the past formed a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for the Cable & Wireless Communications Group. The net assets of the Cable & Wireless Communications Group are represented by the cumulative investment in the Cable & Wireless Communications Group companies (shown as "invested capital").

Application of IFRS

The historical financial information has been prepared in accordance with IFRS as adopted by the European Union, except as described below. The historical financial information has also been prepared in accordance with applicable listing rules and requirements of the Prospectus Directive (including the regulation regarding issuers with complex financial histories).

IFRS does not provide for the preparation of extracted financial information. Accordingly, the historical financial information in this document has been prepared using certain commonly used accounting conventions (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). The application of these conventions results in the following material departures from IFRS. In all other respects, IFRS as adopted by the European Union have been applied.

Carved out and combined financial information

The historical financial information combines only the financial information for those businesses that will be held by the Cable & Wireless Communications Group and therefore excludes financial information for those subsidiaries of the Cable & Wireless Group that will form the Cable & Wireless Worldwide Group after the Demerger. Such excluded Cable & Wireless Worldwide Group subsidiaries, were, however, subsidiaries of entities within the Cable & Wireless Communications Group during the periods presented. Such an approach differs from the consolidation requirements of IAS 27 *Consolidated and Separate Financial Statements* which requires consolidation of all subsidiaries.

Non-trading balances with the Cable & Wireless Worldwide Group

On Demerger, the Cable & Wireless Worldwide Group will not be required to repay non-trading balances with the Cable & Wireless Communications Group. For this reason, these amounts have been deducted from the Cable & Wireless Communications Group's invested capital, rather than being treated as assets as required by IFRS.

Other principles applied

In addition, the following principles have been applied in preparing the historical financial information:

- There has been no allocation of the costs of the Central operations of the Cable & Wireless Group to the Cable & Wireless Worldwide Group. This is because any allocation would be arbitrary in nature and may not reflect properly the costs relating to functions such as financial reporting and treasury and Cable and Wireless plc Board costs, as would have been incurred by that business. Therefore, the costs of the Central operations in the Cable & Wireless Communications Group represent 100% of the corporate head office costs of the Cable & Wireless Group. These costs are not representative of the level of historical head office costs of the Cable & Wireless Communications Group's business or of the costs that may be required in the future.
- The historical financial information is presented in US dollars (**US dollars**) and rounded to the nearest million. Historically, the financial information in respect of those businesses included within the historical accounts of Cable and Wireless plc has been presented in pounds sterling (**£**) as this was the dominant functional currency of the Cable & Wireless Communications Group entities when the Cable & Wireless Communications Group included other Cable & Wireless Group companies. However, as a result of the Demerger of those entities, the dominant functional currency of the Cable & Wireless Communications Group entities has been determined to be US dollars as this is the primary currency in which the exchange transactions of the Cable & Wireless Communications Group are priced. Accordingly, the historical financial information has been presented as though US dollars was the presentation currency throughout the period. The key exchange rates between sterling and US dollars in the periods presented were:

	Year ended 31 March			**Six months ended 30 September**	
US$: £	**2007**	**2008**	**2009**	**2008**	**2009**
Average	1.8807	2.0041	1.7581	1.9613	1.5707
Period end	1.9631	1.9997	1.4498	1.8471	1.5945

- Trading balances with the Cable & Wireless Worldwide Group are presented within receivables and payables as though they were with an external party.
- The main UK defined benefit pension scheme operated by the Cable & Wireless Group provides benefits to current and past employees of, and therefore represents obligations of, both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group. For the period since 1 April 2006, the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group have each borne a proportion of the service costs of this scheme based on the approximate split of active membership. The scheme's expected return on assets and interest expense have been apportioned between the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group based on the Directors' assumptions about the underlying liabilities, being 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group. The assets, liabilities, actuarial gains and losses and cash flows relating to the scheme have been apportioned based on 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group.

  Detailed disclosures relating to this scheme are provided in "*Historical Financial Information of the Cable & Wireless Communications Group*" of this document.

On Demerger, and as agreed with the scheme trustees, the liabilities of the main UK defined benefit scheme will be allocated approximately equally between the Cable & Wireless Communications Group and Cable & Wireless Worldwide Group over the period presented.

Management considers presenting the historical financial information over the periods according to the historical allocation, better represents the underlying historical pension cost of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group.

If the historical financial information (which has been prepared on the basis of a split of 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group) had been prepared on the basis of the estimated split of assets and liabilities to be applied post-Demerger (i.e. a split of 50% Cable & Wireless Communications Group and 50% Cable & Wireless Worldwide Group), the impact on the relevant financial statements of the Cable & Wireless Communications Group would have been as follows:

	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
			(US$ millions)		
Impact on the statement of financial performance (increase/(decrease) in profit)	8	11	6	4	(1)
Impact on the statement of comprehensive income (increase/(decrease) in comprehensive income)	65	546	(464)	93	(130)
Impact on the statement of financial position (increase/(decrease) in net assets)	25	—	(14)	—	(146)
Impact on the statement of cash flows (decrease in cash)	(6)	(15)	(9)	(9)	(2)

- Tax charges in the historical financial information have been determined based on the tax charges recorded by the Cable & Wireless Communications Group companies in their local statutory accounts as well as certain adjustments relating to those entities made for Cable & Wireless Group consolidation purposes. The tax charges recorded in the historical income statement have been affected by the tax arrangements within the Cable & Wireless Group and are not necessarily representative of the tax charges that would have been reported had the Cable & Wireless Communications Group been an independent group. They are therefore not necessarily representative of the historical tax charges attributable to the Cable & Wireless Communications Group or tax charges that may arise in the future.

This historical financial information has been prepared on the historical cost basis except for certain financial instruments held at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The preparation of the historical financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies used in the historical financial information for the periods presented have been applied consistently by Cable & Wireless Communications Group entities.

Principal Income Statement Line Items

- ***Revenue:*** The Cable & Wireless Communications Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services and equipment provided to customers. It includes sales to joint ventures and associated companies but does not include sales by joint ventures and associated companies or sales between the Cable & Wireless Communications Group companies. Revenue is recognised only when payment is probable.
- ***Cost of sales:*** The Cable & Wireless Communications Group's cost of sales are detailed in note 4 to the "*Historical Financial Information of the Cable & Wireless Communications Group*". Costs that are either variable in line with changes in revenue or can be directly attributable to a single customer, for example outpayments, mobile handsets and customer premise equipment (where not capitalised).
- ***Gross margin:*** Gross margin is revenue less cost of sales.

- ***Operating costs:*** Costs that are not variable in line with changes in revenue or cannot be directly attributable to a single customer, for example salaries and wages, network maintenance and support, property rental, utilities and travel.
- ***EBITDA:*** The Cable & Wireless Communications Group's EBITDA is set forth in note 4 to the historical financial statements in "*Historical Financial Information of the Cable & Wireless Communications Group"* and represents earnings before interest, tax, depreciation, amortisation, LTIP charge, net other operating income/expense and, unless otherwise specified, exceptional items.
- ***LTIP:*** Long Term Incentive Plan. In line with IAS 19, the expected payout is estimated at each reporting period and the amount expected to that date accrued in the statement of financial position. The charge to the income statement for the relevant period is primarily the movement in the statement of financial position accrual.
- ***Net other operating income or expense:*** Represents the net amount of income and expenses which are not derived from underlying trading of the business but which are related to operations, for example, insurance costs and receipts.
- ***Net finance income or expense:*** Consists of the net amount of items such as interest on cash and deposits and other investment income, and interest on loans and bonds, finance charges on leases and the unwinding of discounts on provisions and other financial instruments.
- ***Gains/losses on termination of operations:*** Represents the results of the Cable & Wireless Communications Group's former insurance operation, Pender, which ceased to underwrite any new business in April 2003.
- ***Gains/losses on sale of non-current assets:*** Arise on the sale of businesses that do not meet the definition of discontinued operations or investments.

Impact of Demerger

In November 2009, the Cable and Wireless plc Board announced the proposed separation of Cable and Wireless plc's two businesses, the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, into independently listed companies by way of the Demerger.

At Demerger the Cable & Wireless Communications Group is expected to have net debt representing approximately 0.8 times, on a consolidated basis, the Cable & Wireless Communications Group's EBITDA guidance (excluding exceptional items) of US$880 – US$900 million for the year ending 31 March 2010 and approximately 1.2 times on a proportionate ownership basis. This guidance does not include US$42 million of Central operations costs. For further detail, see "*Cable & Wireless Communications Group Selected Historical Financial Information*". The Cable & Wireless Communications Group has signed new three year facilities totalling US$500 million with margins of between 3.25% and 4.00% over LIBOR with a group of leading banks. Cable & Wireless Communications Group has repaid and/or cancelled its previously existing US$415 million facility and other undrawn facilities on or prior to 29 January 2010. At Demerger, the Cable & Wireless Communications Group debt will, in addition to the Notes, also include the existing Cable and Wireless plc sterling bonds due in 2012 (£195 million, approximately US$311 million as at 30 September 2009) and Cable & Wireless International Finance B.V.'s sterling bonds due in 2019 (£147 million, approximately US$234 million as at 30 September 2009) and a Cable and Wireless plc financing secured on assets other than the collateral securing the Notes of £29 million as at 30 September 2009 (approximately US$42 million) as well as other debt held in the Cable & Wireless Communications Group's local operations.

Upon Worldwide Admission, the Convertible Bonds become obligations of the Cable & Wireless Worldwide Group and, shortly before Demerger, the Convertible Bonds net proceeds will be transferred to the Cable & Wireless Worldwide Group. For more details on the debt facility, refer to "*Description of Certain Financing Arrangements—Convertible Bonds"* of this document.

In the historical financial information, the 2009/10 corporate costs of the Central operations of the Cable and Wireless Group have been included in full with the Cable & Wireless Communications Group. For the year ended 31 March 2010 the corporate costs of the Central operations of the Cable & Wireless Group are expected to be £28 million (US$42 million). It will be necessary for Cable & Wireless Communications and Cable & Wireless Worldwide to incur the equivalent corporate costs in order to operate as independent, listed companies. For the year ended 31 March 2011, these costs are expected to be US$24 million (£15 million) for Cable & Wireless Communications and £10 million for Cable & Wireless Worldwide.

20% of the main UK defined benefit scheme assets and liabilities have historically been allocated to the Cable & Wireless Communications Group. On the Demerger, approximately half of the pension assets and liabilities of the main defined benefit UK pension scheme operated by the Cable & Wireless Group will be transferred to the Cable & Wireless Worldwide Group, with the other half remaining with the Cable & Wireless Communications Group. If such a transfer had been effected at 30 September 2009, the portion of the US$486 million IAS 19 *Employee Benefits* pension deficit on this scheme allocated to the Cable & Wireless Communications Group would have been approximately US$244 million, representing a US$146 million decrease to the historical net assets presented for the Cable & Wireless Communications Group. The result of this change on the income statement of Cable & Wireless Communications Group for the six months ended 30 September 2009 would have been to decrease profit by US$1 million.

The Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group have agreed to share the use of the Cable & Wireless Trademarks on the terms of the Cable & Wireless Communications Licence and the Cable & Wireless Worldwide Licence each as described in "*Cable & Wireless Communications Group Business—Intellectual Property Arrangements*". The use of the Cable & Wireless Trademarks by the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group is restricted under the trademark licence as described in the section entitled *"Cable & Wireless Communications Group Business—Material Contracts"*.

COMPARATIVE OVERVIEW OF FINANCIAL CONDITION

Cable & Wireless Communications Group income statement information (extracted from the Historical Financial Information of the Cable & Wireless Communications Group)

Cable & Wireless Communications Group income statement (at reported exchange rates) for the years ended 31 March 2007, 2008 and 2009 and for the six months ended 30, September 2008 and 2009 (unaudited).

	For the year ended 31 March								
	2007			2008			2009		
	Pre-exceptional Items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total
	(US$ millions)								
Mobile	764	—	764	883	—	883	907	—	907
Broadband	145	—	145	183	—	183	199	—	199
Domestic voice	578	—	578	541	—	541	519	—	519
International voice	316	—	316	282	—	282	245	—	245
Enterprise, data & other	507	—	507	573	—	573	577	—	577
Revenue	2,310	—	2,310	2,462	—	2,462	2,447	—	2,447
Cost of sales	(787)	—	(787)	(847)	—	(847)	(791)	—	(791)
Gross margin	1,523	—	1,523	1,615	—	1,615	1,656	—	1,656
Operating costs (excluding LTIP charge)	(756)	(24)	(780)	(841)	(27)	(868)	(785)	(100)	(885)
EBITDA[1]	767	(24)	743	774	(27)	747	871	(100)	771
LTIP charge	(19)	—	(19)	(16)	—	(16)	—	—	—
Depreciation and amortisation	(273)	—	(273)	(284)	(74)	(358)	(294)	—	(294)
Net other operating income	7	24	31	5	—	5	(3)	—	(3)
Operating profit/(loss)	482	—	482	479	(101)	378	574	(100)	474
Share of post-tax profit/(loss) of joint ventures and associates	39	(55)	(16)	77	—	77	60	—	60
Total operating profit/(loss)	521	(55)	466	556	(101)	455	634	(100)	534
Net finance income/(expense)	(41)	—	(41)	(32)	(20)	(52)	(61)	(98)	(159)
Gains and losses on sale of noncurrent assets	—	288	288	2	—	2	14	—	14
Gain on termination of operations	6	34	40	17	12	29	5	—	5
Profit/(loss) before income tax	486	267	753	543	(109)	434	592	(198)	394

	For the six months ended 30 September 2008			For the six months ended 30 September 2009		
	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total
	(US$ millions)			(US$ millions)		
Mobile	467	—	467	442	—	442
Broadband	100	—	100	102	—	102
Domestic voice	276	—	276	230	—	230
International voice	134	—	134	96	—	96
Enterprise, data & other	296	—	296	262	—	262
Revenue	1,273	—	1,273	1,132	—	1,132
Cost of sales	(416)	—	(416)	(359)	—	(359)
Gross margin	857	—	857	773	—	773
Operating costs (excluding LTIP charge)	(434)	(31)	(465)	(367)	(31)	(398)
EBITDA(1)	423	(31)	392	406	(31)	375
LTIP charge	5	—	5	(11)	—	(11)
Depreciation and amortisation	(151)	—	(151)	(152)	—	(152)
Net other operating income	—	—	—	4	—	4
Operating profit/(loss)	277	(31)	246	247	(31)	216
Share of post-tax profit/(loss) of joint ventures and associates	36	—	36	26	—	26
Total operating profit/(loss)	313	(31)	282	273	(31)	242
Net finance income/(expense)	(19)	(24)	(43)	(50)	27	(23)
Gains and losses on sale of noncurrent assets	1	—	1	—	—	—
Gain on termination of operations	—	—	—	—	—	—
Profit/(loss) before income tax	295	(55)	240	223	(4)	219

(1) EBITDA is a supplemental measure of Cable & Wireless Communications Group's performance and liquidity that is not required by or presented in accordance with IFRS. EBITDA should not be considered as an alternative to IFRS measures, such as profit before tax and profit. Cable & Wireless Communications Group uses EBITDA to facilitate operating performance comparisons and because it believes it is frequently used by securities analysts. EBITDA has limitations as an analytical tool, and prospective purchasers should not consider it in isolation from, or as a substitute analysis for, Cable & Wireless Communications Group's results of operations.

Summary financials by geography

	Caribbean				
	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Mobile	325	367	354	183	162
Broadband	75	89	93	47	46
Domestic voice	310	276	276	147	118
International voice	173	133	107	59	38
Enterprise, data & other	158	156	145	69	63
Revenue	**1,041**	**1,021**	**975**	**505**	**427**
Operating costs	**(389)**	**(419)**	**(381)**	**(213)**	**(187)**
EBITDA (excluding exceptional items)(1)	**349**	**292**	**337**	**162**	**132**

	Panama				
	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Mobile	231	268	301	146	150
Broadband	28	36	41	20	22
Domestic voice	182	177	160	85	71
International voice	34	40	40	21	18
Enterprise, data & other	68	96	125	65	47
Revenue	**543**	**617**	**667**	**337**	**308**
Operating costs	**(133)**	**(146)**	**(165)**	**(86)**	**(76)**
EBITDA (excluding exceptional items)[1]	**216**	**254**	**276**	**134**	**138**

	Macau				
	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Mobile	102	107	117	63	64
Broadband	28	38	43	21	22
Domestic voice	32	34	34	17	17
International voice	56	57	57	31	24
Enterprise, data & other	51	55	51	27	30
Revenue	**269**	**291**	**302**	**159**	**157**
Operating costs	**(48)**	**(54)**	**(53)**	**(29)**	**(24)**
EBITDA (excluding exceptional items)[1]	**104**	**124**	**139**	**68**	**71**

	Monaco & Islands[2]				
	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Mobile	106	132	134	75	66
Broadband	15	20	22	12	12
Domestic voice	54	54	49	27	24
International voice	53	52	43	25	17
Enterprise, data & other	232	268	258	136	122
Revenue	**460**	**526**	**506**	**275**	**241**
Operating costs	**(143)**	**(177)**	**(168)**	**(92)**	**(80)**
EBITDA (excluding exceptional items)[1]	**141**	**139**	**137**	**74**	**65**

	Other[3]				
	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Mobile	—	9	1	—	—
Broadband	(1)	—	—	—	—
International voice	—	—	(2)	(2)	(1)
Enterprise, data & other	(2)	(2)	(2)	(1)	—
Revenue	**(3)**	**7**	**(3)**	**(3)**	**(1)**
Operating costs	**(43)**[4]	**(45)**[5]	**(18)**[6]	**(14)**[7]	**0**[8]
EBITDA (excluding exceptional items)[1]	**(43)**[4]	**(3)**[5]	**(18)**[6]	**(15)**[7]	**0**[8]

	Total				
	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Mobile	764	883	907	467	442
Broadband	145	183	199	100	102
Domestic voice	578	541	519	276	230
International voice	316	282	245	134	96
Enterprise, data & other	507	573	577	296	262
Revenue	**2,310**	**2,462**	**2,447**	**1,273**	**1,132**
Operating costs	**(756)**(4)	**(841)**(5)	**(785)**(6)	**(434)**(7)	**(367)**(8)
EBITDA (excluding exceptional items)(1)	**767**(4)	**774**(5)	**871**(6)	**423**(7)	**406**(8)

Notes:

(1) Earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income, expense and other exceptional items.

(2) Monaco & Islands comprises operations in 22 countries, including Bermuda, the Channel Islands, the Isle of Man and nations in the Indian, Atlantic and Pacific Oceans and Africa.

(3) Other includes intra Cable & Wireless Communications Group revenue and cost adjustments, the movement in centrally held accruals, net pension credit, LTIP charges, Central capital expenditure and the costs of the Central operations of the Cable & Wireless Group. Cable & Wireless Communications Group's London head office operating costs have been offset by management charges to the geographic regional operations.

(4) Includes US$41 million relating to the Central operations of the Cable & Wireless Group.

(5) Includes US$56 million relating to the Central operations of the Cable & Wireless Group.

(6) Includes US$50 million relating to the Central operations of the Cable & Wireless Group.

(7) Includes US$27 million relating to the Central operations of the Cable & Wireless Group.

(8) Includes US$20 million relating to the Central operations of the Cable & Wireless Group.

Key performance indicators

Cable & Wireless Communications Group total

	As at 31 March			As at 30 September	
	2007	2008	2009	2008	2009
	(thousands)				
Total active(1) GSM mobile customers	**5,033**	**6,350**	**8,688**(2)	**7,123**	**8,254**(2)
Subsidiaries	2,611	3,342	4,141	3,548	3,621
Joint ventures	2,422	3,008	4,547	3,575	4,633
Total broadband customers	**401**	**466**	**553**	**512**	**577**
Subsidiaries	378	434	476	457	492
Joint ventures	23	32	77	55	85
Total fixed line connections	**1,902**	**1,875**	**1,825**	**1,872**	**1,803**
Subsidiaries	1,531	1,522	1,476	1,509	1,462
Joint ventures	371	353	349	363	341

Notes:

(1) An active customer is defined as one having performed a revenue-generating event in the previous 60 days.

(2) At 31 March 2009, customer numbers included 500,000 customers relating to a special promotion that was not repeated at 30 September 2009.

Cable & Wireless Communications Group subsidiaries (i.e. excluding joint ventures) by regional operations

	Caribbean				
	As at 31 March			As at 30 September	
	2007	2008	2009	2008	2009
	(thousands)				
Total active(1) GSM mobile customers	1,125	1,260	1,254	1,265	1,279
Total broadband customers	163	187	199	191	204
Total fixed line connections	723	696	662	687	645

	Panama				
	As at 31 March			As at 30 September	
	2007	2008	2009	2008	2009
	(thousands)				
Total active[1] GSM mobile customers	1,091	1,638	2,337[2]	1,805	1,788[2]
Total broadband customers	87	99	120	110	127
Total fixed line connections	422	432	422	426	418

	Macau				
	As at 31 March			As at 30 September	
	2007	2008	2009	2008	2009
	(thousands)				
Total active[1] GSM mobile customers	255	305	397	328	395
Total broadband customers	102	119	125	125	127
Total fixed line connections	177	182	179	182	182

	Monaco & Islands[3]				
	As at 31 March			As at 30 September	
	2007	2008	2009	2008	2009
	(thousands)				
Total active[1] GSM mobile customers	140	139	153	150	159
Total broadband customers	26	29	32	31	34
Total fixed line connections	209	212	213	214	217

Notes:

(1) An active customer is defined as one having performed a revenue-generating event in the previous 60 days.

(2) At 31 March 2009, customer numbers included 500,000 customers relating to a special promotion that was not repeated at 30 September 2009.

(3) Monaco & Islands comprises operations in 22 countries, including Bermuda, the Channel Islands, the Isle of Man, nations in the Indian, Atlantic and Pacific Oceans, the Middle East and Africa.

Commentary on Cable & Wireless Communications Group operating performance

Comparison of the six months ended 30 September 2009 with the six months ended 30 September 2008

Revenue

In the six months ended 30 September 2009, the Cable & Wireless Communications Group's total revenue decreased by US$141 million, or 11%, to US$1,132 million, compared to the same period last year with declines in all but broadband services. The Cable & Wireless Communications Group's mobile revenue decreased by US$25 million, or 5%, in the period to US$442 million, US$21 million of which was due to the adverse impact of movements in exchange rates. Active GSM mobile customers in its subsidiaries increased by 73,000, or 2% to 3.6 million. The Cable & Wireless Communications Group's broadband revenue increased by US$2 million, or 2%, to US$102 million in the period ended 30 September 2009. Broadband customers in the Cable & Wireless Communications Group's subsidiaries grew by 35,000, or 8%, to 491,000. The Cable & Wireless Communications Group's domestic voice revenue fell by US$46 million, or 17%, to US$230 million and international voice revenue declined by US$38 million, or 28%, to US$96 million. Fixed line connections in its subsidiaries declined by 46,000, or 3%, to 1.5 million. Enterprise, data and other revenue decreased by US$34 million, or 11% in the period to US$262 million.

In the Caribbean operation, total revenue decreased by US$78 million, or 15%, to US$427 million compared to the same period last year. US$30 million of this decrease was due to the weakening of the Jamaican dollar against the US dollar. International voice revenue fell by US$21 million, or 36%, to US$38 million, primarily driven by lower volume of minutes reflecting the global recession, continued fixed to mobile substitution and increased VoIP usage and exchange rate movements (US$4 million). Domestic voice revenue decreased by US$29 million, or 20%, to US$118 million due to the decline in minute volumes and movements in exchange rates (US$13 million). Mobile revenue fell by US$21 million, or 11%, to US$162 million including a reduction of US$7 million due to adverse movements in exchange rates. Mobile market share was maintained with an increase in post-paid revenue. However, prepaid revenue decreased due to a fall in average revenue per user (**ARPU**) as a result of a more competitive pricing environment and lower usage. Blended ARPU fell by 10%, compared with the same period last year, primarily as a result of discounting through promotions in prepaid mobile. Roaming revenue also decreased, particularly from tourist driven inbound traffic reflecting the effects of the global recession on tourism in the Caribbean.

In Panama, total revenue decreased by US$29 million, or 9%, to US$308 million, primarily because enterprise, data and other revenue decreased by US$18 million, or 28%, to US$47 million following the delay in government projects and the decrease in domestic voice revenue. Mobile revenue increased by US$4 million, or 3%, to US$150 million as market leadership was maintained despite two new competitors now being fully operational. Domestic voice revenue fell by US$14 million or 16%, to US$71 million in the period as the fixed to mobile substitution trend accelerated due to campaigns by competitors in the mobile market. Broadband revenue grew by US$2 million, or 10%, as a result of an increased customer base and broadly maintained ARPU.

In Macau, CTM's revenue decreased by US$2 million, or 1%, to US$157 million mainly because of the US$7 million, or 23%, decline in international voice revenue to US$24 million in the period reflecting the economic environment coupled with some major cable outages in the region. Enterprise, data and other growth of 11%, or US$3 million, to US$30 million was driven by an increase in leased line services and government spending in managed services.

In Monaco & Islands, total revenue decreased by US$34 million, or 12%, to US$241 million. US$40 million of this decrease was due to exchange rate movements in the euro, sterling and Seychelles rupees. There was decline in all revenue streams except for broadband which was flat. Mobile revenue decreased by US$9 million, or 12%, to US$66 million as a result of movements in exchange rates (US$14 million). Excluding exchange movements, mobile revenue increased by 8% as a result of a 6% increase in customers. Enterprise, data and other revenue decreased by US$14 million, or 10%, to US$122 million due to exchange rate movements (US$15 million). Data hosting revenue in Bermuda and Guernsey increased in the period.

Gross margin

In the six months ended 30 September 2009, the Cable & Wireless Communications Group's gross margin decreased in line with revenue, down by US$84 million, or 10%, compared with the prior period to US$773 million. Gross margin as a percentage of revenue was up one percentage point for the period to 68%.

Operating costs (excluding exceptional items)

In the six month period ended 30 September 2009, the Cable & Wireless Communications Group's operating costs were US$367 million, a decrease of US$67 million, or 15%, compared with the previous six month period ended 30 September 2008. Movements in exchange rates accounted for US$27 million of this decrease. Operating costs as a percentage of revenue were down two percentage points to 32%.

In the Caribbean operation, operating costs of US$187 million were US$26 million, or 12%, lower than in the prior period, primarily as a result of a reduction in employee costs and the US$14 million impact of the depreciation of the Jamaican dollar against the US dollar. The "One Caribbean" programme has delivered a reduction in headcount of 881, or 24%, compared with the same period in the prior year. Whilst this had the effect of driving a 12% reduction in employee costs, the maintenance of service quality resulted in increased costs in other areas. The operating cost margin increased from 42% to 44% in the period.

In Panama, operating costs decreased by US$10 million, or 12%, to US$76 million. This was due to the impact of cost rationalisation initiatives, including a 9% decrease in headcount as well as the one-off costs in the first half of 2008/09 in preparation for the entry of two additional mobile operators. Operating costs as a percentage of revenue were 25% for the six months ended 30 September 2009.

In Macau, operating costs decreased by US$5 million, or 17%, to US$24 million. The continued control of employee, marketing and network costs has reduced operating costs as a percentage of revenue to 15%, from 18% in the six months ended 30 September 2008.

In Monaco & Islands, operating costs decreased by US$12 million, or 13%, to US$80 million as a result of exchange movements (US$15 million). Excluding exchange movements, operating costs increased by 4% as investments were made in expanding and enhancing the networks across the business, including an increase in satellite bandwidth. The operating cost margin was flat at 33% in the period compared to the six months ended 30 September 2008.

EBITDA (excluding exceptional items)

As a result of the above movements in revenue and operating costs, the Cable & Wireless Communications Group's EBITDA decreased by US$17 million in the six months ended 30 September 2009, or 4%, to US$406 million compared to the prior period, with EBITDA margin up three percentage points to 36%.

In the Caribbean operation, EBITDA decreased by US$30 million, or 19%, to US$132 million, reflecting the revenue impact of the difficult trading environment and includes a US$6 million adverse impact from exchange rates. EBITDA margin was 31% in the six months ended 30 September 2009 compared to 32% in the prior period.

In Panama, EBITDA increased by US$4 million, or 3%, to US$138 million and EBITDA margin improved by five percentage points to 45% reflecting the change in revenue mix and the focus on cost reduction initiatives.

In Macau, EBITDA increased by US$3 million, or 4%, to US$71 million, representing an improvement in the margin of two percentage points to 45%. This increase was largely driven by the decrease in operating cost margin in the period due to ongoing control of employee, marketing and network costs.

In Monaco & Islands, reported EBITDA at US$65 million was US$9 million, or 12%, lower than in the six months ended 30 September 2008 but was US$2 million, or 3%, higher on a constant currency basis.

Share of post-tax profit of joint ventures

The Cable & Wireless Communications Group's share of profit after tax from joint ventures was US$26 million, down 27% from US$36 million in 2008/09. The share of profits from TSTT in Trinidad and Tobago of US$11 million fell by 8% on an underlying basis, but 45% on a reported basis, as the prior year included the release of US$8 million of provisions held by the Central operations. Cable & Wireless Communications Group's joint venture in the Maldives, Dhiraagu, grew revenue by US$3 million, or 10%, and profit after tax by US$1 million, or 8%, as it continued to grow mobile revenue and customers.

Net finance expense

The net finance expense excluding exceptional items increased US$31 million over the period to US$50 million for the six months ended 30 September 2009. This reflected lower finance income due to a decrease in interest rates and the lower average cash balances of the Cable & Wireless Communications Group and an increase in the finance expense due to increased borrowings of the Cable & Wireless Communications Group.

Exceptional items

Net exceptional charges in the six months ended 30 September 2009 were US$4 million. This included US$31 million of exceptional operating costs relating to restructuring, primarily related to the "One Caribbean" transformation programme and exceptional legal and other fees. This was offset by a non-operating exceptional gain of US$27 million was recognised arising from marking to market of forward contracts used for hedging purposes as required by IAS 39.

Comparison of the year ended 31 March 2009 with the year ended 31 March 2008

Revenue

In the year ended 31 March 2009, the Cable & Wireless Communications Group's total revenue decreased by US$15 million, or 1%, to US$2,447 million due to the US$41 million adverse impact of movement in exchange rates. Cable & Wireless Communications mobile revenue increased by US$24 million, or 3%, in the year to US$907 million. Active GSM mobile customers in its subsidiaries increased by almost 800,000, or 24%, to 4.1 million. However, ARPU decreased as a result of increasing levels of competition and the challenging economic environment. The Cable & Wireless Communications Group's broadband revenue increased by US$16 million, or 9%, to US$199 million in the year ended 31 March 2009. Broadband customers in the Cable & Wireless Communications Group's subsidiaries grew by 42,000, or 10%, to 476,000. Domestic voice revenue fell by US$22 million, or 4%, to US$519 million and international voice revenue declined by US$37 million, or 13%, to US$245 million. The decrease in voice is largely structurally driven by fixed to mobile and VoIP substitution exacerbated by the economic downturn. Fixed line connections in the Cable & Wireless Communications Group's subsidiaries remained relatively steady at 1.5 million. Enterprise, data and other revenue increased by US$4 million, or 1%, in the year to US$577 million.

In the Caribbean operation, in the year ended 31 March 2009, total revenue was US$975 million, a US$46 million, or 5%, decrease on the prior year as declines in mobile, international voice and enterprise, data and other more than offset broadband revenue growth. The weakening of the Jamaican dollar against the US dollar accounted for US$19 million of this decrease. Domestic voice revenue remained stable at US$276 million in the year as movements in exchange rates (US$7 million) offset increases through trading. Substitution by other services such as mobile and VoIP and movements in exchange rates (US$3 million) led to a US$26 million, or 20%, decline in international voice revenue to US$107 million. Mobile revenue declined by US$13 million, or 4%, to US$354 million in the year reflecting a softening of demand and lower tourist numbers in the Caribbean islands and movements in exchange rates (US$5 million). The Cable & Wireless Communications Group's mobile customer base in its Caribbean operation subsidiaries decreased by approximately 6,000, or less than 1%, in the year to 1.3 million as a result of increased competition.

In Panama, in the year ended 31 March 2009, total revenue was US$667 million, a US$50 million, or 8%, increase on the prior year, driven largely by mobile and enterprise, data and other revenue. Mobile revenue increased by US$33 million or 12%, to US$301 million following intensive marketing and promotional activity in preparation for the entry of new competitors. Enterprise, data and other revenue increased by US$29 million, or 30%, to US$125 million with the roll out of large government contracts including those for video surveillance, e-learning and the 911 emergency services centre.

In Macau, in the year ended 31 March 2009, total revenue was US$302 million, a US$11 million, or 4%, increase on the prior year. The growth in mobile and broadband revenue driven by customers using Cable & Wireless Communications Group's new 3G service for mobile and higher bandwidth and increased customer base for broadband, was partially offset by a US$4 million, or 7%, decline in enterprise revenue to US$51 million as a number of high profile hotel and casino projects were put on hold.

In Monaco & Islands, in the year ended 31 March 2009, total revenue was US$506 million, a US$20 million, or 4%, decrease on the prior year. Movements in exchange rates accounted for virtually all of this decrease. The growth in mobile and broadband revenue was offset by a decline in international voice and enterprise, data and other revenue. Monaco & Islands includes Monaco, the Channel Islands and the Isle of Man, Bermuda, Seychelles, the Maldives (consolidated from October 2009), the South Atlantic Region and Diego Garcia and was the most affected of each of its regional operations by the movements in foreign exchange rates during the year. At the exchange rates used for the year to 31 March 2009, revenue in Monaco & Islands was flat year on year.

Gross margin

In the year ended 31 March 2009, the Cable & Wireless Communications Group's gross margin increased by US$41 million, or 3%, compared with the prior year to US$1,656 million. Gross margin as a percentage of revenue was up two percentage points for the year to 68%. Costs of sales decreased from US$847 million to US$791 million primarily due to exchange rate movements and cost reduction activities.

Operating costs (excluding exceptional items)

In the year ended 31 March 2009, the Cable & Wireless Communications Group's operating costs were US$785 million, a decrease of US$56 million, or 7%, compared with the year ended 31 March 2008 primarily reflecting cost-management initiatives in the Caribbean operation. Movements in exchange rates accounted for US$25 million of this decrease. Operating costs as a percentage of revenue were down two percentage points to 32%.

In the Caribbean operation, operating costs for the year ended 31 March 2009 decreased by US$38 million, or 9%, compared with the prior year to US$381 million which included savings generated from an integrated pan-Caribbean advertising and marketing approach and a decrease in headcount and movements in exchange rates (US$9 million), primarily the weakening of the Jamaican dollar against the US dollar.

In Panama, operating costs for the year ended 31 March 2009 increased by US$19 million, or 13%, to US$165 million as investments in service and distribution in preparation for the entry of additional mobile competition were made. US$5 million of non-recurring cost occurred in the first half of 2008/09 and operating costs returned to more sustainable levels in the second half as cost saving initiatives (including a 4% reduction in headcount) began to take effect. As a percentage of revenue, the Cable & Wireless Communications Group's operating costs in Panama increased by 1%.

In Macau, operating costs for the year ended 31 March 2009 declined against the prior year by US$1 million, or 2%, to US$53 million mainly driven by lower employee costs as a result of cost control initiatives.

Monaco & Islands' operating costs decreased by 5% to US$168 million due mainly to changes in exchange rates primarily the euro. Excluding this, operating costs increased by 1%.

EBITDA (excluding exceptional items)

As a result of the above movements in gross margin and operating costs, the Cable & Wireless Communications Group's EBITDA in the year ended 31 March 2009 grew by US$97 million, or 13%, to US$871 million. EBITDA margin increased from 31% to 36%. Before the inclusion of Central's costs, the Cable & Wireless Communications Group's EBITDA increased by US$91 million, or 11%, to US$921 million and represented 38% of revenue compared to 34% in the prior year driven primarily by EBITDA margin improvements in the Caribbean operation.

In the Caribbean operation, EBITDA in the year ended 31 March 2009 increased by US$45 million, or 15%, to US$337 million. EBITDA margin increased from 29% to 35%, including US$12 million, or 24%, increase in Jamaica's EBITDA to US$63 million as gross margins were restored and operating costs reduced after the poor performance in 2007/08.

In Panama, EBITDA in the year ended 31 March 2009, grew by US$22 million, or 9%, to US$276 million driven by revenue growth. EBITDA margin was constant at 41%.

In Macau, EBITDA in the year ended 31 March 2009, increased by US$15 million, or 12%, to US$139 million and represented 46% of revenue, a three percentage point increase on the year ended 31 March 2008.

In Monaco & Islands, EBITDA in the year ended 31 March 2009 was US$137 million, a US$2 million, or 1%, fall from the prior year as a result of the operating costs movement described above. EBITDA margin increased from 26% to 27%.

Depreciation and amortisation

Depreciation and amortisation increased by US$10 million, or 4%, in the year ended 31 March 2009 to US$294 million as the Cable & Wireless Communications Group has invested more on capital expenditure in recent years. For more details on capital expenditure see "—*Capital Expenditure*".

Share of post-tax profit of joint ventures

The Cable & Wireless Communications Group's share of the post-tax profit of joint ventures and associates decreased by US$17 million, or 22%, in the year ended 31 March 2009 to US$60 million. This reduction was driven by TSTT (Trinidad and Tobago) and Roshan (Afghanistan), partially offset by growth in Dhiraagu (the Maldives). TSTT contributed US$30 million to the share of profit after tax compared with US$44 million in 2007/08 (which included the release of a US$9 million provision). In Roshan, the US$4 million loss after tax is largely due to a US$5 million write down of obsolete network equipment. The share of profit after tax in Dhiraagu grew by US$4 million, or 17%, to US$28 million in the year ended 31 March 2009, mainly due to the 19% growth in mobile customers.

Net finance expense

In the year ended 31 March 2009, the Cable & Wireless Communications Group's net finance expense increased by US$29 million, or 91%, compared with the prior year to US$61 million. This reflected lower finance income due to a decrease in interest rates and the lower average cash balances of the Cable & Wireless Communications Group and an increase in the finance expense due to increased borrowings of the Cable & Wireless Communications Group.

Exceptional items

In the year ended 31 March 2009, the Cable & Wireless Communications Group recorded exceptional costs before tax of US$198 million compared with exceptional costs of US$109 million in the year ended 31 March 2008.

The Cable & Wireless Communications Group's transformation programme continued in the year ended 31 March 2009 with gross restructuring costs of US$100 million primarily relating to the "One Caribbean" transformation programme, the streamlining of the London office (including a 27% reduction in headcount), efficiency programmes in Panama and Monaco & Islands and an onerous lease provision. These costs were partially offset by a US$14 million exceptional net gain primarily from the restructuring of the Jamaican retirement funds. A US$12 million tax credit was recorded against the Cable & Wireless Communications Group's restructuring charges. An exceptional non-operating loss of US$98 million was also recognised arising from the marking to market of forward contracts used for hedging purposes as required by IAS 39.

Comparison of the year ended 31 March 2008 with the year ended 31 March 2007

Revenue

In the year ended 31 March 2008, the Cable & Wireless Communications Group's total revenue increased by US$152 million, or 7%, to US$2,462 million as growth in mobile, broadband and enterprise, data and other revenue more than offset declines in domestic and international voice. The Cable & Wireless Communications Group's mobile revenue increased by US$119 million, or 16%, in the year to US$883 million and active GSM mobile customers in its subsidiaries increased by almost 750,000 or 28%, to 3.3 million. The Cable & Wireless Communications Group's broadband revenue increased by US$38 million, or 26%, to US$183 million in the year ended 31 March 2008, and broadband customers in Cable & Wireless Communications Group's subsidiaries grew by 15% to 434,000. The Cable & Wireless Communications Group's domestic voice revenue fell by US$37 million, or 6%, to US$541 million and international voice revenue declined by US$34 million, or 11%, to US$282 million. Although fixed line connections in its subsidiaries remained relatively steady at 1.5 million, minutes of use decreased due to mobile and VoIP substitution. Enterprise, data and other revenue increased by US$66 million, or 13%, in the year to US$573 million.

In the Caribbean operation in the year ended 31 March 2008, total revenue declined by US$20 million, or 2%, to US$1,021 million as declines in domestic and international voice more than offset mobile and broadband revenue growth. Domestic voice revenue declined by US$34 million, or 11%, to US$276 million in the year, US$29 million relating largely to the poor performance of a prepaid fixed line product in Jamaica, a product which the Cable & Wireless Communications Group withdrew in July 2007. There was a US$40 million, or 23%, decline in international voice revenue in the Caribbean operation to US$133 million in the year ended 31 March 2008. Mobile revenue grew by US$42 million, or 13%, to US$367 million in the year as the Cable & Wireless Communications Group expanded its regional network coverage and launched mobile services in the British Virgin Islands (BVI). Mobile customers increased by 135,000, or 12%, in the year to 1.3 million, contributing to an increase in revenue.

In Panama, in the year ended 31 March 2008, total revenue was US$617 million, a US$74 million, or 14%, increase on the prior year, driven largely by mobile, broadband, international voice and enterprise, data and other revenue. Mobile revenue increased by US$37 million, or 16%, to US$268 million as network coverage was improved, contributing to greater market penetration and distribution channels and preparing for the entry of new competitors. Mobile customers increased by 547,000, or 50%, to 1.6 million in the year ended 31 March 2008. Enterprise, data and other revenue in Panama grew by US$28 million, or 41%, to US$96 million as a result of the business winning large contracts such as the Telemedicine and CCTV contracts with the government of Panama in the first half of the year ended 31 March 2008. Broadband revenue increased from US$28 million to US$36 million, an increase of 29%, primarily due to higher value packages and increased coverage. Fixed line revenue at US$217 million was broadly flat.

In Macau, in the year ended 31 March 2008, total revenue was US$291 million, US$22 million, or 8%, more than the prior year. This was largely driven by broadband revenue which increased by US$10 million to US$38 million in the year with the launch of 10Mbps services to every household and service speeds of up to 100Mbps to businesses with specific needs.

In Monaco & Islands, in the year ended 31 March 2008, total revenue grew by US$66 million, or 14%, to US$526 million. Mobile revenue grew by US$26 million, or 25%, to US$132 million in the year and mobile customers decreased by 2,000 to 141,000. This was largely due to the introduction of new products in Monaco such as prepaid mobile, push email and other mobile data services, and the launch of services in Jersey and the Isle of Man. Enterprise, data and other revenue grew by US$36 million, or 16%, to US$268 million, largely due to growth in Monaco Telecom's international traffic management contracts with PTK in Kosovo and Roshan in Afghanistan.

Gross margin

In the year ended 31 March 2008, the Cable & Wireless Communications Group's gross margin increased in line with revenue, growing by US$92 million, or 6%, compared with the prior year to US$1,615 million. Gross margin as a percentage of revenue was unchanged for the year at 66%.

Operating costs (excluding exceptional items)

In the year ended 31 March 2008, the Cable & Wireless Communications Group's operating costs were US$841 million, an increase of US$85 million, or 11%, compared with the year ended 31 March 2007. Operating cost margin increased from 33% to 34%.

In the Caribbean operation, operating costs for the year ended 31 March 2008 increased by US$30 million, or 8%, to US$419 million. US$13 million of this increase related to higher call centre and administration costs in Jamaica. The remainder was due to additional support costs as the Cable & Wireless Communications Group migrated to new data networks and additional costs following the launch of mobile services in the BVI. Operating cost margin increased from 37% to 41%.

In Panama, operating costs for the year ended 31 March 2008 increased by US$13 million, or 10%, to US$146 million in support of the business' rapid revenue growth. As a percentage of revenue, the Cable & Wireless Communications Group's operating costs in Panama were steady at 24%.

In Macau, operating costs for the year ended 31 March 2008 increased by US$6 million, or 13%, compared with the prior year to US$54 million broadly flat at 19% of revenue.

In Monaco & Islands, operating costs for the year ended 31 March 2008 increased by US$34 million, or 24% to US$177 million. This increase reflected the launch and growth of mobile businesses in Jersey and the Isle of Man and the release of US$10 million of provisions in Monaco in the year ended 31 March 2007. Operating cost margin increased from 31% to 34%.

Costs of the Central operations of the Cable & Wireless Group increased US$15 million, or 37%, in the year ended 31 March 2008 to US$56 million, partly due to the benefit of the release of an accrual after settlement of a PAYE creditor in the prior year that was not repeated in the year ended 31 March 2008.

EBITDA (excluding exceptional items)

As a result of the above movements in revenue and operating costs, Cable & Wireless Communications Group's EBITDA in the year ended 31 March 2008 grew by US$7 million, or 1%, to US$774 million. Before the inclusion of the costs of the Central operations of the Cable & Wireless Group, the Cable & Wireless Communications Group's EBITDA increased by US$22 million, or 3%, to US$830 million and represented 34% of revenue compared to 35% of revenue the previous period.

In the Caribbean operation, EBITDA in the year ended 31 March 2008 decreased by US$57 million, or 16%, to US$292 million. This decline included a US$63 million decline in Jamaica's results in the year to US$51 million as a result of the revenue and cost issues described above. EBITDA margin was 29% in this period.

In Panama, EBITDA in the year ended 31 March 2008, grew by US$38 million, or 18%, to US$254 million. This represented 41% of revenue for the year compared to 40% in the prior year. This growth in EBITDA was primarily driven by revenue growth which was partially offset by increases in operating costs primarily to support that growth.

In Macau, EBITDA in the year ended 31 March 2008, increased by US$20 million, or 19%, to US$124 million and represented 43% of revenue, a four percentage point increase on the year ended 31 March 2007.

In Monaco & Islands, EBITDA in the year ended 31 March 2008 was US$139 million, a US$2 million, or 1%, fall from the prior year as a result of the operating costs movement described above. EBITDA margin was 26% in this period.

Depreciation and amortisation

Depreciation and amortisation increased by US$11 million, or 4%, in the year ended 31 March 2008 to US$284 million reflecting the increase in the Cable & Wireless Communications Group's capital expenditure in recent years. For more details on capital expenditure see "—*Capital Expenditure*".

Net other operating income

Net other operating income in the year ended 31 March 2008 reduced by US$2 million, or 29%, to US$5 million, which primarily relates to gains on the disposal of fixed assets.

Share of post-tax profit of joint ventures

The Cable & Wireless Communications Group's share of the post-tax profit of joint ventures increased by US$38 million, or 97%, in the year ended 31 March 2008 to US$77 million. The result reflects an improved performance by TSTT, its joint venture in Trinidad and Tobago, which contributed a US$44 million profit (including a US$9 million release of a provision held by the Central operations) compared with a US$23 million loss in the prior year as a result of the success of restructuring efforts targeted at improving performance. This was partially offset by the impact of the disposal of the Cable & Wireless Communications Group's stake in Batelco (Bahrain) in January 2007 which contributed US$22 million in the year ended 31 March 2007.

Net finance expense

In the year ended 31 March 2008, the Cable & Wireless Communications Group's net finance expense decreased by US$9 million, or 22%, compared with the prior year to US$32 million. This comprises finance income of US$96 million (US$96 million in the year ended 31 March 2007) and finance expense of US$128 million (US$137 million in the year ended 31 March 2007).

The US$9 million reduction in finance expense was a result of reduced interest expense following the repurchase and conversion of Cable and Wireless plc convertible bonds in the year ended 31 March 2008 and reduced interest relating to the put option on Monaco Telecom business, partially offset by increased interest on debt.

Gain on termination of operations

The US$17 million gain on termination of operations in the year ended 31 March 2008 relates to progress in addressing issues relating to Cable and Wireless plc's former insurance operation, Pender, which allowed the release of certain provisions and accruals.

Exceptional items

In the year ended 31 March 2008, the Cable & Wireless Communications Group recorded exceptional costs before tax of US$109 million compared with exceptional gains of US$267 million in the year ended 31 March 2007.

The Cable & Wireless Communications Group recorded US$101 million of exceptional operating costs in the year ended 31 March 2008 which included US$33 million for restructuring costs as part of the programme to transform its service and brand reputation. The Cable & Wireless Communications Group successfully concluded a transaction to repatriate US$48 million that had previously been blocked in the Seychelles due to exchange controls. As a result, a net gain before taxation of US$28 million was recorded after the release of provisions held against these funds. As a consequence of this transaction a US$10 million tax charge was recorded.

In July 2007, the Cable & Wireless Communications Group received a claim from its main Caribbean competitor, Digicel. Based on legal advice, the Cable & Wireless Communications Group expected to successfully defend the claim, but recorded a charge of US$22 million for the legal and other fees related to its defence which was included in operating costs as an exceptional item.

As part of the Cable & Wireless Communications Group's year end review of asset carrying values, assets in Jamaica were written down by US$74 million reflecting the poor trading performance of the business during the period and additional competition in the mobile market. A US$25 million tax credit was recorded against this charge.

Convertible bonds with a par value of £138 million (US$276 million) were repurchased for cash of £190 million (US$380 million) by Cable and Wireless plc. This resulted in an accounting loss of US$20 million which is the difference between the carrying and fair value of the underlying debt component of the repurchased bonds. Following progress in resolving historical claims and other risks, US$12 million of unused provisions relating to Cable and Wireless plc's former insurance operation, Pender, were released.

Liquidity and Capital Resources

The Cable & Wireless Communications Group's principal source of liquidity is cash flow from operations supported by bank financing and bond issuances. As at September 30, 2009, the Cable & Wireless Communications Group had net cash and cash equivalents of US$437 million and undrawn credit lines of US$152 million. The Cable & Wireless Communications Group's financing arrangements are described in more detail in "*Description of Certain Financing Arrangements*".

The Cable & Wireless Communications Group's principal use of funds are costs of sales (primarily costs associated with network and interconnecting services) and operating costs (primarily employee costs and network maintenance) (see "*Principal Factors Affecting Results of Operations—Cost Drivers*"). The Cable & Wireless Communications Group also continues to invest in fixed assets to enhance its networks where it will increase future revenue (see section entitled "*—Capital Expenditure*").

The Cable & Wireless Communications Group's treasury operations are delegated to the Chief Financial Officer, the Treasurer and the Treasury department (collectively, the **Treasury**), which manages its net interest-bearing debt and cash balances on a day-to-day basis. Treasury is mandated to ensure the Cable & Wireless Communications Group has adequate funding at all times to meet its projected requirements, and that funding is arranged on the most appropriate terms taking into account the circumstances of the funding requirement. Where appropriate, Treasury will look to match the currency of debt with the carrying value of foreign currency investments in order to hedge the Cable & Wireless Communications Group's foreign currency net asset exposures. Cash and cash equivalents consist of cash, short term deposits and other liquid investments with an appropriate short term maturity not exceeding three months. For a discussion of the Cable & Wireless Communications Group's policies as related to management of market risk, see the section entitled "*Qualitative and quantitative disclosures on market risk*" below.

Summary consolidated cash flow statement

	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Cash flows from operating activities					
Cash generated from operations	705	807	751	312	259
Income taxes paid	(84)	(92)	(115)	(61)	(50)
Net cash from operating activities	621	715	636	251	209
Net cash used in investing activities	353	(307)	(314)	(124)	(93)
Net cash flow before financing activities	974	408	322	127	116
Net cash used in financing activities	(1,083)	(1,110)	(881)	(380)	(303)
Net decrease in cash and cash equivalents	(109)	(702)	(559)	(253)	(187)
Cash and cash equivalents at the beginning of the period	1,927	2,017	1,360	1,360	581
Exchange gains/(losses) on cash and cash equivalents	199	45	(220)	(78)	43
Cash and cash equivalents at the end of the period	2,017	1,360	581	1,029	437
Net cash and cash equivalents	2,017	1,360	581	1,029	437

Comparison of the six months ended 30 September 2009 with the six months ended 30 September 2008

At 30 September 2009, the Cable & Wireless Communications Group had US$437 million of cash and cash equivalents.

Net cash from operating activities decreased by US$42 million in the six month period to 30 September 2009 compared to the six month period to 30 September 2008. The decrease was the result of an increased working capital outflow in the six months ended 30 September 2009 due to a reduction in trade payables and an increase in the level of prepayments.

Net cash used in investing activities was US$93 million in the six month period ended 30 September 2009 compared to US$124 million in the six month period to 30 September 2008, a decrease of US$31 million. This resulted primarily from the decrease in capital expenditure in the period to US$109 million compared to US$169 million in the six months ended 30 September 2008.

As a result of the above, the Cable & Wireless Communications Group's net cash flow before financing decreased by US$11 million to US$116 million in the six month period ended 30 September 2009 compared to 30 September 2008.

Net cash used in financing activities decreased by US$77 million to US$303 million in the six month period ended 30 September 2009 compared to the six month period ended 30 September 2008. In the six month period to 30 September 2008, the Cable & Wireless Communications Group contributed US$210 million to the Cable & Wireless Worldwide Group primarily for the acquisition of THUS Group and drew down a net US$112 million of facilities compared to US$35 million and US$18 million respectively for the six month period ended 30 September 2009. Borrowings drawn down in the six months ended 30 September 2009 were US$192 million compared with US$38 million in the six months ended 30 September 2008. Borrowings repaid were US$80 million compared to US$20 million in the six months ended 30 September 2008.

Comparison of the year ended 31 March 2009 with the year ended 31 March 2008

At 31 March 2009, the Cable & Wireless Communications Group had US$581 million of cash and cash equivalents representing a US$779 million decrease from 31 March 2008.

Net cash from operating activities decreased US$79 million in the year ended 31 March 2009 compared with US$715 million in the prior year. This decrease was the result of a US$27 million decline in working capital due to the timing of receipts and payments, and other provisions, including exceptional provisions largely relating to the "One Caribbean" transformation programme and a US$23 million increase in income tax payments.

Net cash used in investing activities was US$314 million in the year ended 31 March 2009 compared with US$307 million in the prior year. Capital expenditure at US$359 million was 2% less than the prior year reflecting the ordinary course phasing of the Cable & Wireless Communications Group's capital expenditure programmes and represented 14% of revenue.

As a result of the above, the Cable & Wireless Communications Group's net cash flow before financing activities decreased by US$86 million in the year ended 31 March 2009 to an inflow of US$322 million.

Net cash used in financing activities decreased from US$1,110 million in the year ended 31 March 2008 to a US$881 million in the year ended 31 March 2009. In the year ended 31 March 2009, the Cable & Wireless Communications Group drew down a net US$480 million from borrowings and contributed US$842 million to the Cable & Wireless Worldwide Group primarily for the acquisition of THUS Group plc compared with a net repayment of borrowings of US$473 million and a contribution of US$174 million in the prior year.

Comparison of the year ended 31 March 2008 with the year ended 31 March 2007

At 31 March 2008, the Cable & Wireless Communications Group had US$1,360 million of cash and cash equivalents representing a US$657 million decrease from 31 March 2007.

Net cash from operating activities increased US$94 million in the year ended 31 March 2008 to US$715 million. This increase was primarily due to a US$101 million improvement in movement in working capital, including exceptional provisions reflecting continued focus on working capital management.

Net cash used in investing activities was US$307 million in the year ended 31 March 2008 compared with a US$353 million inflow in the prior year. This decrease of US$660 million was a result of the Cable & Wireless Communications Group's disposal of its stake in Batelco in January 2007 which contributed a US$481 million inflow in the year ended 31 March 2007. The Cable & Wireless Communications Group also recorded an additional outflow of US$163 million in the year ended 31 March 2008 which included a US$59 million increase in the Cable & Wireless Communications Group's capital expenditure and acquisitions of a further stake in Cable & Wireless St Kitts and Nevis Limited and the purchase of Connecteo.

As a result of the above, the Cable & Wireless Communications Group's net cash flow before financing activities decreased by US$566 million in the year ended 31 March 2008 to US$408 million.

Net cash used in financing activities increased from US$1,083 million in the year ended 31 March 2007 to US$1,110 million in the year ended 31 March 2008. In the year ended 31 March 2008, the Cable & Wireless Communications Group contributed US$174 million to the Cable & Wireless Worldwide Group and had net draw down on borrowings of US$473 million compared with US$535 million and US$151 million respectively in the prior year.

Group cash and debt

	As at 31 March			As at 30 September	
	2007	2008	2009	2008	2009
	(US$ millions)				
Interest-bearing assets:					
Cash at bank and in hand	198	176	150	150	170
Short term deposits	1,819	1,184	431	879	267
Interest-bearing debt:					
Instalments due on bank loans within one year	(134)	(91)	(104)	(107)	(185)
Instalments due on bank loans after more than one year	(147)	(166)	(552)	(259)	(491)
Convertible unsecured bonds	(418)	—	—	—	—
Sterling unsecured bonds due 2012	(316)	(322)	(283)	(297)	(311)
Sterling unsecured bonds due 2019	(351)	(294)	(213)	(272)	(234)
	651	487	(571)	94	(784)

Capital Expenditure

Comparison of the six months ended 30 September 2009 with the six months ended 30 September 2008

In the six months ended 30 September 2009, capital expenditure decreased by 33% compared to the same period in the prior year to US$104 million reflecting the phasing of Cable & Wireless Communications Group capital expenditure programmes through 2009/10. The Cable & Wireless Communications Group focused on upgrading and expanding its networks to improve mobile, broadband and enterprise services. The Cable & Wireless Communications Group also invested in IT systems across the businesses to support its cost saving initiatives. Mobile projects included enhancing the coverage and capacity of the Cable & Wireless Communications Group's 2G and 3G networks in Panama, Macau, Jamaica and Jersey, as well as preparation for the launch of 3G in Guernsey. The Cable & Wireless Communications Group also continued to invest in broadband coverage in high value customer areas.

Comparison of the year ended 31 March 2009 with the year ended 31 March 2008

In the year ended 31 March 2009, the Cable & Wireless Communications Group's capital expenditure decreased by US$44 million to US$337 million and represented 14% of the Cable & Wireless Communications Group's revenue. The investment focused on supporting the Cable & Wireless Communications Group's transformation activities, including investments in IT systems to ensure that the cost and headcount efficiency programmes were sustainable. Further upgrade and expansion of networks to enable improved mobile, broadband and enterprise services were also undertaken.

Comparison of the year ended 31 March 2008 with the year ended 31 March 2007

In the year ended 31 March 2008, the Cable & Wireless Communications Group's capital expenditure increased by US$66 million to US$381 million and represented 15% of the Cable & Wireless Communications Group's revenue compared to 14% in the prior period. This included a US$29 million investment in new mobile spectrum in Panama which increased network capacity, reduced network congestion in key areas and added data functionality ahead of the introduction of additional mobile competition.

The Cable & Wireless Communications Group invested over 80% of its capital expenditure in mobile and broadband in the year ended 31 March 2008, launching 3G services in Macau and expanding its mobile and broadband networks in Panama, Monaco and the Caribbean. This represented 12% of the Cable & Wireless Communications Group's revenue for the year. The Cable & Wireless Communications Group also enhanced its submarine cable network by laying a cable into Bermuda from the United States and increased its network capacity and resilience across the Caribbean.

Taxation

The jurisdictions in which the Cable & Wireless Communications Group operates have a wide range of tax rates in place, from nil to 40%. In addition, the Cable & Wireless Communications Group incurs withholding taxes on certain of its internal recharges and dividends received from its subsidiaries and joint ventures. The result is that the effective tax rate for the whole business varies from year to year based on the mix of profits from the individual businesses, the extent to which profits are remitted as dividends and the distribution of recharges across individual businesses. Over the period under review, the effective tax rate has been 12% in the year ended 31 March 2007, 24% in the year ended 31 March 2008, 22% in the year ended 31 March 2009 and 27% in the six months ended 30 September 2009. The main change in the effective tax rates during the periods presented was due to the sale of Batelco in January 2007 which resulted in an exceptional gain of US$288 million which was tax-free. In addition, as the Cable & Wireless Communications Group is domiciled in the United Kingdom, it is subject to UK tax on any profits realised or deemed to be realised in the United Kingdom. For further discussion, see "*Risk Factors*".

Qualitative and quantitative disclosures on market risk

Treasury policy

The Cable & Wireless Communications Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Cable & Wireless Communications Group's overall risk management programme seeks to minimise potential adverse effects on the Cable & Wireless Communications Group's financial performance.

The Cable & Wireless Communications Group's treasury operations are managed on the basis of policies and authorities approved by the Cable and Wireless plc Board. These policies will be adopted by the Cable & Wireless Communications Group in substantially the same form post-Demerger. Day to day management of treasury activities is delegated to Treasury, within specified financial limits for each type of transaction and counterparty.

To the extent that subsidiaries undertake treasury transactions, these are governed by the Cable & Wireless Communications Group policies and delegated authorities. Material subsidiary positions are monitored by Treasury. Where appropriate, transactions are reported to the Board. All subsidiaries are required to report details of their cash and debt positions to Treasury on a monthly basis.

The key responsibilities of Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Cable & Wireless Communications Group's cash resources and borrowings are managed centrally by Treasury.

The Cable & Wireless Communications Group may use derivatives including forward foreign exchange contracts, interest rate swaps, cross-currency swaps and options where appropriate in the management of its foreign currency and interest rate exposures. The use of these instruments is in accordance with strategies agreed from time to time by Treasury, subject to policies approved by the Cable & Wireless Communications Group Board. Derivatives are not used for trading or speculative purposes and derivative transactions and positions are monitored and reported by Treasury on a regular basis and are subject to policies adopted by the Cable & Wireless Communications Group Board.

Exchange rate risk

When the Cable & Wireless Worldwide Group was part of the Cable & Wireless Group, the Cable & Wireless Communications Group's transactions were reported in sterling and all non-sterling cash flows were subject to foreign exchange risk. As a result, at 30 September 2009, the Cable & Wireless Communications Group had in place forward exchange contracts to sell US$112 million (31 March 2009—US$225 million, 31 March 2008—US$50 million). The Cable & Wireless Communications Group could not apply hedge accounting to these contracts and as a result they were revalued to fair value through the income statement.

From Demerger, the Cable & Wireless Communications Group will report its results in US dollars, as this is the predominant transaction currency of the Cable & Wireless Communications Group.

The Cable & Wireless Communications Group trades in many countries and a proportion of its revenue is generated in currencies other than US dollars (the dominant functional currency of the Cable & Wireless Communications Group entities), notably the euro, sterling and Jamaican dollar. The Cable & Wireless Communications Group is exposed to movements in exchange rates in relation to non-US dollar currency payments, dividend income from foreign subsidiaries, reported profits of foreign subsidiaries and the net asset carrying value of non-US dollar investments. Exchange risk is managed centrally (by Treasury) on a matching cash flow basis including forecast foreign currency cash repatriation inflows from subsidiaries and forecast foreign currency payments. Details of the net currency position of the Cable & Wireless Communications Group are set out in notes 28 and 29 to "*Historical Financial Information of the Cable & Wireless Communications Group*".

Where appropriate, the Cable & Wireless Communications Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created where currencies do not naturally offset in the short term. The Cable & Wireless Communications Group will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Cable & Wireless Communications Group where appropriate. Where cost-effective and possible, foreign subsidiaries are financed in their domestic currency to minimise the impact of translation of foreign currency denominated borrowings.

The reported profits of the Cable & Wireless Communications Group are translated in accordance with IFRS at average rates of exchange prevailing during the year. Earnings are predominantly in US dollars or currencies linked to the US dollar. In broad terms, based on the mix of profits for the year ended 31 March 2009, the impact of a unilateral 10% weakening of the US dollar would have been to increase operating profit before exceptional items by approximately US$16 million and increase total invested capital by US$33 million. The Cable & Wireless Communications Group had approximately US$319 million of net financial liabilities denominated in US dollar or US dollar linked currencies at the end of the year.

As part of the overall policy of managing the exposure arising from foreign exchange movements relating to the net carrying value of overseas investments, the Cable & Wireless Communications Group may, from time to time, elect to match certain foreign currency liabilities against the carrying value of foreign investments.

Interest rate risk

The Cable & Wireless Communications Group is exposed to movements in interest rates on its surplus cash balances and variable rate loans, although there is a degree of offset between the two. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives in place during any of the historical periods presented.

At 30 September 2009, 55% of the Cable & Wireless Communications Group's borrowings were at a fixed rate. A reduction in interest rates would have an unfavourable impact upon the fair value of the Cable & Wireless Communications Group's fixed rate borrowings. However, no debt is held for trading purposes and it is intended that it will be kept in place until maturity. As a result, there is no exposure to fair value loss on fixed rate debt and as such, it has not been modelled.

A one percentage point increase in interest rates will have a US$4 million impact on the income received from the surplus cash balances of the Cable & Wireless Communications Group and a US$5 million impact on the floating rate borrowings of the Cable & Wireless Communications Group. The impact on invested capital is limited to the impact on the income statement.

Credit risk

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. Management seeks to manage this risk by ensuring the counterparties to all but a small proportion of the Cable & Wireless Communications Group's financial instruments are the core relationship banks, which are rated A1 short-term and/or AA—long-term (or better) by Standard & Poor's (or equivalent by Moody's and/or Fitch). The credit rating of these counterparties is monitored on a continuing basis.

The types of instrument used for investment of funds are prescribed in the Cable & Wireless Communications Group treasury policies approved by the Cable and Wireless plc Board. These policies contain limits on exposure for the Cable & Wireless Communications Group as a whole to any one counterparty of approximately US$100 million.

Liquidity risk

At 30 September 2009, the Cable & Wireless Communications Group had cash and cash equivalents of US$437 million. These amounts are highly liquid and are a significant component of the Cable & Wireless Communications Group's overall liquidity and capital resources.

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Cable & Wireless Communications Group.

Off balance sheet arrangements

The Cable & Wireless Communications Group's off balance sheet arrangements consist of capital commitments as well as guarantees and contingent liabilities.

Capital commitments: The Cable & Wireless Communications Group had capital commitments at 30 September 2009 relating to the purchase of property, plant and equipment of US$49 million. No provision was made for these commitments and they will stay with the Cable & Wireless Communications Group after the Demerger. US$46 million of these commitments related to the Cable & Wireless Communications Group's share of the capital commitments of its joint ventures and associates.

In addition, the Cable & Wireless Communications Group had a number of operating commitments arising in the ordinary course of its business. The most significant of these related to network operating and maintenance costs. In the event of default of another party, the Cable & Wireless Communications Group may be liable to additional contributions under the terms of the agreements.

The aggregate future minimum lease payments under operating leases as at 30 September 2009 are as follows:

	As at 30 September 2009
	US$m
No later than one year	39
Later than one year but not later than five years	105
Later than five years	53
Total minimum operating lease payments	197

Guarantees and contingent liabilities: Guarantees at 30 September 2009 for which no provision has been made in the financial statements, and which are expected to remain with the Cable & Wireless Communications Group after the Demerger are as follows:

	As at 30 September 2009
	US$m
Trading guarantees	741
Other guarantees	142
Total guarantees	883

Trading guarantees principally comprised performance bonds issued in the normal course of business, guaranteeing that the Cable & Wireless Communications Group or Cable & Wireless Worldwide Group will meet their respective obligations to complete projects in accordance with the contractual terms and conditions. The guarantees contain a clause that they will be terminated on final acceptance of work to be done under the contract. The Cable & Wireless Communications Group has provided guarantees to third parties in respect of trading contracts between these third parties and the Cable & Wireless Worldwide Group. Included in the table above are amounts relating to the Cable & Wireless Worldwide Group's contracts of US$800 million. The Cable & Wireless Worldwide Group has agreed a fee schedule with Cable & Wireless Communications Group for the benefit of these guarantees post-Demerger. US$336 million of the guarantees contain conditional rights of substitution relating to the Demerger. The Cable & Wireless Worldwide Group has indemnified Cable & Wireless Communications in respect of these guarantees. To date, the Cable & Wireless Communications Group has not been required to make any payments in respect of its obligations under its trading guarantees.

Other guarantees include guarantees for financial obligations principally in respect of borrowing, leases and letters of credit.

In addition, the Cable & Wireless Communications Group has, as is considered standard practice in such agreements, given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Cable & Wireless Communications Group also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

In the ordinary course of business, the Cable & Wireless Communications Group is engaged in litigation proceedings, regulatory claims, investigations and reviews. The Cable & Wireless Communications Group considers that adequate allowance has been made in respect of these matters and does not expect the ultimate resolution of the actions to which it was a party to have a materially adverse impact on its financial position. For further details of any material litigation engaged in by the Cable & Wireless Communications Group, please see "*Cable & Wireless Communications Group Business—Material Litigation*".

The Cable & Wireless Communications Group does not have any significant special purpose vehicles used for financing that are not consolidated or disclosed.

Capitalisation and indebtedness

The following tables set out the unaudited consolidated capitalisation and indebtedness of the Cable & Wireless Communications Group. The financial information in this table as at 30 November 2009 has been extracted without material adjustment from the unaudited accounting records of the Cable & Wireless Communications Group.

	As at 30 November 2009
	US$m
Current debt	
Current debt (secured)	(67)
Current debt (unguaranteed and unsecured)	(111)
Total current debt	(178)
Non-current debt	
Non-current debt (secured)	(674)
Non-current debt (unguaranteed and unsecured)	(729)
Total non-current debt	(1,403)
Total debt	(1,581)

	As at 30 November 2009
	US$m
Liquidity	
Cash and cash equivalents	868
Current debt	(178)
Net current cash	690
Non-current debt	(1,403)
Net debt	713

At 31 December 2009, the Cable & Wireless Communications Group has cash and cash equivalents of US$748 million, debt of US$1,435 million (of which US$340 million was drawn down under its bank facilities) and undrawn facilities of US$256 million.

Maturity analysis

	As at 30 November 2009
	US$m
Loans and bonds	
Due in less than one year	178
Due in more than one year but not more than two years	388
Due in more than two years but not more than five years	767
Due in more than five years	248
Total loans and bonds	1,581

Contractual Obligations **(as adjusted for the Financing)**

The following table summarises contractual obligations, commercial commitments and principal payments under debt instruments as at 30 September 2009, on an adjusted basis to give effect to this offering of Notes and the application and use of the proceeds thereof and the entry into the New Credit Facilities and the use of proceeds thereof as set forth in "*Use of Proceeds*"

	Payments due by period Adjusted for the Financing				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(US$ millions)		
Long-term debt obligations[(1)]	1,164	—	410	30	724
Short-term debt obligations[(2)]	135	135	—	—	—
Capital commitments[(3)]	49	49	—	—	—
Operating leases[(4)]	197	40	59	45	53
Total contractual obligations	**1,545**	**224**	**469**	**75**	**777**

(1) Comprises US$500 million of the Notes offered hereby (US$488 million net of fees), Sterling unsecured bonds due 2012 and 2019 (US$545 million net of fees), US$46 million Sterling secured loans due 2012 and operating company debt.

(2) Comprises operating company debt.

(3) Comprises commitments relating to purchases of property, plant and equipment.

(4) Primarily comprises property leases.

Cable & Wireless Worldwide Group and Cable & Wireless Communications Group historical statements of net cash and debt

At 30 September 2009, the Cable & Wireless Group reported net debt of £483 million and a further £185 million of facilities available. The following table shows the split of the cash and debt between the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group as at 30 September 2009.

	Cable & Wireless Group	Cable & Wireless Worldwide Group	Cable & Wireless Communications Group	
	(£ millions)		(£ millions)	(US$ millions)[(1)]
Cash and cash equivalents	424	150	274	437
£200 million facility[(2)]	(107)	(107)	—	—
US$415 million facility[(3)]	(257)	—	(257)	(410)
Sterling bonds due 2012 and 2019[(4)]	(342)	—	(342)	(545)
Other debt and finance leases	(201)	(34)	(167)	(266)
Total debt	(907)	(141)	(766)	(1,221)
Total net (debt)/cash	(483)	9	(492)	(784)
Available facilities:				
£200 million facility	90	90	—	—
US$152 million facility[(5)]	95	—	95	152
Total available facilities	185	90	95	152

(1) Translated at 30 September 2009 closing rate of $1.5945:£1.00.

(2) £110 million of the £200 million facility has been drawn down. This is recorded net of fees of £3 million. This facility has been replaced with a £300 million facility

(3) The US$415 million facility has been drawn down in full. This is recorded net of fees of US$5 million. This facility has been replaced with the US$500 million New Credit Facilities. See "*Use of Proceeds*".

(4) The outstanding 2012 and 2019 bonds have been recorded net of fees of £5 million.

(5) This facility has since been repaid and cancelled

Aggregate contractual debt obligations

At 30 September 2009, the Cable & Wireless Group had the following sterling-denominated bonds which have been included in the results of the Cable & Wireless Communications Group:

- US$319 million (£200 million) listed bonds due in 2012 with a carrying amount net of costs, of US$311 million (£195 million). Interest is payable at 8.75% per annum. During the year ended 31 March 2009, bonds with a par value, net of costs, of US$57 million (£36 million) were re-issued by Cable & Wireless Group for US$54 million (£34 million) net proceeds. During the year ended 31 March 2007, the Cable & Wireless Group repurchased but did not cancel US$38 million (£20 million) of these bonds at an average price of 197.3 cents (104.9 pence).
- US$319 million (£200 million) listed bonds due in 2019 with a carrying amount, net of costs, of US$234 million (£147 million). Interest is payable at 8.625% per annum. During the year ended 31 March 2008, the Cable & Wireless Group repurchased but did not cancel US$64 million (£32 million) of these bonds at an average price of 204.6 cents (102.1 pence).

Various US dollar-based loans of approximately US$179 million were held by various subsidiaries across the Cable & Wireless Communications Group at 30 September 2009. In 2008/9, interest on these loans ranged from 2% and 6.5%. The loans are repayable over a period up to 2013.

In May 2008, the Cable & Wireless Communications Group entered into a three year bank facility of US$415 million, which was drawn down in full during the year ended 31 March 2009 and was repaid in full on 29 January 2010.

In 2008/9, the Cable & Wireless Communications Group also arranged a US$42 million (£29 million) financing secured by the 2019 bonds held by Cable & Wireless Communications Group. This loan is repayable in February 2012.

Convertible Bonds

On 24 November 2009, Cable and Wireless plc (the **Initial Issuer**) issued £230 million convertible bonds due 2014 (the **Convertible Bonds**).

The Convertible Bonds are senior debt obligations of Cable and Wireless plc and are convertible into fully paid ordinary shares of Cable and Wireless plc. Upon Worldwide Admission, subject to the satisfaction of the substitution conditions described below prior to Worldwide Admission and the execution of the Worldwide Substitution Deed and, unless previously converted, redeemed or purchased and cancelled, the Convertible Bonds become debt obligations of Cable & Wireless Worldwide and convertible into fully paid ordinary shares of Cable & Wireless Worldwide.

The conditions for the substitution of Cable & Wireless Worldwide as the principal debtor under the Convertible Bonds upon Worldwide Admission require that a certificate signed by two directors of Cable & Wireless Worldwide (the **Substitution Compliance Certificate**) is delivered to the bond trustee on the business day in London prior to the date of Worldwide Admission, certifying that the (i) total net debt for the Cable & Wireless Worldwide Group equals no more than £225 million; (ii) total secured bank debt for the Cable & Wireless Worldwide Group equals no more than £200 million; (iii) the Cable & Wireless Worldwide Group has freely available, uncommitted and unsecured cash and cash equivalents and available credit facilities of not less than £200 million; and (iv) Cable & Wireless Worldwide is the ultimate holding company of the Cable & Wireless Worldwide Group.

The Demerger is conditional upon the delivery by Cable & Wireless Worldwide to the bond trustee of the Substitution Compliance Certificate. Cable & Wireless Communications will, shortly before Demerger, transfer the proceeds of the Convertible Bonds to Cable & Wireless Worldwide, thereby allowing Cable & Wireless Worldwide to deliver the Substitution Compliance Certificate to the bond trustee prior to the Demerger. Pursuant to the terms of the Separation Agreement, the execution by Cable & Wireless Communications and Cable & Wireless Worldwide of the Worldwide Substitution Deed which effects the substitution of Cable & Wireless Worldwide as principal debtor in respect of the Convertible Bonds, will take place no later than immediately prior to the Worldwide Admission in consideration for, and subject to, Cable & Wireless Communications having, shortly before Demerger (as described above), transferred such proceeds to Cable & Wireless Worldwide. Therefore, all necessary conditions for the substitution of Cable & Wireless Worldwide as principal debtor under the Convertible Bonds, subject only to Worldwide Admission taking place, will have been met, *de facto*, prior to Worldwide Admission.

In the event that the conditions to transfer the Convertible Bonds to Cable & Wireless Worldwide plc are not met or the Demerger does not otherwise complete, Cable and Wireless plc (or, subject to the fulfilment of certain conditions, Cable & Wireless Communications) shall remain principal debtor under the Convertible Bonds and the Convertible Bond proceeds will be returned to the principal debtor thereunder. The principal debtor under the Convertible Bonds from time to time is referred to below as the **Convertible Issuer**.

The Convertible Bonds carry a coupon from and including 24 November 2009 of 5.75% per annum payable semi-annually in arrears in equal instalments on 30 June and 30 December in each year, with a long first coupon on 30 June 2010 of £3,440.57 per £100,000 principal amount of the Convertible Bonds and a short last coupon on the maturity date of £2,309.43 per £100,000 principal amount of the Convertible Bonds, in each case, in respect of each Convertible Bond. The conversion price is £1.841 per £100,000 principal amount of the Convertible Bonds and is subject to adjustment from the issue date of the Convertible Bonds. Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed on 24 November 2014 at their principal amount together with accrued (but unpaid) interest to, but excluding, the date of redemption.

The Convertible Bonds and the trust deed (the **Convertible Trust Deed**) are governed by English law. An application will be made by the Convertible Issuer for the Convertible Bonds to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Professional Securities Market of the London Stock Exchange by no later than 30 June 2010.

Secured £29 million (US$42 million) loan facility

Cable and Wireless plc has obtained an aggregate £29 million loan facility secured by the sterling-denominated bonds due in 2019 held by Cable and Wireless plc. Cable and Wireless plc is required to repay this loan facility together with accrued but unpaid interest, in February 2012. Upon repayment, the creditor will deliver to Cable and Wireless plc (or its successor) such sterling-denominated bonds (or if such bonds have been redeemed, the redemption proceeds of such bonds). (See Note 27 to the historical financial information of Cable & Wireless Communications Group in "*Historical Financial Information of the Cable & Wireless Communications Group*" on page F-43 of this documents).

See also "*Description of Certain Financing Arrangements*".

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Cable & Wireless Communications Group's historical financial information as of and for the years ended 31 March 2009, 2008 and 2007 have been prepared under IFRS (as adopted by the European Union, and with some exceptions common to historical financial information). The preparation of financial statements in conformity with IFRS (as adopted by the European Union, and with some exceptions common to historical financial information) requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Cable & Wireless Communications Group's accounting policies. The Directors consider that of its significant IFRS accounting policies, the following are important to the Cable & Wireless Communications Group's financial condition and results and involve a higher degree of judgement and complexity, and are therefore considered critical. A full list of critical assumptions is included in "*Historical Financial Information of the Cable & Wireless Communications Group*", a selection of which are presented below.

Revenue recognition: Revenue, which excludes discounts, value added tax or other sales taxes, represents the amount receivable in respect of services provided to customers and is accounted for on the accruals basis to match revenue with the provision of service. Revenue is recognised monthly as services are provided. Revenue in respect of services invoiced in advance is deferred and recognised on provision of the services. Revenue in respect of unbilled services is accrued.

Judgement is required in assessing the application of these principles and the specific guidance in respect of the Cable & Wireless Communications Group's revenue, including the presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

LTIP: The LTIP creates a reward pool over a five year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the business has grown in value from its base valuation at the start of the period (this period was changed from four to five years in July 2009).

Base valuations are adjusted over the performance period (i) to reflect additional capital notionally treated as borrowed by the business, (ii) to reflect capital notionally treated as returned by the business, and (iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

Part of the reward pool was payable to participants at the end of year three (31 March 2009), with a portion payable (less payments made at end of year three) to participants at the end of year four (31 March 2010) and the balance in full at the end of year five (31 March 2011). Measurement of the size of the reward pool is carried out every six months to correspond with the Cable & Wireless Communications Group's accounting periods. However, apart from good leavers, nothing vests to the participants until the end of year three. In the event of a potential payment to an individual in excess of US$31 million, the deferral period would be extended until 31 March 2012 or for a period of up to one year following a vesting event, if earlier.

The LTIP charge calculated in accordance with IAS 19 *Employee Benefits* requires estimation of the valuation of the Cable & Wireless Communications Group to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective.

Impairment of property, plant and equipment and intangible assets: The directors of the Cable & Wireless Communications Group assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- Obsolescence or physical damage;
- Significant changes in technology and regulatory environments;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the use of its assets or the strategy for its overall business;
- Significant negative industry or economic trends; and
- Significant decline in its stock price for a sustained period and its market capitalisation relative to net book value.

In addition, the directors of the Cable & Wireless Communications Group test goodwill, which is not amortised, at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement concerning the identification and validation of impairment indicators, the timing and amount of expected cash flows and applicable discount rates.

The Cable & Wireless Communications Group determines any impairment by comparing the carrying values of each of its cash generating units to their recoverable amounts which is the higher of net realisable value and the value in use. Net realisable value represents market value in an active market less the cost to sell. Value in use is determined by discounting future cash flows arising from the asset (or the cash generating unit to which it refers). Future cash flows are determined with reference to the Cable & Wireless Communications Group' own projections using discount rates which represent the estimated weighted average cost of capital for the respective businesses.

DIVIDEND POLICY AND CAPITAL STRUCTURE

Dividend policy

Cable and Wireless plc previously announced that, subject to trading performance in the second half of 2009/10, it intends to recommend a final dividend of 6.34 pence per Cable and Wireless plc Ordinary Share, resulting in a 2009/10 total dividend of 9.50 pence per Cable and Wireless plc Ordinary Share. Payment of this final dividend is expected to be apportioned between each of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group.

Subject to completion of the Demerger, shareholder approval, availability of sufficient distributable reserves, general market conditions and financial and trading performance, the Cable & Wireless Communications Board has confirmed that the dividend expected to be payable by it in August 2010 in respect of 2009/10 will be 3.34 pence per Cable & Wireless Communications Ordinary Share.

For 2010/11 onward, dividends payable by Cable & Wireless Communications will be declared in US dollars, in line with the intended post-Demerger reporting currency of the Cable & Wireless Communications Group. Such dividends will be payable in sterling or, at the election of the relevant shareholder, in US dollars. Accordingly, the actual sterling amount of the dividend payable by Cable & Wireless Communications from time to time will be based on the sterling/US dollar exchange rate in effect on a date chosen by the directors of Cable & Wireless Communications nearer to the relevant dividend payment date.

For 2010/11, the Cable & Wireless Communications Board has confirmed that, subject to shareholder approval, availability of sufficient distributable reserves, general market conditions and financial and trading performance, the aggregate dividend expected to be payable by it will be 8.00 US cents per Cable & Wireless Communications Ordinary Share, equivalent to approximately 5.00 pence per Cable & Wireless Communications Ordinary Share (subject to movements in the sterling/US dollar exchange rate).

Beyond 2010/11, the Cable & Wireless Communications Board intends to pursue a policy of dividend growth that reflects the underlying earnings and cash flow of the Cable & Wireless Communications Group. The Cable & Wireless Communications Board expects the structure of the dividends to be split approximately one third as an interim dividend and approximately two thirds as a final dividend.

Capital Structure

Cable & Wireless Communications Group

At Demerger, both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group will have sufficient cash and credit lines to support their businesses and to meet at least three years of projected financing and refinancing needs post-Demerger, with good liquidity during this period.

At Demerger, the Cable & Wireless Communications Group is expected to have net debt representing approximately 0.8 times, on a consolidated basis, the Cable & Wireless Communications Group's 2009/10 EBITDA (excluding exceptional items) guidance of US$880 – US$900 million and approximately 1.2 times on a proportionate ownership basis. This guidance does not include US$42 million of Central operations costs. The Cable & Wireless Communications Group has signed new three year facilities totalling US$500 million (comprising a US$400 million revolving credit facility and a US$100 million term loan) with margins of between 3.25% and 4.00% over LIBOR with a group of leading banks. The Cable & Wireless Communications Group has repaid and/or cancelled its previously existing US$415 million facility and other undrawn facilities on or prior to 29 January 2010. At Demerger, the Cable & Wireless Communications Group debt will, in addition to the Notes, also include the existing Cable and Wireless plc sterling bonds due in 2012 (£195 million, approximately US$311 million as of 30 September 2009), Cable & Wireless International Finance B.V.'s sterling bonds due in 2019 (£147 million, approximately US$234 million as of 30 September 2009) and a Cable and Wireless plc secured financing of £29 million as of 30 September 2009 (approximately US$42 million) as well as other debt held in Cable & Wireless Communications's local operations. The total amount of new and replacement Demerger financing for the Cable & Wireless Communications Group will be US$1 billion. All Cable & Wireless Communications Group financing described above, including the Notes, will remain with the Cable & Wireless Communications Group after the Demerger.

Cable & Wireless Worldwide Group

At Demerger, the Cable & Wireless Worldwide Group will have negligible net debt, no material loans maturing within three years and will have sufficient liquidity to cover its seasonal working capital requirements and invest in its business to support customer growth during this period.

Upon Worldwide Admission, the Convertible Bonds issued by Cable and Wireless plc in November 2009 become obligations of the Cable & Wireless Worldwide Group and, shortly before Demerger, the Convertible Bonds net proceeds will be transferred to the Cable & Wireless Worldwide Group. The Cable & Wireless Worldwide Group has also agreed an amendment to its existing £200 million secured credit facility which, upon Worldwide Admission, will be increased to a three year £300 million secured credit facility. This amended credit facility is provided by a group of leading banks and carries a margin over LIBOR of 3.50%. As a result of the receipt of the Convertible Bond net proceeds and the credit facility, the Cable & Wireless Worldwide Group will have cash and available credit of approximately £500 million. Post-Demerger, Cable and Wireless plc will transfer £78 million cash to the Cable & Wireless Worldwide Group to fund the Cable & Wireless Worldwide Group's share of the 2009/10 final dividend. Further information on the Convertible Bonds and the credit facility is provided in the section entitled "*Description of Certain Financing Arrangements—Convertible Bonds*".

PENSIONS

The Cable & Wireless Communications Group operates defined benefit and defined contribution pension schemes for its current and former UK and overseas employees.

Cable & Wireless Superannuation Fund

In the United Kingdom, Cable and Wireless plc is the principal employer of the Cable & Wireless Superannuation Fund, a multi-employer pension scheme that provides defined benefit and defined contribution pension benefits for certain current and former employees of the Cable & Wireless Communications Group. The Cable & Wireless Superannuation Fund has been closed to new defined benefit members since 1998. The Lifetime Benefits Plan is a section of the Cable & Wireless Superannuation Fund that provides defined contribution benefits to members.

The assets of the Cable & Wireless Superannuation Fund are held by a trustee board, Cable & Wireless Pension Trustee Limited, separately from the Cable & Wireless Communications Group. The trustee has the power to trigger the winding-up of the Fund if it resolves that it is in the best interests of the Fund members as a whole. If the trustee uses this power, the participating employers would become liable by statute to make contributions to the pension scheme to remove any deficit calculated on the conservative, buy-out basis, enabling the trustee of the Cable & Wireless Superannuation Fund to purchase individual annuity policies for all members of the Cable & Wireless Superannuation Fund.

Following Demerger, current members of the Cable & Wireless Superannuation Fund who are employed in the business of Cable & Wireless Worldwide Group will accrue benefits in the Cable & Wireless Worldwide Retirement Plan on the same basis as applied to them under the Cable & Wireless Superannuation Fund. The Cable & Wireless Superannuation Fund will remain in the Cable & Wireless Communications Group.

The latest full actuarial valuation of the Cable & Wireless Superannuation Fund was carried out as at 31 March 2007 by independent actuaries. On an ongoing basis, there was a deficit of £15 million. The ongoing funding position is expected to have significantly deteriorated since the 31 March 2007 valuation. On an IAS 19 basis, at 30 September 2009, the Cable & Wireless Superannuation Fund had a deficit of £305 million. Following the Demerger and the bulk transfer of assets and liabilities, the Cable & Wireless Superannuation Fund is expected to have a deficit. If the bulk transfer had been effected at 30 September 2009, it is expected that the pension deficit allocated to the Cable & Wireless Communications Group would have been approximately half of the Cable & Wireless Superannuation Fund deficit.

During 2008, the trustee of the Cable & Wireless Superannuation Fund agreed an insurance buy-in of the UK pensioner liabilities, approximately half of the total liabilities, with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy by the Cable & Wireless Superannuation Fund under which Prudential Insurance assumed responsibility for the benefits payable to the Cable & Wireless Superannuation Fund's UK pensioners with effect from 1 August 2008. These pensioner liabilities and the matching annuity policy remain with the Cable & Wireless Superannuation Fund. Following Demerger, the buy-in policy will be split between the Cable & Wireless Superannuation Fund and the newly-established Cable & Wireless Worldwide Retirement Plan in accordance with the allocation of the corresponding members.

Bulk transfer to Cable & Wireless Worldwide

The key commercial terms and legal principles of the bulk transfer are included in a binding heads of terms agreement between Cable and Wireless plc, Cable & Wireless Worldwide Services Limited and the trustee of the Cable & Wireless Superannuation Fund. Before Demerger, the same parties and the trustee of the Cable & Wireless Worldwide Retirement Plan will enter into a Pensions Agreement which sets out the full terms of the bulk transfer.

Following the Demerger, the Cable & Wireless Superannuation Fund will remain in the Cable & Wireless Communications Group. On or soon after Demerger, there will be a bulk transfer of approximately half of the assets and liabilities of the Cable & Wireless Superannuation Fund to the newly-established Cable & Wireless Worldwide Retirement Plan in respect of current and former employees of the Cable & Wireless Worldwide Group. The membership will be split on the basis of the last known employer of each member. This split will result in approximately 6,300 defined benefit members remaining with the Cable & Wireless Superannuation Fund and approximately 8,700 defined benefit members moving to the Cable & Wireless Worldwide Retirement Plan.

Funding of the Cable & Wireless Superannuation Fund

As a result of the Demerger, the number of active and deferred members remaining in the Cable & Wireless Superannuation Fund will be significantly reduced, which will reduce the average duration of the Cable & Wireless Superannuation Fund's liabilities. As a result Cable & Wireless Communications has agreed with the trustee of the Cable & Wireless Superannuation Fund a further de-risking of the Cable & Wireless Superannuation Fund's investment strategy over the next ten years. The estimated impact of this de-risking on the valuation of the liabilities is £25 million. Cable & Wireless Communications has agreed to make a special contribution of this amount on or shortly after Demerger.

The next triennial valuation of the Cable & Wireless Superannuation Fund is due as at 31 March 2010. Cable and Wireless plc has agreed pursuant to the pensions heads of terms that the funding for any deficit arising from that valuation will not be longer than six years from the valuation date based on its current financial projections and the Cable & Wireless Superannuation Fund's financial position at 30 September 2009. It has also been agreed that the interim funding plan agreed between Cable and Wireless plc and the trustee of the Cable & Wireless Superannuation Fund in July 2009 will be split and two new interim funding plans will be established, one for the Cable & Wireless Superannuation Fund and one for the Cable & Wireless Worldwide Retirement Plan. Pursuant to the Cable & Wireless Communications agreement, the Cable & Wireless Communications Group will make payments of £9 million in October 2010 and £20 million in April 2011 to the residual Cable & Wireless Superannuation Fund.

A new contingent funding agreement will also be entered into with the trustee of the Cable & Wireless Superannuation Fund, providing security of £100 million by way of escrow account or letter of credit in certain circumstances, based on agreed financial and business triggers. The existing contingent funding agreement will cease to apply on Demerger.

In addition, Cable & Wireless Communications and certain other Cable & Wireless Communications Group companies have agreed to guarantee the pension obligations of the principal employer of the Cable & Wireless Superannuation Fund.

Clearance from the Pensions Regulator

A number of companies and directors within the Cable & Wireless Communications Group have sought clearance from the Pensions Regulator in respect of the Demerger and bulk transfer of pensions assets and liabilities from the Cable & Wireless Superannuation Fund such that the Pensions Regulator would consider that it was not reasonable in the circumstances of the Demerger to impose any liability on those applicants under a contribution notice or financial support direction under the Pensions Act 2004 in respect of the Cable & Wireless Superannuation Fund and the Cable & Wireless Worldwide Retirement Plan.

Clearance is expected to be granted on the basis that the bulk transfer from the Cable & Wireless Superannuation Fund and the other terms of the heads of terms appropriately address the effect of the Demerger on the Cable & Wireless Superannuation Fund and the Cable & Wireless Worldwide Retirement Plan.

Merchant Navy officers pension fund (MNOPF)

Companies within the Cable & Wireless Communications Group have previously participated in the MNOPF. All Cable & Wireless Communications Group companies have since ceased to participate in the MNOPF, but following a court judgment on the nature of the MNOPF rules, Cable and Wireless plc may be liable for future contributions to fund a portion of any future MNOPF funding deficit. Currently, the estimated outflow for this potential liability is not expected to have a significant adverse impact on the financial position of the Cable & Wireless Communications Group.

Overseas Schemes

The Cable & Wireless Communications Group also operates defined benefit pension arrangements in Macau, Jamaica, Barbados and Guernsey as well as having unfunded liabilities in the United Kingdom relating to pension provisions for former directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap.

FINANCIAL GUIDANCE FOR 2009/10

On 5 November 2009, Cable and Wireless plc published its Interim Results for the six months ended 30 September 2009.

The table below shows Cable and Wireless plc's 2009/10 full year guidance compared to the actual results for 2007/08 and 2008/09.

Guidance

	2007/08 Actuals	2008/09 Actuals	2009/10 Guidance(1)(4) (Approximate)
Cable & Wireless Communications Group (US$m)(3)			
EBITDA	830	921	880-900
Capital expenditure	(381)	(337)	(325)
P&L exceptionals(2)	(101)	(87)	(40)
Cash exceptionals	(4)	(91)	(70)
Cable & Wireless Worldwide Group (£m)			
EBITDA	219	326	430
Capital expenditure	(221)	(265)	(280)
P&L exceptionals(2)	13	(76)	(55)
Cash exceptionals	(56)	(71)	(70)
Cable & Wireless Group (£m)(3)			
EBITDA	605	822	989-1,002
Capital expenditure	(411)	(457)	(497)
P&L exceptionals(2)	(37)	(133)	(82)
Cash exceptionals	(61)	(122)	(117)

(1) This guidance does not include any Demerger related costs.

(2) P&L exceptionals within operating profit.

(3) Costs of the Central operations included separately from the Cable & Wireless Communications Group but part of Cable & Wireless Group guidance.

(4) Using Cable & Wireless 2009/10 planning exchange rates.

With respect to the basis of preparation of the above, see page 96.

CURRENT TRADING, TRENDS AND PROSPECTS

Below is an extract from Cable and Wireless plc's 2 February 2010 trading update covering Cable and Wireless plc, the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group:

"Cable and Wireless plc confirms the 2009/10 EBITDA guidance given on 5 November 2009: Worldwide continues to expect that its 2009/10 EBITDA will be approximately £430 million; Communications continues to expect that its 2009/10 EBITDA will be in a range of approximately US$880 million to US$900 million; and Central costs are still expected to be approximately £28 million.

The costs and expenses related to demerger are expected to be approximately £22 million, to be shared approximately £12 million by Cable & Wireless Communications and approximately £10 million by Cable & Wireless Worldwide.

Communications

Communications continues to trade in the EBITDA range of US$880 million to US$900 million. It now expects 2009/10 capital expenditure to be lower than our guidance of US$325 million. Exceptional costs are expected to be in line with our November 2009 guidance before any costs arising from the demerger.

Trading continues to be challenging within the Caribbean. Whilst we are holding market share, lower usage by customers and more aggressive price promotions means that revenue and EBITDA continue to trend in line with the first half of 2009/10. We believe that the market conditions within the Caribbean region will remain difficult through the remainder of this year and into next.

Trading in our other three businesses continues to progress satisfactorily. In Panama, we maintained mobile market share and are starting to see more government enterprise projects. Trading continues to be in line with performance at the half year as we maintained discipline around operating costs. The economy in Macau has *benefited in the last quarter from increased tourist numbers and a resumption of a number of the hotel and casino projects. However, we would not expect the resumption of economic growth to fully filter through to our results during this financial year. Monaco & Islands has seen some impact in the third quarter from a more competitive trading environment in Guernsey, but this has been offset by better trading in the Maldives.*

Worldwide

Worldwide continues to make excellent progress with strong new contract wins in the third quarter. Worldwide expects to achieve its EBITDA and operating cash flow guidance for 2009/10, with EBITDA of approximately £430 million, capital expenditure of approximately £280 million and exceptional costs (cash and P&L) of approximately £70 million and £55 million respectively before any costs arising from the demerger.

In the third quarter we saw strong sales of our strategic product set—Data, IP and Hosting—up more than 40% on the same period last year. These are long term contracts and can take nine months or more to convert into revenue. The recessionary effects that we saw earlier in the year are showing some signs of abating; for example voice minutes have stabilised and we have seen the anticipated improvement in the levels of project work. In the second half, revenue will reflect the previously noted regulatory price changes which will have a minimal effect on our margins. Gross margin continues to grow in line with our expectations.

The integration of Thus continues to make good progress and we are on track to deliver the expected synergies of £104 million by 2011/12."

PROFIT FORECAST

Profit forecasts for each of Cable and Wireless plc, the Cable & Wireless Worldwide Group, the Cable & Wireless Communications Group and the Central operations of the Cable and Wireless Group for the year ending 31 March 2010

On 5 November 2009, Cable and Wireless plc published its Interim Results for the six months ended 30 September 2009. The Interim Results contained the following statements in respect of the Cable & Wireless Group:

> *"We have updated our Group outlook for the poor economic environment in the Caribbean as well as the consolidation of Dhiraagu, our business in the Maldives, in the second half.*
>
> ***Cable & Wireless Communications Group***
>
> *In May 2009, the Cable & Wireless Communications Group* set guidance at approximately US$935 million based on our planning exchange rates and the view then prevailing of the economic backdrop. Since the summer we've seen further deterioration in Caribbean trading conditions with no immediate signs of improvement and the IMF has recently forecast GDP will decline across the region for this year and next. Within our other markets, despite a more difficult first quarter for Panama and Macau, the second quarter showed more promise and we remain on track in Panama, Macau and Monaco & Islands. As a consequence, we are now expecting the Cable & Wireless Communications Group EBITDA for the second half to be around the same level as the first, excluding the consolidation of the Maldives, and we are revising our Cable & Wireless Communications Group 2009/10 EBITDA guidance to a range of US$880 million—US$900 million, including the Maldives.*
>
> ***Cable & Wireless Worldwide Group***
>
> *With EBITDA growth of 44% in the first half, the Cable & Wireless Worldwide Group business is performing well as we continue to increase margin from our strategic product set and reduce costs in the face of a global recession which has led to lower traditional voice revenue and less discretionary project work. We continue to expect that the Cable & Wireless Worldwide Group 2009/10 EBITDA will be approximately £430 million.*
>
> *We have reclassified £20 million of cost to achieve the Thus synergies from exceptionals to capital expenditure, reflecting a change in how the costs are expected to arise. We have reduced our expected Cable & Wireless Worldwide Group P&L exceptional costs for 2009/10 by £15 million to £55 million, reflecting the reclassification of Thus costs to achieve, partially offset by bringing forward £5 million of exceptional restructuring costs from 2010/11. Overall, the Cable & Wireless Worldwide Group's cash guidance remains unchanged."*

* Note that the Interim Results referred to CWI rather than the Cable & Wireless Communications Group. CWI was the holding company of the Cable & Wireless Communications Group at the date of the Interim Results.

Accordingly, on the basis of preparation and based on the principal assumptions set out below, the Cable & Wireless Communications Directors forecast that for the year ending 31 March 2010, the post-exceptional EBITDA (as defined below) for each of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and the Cable & Wireless Group will be as stated below:

Post-exceptional EBITDA profit forecast:[(1)]	**Pre-exceptional EBITDA (approximate)**	**P&L exceptional items (approximate)**	**Post-exceptional EBITDA (approximate)**
Cable & Wireless Communications Group	**US$880-900m**	**US$(40)m**	**US$840-860m**
	£m	**£m**	**£m**
Cable & Wireless Communications Group	587 – 600	(27)	560 – 573
Cable & Wireless Worldwide Group	430	(55)	375
Central operations	(28)	—	(28)
Cable & Wireless Group	989 – 1,002	(82)	907 – 920

(1) Based on an exchange rate of US$1.50:£1.00.

The statements above regarding post-exceptional EBITDA (and excluding Demerger costs) in 2009/2010 for each of Cable & Wireless Communications Group, Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and Cable & Wireless Group represent profit forecasts under the Prospectus Rules. The Directors have considered the above statements and continue to believe that they are valid based on the assumptions below.

The Directors do not expect the full year tax profile for each of Cable & Wireless Communications Group, Cable & Wireless Worldwide Group and the Cable & Wireless Group to be materially different from that set out in the income statements for each of Cable & Wireless Communications Group, Cable & Wireless Worldwide Group and the Cable & Wireless Group for the six months ended 30 September 2009, included in the section entitled "*Historical Financial Information of the Cable & Wireless Communications Group*" and in "*Annex A—Historical Financial Information of the Cable & Wireless Worldwide Group*".

Basis of Preparation

The Directors confirm that the profit forecasts described above (the **Profit Forecasts**) have been properly compiled on the basis of the assumptions stated below and using accounting policies which are in accordance with IFRS as adopted in the EU and consistent with those adopted by Cable & Wireless Communications and Cable & Wireless in the preparation of the accounts included in *"Historical Financial Information of the Cable & Wireless Communications Group"* of this document.

The Profit Forecasts for Cable & Wireless Communications Group and the Central operations of the Cable & Wireless Group are based upon the unaudited consolidated results for the six months ended 30 September 2009 (set out in *"Cable & Wireless Communications Group Operating and Financial Review"* of this document), the results shown by unaudited management accounts for the three months ended 31 December 2009 and the Cable & Wireless Communications Directors' forecast of the results for the three month period ending 31 March 2010.

The Profit Forecast for the Cable & Wireless Worldwide Group is based upon the audited results for the six months ended 30 September 2009 set out in "*Annex A—Cable & Wireless Worldwide Group Operating and Financial Review*", the results shown by unaudited management accounts for the three months ended 31 December 2009 and the Cable & Wireless Worldwide directors' forecast of the results for the three month period ending 31 March 2010.

The Profit Forecast for the Cable & Wireless Group is based upon the unaudited consolidated results for the six months ended 30 September 2009 (set out in *"Cable & Wireless Communications Group Operating and Financial Review"* of this document), the results shown by unaudited management accounts for the three months ended 31 December 2009 and the Cable & Wireless Communications and Cable & Wireless Worldwide directors' forecast of the results for the three month period ending 31 March 2010.

The Profit Forecast for the Cable & Wireless Group has been prepared on the basis that the Cable & Wireless Group comprises the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group and Central operations for the full 12 month period ending 31 March 2010. However, the Demerger is expected to complete on or about 26 March 2010. If the Demerger completes before 31 March 2010, the annual reported results of the Cable & Wireless Communications Group for the year ending 31 March 2010 will not include the trading of the Cable & Wireless Worldwide Group for the period following completion of the Demerger and the Cable & Wireless Worldwide Group will be treated as a discontinued operation. The Directors have not restated the Cable & Wireless Group Profit Forecast for the exclusion of the trading of the Cable & Wireless Worldwide Group for the 5 day period between the expected completion of the Demerger and 31 March 2010 as they do not consider that this is material to the Cable & Wireless Worldwide Group Profit Forecast.

Post-exceptional EBITDA represents earnings before interest, tax, depreciation and amortisation, LTIP credit/ charge and net other operating income/expense.

The Profit Forecasts do not include any costs related to the Demerger.

The Profit Forecasts are stated on the basis of the EBITDA after exceptional items rather than profit before tax due to the extent of existing guidance which has been provided to the market by Cable and Wireless plc on both EBITDA and exceptional items. Guidance on the EBITDA performance of each of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and the Cable & Wireless Group has been provided for a number of years as it represents the measure on which management consistently assess the performance of the business and it is also the measure on which both shareholders and analysts attach greatest significance. During the course of 2009, Cable and Wireless plc also provided guidance on the level of exceptional items in each of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and the Cable & Wireless Group. Accordingly, the Cable & Wireless Communications Directors consider EBITDA after exceptional items to be the most appropriate basis to present the Profit Forecasts.

The Cable & Wireless Communications Group's Profit Forecast has been prepared using the Cable & Wireless Communications Group's 2009/10 planning exchange rates, the principal rates used are:

US dollar : sterling	1.5000
Sterling : US dollar	0.6667
Seychelles rupee : US dollar	16.67
Jamaican dollar : US dollar	93.33
Euro : US dollar	0.8000

Principal assumptions

The Profit Forecasts have been prepared on the basis of the following principal assumptions:

Assumptions within the control or influence of the Directors

There will be no material acquisitions and disposals during the financial year ending 31 March 2010 other than those already reported.

Assumptions outside the control or influence of the Directors

The main assumptions outside the control of the Directors are:

- there will be no material changes to the general trading and economic conditions in each of the markets or jurisdictions in which the relevant business operates from that which is currently prevailing and/or anticipated by the Directors which would cause a material change in levels of demand;
- there will be no material litigation or customer dispute that may arise in the period other than those that are currently prevailing and/or anticipated by the Directors;
- there will be no change to legislation or regulatory environments in which the business operates that would materially impact on the relevant business's operations, or its accounting policies;
- there will be no major disruption to the relevant business, its suppliers or customers due to natural disasters, terrorism, extreme weather conditions, industrial disruption, civil disturbance or government action;
- there will be no material changes in interest, inflation or exchange rates;
- there will be no material change in the present management or control of the relevant business or its existing operational strategy; and
- each relevant business will continue to enjoy the goodwill and confidence of present and potential customers, and of its strategic partners.

CABLE & WIRELESS COMMUNICATIONS GROUP BUSINESS

This section contains forward-looking statements that involve risks and uncertainties. The actual results of the Cable & Wireless Communications Group and Cable & Wireless Communications Plc could differ materially from those anticipated in these forward-looking statements as a result of such risks and uncertainties. Investors should read the section headed "Forward-Looking Statements" set out at the front of this document and the section entitled "Risk Factors" for a discussion of risks and uncertainties related to these statements.

During the period between the Scheme becoming effective and the Demerger Effective Time, the Cable & Wireless Worldwide Group will be owned by Cable & Wireless Communications. The Central operations of the Cable & Wireless Group will be combined with the Cable & Wireless Communications Group with effect from the Scheme Effective Time. From the Demerger Effective Time, the Cable & Wireless Worldwide Group will no longer be owned by Cable & Wireless Communications. If the Demerger has not become effective by the Demerger Long Stop Date, the Cable & Wireless Worldwide Group will remain owned by Cable & Wireless Communications for the foreseeable future.

The historical financial information of the Cable & Wireless Communications Group in this document has been extracted without material adjustment from the consolidation schedules underlying the Cable and Wireless plc financial historical statements for the years ended 31 March 2007, 31 March 2008 and 31 March 2009.

This section contains information on the business operations of the Cable & Wireless Communications Group. "Annex A—Cable & Wireless Worldwide Group Information" contains information on the business operations of the Cable & Wireless Worldwide Group.

OVERVIEW

The Cable & Wireless Communications Group (formerly known as Cable & Wireless International (CWI)), headquartered in London, England, owns and operates full-service telecommunications businesses providing mobile, broadband and domestic and international fixed line services to consumers, small and medium-sized enterprises, corporate customers (including other carriers) and governments. The Cable & Wireless Communications Group is the market leading telecommunications provider in the majority of its markets. The business is managed as four regional operations—the Caribbean, Panama, Macau and Monaco & Islands—each of which is profitable and cash generative in its own right. These four regional operations span 38 countries through 33 subsidiaries and five joint ventures, with Panama, Macau, Jamaica, the Maldives and Monaco being the main markets by revenue. The ownership of these businesses varies—some are wholly owned and others are partly owned with either public, governmental or corporate partners.

The Cable & Wireless Communications Group is the only full service telecommunications provider in the majority of its markets. It is the market leader in 19 out of 27 mobile markets in which it competes, 25 out of 34 broadband markets in which it competes and 25 out of 27 fixed line markets in which it competes. As at 30 September 2009, the Cable & Wireless Communications Group, through its subsidiaries and joint ventures, provided services to approximately 8.3 million mobile, 0.6 million broadband and 1.8 million fixed line customers.

Following the Demerger, the Cable & Wireless Communications Group will comprise Cable & Wireless Communications and the entities forming the Cable and Wireless Group, other than those entities comprising the demerged Cable & Wireless Worldwide Group. Principally, the Cable & Wireless Communications Group will comprise the Cable & Wireless Communications Group businesses and the Central operations of the Cable & Wireless Group.

HISTORY AND DEVELOPMENT

Cable & Wireless is one of the world's leading international communications companies. For more than 130 years Cable & Wireless has provided telecommunications services, networks and equipment to business, government and residential customers around the world. Cable & Wireless traces its history to a number of British telegraph companies founded by Sir John Pender in the 1860s. In 1866, a Pender-led consortium laid the first submarine cable across the Atlantic Ocean using Brunel's ship, the "Great Eastern". The "Great Eastern" also laid the cable from Bombay to Porthcurno in the far south west of England in 1870, the first cable into what subsequently became, for a period, the biggest cable station in the world. Following this success, further submarine cables were laid from the United Kingdom to the Caribbean, Asia, Australia and the United States.

With the development of wireless telegraphy, the Eastern and Associated Telegraph Company expanded its interests by merging with the Wireless Telegraph Company founded by Marconi in 1929 to form the Imperial and International Communications Company. This merger led to the formation of the biggest wireless and cable company in the world and the company was renamed Cable & Wireless Limited in 1934.

During World War II, Cable & Wireless's communications network played a vital strategic role and following the war, the company was nationalised, acknowledging the vital importance of the international communications infrastructure. Cable & Wireless became the international communications business of the British Post Office.

Cable and Wireless plc was one of the first privatisations of the Thatcher government with its initial sale of 49% of Cable & Wireless in 1981. The remaining 51% was offered to the public in two tranches in 1983 and 1985. In 1981, Mercury Communications was created within the Cable & Wireless Group as a competitor to BT to provide fixed line telecommunications services in the United Kingdom. In 1993, One2One, a Mercury Communications division, launched mobile communications to the UK consumer market. In 1997, Mercury merged with several UK telecommunications operators and was renamed Cable & Wireless Communications (**CW Communications**); Cable & Wireless owned a 53% stake in CW Communications. Following the Mercury merger, Cable & Wireless initiated a significant disposal programme, which included the following disposals: the Cable & Wireless Group's stake in One2One to Deutsche Telekom in 1999, its CW Communications consumer operations stake to NTL in 2000, its Hong Kong Telecom stake to PCCW in 2000 and its Australian Optus stake to Singapore Telecom in 2001. At the same time, the Cable & Wireless Group began developing its business around a global IP network with a strategy to sell global IP services and build its hosting expertise.

In 2003, Sir Richard Lapthorne was appointed as Chairman to lead a turnaround of the business following a downturn in financial performance. This turnaround included resolving a significant tax issue relating to its disposal of the Cable & Wireless Group's stake in One2One, the sale of the Japanese business and the exit from the loss-making US operations. In 2004, Cable & Wireless successfully competed for the opportunity to purchase a stake in Monaco Telecom. The following year, in a transformational move, Cable & Wireless bought Energis, an acquisition which strengthened Cable & Wireless' position in the United Kingdom. In 2006, Cable & Wireless internally re-structured into two standalone divisions—Cable & Wireless International (since renamed the Cable & Wireless Communications Group) and Cable & Wireless Europe, Asia & US (**EAUS**) (since renamed the Cable & Wireless Worldwide Group).

In 2008, Cable & Wireless completed the purchase of THUS Group plc, a UK telecommunications group. The integration of Thus is ongoing and a new company, Thus Limited, has been set up as a stand-alone business within the Cable & Wireless Worldwide Group focused on offering a full suite of advanced business communications to small and medium sized enterprises.

In November 2009, the Cable and Wireless plc Board announced its intention to separate the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, reflecting its belief that the businesses had reached a position where they would deliver increased value to shareholders as independently listed companies. The separation is the culmination of work which began in April 2006, when Cable and Wireless plc created two largely distinct operating units under the Cable and Wireless plc umbrella to reflect their differing characteristics and the establishment of clear strategies for both. As a result of the significant progress made since then, the Cable and Wireless plc Board considers that the two businesses have now put in place the necessary arrangements to operate as independent, publicly-quoted businesses.

The Cable and Wireless plc Board believes that the separation will deliver further value for shareholders by:

- allowing the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group to pursue their strategies independently with greater flexibility over management of resources and opportunities;
- creating two separately listed companies with distinct investment profiles and clear market valuations;
- sharpening management focus further, helping the two businesses maximise their performance; and
- providing a transparent capital structure and an efficient balance sheet for each business.

MARKET OVERVIEW

The Cable & Wireless Communications Group operates in 38 countries, with Panama, Macau, Jamaica, the Maldives and Monaco currently being the main markets by revenue, and offers mobile, broadband, domestic and international fixed line services, as well as enterprise services. The telecommunications markets in the countries in which it operates differ in terms of technological development and customer penetration for each product and service. For example, Macau is a market with a high level of mobile penetration at approximately 183% as at 30 September 2009, and operates leading technologies (including third-generation (**3G**) mobile services which enable high-speed Internet connections via a mobile device, such as a phone or a USB dongle). The broadband markets in Panama and some parts of the Caribbean, on the other hand, are examples of early stage markets, with low broadband penetration.

Highly-penetrated markets require provision of new services or offers to maintain or grow average revenue per user (**ARPU**) and careful management of operating costs to maintain or improve margins. Lower-penetrated markets offer growth opportunities through customer acquisition and overall market growth. The Cable & Wireless Communications Board believes it has a balanced mix of highly and lower-penetrated markets.

The economies of the countries in which the Cable & Wireless Communications Group operates also range from developing to highly-developed. Highly-developed markets such as Macau, Monaco, the British Virgin Islands (**BVI**) and the Channel Islands tend to have high levels of income per capita. Developing markets such as St Vincent & the Grenadines, Jamaica and those in West Africa have lower levels of income per capita. While developing markets typically offer further growth opportunities through overall market growth potential, they are often more sensitive to fluctuations in general economic conditions and require the Cable & Wireless Communications Group to adopt specific approaches, such as emphasis on pre-pay arrangements to mitigate customer risk.

Many of the economies in which the Cable & Wireless Communications Group operates are dependent on tourism. Other economic drivers within the business include offshore finance (the BVI, the Cayman Islands, Bermuda, Turks & Caicos, the Isle of Man and the Channel Islands), insurance and reinsurance (Bermuda), international transport (Panama) and gaming and leisure (Macau and the Channel Islands).

The Cable & Wireless Communications Group not only expects to benefit from long-term growth trends in local economies, but also from the essential nature of communications services in the everyday lives of its customers. The rapid growth in business and personal communications services available over mobile and broadband technologies is also a key driver in the Cable & Wireless Communications Group's business.

The development of new products and services (particularly in mobile and mobile broadband) has created new revenue streams for telecommunications providers, and has driven increased demand for network capacity, or bandwidth, to deliver the new services. Competition for customers drives telecommunications companies to invest in capacity and new technology to provide these services. The Cable & Wireless Communications Group commits capital expenditure each year to the development of its network and technologies, enabling it to bring a wide range of services to its customers.

The emergence of specialist enterprise telecommunications services for large organisations, such as companies and government bodies, is also a developing market for the Cable & Wireless Communications Group, for example in Panama and Macau.

Competitive landscape

The Cable & Wireless Communications Group is a strong competitor in most of its markets. It is the market leader in 19 out of the 27 mobile markets in which it competes and in 25 out of 34 broadband markets. It is also the market leader in 25 out of 27 fixed line markets. As at 30 September 2009, the Cable & Wireless Communications Group, through its subsidiaries and joint ventures provided services to approximately 8.3 million mobile, 0.6 million broadband and 1.8 million fixed line customers.

The Cable & Wireless Communications Group has adapted its business model and strategy to address liberalisation in its markets to ensure it can continue to provide customers with the best products and services available in each territory. Competitors tend to be local or regional in nature, such as Jersey Telecom in the Channel Islands, Bharti-Airtel in the Channel Islands and Seychelles or Digicel in the Caribbean and Panama. Unlike many of its competitors, the Cable & Wireless Communications Group can bring global scale and experience to bear in these markets as well as the competitive advantage of bundled propositions, where permitted by law, enabled by its wider range of network platforms. It competes against major global telecommunications companies in certain of its markets, such as Telefonica (Movistar) and America Movil in Panama and SFR in Monaco.

The Board believes that it is essential that there is a level competitive playing field both for existing operators and new entrants. The Cable & Wireless Communications Group, through its subsidiaries has worked with local regulators to ensure fair and efficient regulation in the Cable & Wireless Communications Group's markets.

Further information on the regulatory environment in which the Cable & Wireless Communications Group operates is set out in the section entitled "*—Regulatory Overview*".

STRENGTHS

The Cable & Wireless Communications Group has significant competitive strengths and the Board believes it is well positioned to deliver strong cash generation and long-term earnings growth to create further shareholder value. These competitive strengths include:

Market leadership

The Cable & Wireless Communications Group is the market leader in the majority of its markets and the primary challenger in others. It is the market leader in 19 out of 27 markets in mobile, 25 out of 34 markets in broadband and 25 out of 27 markets in fixed line services. Among its main markets by revenue, Cable & Wireless Communications Group is the market leader in all services in Panama, Macau, Monaco and the Maldives.

Cable & Wireless Communications is an integrated, full service provider

The Cable & Wireless Communications Group provides fixed, broadband and mobile services in the majority of its markets, and is broadening its proposition into entertainment (such as pay-TV) and enterprise services. In several markets, the Cable & Wireless Communications Group is the only full service telecommunications provider including in Panama, Macau, Monaco, the Seychelles, the Maldives and several countries in the Caribbean. In these markets, its major competitors do not provide all three of mobile, broadband and fixed line services. The Cable & Wireless Communications Group's integrated capability allows it to provide 'bundled' offers to its customers, under which they are able to buy all telecommunications needs from one provider, provided it is permitted by law or regulation. The Cable & Wireless Communications Group believes this 'bundled' product offering enhances customer retention and serves to limit customer churn.

Diversity across geography and product

The Cable & Wireless Communications Group operates in 38 countries, spanning the Caribbean, Central America, Europe, Africa, Middle East, Asia as well as the Atlantic and Pacific Oceans. In financial terms, the spread of geographies from which it draws revenue reduces Cable & Wireless Communications exposure to any single country or region. For the six months ended 30 September 2009, the split of the Cable & Wireless Communications Group's EBITDA across the four regional operations was as follows: Panama (34%), Caribbean (33%), Macau (17%) and Monaco & Islands (16%). The Cable & Wireless Communications Group's revenue is also spread across a range of products and services, reducing its reliance on any single product line. For the six months ended 30 September 2009, the Cable & Wireless Communications Group reported revenue was split across its product set as follows: mobile (39%), broadband (9%), domestic voice (21%), international voice (8%), enterprise, data and other products (23%).

Strong cash generation and cash conversion of profit

The Cable & Wireless Communications Group is a highly cash generative group of businesses and has a good track record of converting its EBITDA to cash flow with US$1.6 billion of cash repatriation since April 2006. A strong existing asset base and management discipline on capital expenditure underpins the Cable & Wireless Communications Group's focus on cash generation.

Period	Operating Cash Flow	Trading Cash Flow
	(US$ millions)	
Year ended 31 March 2009	445	343
Year ended 31 March 2008	382	478
Year ended 31 March 2007	400	437

Brand strength

The Cable & Wireless Communications Group has a recognised and respected brand in "Cable & Wireless", which has been used for more than 70 years. The Cable & Wireless Communications Group will be able to continue to leverage the "Cable & Wireless" brand's heritage and recognition following the Demerger. In Panama, the Seychelles, Bermuda and the South Atlantic islands business units, the "Cable & Wireless" brand is the Cable & Wireless Communications Group's primary product brand, while in the rest of the business it remains an important secondary brand, which is known in the market and is used particularly with government, regulatory and enterprise customers. In the Caribbean, the Cable & Wireless Communications Group uses the

"LIME" brand, in Macau the "CTM" brand and in Monaco, the "Monaco Telecom" brand, each of which are recognised as strong brands in their respective markets, associated with the Cable & Wireless name.

Exposure to markets with enhanced GDP growth

Certain markets within the Cable & Wireless Communications Group's business have in recent years enjoyed economic growth above the rates of growth being achieved in more developed markets such as the US and Europe. Panama and Macau, in particular, have enjoyed enhanced GDP growth in the past few years. In 2009, Panama achieved an estimated GDP growth rate of 1.8%, in contrast to the economic recessions suffered in many other countries. In 2008, Panama reported official GDP growth of 9.2%. Macau's economy has also grown rapidly in recent years, driven by the construction and operation of large-scale casinos. In 2007 and 2008, its GDP figures grew by 32.0% and 15.5% respectively. In the early part of 2009, Macau suffered an economic downturn, in part due to visa restrictions on Chinese mainland tourists travelling to Macau, but its economy began to recover in the middle of 2009 as restrictions were relaxed. In July to September 2009, Macau reported GDP growth of 1.2%.

Network reach and fixed line infrastructure strength

In many of its markets, including Panama, Macau, Monaco and many of its markets in the Caribbean, the Cable & Wireless Communications Group operates the largest fixed line telecommunications network, providing the most comprehensive coverage. In several markets, including Macau, Monaco and the Maldives, the Cable & Wireless Communications Group is currently the sole fixed line network operator, providing a significant strategic advantage, and positioning it as the leading provider of fixed voice and broadband services.

Ownership of, and access to, regional cable networks

The Cable & Wireless Communications Group owns solely or in partnership, or has substantial IRU capacity on a number of regional sub-sea cable systems with land capacity in over 60 countries. This allows the Cable & Wireless Communications Group to carry large amounts of voice and data traffic on behalf of consumers, enterprises and carriers and provides inbuilt resilience due to the capability of rerouting traffic.

Management experience and diversity

The Cable & Wireless Communications Group has a senior executive team which combines international as well as local experience. Each business has a local management team which reports into one of the four regional operations. The senior executive team has more than 125 years of experience in the telecommunications industry among them.

Positive and constructive government relations

The Cable & Wireless Communications Group has long-standing governmental relationships in most of the countries where it operates. In several countries where the Cable & Wireless Communications Group provides services, for example, Panama, Macau, Monaco, Grenada, Dominica and the Maldives, the government part-owns the relevant business and works with the Cable & Wireless Communications Group as a partner. In several markets, the Cable & Wireless Communications Group is also one of the largest employers and corporate taxpayers.

STRATEGY AND GROWTH

Strategy

The Cable & Wireless Communications Group's strategy is focused on developing and growing its businesses to drive strong returns to shareholders. Each regional operation operates as a stand-alone competitive telecommunications enterprise, and is required to meet annual financial performance targets. Each is profitable and cash generative in its own right and strives to deliver world class metrics. The Cable & Wireless Communications Group operation in London brings scale, collaboration, expertise, access to finance and governance on behalf of shareholders to the entire Cable & Wireless Communications Group's regional operations.

The Cable & Wireless Communications Group's strategic plan focuses on generating growth and value for shareholders through three elements:

(a) *Delivering operational excellence*

Each business operation seeks to drive service excellence and efficiency to maintain a strong competitive foundation, enabling the businesses to win new customers as well as retain existing customers. Each business will strive to achieve leading positions in service and network coverage in its markets increase its efficiency and streamline its processes.

The Cable & Wireless Communications Group's business operations target operational excellence in customer services, aiming to provide market leading service against metrics such as response times to repair faults or responses to customer enquiries. Network coverage is another area in which the strategy of operational excellence is applied, with new processes and technology being deployed and, where necessary, new capital expenditure investment to ensure superior coverage for customers on both wireless and fixed networks.

The strategy of operational excellence requires business units to streamline their current cost bases and capital expenditure, while striving to achieve improved service and coverage. An example of this is the mobile tower sharing agreement into which the Cable & Wireless Communications Group's subsidiary in Jamaica has entered with one of its competitors which has increased network coverage and lowered long-term capital expenditure costs. Other cost reduction activities may include outsourcing and increased collaboration amongst Cable & Wireless Communications Group companies on procurement activities to maximise synergies.

(b) *Expanding product offering through new services*

The Cable & Wireless Communications Group is focused on capturing new organic growth opportunities from services which can be offered to its customer base. These services, in most cases, will leverage the Cable & Wireless Communications Group's strengths, for example, mobile market leadership, fixed line networks and strength, ownership of and access to regional cable networks. The introduction of new services aims to drive revenue and offset any decline in existing services as well as repositioning the business to the changing demands of the markets in which it operates.

New services include:

—Managed services

A service in which the Cable & Wireless Communications Group takes on the management of a corporate or government customer's telecommunication services, as well as providing the telecom service (e.g. voice and data) itself. The Panama operation has won several managed services contracts with the Panamanian government including running the telecom platform for the country's "911" emergency services.

—Cable/Carrier

The Cable & Wireless Communications Group has substantial cable assets in the Caribbean and Central American regions, which offer new commercial opportunities as the Cable & Wireless Communications Group's focus broadens from using these assets for internal purposes only to capitalising on the growing wholesale market. The Cable & Wireless Communications Group's cable assets are strategically placed to capture the rapidly increasing demand for resilient and large bandwidth data transit between Central and South America, and the United States.

—Pay-TV

Pay-TV services enable the Cable & Wireless Communications Group's business operations to offer bundled 'triple-play' (pay-TV, fixed line and broadband) or 'quad-play' (pay-TV, fixed line, broadband and mobile) services where permitted by law. Pay-TV operators have emerged in several telecommunications markets as a competitive threat to telecommunications companies, as many have the capability to provide fixed line and broadband services. In Panama, the Cable & Wireless Communications Group launched a pay-TV service in December 2009.

—Mobile data

Mobile data services have emerged through the development of higher capacity mobile networks—in particular 3G networks—and the development of mobile handsets being capable of receiving the Internet (data) at, relatively, high speeds. In markets in which it operates high capacity networks, the Cable & Wireless Communications Group is able to offer its customers mobile broadband propositions and value-added services, such as commercial services available over the Internet and instant messaging services.

(c) *Developing core regional hubs*

The Cable & Wireless Communications Group's long-term business development strategy is focused around a small number of core regional hubs from which it will develop a scalable platform of services, capabilities and management. This focuses on: Latin America, led by the Panama operation; the Caribbean; Macau; and the clusters of the Monaco & Islands business. In developing these hubs, the Cable & Wireless Communications Group is seeking to take advantage of its proximity to markets adjacent to each hub, as well as creating a base for offering cross-border telecommunication services, such as managed services for multinational customers. The Cable & Wireless Communications Group will also manage its business around these regional hubs to deliver value to shareholders. This will include considering the acquisition of licences and the roll out of services into adjacent territories, acquisitions or disposals or increasing its stake in current investments, for example, the recent additional investment in the Maldives, when it is possible to enhance value.

Growth

The Cable & Wireless Communications Group's strategic approach is to capitalise on growth opportunities and trends in its core mobile, fixed line and broadband product set. In particular, the Directors believe growth opportunities exist in the following segments:

(i) Broadband—Low levels of broadband penetration in some markets across the business offer growth potential. Panama, some parts of the Caribbean and several regions in the Monaco & Islands business have lower levels of broadband penetration than more developed markets. Network improvement and marketing initiatives such as bundled services provide an opportunity, where permitted, to grow this segment in lower-penetrated markets. As the market leader in fixed line in many of its markets and the only full service provider in most, the Cable & Wireless Communications Group is well positioned to offer competitive broadband services to customers. The Cable & Wireless Communications Group has also started offering pay-TV services in certain markets, with the intention of both growing revenue and retaining customers which might otherwise turn to new competitors offering bundled services;

(ii) Enterprise—Revenue earned from enterprise customers has recorded strong growth in the past 18 months and provides an opportunity for further growth. Governments have been a major customer for managed services applications, particularly in Panama. The growth of large enterprises in certain markets, such as large casino groups in Macau, resort and hotel groups in the Seychelles, financial services businesses in the Caribbean and the Channel Islands and insurance and reinsurance businesses in Bermuda, has provided an expanding potential customer base for enterprise services. Services include data access and hosting services for companies that conduct large amounts of business over the Internet or other networks. The Cable & Wireless Communications Group has good existing data centre capability, particularly in Guernsey and Panama. The Directors believe the Cable & Wireless Communications Group's position as a trusted local partner in these territories provides a competitive advantage; and

(iii) Mobile—Opportunities exist for capturing additional value through the introduction of new services, as well as improving market share.

The Cable & Wireless Communications Group's strategy is also designed to capture the benefit of favourable macroeconomic and microeconomic factors in each of the markets it operates in. A predicted return to economic growth is expected to generate increased demand for telecommunications services and benefit several of the Cable & Wireless Communications Group's markets. In microeconomic terms, the Cable & Wireless Communications Group also benefits from a range of localised drivers:

(i) Panama: A large government-sponsored capital works programme including a multi-billion US dollar investment programme to expand the capacity of the Panama Canal is expected to complete in 2014. Panama is also building an increasing role as a hub for Latin America, and achieving GDP growth—11.5% in 2007, 9.2% in 2008 and 1.8% in 2009 amidst adverse global economic conditions;

(ii) Macau: Growth arising from the development of gaming, tourism and corporate conferencing sectors. Macau surpassed Las Vegas in annual gaming revenue from 2006. Macau attracts a large numbers of visitors, particularly from China and Southeast Asia;

(iii) Caribbean: The Caribbean region has suffered a significant economic downturn in recent times, but remains one of the most popular leisure tourism regions in the world. The region stands to benefit from an anticipated recovery of the US and European economies led by increasing tourism, as well as offshore financial services; and

(iv) Monaco & Islands: While affected by the economic downturn, the Cable & Wireless Communications Group's businesses operate in economies which benefit from gaming (Monaco and Channel Islands), luxury tourism (Seychelles, the Maldives and Monaco), as well as offshore financial services (Channel Islands, Isle of Man, Monaco and Bermuda).

NETWORK TECHNOLOGY

Differing market conditions and histories mean that the precise technical details of network deployment vary across the Cable & Wireless Communications Group's regional operations. However, the Cable & Wireless Communications Group's larger full service (fixed/mobile/broadband) operations exhibit common themes in existing and planned network technologies:

- Second generation (**2G**) digital mobile networks based on international standard GSM technology, providing voice and "2.5G" GPRS/EDGE data services. 2G geographic coverage is extensive in all the Cable & Wireless Communications Group's operations that operate mobile networks. The largest networks are in the Caribbean, Panama and Macau with 950, 571 and 263 radio base stations respectively. The Caribbean and Panama networks operate in the American standard 850 and 1900 MHz spectrum bands. Other networks operate in the European/Asian standard 900 and 1800 MHz spectrum bands.
- Third generation (**3G**) digital mobile networks based on internationally standard UMTS technology provide enhanced voice and data services. In addition to basic 3G services, "3.5G" High Speed Packet Access technology provides high speed mobile broadband services. The extent of 3G mobile network deployment depends on the maturity of the market. 3G coverage is extensive in Macau, Monaco and the Channel Islands. In Panama, Jamaica and the Maldives, 3G coverage is currently provided in the major population centres and is in the process of being deployed more widely. In Panama and the Caribbean, 3G is deployed in the American standard 850 MHz spectrum band to provide enhanced in-building coverage. 3G is deployed in the European/Asian standard 2100 MHz spectrum band in other operations.
- The Cable & Wireless Communications Group's history in fixed line services is voice telephony based on copper access lines. The largest networks are in the Caribbean, Panama and Macau with 725,000, 422,000 and 182,000 lines in service respectively. Electronic voice switches are still predominantly based on Time Division Multiplexing technology. Some obsolete switches have been replaced by VoIP technology, and this replacement is progressing on an "as needed" basis.
- In recent years, the Cable & Wireless Communications Group has invested heavily in providing high speed fixed broadband services using Digital Subscriber Line (**DSL**) technology over copper. The extent of fixed broadband rollout depends on the maturity of the market. Monaco, Macau and Barbados have the highest levels of deployment with 67%, 70% and 36% respectively of fixed customers subscribing to broadband with speeds in the 4Mbps to 15Mbps range. Fixed broadband is also deployed in the Cable & Wireless Communications Group's other fixed line businesses with broadband speeds generally in the 1Mbps to 4Mbps range.
- The Cable & Wireless Communications Group operates Hybrid Fibre Coax (**HFC**) cable TV networks in Monaco (16,000 customers) and St. Lucia (23,000 customers), and is in the process of rolling out HFC digital cable TV in Panama (at launch approximately 80,000 customers).
- The Cable & Wireless Communications Group provides fibre-to-the-premise fixed access lines for its larger business customers, enabling very high speed converged voice/data/video services. Some limited deployment of fibre-to-the-premise has also taken place for selected high value residential customers.
- By operating both fixed and mobile services in most of its markets, the Cable & Wireless Communications Group has been able to optimise its in-country backhaul and transmission networks. Core networks are mostly based on Internet Protocol (**IP**) fibre transmission operating at multiple Gbps speeds, with Multi Protocol Label Switching (**MPLS**) based switching and routing to efficiently handle converged voice/data/video services with high resilience and predictable quality of service. The Cable & Wireless Communications Group's largest networks are in Panama with 200 primary access network nodes and 2,750 kilometres of fibre cable, Jamaica with 120 primary access network nodes and 2,750 kilometres of fibre cable and Macau with 10 primary access network nodes and 640 kilometres of fibre cable.
- Terrestrial cable distribution corresponds to the electrical power utility practices in each country. For example, in the Caribbean and Panama, this is mostly overhead cabling on poles, while in Europe, this is mostly underground ducted and buried.
- The Cable & Wireless Communications Group either owns outright or through a consortium, or has long-term-leases for, international cable capacity to serve its largest businesses. The extensive undersea cable systems diversely connect the Caribbean, Panama and Bermuda to the US and have approximately 60 Gbps of total capacity. Macau has 24 Gbps of diverse cable capacity to connect to Hong Kong and mainland China. The Maldives has 10 Gbps of undersea capacity connecting to Sri Lanka. The Cable & Wireless Communications Group currently uses satellite systems only on a limited basis, principally in the Seychelles and the South Atlantic islands, and to provide connectivity to Africa.

GEOGRAPHIC OPERATIONS

The Cable & Wireless Communications Group provides mobile, broadband and domestic and international fixed line services through its four regional operations: Panama, Macau, the Caribbean and Monaco & Islands.

The following table outlines the Cable & Wireless Communications Group's market positions in the countries in which it operates and its economic interest in each of these operations.

Symbol:	Indicates:
✗	Service not provided
✓L	Service provided and market leader
✓	Service provided

Market	Cable & Wireless Communications % Economic Interest	Fixed Voice	Mobile	Broadband
Panama	49%	✓L	✓L	✓L
Macau	51%	✓L	✓L	✓L
Caribbean				
Jamaica	82%	✓L	✓	✓L
Barbados	81%	✓L	✓L	✓L
Cayman	100%	✓L	✓L	✓
Turks & Caicos	100%	✓L	✓L	✓
BVI	100%	✓L	✓L	✓L
Anguilla	100%	✓L	✓L	✓L
Montserrat	100%	✓L	✓L	✓L
St Lucia	100%	✓L	✓	✓L
St Kitts and Nevis	77%	✓L	✓L	✓L
St Vincent	100%	✓L	✓	✓L
Antigua	100%	✗	✓L	✓L
Dominica	80%	✓L	✓L	✓L
Grenada	70%	✓L	✓	✓L
Trinidad and Tobago (JV)	49%	✓L	✓L	✓L
Monaco & Islands				
Monaco	55%	✓L	✓L	✓L
The Maldives	52%	✓L	✓L	✓L
Guernsey	100%	✓L	✓L	✓L
Jersey	100%	✓	✓	✗
Isle of Man	100%	✓	✓	✗
Seychelles	100%	✓L	✓L	✓L
Bermuda	100%	✗	✗	✗
Falkland Islands	100%	✓L	✓L	✓L
St Helena	100%	✓L	✗	✓L
Ascension	100%	✓L	✗	✓L
Diego Garcia	100%	✓L	✓	✓L
Benin(1)	30%	✗	✗	✓
Burkina Faso(1)	27%	✗	✗	✓
Cameroon(1)	36%	✗	✗	✓
Guinea(1)	24%	✗	✗	✓
Niger(1)	28%	✗	✗	✓
Senegal(1)	36%	✗	✗	✓
Algeria(1)	55%	✗	✗	✓
Afghanistan (JV)(1)	20%	✗	✓L	✗
Solomon Islands (JV)	33%	✓L	✓L	✓L
Fiji (JV)	49%	✗	✗	✓L
Vanuatu (JV)	50%	✓L	✓	✓L
Market leader:		**25**	**19**	**25**
Number of markets where service is provided:		**27**	**27**	**34**

> Source: see definition of market leader in "*Glossary of Selected Industry Terms*" in this document.

(1) Represents the proportionate interest of Cable & Wireless Communications Group through its 55% stake in Monaco Telecom.

(i) ***Panama***

Cable & Wireless Panama (**CWP**) is the market leader in mobile, broadband and fixed line services in the expanding Panamanian economy. As at 30 September 2009, CWP had 1.8 million active mobile customers and 127,000 broadband customers in a total population of approximately 3.4 million. In fixed line, CWP is the largest operator in the country with 418,000 customers, a position of significant strategic advantage. CWP has also recently entered the pay-TV market, through the development of a pay-TV platform. CWP also offers several managed services (such as emergency telecommunications services) to the Panamanian government. Panama is also a regional hub for telecommunications traffic between North and South America.

CWP became a subsidiary of the Cable & Wireless Group upon its acquisition in 1997. Cable and Wireless plc holds 49% of CWP's shares, in partnership with the government of Panama, which also owns 49%, and a local employee trust, which controls the balancing 2%. Despite holding only 49%, Cable & Wireless has management control of the Panama business through the appointment of 5 of the 9 members of the board, including the Chief Executive Officer and the Executive President.

CWP operates in a competitive market in Panama, particularly in mobile. The largest mobile competitor is Movistar (a subsidiary of Telefonica) which is the second largest operator behind CWP. The other mobile competitors are Digicel and America Movil, both of which entered the market in the last year or so. CWP has been successful at broadly maintaining its market share and brand leadership following the entry of these two new competitors. In fixed line, broadband and pay-TV, CWP's major competitor is Cable Onda, a pay-TV business which has broadened its business into fixed and broadband services.

CWP is led by its CEO, Jorge Nicolau, and an experienced management team. Mr Nicolau was appointed as Chief Executive Officer of CWP in January 2007 and is the first Panamanian CEO of Cable & Wireless Panama since the acquisition by Cable and Wireless plc.

CWP's strategy is focused on: defending its market leading positions; growing its pay-TV operation and targeting market leadership in the long-term; developing its bundled offers; building its proposition in mobile data and enterprise and employing cost reduction programmes to maintain its margins.

(ii) ***Macau***

The Cable & Wireless Communications Group's business in Macau, CTM, is the exclusive provider of domestic and international fixed line services. It is the sole provider of broadband services and the leading mobile operator in the Macau Special Administrative Region (**SAR**). At 30 September 2009, CTM had 395,000 active mobile customers in one of the world's most competitive mobile markets as well as 182,000 fixed line and 127,000 broadband customers. The Macau economy and CTM are well-positioned to benefit from the anticipated economic growth in China and the South East Asian region. Macau is one of the premier destinations for Chinese tourists and it received 22 million visitors in 2009 (Source: Macau DSEC: Statistics and Census Service) and is one of the world's largest gaming markets by revenue.

CTM was established in 1981 and has four shareholders. Cable and Wireless plc holds 51%, and has management control, with the remaining 49% held by Portugal Telecom (28%), CITIC Pacific (20%), and the Macau SAR government (1%). CTM retains exclusivity over the region's fixed line services under an operating arrangement in place with the Macau SAR government. On 6 November 2009, CTM signed a revision of the operating agreement with the government of Macau. The revised agreement extended CTM's operating arrangement until 2016, with an additional automatic extension until 2021, securing the long-term future of the Cable & Wireless Communications Group's business there notwithstanding expected competition in fixed line data services from 2010 and the anticipated liberalisation of fixed line voice services in 2012. Going forward, CTM's strategy will be to maintain its market leading positions, further develop its services including mobile data and enterprise and consider the introduction of other new services, such as pay-TV.

In June 2007, CTM was the first operator in Macau to introduce 3G technology, enabling it to expand the range of mobile services it offers to customers. CTM now offers mobile voice, data and Internet services to business and residential customers. In broadband, CTM offers high download speed services to residential and business customers. It also offers enterprise solutions, including leased lines.

CTM operates in a competitive market in mobile, competing with Hutchison, China Telecom and SmarTone. Each operator in this market holds a licence to offer 3G services. CTM currently remains the exclusive operator in fixed line voice services and is currently the sole provider of fixed line broadband services, with competition expected to enter the market in 2010.

CTM is led by Vandy Poon, who in September 2007 became the first local Chinese to be appointed as the Chief Executive Officer of a large utility corporation in Macau. Prior to this appointment, Mr. Poon had served as Deputy CEO.

(iii) ***Caribbean***

The Cable & Wireless Communications Group is the largest telecommunications provider by revenue across the Caribbean markets in which it operates, with subsidiary operations in 13 national markets, in addition to a joint venture in Trinidad and Tobago. Historically operated as a group of separate businesses, the subsidiary businesses were integrated in 2008 into one regional operating entity as part of the Cable & Wireless Communications Group's ongoing "One Caribbean" transformation programme and rebranded under the name LIME. The Caribbean business is the largest of the Cable & Wireless Communications Group's four regional operations by revenue.

As at 30 September 2009, LIME had 1,279,000 mobile customers, 645,000 fixed line customers and 204,000 broadband customers. The Cable & Wireless Communications Group's joint venture in Trinidad and Tobago had 892,000 mobile customers, 294,000 fixed line customers and 71,000 broadband customers as at 30 September 2009. The Cable & Wireless Communications Group is the market leader in fixed line in all of the markets in which it operates apart from Antigua. In mobile, it is the market leader in nine of the markets in which it has subsidiaries and in Trinidad and Tobago, and is the second-placed operator in the other four (Jamaica, St Lucia, St Vincent and Grenada). The Cable & Wireless Communications Group is the market leader in broadband in each of its markets in the Caribbean apart from Cayman and Turks and Caicos. It has the competitive advantage of offering the widest range of mobile, broadband and fixed line services across the region with the ability to offer customers the convenience of a single bill and bundled proposition across many of the national markets.

The Cable & Wireless Communications Group wholly owns eight of the businesses it operates in the Caribbean, and owns a further five businesses in partnership with either the local government (for example, in Dominica) or the public, via listing on the local stock exchange (for example, in Jamaica, Barbados and St Kitts and Nevis), or a combination of both (for example, in Grenada). In Trinidad and Tobago, it holds a non-controlling stake (49%) in the largest local operator, Telecommunications Services of Trinidad and Tobago Limited (**TSTT**) in partnership with the government of the Republic of Trinidad and Tobago (51%).

Most of the Caribbean businesses are operating in a fully competitive environment. Following liberalisation over the past 10 years, the liberalisation process in each market is now complete (apart from Montserrat, where the liberalisation process commenced in 2009 and Antigua, where the government retains a monopoly over domestic fixed line services and LIME retains exclusivity on international voice services) and, while each business has made progress, considerable scope remains for further efficiencies and growth. In Jamaica, where LIME has faced tough competition in mobile, a turnaround is in progress as part of the One Caribbean programme. The transformation programme is ongoing through a range of initiatives: the further development of the LIME brand and culture; continuing cost reduction initiatives and ongoing service improvements; and improving network infrastructure. The business aims to have a leaner and more efficient structure to capture the benefit of the expected economic upturn. Its future growth will be supported by the expansion of its mobile network and its drive into new service segments, including pay-TV, enterprise and managed services and carrier services.

In the Caribbean, the Cable & Wireless Communications Group competes with a range of different competitors across its 13 national markets. In mobile, the Cable & Wireless Communications Group's main competitor is Digicel, which operates in 13 markets in common with the Cable & Wireless Communications Group. Other mobile competitors include America Movil (Jamaica) and CCT Global Communications (BVI). In fixed line and broadband, there are a range of local island competitors to LIME, including Digicel (Jamaica and Cayman), America Movil (Jamaica), Flow (Jamaica and Grenada), TeleBarbados (Barbados), WestTel (Cayman), TeleCayman (Cayman), CCT Global Communications (BVI) and Caribbean Cable Communications (Anguilla and Nevis) and Karib Cable (St. Lucia and St. Vincent).

The Caribbean regional operation is led by David Shaw, CEO. Mr Shaw was appointed in July 2009, and in addition to running the 13 LIME businesses, is responsible for leading the second phase of the "One Caribbean" transformation programme, focusing on improving customer service and culture.

(iv) ***Monaco & Islands***

The Cable & Wireless Communications Group's Monaco & Islands operation incorporates Monaco and a host of island nations including Bermuda, Guernsey, Jersey, Isle of Man, Seychelles, the Maldives and several UK overseas territories such as the Falkland Islands and St Helena. It has a presence in 22 markets in total. The Cable & Wireless Communications Group has 159,000 mobile customers, 217,000 fixed line customers and 34,000 broadband customers in Monaco & Islands subsidiaries as at 30 September 2009. Its joint venture businesses have 3.7 million mobile customers, 47,000 fixed line customers and 14,000 broadband customers as at 30 September 2009. Across the business, strategic focus is to: grow the mobile and broadband business; improve service quality through initiatives such as boosting mobile indoor coverage; develop managed services particularly for the financial services, gaming and hotels industries and deliver operational efficiency.

The largest business within the Monaco & Islands operation is the Dhiraagu business in the Maldives. From October 2009, Dhiraagu has been accounted for as a subsidiary of Monaco & Islands, rather than as a joint venture. Dhiraagu is the market leader in mobile, broadband and fixed line services. Dhiraagu competes with Wataniya in the mobile market, and is the exclusive provider of fixed line and broadband services. Dhiraagu, which is 52% owned by the Cable & Wireless Communications Group, is run in partnership with the Government of the Maldives, holding a 48% interest. The Maldives government has declared its intention to sell down part of its stake via an initial public offering in the 2010/11 financial year. Dhiraagu's focus is to maintain market leadership and customer service excellence.

The Cable & Wireless Communications Group holds 49% of the total share capital of Monaco Telecom and has voting and economic rights in respect of an additional 6% through a contractual arrangement. The Principality of Monaco holds the remaining 45%. Monaco Telecom, which is the market leader in Monaco, is the exclusive provider of broadband, fixed line and television services. Broadband penetration is 86% as at 30 September 2009 and while mobile penetration is high, the Directors believe that value added services offer growth potential in this market, which has a proportionately high number of high net worth individuals and successful businesses. Monaco Telecom competes in mobile with French operators SFR and Bouygues in the Principality, but is the exclusive provider of fixed line services and fixed line broadband services.

Monaco Telecom has also developed an international business, which has invested in several communications businesses in developing nations and pursuant to contractual arrangements, provides managed telecommunications services to PTK, a telecommunications operator in Kosovo. Among these investments is Monaco Telecom's 36.75% stake in Roshan, a mobile phone operator in Afghanistan, and its 65% stake in Connecteo, a high-speed broadband service in West Africa (covering Benin, Burkina Faso, Cameroon, Guinea, Niger and Senegal). Monaco Telecom also owns 99.9% of Divona Algerie, a telecommunications operator providing broadband services in Algeria. Monaco Telecom also has a contract with OnAir, an operator which provides phone services on aircraft.

In the Channel Islands and the Isle of Man, where the Cable & Wireless Communications Group operates through wholly owned subsidiaries, the Cable & Wireless Communications Group provides services under the "Sure" brand and has capitalised on enterprise customer opportunities, particularly with financial and gaming companies. In mobile, Sure competes with Wave Telecom and Airtel in Guernsey, Jersey Telecom and Airtel in Jersey and Telefonica (Manx Telecom) in the Isle of Man. In Guernsey, Wave and Airtel also offer fixed and broadband services. Cable & Wireless Communications Group aims to defend its market position in Guernsey and grow market share in Jersey and the Isle of Man.

In Bermuda, the Cable & Wireless Communications Group, through Cable & Wireless Bermuda, has been providing international telecommunications to the island since 1890. Bermuda is a premier tourist destination, and has a thriving insurance and reinsurance industry. As well as providing IDD telephone services to over 200 countries, Cable & Wireless Bermuda's digital fibre optic communication systems facilitate a wide range of services such as data centre and disaster recovery services. Cable & Wireless Bermuda competes with three other international service providers: Keytech, TBI and Brasil Telecom.

In the Seychelles, the Cable & Wireless Communications Group is the market leader in fixed line, mobile and broadband services. The Seychelles constitute an archipelago of 41 islands, 33 of which are inhabited. This geographic spread means that broadband penetration is low, and services are generally provided via satellite as opposed to cable, but the Cable & Wireless Communications Group's investment in the network is expected to drive growth. Cable & Wireless Seychelles is wholly-owned by Cable and Wireless plc, and has a 110 year history with Cable and Wireless plc. In the Seychelles, Cable & Wireless Seychelles competes with Airtel in mobile, fixed line and broadband services; with Intelvision in fixed voice and broadband services and with Kokonet for broadband services.

The Cable & Wireless Communications Group, through wholly-owned subsidiaries of Cable and Wireless plc, is also the sole telecommunications provider in a group of UK overseas territories including the Falkland Islands, St Helena and Diego Garcia and provides a full service offering in Ascension Island.

The Cable & Wireless Communications Group also has joint ventures in the Solomon Islands (Solomon Telekom), Fiji (Fintel) and Telecom Vanuatu (in Vanuatu).

The Monaco & Islands operation is led by Denis Martin, CEO, who was appointed in April 2009. Mr. Martin was promoted to this position from his former appointment as CEO of Monaco Telecom, and has previous industry experience with the French SFR-Cegetel group.

REGULATORY OVERVIEW

Each of the Cable & Wireless Communications Group's businesses is subject to telecommunications regulation, as well as other applicable laws, in the markets in which they operate. The regulatory regime varies from market to market, and is influenced by factors such as population, economic development, geographical landscape, available technologies, customer penetration, political factors, government social and economic policy and the number of existing competitors.

In some markets at a more advanced stage of liberalisation, regulators are gradually introducing regulation to encourage further competition. Depending on the characteristics of the particular market, this regulation may include obligations such as number portability both in fixed line and mobile services, mandated access to mobile networks and other forms of service reselling such as Indirect Access and Local Loop Unbundling (**LLU**). For instance, number portability currently is in operation in Macau, Guernsey, Jersey and the Isle of Man in respect of mobile services. Number portability has been in operation in Panama in fixed line (in onward forwarding method) since 2003, with only 1% of fixed lines being ported to date, and will be mandatory from August 2010 for mobile and fixed line (in all call query methodology). Number portability has been mandated for implementation on both fixed line and mobile services in the Cayman Islands. The regulator is in consultation on fixed and mobile number portability in Bermuda. Number portability policies are changing in many of the markets in which Cable & Wireless Communications Group operates and number portability may become mandatory in additional Cable & Wireless Communications Group markets. Indirect Access and regulated resale/wholesale regulation is in force in certain parts of the Caribbean. Access-based regulation is likely to develop slowly and will be shaped heavily by local factors at play in each market. LLU regulation was implemented in Panama in 2006. However, to date, no requests have been received to unbundle any lines.

The Cable & Wireless Communications Group operates largely in competitive markets. However, in a small number of markets, including Monaco, Macau, Montserrat, Antigua and the Solomon Islands, the relevant Cable & Wireless Communications Group company was granted exclusivity in respect of some services. In these markets, there is a risk that such exclusivity will be terminated prior to the end of the term granted by the regulator. In Montserrat and Solomon Islands, for example, the regulators have terminated exclusivity in 2009, ahead of the scheduled expiration date of the monopoly granted to the Cable & Wireless Communications Group. In Macau, competition in the remaining exclusive operations, fixed line data and fixed line voice markets, is expected in 2010 and 2012 respectively. The businesses are readying themselves for the onset of competition in the market by ensuring that they continue to provide the best products and services available in the territory. Additionally, the businesses have engaged proactively with the local government and regulators with a view to achieving fair compensation and tariff rebalancing, as appropriate.

Each of the businesses works with local regulators with a view to ensuring fair and efficient regulation that is appropriate to the particular characteristics of the relevant market. Regulatory compliance is carefully managed by each business, supported by its local legal and regulatory team. For a description of the risk of regulatory changes, see "*Risk Factors—Risks relating to the Telecommunications Industry and Market in which the Cable & Wireless Communications Group Operates*".

EMPLOYEES

The average monthly number of persons, including Executive Directors, employed by the Cable & Wireless Communications Group in continuing operations during the periods presented was:

	For the year ended 31 March		
	2007	**2008**	**2009**
Central operations	228	237	198
Caribbean	3,697	3,964	3,196
Panama	1,846	1,885	1,900
Macau	944	919	903
Monaco & Islands	1,260	1,187	1,106
Total	7,975	8,192	7,303

There were no employees in discontinued operations.

PROPERTY, PLANT AND EQUIPMENT

In each of its businesses Cable & Wireless Communications owns or controls, through long term leases, licences or easements, the property, plant and equipment necessary to provide telecommunications services to residential consumers, small and medium-sized enterprises, corporate customers and governments. Cable & Wireless Communications' telecommunications services vary from region to region but typically include mobile, broadband and domestic and international fixed line services, as well as cable TV and other pay-TV services in some locations.

Cable & Wireless Communications' property portfolio includes land, office space, retail shop space and space on or within various existing structures used to house plant and equipment which provides connectivity and transmission. The plant and equipment comprises of data switching, routing, transmission and receiving equipment; computer systems, connecting lines (cables, wires, fibres, poles, antennas, towers and other support structures, ducting and similar items); international submarine cables and Indefeasible Rights of Use and other miscellaneous property including retail equipment, furniture and other office equipment, and plants under construction.

MATERIAL LITIGATION

Save as set out in the paragraph below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Cable & Wireless Communications is aware), during a period covering at least the previous 12 months preceding the date of this document which may have, or have had in the recent past significant effects on Cable & Wireless Communications, the Cable & Wireless Communications Group and/or the Cable & Wireless Communications Group's financial position or profitability.

In July 2007, Cable and Wireless plc and four Cable & Wireless Communications Group subsidiaries along with Telecommunications Services of Trinidad and Tobago Limited (TSTT), in which Cable and Wireless plc holds a 49% interest, were served with proceedings in the English High Court by a Caribbean competitor, Digicel. The claim alleged that the relevant Cable & Wireless Communications Group subsidiaries delayed Digicel's entry into six Caribbean markets (St. Lucia, St. Vincent & the Grenadines, Grenada, Barbados, the Cayman Islands and Turks & Caicos) in breach of applicable statutory and contractual obligations concerning interconnection services. A similar allegation was made against TSTT. In addition, it was alleged that Cable and Wireless plc and its four subsidiaries (but not TSTT) conspired to cause delay to Digicel.

The Directors of Cable & Wireless Communications believe the claim is without foundation and it has been vigorously defended in the English High Court. Although, based on legal advice, the Directors of Cable & Wireless Communications expect to defend this claim successfully, the Directors of Cable & Wireless Communications cannot predict the outcome of this legal proceeding. An adverse ruling could lead to the payment of damages. At this time, it is not possible to estimate potential exposure in the event of an adverse ruling, as the English High Court is considering only liability and not damage claims. However, as the Directors of Cable & Wireless Communications expect to successfully defend this claim, they do not expect material damages to be awarded.

Trial in the English High Court began in May 2009 and closed in November 2009. Cable & Wireless Communications and Cable and Wireless plc are currently awaiting judgment.

MATERIAL CONTRACTS

Save as set out below and in "*Description of Certain Financing Arrangements*", there are no contracts, except those entered into in the ordinary course of business, that are or may be material and:

- have been entered into by members of the Cable & Wireless Communications Group within the two years immediately preceding the date of this document; or
- have been entered into by members of the Cable & Wireless Communications Group and contain any provision under which any such member has any obligation or entitlement that is material to the Cable & Wireless Communications Group as at the date of this document.

Joint Venture and Shareholders' Agreements

Monaco shareholders' agreement

On 18 June 2004, Cable and Wireless plc, La Société Nationale de Financement (**SNF**), La Compagnie Monégasque de Communication (**CMC**) and La Compagnie Monégasque de Banque (**CMB**) entered into a shareholders' agreement to establish Monaco Telecom S.A.M. (**MT**). MT provides public telecommunications services in the territory of the Principality of Monaco (**Monaco**). Cable and Wireless plc directly holds a 49% stake in the share capital of MT, with voting and economic rights in respect of an additional 6% through contractual arrangement.

The agreement's change of control clause provides that upon a Cable and Wireless plc change of control, CMC will assign MT's securities to SNF at a price determined by mutual agreement of the parties, or, if no agreement is reached, at market value, subject to the condition that the State of Monaco or CMC, as appropriate, has given its prior consent to such change of control. The agreement contains a similar provision in respect of a change of control of SNF. Pursuant to a letter of amendment dated 18 October 2008, the parties to the agreement consented to any change of control of Cable and Wireless plc under the Demerger Proposals and therefore no transfer of MT's securities is required.

Cable and Wireless plc has also given a joint and several guarantee in favour of SNF, guaranteeing the payment of certain sums that may be payable by CMC to SNF under the agreement, including all default interest, charges and ancillary expenses. The agreement prohibits Cable and Wireless plc from competing with MT within Monaco. The agreement gives SNF the right, under certain specified circumstances, to exercise a put option in respect of its MT securities.

The Maldives shareholders' agreement

On 17 May 1988, Cable and Wireless plc and the government of the Republic of Maldives (the **Maldives Government**) entered into a shareholders' agreement, pursuant to which a joint company called Dhivehi Raajjeyge Gulhun Private Limited (**Dhiraagu**) was established to own, operate, manage and maintain the national and international Maldives telecommunications systems and services of the Republic of Maldives (the **Maldives**). Cable and Wireless plc's interest was subsequently transferred to Cable & Wireless Middle East & Islands Limited (**CWMEIL**). The shareholders' agreement was amended and restated on 18 October 2009, pursuant to which the parties agreed to the terms and conditions upon which Dhiraagu would be regulated and managed.

CWMEIL owns a controlling stake of 52% in Dhiraagu and the Maldives Government owns the remaining 48% On 24 December 2008, the Communication Authority of the Maldives granted Dhiraagu a non-exclusive licence to operate telecommunications services in the Maldives for a period of 15 years, commencing 1 January 2009. Under the terms of the amended and restated shareholders' agreement, any transfer of shares by a shareholder in Dhiraagu is subject to pre-emption rights, whereby the non-selling shareholder has the right to buy the relevant shares from the selling shareholder at a price to be mutually agreed or, otherwise, determined by an independent accountant. If the controlling shareholder, in this case CWMEIL, proposes to transfer its shares, the non-selling shareholder has tag-along rights to sell its shares on the same terms as those of the controlling shareholder. CWMEIL may however transfer its shares within the Cable & Wireless Group without restriction. Any amalgamation or reconstruction directly involving Dhiraagu will require a special resolution.

Trinidad and Tobago agreement

The Trinidad and Tobago Telephone Company Limited (now TSTT) is 49% owned by Cable & Wireless (West Indies) Limited (**CWWI**) and 51% owned by National Enterprises Limited. Under the terms of an agreement the government of the Republic of Trinidad and Tobago (the **TT Government**) authorised TSTT, by way of licence, to maintain and operate an external telecommunications network for Trinidad and Tobago until July 2009, with an option for renewal which was exercised. CWWI may sell, charge or create a lien over its 49% shareholding after full payment, provided it maintains a minimum interest of 29% in the issued share capital of TSTT at any one time. This is conditional upon approval by the TT Government, which approval shall not be unreasonably withheld. Under an operating agreement dated 31 December 2005, the TT Government and the Telecommunications Authority of Trinidad and Tobago authorised TSTT, by way of a renewable licence, to operate a public telecommunications network and provide telecommunications and broadcasting services in Trinidad and Tobago, which may be subject to certain anti-competitive provisions, for a period of ten years with effect from 30 December 2005. On 30 December 2005, the TT Government granted TSTT a renewable spectrum licence (the **Spectrum Licence**) to operate and use radio communications services and radio transmitting equipment in Trinidad and Tobago. The Spectrum Licence was granted to TSTT to operate on different bandwidths and the licence periods range from two and a half to ten years with effect from 30 December 2005. The Spectrum Licence is transferable subject to the prior written approval of the Telecommunications Authority of Trinidad and Tobago which shall not be unreasonably withheld.

Macau agreement

On 20 August 1981, Cable and Wireless plc and the Government of Macau (the **Macau Government**), entered into an agreement (the **Original Agreement**), under which Cable and Wireless plc agreed to form a company—Companhia De Telecomunicações de Macau S.A.R.L. (**CTM**) to operate, on an exclusive basis, public telecommunications services in Macau. The Original Agreement was successively amended on 6 December 1999 and by a revised agreement dated 6 November 2009 (the **Revised Agreement)**.

Cable and Wireless plc holds 51%, Portugal Telecom holds 28%, CITIC Pacific holds 20% and the Macau Government holds 1%, of the issued share capital of CTM. Under article seven of the statutes of CTM, any transfer of shares between shareholders or disposal of shares to persons unconnected with CTM requires the prior written consent of the Governor of Macau, the Macau Government and the founding members. Such transfer and/or disposal are subject to the pre-emption rights of the non-selling shareholders. Where more than one shareholder indicates that he wishes to exercise his right, preference will be given to the shareholder with the largest shareholding and, where that shareholding is the same, preference will be given to the shareholder of longest standing.

In addition to the Revised Agreement, CTM operates pursuant to the terms of Mobile Services Licence for 2G and 3G mobile services (the **Mobile Licences)** and an Internet Services Licence (the **Internet Licence**). CTM was appointed as the exclusive operator of public telecommunications in Macau on 20 August 1981 pursuant to the Original Agreement and was re-appointed as exclusive operator in fixed line on 6 December 1999 and 6 November 2009 under the Revised Agreement. CTM has also been appointed as a licencee under a 2G Mobile Licence for a period of eight years from 2002, extended for a further two years from 2010, as a licencee under a 3G Mobile Licence for a period of eight years from 2007, and as a licencee under the Internet Licence for a period of five years from 2003, renewed for another five years from 2008. CTM must pay to the Macau Government a royalty of 5% of the fixed and mobile network revenue per annum but not in respect of Internet revenue, for which no royalty is payable. The Revised Agreement is transferable either through payment or free of charge with the prior approval of the Macau Government and contains various provisions binding CTM to maintain and develop the telecommunications systems of Macau. The Internet Licence is transferable, either through payment, or free of charge with the permission of the Secretary for Transport and Public Works. The Mobile Licence is also transferable, either through payment, or free of charge with the permission of the Secretary for Transport and Public Works.

Panama agreement

On 20 May 1997, the Republic of Panama, acting as seller, and Cable and Wireless plc, acting as purchaser (the **Purchaser)** entered into a sale and purchase agreement (the **SPA)** for the transfer of 245 million Class B Shares (the **Panama Shares)** representing 49% of the share capital of the Panama Company Instituto Nacional de Telecomunicaciones, S.A. (**INTEL**).

INTEL was renamed CWP after the share purchase. Cable and Wireless plc, although its wholly owned subsidiary, Cable and Wireless (Panama Holdings) Limited owns 49% of the issued share capital of CWP, the Republic of Panama owns 49% of the issued share capital of CWP and a local trust (where beneficiaries are the employees of CWP) owns 2% of the issued share capital of CWP. Under the SPA, the Republic of Panama has a right of first refusal in relation to the Panama Shares in accordance with Section 2, paragraph 4 of Act No. 5 (**Section 2)** for as so long as such Section 2 is in force. While Section 2 remains in force, the Purchaser's stake in CWP must not exceed 49%. In the event that Section 2 is modified so as to allow the Purchaser to increase its stake in CWP, the Republic of Panama will grant to the Purchaser a right of first refusal to purchase such percentage of Class A Shares as is necessary to effect a 5% increase in the Purchaser's stake in the CWP. The Purchaser is not allowed to transfer any of its rights or obligations under the SPA without the prior written consent of the Republic of Panama.

Demerger Transaction Agreements

Demerger Agreement

Cable & Wireless Communications has entered into a Demerger Agreement with Cable & Wireless Worldwide and Cable and Wireless plc. The Demerger Agreement sets forth the agreements between Cable & Wireless Communications, Cable & Wireless Worldwide and Cable and Wireless plc regarding the principal transactions necessary to effect the Demerger, including the conditions to implementation of the Scheme and the Demerger. The Demerger Agreement also contains customary warranties from Cable & Wireless Worldwide, Cable & Wireless Communications and Cable and Wireless plc as to capacity and authority in relation to the issue of shares pursuant to the Scheme and the Demerger.

Separation Agreement

Cable & Wireless Communications has entered into a Separation Agreement with Cable & Wireless Worldwide, Cable and Wireless plc, CWIGroup Limited and Cable & Wireless Worldwide Holdings which sets forth agreements that govern certain aspects of the relationship between Cable & Wireless Communications and Cable & Wireless Worldwide and their respective subsidiaries pre- and post-Demerger. The Separation Agreement includes an undertaking from each of Cable and Wireless plc and Cable & Wireless Communications to enter into the Cable & Wireless Worldwide Holdings Transfer Agreement prior to the Scheme Effective Time (as further described below) and contains the agreements between Cable and Wireless plc and Cable & Wireless Worldwide Holdings in respect of the transfer of the Cable & Wireless Trademarks prior to the Demerger Effective Time (as further described in *"Risk Factors—Risks relating to the Cable & Wireless Communications Group"*).

The Separation Agreement also contains the agreements between Cable and Wireless plc, Cable & Wireless Communications and Cable & Wireless Worldwide in relation to the substitution of Cable & Wireless Worldwide as the principal debtor under the Convertible Bonds (as further described in *"Description of Certain Financing Arrangements—Convertible Bonds"*).

Under the Separation Agreement, Cable & Wireless Communications and Cable & Wireless Worldwide also agree to provide each other with certain customary indemnities on a reciprocal basis in respect of liabilities which the Cable & Wireless Communications Group may incur but which relate exclusively to the Cable & Wireless Worldwide Group and *vice versa* and in respect of an agreed proportion of liabilities which do not relate exclusively to one group or the other. In consideration for a reciprocal undertaking given by Cable & Wireless Worldwide, Cable & Wireless Communications also agrees to use its reasonable endeavours to procure that each member of the Cable & Wireless Worldwide Group is released from all guarantees and indemnities given in respect of any liability or obligation of any member of the Cable & Wireless Communications Group and, pending the release of such guarantees and indemnities, indemnifies the Cable & Wireless Worldwide Group against all liabilities associated therewith. In addition, Cable & Wireless Communications (in respect of guarantees given by the Cable & Wireless Worldwide Group) and Cable & Wireless Worldwide (in respect of guarantees given by the Cable & Wireless Communications Group) shall pay a negotiated fee for the maintenance of such guarantees until such time as they are released. The Separation Agreement also includes provisions relating to the allocation of tax liabilities and the conduct of tax affairs of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group relating to the period prior to the Demerger and sets out the agreements between Cable & Wireless Communications and Cable & Wireless Worldwide regarding access to financial and other records and information, insurance matters, incentive scheme matters, real estate matters and provisions in relation to certain existing contractual arrangements relevant to either the Cable & Wireless Communications Group or the Cable & Wireless Worldwide Group after the Demerger Effective Time.

Transitional Services Agreement

Cable & Wireless Communications has entered into a Transitional Services Agreement with Cable & Wireless Worldwide pursuant to which each party will provide the other with certain services on an interim basis for terms ranging generally from three to seven months (though the term of certain services may be shorter or longer) following the Demerger. The services include information technology, tax and procurement and the parties agree to work together to identify services to include in the Transitional Services Agreement following the Demerger Effective Time.

Cable & Wireless Worldwide Holdings Transfer Agreement

Cable & Wireless Communications has agreed the form of a Cable & Wireless Worldwide Holdings Transfer Agreement with Cable and Wireless plc which sets forth agreements that govern, amongst other things, the transfer of Cable & Wireless Worldwide Holdings. Pursuant to the terms of the Cable & Wireless Worldwide Holdings Transfer Agreement, Cable and Wireless plc will, following the Scheme Effective Time, transfer the entire issued share capital of Cable & Wireless Worldwide Holdings, the immediate holding company of the Cable & Wireless Worldwide Group to Cable & Wireless Communications.

Pensions Agreement

Cable and Wireless plc, Cable & Wireless Worldwide Services Limited and the trustee of the Cable & Wireless Superannuation Fund have entered into a Heads of Terms which establishes the commercial terms and legal principles of the bulk transfer of assets and liabilities to the Cable & Wireless Worldwide Retirement Plan in respect of current and former employees of the Cable & Wireless Worldwide Group. The same parties have agreed the terms of the new contingent funding agreement for the Cable & Wireless Superannuation Fund providing security of up to £100 million by way of escrow account or letter of credit in certain circumstances based on agreed financial and business triggers.

Before Demerger, Cable and Wireless plc, the Cable & Wireless Worldwide Group and the trustee of the Cable & Wireless Superannuation Fund and the Cable & Wireless Worldwide Retirement Plan will enter into a pensions agreement which sets out the full terms of the bulk transfer to the Cable & Wireless Worldwide Retirement Plan and other agreed details regarding the future funding and investment strategy of the Cable & Wireless Superannuation Fund.

Intellectual Property Arrangements

Prior to the Demerger Effective Time, all rights held by the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group in the Cable & Wireless Trademarks will be assigned to a UK joint venture company. Shares in the joint venture company will be held 50% by Cable and Wireless plc and 50% by Cable & Wireless Worldwide Holdings. Cable and Wireless plc will be granted a licence by the joint venture company in respect of use of the Cable & Wireless Trademarks in the Cable & Wireless Communications Territory (and also certain rights worldwide) (the **Cable & Wireless Communications Licence**) and will be granted a licence by the joint venture company in respect of use of the Cable & Wireless Trademarks in the Cable & Wireless Worldwide Territory (and also certain rights worldwide) (the **Cable & Wireless Worldwide Licence**). The Cable & Wireless Worldwide Brand will be assigned by Cable and Wireless plc to Cable & Wireless Communications at the Demerger Effective Time and in effecting the Demerger, Cable & Wireless Communications will transfer the Cable & Wireless Worldwide Brand to Cable & Wireless Worldwide.

Under the Cable & Wireless Communications Licence, the Cable & Wireless Communications Group is granted a licence to use and exploit (including by way of sublicensing) the Cable & Wireless Trademarks in the Cable & Wireless Communications Territory, and the "Cable & Wireless Globe" logo and the acronym "CWC" globally. The Cable & Wireless Communications Group is also authorised to use and exploit the Cable & Wireless Trademarks outside of the Cable & Wireless Communications Territory for certain incidental uses (e.g. use on the Internet which is targeted to customers in the Cable & Wireless Communications Territory or in order to identify Cable & Wireless Communications Group companies incorporated outside the Cable & Wireless Communications Territory), certain grandfathered use on existing materials and for restricted use directly related to its corporate headquarters and public listing in London and for the purposes of marketing to investors and financiers. Additionally, in relation to its Carrier Business, Cable & Wireless Communications Group is licensed to use the Cable & Wireless Trademarks outside the Cable & Wireless Communications Territory in conjunction with a suffix indicating its country of origin to assist in the identification of the Carrier Business in the global marketplace. The Cable & Wireless Communications Licence is (save for certain similar global rights in relation to its Carrier Business and certain similar incidental and grandfathered rights granted to the Cable & Wireless Worldwide Group) exclusive in the Cable & Wireless Communications Territory. Under the terms of the Cable & Wireless Communications Licence, the Cable & Wireless Communications Group is largely unrestricted in its use of the Cable & Wireless Trademarks within the Cable & Wireless Communications Territory and in relation to its Carrier Business globally and in its use of the "Globe logo" and the acronym "CWC" globally. The Cable & Wireless Communications Group's use of the Cable & Wireless Trademarks outside the Cable & Wireless Communications Territory other than the "Globe logo" and the acronym "CWC" or in areas other than its Carrier Businesses is severely restricted to subsidiary use in conjunction with other trademarks or for incidental use or certain grandfathered use.

Under the terms of the Cable & Wireless Communications Licence, the Cable & Wireless Communications Group is responsible, within the Cable & Wireless Communications Territory and, in relation to the "Cable & Wireless Globe" logo and the acronym "CWC" only, also outside the Cable & Wireless Communications Territory, for prosecuting applications for registration and maintaining existing trademark registrations of the Cable & Wireless Trademarks at its own cost. The Cable & Wireless Communications Group can also call upon the joint venture company to file (at the Cable & Wireless Communications Group's cost) new applications for registration of the Cable &Wireless Trademarks in jurisdictions within the Cable & Wireless Communications Territory and the "Cable & Wireless Globe" logo and the acronym "CWC" globally, whereupon the Cable & Wireless Communications Group also assumes responsibility for prosecuting such applications and (once registered) maintaining such registrations at its own cost.

Under the terms of the Cable & Wireless Communications Licence, the Cable & Wireless Communications Group has the first right (at its own cost) to take action against third-party infringers of the Cable & Wireless

Trademarks within the Cable & Wireless Communications Territory and, in relation to the "Cable & Wireless Globe" logo and the acronym "CWC" only, also outside the Cable & Wireless Communications Territory and the joint venture company is obliged to provide, at the Cable & Wireless Communications Group's cost, reasonable assistance to the Cable & Wireless Communications Group in this regard. The Cable & Wireless Worldwide Group has similar rights outside the Cable & Wireless Communications Territory, except that the Cable & Wireless Worldwide Group does not have any such rights to the "Cable & Wireless Globe" logo.

Under the terms of the Cable & Wireless Communications Licence, the licensor may only terminate the license or any sub-license under limited circumstances: (i) where either a member of the Cable & Wireless Communications Group or one of its sub-licensees directly or indirectly challenges the validity of any of the Cable & Wireless Trademarks; and (ii) in relation to a country within the Cable & Wireless Communications Territory or the Cable & Wireless Communications Licence as a whole, if the Cable & Wireless Communications licensee is in material breach of the Cable & Wireless Communications Licence and either that breach is in capable of remedy or it has failed to remedy that breach within 90 days of receiving notice and following implementation of an escalation procedure under the Cable & Wireless Communications Licence. The Cable & Wireless Communications licensee may also terminate the agreement on 120 days written notice or similarly for a breach by the licensor. Acts or omissions of (and therefore breaches by) sub-licensees are deemed to be acts or omissions of the Cable & Wireless Communications licensee. Aside from these specific termination provisions, the Cable & Wireless Communications Licence is perpetual and irrevocable.

Financing Contracts

For a description of material finance arrangements, see "*Description of Certain Financing Arrangements*".

Related Party Transactions

Information regarding related party transactions can be found in "*Historical Financial Information of the Cable & Wireless Communications*" at note 39 on page F-62 for the three year period ended 31 March 2009 and note 14 on page F-110 for the six month period ended 30 September 2009.

MANAGEMENT

DIRECTORS OF CABLE & WIRELESS COMMUNICATIONS

Sir Richard Lapthorne, CBE—*Chairman*

Sir Richard Lapthorne was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 15 January 2010, will become the Cable & Wireless Communications Chairman, conditional on the Scheme becoming effective. He has served as Cable and Wireless plc Chairman from his appointment in January 2003. Sir Richard was awarded a Knight Bachelor in the Queen's New Year Honours on 30 December 2009. In June 2009, he became chairman of the McLaren Group. He was also chairman of the private equity owned fashion retailer New Look Group until November 2007. Sir Richard's career started with Unilever where, over eighteen years, he worked in the United Kingdom, France, the Netherlands and Africa. He then moved to Courtaulds plc as group financial controller, becoming finance director in 1986 as well as chairman of the US group. He joined British Aerospace plc in July 1992 and was a key member of the management team responsible for transforming the company into Europe's leading defence company. He retired as vice chairman in 1999. Sir Richard started his non-executive career with Amersham International plc in 1989, and was chairman from 1996 until 2003. He has held a number of other directorships, including Robert Fleming & Co., the merchant bank and Oasis International Leasing in Abu Dhabi. He was also chairman of Avecia (previously part of Astra Zeneca), TI Automotive (previously part of the Smiths Group), Tunstall Holdings Limited and Arlington Securities. Between 1999 and 2004, he served on the Navy Board of the Royal Navy. Sir Richard is a current member of the HMRC large business advisory board. He is also a trustee of Tommy's Campaign, the charity which conducts research into still and premature birth.

Tony Rice—*Executive Director and Chief Executive Officer (**CEO**)*

Tony Rice was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 25 January 2010, will become a Cable & Wireless Communications Executive Director and CEO, conditional on the Scheme becoming effective. He has served as Chief Executive Officer of the Cable & Wireless Communications part of Cable and Wireless plc from his appointment on 11 November 2008. Prior to this, Tony served as the Cable and Wireless plc Finance Director and Joint Group Managing Director for the Central operations of the Cable & Wireless Group from March 2006, having been a Non-executive Director of Cable and Wireless plc since January 2003. Tony was chief executive of Tunstall Holdings Ltd from March 2002 until its sale in September 2005 and he continued as a non-executive director of that company until April 2008. Tony was previously group treasurer and then group managing director, commercial aircraft of British Aerospace plc. Tony is a non-executive director of Punch Taverns plc and was appointed as chairman of Alexander Mann Solutions on 28 July 2008, subsequently reverting to a non-executive role on 1 September 2009. He was a trustee of Help the Aged until 1 April 2009.

Tim Pennington—*Executive Director and Chief Financial Officer (**CFO**)*

Tim Pennington was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 18 January 2010, will become a Cable & Wireless Communications Executive Director and CFO, conditional on the Scheme becoming effective. He has served as Group Finance Director of Cable and Wireless plc from his appointment on 11 November 2008 having joined the Cable & Wireless Communications part of Cable and Wireless plc as its CFO on 1 September 2008. Tim also served as an Investor Director on the Cable & Wireless Worldwide Operating Board from November 2008 to January 2010. Prior to joining Cable and Wireless plc, Tim was chief financial officer and executive director of Hutchison Telecommunications International Ltd (**HTIL**) and finance director of Hutchison 3G(UK). He also held directorships in a range of other HTIL group companies until his resignation on 31 August 2008.

Nick Cooper—*Executive Director and Corporate Services Director*

Nick Cooper was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a service agreement dated 21 January 2010, will become a Cable & Wireless Communications Executive Director and Corporate Services Director, conditional on the Scheme becoming effective. He has served as Corporate Services Director of the Cable & Wireless Communications part of Cable and Wireless plc since December 2008 and Group General Counsel and Company Secretary of Cable and Wireless plc, a position he held since January 2006. Nick also served as an Investor Director on both the Cable & Wireless Worldwide Operating Board from April 2006 until December 2009 and the Cable & Wireless Communications Operating Board from April 2006. Nick qualified as a solicitor with London law firm Herbert Smith. He has held in-house positions as company solicitor with UK retailers Asda Wal-Mart and George Clothing and as general counsel and company secretary of The Sage Group Plc and JD Wetherspoon Plc. In September 2002, Nick was appointed company secretary and was part of the executive management board responsible for the turnaround of Energis until its acquisition by Cable and Wireless plc.

George Battersby—*Executive Director*

George Battersby was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 18 January 2010, will become a Cable & Wireless Communications Executive Director, conditional on the Scheme becoming effective. He has served as a Cable and Wireless plc Executive Director, Human Resources from his appointment in July 2004. From April 2006, George served as an Investor Director on the Cable & Wireless Worldwide and Cable & Wireless Communications Operating Boards. Prior to joining Cable and Wireless plc, George was an executive director of Amersham plc (now GE Healthcare) responsible for human resources (**HR**), pensions, health and safety and environment. Previously he held senior HR positions in a number of FTSE 100 companies, including group HR director appointments at Laporte plc and Fisons plc. George is a non-executive director and chairman of the remuneration committee at Hogg Robinson Group plc and was appointed to the board of Ofsted on 4 June 2008. He was previously senior independent director and remuneration committee chairman of SHL plc. He will stand down from the Cable & Wireless Communications Board in July 2010.

Simon Ball—*Non-executive Director, Deputy Chairman and Senior Independent Director*

Simon Ball was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 18 January 2010, will become a Cable & Wireless Communications Non-executive Director, conditional on the Scheme becoming effective. He has served as a Non-executive Director of Cable and Wireless plc from his appointment in May 2006. On 11 November 2008, Simon became an Investor Director on the Cable & Wireless Worldwide and Cable & Wireless Communications Operating Boards. Simon was group finance director for 3i Group plc until November 2008, having served on its main board since April 2005. In this capacity, he was a member of the management and investment committees, responsible for financial management and coordinating strategic direction. Prior to this, Simon held a series of senior finance and operational roles at Dresdner Kleinwort Benson, served as group finance director for the Robert Fleming Group and was director general, finance for the Department for Constitutional Affairs.

Mary Francis—*Non-executive Director*

Mary Francis was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 18 January 2010, will become a Cable & Wireless Communications Non-executive Director, conditional on the Scheme becoming effective. She has served as a Non-executive director of Cable and Wireless plc from her appointment on 1 July 2009. Mary is senior independent director of Centrica plc and a non-executive director of Aviva plc. She has previously been a non-executive director of the Bank of England, of Alliance & Leicester plc prior to its acquisition by Banco Santander and of St Modwen Properties plc. Mary spent the majority of her career in the UK Civil Service including positions as financial counsellor at the British Embassy in Washington D.C. (1990-1992), private secretary to the Prime Minister (1992-1995) and deputy private secretary to the Queen (1995-1999). From 1999-2005, Mary was director general of the Association of British Insurers. Mary is a trustee of the Almeida Theatre and a senior adviser to Chatham House.

Kate Nealon—*Non-executive Director*

Kate Nealon was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 18 January 2010, will become a Non-executive Director of Cable & Wireless Communications, conditional on the Scheme becoming effective. She has served as a Non-executive Director of Cable and Wireless plc from her appointment in January 2005. Kate was group head of legal and compliance at Standard Chartered plc until 2004, having previously practised international banking and regulatory law in New York. Kate is a non-executive director of Shire plc, a senior associate of the Judge Business School at Cambridge University and a member of the advisory council of the Institute of Business Ethics. She was also a non-executive director of HBOS plc until 16 January 2009.

Kasper Rorsted—*Non-executive Director*

Kasper Rorsted was appointed as a director of Cable & Wireless Communications on 25 January 2010 and, pursuant to a letter dated 21 January 2010, will become a Non-executive Director of Cable & Wireless

Communications, conditional on the Scheme becoming effective. He has served as a Non-executive Director of Cable and Wireless plc from his appointment in May 2003. Kasper is chief executive officer of Henkel KGaA, Germany. Prior to joining Henkel in April 2005, Kasper was senior vice president and general manager, EMEA for Hewlett Packard and held various senior management positions with Compaq. Kasper was appointed as a non-executive director of Danfoss A/S, Denmark on 24 April 2009 and was a non-executive director of Ecolab, Inc. USA until July 2008.

CORPORATE GOVERNANCE

Cable & Wireless Communications will comply with the UK corporate governance regime, in line with the procedures followed by Cable and Wireless plc to date.

Cable and Wireless plc has complied with all of the provisions set out in Section One of the Combined Code throughout the period of its last financial year and up until 28 January 2010 (being the latest practicable date prior to the publication of this document).

In managing the affairs of the Cable & Wireless Communications Group, the Cable & Wireless Communications Board is committed to the principles of good corporate governance and is dedicated to achieving high standards of business integrity, ethics and professionalism across all the Cable & Wireless Communications Group's activities. The Cable & Wireless Communications Group will have an Ethics Policy that will apply at Cable & Wireless Communications Board level and to all employees across the Cable & Wireless Communications Group.

Under the Cable & Wireless Communications Articles, one third of the directors will be required to offer themselves for re-election at each of the first two annual general meetings after the Demerger. Thereafter, all directors will be subject to the general rule requiring rotation of directors holding office at the time of the two preceding annual general meetings if he or she has not been elected or re-elected in that period but will be eligible for reappointment.

The Cable & Wireless Communications Board comprises nine members: the Chairman, four Executive Directors and four Non-executive Directors. The Cable & Wireless Communications Board acknowledges that all the Non-executive Directors are deemed independent in character and judgement under the Combined Code. Collectively, the Non-executive Directors bring a wide range of skills and experience as they all currently occupy or have occupied senior positions in industry and public life and, as such, each contributes significant weight to board decisions.

In line with the Combined Code's recommendations, Cable & Wireless Communications has appointed Simon Ball as Senior Independent Director (**SID**). The SID is charged with establishing a communication channel between the Chairman and the Non-executive Directors and ensuring that the views of each Non-executive Director are given due consideration. He also provides a contact point for Cable & Wireless Communications Shareholders who are concerned that contact through their usual channels of the Chairman or Executive Directors has failed to resolve any issue which they might have, or for which such contact is inappropriate.

The Cable & Wireless Communications Board has also established audit, remuneration and nomination committees. The Combined Code requires that all the members of the audit committee and remuneration committee and a majority of the members of the nominations committee should be independent Non-executive Directors.

Audit Committee

The Audit Committee is comprised entirely of the Non-executive Directors: Simon Ball (Committee Chairman), Mary Francis, Kasper Rorsted and Kate Nealon.

The terms of reference of the Audit Committee cover such issues as monitoring the effectiveness of internal control, internal audit and risk management systems, providing accurate financial reporting and overseeing, reviewing and monitoring management's conduct and reporting of effective risk management. The terms of reference also set out the authority of the committee to carry out its duties.

The Audit Committee also ensures that the external auditors remain independent of Cable & Wireless Communications and assesses annually the external auditors' independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the external auditors as a whole.

Disclosure Committee

The Disclosure Committee is chaired by Tim Pennington and includes senior management from finance, legal, company secretarial and external affairs. The Disclosure Committee is responsible for assisting the Board of Directors and the Audit Committee to identify and consider disclosure matters in connection with the preparation of all market releases containing financial information.

Remuneration Committee

The Remuneration Committee is comprised of four Non-executive Directors and the Chairman: Mary Francis (Committee Chairman), Simon Ball, Kate Nealon, Kasper Rorsted and Sir Richard Lapthorne. Upon Sir Richard's appointment as Chairman of Cable and Wireless plc, the Chairman was considered independent in character and judgement.

The Remuneration Committee makes recommendations to the Cable & Wireless Communications Board, within agreed terms of reference, on the framework of executive remuneration and on the specific remuneration of the Chairman, Executive Directors and other senior executive management. The Executive Directors and any officers and the Chairman attending meetings of the Remuneration Committee shall abstain from any discussion on their own remuneration or contractual arrangements. In determining such policy, the Remuneration Committee takes into account all factors which it deems necessary.

The Remuneration Committee also reviews and approves the annual salaries, incentive arrangements, service agreements and other employment conditions for each Executive Director, reviews the remuneration of other senior executives of Cable & Wireless Communications and approves awards to Executive Directors and other senior executives of the Cable & Wireless Communications under the Cable & Wireless Communications Group's share-based plans. The Remuneration Committee is tasked with ensuring that cost-effective and responsible remuneration packages are provided which are suitable to attract, motivate and retain members of the executive management of the company and to encourage enhanced performance and shareholder value.

Nomination Committee

The Nomination Committee is chaired by Sir Richard Lapthorne, and the other members are Simon Ball, Kasper Rorsted, Kate Nealon and Mary Francis. In accordance with the recommendations of the Combined Code, the majority of the members of the Nomination Committee are independent Non-executive Directors. Sir Richard Lapthorne, will not chair any meeting at which his own successor as chairman is under review; such meetings will be chaired by the Deputy Chairman. The Committee will review the balance of Cable & Wireless Communications Board membership and the required blend of skills, knowledge and experience by considering its structure, size and composition.

PRINCIPAL SHAREHOLDERS AND CORPORATE STRUCTURE

PRINCIPAL SHAREHOLDERS

As at 28 January 2010 (being the last practicable date prior to the publication of this document), in so far as it is known to Cable and Wireless plc, the name of each person, other than a Cable and Wireless plc Director, who holds voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) representing 3% or more of the total voting rights in respect of Cable and Wireless plc Ordinary Shares, and the amount of such person's holding of the total voting rights in respect of Cable & Wireless Communications Ordinary Shares, is, following the Scheme becoming effective, expected to be as follows:

Name	Number of Cable and Wireless plc Ordinary Shares	Percentage of existing Cable and Wireless plc voting rights	Number of Cable & Wireless Communications Ordinary Shares immediately after the Scheme becomes effective	Percentage of issued Cable & Wireless Communications voting rights after the Scheme becomes effective[1]
Newton Investment Management Limited	330,635,054	12.745%	330,635,054	12.745%
The Trustees of BT Pension Scheme	146,988,825	5.666%	146,988,825	5.666%
Legal & General Investment Management Limited	130,751,104	5.040%	130,751,104	5.040%
Credit Suisse Securities (Europe) Limited & Credit Suisse International	127,387,426	4.912%	127,387,426	4.912%
Orbis Investment Management Limited	102,481,322	3.950%	102,481,322	3.950%

(1) This assumes (a) no options over Cable and Wireless plc Ordinary Shares under the Cable & Wireless Incentives Plan have been exercised, and (b) none of the Convertible Bonds in issue as at 28 January 2010 (being the last practicable date prior to the publication of this document) have been converted into Cable and Wireless plc Ordinary Shares.

Save as disclosed above, the directors of Cable & Wireless Communications are not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) which will represent 3% or more of the total voting rights in respect of the issued ordinary share capital of Cable & Wireless Communications once the Scheme becomes effective.

So far as Cable & Wireless Communications, is aware, on the Demerger becoming effective, no person or persons, directly or indirectly, jointly or severally, will exercise or could exercise control over Cable & Wireless Communications.

There are no differences between the voting rights enjoyed by the shareholders described in this section and those enjoyed by any other holder of Cable and Wireless plc Ordinary Shares or Cable & Wireless Communications Shares.

Cable & Wireless Communications has not entered into any related party transactions since its incorporation.

SUBSIDIARY UNDERTAKINGS

Immediately following implementation of the Scheme and Demerger, Cable & Wireless Communications will directly own 100% of the issued share capital of Cable and Wireless plc and Cable & Wireless Communications will be the holding company of the Cable & Wireless Communications Group, which includes the Issuer. The following table shows those companies which will be the significant subsidiary undertakings of Cable & Wireless Communications following the Demerger Effective Time. Unless otherwise stated, each of the following subsidiary undertakings will be wholly owned, either by Cable & Wireless Communications or by one of its subsidiaries:

Name	Incorporated in	Class of share capital (issued and fully paid, unless otherwise stated)	Proportion of capital held	Proportion of voting power held	Nature of Business
Cable & Wireless Jamaica Ltd	Jamaica	Ordinary	82	82	Telecommunications
Cable & Wireless Panama; SA[1]	Panama	Ordinary	49	49	Telecommunications
Companhia de Telecomunicações de Macau, S.A.R.L[2]	Macau	Ordinary	51	51	Telecommunications
Cable & Wireless (Barbados) Ltd	Barbados	Ordinary	81	81	Telecommunications
Cable & Wireless (West Indies) Ltd	England	Ordinary	100	100	Telecommunications
Monaco Telecom SAM[3][4]	Monaco	Ordinary	49	49	Telecommunications
Dhivehi Raajjeyge Gulhun Private Limited[2]	Maldives	Ordinary	52	52	Telecommunications

(1) The Cable & Wireless Group regards this company as a subsidiary because it controls the majority of the board of directors of the company through a shareholders' agreement.

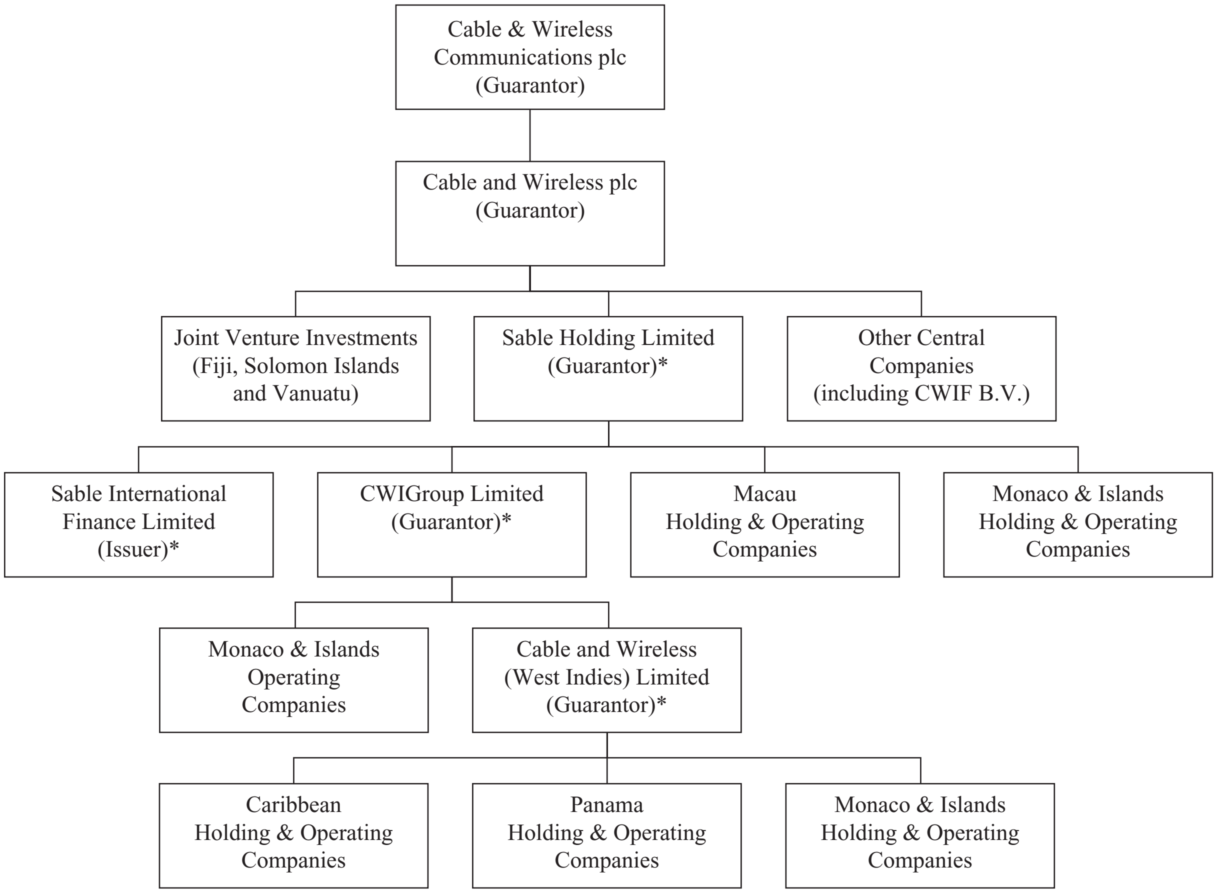
(2) This company has a financial year end of 31 December.

(3) This company is audited by a firm other than KPMG and its international member firms.

(4) The Cable & Wireless Group holds an economic interest of 55% in Monaco Telecom SAM via contractual arrangement.

Cable and Wireless plc does not have any direct investment in the above subsidiaries and joint ventures.

The following is a simplified structure chart showing the anticipated organisational structure of the Cable & Wireless Communications Group following the Demerger:



* Share pledge granted in favour of Noteholders and lenders under the New Credit Facilities.

INFORMATION ON THE ISSUER, THE SUBSIDIARY GUARANTORS, CABLE AND WIRELESS PLC AND CABLE & WIRELESS COMMUNICATIONS

THE ISSUER

Sable International Finance Limited was formed on 1 April 2008 as a limited company under Cayman law and registered as an exempted company in the Cayman Islands with registered number CD-207737. Its principal executive offices and registered office are located at Card Corporate Services Limited, PO Box 709, Grand Cayman, KY1-1107, Cayman Islands. The telephone number of its registered office is 345 949 4544.

KPMG Audit Plc, whose address is 8 Salisbury Square, London EC4Y 8BB is the auditor of the Issuer. KPMG Audit Plc is a member firm of the Institute of Chartered Accountants in England and Wales.

The principal legislation under which the Issuer operates is the Companies Law (2009 Revision) of the Cayman Islands and regulations made thereunder.

The principal activity of the Issuer is that of a financing company. No change in the Issuer's activities is envisaged in the foreseeable future.

The Issuer is part of the Cable & Wireless Communications Group. The risks that the Cable & Wireless Communications Group faces are set out in the section of this document entitled "*Risk Factors*", and its material contracts can be found under "*Cable & Wireless Communications Group Business—Material Contracts*" and "*Description of Certain Financing Arrangements*". The sole shareholder of the Issuer is Sable Holding Limited.

The Directors of the Issuer are Nick Cooper, Roger Burge and Richard Grady. The business address of each of the Directors is 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. None of the Directors have any potential conflicts of interests between their duties to the Issuer and their private interests or other duties.

CWIGROUP LIMITED

CWIGroup Limited was formed on 12 May 1995 as a limited company under the laws of England and Wales and registered in England with registered number 3057908. Its registered office is located at 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ and the telephone number of its registered office is +44 (0)207 315 4000.

On 12 February 2007, CWIGroup Limited changed its name from Cable and Wireless (Americas) Limited to Cable & Wireless International Group Limited. On 20 June 2008, CWIGroup Limited changed its name from Cable & Wireless International Group Limited to CWIGroup Limited.

KPMG Audit Plc, whose address is 8 Salisbury Square, London EC4Y 8BB is the auditor of CWIGroup Limited. KPMG Audit Plc is a member firm of the Institute of Chartered Accountants in England and Wales.

The principal legislation under which CWIGroup Limited operates is the Companies Act and regulations made thereunder.

The principal activity of CWIGroup Limited is to act as an investment holding company. No change in CWIGroup Limited's activities is envisaged in the foreseeable future. There has been no material adverse change in the prospects of CWIGroup Limited since the date of its last published audited financial statements (31 March 2009). There has also been no significant change in the financial position of CWIGroup Limited since the date of the last published audited financial statements.

CWIGroup Limited is part of the Cable & Wireless Communications Group. The risks that the Cable & Wireless Communications Group faces are set out in the section of this document entitled "*Risk Factors*", and the Cable & Wireless Communications Group's material contracts can be found under "*Cable & Wireless Communications Group Business—Material Contracts*" and "*Description of Certain Financing Arrangements*". The sole shareholder of CWIGroup Limited is Sable Holding Limited.

The Directors of CWIGroup Limited are George Battersby, Nick Cooper, Tony Rice, Ken McFadyen, Tim Pennington and Simon Ball. The business address of each of the Directors of CWIGroup Limited is 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. None of the Directors have any potential conflicts of interests between their duties to CWIGroup Limited and their private interests or other duties.

CABLE AND WIRELESS (WEST INDIES) LIMITED

Cable and Wireless (West Indies) Limited was formed on 9 January 1877 as a limited company under the laws of England and Wales and registered in England with registered number 11116. Its registered office is located at 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ and the telephone number of its registered office is +44 (0)207 315 4000.

KPMG Audit Plc, whose address is 8 Salisbury Square, London EC4Y 8BB is the auditor of Cable and Wireless (West Indies) Limited. KPMG Audit Plc is a member firm of the Institute of Chartered Accountants in England and Wales.

The principal legislation under which Cable and Wireless (West Indies) Limited operates is the Companies Act and regulations made thereunder.

The principal activity of Cable and Wireless (West Indies) Limited is to own, operate and invest in telecommunications companies and activities. No change in the principal activity is envisaged in the foreseeable future. There has been no material adverse change in the prospects of Cable and Wireless (West Indies) Limited since the date of its last published audited financial statements (31 March 2009). There has also been no significant change in the financial position of Cable and Wireless (West Indies) Limited since the date of the last published audited financial statements.

Cable and Wireless (West Indies) Limited is part of the Cable & Wireless Communications Group. The risks that the Cable & Wireless Communications Group faces are set out in the section of this document entitled "*Risk Factors",* and the Cable & Wireless Communications Group's material contracts can be found under "*Cable & Wireless Communications Group Business—Material Contracts"* and "*Description of Certain Financing Arrangements".* The sole shareholder of Cable and Wireless (West Indies) Limited is CWI Group Limited.

The Directors of Cable and Wireless (West Indies) Limited are Roger Burge, Tim Pennington, Clare Underwood and Belinda Bradberry. The business address of each of the Directors of Cable and Wireless (West Indies) Limited is 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. None of the Directors have any potential conflicts of interests between their duties to Cable and Wireless (West Indies) Limited and their private interests or other duties.

SABLE HOLDING LIMITED

Sable Holding Limited was formed on 8 October 2003 as a single member company under the laws of England and Wales and registered in England with registered number 4925643. Its registered office is located at 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ and the telephone number of its registered office is +44 (0)207 315 4000.

KPMG Audit Plc, whose address is 8 Salisbury Square, London EC4Y 8BB is the auditor of Sable Holding Limited. KPMG Audit Plc is a member firm of the Institute of Chartered Accountants in England and Wales.

The principal legislation under which Sable Holding Limited operates is the Companies Act and regulations made thereunder.

The principal activity of Sable Holding Limited is to act as an investment holding company. No change in the principal activity is envisaged in the foreseeable future. There has been no material adverse change in the prospects of Sable Holding Limited since the date of its last published audited financial statements (31 March 2009). There has also been no significant change in the financial position of Sable Holding Limited since the date of the last published audited financial statements.

Sable Holding Limited is part of the Cable & Wireless Communications Group. The risks that the Cable & Wireless Communications Group faces are set out in the section of this document entitled "*Risk Factors",* and the Cable & Wireless Communications Group's material contracts can be found under "*Cable & Wireless Communications Group Business—Material Contracts"* and "*Description of Certain Financing Arrangements".* The sole shareholder of Sable Holding Limited is Cable and Wireless plc.

The Directors of Sable Holding Limited are Nick Cooper, Roger Burge and Richard Grady. The business address of each of the Directors is 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. None of the Directors have any potential conflicts of interests between their duties to Sable Holding Limited and their private interests or other duties.

CABLE AND WIRELESS PLC

Cable and Wireless plc was formed on 5 June 1981 as a limited company under the laws of England and Wales and registered in England with registered number 238525. Its registered office is located at 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ and the telephone number of its registered office is +44 (0)207 315 4000.

KPMG Audit Plc, whose address is 8 Salisbury Square, London EC4Y 8BB is the auditor of Cable and Wireless plc. KPMG Audit Plc is a member firm of the Institute of Chartered Accountants in England and Wales.

The principal legislation under which Cable and Wireless plc operates is the Companies Act and regulations made thereunder.

The principal activity of Cable and Wireless plc is that it serves as the listed holding company for both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, and, following the Scheme and Demerger will serve as the holding company for the other subsidiaries and subsidiary undertakings of the Cable & Wireless Communications Group. No change in Cable and Wireless plc's principal activities are envisaged in the foreseeable future. There has been no material adverse change in the prospects of Cable and Wireless plc since the date of its last published audited financial statements (31 March 2009). There has also been no significant change in the financial position of Cable and Wireless plc since the date of the last published audited financial statements.

Cable and Wireless plc, following the Scheme and Demerger, will be part of the Cable & Wireless Communications Group. The Risks that the Cable & Wireless Communications Group faces are set out in the section of this document entitled "*Risk Factors",* and the Cable & Wireless Communications Group's material contracts can be found under "*Cable & Wireless Communications Business—Material Contracts*" and "*Description of Certain Financing Arrangements*". Following the Scheme and Demerger, the sole shareholder of Cable and Wireless plc will be Cable & Wireless Communications Plc.

The Directors of Cable and Wireless plc are Sir Richard Lapthorne, Jim Marsh, Tim Pennington, John Pluthero, Tony Rice, George Battersby, Simon Ball, John Barton, Clive Butler, Mary Francis, Penny Hughes, Kate Nealon and Kasper Rorsted. The business address of each of the Directors is 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. None of the Directors have any potential conflicts of interest between their duties to Cable and Wireless and their private interests or other duties.

CABLE & WIRELESS COMMUNICATIONS

Cable & Wireless Communications Plc was incorporated with the name Cable & Wireless Communications Limited and registered in England and Wales as a private limited company under the Companies Act with registered number 7130199 on 19 January 2010. Its registered office is located at 3rd Floor, 26 Red Lion Square, London WC1R 4HQ and the telephone number of its registered office is +44 (0)207 315 4000.

On 26 January 2010, by written resolution, the initial shareholders of Cable & Wireless Communications resolved to register Cable & Wireless Communications as a public limited company and to change the name to "Cable & Wireless Communications Plc". This re-registration and change of name was effective on 27 January 2010.

The principal legislation under which Cable & Wireless Communications operates is the Companies Act and regulations made thereunder.

The principal activity of Cable & Wireless Communications will be to serve as the listed holding company of the Cable & Wireless Communications Group. Cable & Wireless Communications has not traded since its incorporation. There has been no material adverse change in the prospects of Cable & Wireless Communications since the date of its last published audited financial statements (31 March 2009). There has also been no significant change in the financial position of Cable & Wireless Communications since the date of the last published audited financial statements.

KPMG Audit Plc, whose address is 8 Salisbury Square, London EC4Y 8BB is the auditor of Cable & Wireless Communications and has been the only auditor of Cable & Wireless Communications since its incorporation. KPMG Audit Plc is a member firm of the Institute of Chartered Accountants in England and Wales.

Directors and Senior Managers of Cable & Wireless Communications

The Directors of Cable & Wireless Communications and their biographies are set out in the section of this document entitled "*Management—Directors of Cable & Wireless Communications"*. The business address of each of the Directors of Cable & Wireless Communications is 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ.

In addition to their directorships of Cable & Wireless Communications and companies in the Cable & Wireless Communications Group, the Directors and Senior Managers of Cable & Wireless Communications hold or have held the following directorships and/or are or have been partners of the following partnerships in the five years prior to the date of this document:

Name(*)	Position	Company/Partnership	Position Still Held (Y/N)
Sir Richard Lapthorne, CBE	Director	Pedal Green Limited	Y
	Director	The Baby Fund Trading Limited	Y
	Director	Tommy's The Baby Charity	Y
	Director	McLaren Group Limited	Y
	Director	Arlington Securities Ltd	N
	Director	Avecia Holdings Limited	N
	Director	Calibre Audio Library	N
	Director	Morse plc	N
	Director	New Look Group Limited	N
	Director	Oasis International Leasing Company PCSC	N
	Director	Trinitybrook plc	N
Tony Rice	Director	Alexander Mann Solutions Ltd	Y
	Director	Punch Taverns plc	Y
	Director	Help the Aged	N
	Director	Intune Group Limited	N
	Director	Blythmore Limited	N
	Director	British Mediterranean Airways Limited	N
	Director	Independance Air	N
	Director	Oasis International Leasing Company Limited	N
	Director	Technology in Healthcare Limited	N
	Director	Tunstall BMS Limited	N
	Director	Tunstall Central Services Limited	N
	Director	Tunstall Electronics Limited	N
	Director	Tunstall Group Limited	N
	Director	Tunstall Health Communications Limited	N
	Director	Tunstall Holdings Limited	N
	Director	Tunstall International Limited	N
	Director	Tunstall Response Limited	N
	Director	Tunstall Telecom Limited	N
	Director	Tunstall Trustee Company Limited	N
	Director	Tunstall Vitalcall Limited	N
	Director	Whitley Marketing Services Limited	N
	Director	Whitley Securities Limited	N
George Battersby	Director	Hogg Robinson Group plc	Y
	Director	Ofsted	Y
	Director	SHL Group plc	N
Simon Ball	Director	3i Group plc	N
	Director	3i Holdings plc	N
	Director	3i International Holdings	N
	Director	3i Investments plc	N
	Director	3i plc	N
	Director	Leica Geosystems A.G.	N
Mary Francis	Director	Almeida Productions Limited	Y
	Director	Almeida Theatre Catering Limited	Y
	Director	Almeida Theatre Company Limited	Y
	Director	Aviva plc	Y
	Director	Centrica plc	Y
	Director	A.B.I (Premises) Limited	N
	Director	Alliance & Leicester Public Limited Company	N

Name(*)	Position	Company/Partnership	Position Still Held (Y/N)
	Director	Fund Distribution Limited	N
	Director	International Financial Services London	N
	Director	St Modwen Properties plc	N
	Director	The Press Complaints Commission Limited	N
Kate Nealon	Director	Shire plc	Y
	Director	Bank of Scotland plc	N
	Director	Clerical Medical Investment Group Limited	N
	Director	Clerical Medical Managed Funds Limited	N
	Director	Halifax Financial Services (Holdings) Limited	N
	Director	Halifax General Insurance Services Limited	N
	Director	Halifax Investment Fund Managers Limited	N
	Director	Halifax Life Limited	N
	Director	Halifax plc	N
	Director	HBOS Financial Services Limited	N
	Director	HBOS General Insurance Services Limited	N
	Director	HBOS plc	N
	Director	St Andrew's Group plc	N
	Director	St Andrew's Insurance plc	N
	Director	St Andrew's Life Assurance plc	N
Kasper Rorsted	Chief Executive	Henkel KGaA	Y
	Director	Danfoss A/S	Y
	Director	Ecolab, Inc.	N
Tim Pennington	Director	BFKT (Thailand) Ltd	N
	Director	CAC Holdings (Netherlands) B.V.	N
	Director	Choice Forward Limited	N
	Director	Greater Options Limited	N
	Director	HKHK Limited	N
	Director	HT (IH) Ltd	N
	Director	HTI (BVI) Finance Limited	N
	Director	Hutchison MultiMedia Services (Thailand) Limited	N
	Director	Hutchison Telecommunication Services Limited	N
	Director	Hutchison Telecommunications (Cyprus) Limited	N
	Director	Hutchison Telecommunications (HK) Holdings Limited	N
	Director	Hutchison Telecommunications (Hong Kong) Limited	N
	Director	Hutchison Telecommunications (Thailand) Co. Ltd	N
	Director	Hutchison Telecommunications International (HK) Limited	N
	Director	Hutchison Telecommunications International (Netherlands) B.V.	N
	Director	Hutchison Telecommunications International Limited	N
	Director	Krakatoa Limited	N
	Director	Light Power Telecommunications Ltd	N
	Director	Melksham Enterprises Limited	N
	Director	Mollson Limited	N
	Director	Whampoa Holdings Limited	N

(*) Note: Nick Cooper held no directorships and had no partnerships during the five years prior to the date of this document apart from those held at affiliates of Cable and Wireless plc.

At the date of this document, none of the Directors of Cable & Wireless Communications has at any time in the five years preceding the date of this document:

(a) save as disclosed above, been a director or partner of any companies or partnerships; or

(b) had any convictions in relation to fraudulent offences (whether spent or unspent); or

(c) been adjudged bankrupt or entered into an individual voluntary arrangement; or

(d) been a director of any company that has entered into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

(e) been a partner or senior manager in any partnership that has entered into any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

(f) owned any assets which have formed the subject of any receivership or has been a partner of a partnership that has had any assets thereof being the subject of a receivership; or

(g) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

(h) ever been disqualified by a court from acting as a director or other officer of a company or from acting in the management or conduct of the affairs of any company.

None of the Directors have any family relationship with another Director. None of the Directors have any potential conflicts of interest between their duties to Cable & Wireless Communications and their private interests or duties.

Remuneration and Benefits of Directors

Key management includes Directors and any senior staff that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of the Cable & Wireless Communications Group. Included in employee costs are key management expenses, as follows:

	Year ended 31 March		
	2007	**2008**	**2009**
		(US$m)	
Salaries and short-term employment benefits	7	6	6
Share-based payments	7	7	6
Long Term Incentive Plan	1	1	—
	15	14	12

Included in the table above are aggregate Directors emoluments of US$6 million (2007/08 – US$6 million; 2006/07 – US$6 million)

THE CABLE & WIRELESS LONG TERM INCENTIVE PLAN (LTIP)

The LTIP, which was approved by Cable and Wireless plc Ordinary Shareholders in 2006, creates a reward pool for the businesses of each of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, depending on the extent to which each business has grown in value from its adjusted base value at 1 April 2006. The LTIP was approved by Cable and Wireless plc Ordinary Shareholders on the basis that value could be delivered in cash or otherwise than in cash.

A participant's entitlement under the LTIP is calculated by reference to the number of units which he or she has been awarded.

As at 28 January 2010 (being the latest practicable date prior to the publication of this document), there were 12 participants within the Cable & Wireless Communications Group holding awards under the LTIP. The only member of the Cable & Wireless Communications Board who currently participates under the LTIP is Tony Rice. The Cable & Wireless Remuneration Committee has determined that Tim Pennington will be granted an award of 500 Cable & Wireless Communications Group related units under the LTIP shortly after the date of this document in consideration for Tim Pennington agreeing to waive his performance share award over 1,187,295 Cable and Wireless plc Ordinary Shares granted under the IP 2001 in November 2008. These LTIP units will not confer a right to payment in March 2010.

The Cable & Wireless Remuneration Committee has determined that Nick Cooper will be granted an award of 250 Cable & Wireless Communications related units under the LTIP shortly after the date of this document in consideration for Nick Cooper agreeing to waive his restricted share award over 230,038 Cable and Wireless plc Ordinary Shares granted under the RSP 2005 that was due to vest in June 2011. These LTIP units will not confer a right to payment in March 2010.

At the annual general meeting on 17 July 2009 Cable and Wireless plc Ordinary Shareholders approved the extension of the performance period of the LTIP to 31 March 2011. Therefore, there currently remain two more payments to be made under the LTIP, the payment in respect of 2009/10 and the final payment in respect of 2010/11.

The Cable & Wireless Remuneration Committee's proposals in respect of the LTIP awards relating to the Cable & Wireless Communications Group that are held by participants employed in the Cable & Wireless Communications Group following the Demerger are that, subject to Cable and Wireless plc Ordinary Shareholders approving certain amendments to the LTIP rules:

(a) the Demerger should not accelerate automatically the vesting of awards under the LTIP. Awards should continue in respect of the Cable & Wireless Communications Group until the current performance period ends on 31 March 2011;

(b) awards would continue to be governed by the rules of the LTIP;

(c) the calculation period for the 2010 payments will be the 30 day period ending on the day immediately prior to the Demerger Effective Date and not 31 March 2010 to avoid a discontinuity in the calculation process; and

(d) the LTIP will be available for use by the Remuneration Committee to make further awards of unallocated units following Admission to employees within the Cable & Wireless Communications Group until 31 March 2011.

DIRECTORS' SERVICE AGREEMENTS AND EMOLUMENTS

Director service agreements

Sir Richard Lapthorne was re-appointed as Director and Chairman of Cable and Wireless plc by a letter of appointment dated 6 June 2007. When the Scheme becomes effective, this agreement will remain in place in respect of Cable and Wireless plc and will be amended pursuant to a letter dated 15 January 2010 to appoint Sir Richard as Director and Chairman of Cable & Wireless Communications. On the Demerger becoming effective, the agreement will be amended so that Sir Richard is director of Cable and Wireless plc and continues as Director and Chairman of Cable & Wireless Communications. The employment can be terminated by either one year's notice by either party, or by Cable and Wireless plc with no notice or less than full notice by paying a sum equal to his basic salary in lieu of the unexpired part of his notice period. His employment can also be terminated by the failure of Cable and Wireless plc and/or Cable & Wireless Communications to re-elect him as Director and/or Chairman. When the Scheme becomes effective, Sir Richard's annual basic salary will be £386,000. Sir Richard was appointed as a director of Cable & Wireless Communications on 25 January 2010.

Tony Rice is employed by Cable and Wireless plc as Executive Director and Chief Executive Officer of Cable & Wireless Communications Group pursuant to a service agreement dated 30 March 2006. When the Scheme becomes effective, this contract will remain in place in respect of Cable and Wireless plc and will be amended pursuant to a letter dated 25 January 2010 to appoint Mr Rice as Executive Director and Chief Executive Officer of Cable & Wireless Communications. On the Demerger becoming effective, the agreement will be amended so that Mr Rice is director of Cable and Wireless plc and continues as Executive Director and Chief Executive Officer of Cable & Wireless Communications. The agreement will continue until the first day of the month immediately following the month in which he becomes 65 years of age or until terminated by not less than one year's notice in writing by either party. The agreement can also be terminated by Cable and Wireless plc with no notice or less than full notice by paying a sum equivalent to Mr Rice's basic salary in lieu of the notice period or any unexpired part of it. In the event that there is a change of control of Cable and Wireless plc or Cable & Wireless Communications and Mr Rice's employment is adversely changed and he leaves as a result, he will receive a payment equal to his base salary for the notice period and a time pro-rated annual bonus. When the Scheme becomes effective, Mr Rice's annual basic salary will be £700,000 and will be subject to a yearly review by the remuneration committee. Mr Rice may be entitled to receive a bonus payment from time to time of up to 150% of his salary at that time. Mr Rice is entitled to employer's pension contributions at the rate of 25% of basic salary from time to time. He was appointed as a director of Cable & Wireless Communications on 25 January 2010.

Tim Pennington is employed by Cable and Wireless plc as Executive Director and Group Finance Director of Cable & Wireless Communications Group pursuant to a service agreement dated 11 November 2008. When the Scheme becomes effective, this contract will remain in place in respect of Cable and Wireless plc and will be amended pursuant to a letter dated 18 January 2010 to appoint Mr Pennington as Executive Director and Chief Financial Officer of Cable & Wireless Communications. On the Demerger becoming effective, the agreement will be amended so that Mr Pennington is director of Cable and Wireless plc and continues as Executive Director and Chief Financial Officer of Cable & Wireless Communications. The agreement will continue until the first day of the month immediately following the month in which he becomes 65 years of age or until terminated by not less than one year's notice in writing by either party. The agreement can also be terminated by Cable and Wireless plc with no notice or less than full notice by paying a sum equivalent to Mr Pennington's basic salary in lieu of the notice period or any unexpired part of it. The payment in lieu may be made in instalments, in which case Mr Pennington has a duty to mitigate his losses and Cable and Wireless plc may reduce the amount of the instalments by the amount of any income received by Mr Pennington. In the event that there is a change of control of Cable and Wireless plc or Cable & Wireless Communications and Mr Pennington's employment is adversely changed and he leaves as a result, he will receive a payment equal to his base salary for the notice period and a time pro-rated annual bonus. When the Scheme becomes effective, Mr Pennington's annual basic salary will be £500,000 and will be subject to a yearly review by the remuneration committee. Mr Pennington may be entitled to receive a bonus payment from time to time of up to 150% of his salary at that time. Mr Pennington is entitled to employer's pension contributions at the rate of 25% of basic salary from time to time. He was appointed as a director of Cable & Wireless Communications on 25 January 2010.

Nick Cooper entered into a service contract with Cable and Wireless plc on 21 January 2010, appointing him as Executive Director and Corporate Services Director of Cable & Wireless Communications conditional on the Scheme becoming effective. The agreement will continue until the first day of the month immediately following the month in which he becomes 65 years of age or until terminated by not less than one year's notice in writing by either party. The agreement can also be terminated by Cable and Wireless plc with no notice or less than full notice by paying a sum equivalent to Mr Cooper's basic salary in lieu of the notice period or any unexpired part of it. In the event that there is a change of control of Cable and Wireless plc or Cable & Wireless Communications and Mr Cooper's employment is adversely changed and he leaves as a result, he will receive a payment equal to his base salary for the notice period and a time pro-rated annual bonus. When the Scheme becomes effective, Mr Cooper's annual basic salary will be £350,000 and will be subject to a yearly review by the remuneration committee. Mr Cooper may be entitled to receive a bonus payment from time to time of up to 150% of his salary at that time. Mr Cooper is entitled to employer's pension contributions at the rate of 25% of basic salary from time to time. He was appointed as a director of Cable & Wireless Communications on 25 January 2010.

George Battersby is employed as Executive Director and Group HR Director of Cable and Wireless plc pursuant to a service agreement dated 27 July 2004. When the Scheme becomes effective, this contract will remain in place in respect of Cable and Wireless plc and will be amended pursuant to a letter dated 18 January 2010 to appoint Mr Battersby as Executive Director of Cable & Wireless Communications. The agreement will continue until the first day of the month immediately following the month in which he becomes 65 years of age or until terminated by not less than one year's notice in writing by either party. The agreement can also be terminated by Cable and Wireless plc with no notice or less than full notice by paying a sum equivalent to Mr Battersby's basic salary in lieu of the notice period or any unexpired part of it. In the event that there is a change of control of Cable and Wireless plc or Cable & Wireless Communications and Mr Battersby's employment is adversely changed and he leaves as a result, he will receive a payment equal to his base salary for the notice period and a time pro-rated annual bonus. When the Scheme becomes effective, Mr Battersby's annual basic salary will be £420,000 and will be subject to a yearly review by the remuneration committee. Mr Battersby may be entitled to receive a bonus payment from time to time of up to 100% of his salary at that time. Mr Battersby is entitled to employer's pension contributions at the rate of 25% of basic salary from time to time. He was appointed as a director of Cable & Wireless Communications on 25 January 2010. He will stand down from the Cable & Wireless Communications Board in July 2010.

Simon Ball was appointed as a Non-executive Director of Cable and Wireless plc on 1 May 2006. This appointment will remain in place in respect of Cable and Wireless plc and will be amended to appoint Mr Ball as Non-Executive Director of Cable & Wireless Communications when the Scheme becomes effective. The appointment was for an initial three year term, with the expectation of a further three year term to follow, with total service not exceeding nine years. The appointment is subject to re-election every three years or early termination on one month's notice in writing by either party. When the Scheme becomes effective, the annual fee will be £65,000 plus £20,000 in respect of Mr Ball's role as Chairman of the Audit Committee and Senior Independent Director. He was appointed as a director of Cable & Wireless Communications on 25 January 2010.

Mary Francis was appointed as a Non-executive Director of Cable and Wireless plc on 1 July 2009. This appointment will remain in place in respect of Cable and Wireless plc and will be amended to appoint Ms Francis as Non-Executive Director of Cable & Wireless Communications when the Scheme becomes effective. The appointment was for an initial three year term, with the expectation of a further three year term to follow, with total service not exceeding nine years. The appointment is subject to re-election every three years or early termination on one month's notice in writing by either party. When the Scheme becomes effective, the annual fee will be £65,000 plus £20,000 in respect of Ms Francis's role as Chairman of the Remuneration Committee. She was appointed as a director of Cable & Wireless Communications on 25 January 2010.

Kate Nealon was appointed as a Non-executive Director of Cable and Wireless plc on 23 December 2004. This appointment will remain in place in respect of Cable and Wireless plc and will be amended to appoint Ms Nealon as Non-Executive Director of Cable & Wireless Communications when the Scheme becomes effective. The appointment was for an initial three year term, with the expectation of a further three year term to follow, with total service not exceeding nine years. The appointment is subject to re-election every three years or early termination on one month's notice in writing by either party. When the Scheme becomes effective, the annual fee will be £65,000. She was appointed as a director of Cable & Wireless Communications on 25 January 2010.

Kasper Rorsted was appointed as a Non-executive Director of Cable and Wireless plc on 16 May 2003. This appointment will remain in place in respect of Cable and Wireless plc and will be amended to appoint Mr Rorsted as Non-Executive Director of Cable & Wireless Communications when the Scheme becomes effective. The appointment was for an initial three year term, with the expectation of a further three year term to follow, with total service not exceeding nine years. The appointment is subject to re-election every three years or early termination on one month's notice in writing by either party. Mr Rorsted has completed two three year terms and was appointed for a further year on 23 May 2009. When the Scheme becomes effective, the annual fee will be £65,000. He was appointed as a director of Cable & Wireless Communications on 25 January 2010.

Other than as described above, no benefit, payment or compensation of any kind is payable to any Director upon termination of his or her employment.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of certain financing arrangements to which the Cable & Wireless Communications Group is or is expected to be a party. The following summaries are not complete and are subject to the full text of the documents described below.

Cable & Wireless Communications Facility

The Cable & Wireless Communications Group has obtained financing pursuant to the terms of a credit agreement dated 13 January 2010 (the **Cable & Wireless Communications Facility Agreement**). The Cable & Wireless Communications Facility Agreement is between Sable International Finance Limited as borrower (the **Facility Borrower**), various companies in the Cable & Wireless Communications Group as guarantors and various major financial institutions as lead arrangers, the financial institutions listed therein as lenders (the **Facility Lenders**) and agents (the **Agent**). The Cable & Wireless Communications Facility Agreement is for the general corporate purposes of the Cable & Wireless Communications Group.

Pursuant to the Cable & Wireless Communications Facility Agreement, the Facility Lenders have made available US$400 million to the Facility Borrower by way of a US dollar revolving credit facility (the **Cable & Wireless Communications Facilities**). The Cable & Wireless Communications Facility Agreement also contemplates that the Facility Borrower has the option to increase the amount of the Cable & Wireless Communications Facility by US$100 million.

The Cable & Wireless Communications Facility is guaranteed by Sable Holding Limited, CWIGroup Limited and CWWI. Cable and Wireless plc has also given a standalone guarantee in support of the Cable & Wireless Communications Facility. On the earlier of (a) one business day after the Cable & Wireless Communications Reduction of Capital required as part of the scheme and (b) 14 days after the Scheme Effective Time, a similar guarantee will be given by Cable & Wireless Communications Plc. The Facility Lenders benefit from a security package which comprises fixed charges over the shares in the Facility Borrower and each guarantor (other than Cable and Wireless plc and Cable & Wireless Communications Plc). The security package and the guarantees will be shared *pari passu* with the lenders under the Cable & Wireless Communications Term Loan (as defined below), holders of the Notes and lenders and/or holders in respect of any additional moneys up to an aggregate amount of US$500 million borrowed or raised by the Facility Borrower from any Facility Lender, third-party lender and/or pursuant to a further capital markets issue provided that certain conditions are satisfied.

Loans made under the Cable & Wireless Communications Facility Agreement will bear interest at a floating rate per annum based on the London interbank rate as applicable plus a margin of 3.25% per annum (which may step up to 3.75% according to the Facility Borrower's ratio of consolidated net debt to adjusted consolidated EBITDA). Interest is payable on the last day of each interest period selected by the Facility Borrower or, if shorter, at six-monthly intervals.

The Cable & Wireless Communications Facility Agreement terminates on 31 March 2013. Loans under the Cable & Wireless Communications Facilities are prepayable at par at any time at the Facility Borrower's option, in whole or in part in a minimum amount of US$20 million and in multiples of US$5 million plus accrued and unpaid interest and break costs. The Cable & Wireless Communications Facilities are also mandatorily prepayable on the occurrence of certain events such as a change of control, illegality of a lender and using the proceeds of disposals other than reinvesting, subject to exceptions.

The Cable & Wireless Communications Facility Agreement contains a number of representations given by the Facility Borrower and the guarantors in respect of themselves and their subsidiaries, some of which must be true at the signing date, the date of the Demerger, the date of the Scheme of Arrangement and on each drawing date.

The Cable & Wireless Communications Facility Agreement imposes financial covenants, including certain financial ratios that the Facility Borrower must maintain and limits on the levels of different types of indebtedness that may be incurred by members of the Cable & Wireless Communications Group. In particular but without limitation:

(a) debt of Sable Holding Limited and its subsidiaries (**International Group**) (excluding the obligors) must at no time be greater than US$600 million; and

(b) members of the Cable & Wireless Communications Group are prohibited from incurring debt unless, on the date of the incurrence and after giving effect thereto on a pro forma basis, the ratio of consolidated net debt to adjusted consolidated EBITDA of Cable & Wireless Communications Group is no greater than 2.75:1 and ratio of consolidated net debt of International Group to adjusted consolidated EBITDA of Cable & Wireless Communications Group is no greater than 2.25:1.

The Cable & Wireless Communications Facility Agreement includes other customary covenants such as compliance with laws, authorisations, maintenance of existence and payment of taxes. There are also certain restrictions on the ability of the Cable & Wireless Communications Group to create security, make acquisitions, cash movements, make distributions and change business, subject to customary carve-outs.

A breach of any of the terms of the Cable & Wireless Communications Facility Agreement and the connected documents, failure by the Facility Borrower to make any payment due, insolvency events in respect of the Cable & Wireless Communications Group, cross-default to other debt and various other customary events will constitute events of default under the Cable & Wireless Communications Facility Agreement. The result of such an event of default is that the Agent may terminate the commitments under the Cable & Wireless Communications Facilities, and declare the loans then outstanding due and payable.

Cable & Wireless Communications Term Loan Facility

The Cable & Wireless Communications Group has obtained financing pursuant to the terms of a credit agreement dated 13 January 2010 (the **Cable & Wireless Communications Term Loan Facility Agreement)**. The Cable & Wireless Communications Term Loan Facility Agreement is between Sable International Finance Limited as borrower (the **Term Loan Borrower**), various companies in the Cable & Wireless Communications Group as guarantors and a financial institution as lead arranger and agent, and a major financial institution as lender.

Pursuant to the Cable & Wireless Communications Term Loan Facility Agreement the lenders have made available US$100 million to the Term Loan Borrower by way of a US dollar term loan facility (the **Term Loan Facilities**, and together with the Cable & Wireless Communications Facilities, the **New Credit Facilities**).

The Cable & Wireless Communications Term Loan Facility Agreement is on substantially the same terms, including guarantees, security package and covenants, as the Cable & Wireless Communications Facility Agreement, subject to variations including the following;

(a) the Cable & Wireless Communications Term Loan Facility is not a revolving credit facility;

(b) no option to increase the facility;

(c) loans made under the Cable & Wireless Communications Term Loan Facility Agreement will bear interest at a floating rate per annum based on the London interbank rate as applicable plus a margin of 4.00% per annum;

(d) mandatory prepayment is required if the aggregate amount of the Cable & Wireless Communications Facility Agreement, the Cable & Wireless Communications Term Loan Facility and the US$ bond offering exceeds US$1 billion; and

(e) the margin and/or fees payable under the Cable & Wireless Communications Term Loan Facility Agreement must match those payable under the Cable & Wireless Communications Bridge Facility from 31 July 2010 onwards.

Each of the Cable & Wireless Communications Facility, the Cable & Wireless Communications Bridge Facility and the Cable & Wireless Communications Term Loan Facility will remain liabilities of the Cable & Wireless Communications Group upon Demerger.

Convertible Bonds

On 24 November 2009, Cable and Wireless plc (the **Initial Issuer**) issued £230 million convertible bonds due 2014 (the **Convertible Bonds**).

The Convertible Bonds are senior debt obligations of Cable and Wireless plc and are convertible into fully paid ordinary shares of Cable and Wireless plc. Upon Worldwide Admission, subject to the satisfaction of the substitution conditions described below prior to Worldwide Admission and the execution of the Worldwide Substitution Deed and, unless previously converted, redeemed or purchased and cancelled, the Convertible Bonds become debt obligations of Cable & Wireless Worldwide and convertible into fully paid ordinary shares of Cable & Wireless Worldwide.

The conditions for the substitution of Cable & Wireless Worldwide as the principal debtor under the Convertible Bonds upon Worldwide Admission require that a certificate signed by two directors of Cable & Wireless Worldwide (the **Substitution Compliance Certificate**) is delivered to the bond trustee on the business day in London prior to the date of Worldwide Admission, certifying that (i) the total net debt for the Cable & Wireless Worldwide Group equals no more than £225 million; (ii) the total secured bank debt for the Cable & Wireless Worldwide Group equals no more than £200 million; (iii) the Cable & Wireless Worldwide Group has freely available, uncommitted and unsecured cash and cash equivalents and available credit facilities of not less than £200 million; and (iv) Cable & Wireless Worldwide is the ultimate holding company of the Cable & Wireless Worldwide Group.

The Demerger is conditional upon the delivery by Cable & Wireless Worldwide to the bond trustee of the Substitution Compliance Certificate. Cable & Wireless Communications will, shortly before Demerger, transfer the proceeds of the Convertible Bonds to Cable & Wireless Worldwide, thereby allowing Cable & Wireless Worldwide to deliver the Substitution Compliance Certificate to the bond trustee prior to the Demerger. Pursuant to the terms of the Separation Agreement, the execution by Cable & Wireless Communications and Cable & Wireless Worldwide of the Worldwide Substitution Deed which effects the substitution of Cable & Wireless Worldwide as principal debtor in respect of the Convertible Bonds, will take place no later than immediately prior to the Worldwide Admission in consideration for, and subject to, Cable & Wireless Communications having, shortly before Demerger (as described above), transferred such proceeds to Cable & Wireless Worldwide. Therefore, all necessary conditions for the substitution of Cable & Wireless Worldwide as principal debtor under the Convertible Bonds, subject only to Worldwide Admission taking place, will have been met, *de facto*, prior to Worldwide Admission.

In the event that the conditions to transfer the Convertible Bonds to Cable & Wireless Worldwide plc are not met or the Demerger does not otherwise complete, Cable and Wireless plc (or, subject to the fulfilment of certain conditions, Cable & Wireless Communications) shall remain principal debtor under the Convertible Bonds and the Convertible Bond proceeds will be returned to the principal debtor thereunder. The principal debtor under the Convertible Bonds from time to time is referred to below as the **Convertible Issuer**. From a date falling prior to the Scheme Effective Time, to be specified by Cable and Wireless plc by giving five days written notice to bondholders, conversion rights under the Convertible Bonds will be suspended until the date falling 21 dealing days following the Worldwide Admission on which the reset conversion price of the Convertible Bonds will be established. To the extent that the substitution of Cable & Wireless Worldwide as principal debtor under the Convertible Bonds has not occurred by the earlier of:

(i) 90 days following the effective date of any such suspension of conversion rights by Cable and Wireless plc or, if earlier, 31 December 2010 or

(ii) the date on which certain change of control events described in the terms of the Convertible Bonds occur, the terms of the Convertible Bonds provide that the suspension period shall end on the ninetieth day following the effective date of the suspension of conversion rights by Cable and Wireless plc (or, if earlier, 30 December 2010) or as the case may be, the date of such change of control event.

The Convertible Bonds carry a coupon from and including 24 November 2009 of 5.75% per annum payable semi-annually in arrears in equal instalments on 30 June and 30 December in each year, with a long first coupon on 30 June 2010 of £3,440.57 per £100,000 principal amount of the Convertible Bonds and a short last coupon on the maturity date of £2,309.43 per £100,000 principal amount of the Convertible Bonds, in each case, in respect of each Convertible Bond. The conversion price is £1.841 per £100,000 principal amount of the Convertible Bonds and is subject to adjustment from the issue date of the Convertible Bonds. Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed on 24 November 2014 at their principal amount.

The Convertible Bonds contain a negative pledge which provides that, so long as any of the Convertible Bonds remain outstanding, the Convertible Issuer and its principal subsidiaries will not create or permit to subsist security upon their respective assets to secure, guarantee or indemnify any other debt instruments that are listed or capable of being listed. However, in respect of the Initial Issuer and Cable & Wireless Communications Plc only, this negative pledge does not apply to the creation or subsistence of security in respect of listed indebtedness of no more than US$500 million. The negative pledge also contains certain other customary exemptions for the benefit of the Issuer.

Failures to pay all or any part of the principal or interest due in respect of the Convertible Bonds, cross default and certain other events (linked, *inter alia,* to insolvency) may constitute events of default under the Convertible Bonds, subject to customary thresholds and exceptions and, in certain cases, a material prejudice certification being given by the bond trustee. Such events of default may lead to the acceleration of the repayment of principal and accrued (but unpaid) interest under the Convertible Bonds.

The Convertible Issuer may, subject to certain conditions, redeem all but not some only of the Convertible Bonds at their principal amount, together with accrued (but unpaid) interest: (a) at any time on or after 15 December 2012, if the value of the ordinary shares deliverable on conversion of a Convertible Bond exceeds 130% of the principal amount of a Convertible Bond for a prescribed period; or (b) at any time once 85% or more of the principal amount of the Convertible Bonds have been purchased and cancelled, converted or redeemed.

Payments in respect of the Convertible Bonds are subject to a customary gross-up provision with relevant carve-outs applying from the date that the Convertible Bonds are listed. From such listing date, the Convertible Issuer will benefit from a right to redeem the Convertible Bonds on the occurrence of certain changes in the tax laws or regulations of the United Kingdom.

For a period of 60 days following a change of control of the Convertible Issuer (or, if later, notice thereof) excluding, for the avoidance of doubt the Demerger, the conversion price will be adjusted downwards in accordance with a formula resulting in straight line amortisation of the conversion premium of the Convertible Bonds. In addition, on a change of control of the Convertible Issuer each holder of Convertible Bonds may exercise their conversion rights or, instead, require the Convertible Issuer to redeem any Convertible Bond held by such holder at its principal amount, together with accrued and unpaid interest.

The Convertible Bonds contain customary anti-dilution adjustment provisions dealing with, *inter alia,* share consolidations, share splits, capital distributions, extraordinary dividends, rights issues and bonus issues and customary undertakings to protect the conversion rights of the Convertible Bonds.

The Convertible Bonds and the Convertible Trust Deed are governed by English law.

An application will be made by the Convertible Issuer for the Convertible Bonds to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Professional Securities Market of the London Stock Exchange by no later than 30 June 2010.

Sterling-denominated Bonds

Cable and Wireless plc has in issue a series of sterling-denominated bonds in an aggregate nominal amount of £200 million, due 6 August 2012. Interest is payable at 8.75% per annum. The bonds are admitted to trading on the London, Frankfurt and Hong Kong stock exchanges.

Cable & Wireless International Finance B.V. has in issue a series of sterling-denominated bonds guaranteed by Cable and Wireless plc in an aggregate nominal amount of £200 million, due 25 March 2019. Interest is payable at 8.625% per annum. The bonds are admitted to trading on the London, Hong Kong and Frankfurt stock exchanges. The Cable & Wireless Group has repurchased but not cancelled £53 million of this series of bonds.

Hedging Arrangements

As at 30 September 2009 Cable and Wireless plc has hedged approximately US$112 million notional amount of US dollars into sterling in a series of transactions, each maturing by 31 March 2010. The counterparties to these hedges, documented under ISDA Master Agreements, are major financial institutions. These obligations are unsecured.

Secured £29 million (US$42 million) Financing

Cable and Wireless plc has obtained an aggregate £29 million financing secured by the sterling-denominated bonds due in 2019 held by Cable and Wireless plc. Cable and Wireless plc is required to repay this financing together with accrued but unpaid interest, in February 2012. Upon repayment, the creditor will deliver to Cable and Wireless plc (or its successor) such sterling-denominated bonds (or if such bonds have been redeemed, the redemption proceeds of such bonds). (See note 27 to the historical financial information of Cable & Wireless Communications Group in "*Historical Financial Information of the Cable & Wireless Communications Group*"). These obligations are not secured on the collateral securing the Notes.

Other Subsidiary Debt

Various US dollar-based loans of approximately US$179 million (as at 30 September 2009) are held by various subsidiaries across the Cable & Wireless Communications Group, with the majority in Panama. In 2008/2009, interest on these loans ranged between 2% and 6.5%. The loans are repayable over a period up to 2014. These obligations are not secured on the collateral securing the Notes.

Intercreditor Agreement

To establish the relative rights of certain creditors under the Cable & Wireless Communications Group financing arrangements, Sable International Finance Limited, the Issuer and certain other group entities as Guarantors, entered into the intercreditor agreement, dated as of 13 January 2010 with, among others, the lenders and agents under the Cable & Wireless Communications Group Facilities, the lenders and agent under the Cable & Wireless Communications Term Loan Facility, the lenders and agent under the Cable & Wireless Communications Bridge Facility, certain hedging counterparties, the trustee with respect to the notes and the security trustee. Upon the issuance of the Notes, the trustee (for itself and on behalf of the holders of the Notes) will accede to the intercreditor agreement.

By accepting a Note, holders of Notes will be deemed to have agreed to and accepted the terms and conditions of the intercreditor agreement.

The following description is a summary of certain provisions, among others, contained in the intercreditor agreement that relate to the rights and obligations of the holders of the Notes. It does not restate the intercreditor agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of the Group's debt.

Ranking

Ranking of Debt

The following debt will rank pari passu in right and priority of payment between themselves.

- the "Cable & Wireless Communications Facilities Debt", which includes all present and future moneys, debts and liabilities due, owing or incurred under or in connection with the Cable & Wireless Communications Facilities and related documents;
- the "Cable & Wireless Communications Term Loan Facility Debt", which means all present and future money, debts and liabilities due, owing or incurred under or in connection with the Cable & Wireless Communications Term Loan Facility and any related documents;
- the "Permitted Senior Debt", which includes all present and future money, debts and liabilities due, owing or incurred under or in connection with any senior document, agreement or instrument designated as Permitted Senior Debt by each of the agents appointed under the Cable & Wireless Communications Facilities, Cable & Wireless Communications Term Loan Facility, the security trustee and any agent appointment as agent for the Permitted Senior Debt and, any related documents;
- the "Hedging Debt", which includes all present and future moneys, debts and liabilities due, owing or incurred to any hedging lender under or in connection with any hedging document to hedge the interest rate risk under the Cable & Wireless Communications Facilities, the Cable & Wireless Communications Term Loan Facility, the Permitted Senior Debt or the Notes or foreign exchange rate risk which is not speculative, and related documents; and
- the "Notes Debt", which includes all present and future moneys, debts and liabilities due, owing or incurred under or in connection with the Notes, the indenture, the intercreditor agreement any document securing the Notes.

Additional Guarantees and Security

No obligor will (and will ensure that no other member of the Cable & Wireless Communications Group will) grant any guarantee or any security in favour of a secured party unless it is granted in favour of all secured parties or, as the case may be, the security trustee for and on behalf of the secured parties and where the rights in relation to which are subject to the intercreditor agreement.

Ranking of Proceeds of Enforcement of Security

Except as otherwise provided in the intercreditor agreement, all guarantees and security created pursuant to any of the Cable & Wireless Communications Facilities, the Cable & Wireless Communications Term Loan Facility, the Permitted Senior Debt, the hedging documents and the Notes (together, the **Secured Documents** and the debt represented by such documents, the **Secured Debt**) will:

- rank as security for the Cable & Wireless Communications Facilities Debt, the Cable & Wireless Communications Term Loan Facility Debt, the Permitted Senior Debt, the Hedging Debt and the Notes Debt *pari passu* between themselves, irrespective of the order of execution, creation, registration, notice, enforcement or otherwise; and

- secure the Cable & Wireless Communications Facilities Debt, the Cable & Wireless Communications Term Loan Facility Debt, the Permitted Senior Debt, the Hedging Debt and the Notes Debt *pari passu* between themselves, irrespective of the date on which the relevant Secured Debt arose, whether a secured party is obliged to advance any Secured Debt or pay any Hedging Debt or any fluctuation in the amount, or any intermediate discharge in whole or in part, of any Secured Debt.

Enforcement Action

Restrictions on Enforcement on Notes Debt

Unless the aggregate amount committed under the Cable & Wireless Communications Facilities, the Cable & Wireless Communications Term Loan Facility and the Permitted Senior Debt (in each case, both drawn and undrawn) represents less than 20% of the aggregate outstanding principal amount of the Secured Debt (excluding Hedging Debt) (the **Threshold**), except with the prior consent of or as required by more than 66⅔% of the senior creditors excluding the holders of the Notes and any Additional Notes (the **Majority Senior Bank Lenders**), the Notes finance parties will not take any of the following actions (any such action, an **Enforcement Action**) in relation to any Notes Debt except as permitted under the next succeeding paragraph:

- demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of any Secured Debt;
- recover all or any part of any Secured Debt (including by exercising any set-off, save as required by law);
- exercise or enforce any right under any guarantee or any right in respect of any security, in each case granted in relation to all or any part of any Secured Debt (including under the security documents), against any member of the Cable & Wireless Communications Group or any other obligor;
- petition for (or take or support any other step which is likely to result in other than, for the avoidance of doubt, taking any Acceleration Action (as defined below) permitted by "*—Permitted Enforcement of Notes Debt*") an insolvency event in relation to any member of the Group or any other obligor;
- sue, claim or bring proceedings against any member of the Cable & Wireless Communications Group or any other obligor; or
- designate an early termination date under any, or close out any transaction under, any hedging document, prior to its stated maturity, or demand payment of any amount which would become payable on or following an early termination date or any such termination or close-out,

except that the following will not constitute Enforcement Action:

- bringing legal proceedings against any person in connection with any fraud, securities violation or securities or listing regulations;
- allegations of material misstatements or omissions made in connection with the offering materials relating to the Notes or in reports furnished to the holders of the Notes, the trustee or the security trustee or any exchange on which the Notes are listed pursuant to information and reporting requirements under the applicable Notes finance documents;
- the taking of any action above which is necessary to preserve the validity, existence or priority of claims in respect of any Secured Debt, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or
- to the extent entitled by law, the taking of action against any creditor to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security documentation.

Permitted Enforcement on Notes Debt

Subject to "*—Enforcement of Security*", the restrictions in the paragraph immediately above will not apply if:

- an insolvency event in respect of the Issuer or a Guarantor is continuing, except that the Notes finance parties (or the trustee on their behalf) may only take Enforcement Action in relation to that Issuer or Guarantor;

- an Event of Default as defined in the indenture (a **Notes Default**) is continuing and the security trustee has received a notice of the relevant Notes Default specifying the circumstances of that Notes Default from the trustee and a period (a **Notes Standstill Period**) of not less than 179 days has elapsed from the date that notice was given to the security trustee;
- any Enforcement Action is taken by the finance parties under any of the Cable & Wireless Communications Facilities Agreement, the Cable & Wireless Communications Term Loan Facility Agreement and the Permitted Senior Debt document in respect of any Guarantor or the Issuer, except that the Notes finance parties may only take the same or equivalent Enforcement Action as that taken by the relevant finance parties against such Guarantor or the Issuer;
- a Notes Default in respect of non-payment has occurred and is continuing in relation to the non-payment in excess of US$500,000 (or its equivalent), following which the Notes finance parties may either take (i) action to demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of the Secured Debt or demand for payment under any Guarantee (each, an **Acceleration Action**) or (ii) any other Enforcement Action in respect of the unpaid sum only (other than any action to petition for an insolvency event in relation to any member of the Group or any other obligor), except to the extent such action constitutes Acceleration Action; or
- on the originally scheduled maturity date, any amount owing under the relevant Notes has not been repaid and remains outstanding.

The Notes finance parties may take Enforcement Action permitted in the immediately preceding paragraph in relation to a relevant Notes Default even if, at the end of any relevant Notes Standstill Period or at any later time, a further Notes Standstill Period has begun as a result of any other Notes Default.

Enforcement of Security

Enforcement Instructions

Subject to the paragraph below, until the date on which all the Secured Debt has been fully and irrevocably paid or discharged and all commitments in respect of such debt have expired or been cancelled, the security trustee will (i) exercise any right or power vested in it as security trustee in accordance with any instructions given to it by the Majority Senior Bank Lenders and (ii) not be liable for any act or omission if it acts or refrains from taking any action in accordance with an instruction of the Majority Senior Bank Lenders.

Where (i) the Notes finance parties are permitted to take any Enforcement Action and (ii) the Majority Senior Bank Lenders are not in the process of taking (or instructing the security trustee to take) Enforcement Action in relation to the security documents, the Threshold will be deemed to have been reached and the trustee and the security trustee will, so long as the Majority Senior Bank Lenders are not in the process of taking Enforcement Action, (i) exercise any right or power vested in it as security trustee in accordance with any instructions given to it by the Majority Senior Bank Lenders and the holders of the Notes (together, the **Majority Senior Lenders**) and (ii) not be liable for any act or omission if it acts or refrains from taking any action in accordance with an instruction of the Majority Senior Lenders.

Any instructions given in accordance with the two preceding paragraphs will be binding on all the secured parties. No individual secured party may take any Enforcement Action in relation to the security documents other than the security trustee in accordance with the intercreditor agreement.

The security trustee may refrain from acting in accordance with any instructions given in accordance with the two immediately preceding paragraphs until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions. In the absence of instructions, the security trustee may act (or refrain from taking action) as it considers to be in the best interest of the secured parties. The security trustee is not authorised to act on behalf of a secured party without first obtaining that party's consent in any legal or arbitration proceedings relating to any secured document or the intercreditor agreement. No secured party will be responsible to any other party under the intercreditor agreement for any instructions given or not given to the security trustee in relation to the security documents.

Release of Security and Guarantees

Release of Security and Guarantees

If, for the purpose of any (i) Enforcement Action taken or to be taken by the security trustee (subject to the applicable conditions in the next succeeding paragraph) or (ii) any disposal permitted under the Secured Documents prior to the occurrence of a date on which the relevant agent under the Cable & Wireless Communications Facilities, the Cable & Wireless Communications Term Loan Facility or the Permitted Senior Debt, exercises any of its rights to accelerate or the date on which any such debt is cancelled in full, or the trustee or any other Notes finance party exercises any equivalent right under the Notes finance documents, the security trustee (or the relevant obligor or other member of the Cable & Wireless Communications Group in the case of a disposals referred to above) requires any release of any guarantee or security granted by any obligor or other member of the Cable & Wireless Communications Group, each party will promptly enter into any release and/or other document and take any action which the security trustee (or the relevant obligor or other member of the Cable & Wireless Communications Group in the case of a disposal referred to above) may reasonably require.

Authority of Security Trustee

If in connection with any Enforcement Action (i) the security trustee or any receiver sells or otherwise disposes of or proposes to sell or otherwise dispose of any asset under any security document or (ii) an obligor or any other member of the Cable & Wireless Communications Group sells or otherwise disposes of or proposes to sell or otherwise dispose of any asset at the request of the security trustee or the Majority Senior Bank Lenders, the security trustee may and is authorised on behalf of each party to:

- release the security created pursuant to the security documents over the relevant asset;
- if the relevant asset comprises all of the shares in the capital of an obligor or other member of the Cable & Wireless Communications Group, release that obligor or other member of the Cable & Wireless Communications Group and any of its subsidiaries from all its or their past, present and future liabilities and/or obligations as a borrower, issuer or guarantor of the whole or any part of the Secured Debt or any intercompany debt and release any security granted by that obligor or other member of the Cable & Wireless Communications Group and any of its subsidiaries over any of its or their assets; and
- apply the net proceeds of sale or disposal towards payment of Secured Debt in accordance with the paragraph under the heading "*—Application of Recoveries*",

in each case without any consent or further confirmation from any secured party or obligor, provided that, if applicable, the conditions of the next succeeding paragraph are satisfied.

It is a further condition to the release of the Guarantees, security documents and the whole or any part of the Notes Debt, that either:

(a) each trustee confirms to the security trustee that the holders of the Notes have approved such release by the requisite majority; or

(b) where the shares or assets of an obligor or other member of the Cable & Wireless Communications Group are sold or otherwise disposed of that:

  - all or substantially all of the consideration for such sale or other disposal is cash;
  - the sale or disposal is either (i) made pursuant to a public auction, (ii) made pursuant to any scheme of arrangement or equivalent process or proceedings approved or supervised by or on behalf of any court of law, or (iii) an internationally recognised investment bank selected by the security trustee has delivered an opinion that the price of the sale or other disposal of the relevant share capital or assets is fair from a financial point of view after taking into account all relevant circumstances; and
  - immediately prior to or concurrently with the completion of such sale or disposal, the relevant obligor (or member of the Cable & Wireless Communications Group) and its subsidiaries is simultaneously and unconditionally released from all of its obligations in respect of the Secured Debt (except if and to the extent the rights in respect of the Cable & Wireless Communications Facilities Debt, the Cable & Wireless Communications Bridge Facility Debt, Cable & Wireless Communications Term Loan Facility Debt, the Hedging Debt or the Permitted Senior Debt and/or the Notes Debt are transferred to the purchaser or one or more of its affiliates).

Each party will promptly enter into any release and/or other document and take any action which the security trustee may reasonably require to give effect to this "*Release of Security and Guarantees—Authority of Security Trustee*".

Application of Recoveries

The proceeds of enforcement of the security conferred by the security documents, all recoveries by the security trustee under guarantees of the debt and all other amounts paid to the security trustee pursuant to the intercreditor agreement will be applied in the following order:

- first, in or towards payment *pari passu* of any unpaid fees, costs, expenses and liabilities (including any interest thereon as provided in the security documents) incurred by or on behalf of any high yield trustee (including the trustee) or the security trustee (or any adviser, receiver, delegate, attorney or agent) and the remuneration of any high yield trustee (including the trustee) or the security trustee (or any adviser, receiver, delegate, attorney or agent) in connection with carrying out its duties or exercising powers or discretions under the security documents, the Notes finance documents or the intercreditor agreement, as the case may be (but excluding any payment in relation to any unpaid costs and expenses incurred in respect of any litigation by or on behalf of any Notes finance party against any other secured party);
- second, in or towards payment to the other agents for application towards any unpaid costs and expenses incurred by or on behalf of any finance party under the Cable & Wireless Communications Facilities, the Cable & Wireless Communications Term Loan Facility, the Permitted Senior Debt or the hedging bank in connection with such enforcement, recovery or other payment *pari passu* between themselves;
- third, in or towards payment to the agent under each of the Cable & Wireless Communications Facilities, the Cable & Wireless Communications Term Loan Facility and the Permitted Senior Debt for application by the relevant agent towards the balance of the relevant debt, the hedging banks for application towards the balance of the Hedging Debt and to or to the order of each trustee for application towards the balance of the Notes Debt *pari passu* between themselves; and
- fourth, after the date on which all Secured Debt has been fully and irrevocably paid or discharged and all commitments in respect of such debt have expired or been cancelled, in payment of the surplus (if any) to the relevant obligor or other person entitled to it.

Amendments to the Notes Finance Documents

Until the time when the security trustee is satisfied that the Cable & Wireless Communications Facilities Debt, the Cable & Wireless Communications Bridge Facility debt, the Cable & Wireless Communications Term Loan Facility Debt, the Permitted Senior Debt and the Hedging Debt has been fully and irrevocably paid or discharged and all commitments of the finance parties of such debt, as applicable, have expired or been cancelled, except with the prior consent of the Majority Bank Lenders, no obligor or other member of the Cable & Wireless Communications Group that is a party to a Notes finance document will amend any Notes finance document in a manner that would result in any amendment which is inconsistent with the following Notes major terms:

- the Issuer is Sable International Finance Limited;
- the trustee must accede to the intercreditor agreement;
- the maturity is not before 30 September 2013;
- the ranking is in accordance with the intercreditor agreement, as set out under "—*Ranking*"; and
- the Notes (including the Guarantees) will not benefit from any guarantee or security from any entity unless such entity is also an obligor under the Cable & Wireless Communications Facilities Agreement, the Cable & Wireless Communications Term Loan Facility Agreement, the permitted senior documents and the finance parties thereunder benefit from an equivalent guarantee or security, as applicable.

DESCRIPTION OF NOTES

Sable International Finance Limited (the "*Issuer*") will issue US dollar-denominated notes (the "*Notes*") under an indenture (the "*Indenture*") among itself, as issuer, Cable and Wireless plc ("*Cable and Wireless*"), as parent guarantor, Cable and Wireless' subsidiaries that guarantee the Notes (the "*Subsidiary Guarantors*"), Deutsche Trustee Company Limited, as trustee (the "*Trustee*") and Deutsche Bank Trust Company Americas, as paying agent and registrar, in a private transaction that is not subject to the registration requirements of the US Securities Act of 1933, as amended (the "*US Securities Act*"). The Notes each constitute a separate series of Notes. Unless the context requires otherwise, references in this "Description of Notes" to the Notes include any additional Notes that are issued. See "Transfer Restrictions." The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate or include any of the provisions of the US Trust Indenture Act of 1939, as amended.

The following description is only a summary of the material provisions of the Indenture, the Notes and the Security Documents and refers to the Intercreditor Agreement. It does not restate those agreements in their entirety. You should read the Indenture, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note, the Security Documents and the Intercreditor Agreement are available as set forth below under "—Additional Information."

Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading "—Certain Definitions." In this description, the term "*Parent*" refers (i) prior to the consummation of the C&W Communications Scheme, only to Cable and Wireless and not to any of its Subsidiaries and (ii) following the consummation of the C&W Communications Scheme, only to Cable & Wireless Communications plc ("*C&W Communications*") and not to any of its subsidiaries.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes:

- will be general obligations of the Issuer;
- will be secured as set forth below under "—Security";
- will be effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- will be *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- will rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes; and
- will be unconditionally guaranteed by the Guarantors.

The Note Guarantees

The Notes will be guaranteed by the Guarantors.

The Note Guarantee of each Guarantor:

- will be a general obligation of such Guarantor;
- will be secured as set forth below under "—Security":
- will be effectively subordinated to any existing and future Indebtedness of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness;

- will be *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Note Guarantee;
- will rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Note Guarantee; and
- will be effectively senior to all of such Guarantor's existing and future unsecured Indebtedness to the extent of the assets securing such Note Guarantee.

Not all of the Parent's Restricted Subsidiaries will guarantee the Notes. However, each of the Parent's Subsidiaries that guarantee the New Credit Facilities will also guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Restricted Subsidiaries, the non-guarantor Restricted Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Guarantors. All of the trading operations of the Indigo Group are carried out through the Parent's non-guarantor Restricted Subsidiaries.

The operations of the Parent are conducted through its Restricted Subsidiaries and, therefore, the Parent depends on the cash flow of its Restricted Subsidiaries to meet its obligations, including its obligations under its Note Guarantee. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade and other payables and lease obligations) of the Parent's non-guarantor Restricted Subsidiaries. Any right of the Issuer or any Guarantor to receive assets of any of the Parent's non-guarantor Restricted Subsidiaries upon that non-guarantor Restricted Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Restricted Subsidiary's creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Restricted Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinate in right of payment to any security in the assets of the non-guarantor Restricted Subsidiary and any Indebtedness of the non-guarantor Restricted Subsidiary senior to that held by the Issuer or such Guarantor. As of September 30, 2009, the indebtedness of the non-guarantor subsidiaries of the Cable & Wireless Communications Group (other than the unsecured Existing Bonds due 2019 issued by Cable & Wireless International Finance B.V. and guaranteed by Cable and Wireless) would have been US$220 million. See "Risk Factors—Risks Relating to the Notes—The Notes and each of the Note Guarantees will each be structurally subordinated to the liabilities and preference shares (if any) of our non-guarantor subsidiaries."

As of the Issue Date, only Subsidiaries of the Parent that will be Subsidiaries of the Parent immediately following the Worldwide Business Demerger (each of the Parent's Subsidiaries as of the time of the Worldwide Business Demerger other than the Worldwide Business Subsidiaries) will be "*Restricted Subsidiaries*" for purposes of the Indenture. Each of the Worldwide Business Subsidiaries will be designated as "*Unrestricted Subsidiaries*" for so long as they are Subsidiaries of the Parent. The Parent's Unrestricted Subsidiaries will not be subject to the restrictive covenants in the Indenture. The Parent's Unrestricted Subsidiaries will not guarantee the Notes.

Principal, Maturity and Interest

The Issuer will issue US$500.0 million in aggregate principal amount of Notes. The Issuer may issue additional Notes (the "*Additional Notes*") under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture. The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuer will issue Notes in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. The Notes will mature on , 2017.

Interest on the Notes will accrue at the rate of % per annum. Interest will be payable semi-annually in arrears on and , commencing on , 2010. Interest on overdue principal and interest, including Additional Amounts (as defined herein), if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding and .

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes in each of (i) the City of London (the "*Principal Paying Agent*"), and (ii) the Borough of Manhattan, City of New York. The Issuer will undertake to maintain a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agents will be Deutsche Bank AG, London Branch in London and Deutsche Bank Trust Company Americas in New York.

The Issuer will also maintain a registrar (a "*Registrar*") with offices in the Borough of Manhattan, City of New York. The Issuer will also maintain a transfer agent in each of London and New York. The initial Registrar will be Deutsche Bank Trust Company Americas in New York. The initial transfer agent will be Deutsche Bank AG, London Branch in London and Deutsche Bank Trust Company Americas in New York. The Registrar and the transfer agent in New York will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on the behalf of the Issuer. Each transfer agent shall perform the functions of a transfer agent.

The Issuer may change the Paying Agents, the Registrar or the transfer agents without prior notice to the Holders. For so long as the Notes are listed on the London Stock Exchange and the rules of the London Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in the manner required or otherwise permitted by such rules.

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A ("*Rule 144A*") under the US Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*144A Global Note*") and Notes and sold outside the United States pursuant to Regulation S ("*Regulation S*") under the US Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*Reg S Global Note*" and together with the 144A Global Note, the "*Global Notes*").

During the 40-day distribution compliance period (as defined in Rule 902 of Regulation S), book-entry interests in the Regulation S Global Notes may be transferred only to non-US Persons under Regulation S or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Ownership of interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with DTC or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Transfer Restrictions." In addition, transfers of Book-Entry Interests between participants in DTC will be effected by DTC pursuant to customary procedures and subject to the applicable rules and procedures and its respective participants.

Book-Entry Interests in the 144A Global Note, or the "*Restricted Book-Entry Interests*," may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Reg S Global Note and 144A Global Note, as applicable, or the "*Reg S Book-Entry Interests*," only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of $100,000 principal amount and integral multiples $1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Transfer Restrictions."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of US$100,000 in principal amount and integral multiples of $1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at DTC furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer.

Additional Amounts

All payments made under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor (including any surviving corporation), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent) (each, a "*Tax Jurisdiction*"), will at any time be required to be made from any payments made under or with respect to the Notes or with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Issuer, the relevant Guarantor or other payor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder (including Additional Amounts) after such withholding, deduction or imposition will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed but for the holder or the beneficial owner of the Notes being a citizen or resident or national of, incorporated in or carrying on a business, in the relevant Tax Jurisdiction in which such Taxes are imposed or having any other present or former connection with the relevant Tax Jurisdiction other than the mere acquisition, holding, enforcement or receipt of payment in respect of the Notes or with respect to any Note Guarantee;

(2) any Taxes that are imposed or withheld as a result of the failure of the holder of the Note or beneficial owner of the Notes to comply with any reasonable written request, made to that holder or beneficial owner in writing at least 90 days before any such withholding or deduction would be payable, by the Issuer or any of the Guarantors to provide timely and accurate information concerning the nationality, residence or identity of such Holder or beneficial owner or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to any exemption from or reduction in all or part of such Taxes to which such Holder is entitled;

(3) any Note presented for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;

(5) any Taxes withheld, deducted or imposed on a payment to an individual and that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive;

(6) any Note presented for payment by or on behalf of a holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(7) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee; or

(8) any combination of items (1) through (7) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any Tax Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the Indenture, any Note Guarantee, or any other document or instrument referred to therein.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. Upon request, the Issuer or the relevant Guarantor will provide to the Trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will attach to each certified copy or other document a certificate stating the amount of such Taxes paid per $1,000 principal amount of the Notes then outstanding. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the Trustee to the holders of the Notes.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Note Guarantees

The Notes will initially be guaranteed by Cable and Wireless and the Subsidiary Guarantors. Following the completion of the C&W Communications Scheme, the Notes will also be guaranteed by C&W Communications. These Note Guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See "Risk Factors—Risks Relating to the Notes—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability."

The Note Guarantee of a Guarantor (other than any direct or indirect parent entity of the Issuer) will be released:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Parent, any of its Restricted Subsidiaries or an Affiliate of the Parent or any of its Restricted Subsidiaries;

(2) in connection with any sale or other disposition of Capital Stock of that Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent, any of its Restricted Subsidiaries or an Affiliate of the Parent or any of its Restricted Subsidiaries;

(3) upon repayment in full of the Notes; or

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

The Note Guarantee of any direct or indirect parent entity of the Issuer (including C&W Communications, Cable and Wireless and Sable Holding Limited) will be released:

(1) upon repayment in full of the Notes; or

(2) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

Security

General

The Notes and the Note Guarantees will be secured by first-ranking Liens over the Collateral. The Collateral initially will consist of all of the Capital Stock of the Issuer and each of Sable Holdings Limited, CWIGroup Limited and Cable and Wireless (West Indies) Limited. The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the Secured Obligations that are secured by the Collateral, including holders of the Notes.

Under the Indenture, the Parent and the Restricted Subsidiaries will be permitted to incur certain additional Indebtedness in the future which may share in the Collateral, including additional Permitted Collateral Liens securing Indebtedness on a *pari passu* basis with the Notes, including, among other Indebtedness, Indebtedness under the New Credit Facilities and certain Hedging Obligations. The amount of such Permitted Collateral Liens will be limited by the covenants described under the captions "—Certain Covenants—Liens." The amount of such additional Indebtedness secured by the Collateral could be significant.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes. No appraisals of the Collateral have been made in connection with this offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "Risk Factors—Risks Relating to the Notes—Your rights to enforce remedies with respect to the collateral securing the Notes and the Note Guarantees are limited as long as any senior bank debt is outstanding" and "Risk Factors—Risks Relating to the Notes—Your ability to recover under the share pledges constituting the collateral securing the Notes may be limited."

The enforcement of the Collateral will be governed by, and subject to the terms and conditions of, the Intercreditor Agreement as more fully described under the caption "Description of Certain Financing Arrangements—Intercreditor Agreement."

Security Documents

The Issuer, the Guarantors and the Security Agent will, as applicable, enter into Security Documents defining the terms of the Liens that secure the Notes and the Note Guarantees and the other Obligations that will be secured by the Collateral. Subject to the terms of, and limitations under, the Security Documents, these security interests will secure the payment and performance when due of the obligations of the Issuer and the Guarantors under the Notes, the Indenture, the Note Guarantees and the Security Documents.

Subject to the terms of the Indenture and the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes and to collect, invest and dispose of any income therefrom.

The Security Documents will, as described under the caption "Description of Certain Financing Arrangements—Intercreditor Agreement", permit the agents for the New Credit Facilities to instruct the Security Agent to take enforcement action under the Security Documents following the occurrence of an event of default under such Indebtedness, such Indebtedness being declared due and payable and the requisite approval or consent of the holders of such Indebtedness. The Intercreditor Agreement will limit the ability of the Trustee to instruct the Security Agent to take enforcement action.

Release of Security

The Collateral may be released:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such Collateral to a Person that is not (either before or after giving effect to such transaction) the Parent, any of its Restricted Subsidiaries or an Affiliate of the Parent or any of its Restricted Subsidiaries;

(2) if such Collateral is an asset of a Subsidiary Guarantor or any of its Subsidiaries, in connection with any sale or other disposition of Capital Stock of that Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Parent, any of its Restricted Subsidiaries or an Affiliate of the Parent or any of its Restricted Subsidiaries;

(3) upon repayment in full of the Notes; or

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

In addition, the Intercreditor Agreement will provide for release of the Collateral upon an enforcement sale as provided for in the Intercreditor Agreement. See "Description of Certain Financing Arrangements—Intercreditor Agreement—Release of Security and Guarantees."

Intercreditor Agreement

On the Issue Date, the Trustee shall accede to the Intercreditor Agreement previously entered into with, among others, the creditors under the New Credit Facilities and the counterparties to certain Hedging Obligations, as described under "Description of Certain Financing Arrangements—Intercreditor Agreement." The Intercreditor Agreement will, among other things, limit the ability of the Trustee or the holders of the Notes from taking enforcement action until expiration of a standstill period.

Optional Redemption

At any time prior to , 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding paragraph, the Notes will not be redeemable at the Issuer's option prior to , 2014.

On or after , 2014, the Issuer may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the twelve month period beginning on of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Redemption Price
2014	%
2015	%
2016	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and Notice"), at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer is or would be required to pay Additional Amounts or the Guarantors would be unable for reasons outside their control to procure payment by the Issuer or another Guarantor and in making payment itself the relevant Guarantor would be required to pay Additional Amounts, and the Issuer or the relevant Guarantor, as applicable, cannot avoid any such payment obligation taking reasonable measures available, and the requirement arises as a result of:

(1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction (as defined above) affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of this offering memorandum (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after the date of this offering memorandum (or, if the relevant Tax Jurisdiction was not a Tax Jurisdiction on the Issue Date, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Notes were then due, and at the time such notice is given, the obligation to pay Additional Amounts must remain in effect. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver the Trustee an opinion of independent tax counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officers' Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee will accept such Officers' Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC on any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

Mandatory Redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to US$100,000 or an integral multiple of US$1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "*Change of Control Payment*"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice.

The Issuer will comply with the requirements of Rule 14e-1 under the US Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agents an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer's ability to repurchase the Notes pursuant to the Change of Control Offer may be limited by a number of factors. The ability of the Issuer to pay cash to the holders of the Notes following the occurrence of a Change of Control may be limited by the Parent Guarantor's and its Restricted Subsidiaries' then existing financial resources, and sufficient funds may not be available when necessary to make any required repurchases. We expect that we would require third-party financing to make an offer to repurchase the Notes upon a Change of Control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a Default under the Indenture, which could, in turn, constitute a default under the New Credit Facilities and other Indebtedness. See "Risk Factors—Risks Relating to the Notes—The Issuer may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the Notes."

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Parent and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Parent and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Subject as provided in the Indenture, notices to holders relating to the Change of Control Offer will be published in a leading English language daily newspaper circulating in the United Kingdom (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Notwithstanding the foregoing, so long as the Notes are represented by Global Notes held on behalf of DTC notices to holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for publication as required by the Indenture; *provided* that, so long as the Notes are admitted to the Official List and admitted to trading on the London Stock Exchange, the notice requirements of the United Kingdom Listing Authority and the London Stock Exchange have been complied with.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under "—Book-Entry, Delivery and Form," based on a method that most nearly approximates a pro rata selection as the Trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depository requirements.

No Notes of $100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes represented by Global Notes held on behalf of DTC notices may be given by delivery of the relevant notices to that clearing system for communication by it to entitled account holders in substitution for the aforesaid mailing; *provided* that, so long as the Notes are admitted to the Official List and admitted to trading on the London Stock Exchange, the notice and disclosure requirements of the United Kingdom Listing Authority and the London Stock Exchange have been complied with.

Certain Covenants

Limitation on Certain Indebtedness

Except as set forth below in the second and third paragraphs of this "Limitation on Certain Indebtedness" covenant, the Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee, or otherwise become directly or indirectly liable with respect to (collectively, "*incur*") any Public Debt or any Indebtedness under Credit Facilities; *provided* that (1) the Issuer or any Guarantor may incur such Indebtedness; and (2) the Issuer and any Guarantor may guarantee such Indebtedness of the Issuer or any Guarantor.

In addition and except as set forth below in the third paragraph of this "Limitation on Certain Indebtedness" covenant, the Parent will not permit any of its Restricted Subsidiaries that are not either a Guarantor or the Issuer to incur any Indebtedness or issue any preferred stock; *provided however* that any such Restricted Subsidiaries of the Parent that are not either a Guarantor or the Issuer may incur Indebtedness (other than Internationally Syndicated Indebtedness) or issue preferred stock if on the date of such incurrence or issuance and on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) each of (a) the Consolidated Non-Guarantor Leverage Ratio of the Parent is less than 0.75 to 1 and (b) the Consolidated Senior Secured/Non-Guarantor Leverage Ratio of the Parent is less than 3.00 to 1.

Notwithstanding the preceeding two paragraphs, the Parent and its Restricted Subsidiaries may incur Permitted Indebtedness.

Neither the Issuer nor any Guarantor will incur any Public Debt that is secured by a Permitted Collateral Lien unless (1) the holders of such Public Debt shall accede to the Intercreditor Agreement and (2) such Public Debt will be subject to substantially similar provisions as contained in the Intercreditor Agreement applicable to Notes Debt (as defined in the Intercreditor Agreement). In addition, neither the Issuer nor any Guarantor will incur any Public Debt unless the holders of such Public Debt agree to be subject to a standstill on enforcement no more favorable to the holders of such Public Debt than the standstill on enforcement then in effect with respect to the holders of the Notes as provided in the Intercreditor Agreement.

For purposes of determining compliance with this "Limitation on Certain Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (16) of the definition thereof, or is entitled to be incurred pursuant to the second paragraph of this covenant, the Parent will be permitted to classify such item of Indebtedness on the date of its incurrence or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. The accrual of interest or preferred stock dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock in the form of additional shares of the same class of preferred stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included as Senior Secured Debt or Non-Guarantor Debt of the Parent, as the case may be, as and when accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent or any of its Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of (a) the Fair Market Value of such assets at the date of determination; and (b) the amount of the Indebtedness of the other Person.

Anti-Layering

Neither the Issuer nor any Guarantor will incur any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

Liens

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral, Permitted Liens or, if such Lien is not a Permitted Lien, to the extent that all payments due under the Indenture, the Notes and the Note Guarantees are secured on an equal and ratable *pari passu* basis with the obligations so secured (and if such obligations so secured are subordinated in right of payment to either the Notes or any Note Guarantee, on a senior priority basis) until such time as such obligations are no longer secured by a Lien and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Merger, Consolidation or Sale of Assets

None of the Parent, Cable and Wireless or Sable Holding Limited will, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Parent, Cable and Wireless or Sable Holding Limited, as the case may be, is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Parent, Cable and Wireless or Sable Holding Limited, as the case may be, is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Parent, Cable and Wireless or Sable Holding Limited, as the case may be) or to which such sale, assignment, transfer, conveyance or other disposition has been made is organised or existing under the laws of the jurisdiction of the entity being merged into such Person, any member state of the European Union, Switzerland, the United States, any state of the United States or the District of Columbia, the Cayman Islands, Jersey, Guernsey or the British Virgin Islands;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Parent, Cable and Wireless or Sable Holding Limited, as the case may be) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Parent, Cable and Wireless or Sable Holding Limited, as the case may be, under the Notes, the Indenture, the Intercreditor Agreement and the Security Documents to which the Parent, Cable and Wireless or Sable Holding Limited, as the case may be, is a party pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) the Parent delivers to the Trustee an Officers' Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant.

The Issuer will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Subsidiaries that are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union, Switzerland, the United States, any state of the United States or the District of Columbia, the Cayman Islands, Jersey, Guernsey or the British Virgin Islands;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement and the Security Documents to which the Issuer is a party pursuant to agreements reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer delivers to the Trustee an Officers' Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant.

A Subsidiary Guarantor (other than Sable Holding Limited and, after the C&W Communications Scheme, Cable and Wireless) may not consolidate with or merge with or into (whether or not such Subsidiary Guarantor is the surviving Person) another Person, other than the Issuer, the Parent or another Subsidiary Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Subsidiary Guarantor under its Note Guarantee, the Indenture, the Intercreditor Agreement and the Security Documents to which such Subsidiary Guarantor is a party pursuant to agreements reasonably satisfactory to the Trustee.

In addition, none of the Issuer, the Parent, Cable and Wireless or Sable Holdings Limited will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Clause (3) of the first and second paragraphs of this covenant and clause (1) of the third paragraph of this covenant will not apply to (1) any transaction in which such other Person is the Issuer or a Guarantor or (2) any merger or consolidation of the Issuer with or into, or the sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of the Issuer to, an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction.

For the avoidance of doubt, this covenant will not apply to the consummation of the Worldwide Business Demerger and the C&W Communications Scheme as described in the C&W Communications Scheme Documents.

Limitation on Issuances of Guarantees of Indebtedness

The Parent will not cause or permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee, assume or in any manner become liable with respect to any other Indebtedness of the Issuer or a Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Parent shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Parent or the Restricted Subsidiary or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Any additional Note Guarantee will automatically and unconditionally be released under the same conditions and circumstances that the guarantee of other Indebtedness will be released, so long as no Default or Event of Default would arise as a result and no other Indebtedness is at that time guaranteed by the relevant Guarantor.

Limitation on Activities Pending the Worldwide Business Demerger

Prior to the consummation of the Worldwide Business Demerger and other than the Permitted Worldwide Transactions, the Parent will not, and will not cause or permit any of its Restricted Subsidiaries to:

(1) enter into, or make or amend, or become party to, any agreement, contract, arrangement or understanding with any Unrestricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Parent or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Parent;

(2) subscribe for additional Equity Interests of any Unrestricted Subsidiary other than the subscription by C&W Communications in Equity Interests in Cable & Wireless UK Holdings Limited in consideration of certain transactions and/or transfers in connection with the Worldwide Business Demerger;

(3) maintain or preserve the financial condition of any Unrestricted Subsidiary or cause any Unrestricted Subsidiary to achieve any specified levels of operating results; or

(4) guarantee or otherwise directly or indirectly provide credit support for any Indebtedness of any Unrestricted Subsidiary.

The Parent will use, and will cause its Restricted Subsidiaries to use, reasonable best efforts to obtain the requisite approvals and, upon receipt of the requisite approvals, to complete the C&W Communications Scheme and the Worldwide Business Demerger as soon as commercially practicable and in accordance with the terms of the C&W Communications Scheme Documents and the Worldwide Business Demerger Documents, respectively.

The Parent will not, and will not permit any of its Restricted Subsidiaries to, amend or modify any of the C&W Communications Scheme Documents and/or the Worldwide Business Demerger Documents to the extent such that any such amendment or modification could reasonably be deemed to be materially adverse to the holders of the Notes than the C&W Communications Scheme Documents or the Worldwide Business Demerger Document, as the case may be, as in effect on the Issue Date.

Limitation on Issuer Activities

The Issuer will at all times remain a wholly-owned direct or indirect Restricted Subsidiary of the Parent. The Issuer will not (1) merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation) or, (2) other than in connection with the incurrence of a Permitted Collateral Lien, sell, assign, transfer, lease, convey or otherwise dispose of any material property or assets to any Person in one or more related transactions, in each case, except in accordance with the covenant described under the caption "—Merger, Consolidation or Sale of Assets".

For so long as any Notes are outstanding, none of the Parent nor any of its Restricted Subsidiaries will commence or take any action or facilitate a winding-up, liquidation or other analogous proceeding in respect of the Issuer.

Limitation on Holding Company Activities

Following the C&W Communications Scheme, C&W Communications will not carry on any business or own any assets other than:

(1) ownership or holding any assets or property consisting of cash and Cash Equivalents, Capital Stock in Cable and Wireless and other assets that are *de minimis* in nature;

(2) the provision of services (including treasury services) to its Subsidiaries and other Persons in which C&W Communications owns stock of a type customarily provided by a holding company and activities related or reasonably incidental to the establishment and/or maintenance of its corporate existence and that of any such Persons;

(3) incurring Indebtedness (including, for the avoidance of doubt, any guarantees of Indebtedness) permitted under the covenant described above under the caption "—Limitation on Certain Indebtedness" (including activities reasonably incidental thereto, including performance of the terms and conditions of such Indebtedness and the investment (including, without limitation, by loan) of the proceeds from such Indebtedness in Subsidiaries of the Parent to the extent such activities are otherwise permissible under the Indenture);

(4) providing guarantees (other than for Indebtedness);

(5) rights and obligations arising under any finance document relating to indebtedness incurred (including with respect to any guarantee of Indebtedness) to which it is a party and any activity undertaken with the purpose of, and related to, fulfilling any other obligations under such Indebtedness permitted under the Indenture;

(6) ownership, holding, investing, managing or disposing of any assets held by C&W Communications upon completion of the C&W Communications Scheme or in connection with, contemplated by or otherwise necessary to effect the C&W Communications Scheme Documents and/or the Worldwide Business Demerger Documents; and

(7) ownership or holding of Equity Interests in Subsidiaries of the Parent and other Persons; *provided* that (other than with respect to (i) any Subsidiaries and Equity Interests of other Persons directly held by the Parent upon completion of the C&W Communications Scheme, (ii) any other Subsidiaries permitted to be held pursuant to the preceding clause (1) and (iii) Equity Interests in Cable & Wireless UK Holdings Limited held by the Parent as permitted by clause (2) of the covenant described under the caption "—Limitation on Activities Pending the Worldwide Business Demerger") the Equity Interests of such Subsidiaries and other Persons is pledged as additional Collateral to secure the Obligations under the Indenture, the Notes and the Notes Guarantees.

Cable and Wireless will not carry on any business or own any assets other than:

(1) ownership or holding any assets or property consisting of cash and Cash Equivalents, Capital Stock in Sable Holdings Limited and any other direct Subsidiary as of the Issue Date and other assets that are *de minimis* in nature;

(2) the provision of services (including treasury services) to its Subsidiaries and other Persons in which Cable and Wireless owns stock of a type customarily provided by a holding company and activities related or reasonably incidental to the establishment and/or maintenance of its corporate existence and that of any such Persons;

(3) incurring Indebtedness (including, for the avoidance of doubt, any guarantees of Indebtedness) permitted under the covenant described above under the caption "—Limitation on Certain Indebtedness" (including activities reasonably incidental thereto, including performance of the terms and conditions of such Indebtedness and the investment (including, without limitation, by loan) of the proceeds from such Indebtedness in Subsidiaries of Cable and Wireless to the extent such activities are otherwise permissible under the Indenture);

(4) providing guarantees (other than for Indebtedness);

(5) rights and obligations arising under any finance document relating to indebtedness incurred (including with respect to any guarantee of Indebtedness) to which it is a party and any activity undertaken with the purpose of, and related to, fulfilling any other obligations under such Indebtedness permitted under the Indenture;

(6) ownership, holding, investing, managing or disposing of any assets held by Cable and Wireless as of the Issue Date or upon completion of the C&W Communications Scheme or in connection with, contemplated by or otherwise necessary to effect the C&W Communications Scheme Documents and/or the Worldwide Business Demerger Documents; and

(7) ownership or holding of Equity Interests in Subsidiaries of Cable and Wireless and other Persons; *provided* that, other than with respect to any Subsidiaries and Equity Interests of other Persons directly held by Cable and Wireless as of the Issue Date or upon completion of the C&W Communications Scheme and any other Subsidiaries permitted to be held pursuant to the preceding clause (1), the Equity Interests of such Subsidiaries and other Persons is pledged as additional Collateral to secure the Obligations under the Indenture, the Notes and the Notes Guarantees.

Impairment of Security Interest

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action, which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes, and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision shall restrict the discharge, release or replacement of any Collateral in compliance with the terms of the Indenture as described under "—Security—Releases" and "—Amendment, Supplement and Waiver" or in compliance with the applicable provisions of the Intercreditor Agreement and (b) the Parent and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further*, *however*, a Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) if, contemporaneously with such amendment, extension, replacement, restatement, supplement, modification or renewal, the Parent delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Parent and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification or replacement or (2) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement which shall be substantially in the form attached to the Indenture. In the event that the Parent complies with this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from holders of the Notes.

For the avoidance of doubt, the foregoing does not apply to any reduction, fluctuation or impairment of the value of any asset constituting Collateral.

C&W Communications Guarantee

C&W Communications shall become a Guarantor no later than the earlier of (1) the day falling one business day after the Capital Reduction; and (2) 14 days after the date the C&W Communications Scheme has become effective.

Security Matters

The Parent shall, and shall procure that each of its Restricted Subsidiaries shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonable require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Parent shall, and shall procure that each of its Restricted Subsidiaries shall, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, order and directions which Security Agent may reasonably request.

Payments for Consent

The Parent will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Maintenance of Listing

The Issuer will use its reasonable best efforts to maintain the listing of the Notes on the London Stock Exchange for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it can no longer reasonably comply with the requirements for listing on the London Stock Exchange or if maintenance of listing thereon becomes unduly onerous, it will obtain, prior to the delisting of the Notes from the London Stock Exchange, and thereafter use its reasonable best efforts to maintain, a listing of such Notes on such other "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Reports

So long as any Notes are outstanding, the Parent will furnish to the holders of Notes or cause the Trustee to furnish to the holders of Notes:

(1) within 120 days after the end of the Parent's fiscal year beginning with the fiscal year ending March 31, 2010, annual reports containing the following information: (a) audited consolidated balance sheets of the Parent as of the end of the two most recent fiscal years and audited consolidated income statements and consolidated statements of cash flow of the Parent for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the Parent's independent auditors on the financial statements; (b) *pro forma* consolidated income statement and consolidated balance sheet information of the Parent, together with explanatory footnotes, for, and to include the effects of, any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the Worldwide Business Demerger); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations which should include (i) a balanced and comprehensive analysis of the development and performance of the Parent's business during the financial year, (ii) analysis using financial key performance indicators and where appropriate, (iii) analysis using other key performance indicators including information relating to environmental matters and employee matters and (iv) an indication of information material for the assessment of its assets, liabilities, financial position and profit or loss; (d) a fair review of the Parent's and its Restricted Subsidiaries business, any important events that have occurred since the end of the financial year and a description of the principal risks and uncertainties facing the Parent; and (e) the Parent's (i) use of financial instruments, (ii) financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used, and (iii) exposure to price risk, credit risk, liquidity risk and cash flow risk;

(2) within 60 days following the end of the second fiscal quarter in each fiscal year of the Parent, semi-annual reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such semi-annual period and unaudited condensed statements of income and cash flow for the year-to-date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Parent, together with condensed footnote disclosure; (b) *pro forma* consolidated income statement and consolidated balance sheet information of the Parent, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year (other than the Worldwide Business Demerger); and (c) an operating and financial review of the unaudited financial statements including a discussion of the consolidated financial condition and results of operations of the Parent and an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Parent and the Restricted Subsidiaries, taken as a whole, or any senior management changes at the Parent or any Subsidiary Guarantor or change in auditors of the Parent or the Issuer or any other material event, in each case, that the Parent announces publicly, a report containing a description of such event.

All financial statements shall be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Parent or Subsidiaries of the Parent or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes are deemed to be "restricted securities" within the meaning of Rule 144, unless the Parent is subject to Section 13 or 15(d) of the US Exchange Act or exempt pursuant to Rule 12g3-2(b) thereunder, the Parent will furnish to the holders of Notes or holders of any beneficial interest therein and to prospective purchasers of Notes or beneficial interests therein designated by any such holders, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Parent will also (a) file a press release with the appropriate internationally recognized wire services in connection with such report and (b) post such report on the Parent's website. In addition, so long as the Notes are admitted to the Official List and admitted to trading on the London Stock Exchange, each of the Parent and the Issuer will comply with the publication and disclosure requirements (if any) of the United Kingdom Listing Authority and the London Stock Exchange in relation to all such reports.

Additional or Amended Intercreditor Agreement

The Indenture will provide that, subject to the covenants contained therein, at the request of the Parent, at or prior to any time that the Issuer or a Guarantor incurs or guarantees any Indebtedness permitted to be secured by a Lien on the Collateral pursuant to the definition of Permitted Collateral Liens, the Issuer, the Guarantors, the Security Agent and the Trustee shall either amend and/or restate the Intercreditor Agreement or enter into with the creditors and/or agents of creditors with respect to such Indebtedness an intercreditor agreement on substantially the same terms as the Intercreditor Agreement (or an amendment or restatement of the Intercreditor Agreement in lieu thereof), in either such case, to permit such Indebtedness to be subject to (and benefit from) substantially identical terms with respect to the release of the Collateral and Guarantees, enforcement of security interests, turnover, limitations on enforcement and other rights and limitations of the creditors of Senior Secured Debt as contained in the Intercreditor Agreement in effect as of the Issue Date (or, in the case of any such terms, terms more favorable to the holders of the Notes). Only one such intercreditor agreement shall be outstanding at any one time or, if more than one such intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict and must be no more disadvantageous to the holders of the Notes than if all such Indebtedness was a party to one such agreement.

The Indenture will also provide that, at the direction of the Parent and without the consent of the holders of the Notes, the Trustee will upon direction of the Parent from time to time enter into one or more amendments and/or restatements of the Intercreditor Agreement or any such additional intercreditor agreement to: (1) cure any ambiguity, omission, defect or inconsistency therein; (2) increase the amount of Indebtedness permitted to be incurred or issued under the Indenture of the types covered thereby that may be incurred by the Issuer or any Guarantors that is subject thereto (including the addition of provisions relating to new Indebtedness); (3) add Guarantors thereto; (4) further secure the Notes (including Additional Notes); or (5) make any other such change thereto that does not adversely affect the rights of holders of the Notes in any material respect. The Parent will not otherwise direct the Trustee to enter into any amendment and/or restatements of the Intercreditor Agreement or, if applicable, any additional intercreditor agreement, without the consent of the holders of a majority in principal amount of the outstanding Notes.

The Indenture will provide that each holder of a Note, by accepting a Note, will be deemed to have agreed to and accepted the terms and condition of the Intercreditor Agreement or any amendment and/or restatement of the Intercreditor Agreement or any additional intercreditor agreement contemplated hereby, and the entry into such amendment and/or restatement of the Intercreditor Agreement or additional intercreditor agreement by the Security Agent and the Trustee and the performance of their obligations and the exercise of their rights thereunder and in connection therewith.

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Parent or relevant Guarantor to comply with the provisions described under the caption "—Certain Covenants—Consolidation, Merger and Sale of Assets;

(4) failure by the Parent or relevant Guarantor for 60 days after written notice to the Parent by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3) above), the Notes, the Note Guarantee or the Intercreditor Agreement (or any Additional Intercreditor Agreement entered into pursuant to the terms of the Intercreditor Agreement or the Indenture);

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Parent or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Parent or any of its Restricted Subsidiaries) (*provided* that, for the purpose of the following clause (a) only, such Indebtedness is Indebtedness incurred by the Issuer or any Guarantor (other than a Guarantee of Indebtedness in which the borrower or issuer of such Indebtedness is a Restricted Subsidiary of the Parent that is not a Guarantor or the Issuer)), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default;

    (b) is caused by a failure to pay principal at final maturity on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default; or

    (c) results in the acceleration of such Indebtedness prior to its Stated Maturity,

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default as described in the preceding clauses (a) or (b) or the maturity of which has been so accelerated, aggregates $40.0 million or more;

(6) failure by the Parent or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $40.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee;

(8) (i) any security interest created by any Security Document ceases to be in full force and effect (except as permitted by the terms of the Indenture, the Intercreditor Agreement or the Security Documents) with respect to any of the Collateral, or an assertion by the Parent or any of its Restricted Subsidiaries that any of the Collateral is not subject to a valid, perfected security interest (except as permitted by the terms of the indenture or Security Documents); or (ii) the repudiation by the Parent or any of its Restricted Subsidiaries of any of its material obligations under any Security Document; and

(9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Parent or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Parent, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest, Additional Amounts or premium, if any, on, or the principal of, the Notes.

The Parent is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Parent is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Note Guarantees, the Intercreditor Agreement, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "—Events of Default and Remedies" (except those relating to payments on the Notes or bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in US dollars, non-callable US Government Securities, or a combination of cash in US dollars and non-callable US Government Securities (in the case of the Dollar Notes), in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee:

  (a) an opinion of United States counsel reasonably acceptable to the Trustee confirming that (i) the Parent has received from, or there has been published by, the US Internal Revenue Service a ruling or (ii) since the Issue Date, there has been a change in the applicable US federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and

  (b) an opinion of counsel in the jurisdiction of incorporation of the Issuer and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee:

  (a) an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for US federal income tax purposes as a result of such Covenant Defeasance and will be subject to US federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and

  (b) an opinion of counsel in the jurisdiction of incorporation of the Issuer and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Issuer or any of the Guarantors is a party or by which the Issuer or any of the Guarantors is bound;

(6) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and

(7) the Issuer must deliver to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Consent to Proposed Scheme

The holders of the Notes and the Trustee are deemed to have irrevocably given their consent to the Capital Reductions (in each case, without any liability to any person for so doing). To the extent that express consent to the Capital Reductions is required by the relevant court or otherwise, the holders of the Notes authorize and direct the Trustee to give its consent (without any liability for so doing) to the Capital Reductions. Any cost, expense or liability of the Trustee in giving its consent shall be for the account of the Parent.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement or any Security Document may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "—Repurchase at the Option of Holders");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(5) make any Note payable in currency other than that stated in the Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "—Repurchase at the Option of Holders");

(8) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(9) release the Lien on Collateral granted for the benefit of the holders of Notes, except in accordance with the terms of the relevant Security Document, the Indenture and Intercreditor Agreement; or

(10) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement or any Security Document:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;

(5) to conform the text of the Indenture, the Notes, any Note Guarantee, the Intercreditor Agreement or any Security Document to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement or the Security Documents;

(6) to (a) enter into additional or supplemental Security Documents or (b) amend, restate and/or enter into an intercreditor agreement as provided for under the caption "—Additional or Amended Intercreditor Agreement";

(7) to release Collateral in accordance with the terms of the Indenture, the Intercreditor Agreement and the Security Documents or to release any Note Guarantee in accordance with the terms of the Indenture and the Intercreditor Agreement;

(8) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(9) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes;

(10) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(11) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture; or

(12) to add additional parties to the Intercreditor Agreement or any Security Document to the extent permitted hereunder and thereunder.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

    (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

    (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, or cash in US dollars, non-callable US Government Securities, or a combination of cash in US dollars and non-callable US Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Judgment Currency

Any payment on account of an amount that is payable in sterling or US dollars, as the case may be (the "*Required Currency*"), which is made to or for the account of any holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the Trustee, as the case may be, the Issuer shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee. If the Trustee becomes the Holder, beneficial owner or pledgee of any Notes, it may deal with the Issuer with the same rights it would have if it were not the Trustee, Paying Agent, Registrar or any other such agent.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, the Notes, the Note Guarantees and the Intercreditor Agreement and no implied covenants or obligations will be read into the Indenture as against the Trustee.

Listing

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 for the Notes to be admitted to the Official List of the United Kingdom Listing Authority and to the London Stock Exchange for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange. There can be no guarantee that the foregoing applications will be approved as of the date the Notes are issued or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

Additional Information

Anyone who receives this Offering Memorandum in connection with this Offering of Notes may obtain a copy of the Indenture, the form of Note, the Security Documents and the Intercreditor Agreement without charge by writing to Sable International Finance Limited; c/o Cable and Wireless; 3rd Floor, 26 Red Lion Square; London WC1R 4HQ England, Attention: Group Treasurer.

For so long as the Notes are listed on the London Stock Exchange and the rules of such exchange so require, copies of the Indenture, the form of Note, the Security Documents and the Intercreditor Agreement may be inspected and obtained from Deutsche Bank AG, London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

Copies, current and future, of all of the Issuer's annual audited consolidated and unconsolidated financial statements and the Issuer's unaudited consolidated interim semi-annual financial statements will, when published, be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the specified office of the Paying Agents.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor will appoint CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York 10011 as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees and for actions brought under US federal or state securities laws brought in any Federal or state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Because the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "*controlling*," "*controlled by*" and "*under common control with*" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(1) 1.0% of the principal amount of the Note; or

(2) the excess of:

  (a) the present value at such redemption date of (i) the redemption price of the Note at , 2014 (such redemption price being set forth in the table appearing under the caption "Optional Redemption" and being calculated exclusive of accrued and unpaid interest and Additional Amounts) plus (ii) all required interest payments due on the Note through , 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

  (b) the principal amount of the Note.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "*Beneficially Owns*" and "*Beneficially Owned*" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in London or New York or a place of payment under the Indenture are authorized or required by law to close.

"*C&W Communications Scheme*" means the scheme of arrangement proposed to be made under Part 26 of the Companies Act 2006, as amended, between Cable and Wireless and the holders of Cable and Wireless shares (other than treasury shares), with or subject to any modification, addition or condition approved or imposed by the relevant court and agreed by Cable and Wireless and C&W Communications.

"*C&W Communications Scheme Documents*" means the scheme of arrangement circular dated February 2, 2010 and made under Part 26 of the Companies Act 2006, with or subject to, to the extent permitted under the Indenture, any modification, addition or condition approved or imposed by the relevant court and agreed to by Cable and Wireless and C&W Communications.

"*Cable & Wireless Trademarks*" means the "Cable & Wireless" name and all abbreviations and derivations of the "Cable & Wireless" name, whether registered or unregistered, but, in relation to the Worldwide Group, excludes the "Cable & Wireless Globe" logo and, in relation to the C&W Communications and its Restricted Subsidiaries, includes the "Cable & Wireless Globe" logo.

"*Cable & Wireless Worldwide*" means Cable & Wireless Worldwide plc, a public limited company incorporated in England and Wales with registered number 7029206.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Reductions*" means (1) the reduction of capital of Cable & Wireless Communications in order to effect the Worldwide Business Demerger and in order to create reserves; and (2) the reduction of capital of Cable & Wireless Worldwide plc following the Worldwide Business Demerger becoming effective in order to create reserves.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union (including any agency or instrumentality thereof) or of the United States of America (including any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, as the case may be, and which are not callable or redeemable at the Parent's option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States of America or any state thereof; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of £500 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-3" or higher by Moody's or "A–" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition "P-1" or higher by Moody's or "A-1" or higher by S&P or the equivalent rating category of another internationally recognized rating agency and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the US Exchange Act)) (other than any such sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Parent to an Affiliate of the Parent for the purpose of reincorporating the Parent in another jurisdiction provided that the transaction complies with the covenant described under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets");

(2) the adoption of a plan relating to the liquidation or dissolution of the Parent (other than in connection with a solvent reorganization that complies with the covenant described under the caption "—Certain Covenants—Merger, Consolidation or Sale of Assets");

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" as defined above), becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Parent, measured by voting power rather than number of shares; or

(4) the first day on which a majority of the members of the Board of Directors of the Parent are not Continuing Directors; *provided*, *however*, that this clause (4) shall not apply to members of the Board of Directors nominated or re-elected by employees pursuant to co-determination and similar statutes providing for employee representatives on supervisory or similar boards.

For the avoidance of doubt, neither the consummation of the C&W Communications Scheme nor the consummation of the Worldwide Business Demerger will be deemed to constitute a "Change of Control."

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture governing the Notes.

"*Collateral*" means (1) the shares of each of Sable Holding Limited, CWIGroup Limited, Cable and Wireless (West Indies) Limited and the Issuer and (2) any other asset in which a security interest has been or will be granted pursuant to any Security Document to secure the Obligations under the Indenture, the Notes or any Notes Guarantee.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(2) depreciation and amortization for such period to the extent deducted in determining Consolidated Net Income for such period of such Person and its Restricted Subsidiaries (including amortization of capitalized debt issuance costs for such period); *minus*

(3) to the extent they increase Consolidated Net Income, net after-tax exceptional item for such period of such Person and its Restricted Subsidiaries; *plus*

(4) to the extent they decrease Consolidated Net Income, net after-tax exceptional items for such period of such Person and its Restricted Subsidiaries; *plus*

(5) to the extent they decrease Consolidated Net Income, finance expense, loss on termination of operations, share of post tax loss of associates and joint ventures and other operating expense for such period of such Person and its Restricted Subsidiaries; *minus*

(6) to the extent they increase Consolidated Net Income, finance income, gain on termination of operations, share of post tax profit of associates and joint ventures and other operating income for such period of such Person and its Restricted Subsidiaries; *plus*

(7) to the extent they decrease Consolidated Net Income, net losses from discontinued operations for such period of such Person and its Restricted Subsidiaries; *minus*

(8) to the extent they increase Consolidated Net Income, net income from discontinued operations for such period of such Person and its Restricted Subsidiaries;

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary of such Person), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) the net income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person and the net income (if negative) of any Person that is not a Restricted Subsidiary will be included only to the extent that such loss has been funded by the specified Person or a Restricted Subsidiary of such Person; and

(2) the cumulative effect of a change in accounting principles will be excluded.

"*Consolidated Non-Guarantor Leverage*" means, with respect to any Person as of any date of determination, the sum without duplication of the total amount of Non-Guarantor Debt of such Person and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS.

"*Consolidated Non-Guarantor Leverage Ratio*" means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Non-Guarantor Leverage of such Person on such date (the "*Determination Date*") to (b) the Consolidated EBITDA of such Person for the four most recent full fiscal quarters ending immediately prior to such date for which financial statements are available; *provided, however*, that for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or other business combinations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the calculation date will be given *pro forma* effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA for such four-quarter reference period will be calculated on a *pro forma* basis (for purposes of determining the *pro forma* effect of any such transaction, Consolidated EBITDA shall be increased to reflect the annualized amount of any cost savings that have occurred or are expected by the specified Person and its Restricted Subsidiaries to be realized in connection with such transaction (from steps to be taken not later than the first anniversary of such transaction, and without reduction for any non-recurring charges expected in connection with such transaction), as determined in good faith by the chief financial officer of the specified Person and as set forth in an officer's certificate signed by the specified Person's chief financial officer (which shall be determinative of such matters) which states (a) the amount of such cost savings, and (b) that such cost savings is based on the reasonable beliefs of the officer executing such officer's certificate at the time of such execution);

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Determination Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Determination Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter reference period; and

(4) any Person that is not a Restricted Subsidiary on the Determination Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter reference period.

"*Consolidated Senior Secured Leverage*" means, with respect to any Person as of any date of determination, the sum without duplication of the total amount of Senior Secured Debt of such Person and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS.

"*Consolidated Senior Secured/Non-Guarantor Leverage*" means, with respect to any specified Person as of any date of determination, the sum without duplication of (1) the Consolidated Senior Secured Leverage of such Person and (2) the Consolidated Non-Guarantor Leverage of such Person.

"*Consolidated Senior Secured/Non-Guarantor Leverage Ratio*" means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Senior Secured/Non-Guarantor Leverage of such

Person on such date (the "*Determination Date*") to (b) the Consolidated EBITDA of such Person for the four most recent full fiscal quarters ending immediately prior to such date for which financial statements are available; *provided, however*, that for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or other business combinations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the calculation date will be given *pro forma* effect as if they had occurred on the first day of the four-quarter reference period and Consolidated EBITDA for such four-quarter reference period will be calculated on a *pro forma* basis (for purposes of determining the *pro forma* effect of any such transaction, Consolidated EBITDA shall be increased to reflect the annualized amount of any cost savings that have occurred or are expected by the specified Person and its Restricted Subsidiaries to be realized in connection with such transaction (from steps to be taken not later than the first anniversary of such transaction, and without reduction for any non-recurring charges expected in connection with such transaction), as determined in good faith by the chief financial officer of the specified Person and as set forth in an officer's certificate signed by the specified Person's chief financial officer (which shall be determinative of such matters) which states (a) the amount of such cost savings, and (b) that such cost savings is based on the reasonable beliefs of the officer executing such officer's certificate at the time of such execution);

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Determination Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the Determination Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter reference period; and

(4) any Person that is not a Restricted Subsidiary on the Determination Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter reference period.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Parent who:

(1) was a member of such Board of Directors on the Issue Date; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"*Credit Facilities*" means, with respect to the Issuer or any Restricted Subsidiary, one or more debt facilities or arrangements (including the New Credit Facilities), or commercial paper facilities and overdraft facilities with banks or other institutional lenders, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced (including by means of sales of debt securities to institutional investors), in whole or in part from time to time (whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under the original New Credit Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing. Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Parent as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Indebtedness*" means any Public Debt or Indebtedness under a Credit Facility permitted to be incurred under the Indenture with aggregate commitments and outstanding obligations at the time of initial incurrence of at least \$25.0 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) that is designated by the Parent as

Designated Indebtedness pursuant to an Officer's Certificate delivered to the Trustee (and, for the avoidance of doubt, any incremental or additional incurrence of Indebtedness under a Credit Facility, indenture, trust deed or other debt instrument will be deemed to be Designated Indebtedness if such Credit Facility, indenture, thrust deed or other debt instrument pursuant to which such incremental or additional Indebtedness was incurred related to Designated Indebtedness prior to such incremental or additional Indebtedness being incurred).

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which becomes a member of the European Union after January 1, 2004.

"*Existing Indebtedness*" means Indebtedness of the Parent and its Restricted Subsidiaries in existence on the date of the Indenture until such amounts are repaid.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm's length transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Parent (unless otherwise provided in the Indenture).

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means each of the Cable and Wireless, Sable Holding Limited, CWIGroup Limited, Cable and Wireless (West Indies) Limited and, following consummation of the C&W Communications Scheme, C&W Communications, and any Restricted Subsidiary of the Parent that executes a Note Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*IFRS*" means International Financial Reporting Standards promulgated from time to time by the International Accounting Standards Board (or any successor board or agency) and as adopted by the European Union.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; and

(6) representing any Hedging Obligations (with the amount of any such obligations to be equal at any time to the net termination value of such agreement or arrangement giving rise to such obligation that would be payable by such person at such time),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

For the avoidance of doubt, the term "Indebtedness" shall not include:

(1) in connection with the purchase by the Parent or any of its Restricted Subsidiaries of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or

(2) any contingent obligations in respect of performance obligations, workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions (including, without limitation, employee retirement and healthcare obligations) or social security or wage Taxes.

"*Intercreditor Agreement*" means the intercreditor agreement, to be dated the Issue Date, among the Security Agent, the agents for the New Credit Facilities, the Trustee and the other parties named therein, as amended and/or restated from time to time, and any additional intercreditor agreement in replacement or in lieu thereof as contemplated by the provisions contained under the caption "—Additional or Amended Intercreditor Agreement."

"*Internationally Syndicated Indebtedness*" means Indebtedness in the form of Credit Facilities or bonds, debentures, notes or other similar debt securities that is primarily syndicated to international investors in connection with the initial distribution, issuance or syndication. For the avoidance of doubt, bi-lateral credit facilities will not be deemed to be Internationally Syndicated Indebtedness for purposes of this definition.

"*Issue Date*" means , 2010.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing or similar statement under the laws of any jurisdiction.

"*Moody's*" means Moody's Investors Service, Inc.

"*New Credit Facilities*" means, collectively, (1) that certain senior credit facility agreement, dated as of January 13, 2010, by and among the Issuer, as borrower, certain Subsidiaries of the Parent as guarantors and BNP Paribas, as facility agent and security agent, providing for up to $500.0 million of credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time and (2) that certain $100.0 million facility agreement, dated as of January 13, 2010, by and among the Issuer, certain entities as guarantors and Lloyds TSB Bank plc.

"*Non-Guarantor Debt*" means, with respect to any Person as of any date of determination, any Indebtedness of such Person's Restricted Subsidiaries other than (1) Indebtedness of the Issuer and/or any Guarantor; (2) Indebtedness of Cable & Wireless International Finance B.V. under its the £200 million in original aggregate principal amount 8⅝ per cent. Guaranteed Bonds due 2019 and any Permitted Refinancing Indebtedness of Cable & Wireless International Finance B.V. in respect thereof; (3) any Hedging Obligations of any Restricted Subsidiary of the Parent (other than the Issuer and/or any Guarantor) permitted to be incurred by clause (5) of the definition of Permitted Debt; and (4) intercompany Indebtedness and preferred stock of the type described by clauses (3) or (4) of the definition of Permitted Debt.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means, with respect to any Person, the Chairman or any executive director of the Board of Directors, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Head of Treasury, the Head Legal Officer or the Secretary of such Person.

"*Officers' Certificate*" means a certificate signed on behalf of any Person by two Officers, one of whom must be the Chief Executive Officer or the Chief Financial Officer of such Person.

"*Parent Entity*" means any direct or indirect parent company or entity of the Parent.

"*Pensions L/C*" means the letter of credit relating to the Cable and Wireless pension for the employees of the Parent and its Restricted Subsidiaries.

"*Permitted Collateral Liens*" means:

(1) Liens on the Collateral to secure the Notes (or the Note Guarantees) issued on the Issue Date;

(2) Liens on the Collateral to secure Indebtedness that is Designated Indebtedness if on the later of the date such Lien becomes effective and the date upon which such Indebtedness is incurred, and on a *pro forma* basis (including *pro forma* application of the proceeds from such Indebtedness secured by such Liens), the Consolidated Senior Secured/Non-Guarantor Leverage Ratio of the Parent is less than 3.00 to 1; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Note Guarantees on a senior or pari passu basis; *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement;

(3) Liens on the Collateral to secure Permitted Refinancing Indebtedness that is Designated Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness which is secured by a Lien on the Collateral pursuant to clauses (1) or (2) above or this clause (3); *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Note Guarantees on a senior or *pari passu* basis; *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement;

(4) Liens on the Collateral securing the Parent's or any Restricted Subsidiary's obligations under (a) interest rate Hedging Obligations that relate solely to Indebtedness referred to in clauses (1), (2) or (3) above or (b) Hedging Obligations that relate to foreign exchange rate risk that is not speculative; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or the Note Guarantees on a senior or *pari passu* basis; *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement; and

(5) Liens on the Collateral arising by operation of law that are described in one or more of clauses (4), (7), (8), (9) and (12) of the definition of "Permitted Liens" and that, in each case, would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral.

"*Permitted Indebtedness*" means:

(1) the incurrence by the Parent and its Restricted Subsidiaries of Existing Indebtedness;

(2) the incurrence by the Parent or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the second paragraph of the covenant set forth under the caption "—Certain Covenants—Limitation on Certain Indebtedness" or clauses (2) or (11) of this definition;

(3) the incurrence by the Parent or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Parent and any of such Restricted Subsidiaries; *provided, however*, that if (a) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent or a Restricted Subsidiary of the Parent and (b) any sale or other transfer of any such Indebtedness to a Person that is not either the Parent or a Restricted Subsidiary of the Parent, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (3);

(4) the issuance by any of the Parent's Restricted Subsidiaries to the Parent or by any of the Parent's Restricted Subsidiaries to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however*, that:

   (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Parent or a Restricted Subsidiary of the Parent; and

   (b) any sale or other transfer of any such preferred stock to a Person that is not either the Parent or a Restricted Subsidiary of the Parent,

   will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (4);

(5) the incurrence by the Parent or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(6) the guarantee by the Parent or a Restricted Subsidiary of the Parent of Indebtedness of the Parent or a Restricted Subsidiary of the Parent that was permitted to be incurred pursuant to the covenant set forth under the caption "—Certain Covenants—Limitation on Certain Indebtedness" other than this clause (6);

(7) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from (a) workers' compensation claims, self-insurance obligations, performance, surety, bid, judgment, appeal, advance payment, customs, VAT or other tax guarantees or other similar bonds, instruments or obligations and performance or completion bonds, guarantees and warranties provided by the Parent or any of its Restricted Subsidiaries or relating to liabilities or obligations arising in the ordinary course of business and not in connection with the borrowing of money; (b) letters of credit, bankers' acceptances, overdraft facilities or other similar instruments or obligations issued or relating to liabilities or obligations in the ordinary course of business; *provided* that, upon demand being made under such reimbursement obligations, such demand is satisfied within five days of the date of such demand; and (c) the financing of insurance premiums in the ordinary course of business;

(8) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds, so long as such Indebtedness is extinguished or covered within five business days of the Parent or the relevant Subsidiaries obtaining knowledge of such incurrence;

(9) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Parent or a Restricted Subsidiary of the Parent providing for indemnification, earn-out, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Subsidiary, other than, for the avoidance of doubt, guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; *provided* that the maximum liability of the Parent and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received the Parent and its Restricted Subsidiaries in connection with such disposition;

(10) customer deposits and advance payments received from customers for goods and services purchased in the ordinary course of business;

(11) the incurrence by Cable & Wireless International Finance B.V. and the guarantee by Cable and Wireless of the £200 million in original aggregate principal amount of its 8⅝ per cent. Guaranteed Bonds due 2019; and

(12) the incurrence by the any of the Parent's Restricted Subsidiaries (other than the Issuer or a Guarantor) of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding not to exceed $5.0 million.

"*Permitted Liens*" means:

(1) Liens in favor of the Issuer, the Guarantors or, if such Lien is granted by any of the Parent's Restricted Subsidiaries other than the Issuer or a Guarantor, any other Restricted Subsidiary of the Parent;

(2) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of the Parent or is merged with or into or consolidated with the Parent or any of its Restricted Subsidiaries; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Parent or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Parent or is merged with or into or consolidated with the Parent or any of its Restricted Subsidiaries;

(3) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Parent or any Subsidiary of the Parent; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of, such acquisition;

(4) Liens to secure the performance of statutory obligations, insurance, surety or appeal bonds, workers compensation obligations, performance bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(5) Liens on the assets of any Restricted Subsidiary of the Parent that is not a Guarantor or the Issuer to secure Indebtedness of a Restricted Subsidiary of the Parent (other than Indebtedness of a Guarantor or the Issuer) that was permitted to be incurred pursuant to the covenant described under the caption "—Certain Covenants—Limitation on Certain Indebtedness" and/or to secure Hedging Obligations related thereto;

(6) Liens existing on the Issue Date;

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(9) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(10) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided*, *however*, that:

   (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

   (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(13) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(14) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(15) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(16) Liens on cash in support of the Pensions L/C or any cash escrow arrangement for the same purpose; and

(17) Liens securing Indebtedness of the Parent or any Restricted Subsidiary that does not exceed $25.0 million at any one time outstanding.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Parent or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Parent or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that such Indebtedness is incurred either by the Issuer or a Guarantor (if the Issuer or a

Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged) or by a Restricted Subsidiary other than the Issuer or a Guarantor (if neither the Issuer nor any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged) and, in each case, is guaranteed only by Persons who are otherwise permitted to guarantee such Indebtedness had such Indebtedness been permitted to be incurred under the Indenture.

"*Permitted Worldwide Transactions*" mean:

(1) any agreement, contract or arrangement existing on the Issue Date (including, but not limited to, (i) the C&W Communications Scheme Documents and the Worldwide Business Demerger Documents and (ii) any guarantee or any direct or indirect credit support of an Unrestricted Subsidiary of the Parent) and the performance under any such agreement, contract or arrangement (including, but not limited to, the execution and performance of the transfer agreement between C&W Communications and Cable and Wireless and the shareholders agreement between Cable and Wireless and Cable & Wireless Worldwide Holdings, pursuant to which each of Cable and Wireless and Cable and Wireless Worldwide Holdings will own 50% of the shares of a joint venture holding all rights in the Cable and Wireless Trademarks);

(2) required payments in respect of contractually agreed payroll and pension obligations;

(3) the pre-funding of the Worldwide Group's portion of the dividend payable in August 2010 up to a maximum aggregate amount of £85 million in respect of the profits of Cable and Wireless for its financial year ending March 31, 2010, to the extent the Worldwide Group is committed to fund a portion of such dividend;

(4) prior to the transfer of the £230 million convertible bonds due 2014 to Cable & Wireless Worldwide and convertible into ordinary shares of Cable & Wireless Worldwide in accordance with its terms on or about the effective date of the Worldwide Business Demerger, required payments in respect of payments and accrued interest under such convertible bonds less any expenses;

(5) if the effective date of the Worldwide Business Demerger does not occur by September 30, 2010, the payment (by way of loan) of up to £230 million in aggregate over the term of the New Credit Facilities to the Worldwide Group as a result of the convertible bonds referred to in the preceding clause (4) not being transferred to the Worldwide Group and remaining with Cable and Wireless or C&W Communications, *provided* that the interest charged pursuant to the terms of such loan is calculated on the same basis as the coupon rate of such convertible bonds;

(6) one Business Day prior to the transfer of the convertible bonds referred to in the preceding clause (4) to the Worldwide Group, the payment of up to £230 million in aggregate to the Worldwide Group in connection with such transfer;

(7) payments in respect of trade payables and any other commercial transaction, in each case, entered into on arm's length terms; and

(8) payments made from, and not exceeding, the net proceeds received by the Parent from the sale of Equity Interests of the Parent after the Issue Date and prior to the Worldwide Business Demerger.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the US Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale. The term "Public Debt" (a) shall not include the Notes (or any Additional Notes) and (b) for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (provided that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not to be underwritten), or any Indebtedness under the New Credit Facilities, commercial bank or similar Indebtedness, Capital Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering."

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Group.

"*Security Agent*" means BNP Paribas, as security agent pursuant to the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity.

"*Security Documents*" means, collectively, (1) that certain Equitable Charge over Shares, dated as of January 29, 2010, between Sable Holdings Limited and BNP Paribas, as security trustee, in respect of the Capital Stock of the Issuer; (2) that certain Equitable Charge over Shares, dated as of January 29, 2010, between CWIGroup Limited and BNP Paribas, as security trustee, in respect of the Capital Stock of Cable and Wireless (West Indies) Limited; (3) that certain Equitable Charge over Shares, dated as of January 29, 2010, between Sable Holdings Limited and BNP Paribas, as security trustee, in respect of the Capital Stock of CWIGroup Limited; (4) that certain Equitable Charge over Shares, dated as of January 29, 2010, between Cable and Wireless plc and BNP Paribas, as security trustee, in respect of the Capital Stock of Sable Holding Limited and (5) any other agreement or document that provides for a Lien over any Collateral for the benefit of the holders of the Notes, in each case, as amended, supplemented or restated from time to time.

"*Senior Secured Debt*" means, with respect to any Person as of any date of determination, any Indebtedness of such Person and its Restricted Subsidiaries that is secured by a Lien on the Collateral as permitted by the Indenture.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary of the Parent that together with its Subsidiaries which are Restricted Subsidiaries of the Parent (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Parent or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 10% of the consolidated assets of the Parent.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; and

(3) any other corporation, association, partnership, limited liability company or other business entity of which (a) is required to be consolidated under IFRS for purposes of preparing the consolidated annual financial statements of the Parent and/or (b) is controlled, directly or indirectly, by such Person.

"*Treasury Rate*" means the yield to maturity at the time of computation of US Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market date selected by the Parent in good faith)) most nearly equal to the period from the redemption date to , 2014; provided, however, that if the period from the redemption date to , 2014 is not equal to the constant maturity of a US Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of US Treasury securities for which such yields are given, except that if the period from the redemption date to , 2014 is less than one year, the weekly average yield on actually traded US Treasury securities adjusted to a constant maturity of one year shall be used.

"*US Exchange Act*" means the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated pursuant thereto.

"*US Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"*Unrestricted Subsidiary*" means each of the Worldwide Business Subsidiaries for so long as any such Person is a Subsidiary of the Parent.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Worldwide Business Demerger*" means the demerger of the Worldwide Group from Cable and Wireless and its Restricted Subsidiaries as described in the C&W Communications Scheme Documents.

"*Worldwide Business Demerger Documents*" means the demerger agreement among Cable and Wireless, C&W Communications and Cable & Wireless Worldwide; the separation agreement among, inter alia, Cable and Wireless, C&W Communications and Cable & Wireless Worldwide; the pensions heads of terms among Cable and Wireless, Cable & Wireless Worldwide Services Limited and the trustee of the Cable & Wireless Superannuation Fund; and the transitional services agreement between C&W Communications and Cable & Wireless Worldwide.

"*Worldwide Business Subsidiaries*" means the Subsidiaries of Cable & Wireless UK Holdings Limited.

"*Worldwide Group*" means (1) prior to the date and time the Worldwide Business Demerger becomes effective, the international operating units of Cable and Wireless and its subsidiaries and subsidiary undertakings, in each case, held directly or indirectly by Cable & Wireless UK Holdings Limited or otherwise to be demerged pursuant to the Worldwide Business Demerger Documents and (2) following the date and time the Worldwide Business Demerger becomes effective, Cable & Wireless Worldwide and its Subsidiaries and subsidiary undertakings from time to time.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the **Regulation S Global Note**).

The Notes sold within the United States to qualified institutional buyers, pursuant to Rule 144A, will initially be represented by a global note in registered form without interest coupons attached (the **144A Global Note** and, together with the Regulation S Global Note, the **Global Notes**). On the closing date the Global Notes will be deposited with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC.

Investors who are qualified institutional buyers and who purchase Notes in reliance on Rule 144A may hold their interests in a Rule 144A Global Note directly through DTC if they are DTC participants, or indirectly through organisations that are DTC participants. Investors who hold beneficial interests in a Regulation S Global Note may hold such interests directly through Euroclear and Clearstream if they are participants in these systems, or indirectly through organisations that are participants in Euroclear or Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Through and including the period ending 40 days after the commencement of the offering of the Notes (the **40 Day Period**), beneficial interests in the Regulation S Global Note may only be held through Euroclear and Clearstream, Luxembourg (as indirect participants in DTC). Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its book-entry registration and transfer systems a participant's account with the interest beneficially owned by such a participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, DTC (or its nominees) will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither the Issuer, nor the Trustee under the indenture governing the Notes, nor any of the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the indenture governing the Notes, owners of Book-Entry Interests will receive definitive Notes in registered form (the **Definitive Registered Notes**):

- if DTC notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days;
- if the Issuer, at its option, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Registered Notes; or
- if DTC so requests following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC or the Issuer, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Notice to Investors*," unless that legend is not required by the indenture governing the Notes or applicable law.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of DTC, and, as applicable, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, and, as applicable, Euroclear and Clearstream, will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, however, that no Book-Entry Interest of less than $100,000, as applicable, principal amount at maturity, or less, may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Notes, the Issuer and the Trustee will treat the registered holder of the Global Notes (i.e., the custodian for DTC or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name".

In order to tender Book-Entry interests in the change of control offer, the holder of the applicable Global Note must, within the period specified in such offer, give notice of such tender to the principal paying agent and specify the principal amount of book-entry interests to be tendered.

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such Notes through DTC in dollars.

Action by Owners of Book-Entry Interests

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*".

During the 40 Day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the indenture governing the Notes) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Subject to the foregoing, and as set forth in "*Notice to Investors*" Book-Entry Interests may be transferred and exchanged as described under "*Description of Notes—Transfer and Exchange*". Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*".

Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of Unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organised under New York Banking Law;
- a "banking organisation" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC's owners are the New York Stock Exchange, Inc. the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Like DTC, Euroclear and Clearstream hold securities for participating organisations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in DTC or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through DTC will receive distributions attributable to the 144A Global Notes only through DTC participants.

Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be admitted to trading on the London Stock Exchange and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore be required by DTC to be settled in immediately available funds. You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through DTC, Euroclear and Clearstream, Luxembourg on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving DTC, Euroclear and Clearstream, Luxembourg on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels or Luxembourg, depending on whether Euroclear or Clearstream, Luxembourg is used.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, any Guarantor, the Trustee or the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in dollars. Book-Entry Interests owned through DTC, accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAX CONSIDERATIONS

CAYMAN ISLANDS TAXATION

There is no income, corporate, capital gains or withholding tax imposed in the Cayman Islands. Stamp duty may be payable in the Cayman Islands on a Note or some of the documents to be entered into in connection with the transactions referred to in this offering memorandum if that Note or document is executed in the Cayman Islands or, once executed, is brought into the Cayman Islands.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective noteholders depends on their individual circumstances and may be subject to change in the future. Prospective noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

Payment of interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the **Income Tax Act 2007**). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue and Customs (**HMRC**) has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

If, in such circumstances, the beneficial owner is not within the charge to United Kingdom corporation tax as regards the payment of interest, the right to pay without deduction is treated as having never applied to any such payment.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a noteholder, HMRC can issue a notice to the Issuer to pay interest to the noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a noteholder or, in the case of Notes that are issued at a discount, who either pays amounts payable on the redemption of Notes to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before 5 April 2010. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for such Notes) such payments may be subject to United Kingdom withholding tax at 20% subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply. It is not certain that such payments by the Guarantor will be eligible for all the exemptions described above.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Taxation of Savings Income Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Belgium has elected to replace this withholding tax system with a regime of exchange of information to the Member State of residence with effect from 1 January 2010. A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system, in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Taxation of Savings Income Directive, which included the Commission's advice on the need for changes to the Taxation of Savings Income Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Taxation of Savings Income Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Taxation of Savings Income Directive, they may amend or broaden the scope of the requirements described above.

Further United Kingdom Income Tax Issues

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that noteholder is a company, unless that noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such noteholders.

United Kingdom Corporation Tax Payers

In general, noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other United Kingdom Tax Payers

Taxation of Chargeable Gains

A disposal of Notes by an individual noteholder who is resident or ordinarily resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a chargeable gain or allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

Taxation of discount

Notwithstanding the paragraph entitled "*Taxation of Chargeable Gains*" above, if the Notes constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 then any gain realised on redemption or transfer of the Notes by a noteholder who is within the charge to

United Kingdom income tax in respect of the Notes will generally be taxable as income but such noteholder will not be able to claim relief from income tax in respect of costs incurred on the acquisition, transfer or redemption, or losses incurred on the transfer or redemption, of the Notes. The Notes would generally be treated as deeply discounted securities for these purposes if, as at the Issue Date, the amount payable on maturity or other occasion of redemption, other than an Optional Redemption or Redemption for Changes in Tax, ("A") exceeds, or may exceed, the issue price of the Notes by more than A x 0.5% x Y, where Y is the number of years between the Issue Date and redemption.

Accrued Income Scheme

On a disposal of Notes by a noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable. The accrued income scheme will not apply if the Notes are deeply discounted securities for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005, as to which see the paragraph entitled "*—Taxation of discount*" above.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or Stamp Duty Reserve Tax (**SDRT**) is payable on issue or transfer of the Notes.

US TAXATION

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING US FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain US federal income tax considerations relevant to US Holders and Non-US Holders (each as defined below) acquiring, holding and disposing of Notes. This summary is based on the US Internal Revenue Code of 1986 (the **Code**), final, temporary and proposed US Treasury regulations, administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of US federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organisations; (vii) partnerships, pass-through entities, or persons that hold Notes through pass-through entities; (viii) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for US federal income tax purposes; (ix) investors that have a functional currency other than the US dollar and (x) US expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address US federal estate, gift or alternative minimum tax considerations, or non-US, state or local tax considerations and does not address the US federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their issue price (generally, the first price to the public at which a substantial amount of Notes is sold for money). This summary assumes that investors will hold their Notes as capital assets for US tax purposes (generally, property held for investment).

For the purposes of this summary, a **US Holder** is a beneficial owner of Notes that is for US federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organised under the laws of, the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is capable of being included in gross income for US federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a US court and which has one or more United States persons who have the authority to control all substantial decisions of the trust. A **Non-US Holder** is a beneficial owner of Notes that is not a US Holder.

If any entity treated as a partnership for US federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

US Holders

Payments of Interest

Stated interest on a note, including the payment of any Additional Amounts other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*Original Issue Discount—General*"), will be taxable to a US Holder as ordinary income at the time it is received or accrued, in accordance with the holder's method of accounting for tax purposes.

Stated interest on the Notes and original issue discount (as discussed below), if any, accrued with respect to the Notes will generally constitute income from sources outside the United States, subject to the rules regarding the US foreign tax credit allowable to a US Holder (and the limitations imposed thereon).

Should any tax be withheld, the amount withheld and the gross amount of any additional amounts paid to a US Holder will be included in such holder's income at the time such amount is received or accrued in accordance with such holder's method of tax accounting. Withholding tax, if any, imposed on a US Holder should, subject to limitations and conditions and at the election of such holder, be treated as foreign income tax eligible for credit against such holder's US federal income tax liability or a deduction in computing taxable income, to the extent such tax is not otherwise refundable. Any Additional Amounts would generally constitute income from sources outside the United States.

In certain circumstances (see "*Description of the Notes—Optional Redemption"),* the Issuer may be obligated to pay amounts in excess of stated interest or principal on the Notes. According to US Treasury regulations, the possibility that any such payments in excess of stated interest or principal will be made will not affect the amount of interest income a US Holder recognises if there is only a remote chance as of the date the Notes were issued that such payments will be made. The Issuer believes that the likelihood that it will be obligated to make any such payments is remote. Therefore, the Issuer does not intend to treat the potential payment of these amounts as part of the yield to maturity of the Notes. The Issuer's determination that these contingencies are remote is binding on a US Holder unless such holder discloses its contrary position in the manner required by applicable US Treasury regulations. The Issuer's determination is not, however, binding on the IRS, and, if the IRS were to challenge this determination, a US Holder might be required to accrue income on its Notes in excess of stated interest, and to treat as ordinary income rather than capital gain any income realised on the taxable disposition of a note before the resolution of the contingencies. In the event a contingency occurs, it would affect the amount and timing of the income recognised by a US Holder. If any such amounts are in fact paid, US Holders will be required to recognise such amounts as income.

In addition, under certain other circumstances the Issuer may be obligated to pay a premium upon the repurchase of the Notes due to a Change of Control. The Issuer believes that it is significantly more likely than not that it will not have to pay a premium upon a Change of Control. Therefore, this possibility will be ignored for purposes of determining the yield and maturity of the Notes.

Original Issue Discount

General

A Note will be treated as issued with OID (a **Discount Note**) if the excess of the Note's "stated redemption price at maturity" over its issue price is more than a de minimis amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). Generally, the "**issue price**" of a Note under the applicable Final Terms will be the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than Note houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The "**stated redemption price at maturity**" of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A "**qualified stated interest**" payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or certain variable rates, applied to the outstanding principal amount of the Note. If a Note has de minimis OID, a US Holder must include the de minimis amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under "*—Election to Treat All Interest as Original Issue Discount*". A US Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's de minimis OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

US Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and will generally have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a US Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the US Holder holds the Discount Note (**accrued OID**). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the US Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Note allocable to the accrual period. The "**adjusted issue price**" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Election to Treat All Interest as Original Issue Discount

A US Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*Original Issue Discount—General*" with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any acquisition premium. If a US Holder makes this election for the Note, then, when the constant-yield method is applied, the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Note with market discount, the electing US Holder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the US Holder. US Holders should consult their tax advisers concerning the propriety and consequences of this election.

Sale, Exchange and Redemption of Notes

Generally, upon the sale, exchange or redemption of a note, a US Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, or redemption (less any amount attributable to accrued but unpaid interest which, if it has not previously been included in income, will be taxable as such) and such US Holder's adjusted tax basis in the note. A US Holder's adjusted tax basis in a note will generally equal the cost of such note to such US Holder increased by the amount of any OID or market discount included in the US Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the US Holder's income with respect to the Note, and reduced by the amount of any payments that are not qualified stated interest payments. Except to the extent attributable to accrued but unpaid interest, such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or redemption the note has been held by such US Holder for more than one year, and will generally be treated as from US sources for purposes of the US foreign tax credit limitation. In the case of a US Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Non-US Holders

Subject to the discussion concerning information reporting and backup withholding below, a Non-US Holder generally should not be subject to US federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-US Holder of a trade or business in the US; (ii) in the case of any gain realised on the sale or exchange of a note by an individual Non-US Holder, that Holder is present in the US for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-US Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Information Reporting and Backup Withholding

In general, payments of principal, interest and OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a US Holder by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise to comply with the applicable backup withholding requirements. Certain US Holders (including, among others, corporations) are not subject to backup withholding.

In general, payments of principal, interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes, payable to a Non-US Holder by a US paying agent or other US intermediary will not be subject to backup withholding tax and information reporting requirements if appropriate certification (IRS Form W-8BEN or other appropriate form) is timely provided by the Non-US Holder to the payer and the payer does not have actual knowledge that the certificate is false.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to Barclays Bank PLC, BNP Paribas, J.P. Morgan Securities Ltd., RBS Securities Inc., Citigroup Global Markets Limited, HSBC Securities (USA) Inc. and Lloyds TSB Bank plc as the Initial Purchasers, and the Initial Purchasers have severally, but not jointly, agreed to purchase from the Issuer, the entire principal amount of the Notes. The sale will be made pursuant to a purchase agreement among the Issuer, the Guarantors and the Initial Purchasers dated February 2010 (the **Purchase Agreement**). The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if any of them are purchased.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates. Sales in the United States will be made through registered US broker-dealer affiliates of the Initial Purchasers. Lloyds TSB Bank plc is not a U.S. registered broker-dealer and, therefore, to the extent that they intend to effect any sales of the Notes in the United States, they will do so through one or more US registered broker-dealers as permitted by the regulations of the Financial Industry Regulatory Authority, Inc.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to certain conditions precedent. The Purchase Agreement provides that the Issuer and each Guarantor will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of, US persons, except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Notice to Investors*".

Each Initial Purchaser, severally and not jointly, represents, warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*".

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbour of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Issuer and the Guarantors will not (i) until 30 days after 2 February 2010, syndicate or announce any intention to syndicate any bank loan or other debt facility by any current or future obligor under the New Credit Facilities or any other Cable & Wireless Communications Group subsidiary, except for the New Credit Facilities, and (ii) until 60 days after 2 February 2010, offer, sell or issue, or announce an intention to offer, sell or issue, by way of a public or private offering or placement, (a) any debt securities or discount debt securities of any current or future obligor under the New Credit Facilities and (b) any debt securities or discount debt securities of any other Cable & Wireless Communications Group subsidiary, provided that, in the case of each of (i) and (ii)(b) only, such action would in the opinion of the Initial Purchasers also materially prejudice the execution of the offering of the Notes or the formation of orderly trading or price development after the Issue Date.

The Notes are a new issue of securities for which there currently is no market. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's regulated market. However, the Issuer cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised the Issuer that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favourable to you. See "*Risk Factors—Risks relating to the Notes—There may not be on active trading market for the Notes, in which case your ability to sell the Notes may be limited*".

In connection with the offering, The Royal Bank of Scotland plc as, the Stabilising Manager, or persons acting on its behalf, may engage in transactions that stabilise, maintain or otherwise affect the price of the Notes. Specifically, the Stabilising Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilise the price of the Notes. The Stabilising Manager, or persons acting on its behalf, may also over allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilising Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilise or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilising Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks relating to the Notes—There may not be on active trading market for the Notes, in which case your ability to sell the Notes may be limited*".

Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilising transactions permit bidders to purchase the underlying security so long as the stabilising bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilising or covering transaction to cover short positions.

These stabilising transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers have, directly and indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to Cable and Wireless plc and the Cable & Wireless Communications Group, for which they have received customary compensation. In particular, the Initial Purchasers or certain of their affiliates are lenders under the New Credit Facilities and, in each case, they have received customary fees and reimbursement of certain expenses in connection with the New Credit Facilities. Barclays Bank PLC, BNP Paribas, J.P. Morgan Securities Ltd. and RBS Securities Inc. or certain of their affiliates are also lenders under the Cable & Wireless Communications Bridge Facility and have received customary fees and reimbursement of certain expenses in connection therewith. The Cable & Wireless Communications Group intends to use a portion of the proceeds of the offering to repay certain amounts outstanding under the New Credit Facilities. The Cable & Wireless Communications Bridge Facility, which is undrawn, will be cancelled at the completion of the offering of the Notes. See "*Use of Proceeds*".

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and in offshore transactions in reliance on Regulation S.

The Issuer has not registered and will not register the Notes under the Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs" as defined in Rule 144A in compliance with Rule 144A; and
- outside the United States to non-US persons in accordance with Regulation S.

This offering document uses the terms "offshore transaction", "US person" and "United States" with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) You understand and acknowledge that the Notes and the guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not an "affiliate" (as defined in Rule 144A) of the Issuer or acting on the Issuer's behalf, and you are either:

(a) a QIB, within the meaning of Rule 144A and are aware that any sale of these Notes to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or

(b) you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuer, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the **Resale Restriction Termination Date)** that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) and (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(7) You acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(8) You acknowledge that the trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the trustee that the restrictions set forth therein have been complied with.

(9) You acknowledge that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other Senior Secured material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*".

ERISA Considerations

The US Employee Retirement Income Security Act of 1974, as amended (**ERISA**), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA and on entities, such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (all of which are hereinafter referred to as **ERISA Plans),** and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. The Code also imposes certain requirements on ERISA Plans and on other retirement plans and arrangements, including individual retirement accounts and Keogh plans (such ERISA Plans and other "plans" as defined in Section 4975 of the Code are hereinafter referred to as **Plans**). Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), and non-US plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of ERISA or the Code but may be subject to similar rules under other applicable laws or documents. Accordingly, assets of such plans may be invested in the Notes without regard to the prohibited transaction considerations under ERISA and the Code described below, subject to the provisions of other applicable federal, state, local or non-US law (**Similar Law**).

Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary, before deciding to invest in the Notes, must be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimize the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents.

Section 406 of ERISA and/or Section 4975 of the Code prohibits Plans from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Plans (collectively, **Parties in Interest**). The types of transactions between Plans and Parties in Interest that are prohibited include, without limitation: (a) sales, exchanges or leases of property, (b) loans or other extensions of credit and (c) the furnishing of goods and services. Certain Parties in Interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realised by the Plan or profits realised by such persons and certain other liabilities could result that have a significant adverse effect on such persons. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA (relating to certain transactions between a plan and a non-fiduciary service provider), Prohibited Transaction Class Exemption (**PTCE**) 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an in-house asset manager). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Any insurance company proposing to invest assets of its general account in the Notes of the Issuer should consider the extent to which such investment would be subject to the requirements of ERISA in light of the US Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 510 US 86 (1993). In particular, such an insurance company should consider the extent of the relief granted by the US Department of Labor in PTCE 95-60, and the effect of Section 401(c) of ERISA as interpreted by the regulations issued thereunder by the US Department of Labor in January 2000. There can be no assurance that any of the exceptions to the look-through rule applies or that PTCE 95-60 will be available.

Under a "look-through rule" set forth in regulations issued by the US Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (**Plan Assets Regulation**), if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by "benefit plan investors" is not "significant". The Plan Assets Regulation defines equity participation in an entity by "benefit plan investors" as "significant" if 25% or more of the value of any class of equity interest in the entity is held by "benefit plan investors". **Benefit Plan Investors** include any (i) employee benefit plan as defined in Section 3(3) of ERISA, that is subject to Title I of ERISA, (ii) plan described in Section 4975 of the Code, that is subject to Section 4975 of the Code, including without limitation, an individual retirement account or Keogh plan or (iii) entity whose underlying assets include assets of a plan described in (i) or (ii) by reason of a plan's investment in such entity, including but not limited to, as applicable, an insurance company general account, an insurance company separate account or a collective investment fund.

If the assets of the Issuer were deemed to be plan assets of a Plan, the Issuer would be subject to certain fiduciary obligations under ERISA and certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

The Issuer believes that the Notes issued by it should not be considered to be "equity interests" for purposes of the Plan Assets Regulation and will be treated as indebtedness. Nevertheless, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired by a Benefit Plan Investor with respect to which the Issuer is a Party in Interest. Accordingly, each purchaser and subsequent transferee of any Note (or any interest therein) will be deemed by such purchase or acquisition of any Note (or any interest therein) to have represented and warranted, on each day from the date on which the purchaser or transferee acquires the Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), that either (i) it is not, is not using the assets of and shall not at any time hold such Note (or any interest therein) for or on behalf of a Benefit Plan Investor or a governmental, church or non-US plan or (ii) its acquisition, holding and disposition of such Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-US plan, a violation of any applicable Similar Laws.

Any Plan fiduciary that proposes to cause a Plan to purchase any Notes (or any interest therein) should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or the Code. Similarly, fiduciaries of any governmental, church or non-US plans should consult with their counsel before purchasing any of the Notes (or any interest therein).

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) a Plan, (ii) a Benefit Plan Investor, or (iii) a governmental, church or non-US plan which is subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code or Similar Law, transferee, or holder of the Notes (or any interest therein) will be deemed to have represented, in its corporate and fiduciary capacity, that:

(a) With respect to the acquisition, holding and disposition of Notes, (or any interest therein), (1) either (A) it is not, and it is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting on behalf of), a Plan, a Benefit Plan Investor, or a governmental, church or non-US plan which is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes (or any interest therein) constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-US plan which is subject to Similar Laws, or (B)(i) its acquisition, holding and disposition of such Notes (or any interest therein) does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-US plan, a non-exempt violation of any Similar Law); and (ii) none of the Issuer, the Guarantors, the Initial Purchasers, Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-US plan, any definition of "*fiduciary*" under Similar Law) with respect to, the acquirer, transferee or holder in connection with any acquisition or holding of such Notes (or any interest therein), or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with such Notes (or any interest therein), and no advice provided by the Issuer or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the acquirer or holder in connection with such Notes (or any interest therein) and the transactions contemplated with respect to such Notes (or any interest therein); and (2) it will not sell or otherwise transfer such Notes (or any interest therein) otherwise than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes (or any interest therein).

(b) The purchaser (or, as applicable, any transferee) and any fiduciary causing it to purchase any Notes (or any interest therein) agrees to indemnify and hold harmless the Issuer, the Guarantors, the Initial Purchasers, the Trustee, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

(c) Any purported purchase or transfer of any Note (or any interest therein) to a purchaser or transferee that does not comply with the requirements of the above provisions shall be null and void *ab initio*.

LEGAL MATTERS AND INTERESTS OF EXPERTS

Legal advice as to matters of US federal, New York state law and English law will be provided by Allen & Overy LLP. Certain legal advice as to matters of Cayman law will be provided by Mourant du Feu & Jeune. Certain legal advice for the Initial Purchasers as to matters of US federal, New York state law and English law will be provided by Latham & Watkins (London) LLP. Certain legal advice for the Initial Purchasers as to Cayman law will be provided by Appleby.

INDEPENDENT AUDITORS

The financial statements of Cable and Wireless plc, the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group and the Guarantors as of and for the years ended 31 March 2007, 2008 and 2009 included or incorporated by reference in the offering memorandum have been audited by KPMG Audit Plc, independent auditors, as stated in their reports incorporated by reference into this offering memorandum.

KPMG Audit Plc has given and not withdrawn its written consent to the inclusion through incorporation by reference in this prospectus of its report on historical financial information of Cable & Wireless Communications as of and for the years ended 31 March 2007, 2008 and 2009 referred to in the section entitled "Cable & Wireless Communications Group Selected Historical Financial Information" in the form and context in which they are included and has authorised the contents of the reports for the purposes of Prospectus Rule 5.5.4R(2)(f). For the purposes of Prospectus Rule 5.5.4R(2)(f) KPMG Audit Plc is responsible for the reports as part of this offering memorandum and has confirmed that it has taken all reasonable care to ensure that the information contained in the reports is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This responsibility statement is included in the prospectus in compliance with item 1.2 of annex IX of the PD Regulation. As the offered securities have not been and will not be registered under the Securities Act, KPMG Audit Plc has not filed a consent under the Securities Act.

ENFORCEABILITY OF JUDGEMENTS

The United States and the Cayman Islands do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. The Cayman Islands are a party to the United Nations Convention on the Recognition of Foreign Arbitral Awards (the **New York Convention**) and Courts of the Cayman Islands will generally recognise and enforce arbitral awards made pursuant to an agreement to arbitrate in a jurisdiction which is party to the New York Convention. Any judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities law, would not be directly enforceable in the Cayman Islands. In order to enforce any such judgment in the Cayman Islands, proceedings must be initiated by way of civil law action on the judgment debt before a court of competent jurisdiction in the Cayman Islands. In this type of action, a Cayman Islands court generally will not (subject to the matters identified below) reinvestigate the merits of the original matter decided by a U.S. court.

A Cayman Islands court will generally give judgment only if the following conditions are satisfied:

- the relevant U.S. court had jurisdiction (under the rules of private international law in the Cayman Islands) to give the judgment; and
- the judgment is final and conclusive on the merits and is for a definite sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty or otherwise based on a penal, revenue or other public law of the United States).

A court in the Cayman Islands will also refuse to enforce such a judgment if it is established that:

- the enforcement of such judgment would contravene public policy or statute in the Cayman Islands;
- the enforcement of the judgment is prohibited by statute;
- the proceedings in the Cayman Islands were not commenced with the relevant limitation period;
- before the date on which the U.S. court gave judgment, the issues in question had been the subject of a final judgment of a court in the Cayman Islands or of a court of another jurisdiction whose judgment is enforceable in the Cayman Islands;
- the judgment has been obtained by fraud or in proceedings in which the principles of natural justice were breached; or
- the bringing of proceedings in the relevant U.S. court was contrary to an agreement under which the dispute in question was to be settled otherwise than by proceedings in that court (to whose jurisdiction the judgment debtor did not submit).

If a court in the Cayman Islands gives judgment for the sum payable under a U.S. judgment, the Cayman Islands judgment would be enforceable by the methods generally available for this purpose. In addition, it may not be possible to obtain a judgment in the Cayman Islands or to enforce that judgment if the judgment debtor is subject to any insolvency or similar proceedings, or if the judgment debtor has any set-off or counterclaim against the judgment creditor.

Subject to the foregoing, investors may be able to enforce judgments in the Cayman Islands in civil and commercial matters obtained from U.S. federal or state courts in the manner described above using the methods available for enforcement of a judgment of a court in the Cayman Islands.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's regulated market.

The total expenses of the offering are approximately US$12 million, of which that related to the admission to trading of the Notes are approximately US$5,000.

Clearing information

The Notes have been accepted for clearance through the facilities of DTC. The Rule 144A Global Notes have a CUSIP of and the Regulation S Global Notes have a CUSIP of . The Rule 144A Global Notes have an ISIN of and the Regulation S Global Notes have an ISIN of .

Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer, dated and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of each of the Guarantors, dated .

Yield

On the basis of the issue price of the Notes of % of their principal amount, the yield on the Notes is % on an annual basis.

Third-Party Information

The Issuer and the Guarantors confirm that where information included in this offering memorandum has been sourced from a third party, that information has been accurately reproduced and that as far as the Issuer and the Guarantors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Ratings

The Notes have been assigned a rating of by Standard & Poor's, a division of the McGraw Hill Companies, Inc and by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to a suspension, reduction or withdrawal at any time by the assigning rating agency.

GLOSSARY OF SELECTED INDUSTRY TERMS

2G or **second generation** refers to mobile network protocols using digital encoding such as GSM, TDMA (Time Division Multiple Access) and CDMA, enabling voice and simple data services.

3G or **third generation** refers to mobile network protocols supporting higher data rates than 2G technologies, enabling mobile broadband data services.

bandwidth means an amount of capacity to carry signals over part of a telecommunications system.

CDMA means Code Division Multiple Access and is a particular technology for carrying multiple channels over a single radio bearer.

corporate customers means large business customers.

Data or **data services** means services designed to facilitate the transmission of digital information over network capacity.

DSL or **Digital Subscriber Line** (often referred to by customers and Internet service providers as "broadband") means a technology that provides digital data transmission over the wires of a traditional local telephone network.

EDGE or **Enhanced Data Rates for GSM Evolution** is a digital mobile platform which allows improved data transmission rates as an extension on top of standard GSM.

Gbps means gigabits per second

GPRS or **General Packet Radio System** is a mobile technology allowing higher rates of data transfer in GSM networks.

GSM or **global system for mobile** communications means the most popular mobile communications standard used in supporting the transmission of voice, data and SMS on mobile networks.

hosting means a service that provides a facility or location for the housing of equipment typically to store websites and other computing or telecommunication applications.

IDD means international direct dialled.

IETF means the Internet Engineering Task Force, a standards organisation responsible for the coordination of standards relating to Internet communication protocols, including the Internet Protocol (IP) and the hypertext transfer protocol (HTTP) used in the world wide web.

Indefeasible Rights of Use or **IRU** is the grant of a long term lease or temporary ownership of a defined section of telecommunications infrastructure, typically specific strands of optical fibre or specific capacity on a given submarine fibre cable for a 15-20 year or otherwise significant period.

Indirect Access refers to the means by which customers of a network access provider (fixed or mobile) can access the telecommunications services of operators that are not the providers of their access network, by for example dialling a prefix number prior to dialling, thus routing a call away from the local access providers' network.

IP means Internet Protocol, a protocol used throughout the Internet and many local area networks which sets out rules that govern how devices communicate.

Mbps means megabits per second.

MHz or **MegaHertz** is a unit measurement for frequencies denoting one million Hertz (one million cycles per second).

mobile or **mobile services** means delivery of voice and data services to mobile handsets through wireless technologies.

MPLS means multiprotocol label switching, a technology used to speed up traffic flow on a network.

points of presence means a location where a telecommunications provider sites its network equipment, typically used to allow the connection of multiple customers in the local geographic area.

SMS means Short Message Service.

UMTS or **Universal Mobile Telecommunications System** is a third generation mobile technology enabling higher data rates of data transfer.

VoIP or **Voice over Internet Protocol** is a means of transmitting voice over an IP data network and offers the advantage of combining voice with other data types over a common network.

DEFINITIONS

THE FOLLOWING DEFINITIONS APPLY THROUGHOUT THIS DOCUMENT UNLESS THE CONTEXT REQUIRES OTHERWISE.

Act or **Companies Act** means the Companies Act 2006, as amended.

Admission means admission of the Cable & Wireless Communications Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities and **Admission becoming effective** means it becoming effective in accordance with paragraph 3.2.7 of the Listing Rules and the Admission and Disclosure Standards published by the London Stock Exchange.

Adopted IFRS means IFRS as adopted by the European Union and as adjusted for commonly used accounting conventions pertaining to circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board.

Agent means the agent in respect of the Cable & Wireless Communications Facility Agreement.

ARPU means average revenue per user.

Audit Committee means the audit committee of the Cable & Wireless Communications Board.

Board has the meaning given in relation to Cable & Wireless Communications Board.

Bridge Borrower means, in respect of the Cable & Wireless Communications Bridge Facility Agreement, Sable International Finance Limited.

Bridge Lenders means the lenders in respect of the Cable & Wireless Communications Bridge Facility Agreement.

BT means British Telecoms Group plc.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business.

Cable & Wireless Bermuda means Cable & Wireless (Bermuda) Holdings Ltd.

Cable & Wireless Communications means Cable & Wireless Communications Plc, a public limited company incorporated in England and Wales with registered number 7130199.

Cable & Wireless Communications 'B' Shares means non-voting shares in the capital of Cable & Wireless Communications, which will each be stapled to a corresponding Cable & Wireless Communications Ordinary Shares to be issued credited as fully paid pursuant to the Scheme, the nominal value of which will be set prior to the Scheme Effective Time.

Cable & Wireless Communications Board means the board of directors of Cable & Wireless Communications.

Cable & Wireless Communications Bridge Facility means, pursuant to the Cable & Wireless Communications Bridge Facility Agreement, US$200 million made available to the Bridge Borrower by the Bridge Lenders by way of a US dollar term credit facility.

Cable & Wireless Communications Bridge Facility Agreement means the agreement dated 13 January 2010 entered into by and among Sable International Finance Limited as borrower, various companies in the Cable & Wireless Communications Group as guarantors and various financial institutions as lenders and agent.

Cable & Wireless Communications Facilities means, pursuant to the Cable & Wireless Communications Facility Agreement, US$400 million made available to the Facility Borrower by the Facility Lenders by way of a US dollar revolving credit facility.

Cable & Wireless Communications Facility Agreement means the agreement dated 13 January 2010 entered into by and among Sable International Finance Limited as borrower, various companies in the Cable & Wireless Communications Group as guarantors and various financial institutions as lenders, agent and security agent.

Cable & Wireless Communications Group means, prior to the Scheme Effective Time, the international operating units of the Cable & Wireless Group which provide mobile, broadband and domestic and international fixed line services to consumers, small and medium enterprises, corporate customers and governments through major operations in the Caribbean, Panama, Macau, and Monaco & Islands and means, following the Scheme Effective Time, Cable & Wireless Communications and its subsidiaries and subsidiary undertakings from time to time, provided that, following the Scheme Effective Time, the Cable & Wireless Communications Group does not include the Cable & Wireless Worldwide Group unless the context requires.

Cable & Wireless Communications Group Board means, for the purpose of "*Historical Financial Information of the Cable & Wireless Communications Group*", the chief operating decision-maker of the Cable & Wireless Communications Group.

Cable & Wireless Communications Ordinary Shares means ordinary shares of 5 cents each in the capital of Cable & Wireless Communications.

Cable & Wireless Communications Prospectus means the prospectus dated 2 February 2010 relating to Cable & Wireless Communications and the Cable & Wireless Communications Ordinary Shares prepared in accordance with the Prospectus Rules.

Cable & Wireless Communications Reduction of Capital means the proposed reduction of capital of Cable & Wireless Communications under sections 645-648 of the Companies Act, details of which are set out in paragraph 3.4 of Part V: "*Explanatory Statement*" of the Cable and Wireless plc Circular.

Cable & Wireless Communications Register means the register of members of Cable & Wireless Communications.

Cable & Wireless Communications Shareholders means holders of Cable & Wireless Communications Shares from time to time.

Cable & Wireless Communications Shares means the Cable & Wireless Communications Ordinary Shares and the Cable & Wireless Communications 'B' Shares.

Cable & Wireless Communications Term Loan Facility Agreement means the agreement dated 13 January 2010 entered into by and among Sable International Finance Limited as borrower, various companies in the Cable & Wireless Communications Group as guarantors and various financial institutions as lenders and agent.

Cable & Wireless Communications Territory means (i) Panama and all countries within Central and South America, including: Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Venezuela, Colombia, Ecuador, Guyana, Suriname, French Guiana, Brazil, Peru, Bolivia, Paraguay, Argentina, Chile, Uruguay but excluding Mexico; (ii) all countries within the Caribbean including: the Bahamas, Cuba, Dominican Republic, Haiti, US Virgin Islands (St Thomas, St John, St Croix, Water Island), Puerto Rico, Saint Martin, Saba, Saint Eustatius, Redonda, Guadeloupe, Martinique, Isla Aves, Saint-Barthelemy, Aruba, Bonaire, Curacao, Jamaica, Barbados, Cayman Islands, Turks & Caicos Islands, British Virgin Islands (Tortola, Virgin Gorda, Anegada, Jost Van Dyke), Anguilla, Montserrat, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Antigua and Barbuda, Dominica, Grenada, Trinidad and Tobago, Bermuda; and (iii) Monaco, the Maldives, Guernsey, Jersey, Isle of Man, Seychelles, Falkland Islands, St Helena, Ascension, Diego Garcia, Afghanistan, Solomon Islands, Fiji, and Vanuatu.

Cable & Wireless Group means Cable and Wireless plc and its subsidiaries and subsidiary undertakings.

Cable and Wireless plc or **Cable and Wireless** or **Cable & Wireless** means Cable and Wireless plc, a public limited company incorporated in England and Wales with registered number 238525.

Cable and Wireless plc Board means the board of directors of Cable and Wireless plc.

Cable and Wireless plc Circular means the circular to holders of Cable and Wireless plc Ordinary Shareholders dated 2 February 2010 containing, among other things, details of the Demerger Proposals (including a description of the Scheme) and notice of the Court Meeting and the General Meeting.

Cable and Wireless plc Ordinary Shareholders means holders of Cable and Wireless plc Ordinary Shares from time to time.

Cable and Wireless plc Ordinary Shares means ordinary shares of 25 pence each in the capital of Cable and Wireless plc.

Cable and Wireless plc Reduction of Capital means the proposed reduction of capital of Cable and Wireless plc under sections 645-648 of the Companies Act, as described in paragraph 1(a) of Part XII: "*The Scheme*" of the Cable and Wireless plc Circular.

Cable & Wireless Remuneration Committee means the remuneration committee of the Cable and Wireless plc Board.

Cable & Wireless Superannuation Fund or the **Fund** means the Cable and Wireless plc Superannuation Fund, governed by a definitive trust deed and rules dated 27 October 2008.

Cable & Wireless Trademarks means (a) the "Cable & Wireless" name and all abbreviations and derivations of the "Cable & Wireless" name whether registered or unregistered; and (b) in relation to the Cable & Wireless Communications Group only, the "Cable & Wireless Globe" logo.

Cable & Wireless Worldwide means an Cable & Wireless Worldwide plc, a public limited company incorporated in England and Wales with registered number 7029206.

Cable & Wireless Worldwide Brand means the rights of Cable and Wireless plc in goodwill, know-how, other intangibles and any other intellectual property rights owned by or licensed to Cable and Wireless plc in relation to the business of the Cable & Wireless Worldwide Group, including the benefit of the Cable & Wireless Worldwide Licence and the GTS Licence.

Cable & Wireless Worldwide Group means:

(i) prior to the Demerger Effective Time, the international operating units of the Cable & Wireless Group (or following the Scheme Effective Time but prior to the Demerger Effective Time, the Cable & Wireless Communications Group), which provide managed services such as data, hosting and voice across the United Kingdom, Continental Europe, Asia and the United States to the world's largest users of telecommunications services and (b) the business and operating units of THUS, the UK focused telecommunications provider purchased by the Cable & Wireless Worldwide Group in October 2008 and Thus Ltd, whose business is focused on the mid-market, offering advanced business communications to small and medium-sized enterprises; and

(ii) following the Demerger Effective Time, Cable & Wireless Worldwide and its subsidiaries and subsidiary undertakings.

Cable & Wireless Worldwide Holdings means Cable & Wireless UK Holdings Limited.

Cable & Wireless Worldwide Holdings Transfer Agreement means the agreement to be entered into by Cable & Wireless Communications and Cable and Wireless plc for the transfer of Cable & Wireless Worldwide Holdings in the Agreed Form, as described in the section entitled "*Cable & Wireless Communications Business—Material Contracts*".

Cable & Wireless Worldwide Licence means the trademark licence agreement described in the section entitled "*Cable & Wireless Communications Business—Material Contracts*".

Cable & Wireless Worldwide Ordinary Shares means ordinary shares in the capital of Cable & Wireless Worldwide, the nominal value of which will be set prior to the Scheme Effective Time.

Cable & Wireless Worldwide Ordinary Shares means ordinary shares in the capital of Cable & Wireless Worldwide, the nominal value of which will be set prior to the Scheme Effective Time.

Cable & Wireless Worldwide Prospectus means the prospectus dated 2 February 2010 relating to Cable & Wireless Worldwide and the Cable & Wireless Worldwide Ordinary Shares prepared in accordance with the Prospectus Rules.

Cable & Wireless Worldwide Reduction of Capital means the proposed reduction of capital of Cable & Wireless Worldwide under sections 645-648 of the Companies Act, as described in paragraph 3.6 of Part V: "*Explanatory Statement*" of the Cable and Wireless plc Circular, which is incorporated by reference herein.

Cable & Wireless Worldwide Retirement Plan or **Plan** means the Cable & Wireless Worldwide Retirement Plan to be established by the Cable & Wireless Worldwide Group to provide pension benefits to current and former employees of the Cable & Wireless Worldwide Group.

Cable & Wireless Worldwide Territory means the world excluding the Cable & Wireless Communications Territory.

Caribbean operation means those operations conducted by the Cable & Wireless Communications Group in the region of the Caribbean, which include Jamaica, Barbados, the Cayman Islands, Turks & Caicos, the British Virgin Islands, Anguilla, Montserrat, St Lucia, St Kitts and Nevis, St Vincent, Antigua, Dominica, Grenada as well as a joint venture company in Trinidad and Tobago.

Carrier Business means the wholesale selling of telecommunications services to other telecommunications carriers.

Central means the central group operations of both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group carried out by the Cable & Wireless Group from time to time prior to the Demerger Effective Time.

Central operations has the meaning given in relation to Central.

certificated or **in certificated form** means in relation to a share or other security, a share or other security which is not in uncertificated form.

CMB means La Compagnie Monégasque de Banque.

CMC means La Compagnie Monégasque de Communication.

Code means the US Internal Revenue Code of 1986.

Combined Code means the Combined Code on Corporate Governance published in June 2008 by the UK Financial Reporting Council.

Company has the meaning given in relation to Cable & Wireless Communications.

Convertible Bonds means the £230 million convertible bonds due in 2014 issued on 24 November 2009 by Cable and Wireless plc.

Convertible Issuer means the principal debtor under the Convertible Bonds from time to time.

Convertible Trust Deed means the trust deed in respect of the Convertible Bonds.

Court means the High Court of Justice in England and Wales.

Court Meeting means the meeting of the Scheme Shareholders convened by order of the Court pursuant to Part 26 of the Companies Act to be held at the offices of Allen & Overy LLP at One Bishops Square, London E1 6AD, at 11.00 a.m. on 24 February 2010 to consider and, if thought fit, approve the Scheme, notice of which is set out in Part XVI: "*Notice of Court Meeting*" of the Cable and Wireless plc Circular and any adjournment thereof.

CREST means the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations.

CREST Regulations means the Uncertificated Securities Regulations 2001, as amended.

CTM means Companhia de Telecomunicações de Macau S.A.R.L.

CWA means Cable & Wireless America.

CWMEIL means Cable & Wireless Middle East & Islands Limited.

CWP means Cable & Wireless Panama.

Demerger means the proposed demerger of the Cable & Wireless Worldwide Group on the terms and subject to the conditions set out in the Demerger Agreement.

Demerger Agreement means the agreement entered into by and among Cable and Wireless plc, Cable & Wireless Communications and Cable & Wireless Worldwide in respect of the principal transactions necessary to effect the Demerger as described in the section entitled "*Cable & Wireless Communications Group Business—Material Contracts*" of this document.

Demerger Court Hearing means the hearing by the Court of the claim form to sanction the Scheme under Part 26 of the Companies Act and to confirm the Cable & Wireless Communications Reduction of Capital pursuant to the Scheme under section 648 of the Companies Act.

Demerger Effective Time means the time at which the Demerger becomes effective, expected to be at or around 8:00 a.m. (London time) on 26 March 2010.

Demerger Long Stop Date means the date being 28 days after the Admission of the Cable & Wireless Communications Ordinary Shares.

Demerger Proposals means collectively the Scheme, the Cable & Wireless Communications Reduction of Capital, the Demerger and the subsequent Cable & Wireless Worldwide Reduction of Capital.

Demerger Transaction Agreements means, collectively, the Demerger Agreement, Separation Agreement, Transitional Services Agreement, Cable & Wireless Worldwide Holdings Transfer Agreement, Pensions Agreement, the Cable & Wireless Communications Licence and the Cable & Wireless Worldwide Licence as described in the section entitled "*Cable & Wireless Communications Group Business—Material Contracts*".

Dhiraagu means Dhivehi Raajjeyge Gulhun Private Limited.

Directors means the directors of Cable & Wireless Communications whose names are set out in "*Management*".

Disclosure and Transparency Rules means the rules and regulations made by the FSA in its capacity as the UK Listing Authority under Part VI of FSMA, and contained in the UK Listing Authority's publication of the same name.

Disclosure Committee means the disclosure committee of the Cable & Wireless Communications Board.

EAUS means Cable & Wireless International and Cable & Wireless Europe, Asia & US.

EEA means European Economic Area.

Energis means Energis plc.

Euroclear means Euroclear UK and Ireland Limited.

Executive Directors means the executive directors of Cable & Wireless Communications whose names are set out in paragraph entitled "*Management*".

Facility Borrower means, in respect of the Cable & Wireless Communications Facility Agreement, Sable International Finance Limited.

Facility Lenders means, in respect of the Cable & Wireless Worldwide Facility Agreement, various financial institutions listed therein as lenders.

FSA means the UK Financial Services Authority.

FSMA means the Financial Services and Markets Act 2000, as amended.

Fund has the meaning given in relation to Cable & Wireless Superannuation Fund.

GDP means gross domestic product.

General Meeting means the general meeting of Cable and Wireless plc Ordinary Shareholders to be held at the offices of Allen & Overy LLP at One Bishops Square, London E1 6AD at 11:15 a.m. on 24 February 2010 (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), notice of which is set out in Part XVII: "*Notice of General Meeting*" in the Cable and Wireless plc Circular, and any adjournment thereof.

GTS means Global Telecommunications Services.

Heads of Terms means the agreement that establishes the commercial terms and legal principles of the bulk transfer of assets and liabilities to the Cable & Wireless Worldwide Retirement Plan in respect of current and former employees of the Cable & Wireless Worldwide Group, entered into by Cable and Wireless plc, Cable & Wireless Worldwide Services Limited and the trustee of the Cable & Wireless Superannuation Fund.

HMRC means Her Majesty's Revenue and Customs.

holder means a registered holder, including any person entitled by transmission.

IAS means International Accounting Standards.

IFRS means the International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee published by the International Accounting Standards Board.

Initial Issuer means, in respect of the Convertible Bonds, Cable and Wireless plc.

IRS means the United States Internal Revenue Service.

Lenders means, in respect of the Cable & Wireless Communications Facility Agreement, BNP Paribas, Barclays Bank PLC, Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan plc, Lloyds TSB Bank plc Corporate Markets and The Royal Bank of Scotland plc as mandated lead arrangers and bookrunners and the financial institutions listed therein as lenders.

LIBOR means the London Inter-Bank Offered Rate.

LIME means Landline, Internet, Mobile and Entertainment, the brand name for the Cable & Wireless Communications Group's operating entities in the Caribbean region.

Listing Rules means the listing rules of the UK Listing Authority.

London Stock Exchange means London Stock Exchange plc.

LTIP means Cable & Wireless Long Term Incentive Plan.

Macau means those operations conducted by the Cable & Wireless Communications Group in Macau.

Maldives Government means the government of the Republic of Maldives.

market leader means that a Cable & Wireless Communications Group company (**Communications Group Company**) is designated as a market leader based on Cable & Wireless Communications Group's internal analysis and by reference to one or a combination of the following sources:

(a) statistics prepared for the 2008 calendar year by the International Telecommunications Union (ITU), as publicised on its ITU ICT eye website at http://www.itu.int/ITU-D/ICTEYE/Default.aspx; in this case, the relevant Communications Group Company is determined to be the market leader where its number of subscribers (based on the Cable & Wireless Communications Group's internal records) exceeds 50% of the total number of subscribers in the market as recorded on the ITU ICT eye website;

(b) where the ITU ICT eye website does not provide categorical evidence of the relevant Communications Group Company being a market leader (for example, in relation to mobile markets in Panama and the broadband market in Barbados), market share analysis prepared for the 2009 calendar year by Business Monitor International; in this case, the relevant Communications Group Company is determined to be the market leader if the Business Monitor International report concludes that such Communications Group Company is the market leader or ascribes to such Communications Group Company, the greatest market shares;

(c) in respect of Afghanistan, due to more than two decades of war and the resulting impact on, among other things, infrastructure, technology and human resources, few statistics about the Afghan mobile telecommunications market are available and, to the extent such statistics are available, it is difficult to ascertain their accuracy. Because the ITU does not report a total subscriber number of Afghan mobile telecommunications customers, the designation of Roshan, a joint venture of the Cable & Wireless Communications Group, as the market leader in the Afghan mobile market, is based on Cable & Wireless Communications Group's own internal market research and data;

(d) in respect of Macau, the Cable & Wireless Communications Group calculates its Macau mobile and broadband market shares by dividing its total number of customers for Macau mobile or broadband services, as the case may be, (based on its own internal records) by the total customer numbers used for the Macau mobile or broadband market, as the case may be, which were publicly reported to DSEC (the statistics and census service for the Macau SAR government) http://www.dsec.gov.mo/Statistic.aspx;

(e) in respect of each of Montserrat, the Falkland Islands and Diego Garcia, the local Cable & Wireless Communications Group subsidiary has been designated the market leader of Montserrat, the Falkland Islands or Diego Garcia broadband market, as the case may be, based on the fact that it is the sole, licensed provider of broadband services in such jurisdiction, subject, in the case of Montserrat, to a liberalisation process in that jurisdiction, which began in 2009;

(f) in respect of each of Antigua, Guernsey and Fiji, based on its internal market research and data, LIME has the largest Antigua broadband market share, Cable & Wireless Communications Group's Fiji subsidiary has the largest Fiji broadband market share and Cable & Wireless Communications Group's Guernsey subsidiary has the largest Guernsey broadband market share; however, two other companies compete in the Antigua broadband market and other companies compete in each of the Fiji and Guernsey broadband markets and it is mathematically possible for one of these companies to have a market share equal to or exceeding that of LIME, Cable & Wireless Communications Group's Fiji subsidiary or Cable & Wireless Communication Group's Guernsey subsidiary, as the case may be; and

(g) in respect of BVI, no data on the BVI broadband market is available through ITU or Business Monitor International; therefore, LIME has been designated as the BVI broadband market leader based on Cable & Wireless Communication Group's internal market research and data.

market share is calculated as set out in the definition of market leader.

mobile penetration is measured as the ratio of mobile accounts to the population in the relevant market.

member means a member of Cable & Wireless Communications, on the Cable & Wireless Communications Register at any relevant date.

Monaco means the Principality of Monaco.

Monaco & Islands means those operations conducted by the Cable & Wireless Communications Group in Monaco, Algeria, Benin, Burkina Faso, Cameroon, Guinea, Niger, Senegal, Jersey, Guernsey, the Isle of Man, Seychelles, Bermuda, the Falkland Islands, St Helena, Ascension, Diego Garcia and Maldives as well as joint ventures in Afghanistan, the Solomon Islands, Fiji and Vanuatu.

New Credit Facilities means the Term Loan Facilities and the Cable & Wireless Communications Facilities.

Non-executive Directors means the non-executive directors of Cable & Wireless Communications whose names are set out in the section entitled "*Management*".

Official List means the official list of the UK Listing Authority.

Original Agreement means the agreement entered into by and among Cable and Wireless plc and the Government of Macau dated 20 August 1981 as amended on 6 December 1999.

Panama operation means those operations conducted by the Cable & Wireless Communications Group in the Republic of Panama.

Pensions Agreement means the agreement to be entered into by and among Cable and Wireless plc, Cable & Wireless Worldwide Services Limited, the trustee of the Cable & Wireless Superannuation Fund and the trustees of the Cable & Wireless Worldwide Retirement Plan, as described in the section entitled "*Cable & Wireless Communications Group Business—Material Contracts*".

Pensions Regulator means the UK regulator of work-based pension schemes, established under Part 1 of the Pensions Act 2004.

Prospectus Directive means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, including any relevant implementing measure in each Member State of the European Economic Area.

Prospectus Rules means the rules and regulations made by the FSA in its capacity as the UK Listing Authority under Part VI of FSMA and contained in the UK Listing Authority's publication of the same name.

Remuneration Committee means the remuneration committee of the Cable & Wireless Communications Board.

Revised Agreement means the agreement entered into by and among CTM and the Government of Macau dated 6 November 2009 to amend the Original Agreement.

SAR means Special Administrative Region.

Scheme means the scheme of arrangement proposed to be made under Part 26 of the Companies Act between Cable and Wireless plc and the holders of Scheme Shares as set out in Part XII: "*The Scheme*" of the Cable and Wireless plc Circular, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Cable and Wireless plc and Cable & Wireless Communications.

Scheme Effective Time means the date and time at which the Scheme becomes effective in accordance with its terms pursuant to the section entitled "*Effective Date*" of Part XII: "*The Scheme*" of the Cable and Wireless plc Circular, expected to be on or about 5:00 p.m. (London time) on 19 March 2010.

Scheme of Arrangement has the meaning given in relation to Scheme.

Scheme Record Time means 4:30 p.m. (London time) on the same Business Day as (or, if the Scheme Effective Time is after such time, the Business Day immediately preceding) the Scheme Effective Time.

Scheme Shares means:

(a) the Cable and Wireless plc Ordinary Shares in issue at the date of the Cable and Wireless plc Circular;

(b) all (if any) additional Cable and Wireless plc Ordinary Shares issued after the date of the Cable and Wireless plc Circular and before at the Voting Record Time; and

(c) all (if any) further Cable and Wireless plc Ordinary Shares which may be in issued immediately after the Voting Record Time but on or before the Scheme Record Time in respect of which the original or any subsequent holders shall be bound by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound,

but excluding any Cable and Wireless plc Ordinary Shares held in treasury at the Scheme Record Time.

SDRT means Stamp Duty Reserve Tax.

SEC means the US Securities and Exchange Commission.

Senior Managers means the senior managers of Cable & Wireless Communications whose names are set out in "*Management*" of this document.

Separation Agreement means the agreement entered into by and among Cable and Wireless plc, Cable & Wireless Communications and Cable & Wireless Worldwide CWIGroup Limited and Cable & Wireless UK Holdings Limited, as described in the section entitled "*Cable & Wireless Communications Business—Material Contracts*".

SID means a senior independent Director appointed by Cable & Wireless Communications from among the Non-executive Directors, in line with the Combined Code's recommendations.

Solomon Government means the government of the Solomon Islands.

subsidiary or **subsidiary undertaking** has the meaning given in the Act.

Substitution Compliance Certificate means the certificate signed by two directors of Cable & Wireless Worldwide that is delivered to the bond trustee on the business day in London prior to the date of Worldwide Admission, certifying that the (i) total net debt for the Cable & Wireless Worldwide Group equals no more than £225 million; (ii) total secured bank debt drawings for the Cable &Wireless Worldwide Group equals no more than £200 million; (iii) the Cable & Wireless Worldwide Group has freely available, uncommitted and unsecured cash and cash equivalents and available credit facilities of not less than £200 million; and (iv) Cable & Wireless Worldwide is the ultimate holding company of the Cable &Wireless Worldwide Group.

Term Loan Borrower means, in respect of the Cable & Wireless Communications Term Loan Facility Agreement, Sable International Finance Limited.

Term Loan Facilities means, pursuant to the Cable & Wireless Communications Term Loan Facility Agreement, US$100 million made available to the Term Loan Borrower by the Term Lender by way of a US dollar term loan facility.

Thus means the business of Thus Limited which is focused on the mid-market, offering advanced business communications to small and medium-sized enterprises.

Total share return or **TSR** means share price growth adjusted for dividends and capital actions.

Trademarks means the "Cable & Wireless" name and all abbreviations of the "Cable & Wireless" name, whether registered or unregistered, including the "Cable & Wireless Globe" logo.

Transitional Services Agreement means the agreement entered into by Cable & Wireless Communications and Cable & Wireless Worldwide as described in "*Cable & Wireless Communications Business—Material Contracts*".

TSTT means Telecommunications Services of Trinidad and Tobago Limited.

TT Government means the government of the Republic of Trinidad and Tobago.

UK Listing Authority means the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the Admission to the Official List otherwise than in accordance with Part VI of FSMA.

uncertificated means in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.

United Kingdom or **UK** means the United Kingdom of Great Britain and Northern Ireland.

United States or **US** means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

US Securities Act means US Securities Act of 1933, as amended.

Voting Record Time means 6.00 p.m. (London time) on 23 February 2010 or, if the Court Meeting or General Meeting is adjourned, 48 hours before the time appointed for any adjourned Court Meeting and/or General Meeting, for holders of Cable and Wireless plc Ordinary Shares.

Worldwide Admission means admission of the Cable & Wireless Worldwide Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities and **Worldwide Admission becoming effective** means it becoming effective in accordance with paragraph 3.2.7 of the Listing Rules and the Admission and Disclosure Standards published by the London Stock Exchange.

FINANCIAL STATEMENTS

INCORPORATED BY REFERENCE:

HISTORICAL FINANCIAL INFORMATION OF THE CABLE AND WIRELESS PLC

The audited consolidated financial statements (including relevant accounting policies and notes) of Cable and Wireless plc for the years ended 31 March 2007, 31 March 2008 (including the comparative figures for the year ended 31 March 2007) and 31 March 2009 (including the comparative figures for the year ended 31 March 2008) and each auditor's report thereon are incorporated into this document by reference to:

- pages 50—107 (inclusive) of Cable and Wireless plc's Annual Report and Accounts 2007;
- pages 66—119 (inclusive) of Cable and Wireless plc's Annual Report and Accounts 2008; and
- pages 62—119 (inclusive) of Cable and Wireless plc's Annual Report and Accounts 2009.

The consolidated financial statements for the year ended 31 March 2007, the year ended 31 March 2008 (including the re-presented comparative figures for the year ended 31 March 2008) and the year ended 31 March 2009 (including the re-presented comparative figures for 2007) were prepared in accordance with IFRS as adopted by the European Union.

The consolidated financial statements for the year ended 31 March 2007, the year ended 31 March 2008 and the year ended 31 March 2009 were audited.

The unaudited consolidated financial statements of Cable and Wireless plc for the six months ended 30 September 2009 (including the comparative figures for the six months ended 30 September 2008) are incorporated into this document by reference to pages 23—33 (inclusive) of the Interim Results for the six months ended 30 September 2009.

Audit Reports

- The KPMG Audit plc report on the historical financial information of Cable & Wireless Communications Plc as of and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 is incorporated into this document by reference to the Cable & Wireless Communications Prospectus Relating to admission to the Official List and to trading on the London Stock Exchange of up to 2,971,693,401 Cable & Wireless Communications Ordinary Shares (2 February 2010).
- The KPMG Audit plc report on the historical financial information of Cable & Wireless Worldwide plc as of and for the six months ended 30 September 2009 and as of and for the years ended 31 March 2007, 31 March 2008 and 31 March 2009 is incorporated into this document by reference to the Cable & Wireless Worldwide Prospectus Relating to admission to the Official List and to trading on the London Stock Exchange of up to 2,971,693,401 Cable & Wireless Worldwide Ordinary Shares (2 February 2010).

The information listed above should be considered to form part of this offering memorandum. The information incorporated by reference herein speaks only as of the date of the document from which such information has been incorporated.

Such information will be made available, free of charge, during usual business hours at the specified offices of the Paying Agent, unless such information has been modified or superseded. Such information will also be available to view on www.cw.com. The information provided on such website, other than the information expressly incorporated by reference herein, is not part of this offering memorandum and is therefore not incorporated by reference herein.

INCLUDED HEREIN:

HISTORICAL FINANCIAL INFORMATION OF THE CABLE & WIRELESS COMMUNICATIONS GROUP

HISTORICAL FINANCIAL INFORMATION OF THE CABLE & WIRELESS WORLDWIDE GROUP

CABLE & WIRELESS COMMUNICATIONS GROUP INCOME STATEMENT

		Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
		Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total
	Note	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Continuing operations										
Revenue	5	2,310	—	2,310	2,462	—	2,462	2,447	—	2,447
Operating costs before depreciation and amortisation	6	(1,562)	(24)	(1,586)	(1,704)	(27)	(1,731)	(1,576)	(100)	(1,676)
Amortisation	18	(30)	—	(30)	(40)	—	(40)	(44)	—	(44)
Depreciation	17,19	(243)	—	(243)	(244)	(74)	(318)	(250)	—	(250)
Other operating income	7	9	24	33	14	—	14	3	—	3
Other operating expenses	8	(2)	—	(2)	(9)	—	(9)	(6)	—	(6)
Group operating profit/(loss)		482	—	482	479	(101)	378	574	(100)	474
Share of post-tax profit/(loss) of joint ventures and associates	20	39	(55)	(16)	77	—	77	60	—	60
Total operating profit/(loss)		521	(55)	466	556	(101)	455	634	(100)	534
Gains on sale of non-current assets	10	—	288	288	2	—	2	14	—	14
Gain on termination of operations	11	6	34	40	17	12	29	5	—	5
Finance income	12	96	—	96	96	—	96	46	—	46
Finance expense	12	(137)	—	(137)	(128)	(20)	(148)	(107)	(98)	(205)
Profit/(loss) before income tax		486	267	753	543	(109)	434	592	(198)	394
Income tax (expense)/credit	13	(100)	2	(98)	(124)	18	(106)	(100)	12	(88)
Profit/(loss) for the period from continuing operations		386	269	655	419	(91)	328	492	(186)	306
Discontinued operations										
Profit for the period from discontinued operations	14	—	53	53	—	—	—	18	—	18
Profit/(loss) for the period		386	322	708	419	(91)	328	510	(186)	324
Attributable to owners of the parent		273	322	595	297	(81)	216	359	(181)	178
Attributable to non-controlling interests		113	—	113	122	(10)	112	151	(5)	146
Profit/(loss) for the period		386	322	708	419	(91)	328	510	(186)	324
Earnings per share attributable to the owners of the parent during the period (cents per share)	15									
—basic				25.6c			8.9c			7.2c
—diluted				25.2c			8.8c			7.1c
Earnings per share from continuing operations attributable to the owners of the parent during the period (cents per share)	15									
—basic				23.3c			8.9c			6.4c
—diluted				23.0c			8.8c			6.4c
Earnings per share from discontinued operations attributable to the owners of the parent during the period (cents per share)	15									
—basic				2.3c			0.0c			0.7c
—diluted				2.2c			0.0c			0.7c

1 Further detail on exceptional items is set out in note 6 and in the relevant note for each item.

The notes on pages F-8 to F-71 of this document are an integral part of this historical financial information.

As explained in note 2.1, certain administrative costs, interest, tax and pension amounts of the Cable & Wireless Communications Group reflect the management and capital structure of the Cable & Wireless Communications Group prior to Demerger. Accordingly these amounts, together with the respective earnings per share figures, may not be comparable with actual amounts that would have occurred had the Demerger been in effect during the periods presented.

CABLE & WIRELESS COMMUNICATIONS GROUP
STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	US$m	Year ended 31 March 2007 US$m	US$m	Year ended 31 March 2008 US$m	US$m	Year ended 31 March 2009 US$m
Profit for the period			708		328		324
Other comprehensive income for the year:							
Actuarial gains/(losses) in the value of defined benefit retirement plans	32		26		(56)		—
Exchange differences on translation of foreign operations		14		48		264	
Less: Amounts recognised in the income statement on disposal of foreign operations		—		—		(12)	
			14		48		252
Exchange differences relating to hedging instrument			—		—		(79)
Fair value gains on available-for-sale assets			—		4		—
Other comprehensive income for the period			40		(4)		173
Income tax relating to components of other comprehensive income	13		(9)		22		—
Other comprehensive income for the year, net of tax			31		18		173
Total comprehensive income for the period			739		346		497
Attributable to:							
Owners of the parent			637		251		347
Non-controlling interests			102		95		150

The notes on pages F-8 to F-71 of this document are an integral part of this historical financial information.

CABLE & WIRELESS COMMUNICATIONS GROUP
STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2007 US$m	As at 31 March 2008 US$m	As at 31 March 2009 US$m
ASSETS				
Non-current assets				
Intangible assets	18	357	453	371
Property, plant and equipment	19	1,698	1,660	1,602
Investments in joint ventures and associates	20	243	299	327
Available-for-sale financial assets	21	30	55	39
Deferred tax asset	30	29	18	14
Retirement benefit asset	32	78	62	39
Other receivables	22	57	57	36
Other non-current assets		21	—	—
		2,513	2,604	2,428
Current assets				
Inventories	23	33	28	28
Trade and other receivables	22	584	576	483
Cash and cash equivalents	24, 29	2,017	1,360	581
		2,634	1,964	1,092
Non-current assets and disposal groups held for sale	25	—	10	1
		2,634	1,974	1,093
Total assets		5,147	4,578	3,521
Current liabilities				
Trade and other payables	26	670	723	603
Financial liabilities at fair value	28	118	118	36
Current tax liabilities		217	243	161
Loans	27, 29	134	91	104
Provisions	31	93	132	110
		1,232	1,307	1,014
Net current assets		1,402	667	79
Non-current liabilities				
Trade and other payables	26	27	20	8
Financial liabilities at fair value	28	147	146	200
Loans	27, 29	1,232	782	1,048
Deferred tax liabilities	30	116	60	54
Provisions	31	74	55	41
Retirement benefit obligations	32	85	87	67
		1,681	1,150	1,418
Net assets		2,234	2,121	1,089
Amounts attributable to owners of the parent		1,824	1,738	774
Amounts attributable to non-controlling interests		410	383	315
Invested capital		2,234	2,121	1,089

The notes on pages F-8 to F-71 of this document are an integral part of this historical financial information.

CABLE & WIRELESS COMMUNICATIONS GROUP STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2007 US$m	Year ended 31 March 2008 US$m	Year ended 31 March 2009 US$m
Cash flows from operating activities				
Cash generated from continuing operations	35	705	807	751
Cash generated from discontinued operations	35	—	—	—
Income taxes paid		(84)	(92)	(115)
Net cash from operating activities		621	715	636
Cash flows from investing activities				
Continuing operations				
Interest received		81	94	32
Other expense		—	—	(4)
Dividends received		43	30	30
Increase in available-for-sale financial assets		—	(20)	—
Proceeds on disposal of non-current assets held for sale		—	2	—
Proceeds on disposal of property, plant and equipment		9	4	4
Proceeds on disposal of financial investments		75	—	—
Proceeds on disposal of associates		481	—	—
Purchase of property, plant and equipment		(293)	(311)	(329)
Purchase of intangible assets		(15)	(56)	(30)
Acquisition of subsidiaries (net of cash received) and non-controlling interests	38	(28)	(50)	(28)
Disposal of subsidiaries and non-controlling interests		—	—	11
Net cash from continuing operations		353	(307)	(314)
Discontinued operations		—	—	—
Net cash from investing activities		353	(307)	(314)
Net cash flow before financing		974	408	322
Cash flows from financing activities				
Continuing operations				
Dividends paid to shareholders		(156)	(277)	(258)
Dividends paid to non-controlling interests		(175)	(116)	(135)
Repayments of borrowings		(380)	(497)	(77)
Interest paid		(100)	(94)	(131)
Proceeds from borrowings		229	24	557
Proceeds on issue of ESOP trust shares		6	12	4
Purchase of ESOP trust shares		—	(4)	(4)
Proceeds on issue of ordinary share capital		28	16	5
Capital contributions to the Cable & Wireless Worldwide Group		(535)	(174)	(842)
Net cash from continuing operations		(1,083)	(1,110)	(881)
Discontinued operations		—	—	—
Net cash from financing activities		(1,083)	(1,110)	(881)
Net decrease in cash and cash equivalents		(109)	(702)	(559)
Cash and cash equivalents at the beginning of the period		1,927	2,017	1,360
Exchange gains/(losses) on cash and cash equivalents		199	45	(220)
Cash and cash equivalents at the end of the period	24, 29	2,017	1,360	581

The notes on pages F-8 to F-71 of this document are an integral part of this historical financial information.

CABLE & WIRELESS COMMUNICATIONS GROUP
STATEMENT OF CHANGES IN INVESTED CAPITAL

	Note	Owners of the parent US$m	Non-controlling interests US$m	Invested capital US$m
At 1 April 2006		1,828	489	2,317
Profit for the year		595	113	708
Net actuarial gains recognised (net of deferred taxation)	32	23	(6)	17
Foreign currency translation reserve		19	(5)	14
Total comprehensive income for the year		637	102	739
Share-based payment transactions	34	24	—	24
Issue of share capital		79	—	79
Dividends	16	(209)	—	(209)
Capital contributions to Cable & Wireless Worldwide Group companies		(535)	—	(535)
Total dividends and other transactions with the owners of the parent		(641)	—	(641)
Dividends paid to non-controlling interests		—	(181)	(181)
Total dividends and other transactions with non-controlling interests		—	(181)	(181)
At 1 April 2007		1,824	410	2,234
Profit for the year		216	112	328
Net actuarial gains recognised (net of deferred taxation)	32	(34)	—	(34)
Foreign currency translation reserve		65	(17)	48
Fair value gains on available-for-sale assets	21	4	—	4
Total comprehensive income for the year		251	95	346
Cash received in respect of employee share schemes		12	—	12
Own shares purchased		(4)	—	(4)
Share-based payment transactions	34	20	—	20
Issue of share capital		88	—	88
Dividends	16	(323)	—	(323)
Conversion of convertible bonds	27	222	—	222
Repurchase and conversion of convertible bonds	27	(170)	—	(170)
Capital contributions to Cable & Wireless Worldwide Group companies		(174)	—	(174)
Total dividends and other transactions with the owners of the parent		(329)	—	(329)
Acquisition from non-controlling interests		(8)	(6)	(14)
Dividends paid to non-controlling interests		—	(116)	(116)
Total dividends and other transactions with non-controlling interests		(8)	(122)	(130)
At 1 April 2008		1,738	383	2,121
Profit for the year		178	146	324
Foreign currency translation reserve		169	4	173
Total comprehensive income for the year		347	150	497
Cash received in respect of employee share schemes		4	—	4
Own shares purchased		(4)	—	(4)
Share-based payment transactions	34	11	—	11
Issue of share capital		89	—	89
Dividends	16	(341)	—	(341)
Capital contributions to Cable & Wireless Worldwide Group companies		(1,072)	—	(1,072)
Total dividends and other transactions with the owners of the parent		(1,313)	—	(1,313)
Acquisitions from non-controlling interests	38	2	(2)	—
Dividends paid to non-controlling interests		—	(216)	(216)
Total dividends and other transactions with non-controlling interests		2	(218)	(216)
Balance at 31 March 2009		774	315	1,089

The notes on pages F-8 to F-71 of this document are an integral part of this historical financial information.

CABLE & WIRELESS COMMUNICATIONS GROUP
NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Cable & Wireless Communications Group is an international telecommunications group offering mobile, broadband and domestic and international fixed line services to residential and business customers in 38 countries. It has four major operations being the Caribbean, Panama, Macau and Monaco & Islands.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The historical financial information represents the financial record for the three years ended 31 March 2009 of those businesses that will be held by the Cable & Wireless Communications Group at the date of admission of the shares of Cable & Wireless Communications to the London Stock Exchange. Following the Demerger, the Cable & Wireless Communications Group will comprise Cable & Wireless Communications and the entities forming the Cable & Wireless Group other than those entities comprising the demerged Cable & Wireless Worldwide Group. The principal entities, including associated undertakings and joint ventures, included within the historical financial information are set out in note 42.

The financial record is based on historical financial information extracted from the consolidation schedules which supported the audited financial statements of the Cable & Wireless Group for the three years ended 31 March 2009.

The Cable & Wireless Communications Group has not in the past formed a separate legal group and therefore it is not meaningful to show share capital or an analysis of historical reserves for the Cable & Wireless Communications Group. The net assets of the Cable & Wireless Communications Group are represented by the cumulative investment in the Cable & Wireless Communications Group companies (shown as "invested capital").

Application of IFRS

The historical financial information has been prepared in accordance with IFRS as adopted by the European Union except as described below. The historical financial information has also been prepared in accordance with applicable listing rules and requirements of the Prospectus Directive (including the regulation regarding issuers with complex financial histories).

IFRS does not provide for the preparation of extracted historical financial information. Accordingly, the historical financial information in this document has been prepared using certain commonly used accounting conventions (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). The application of these conventions results in the following material departures from IFRS as adopted by the European Union. In all other aspects, IFRS as adopted by the European Union have been applied.

Carved out and combined financial information

The historical financial information combines only the financial information for those businesses that will be held by the Cable & Wireless Communications Group and therefore excludes financial information for those subsidiaries of the Cable & Wireless Group that will form the Cable & Wireless Worldwide Group. Such excluded Cable & Wireless Worldwide Group subsidiaries, were, however, subsidiaries of entities within the Cable & Wireless Communications Group during the three years ended 31 March 2009. Such an approach differs from the consolidation requirements of IAS 27 *Consolidated and Separate Financial Statements* which requires consolidation of all subsidiaries.

Non-trading balances with the Cable & Wireless Worldwide Group

On Demerger, the Cable & Wireless Worldwide Group will not be required to repay non-trading balances with the Cable & Wireless Communications Group. For this reason, these amounts have been deducted from the Cable & Wireless Communications Group's invested capital, rather than being treated as assets as required by IFRS.

Earnings per share

The weighted average number of ordinary shares outstanding used to calculate earnings per share is based on the number of shares expected on listing of Cable & Wireless Communications. The shares expected on listing of Cable & Wireless Communications will be equal to the outstanding shares of Cable and Wireless plc prior to the Scheme of Arrangement. Therefore, these shares are considered to be the most appropriate denominator on which to compute earnings per share for the Cable & Wireless Communications Group.

As a result of the above matters, no statement of compliance with IFRS can be included in respect of the historical financial information.

Other principles applied

In addition, the following principles have been applied in preparing the historical financial information.

- There has been no allocation of the corporate head office costs of the Cable & Wireless Group to the Cable & Wireless Worldwide Group. This is because any allocation would be arbitrary in nature and may not reflect properly the costs relating to functions such as financial reporting and treasury and board costs as would have been incurred by that business. Therefore, the costs of the corporate head office in Cable & Wireless Communications Group represent 100% of the corporate head office costs of the Cable & Wireless Group. These costs are not representative of the level of historical head office costs of the Cable & Wireless Communications Group's business or of the costs that may be required in the future.
- The historical financial information is presented in US dollars (US$) and rounded to the nearest million. Historically, the financial information in respect of those businesses included within the historical accounts of Cable and Wireless plc was presented in pounds sterling (£) as this was the dominant functional currency of the Cable & Wireless Communications Group entities when the Cable & Wireless Communications Group included other Cable & Wireless Group companies. However, as a result of the Demerger of those entities, the dominant functional currency of the Cable & Wireless Communications Group entities has been determined to be US dollars as this is the primary currency in which the exchange transactions of the Cable & Wireless Communications Group are priced. Accordingly, the historical financial information has been presented as though US dollars was the presentation currency throughout the period. The key exchange rates between sterling and US dollars in the periods presented were:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
US$: £			
Average	1.8807	2.0041	1.7581
Year end	1.9631	1.9997	1.4498

- Trading balances with the Cable & Wireless Worldwide Group are presented within receivables and payables as though they were with an external party.
- The main UK defined benefit scheme operated by the Cable & Wireless Group provides benefits to current and past employees of, and therefore represents obligations of, both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group. For the period since 1 April 2006, the two Groups have each borne a proportion of the service costs of this scheme based on the approximate split of active membership. The scheme's expected return on assets and interest expense have been apportioned between the two Groups based on the directors' assumptions about the underlying liabilities, being 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group. The assets, liabilities, actuarial gains and losses and cash flows relating to the scheme have been apportioned based on 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group.

  Detailed disclosures relating to this scheme are provided in note 32.

  On Demerger and as agreed with the scheme trustees, the liabilities of the main UK defined benefit pension scheme operated by the Cable & Wireless Group will be allocated approximately equally between the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group.

Management believes presenting the historical financial information according to the historical allocation better represents the underlying pension cost of the two Groups over the periods presented.

If the historical financial information (which has been prepared on the basis of a split of 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group) had been prepared on the basis of the approximate actual split of liabilities to be applied post-Demerger (i.e. a split of 50% Cable & Wireless Communications Group and 50% Cable & Wireless Worldwide Group), the impact on the relevant financial statements of the Cable & Wireless Communications Group would have been as follows:

	Year ended 31 March		
	2007	**2008**	**2009**
	US$m	**US$m**	**US$m**
Impact on the statement of financial performance (increase in profit)	8	11	6
Impact on the statement of comprehensive income (increase/(decrease) in comprehensive income)	65	546	(464)
Impact on the statement of financial position (increase/(decrease) in net assets)	25	—	(14)
Impact on the statement of cash flows (decrease in cash)	(6)	(15)	(9)

- Tax charges in the historical financial information have been determined based on the tax charges recorded by the Cable & Wireless Communications Group companies in their local statutory accounts as well as certain adjustments relating to those entities made for Cable & Wireless Group consolidation purposes. The tax charges recorded in the historical income statement have been affected by the tax arrangements within the Cable & Wireless Group and are not necessarily representative of the tax charges that would have been reported had the Cable & Wireless Communications Group been an independent group. They are not necessarily representative of the historical tax charges attributable to the Cable & Wireless Communications Group or tax charges that may arise in the future.

This historical financial information has been prepared on the historical cost basis except for certain financial instruments held at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The preparation of the historical financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies used in the historical financial information have been applied consistently by Cable & Wireless Communications Group entities.

2.2 ***Application of recently issued International Financial Reporting Standards***

The Cable & Wireless Communications Group has considered the implications, of the upcoming amendments to IFRS, issued up to 30 September 2009, in the historical financial information.

New and amended Standards and Interpretations endorsed by the European Union and not adopted by the Cable & Wireless Communications Group

Title	Effective date	Description and impact on the Cable & Wireless Communications Group
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Annual periods beginning on or after 1 July 2009.	The amendment clarifies how existing hedge accounting principles should be applied to the designation of a one-sided risk in a hedged item and to inflation in a hedged item. This amendment will not have a material impact on the Cable & Wireless Communications Group.
Revised IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2009.	The main changes in the revised IFRS 3 include the separate accounting of acquisition related costs, changes to business combinations achieved in stages and changes to the accounting for business combinations where less than 100% of the equity is acquired. These changes will be effective for businesses purchased by the Cable & Wireless Communications Group after 31 March 2010. As such, no assessment can be determined of their impact.
Revised IAS 27 *Consolidated and Separate Financial Statements*	Annual periods beginning on or after 1 July 2009.	The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. This amendment is consistent with current Cable & Wireless Communications Group policy.

New and amended Standards and Interpretations not yet adopted by the European Union and the Cable & Wireless Communications Group

Title	Effective date	Description and impact on the Cable & Wireless Communications Group
Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*	Annual periods beginning on or after 30 June 2009.	These amendments allow the reassessment of embedded derivatives on reclassification of financial instruments out of the fair value through the income statement category. The amendments will not have a material impact on the Cable & Wireless Communications Group.
IFRIC 17 *Distribution of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009.	This interpretation applies to non-cash dividends excluding those controlled by the same party before and after the transaction. It clarifies the recognition and measurement of non-cash dividends payable. This interpretation does not affect the Cable & Wireless Communications Group.
IFRIC 18 *Transfers of Assets from Customers*	On or after 1 July 2009.	The IFRIC clarifies how existing IFRSs are applied to agreements in which an entity receives an asset from a customer which it then uses to connect the customer to a network to provide ongoing access to goods or services. The Cable & Wireless Communications Group is currently considering the implications of this interpretation.
Amendments to IFRS7 *Improving Disclosures about Financial Instruments*	Annual periods beginning on or after 1 January 2009.	This amendment contains further disclosure requirements to enhance the information available to investors about fair value measurement and liquidity risk associated with an entity's financial instruments. This is a disclosure standard only and will not have a material impact on the Cable & Wireless Communications Group.
Improvements to IFRS	Various dates, earliest is 1 January 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRSs. These improvements will not have a material impact on the Cable & Wireless Communications Group.
Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*	Annual periods beginning on or after 1 January 2010.	These amendments clarify the scope of IFRS 2 and its interaction with other standards. They also address how an entity should account for some share-based payments in its own financial statements if its parent or another entity in the Cable & Wireless Communications Group will pay for goods or services that it has received. These amendments will not have a material impact on the Cable & Wireless Communications Group.

2.3 ***Basis of consolidation***

The historical financial information has been prepared on the basis that the companies that will form the Cable & Wireless Communications Group were a group for consolidation purposes during the periods covered by the financial information and includes the Cable & Wireless Communications Group's share of the results and net assets of its joint ventures and associates. The accounts of the Cable & Wireless Communications Group's main trading subsidiaries, joint ventures and associates have been prepared to align with the Cable & Wireless Communications Group's reporting date.

(a) *Subsidiaries*

Subsidiaries are entities controlled by and forming part of the Cable & Wireless Communications Group. Control exists when the Cable & Wireless Communications Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are considered. Subsidiaries are consolidated from the date on which the Cable & Wireless Communications Group effectively takes control until the date that control ceases. Accounting policies of subsidiaries are aligned with the policies adopted by the Cable & Wireless Communications Group to ensure consistency.

The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Cable & Wireless Communications Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Cable & Wireless Communications Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) *Joint ventures and associates*

Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. Joint ventures are entities over which the Cable & Wireless Communications Group exercises joint control. Associates are entities over which the Cable & Wireless Communications Group has significant influence but not control over the financial and operating policies. This generally accompanies a shareholding of between 20% and 50%. The Cable & Wireless Communications Group's investment in joint ventures and associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Cable & Wireless Communications Group.

The Cable & Wireless Communications Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement. Its share of post-acquisition movements in reserves is recognised in invested capital. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Cable & Wireless Communications Group's share of losses in a joint venture or associate exceeds its investment (including any other unsecured long-term receivables), the Cable & Wireless Communications Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Cable & Wireless Communications Group and its joint ventures and associates are eliminated to the extent of the Cable & Wireless Communications Group's investment.

2.4 ***Segmental reporting***

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies in 38 countries offering mobile, broadband and domestic and international fixed line services to residential and business customers. It has four principal operations being the Caribbean, Panama, Macau and Monaco & Islands.

IFRS 8 *Segmental Reporting* requires disclosures in respect of the operating segments of the Cable & Wireless Communications Group according to the 'management approach'. This approach reflects the type and extent of information presented to the chief operating decision-maker of the Cable & Wireless Communications Group (the **Cable & Wireless Communications Group Board**).

The Cable & Wireless Communications Group Board considers the performance of the Cable & Wireless Communications Group's four principal operations in the Caribbean, Panama, Macau and Monaco & Islands in assessing the performance of the Cable & Wireless Communications Group and making decisions about the allocation of resources. Accordingly, these are the operating segments disclosed. The operating segments are reported in a manner consistent with the internal reporting provided to the Cable & Wireless Communications Group Board.

The Cable & Wireless Communications Group also operates the Central operations, a small central function which acts as a portfolio manager and operational support provider. This operational support includes risk management, best practice sharing, facilitating the development and enhancement of Customer Relationship Management strategies and billing systems, as well as provision of specialist procurement, networks, technology, legal, finance, tax, communications and human resources services. The Central operations are not considered to be an operating segment as it does not earn revenue from its activities. The results of the Central operations are reported in the other and eliminations column.

2.5 *Foreign currency translation*

(a) *Functional currency*

Items included in the financial statements of each of the Cable & Wireless Communications Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(b) *Foreign currency translation*

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Foreign operations*

The results and financial position of all the Cable & Wireless Communications Group entities that have a functional currency different from the Cable & Wireless Communications Group's presentation currency of US dollars are translated as follows:

(i) assets and liabilities are translated at the closing rate at the reporting date;

(ii) income and expenses are translated at rates closely approximating the rate at the date of the transactions; and

(iii) resulting exchange differences are recognised in invested capital.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement in the same period in which the gain or loss on disposal is recognised.

Exchange differences arising from the translation of the net investment in foreign entities are taken to invested capital. Where investments are matched in whole or in part by foreign currency loans, the exchange differences arising on the retranslation of such loans are also recorded as movements in the Cable & Wireless Communications Group's invested capital.

There are no Cable & Wireless Communications Group entities operating in a hyperinflationary economy.

2.6 *Property, plant and equipment*

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment.

The estimated costs of dismantling and removing an asset and restoring the site on which it is located are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Cable & Wireless Communications Group and the cost of the item can be measured reliably. All other subsequent costs (primarily repairs and maintenance) are charged to the income statement during the financial period in which they are incurred.

Interest costs relating to borrowings made to finance separately identifiable major capital projects (those that take six months or more to complete) are capitalised as part of the cost of assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Any interest costs included are only those that are incurred up to the time that those projects are ready for service.

Depreciation is not recognised on freehold land or assets under construction. On other property, plant and equipment, depreciation is recognised on the difference between the cost of an item and its estimated residual value, on a straight-line basis over the estimated useful lives of the assets as follows:

	Lives
Cables	up to 20 years
Network equipment	3 to 25 years
Ducting	40 years
Freehold buildings	40 years
Leasehold buildings	up to 40 years or term of lease if less

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount through sale or use.

Gains and losses on the sale of property, plant and equipment are determined by reference to the proceeds and net book values. These gains and losses are recognised in the income statement.

Engineering spares held for use by the Cable & Wireless Communications Group over a period exceeding one year are included in assets under construction. They are stated at cost and include an appropriate allocation of labour and overheads. The cost is determined on a weighted average basis. Provision is made for deterioration and obsolescence.

2.7 *Intangible assets*

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Cable & Wireless Communications Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, joint venture or associate. It is not amortised. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures and associates is included in the carrying value of those investments. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(b) *Other intangible assets*

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Cable & Wireless Communications Group are recognised as intangible assets. Expenditures that enhance and extend the benefits of computer software programs beyond their original specifications and lives are recognised as a capital improvement and added to the original cost of the software.

Expenditure is only capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Cable & Wireless Communications Group has sufficient resources to complete development and to use the asset.

Intangible assets relating to licences and customer contracts have been obtained as part of the Cable & Wireless Communications Group's business combinations. They are recorded initially at their fair values at the date of acquisition.

Other intangible assets are amortised over their respective lives which are usually based on contractual terms.

Other intangible assets are stated at cost less amortisation on a straight-line basis over the following periods:

	Lives
Licences	25 years or less if the licence term is shorter
Software	3 to 5 years
Customer contracts	4 to 15 years
Other	3 to 5 years

2.8 ***Financial assets and liabilities***

Financial assets

The Cable & Wireless Communications Group classifies its financial assets into the following categories: financial assets at fair value through the income statement, receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Cable & Wireless Communications Group currently does not classify any assets as held-to-maturity investments. The basis of determining fair values is set out in note 2.9.

Management determines the classification of its financial assets at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through the income statement.

Financial assets at fair value through the income statement

This category has two sub-categories: financial assets held for trading and those designated at fair value through the income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading. Assets classified as financial assets at fair value through the income statement are presented as current assets if they are either held for trading or are expected to be realised within one year of the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category at inception or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the reporting date. Purchases and sales of assets are recognised on the trade-date (the date on which the Cable & Wireless Communications Group commits to purchase or sell the asset).

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Cable & Wireless Communications Group provides money, goods or services directly to a third-party with no intention of trading the receivable. Receivables are included in current assets, except for those with maturities greater than one year after the reporting date (where they are classified as non-current assets). Receivables are included in trade and other receivables in the statement of financial position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest method less an allowance for impairment if necessary. An allowance for impairment of receivables is established when there is objective evidence that the Cable & Wireless Communications Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the effective interest rate). The allowance is initially recognised in the income statement.

Recognition and measurement

Financial assets at fair value through the income statement are recognised and subsequently carried at fair value. Available-for-sale financial assets are recognised and subsequently carried at fair value plus any directly attributable transaction costs. Receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets not carried at fair value through the income statement are initially recognised at fair value plus directly attributable transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Cable & Wireless Communications Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in invested capital. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The Cable & Wireless Communications Group assesses at each reporting date whether there is objective evidence that a financial asset or a Cable & Wireless Communications Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether it is impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss is removed from invested capital and recognised in the income statement. This loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised on these instruments are not reversed through the income statement if the fair value of the security increases in a later period.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses on derivative instruments that are not designated as hedge instruments are recognised immediately in the income statement.

The Cable & Wireless Communications Group only hedges net investments in foreign operations. The Cable & Wireless Communications Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Cable & Wireless Communications Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of cash flows of hedged items.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges by recognising any gain or loss on the hedging instrument relating to the effective portion of the hedge in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Financial liabilities

The Cable & Wireless Communications Group classifies its financial liabilities into the following categories: loans and puttable instruments. The classification depends on the terms of the liability, as described below.

Management determines the classification of its financial liabilities at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date.

Loans

Loans are recognised initially at fair value net of directly attributable transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method.

Convertible bonds issued by the Cable & Wireless Communications Group were initially recognised at fair value. The bond was separated into liability and equity components. The liability component was recognised at amortised cost. The equity component represented the residual of the fair value of the bond less the liability component. The liability component was subsequently measured on an amortised cost basis.

Loans are classified as current liabilities unless the Cable & Wireless Communications Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date (where they are classified as non-current assets).

Puttable instruments

Puttable instruments on non-controlling interests issued as part of a business combination are accounted for by the Cable & Wireless Communications Group as a financial liability. The liability is based on the present value of the redemption amount as if the puttable instrument had been exercised at the reporting date. Movements in the value of the liability together with dividends paid to minority interests are recognised as adjustments to goodwill with the unwind of the discount on the fair value calculation being recognised in the income statement.

2.9 *Fair value estimation for financial instruments*

The fair value of financial instruments traded in active markets (such as publicly traded derivatives or trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for traded financial assets held by the Cable & Wireless Communications Group is the current bid price. The appropriate quoted market price for traded financial liabilities is the current offer price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Cable & Wireless Communications Group uses a variety of methods which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models which reflect the specific instrument.

The nominal value of receivables (less estimated valuation allowances) and payables are assumed to approximate their fair values. The fair value of financial liabilities measured at amortised cost for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Cable & Wireless Communications Group for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.

2.10 *Impairment of assets (excluding financial instruments)*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. All other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The Cable & Wireless Communications Group determines any impairment by comparing the carrying values of each of the Cable & Wireless Communications Group's assets (or cash generating units to which it belongs) to their recoverable amounts which is the higher of the asset's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the asset. Future cash flows are determined with reference to the Cable & Wireless Communications Group's own projections using pre-tax discount rates which represent the estimated weighted average cost of capital for the business. The approach, assumptions and results of the impairment test are set out in note 17.

Impairment reviews involve management making assumptions and estimates, which are highly judgmental and susceptible to change.

2.11 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. Cost is based on the first-in, first-out (FIFO) principle. For inventories held for resale, net realisable value is determined as the estimated selling price in the ordinary course of business less costs to sell. For materials and consumables, provision is made for obsolete and slow moving inventories as required.

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and at bank, short-term deposits, money market funds and government securities. They are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the statement of financial position at cost. Bank overdrafts are included within loans in current liabilities on the statement of financial position.

2.13 ***Invested capital***

Invested capital is the cumulative investment in the Cable & Wireless Communications Group, and is treated akin to equity in the historical financial information. It includes share capital and all other reserves that were in existence prior to the Cable & Wireless Communications Group's Demerger from the Cable & Wireless Group, as well as capital contributions to the Cable & Wireless Worldwide Group. On Demerger, it is expected that there will be no contractual obligation for the Cable & Wireless Worldwide Group to repay these amounts and hence they have been treated as deductions from invested capital. These amounts are recorded at cost. Incremental costs directly attributable to the issue of new shares or standalone options are recognised in invested capital as a deduction from the issue proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of acquisition.

2.14 ***Leases***

Leases of property, plant and equipment where the Cable & Wireless Communications Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and obligations under finance leases. These payments are split between capital and interest elements using the annuity method. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases comprising a lease of land and a lease of buildings within a single contract are split into the two component parts. The component part for buildings is then tested to determine whether the lease is a finance or operating lease and treated accordingly.

Leases of land and all other leases are classified as operating leases and are not recognised in the statement of financial position. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease.

2.15 ***Non-current assets and disposal groups held for sale***

When the value of non-current assets is expected to be recovered principally through sale rather than through continuing use, they are classified as non-current assets held for sale. With the exception of deferred tax assets, assets arising from employee benefits and financial instruments, these assets are classified as current and are stated at the lower of carrying amount and fair value less costs to sell.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities in the statement of financial position.

Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

2.16 ***Employee benefits***

Defined contribution pensions

A defined contribution plan is a pension plan under which the Cable & Wireless Communications Group pays fixed contributions to a third-party. The Cable & Wireless Communications Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Cable & Wireless Communications Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. These schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The asset (or liability) recognised in the statement of financial position in respect of each defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations and any asset ceiling adjustments at the reporting date. Defined benefit obligations for each scheme are calculated semi-annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid. The bonds used will have terms to maturity approximating the terms of the related pension liability.

The Cable & Wireless Communications Group recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the statement of comprehensive income. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In these cases, the past service costs are amortised on a straight-line basis over the vesting period.

Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities less the expected return on plan assets, are included within operating costs.

The IAS 19 surplus or deficit of defined benefit funds is adjusted to reflect the future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for minimum funding contributions in accordance with IFRIC 14. Any adjustment to the surplus is recorded directly in invested capital.

Other post-employment obligations

Some Cable & Wireless Communications Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are dealt with in the same way as for defined benefit pension schemes. Independent qualified actuaries value these obligations annually. Current service costs are charged to the income statement.

Share-based compensation

The Cable & Wireless Communications Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the Cable & Wireless Communications Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the income statement, and a corresponding adjustment to invested capital over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to invested capital when the options are exercised.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cable & Wireless

Communications Group recognises termination benefits when it is demonstrably committed to the action leading to the employee's termination. Termination benefits falling due more than a year after the reporting date are discounted to present value.

Bonus plans

The Cable & Wireless Communications Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

The Cable & Wireless Long Term Incentive Plan

Cable and Wireless plc operates the LTIP. The plan rewards executive directors of Cable and Wireless plc responsible for, and certain senior employees in, the Cable & Wireless Communications Group. The plan is accounted for as an 'other long term employee benefit' in accordance with IAS 19 *Employee Benefits*. The amount recognised as a liability represents the estimated present value of the obligation at the reporting date.

The LTIP creates a reward pool over a five year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the business has grown in value from its base valuation at the start of the period (this period was changed from four to five years in July 2009).

Base valuations are adjusted over the performance period i) to reflect additional capital notionally treated as borrowed by the business, ii) to reflect capital notionally treated as returned by the business, and iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

Part of the reward pool was paid to participants up to the end of year three (31 March 2009), with a portion payable (less payments made at end of year three) to participants at the end of year four (31 March 2010) and the balance in full at the end of year five (31 March 2011). Measurement of the size of the reward pool is carried out every six months to correspond with the Cable & Wireless Communications Group's accounting periods. However, apart from awards held by participants who ceased employment as "good leavers" no awards vested until the end of year three. In the event of a potential payment to an individual in excess of US$31 million, the deferral period would be extended until 31 March 2012 or for a period of up to one year following a vesting event, if earlier.

2.17 ***Tax***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in invested capital, in which case it is recognised in invested capital.

Current tax is the expected tax payable on the taxable income for the year, using rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except where the difference arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction other than a business combination, affecting neither accounting nor taxable profit.

Deferred tax is calculated using tax rates that are expected to apply to the period when the temporary differences reverse, based on rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Cable & Wireless Communications Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 ***Provisions***

Provisions are liabilities of uncertain timing or amount. They are recognised when the Cable & Wireless Communications Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. The discount rate is the pre-tax rate reflecting the assessment of the settlement date. Provision charges and reversals are recognised in the income statement. Discount unwinding is recognised as a finance expense.

Provisions are recognised for unavoidable lease payments in onerous contracts as the difference between the rentals due and any income expected to be derived from the vacant properties being sublet. Redundancy provisions, relating to both continuing and discontinued operations, comprise employee termination payments. Legal provisions comprise legal fees and, where appropriate, expected settlement costs.

2.19 ***Revenue recognition***

Cable & Wireless Communications Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services provided to customers. It includes sales to joint ventures and associated companies but does not include sales by joint ventures and associated companies or sales between Cable & Wireless Communications Group companies. Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the income statement in proportion to the services delivered at the reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operators for interconnect fees.

Mobile revenue comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, and the provision of other mobile telecommunications services. This includes data services and information provision and revenue from the sale of equipment (including handsets).

Mobile monthly access charges are invoiced and recorded as part of a periodic billing cycle. Airtime, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid cards, is recorded in the period in which the customer uses the service. Unbilled revenue resulting from mobile services provided to contract customers from the billing cycle date to the end of each period is accrued. Unearned monthly access charges relating to periods after each accounting period are deferred.

The Cable & Wireless Communications Group earns revenue from the transmission of content and traffic on its network originated by third-party providers. The Cable & Wireless Communications Group assesses whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following indicators:

- whether the Cable & Wireless Communications Group holds itself out as an agent;
- establishment of the price;
- provision of customer remedies;
- performance of part of the service; and
- assumption of credit risk.

Revenue from sales of telecommunications equipment is recognised upon delivery to the customer.

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecommunications equipment and ongoing service) is allocated to those components that are separable based on the estimated fair value of the components.

Revenue arising from the provision of other services, including maintenance contracts, is recognised evenly over the periods in which the service is provided.

2.20 ***Dividend income***

Dividend income is recognised when the right to receive payment is established. Dividend income is included within finance income.

2.21 ***Interest income***

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

2.22 ***Exceptional items***

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Cable & Wireless Communications Group that are identified as exceptional items by virtue of their size, nature or incidence. Further detail on exceptional items is set out in note 6 and in the relevant note for each item.

3. Critical accounting estimates and judgements

In the preparation of the consolidated historical financial statements, a number of estimates and assumptions have been made relating to the performance and the financial position of the Cable & Wireless Communications Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Cable & Wireless Communications Group's most critical accounting policies, which are those that are most important to the presentation of its consolidated financial performance and position. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain.

3.1 ***Valuation of assets for purchase accounting***

Where the Cable & Wireless Communications Group undertakes business combinations, the cost of acquisition is allocated to tangible and other identifiable intangible assets and liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. Any value assigned to the identifiable assets is determined by reference to an active market, independent appraisal or estimate by management based on cash flow projections. The latter situation includes estimates and judgements regarding expectations for the economic useful lives of the products and technology acquired. In this situation, where appropriate, third-party valuation specialists are involved.

3.2 ***Depreciation of property, plant and equipment***

The Cable & Wireless Communications Group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where the Cable & Wireless Communications Group determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net carrying amount in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Cable & Wireless Communications Group's financial statements when the change in estimate is determined.

3.3 ***Impairment of property, plant and equipment and intangible assets***

The Directors assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- obsolescence or physical damage;
- significant changes in technology and regulatory environments;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the use of its assets or the strategy for its overall business;

- significant negative industry or economic trends; and
- significant decline in its share price for a sustained period and its market capitalisation relative to net book value.

In addition, the Directors test goodwill at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units require significant judgement.

3.4 ***Revenue recognition***

Judgement is required in assessing the application of the principles of revenue recognition in respect of Cable & Wireless Communications Group revenues. This includes presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

3.5 ***Receivables valuation***

The valuation allowance for trade receivables reflects the Cable & Wireless Communications Group's estimates of losses arising from the failure or inability of the Cable & Wireless Communications Group's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit-worthiness and the Cable & Wireless Communications Group's historical write-off experience. Changes to the allowance may be required if the financial condition of its customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs. Historically, changes to the estimate of losses have not been material to the Cable & Wireless Communications Group's financial position and performance.

3.6 ***Customer and supplier commitments***

The nature of the telecommunications industry is such that estimates are often required to be made in relation to customer or supplier commitments, the final outcome of which may not be known for some time. It uses estimates of price or usage to determine the revenue and expense recognised in any period. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed. As issues arise or are resolved, accruals are created or released as appropriate—the net impact of this is included in operating profit within the relevant line item.

3.7 ***Interconnection with other operators***

As part of the normal course of business, the Cable & Wireless Communications Group interconnects with other telecommunications operators. In certain instances it uses estimates to determine the amount of revenue receivable from or expense payable to these other operators. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these adjustments.

Adjustments to interconnect estimates are taken to operating profit in the period in which the adjustments are made.

3.8 ***Taxation***

The tax charge is the sum of the total current and deferred tax charges or credits. The calculation of the Cable & Wireless Communications Group's total tax charge involves a degree of estimation and judgement in respect of certain items where the tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority or, if necessary, through a formal legal process. The final resolution of some of these items may give rise to material income statement and/or cash flow variances.

The resolution of issues is not always within the control of the Cable & Wireless Communications Group and is often dependent on the efficiency of the administrative and legal processes in the relevant tax jurisdictions in which the Cable & Wireless Communications Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the income statement and tax payments.

3.9 ***Recognition of deferred tax assets***

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

3.10 ***Provisions***

A provision is recognised when there is a present (legal or constructive) obligation in respect of a past event as explained in the accounting policy in note 2.18. Judgement is required to quantify such amounts.

3.11 ***Pensions***

The Cable & Wireless Communications Group provides several defined benefit pension schemes for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations and asset ceiling adjustments at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:

- the life expectancy of the members;
- the length of service;
- the rate of salary progression;
- the rate of return earned on assets in the future;
- the rate used to discount future pension liabilities; and
- future inflation rates.

The assumptions used by the Cable & Wireless Communications Group are set out in note 32 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but are comparable to the median estimates in this regard used by other FTSE 100 companies. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in note 32.

3.12 ***Fair value estimation***

The basis of determining fair values is set out in note 2.9. Where market values are not available, fair values are based on valuation methodologies which require inputs and forecasts to be made. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Cable & Wireless Communications Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term loans. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less valuation adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Cable & Wireless Communications Group for similar financial instruments.

3.13 ***Long Term Incentive Plan (LTIP)***

The charge calculated in accordance with IAS 19 *Employee Benefits* requires estimates of the valuation of the Cable & Wireless Communications Group to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective.

4. Segment information

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies in 38 countries offering mobile, broadband and domestic and international fixed line services to residential and business customers. It has four principal operations being the Caribbean, Panama, Macau and Monaco & Islands.

The operating segment results from continuing operations, as provided to the Cable & Wireless Communications Group Board for the three years ended 31 March 2009 are presented below:

	Caribbean	Panama	Macau	Monaco & Islands	Other and eliminations[1]	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 March 2009						
Continuing operations						
Revenue	975	667	302	506	(3)	2,447
Cost of sales	(257)	(226)	(110)	(201)	3	(791)
Gross margin	718	441	192	305	—	1,656
Pre-exceptional operating costs	(381)	(165)	(53)	(168)	(18)	(785)
EBITDA[2]	337	276	139	137	(18)	871
LTIP charge	—	—	—	—	—	—
Depreciation and amortisation	(119)	(78)	(38)	(54)	(5)	(294)
Net other operating (expense)/income	(4)	1	—	—	—	(3)
Group operating profit/(loss)	214	199	101	83	(23)	574
Share of post-tax profit of joint ventures	30	—	—	30	—	60
Exceptional operating costs	(54)	(5)	—	(4)	(37)	(100)
Total operating profit/(loss)	190	194	101	109	(60)	534
Other income						19
Net finance expense						(61)
Non-operating exceptional items						(98)
Profit before income tax						394
Tax						(88)
Profit for the year from continuing operations						306

	Caribbean	Panama	Macau	Monaco & Islands	Other and eliminations[1]	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 March 2008						
Continuing operations						
Revenue	1,021	617	291	526	7	2,462
Cost of sales	(310)	(217)	(113)	(210)	3	(847)
Gross margin	711	400	178	316	10	1,615
Pre-exceptional operating costs	(419)	(146)	(54)	(177)	(45)	(841)
EBITDA[2]	292	254	124	139	(35)	774
LTIP charge	—	—	—	—	(16)	(16)
Depreciation and amortisation	(117)	(75)	(34)	(52)	(6)	(284)
Net other operating income	2	1	—	—	2	5
Group operating profit/(loss)	177	180	90	87	(55)	479
Share of post-tax profit of joint ventures	44	—	—	33	—	77
Exceptional operating costs	(89)	—	—	(3)	(9)	(101)
Total operating profit/(loss)	132	180	90	117	(64)	455
Other income						19
Net finance expense						(32)
Non-operating exceptional items						(8)
Profit before income tax						434
Tax						(106)
Profit for the year from continuing operations						328

	Caribbean	Panama	Macau	Monaco & Islands	Other and eliminations[1]	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 March 2007						
Continuing operations						
Revenue	1,041	543	269	460	(3)	2,310
Cost of sales	(303)	(194)	(117)	(176)	3	(787)
Gross margin	738	349	152	284	—	1,523
Pre-exceptional operating costs	(389)	(133)	(48)	(143)	(43)	(756)
EBITDA[2]	349	216	104	141	(43)	767
LTIP charge	—	—	—	—	(19)	(19)
Depreciation and amortisation	(120)	(70)	(29)	(56)	2	(273)
Net other operating income	3	1	2	(1)	2	7
Group operating profit/(loss)	232	147	77	84	(58)	482
Share of post-tax (loss)/profit of joint ventures and associates	(23)	—	—	62	—	39
Exceptional operating costs	(45)	(2)	—	(3)	(5)	(55)
Total operating profit/(loss)	164	145	77	143	(63)	466
Other income						6
Net finance expense						(41)
Non-operating exceptional items						322
Profit before income tax						753
Tax						(98)
Profit for the year from continuing operations						655

1 Other and eliminations includes the expenses of the Central operations of the Cable & Wireless Group.

2 EBITDA is based on management reporting and is defined as earnings before interest, tax, depreciation and amortisation, LTIP credit/charge, net other operating income/expense and exceptional items.

There are no differences in the measurement of the reportable segments' results and the Cable & Wireless Communications Group's results.

Details of the segment assets and liabilities for the three years ended 31 March 2009 are:

	Caribbean	Panama	Macau	Monaco & Islands	Other and eliminations[1]	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 March 2009						
Total assets	1,397	647	207	786	484	3,521
Total assets includes:						
Investments in joint ventures	212	—	—	115	—	327
Additions to non-current assets during the year (excluding financial assets, deferred tax assets and defined benefit pension assets)	150	83	35	72	9	349
Total liabilities	(316)	(284)	(67)	(361)	(1,404)	(2,432)
Year ended 31 March 2008						
Total assets	1,490	628	206	1,049	1,205	4,578
Total assets includes:						
Investments in joint ventures	186	—	—	113	—	299
Additions to non-current assets during the year (excluding financial assets, deferred tax assets and defined benefit pension assets)	176	103	36	55	9	379
Total liabilities	(410)	(282)	(68)	(612)	(1,085)	(2,457)
Year ended 31 March 2007						
Total assets	1,512	622	204	1,002	1,807	5,147
Total assets includes:						
Investments in joint ventures	144	—	—	99	—	243
Additions to non-current assets during the year (excluding financial assets, deferred tax assets and defined benefit pension assets)	146	58	35	60	17	316
Total liabilities	(524)	(281)	(71)	(532)	(1,505)	(2,913)

1 Other and eliminations includes assets and liabilities of the Central operations of the Cable & Wireless Group and non-operating assets and liabilities.

There is no significant inter-segment trading between the segments. Transactions between the segments are on commercial terms similar to those offered to external customers.

There are no differences in the measurement of the reportable segments' assets and liabilities and the Cable & Wireless Communications Group's assets and liabilities other than those shown in the reconciliations to Cable & Wireless Communications Group totals. Further, there are no asymmetrical allocations to reportable segments.

Discontinued operations

The results of discontinued operations in the period presented are comprised within the other and eliminations segment (see note 14 for further details).

Entity-wide disclosures

The revenue from external customers by product can be analysed as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Revenue			
Mobile	764	883	907
Broadband	145	183	199
Domestic voice	578	541	519
International voice	316	282	245
Enterprise, data and other	507	573	577
Total	2,310	2,462	2,447

Geographical information

Revenue by geographical area can be classified as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
United Kingdom	—	—	—
Panama	543	617	667
Jamaica	376	329	294
Macau	269	291	302
Monaco	256	291	287
All other countries and eliminations[1]	866	934	897
Total	2,310	2,462	2,447

Revenue is allocated to a geographical region based on the location in which the telecommunications services were delivered. It does not follow necessarily that the international telecommunications traffic transiting the Cable & Wireless Communications Group's networks originates in that location. The Cable & Wireless Communications Group does not have access to information on the original source or ultimate destination of international telecommunications traffic.

The Cable & Wireless Communications Group does not have any customers from which revenue exceeds 10% of Cable & Wireless Communications Group revenue.

Non current assets (other than financial instruments, deferred tax assets and defined benefit pension assets) are classified as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
United Kingdom	—	—	—
Panama	396	423	427
Jamaica	381	335	306
Macau	115	118	116
Monaco	411	485	391
All other countries & eliminations[1]	1,073	1,108	1,096
Total	2,376	2,469	2,336

1 Other includes assets and liabilities of the Central operations of the Cable & Wireless Group and non-operating assets and liabilities.

5. Revenue

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Continuing operations			
Sales of telecommunications services and related operations	2,166	2,354	2,339
Sales of telecommunications equipment and accessories	144	108	108
Total revenue	2,310	2,462	2,447

6. Operating costs

The split of the operating costs incurred by the Cable & Wireless Communications Group, in accordance with the nature of cost, is presented below:

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Outpayments and direct costs	787	—	787	847	—	847	791	—	791
Employee and other staff expenses	397	24	421	393	29	422	357	61	418
Operating lease rentals									
—networks	19	—	19	20	—	20	23	—	23
—property	19	—	19	24	—	24	23	13	36
—plant and equipment	2	—	2	2	—	2	1	—	1
Other administrative expenses	173	—	173	232	2	234	187	26	213
Network costs	100	—	100	118	(4)	114	120	—	120
Property and utility costs	65	—	65	68	—	68	74	—	74
Operating costs before depreciation and amortisation	1,562	24	1,586	1,704	27	1,731	1,576	100	1,676
Amortisation and impairment of intangible assets	30	—	30	40	—	40	44	—	44
Depreciation and impairment of property, plant and equipment	243	—	243	244	74	318	250	—	250
Operating costs	1,835	24	1,859	1,988	101	2,089	1,870	100	1,970

Exceptional items relate to the ongoing programme of restructuring the Cable & Wireless Communications Group's operations (including redundancy, vacant property and onerous network costs) in each of the periods presented, together with periodic impairments and other significant asset write-offs. Exceptional items within operating costs are disclosed below while further information on non operating exceptional items can be found in notes 7 and 10 to 13.

	Note	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
		US$m	US$m	US$m
Exceptional items within operating costs				
Employee costs	(i)	24	29	61
Property costs	(ii)	—	—	13
Other costs	(iii)	—	4	26
Legal costs	(iv)	—	22	—
Gain on Seychelles cash repatriation	(v)	—	(28)	—
Impairment	(vi)	—	74	—
Total exceptional operating costs		24	101	100

(i) Exceptional employee costs principally related to redundancy costs arising from the restructuring of the Cable & Wireless Communications Group's operations in continuing businesses. In 2008/09, these costs were net of US$14 million of gain from restructuring post-retirement plans in Jamaica and Barbados (see note 32).

(ii) In 2008/09, property costs related to an onerous property lease obligation.

(iii) In 2008/09, exceptional other costs mainly related to the "One Caribbean" restructuring programme. These costs primarily consisted of US$12 million related to rebranding costs and US$14 million related to restructuring and consultancy. In 2007/08, exceptional other costs related to other restructuring costs.

(iv) In 2007/08, the Cable & Wireless Communications Group received a legal claim from Digicel, a competitor in the Caribbean. Exceptional legal costs related to the legal and other fees for the Cable & Wireless Communications Group's defence against the claim (see note 41 for further information).

(v) In 2007/08, the Cable & Wireless Communications Group concluded a transaction with the Seychelles government to repatriate US$48 million of funds that had previously been blocked due to exchange controls. The gain arising on the release of previous allowances held against these funds was US$28 million. As a consequence of this transaction, there was a US$10 million tax charge on the exceptional amount.

(vi) In 2007/08 an impairment review was conducted by Cable & Wireless Jamaica, which resulted in an impairment of mobile network assets by US$74 million (see note 17 for further information).

Auditor's remuneration

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Audit services			
Statutory audit services—in respect of the Group's accounts	2.6	2.7	2.6
Audit services in respect of prior years—in respect of Group accounts	0.2	0.4	–
Audit of the Group's annual accounts	2.8	3.1	2.6
Amounts receivable by auditors and their associates:			
Statutory audit services—in respect of other statutory accounts	0.8	1.2	1.4
Audit services of prior years—in respect of other statutory accounts	–	–	0.2
Audit related regulatory reporting	0.9	0.6	0.5
	4.5	4.9	4.7
Tax services—compliance and advisory	0.2	–	0.2
Services related to corporate finance	–	–	6.9
Other services	0.3	0.5	0.3
	5.0	5.4	12.1

7. Other operating income

In the periods presented, pre-exceptional other operating income primarily related to gains on disposal of property, plant and equipment.

In 2006/07, exceptional other operating income of US$24 million included cash received in respect of hurricane insurance claims of US$15 million and the reversal of US$9 million unused provisions relating to natural disaster costs recognised in a prior period.

8. Other operating expenses

In 2008/09 pre-exceptional other operating expense of US$6 million (2007/08—US$9 million) related to US$3 million (2007/08—US$5 million) of losses on disposal of property, plant and equipment and US$3 million (2007/08—US$4 million) of costs relating to hurricane damage. In 2006/07, other operating expenses included US$2 million relating to losses on disposal of property, plant and equipment.

9. Employee and other staff expenses

Cost of employees and contract staff of the Cable & Wireless Communications Group

The pre-exceptional employee and other staff expenses are set out below:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Wages and salaries	329	365	350
Social security costs	22	16	14
Share-based payments	24	20	12
Long Term Incentive Plan	19	16	—
Pension (credit)/expense			
—defined benefit plans	(2)	(14)	(10)
—defined contribution plans	5	8	9
Temporary labour and recruitment	28	18	19
	425	429	394
Less: Employee and other staff costs capitalised	(28)	(36)	(37)
Employee and other staff costs	397	393	357

Total exceptional employee and other staff expenses in 2008/09 were US$61 million (2007/08—US$29 million, 2006/07—US$24 million). Refer to note 6 for further detail.

Average number of employees

The average monthly number of persons, including Executive Directors, employed by the Cable & Wireless Communications Group in continuing operations during the periods presented was:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
Central operations	228	237	198
Caribbean	3,697	3,964	3,196
Panama	1,846	1,885	1,900
Macau	944	919	903
Monaco & Islands	1,260	1,187	1,106
Total	7,975	8,192	7,303

There were no employees in discontinued operations.

Key management's remuneration

Key management includes Directors and any senior employees that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of the Cable & Wireless Communications Group. Included in employee costs are key management expenses as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Salaries and short-term employment benefits	7	6	6
Share-based payments	7	7	6
Long Term Incentive Plan	1	1	—
	15	14	12

Included in the table above are aggregate Directors emoluments of US$6 million (2007/08—US$6 million; 2006/07—US$6 million).

10. Gains and losses on the sale of non-current assets

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Pre-exceptional gains on the sale of non-current assets	—	2	14
Exceptional gains on the sale of non-current assets	288	—	—
Total	288	2	14

Pre-exceptional gains and losses on the sale of non-current assets arise on the sale of businesses that do not meet the definition of discontinued operations or investments.

In 2008/09, the pre-exceptional gain on disposal of non-current assets of US$14 million principally arose on the recycling of foreign currency reserve translation balances on liquidation of subsidiaries.

In 2007/08 the pre-exceptional gain on disposals of non-current assets of US$2 million reflected the release of a provision related to the sale of the Cable & Wireless Communications Group's interest in Bahrain Telecommunications Company BSC (**Batelco**).

In 2006/07, exceptional gains on disposals of non-current assets of US$288 million reflected the gain on the sale of the Cable & Wireless Communications Group's interest in Batelco. The net cash proceeds received were US$481 million. The tax charge attributable and non-controlling interest share were both US$nil. This interest was previously recorded as assets held for sale.

11. Gain on termination of operations

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Pre-exceptional gain on termination of operations	6	17	5
Exceptional gain on termination of operations	34	12	—
Total	40	29	5

The pre-exceptional gain of US$5 million in 2008/09 (2007/08—US$17 million, 2006/07—US$6 million) represented the results of the run off activities of the Cable & Wireless Communications Group's former insurance operation, Pender Insurance Limited (Pender), which ceased taking on new business in April 2003.

The exceptional gain of US$12 million in 2007/08 (2006/07—US$34 million) arose from the release of provisions following the resolution of claims and other matters in respect of Pender.

12. Finance income and expense

The pre-exceptional finance income and expense amounts were as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Finance income			
Interest on cash and deposits	94	94	35
Investment income	2	2	—
Foreign exchange gain on deposits	—	—	11
Total pre-exceptional finance income	96	96	46
Finance expense			
Interest on bank loans	4	26	28
Interest on other loans	113	90	49
Impairment of financial asset	—	—	7
Unwinding of discounts on provisions	4	—	3
Unwinding of discount on Monaco put option liability	20	16	24
	141	132	111
Less: Interest capitalised	(4)	(4)	(4)
Total pre-exceptional finance expense	137	128	107

Tax relief of US$nil is available on interest capitalised in the year ended 31 March 2009 (2007/08—US$2 million, 2006/07—US$2 million). Interest has been capitalised within property, plant and equipment at a rate of 5% (2007/08—7%, 2006/07—7%) on qualifying capital expenditure.

In 2008/09, the Cable & Wireless Communications Group entered into various foreign exchange contracts to lock in the sterling cash value of the forecast cash repatriations from foreign operations as well as that of the drawdowns on the Cable & Wireless Communications Group's US$415 million bank facility (see note 27). This resulted in an exceptional finance expense of US$98 million from expiry of these contract during the year and re-measuring open contracts to fair value at year end.

In 2007/08, a US$20 million exceptional finance expense related to the repurchase of convertible bonds with a par value of US$276 million (£138 million) for cash of US$380 million (£190 million). The 2007/08 exceptional accounting loss (not included in the table above) of US$20 million was the difference between the carrying and fair value of the underlying debt component of the repurchased bonds. For further information, refer to note 27.

13. Income tax expense

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Current tax charge			
UK tax	73	125	42
Double tax relief	(73)	(125)	(42)
	—	—	—
Overseas tax	93	123	106
Adjustments relating to prior periods	(14)	3	(24)
Total current tax charge	79	126	82
Deferred tax charge/(credit)			
Origination and reversal of temporary differences	40	(17)	7
Effect of change in tax rates	2	—	—
	42	(17)	7
Adjustments relating to prior periods	(23)	(3)	(1)
Total deferred tax charge/(credit)	19	(20)	6
Total tax charge	98	106	88

There were no tax charges relating to discontinued operations in any period presented. In 2008/09, the tax credit included in the tax charge above relating to exceptional items was US$12 million (2007/08—US$18 million credit, 2006/07—US$2 million credit).

The Cable & Wireless Communications Group's effective tax rate differs from the UK statutory tax rate as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	%	%	%
UK statutory tax rate	30.0	30.0	28.0
Effect of overseas tax rates	(2.3)	(8.8)	(3.8)
Effect of accounting for associates	0.7	(4.1)	(4.4)
Effect of branches and intra-group dividends less double tax relief	9.6	9.2	11.0
Net effect of (income not taxable)/disallowed expenditure	(15.2)	(3.0)	(2.7)
Effect of other temporary differences	6.4	—	—
Effect of changes in unrecognised deferred tax assets	(12.6)	1.1	(0.5)
Adjustments relating to prior periods	(4.4)	—	(6.1)
Effective tax rate	12.2	24.4	21.5

Income tax on items of other comprehensive income

During the periods presented, the income tax expenses and credits relating to other comprehensive income resulted from actuarial gains and losses on defined benefit retirement plans.

14. Discontinued operations

There were no businesses discontinued during the periods presented.

The net profit of US$18 million from discontinued operations in 2008/09 included the reversal of unutilised provisions (see note 31) relating to the Cable & Wireless Communications Group's former US operations and businesses disposed of in prior periods.

In 2007/08 the net profit of US$nil from discontinued operations relates to the reversal of unutilised provisions of US$10 million (see note 31) relating to the Cable & Wireless Communications Group's former US operations and businesses disposed of in prior periods and the write-off of a US$10 million receivable relating to the Cable & Wireless Communications Group's former US operations.

In 2006/07 the profit from discontinued operations of US$53 million included the reversal of unutilised provisions relating to the Cable & Wireless Communications Group's former US operations (see note 31).

15. Earnings per share

Basic earnings per ordinary share is based on the profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. The weighted average number of ordinary shares outstanding used to calculate earnings per share is based on the number of shares expected on listing of Cable & Wireless Communications. The shares expected on listing of Cable & Wireless Communications will be equal to the outstanding shares of Cable and Wireless plc prior to the Scheme of Arrangement. Therefore, these shares are considered to be the most appropriate denominator on which to compute earnings per share for the Cable & Wireless Communications Group.

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Profit for the financial year attributable to the owners of the parent	595	216	178
Weighted average number of ordinary shares outstanding (millions)	2,324	2,424	2,486
Dilutive effect of share options	36	42	26
Number of ordinary shares used to calculate diluted earnings per share	2,360	2,466	2,512
Basic earnings per share (cents per share)	25.6c	8.9c	7.2c
Diluted earnings per share (cents per share)	25.2c	8.8c	7.1c
Continuing operations			
Profit (and adjusted profit) from continuing operations for the financial year attributable to the owners of the parent	542	216	160
Basic earnings per share from continuing operations (cents per share)	23.3c	8.9c	6.4c
Diluted earnings per share from continuing operations (cents per share)	23.0c	8.8c	6.4c
Discontinued operations			
Profit (and adjusted profit) from discontinued operations for the financial year attributable to the owners of the parent	53	—	18
Basic earnings per share from discontinued operations (cents per share)	2.3c	0.0c	0.7c
Diluted earnings per share from discontinued operations (cents per share)	2.2c	0.0c	0.7c

The convertible bond was excluded from the number of ordinary shares used to calculate diluted earnings per share in all years as it was not dilutive. The dilutive effect of share options does not take account of any changes to employee share incentive schemes that will result from the Demerger of the Cable & Wireless Worldwide Group.

16. Dividends declared and paid

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Final dividend in respect of the prior year	134	201	216
Interim dividend in respect of the current year	75	122	125
Total dividend paid	209	323	341

The number of shareholders electing to take all or part of their dividends in shares varies from dividend to dividend. In 2008/09, 12,057 shareholders (2007/08—12,379 shareholders, 2006/07—13,009 shareholders) owning 558 million shares (2007/08—708 million shares, 2006/07–370 million shares) elected to take the interim dividend wholly or partly in shares. In 2008/09 12,138 shareholders (2007/08–12,531 shareholders, 2006/07—13,278 shareholders) owning 613 million shares (2007/08—122 million shares, 2006/07—689 million shares) elected to take the prior year final dividend wholly or partly in shares. Consequently, total shares were issued in 2008/09 with a value of US$83 million (2007/08—US$46 million, 2006/07—US$53 million). The Cable & Wireless Employee Share Ownership Plan Trust waived its right to dividends on the shares held in the trust.

17. Impairment review

The Cable & Wireless Communications Group assessed the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important, which could trigger an impairment review, are set out in note 3.3.

Goodwill

As required by IFRS 3, a review of the carrying value of goodwill has been performed as at each year end. In performing these reviews, the recoverable amount of goodwill has been determined by reference to the higher of the fair value less costs to sell and the value in use of the continuing operations of the related businesses. No impairments were required in any of the periods presented.

Monaco Telecom

Goodwill of US$175 million was allocated to Monaco Telecom at 31 March 2009 (31 March 2008–US$216 million, 31 March 2007—US$200 million). Three relevant cash generating units were identified for the purposes of assessing the carrying value of Monaco Telecom's network assets (domestic including the cable television business, international business and other services). Goodwill has been allocated to this group of cash generating units based on the fair value at the time of acquisition. The value in use was determined for each cash generating unit by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of between 0% and 5%) at discount rates of between 8% and 18% (2006/07 and 2007/08—9% and 13%) (dependent on the risk adjusted cost of capital of different parts of the business). No impairment was required in any of the periods presented.

The key assumptions in the calculation of value in use relate to revenue growth, operating cost margin and the level of maintenance capital expenditure required to maintain the network at its current level. Monaco Telecom operates under an exclusive operating agreement in Monaco and management's forecasts were based on historical experience for the business.

The goodwill's value in use would not support the carrying value of the goodwill if earnings decreased or maintenance capital expenditure increased by more than US$25 million per year; or the discount rate increased by more than 9 percentage points.

Property, plant and equipment and other intangibles

Year ended 31 March 2009

There were no events or changes in circumstances during the year to indicate that the carrying value of property, plant and equipment and other intangible assets had been impaired.

Year ended 31 March 2008

There were no events or changes in circumstances during the year to indicate that the carrying value of property, plant and equipment and intangible assets had been impaired, except as noted below:

Cable & Wireless Jamaica

A review of the carrying value of the property, plant and equipment of Cable & Wireless Jamaica Ltd, a subsidiary of the Cable & Wireless Communications Group, was conducted at year end in the light of the poor trading performance during the year.

The value in use was determined for each of the four cash generating units of the business (mobile, fixed, data and Internet) by discounting estimated future cash flows (based on the company's five year forecast) at a US dollar equivalent discount rate of 11.7% The key assumptions in the calculation of value in use related to:

- Revenue—a terminal growth rate of 0% to 2% depending on the cash generating unit;
- Maintenance capital expenditure—assumed at an average of 5% of revenue in perpetuity; and
- Operating costs—estimated to remain at broadly the same level throughout the projection (before inflation).

These assumptions reflected the recent introduction of competition in the local market.

The impairment charge recognised in Cable & Wireless Jamaica Ltd that has been reflected in the Cable & Wireless Communications Group income statement is US$74 million.

Year ended 31 March 2007

There were no events or changes in circumstances during the year to indicate that the carrying value of property, plant and equipment and other intangible assets had been impaired, except as noted below:

TSTT

The Cable & Wireless Communications Group reviewed the carrying value of its investment in its joint venture Telecommunications Services of Trinidad and Tobago Limited (TSTT) during the 2006/07 year in the light of the poor trading performance and the introduction of competition during that year.

The value in use was determined for each of the three cash generating units of the business (fixed line, GSM mobile and CDMA mobile) by discounting estimated future cash flows (based on the Cable & Wireless Communications Group's view) at a local currency discount rate of 14.2% The key assumptions in the calculation of value related to:

- Revenue—a decline of 18% was assumed to reflect the impact of liberalisation for the first time;
- Maintenance capital expenditure—assumed at 7% of revenue; and
- Operating costs—estimated to remain at broadly the same level throughout the projection (before inflation).

These assumptions reflected the further impact of competition and fixed to mobile substitution in the local market. The Cable & Wireless Communications Group's share of the impairment charge that was reflected in the Cable & Wireless Communications Group income statement was US$55 million.

18. Intangible assets

	Year ended 31 March 2007					Year ended 31 March 2008					Year ended 31 March 2009				
	Goodwill	Software	Licences and operating agreements	Customer contracts, relationships and other	Total	Goodwill	Software	Licences and operating agreements	Customer contracts, relationships and other	Total	Goodwill	Software	Licences and operating agreements	Customer contracts, relationships and other	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Cost															
At 1 April	121	87	120	31	359	200	99	133	41	473	236	133	191	54	614
Business combinations (note 38)	64	—	—	—	64	18	—	—	—	18	5	—	2	—	7
Acquired	—	11	—	6	17	—	32	30	4	66	—	28	2	4	34
Disposals	—	—	—	—	—	—	(2)	—	—	(2)	—	(7)	—	(1)	(8)
Transfer between categories	—	—	—	—	—	—	(8)	8	—	—	—	—	—	—	—
Transfers from property, plant and equipment	—	—	—	—	—	—	14	—	—	14	—	—	—	—	—
Exchange differences	15	1	13	4	33	18	(2)	20	9	45	(51)	(18)	(21)	(12)	(102)
At 31 March	200	99	133	41	473	236	133	191	54	614	190	136	174	45	545
Amortisation and impairment															
At 1 April	—	58	11	14	83	—	71	21	24	116	—	92	33	36	161
Charge for the year	—	14	8	8	30	—	21	8	11	40	—	21	11	12	44
Disposals	—	—	—	—	—	—	—	—	—	—	—	(7)	—	(1)	(8)
Exchange differences	—	(1)	2	2	3	—	—	4	1	5	—	(8)	(6)	(9)	(23)
At 31 March	—	71	21	24	116	—	92	33	36	161	—	98	38	38	174
Net book value	200	28	112	17	357	236	41	158	18	453	190	38	136	7	371

Goodwill balances can be summarised as follows:

	At 1 April 2006	Additions	Foreign exchange movements	At 31 March 2007	Additions	Foreign exchange movements	At 31 March 2008	Additions	Foreign exchange movements	At 31 March 2009
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Monaco Telecom (see note 38)	121	64	15	200	(2)	18	216	7	(48)	175
Connecteo (see note 38)	—	—	—	—	20	—	20	(2)	(3)	15
Total	121	64	15	200	18	18	236	5	(51)	190

19. Property, plant and equipment

	Year ended 31 March 2007				Year ended 31 March 2008				Year ended 31 March 2009			
	Land and buildings	Plant and equipment	Assets under construction	Total	Land and buildings	Plant and equipment	Assets under construction	Total	Land and buildings	Plant and equipment	Assets under construction	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Cost												
At 1 April	329	3,676	273	4,278	351	3,871	216	4,438	405	4,053	148	4,606
Additions	6	60	233	299	10	34	269	313	—	12	296	308
Asset retirement obligations	—	—	—	—	—	—	—	—	5	—	—	5
Business combinations (note 38)	—	—	—	—	—	4	—	4	—	4	—	4
Disposals	(2)	(111)	(4)	(117)	(4)	(90)	(2)	(96)	(7)	(167)	—	(174)
Transfers	26	262	(288)	—	60	261	(321)	—	14	223	(237)	—
Transfer to intangibles	—	—	—	—	—	—	(14)	(14)	—	—	—	—
Exchange differences	(8)	(16)	2	(22)	(12)	(27)	—	(39)	(34)	(232)	(19)	(285)
At 31 March	351	3,871	216	4,438	405	4,053	148	4,606	383	3,893	188	4,464
Depreciation												
At 1 April	122	2,499	7	2,628	135	2,605	—	2,740	142	2,804	—	2,946
Charge for the year	17	226	—	243	12	232	—	244	39	211	—	250
Impairment	—	—	—	—	—	74	—	74	—	—	—	—
Disposals	(2)	(111)	(8)	(121)	(2)	(90)	—	(92)	(5)	(164)	—	(169)
Transfers	—	—	—	—	—	—	—	—	—	—	—	—
Exchange differences	(2)	(9)	1	(10)	(3)	(17)	—	(20)	(11)	(154)	—	(165)
At 31 March	135	2,605	—	2,740	142	2,804	—	2,946	165	2,697	—	2,862
Net book value at the end of the year	216	1,266	216	1,698	263	1,249	148	1,660	218	1,196	188	1,602

Additions during the year ended 31 March 2009 include interest and own work capitalised during the construction of certain assets of US$3 million (2007/08—US$4 million, 2006/07—US$4 million) and US$37 million (2007/08—US$36 million, 2006/07—US$28 million) respectively.

20. Investments in joint ventures and associates

	Year ended 31 March 2007 Interest in joint ventures	Interest in associates	Total	Year ended 31 March 2008 Interest in joint ventures	Year ended 31 March 2009 Interest in joint ventures
	US$m	US$m	US$m	US$m	US$m
Gross carrying amount					
At 1 April					
—Cost	96	—	96	102	103
—Equity loans	—	2	2	—	—
—Share of post-acquisition reserves	301	(2)	299	226	284
	397	—	397	328	387
Share of post-tax (loss)/profit	(46)	23	(23)	76	57
Dividends	(30)	(13)	(43)	(30)	(30)
Disposals	—	(10)	(10)	—	(1)
Exchange differences	7	—	7	13	(25)
At the end of the period	328	—	328	387	388
Impairment allowance					
At 1 April	(75)	(7)	(82)	(85)	(88)
Impairment charge	—	—	—	(2)	—
Allowance release	—	7	7	3	3
Exchange differences	(10)	—	(10)	(4)	24
At the end of the period	(85)	—	(85)	(88)	(61)
Net carrying amount at the end of the period	243	—	243	299	327

Investments in joint ventures and associates (see note 42) are accounted for using the equity method. The investment comprises the cost of the investment together with the Cable & Wireless Communications Group's share of post acquisition profit or loss less any impairments. The Cable & Wireless Communications Group's total interest in its joint ventures and associates is presented below:

	As at and for the year ended 31 March 2007 Interest in joint ventures	Interest in associates	Total	As at and for the year ended 31 March 2008 Interest in joint ventures	As at and for the year ended 31 March 2009 Interest in joint ventures
	US$m	US$m	US$m	US$m	US$m
Non-current assets	423	—	423	465	322
Current assets	143	—	143	198	210
Non-current liabilities	(202)	—	(202)	(208)	(67)
Current liabilities	(121)	—	(121)	(156)	(138)
Share of net assets	243	—	243	299	327
Revenue	372	98	470	376	409
Operating costs	(353)	(76)	(429)	(289)	(337)
Exceptional impairment relating to TSTT	(55)	—	(55)	—	—
Operating (loss)/profit	(36)	22	(14)	87	72
Net interest financing costs	(5)	—	(5)	(2)	—
Share of (loss)/profit before tax	(41)	22	(19)	85	72
Taxation charge	(4)	—	(4)	(8)	(12)
Dividends paid to Group companies	(30)	(13)	(43)	(30)	(30)
Share of retained (loss)/profit	(75)	9	(66)	47	30

There were no significant restrictions on joint ventures' or associates' ability to transfer funds to the Cable & Wireless Communications Group.

The joint ventures and associates had no significant contingent liabilities to which the Cable & Wireless Communications Group was exposed nor did the Cable & Wireless Communications Group have any significant contingent liabilities in relation to its interests in joint ventures and associates.

The Cable & Wireless Communications Group's joint ventures and associates did not discontinue any operations during the periods presented.

21. Investments

	Fair value through income statement	Available-for-sale	Total
	US$m	US$m	US$m
At 1 April 2006	68	26	94
Disposals	(73)	—	(73)
Exchange difference	5	4	9
At 31 March 2007	—	30	30
Additions	—	20	20
Fair value gain to invested capital	—	4	4
Exchange difference	—	1	1
At 31 March 2008	—	55	55
Exchange difference	—	(16)	(16)
At 31 March 2009	—	39	39

During 2006/07, the Cable & Wireless Communications Group disposed of US$73 million of Credit Linked Notes.

During the periods presented, available-for-sale financial investments comprised the following:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Listed securities			
UK government gilts	30	31	25
Unlisted securities			
Cash collateral	—	24	14
	30	55	39

22. Trade and other receivables

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Gross trade receivables	359	360	286
Valuation allowance	(59)	(66)	(55)
Net trade receivables	300	294	231
Other receivables	132	156	81
Prepayments and accrued income	134	112	157
Taxation and social security receivables	14	8	10
Amounts receivable from joint ventures	4	6	4
Trade and other receivables—current	584	576	483
Other receivables	50	57	36
Prepayments and accrued income	7	—	—
Trade and other receivables—non-current	57	57	36
Total trade and other receivables	641	633	519

The maximum exposure to credit risk for receivables is equal to the carrying value of those financial instruments. There was no material difference between the carrying value and fair value of receivables during the periods presented.

Concentrations of credit risks with respect to trade receivables were small as the Cable & Wireless Communications Group customer base was large and unrelated. Receivables predominantly related to retail customers, governments and corporate entities as well as other telecommunications operators.

Credit risk procedures vary depending on the size or type of customer. These procedures include such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that were neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Cable & Wireless Communications Group that indicate this would change in the future. In 2006/07 and 2007/08, there were no material changes in the markets in which the Cable & Wireless Communications Group operates that indicated an increased credit risk on receivables that are neither past due nor impaired. In 2008/09, there was an economic downturn in markets in which the Cable & Wireless Communications Group operates. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management have assessed this risk and, after providing additional valuation allowance where necessary, continue to support the assessment of credit quality as low risk.

An ageing analysis of the current net trade and other receivables that are not impaired is as follows:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Not yet due	203	177	181
Overdue 30 days or less	101	128	55
Overdue 31 to 60 days	43	53	25
Overdue 61 to 90 days	23	29	14
Overdue 91 days to 180 days	21	23	16
Overdue 181 days or more	41	40	21
Current net trade and other receivables	432	450	312

Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods. Generally, interconnection agreements with major carriers resulted in receivables and payables balances with the same counterparty. Industry practice is that receivable and payable amounts relating to interconnection revenue and costs for a defined period are agreed between counterparties and settled on a net basis.

There were no amounts held as collateral for trade and other receivables balances.

An analysis of the trade receivables valuation allowance for the periods presented is as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
At the beginning of the period	63	59	66
Bad debts written off	(43)	(23)	(28)
Increase in allowance	38	23	24
Exchange differences	1	7	(7)
At the end of the period	59	66	55

All trade transactions with joint ventures and associates arose in the normal course of business and primarily related to fees for use of the Cable & Wireless Communications Group's products and services, network and access charges. There were no material transactions with joint ventures and associated companies during the periods presented.

23. Inventories

Inventories represent equipment, consumables and accessories held for sale. The cost and valuation allowance against slow moving or obsolete items is set out below:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Cost	37	32	32
Less: Allowance for slow moving or obsolete items	(4)	(4)	(4)
Carrying amount	33	28	28

The cost of equipment, consumables and accessories held for sale that was expensed within operating costs in 2008/09 was US$142 million (2007/08 – US$150 million, 2006/07 – US$129 million).

Inventories of the Cable & Wireless Communications Group were not pledged as security or collateral against any of the Cable & Wireless Communications Group's borrowings.

24. Cash and cash equivalents and other non-current assets

Cash and cash equivalents typically include bank deposits, money market funds, commercial paper and government securities.

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Cash at bank and in hand	198	176	150
Short-term bank deposits	1,819	1,184	431
Cash and cash equivalents	2,017	1,360	581

Cash and cash equivalents include cash at bank, bank deposits and money market funds.

Short-term bank deposits include money market and fixed income instruments, which can be readily converted to cash at short notice.

The effective interest rate on short-term bank deposits at 31 March 2009 was 0.45% (2007/08 – 5.1%, 2006/07 – 4.9%). These deposits had an average maturity at 31 March 2009 of 5 days (2007/08 – 42 days, 2006/07 – 68 days).

25. Non-current assets and disposal groups held for sale

At 31 March 2009, bonds of US$1 million were identified as non-current assets held for sale (2007/08 – US$10 million, 2006/07 – US$nil). During 2008/09, bonds with a carrying value of US$10 million at 1 April 2008 were reduced by US$9 million as a result of impairment (US$7 million) and foreign exchange movements (US$2 million).

26. Trade and other payables

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Trade payables	159	175	171
Payments received on account	8	6	—
Other taxation and social security costs	10	18	23
Other payables	124	109	68
Accruals	299	369	292
Deferred income	70	46	49
Trade and other payables—current portion	670	723	603
Accruals	27	20	7
Other creditors	—	—	1
Trade and other payables—non-current portion	27	20	8
Total trade and other payables	697	743	611

There was no material difference between the carrying value and fair value of trade and other payables during the periods presented.

27. Loans

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Loans and bonds			
4% convertible sterling unsecured bonds repayable in 2010 (repaid in 2007/08)	418	—	—
Sterling unsecured bonds repayable in 2012 and 2019	667	616	496
Sterling secured loan repayable in 2012	—	—	42
US dollar and currencies linked to the US dollar loans repayable at various dates up to 2014	245	162	153
US$415 million secured loan repayable in 2010 (US$50 million) and 2011 (US$365 million)	—	—	411
Other currency loans repayable at various dates up to 2038	36	95	50
	1,366	873	1,152
Loans and bonds—current	134	91	104
Loans and bonds—non-current	1,232	782	1,048

At 31 March 2009, the following Cable & Wireless Communications Group borrowings were secured:

(a) The US$415 million US dollar loan facility repayable in 2010 (US$50 million) and 2011 (US$365 million) is secured over the Cable & Wireless Communications Group's holdings in Panama and Caribbean subsidiaries;

(b) The Cable & Wireless Communications Group's sterling secured loan is secured on the Cable & Wireless Communications Group owned 2019 bonds; and

(c) The other currency loans are secured over some of the operating subsidiaries' assets.

In 2007/08, US$40 million of the other currency loans (2006/07 – US$35 million of the US dollar loans) were secured.

The sterling bonds have a fair value of US$462 million at 31 March 2009 (31 March 2008 – US$608 million, 31 March 2007 – US$696 million). At 31 March 2007, the convertible bonds had a fair value of US$610 million. These values have been determined by reference to market values obtained from third parties. For all other financial liabilities the carrying amount approximates to fair value.

The repayment profile of loans and obligations (including interest payable at rates prevailing at the reporting date) was:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Loans and bonds			
Due in less than one year	214	163	176
Due in more than one year but not more than two years	91	111	148
Due in more than two years but not more than five years	707	592	853
Due in more than five years	905	469	312
Total loans and bonds	1,917	1,335	1,489
Less future finance charges on loans	(551)	(462)	(337)
Total loans and bonds	1,366	873	1,152

As at 31 March 2009, interest is payable on loans and obligations falling due after more than five years at rates of between 0.00% and 8.625%.

During 2008/09, the Cable & Wireless Communications Group arranged:

(a) A three year secured bank facility of US$415 million, repayable in 2010 (US$50 million) and 2011 (US$365 million), which was drawn down in full;

(b) A US$42 million (£29 million) loan facility secured by the 2019 bonds held by the Cable & Wireless Communications Group. This loan is repayable in February 2012.

The agreement for the US$415 million facility entered into during 2008/09 contains financial and other covenants which are standard to these type of arrangements.

Sterling bonds

The Cable & Wireless Communications Group had the following sterling bonds at 31 March 2009:

(a) US$290 million (£200 million) listed bond due in 2012 with a balance outstanding, net of costs, of US$283 million (£195 million) (2007/08 – US$322 million (£161 million), 2006/07 – US$316 million (£161 million)). Interest was payable at 8.750% per annum. During the year ended 31 March 2009, bonds with a par value, net of costs, of US$52 million (£36 million) were re-issued by Cable and Wireless plc for US$49 million (£34 million) net proceeds. During the year ended 31 March 2007, the Cable & Wireless Communications Group repurchased but did not cancel US$38 million (£20 million) of this bond at an average price of 197.3 cents (104.9 pence).

(b) US$290 million (£200 million) listed bond due in 2019 with a balance outstanding at 31 March 2009, net of costs, of US$213 million (£147 million) (2007/08 – US$294 million (£147 million), 2006/07 – US$351 million (£179 million)). Interest was payable at 8.625% per annum. During the year ended 31 March 2008, the Cable & Wireless Communications Group repurchased but did not cancel US$64 million (£32 million) (2006/07 – US$2 million (£1 million)) of this bond at an average price of 204.6 cents (102.1 pence) (2006/07 – 197.9 cents (105.25 pence)).

US dollar loans

Various US dollar-based loans of approximately US$153 million (2007/08 – US$162 million, 2006/07 – US$245 million) are held by various subsidiaries across the Cable & Wireless Communications Group, with the majority in Panama. In 2008/09, interest on these loans ranges between 2% and 6.5%. The loans are repayable over a period up to 2014.

Convertible unsecured bond

On 16 July 2003, £257,714,000 (US$418,572,000) of 4% convertible unsecured bonds were issued at par. Each bond entitled the holder to convert the amount of such bond into fully paid Cable and Wireless plc ordinary shares of 25 pence each at an amended rate of 689.655 ordinary shares for each £1,000 held at an initial conversion price of 145 pence per ordinary share of Cable and Wireless plc at any time prior to 9 July 2010. Full conversion of the bonds would have resulted in an additional 177,733,748 shares of Cable and Wireless plc being issued.

During 2007/08, all of the convertible bonds in issue at 31 March 2007 were either repurchased or converted (carrying value of US$418 million (£213 million)).

Convertible bonds with a par value of £138 million (US$276 million) were repurchased for cash of US$380 million. At the time of repurchase, the debt component of these convertible bonds had a carrying value of US$234 million (£117 million). The fair value of the debt component of these bonds at the date of repurchase was US$254 million (£127 million). This transaction resulted in a loss of US$20 million. The difference between the fair value of the debt and the cash consideration (US$126 million (£63 million)) was allocated to the repurchase of the equity component of the convertible bond.

The remaining convertible bonds, with a par value of US$240 million (£120 million), were converted into 83 million ordinary shares of Cable and Wireless plc (including 29 million treasury shares). The debt component of these convertible bonds had a carrying value of US$206 million (£103 million).

	US$m
Liability component at 1 April 2006	352
Interest expense	39
Interest paid	(19)
Exchange difference	46
Liability component at 1 April 2007	418
Interest expense	14
Liability component of convertible bonds repurchased or converted	(440)
Exchange difference	8
Liability component at 31 March 2008	—

Interest expense on the bond was calculated on the effective yield basis by applying the effective interest rate (10.7%) for an equivalent non-convertible bond to the liability component of the convertible bond.

The effective interest rates at the reporting date were as follows:

	Year ended 31 March 2007 Interest rate		Year ended 31 March 2008 Interest rate		Year ended 31 March 2009 Interest rate	
	Currency	%	Currency	%	Currency	%
4% convertible unsecured bond due in 2010	GBP	10.7	—	—	—	—
Sterling unsecured bonds repayable in 2012 and 2019	GBP	8.7	GBP	8.7	GBP	8.7
Sterling secured loan due in 2012	GBP	—	GBP	—	GBP	8.2
US$415 million secured loan	USD	—	USD	—	USD	3.5
Other US dollar loans	USD	6.3	USD	4.6	USD	4.7
Other currency loans	Other	5.3	Other	12.0	Other	7.3
Obligations under finance leases	GBP	9.2	GBP	8.4	GBP	—

28. Financial liabilities at fair value

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Forward exchange contracts—current	—	—	36
Monaco Telecom put option liability—current	118	118	—
Monaco Telecom put option liability—non-current	147	146	200

A put option is held by the non-controlling shareholder of Monaco Telecom, the Principality of Monaco (the Principality). This put option is measured at fair value using inputs that are not based on publicly observable market data. The liability for the put option represents 45% of the market value of Monaco Telecom. This market value has been determined by taking an average of published broker valuations for the business and attributing 45% of that value to the put option. The brokers have valued the business using a combination of discounted cash flow analysis and EBITDA multiples factoring in the expected growth and risk of the business. A US$10 million movement in the value of the put would have a US$1 million impact on the income statement.

The balance within financial liabilities held at fair value represents the fair value of the put option held by the non-controlling shareholders of Monaco Telecom. Although the Cable & Wireless Communications Group considers there to be only a remote likelihood of this put option being exercised, IAS 32 requires the present value of the amount payable to be recognised as a liability regardless of the probability of exercise, as this is not within the Cable & Wireless Communications Group's control. As this put option was issued as part of a business combination, any change in remeasuring the derivative to fair value is recorded as an adjustment to goodwill (refer to note 38).

The put option held by the Principality is exercisable in two tranches. The first tranche enables the Principality to put 20% of the shares of Monaco Telecom to the Cable & Wireless Communications Group from six months prior to 18 June 2011, 2014 and 2017. The second tranche enables the Principality to put 25% of the shares of Monaco Telecom to the Cable & Wireless Communications Group three years after the first has been exercised.

During 2008/09, the value of the put option increased by US$24 million due to discount unwinding (see note 12). This increase was offset by a US$12 million reduction as a result of fair value and foreign exchange movements. This reduction was recognised against goodwill (see note 38).

Forward exchange contracts

Cable & Wireless Communications Group companies with functional currencies in sterling held forward exchange contracts of US$225 million at 31 March 2009 hedging currency exposures in US dollars (2007/08 – US$50 million hedging currency exposures in US dollars, 2006/07 – US$83 million hedging US and Jamaican dollars). The Cable & Wireless Communications Group did not apply hedge accounting to the forward exchange contracts. The contracts were revalued to fair value at each reporting date. In 2008/09, US$98 million of losses on the contracts were recognised as an exceptional finance expense in the income statement (see note 12).

29. Currency analysis

The carrying amounts of the Cable & Wireless Communications Group's cash and cash equivalents, available-for-sale financial assets, loans and borrowings are denominated in the following currencies:

	As at 31 March 2007		As at 31 March 2008		As at 31 March 2009	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	US$m	US$m	US$m	US$m	US$m	US$m
Sterling	1,082	1,085	940	616	457	538
US dollar and currencies linked to the US dollar	664	245	378	162	130	564
Euro	220	—	73	—	20	—
Other currencies	81	36	24	95	13	50
	2,047	1,366	1,415	873	620	1,152

30. Deferred tax

The movements in deferred tax assets and liabilities during the three full years ending 31 March 2009 are as follows:

	Capital allowances on non-current assets	Tax losses	Pensions	Other	Balance sheet offset	Total
	US$m	US$m	US$m	US$m	US$m	US$m
At 1 April 2006	(69)	20	(18)	7	—	(60)
Profit and loss (charge)/credit	(7)	(5)	1	(8)	—	(19)
Tax charged to equity	—	—	(7)	(2)	—	(9)
Exchange adjustments	2	(1)	(1)	1	—	1
At 31 March 2007	(74)	14	(25)	(2)	—	(87)
Deferred tax assets	31	14	—	6	(22)	29
Deferred tax liabilities	(105)	—	(25)	(8)	22	(116)
At 31 March 2007	(74)	14	(25)	(2)	—	(87)
Profit and loss credit/(charge)	3	24	(5)	(2)	—	20
Tax credited to equity	—	—	22	—	—	22
Exchange adjustments	4	(2)	1	—	—	3
At 31 March 2008	(67)	36	(7)	(4)	—	(42)
Deferred tax assets	20	36	3	2	(43)	18
Deferred tax liabilities	(87)	—	(10)	(6)	43	(60)
At 31 March 2008	(67)	36	(7)	(4)	—	(42)
Profit and loss (charge)/credit	(23)	15	(1)	3	—	(6)
Tax credited to equity	—	—	(1)	—	—	(1)
Exchange adjustments	16	(8)	2	(1)	—	9
At 31 March 2009	(74)	43	(7)	(2)	—	(40)
Deferred tax assets	12	43	5	6	(52)	14
Deferred tax liabilities	(86)	—	(12)	(8)	52	(54)
At 31 March 2009	(74)	43	(7)	(2)	—	(40)

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Capital allowances available on non-current assets	Tax losses	Pensions	Other	Total
	US$m	US$m	US$m	US$m	US$m
At 31 March 2007	172	5,404	1	523	6,100
At 31 March 2008	374	5,301	37	573	6,285
At 31 March 2009	253	4,218	73	144	4,688

Tax losses (recognised and unrecognised) expire as follows:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
Within 1 year	1	—	—
Within 3 years	5	—	—
Within 5 years	1	—	6
Within 10 years	—	16	—
Not subject to expiry	5,440	5,394	4,341
	5,447	5,410	4,347

The tax losses carried forward at 31 March 2009 included UK capital losses of US$4,110 million (31 March 2008 – US$5,270 million, 31 March 2007 – US$5,390 million).

Deferred tax is not provided on unremitted earnings of subsidiaries, joint ventures and associates where the Cable & Wireless Communications Group controls the timing of remittance and it is probable that the temporary difference will not reverse in the forseeable future. As at 31 March 2009, the aggregate amounts of temporary differences associated with investments in subsidiaries, branches and joint ventures for which deferred tax liabilities were not been recognised were US$1,007 million (31 March 2008 – US$934 million, 31 March 2007 – US$916 million). These temporary differences relate to unremitted earnings.

31. Provisions for other liabilities and charges

	Year ended 31 March 2007				
	Property	Redundancy costs	Network and asset retirement obligations	Legal and other	Total
	US$m	US$m	US$m	US$m	US$m
At 1 April	3	33	56	145	237
Movements during the period					
—Additional provision	—	21	4	19	44
—Amounts used	15	(45)	(8)	(13)	(51)
—Unused amounts reversed	(6)	(4)	(24)	(49)	(83)
Effect of discounting	—	—	(2)	2	—
Exchange differences	2	(1)	7	12	20
At 31 March	14	4	33	116	167
Current portion	14	4	20	55	93
Non-current portion	—	—	13	61	74

	Year ended 31 March 2008				
	Property	Redundancy costs	Network and asset retirement obligations	Legal and other	Total
	US$m	US$m	US$m	US$m	US$m
At 1 April	14	4	33	116	167
Movements during the period					
—Additional provision	—	28	12	40	80
—Amounts used	(2)	(18)	(14)	(4)	(38)
—Unused amounts reversed	(4)	(2)	—	(26)	(32)
Effect of discounting	—	—	4	—	4
Exchange differences	(4)	3	3	4	6
At 31 March	4	15	38	130	187
Current portion	4	15	13	100	132
Non-current portion	—	—	25	30	55

	Year ended 31 March 2009				
	Property	Redundancy costs	Network and asset retirement obligations	Legal and other	Total
	US$m	US$m	US$m	US$m	US$m
At 1 April	4	15	38	130	187
Movements during the period					
—Additional provision	16	67	5	39	127
—Amounts used	(5)	(55)	—	(44)	(104)
—Unused amounts reversed	(5)	—	(5)	(26)	(36)
Effect of discounting	—	—	2	—	2
Exchange differences	1	(2)	(9)	(15)	(25)
At 31 March	11	25	31	84	151
Current portion	5	25	9	71	110
Non-current portion	6	—	22	13	41

Property

In the periods presented, provision was made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sub-let. The provision was expected to be used over the shorter of the period to exit and the lease contract life.

In 2008/09, US$5 million (2007/08 – US$4 million, 2006/07 – US$6 million) of property provisions were released in respect of the Cable & Wireless Communications Group's former US operations.

Redundancy

In the periods presented, provision was made for the total employee related costs of redundancies announced prior to the reporting dates. Amounts provided for and spent in the years primarily relate to the restructuring. The provision was expected to be used within one year.

Network and asset retirement obligations

In the periods presented, provision was made for the best estimate of the unavoidable costs associated with redundant leased network capacity. These provisions were expected to be used over the shorter of the period to exit and the lease contract life.

Provision was also made for the best estimate of the asset retirement obligation associated with office sites, technical sites, domestic and sub-sea cabling. This provision was expected to be used at the end of the life of the related asset on which the obligation arose. Amounts utilised in the periods presented related predominantly to cash expenditure against unavoidable costs associated with redundant network capacity.

Legal and other

In the periods presented, other provisions included amounts relating to specific legal claims against the Cable & Wireless Communications Group, the disposal of previously discontinued US businesses, amounts relating to specific claims held against the Cable & Wireless Communications Group's former insurance operation, Pender, amounts relating to restructuring and rebranding, and amounts relating to acquisitions and disposals of Cable & Wireless Communications Group companies and investments. The release of unused amounts reflected the resolution of claims and other risks during the year.

32. Retirement benefits obligations

The Cable & Wireless Communications Group operated pension and other retirement schemes, which covered the majority of employees in the Cable & Wireless Communications Group. These schemes included both defined benefit schemes, where retirement benefits were based on the employee's remuneration and length of service, and defined contribution schemes, where retirement benefits reflect the accumulated value of agreed contributions paid by, and in respect of, employees. Contributions to the defined benefit schemes were made in accordance with the recommendations of independent actuaries who value the schemes. The main UK defined benefit pension scheme operated by the Cable & Wireless Group was closed to new members in 1998.

Defined contribution schemes

The pension cost for 2008/09 for the defined contribution schemes of the Cable & Wireless Communications Group was US$9 million (2007/08 – US$8 million, 2006/07 – US$5 million), of which US$3 million (2007/08 – US$4 million, 2006/07 – US$2 million) was for the main UK defined benefit pension scheme operated by the Cable & Wireless Group.

Defined benefit schemes

Main UK defined benefit pension scheme operated by the Cable & Wireless Group—funding valuation

Historically the main UK scheme has been allocated between the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group on a ratio of 80:20 (see note 2.1 for further detail). The figures below relate to the Cable & Wireless Communications Group's 20% allocation unless otherwise stated.

The latest triennial actuarial valuation was carried out by Watson Wyatt Limited as at 31 March 2007. The projected unit credit method was used and the principal actuarial assumptions adopted were that the annual rate of inflation would be 3.1% and that future increases in pensionable earnings would be 4.1% per annum; investments held in respect of pensions before they become payable would average 6.2% annual rate of return; investments held in respect of pensions after they become payable would average 4.9% annual rate of return; and pensions would increase at an annual rate of 3% for fixed rate increasing pensions and 3.1% for inflation related pensions. As at 31 March 2007, the value of the assets represented approximately 99% of the actuarial value of benefits due to members calculated on the basis of pensionable earnings and service at 31 March 2007 on an ongoing basis and allowing for projected increases in pensionable earnings.

The assumptions regarding current mortality rates in retirement were set having regard to the actual experience of the Fund's pensioners and dependants over the five years ended 31 March 2007. In addition, allowance was made for future mortality improvements in line with medium cohort projections of the 1992 mortality series tables published by the Institute and Faculty of Actuaries, subject to a minimum annual rate of improvement of 1.5%.

Based on these assumptions, the life expectancies of pensioners aged 60 are as follows:

	On 31 March 2009 (years)	On 31 March 2019 (years)	On 31 March 2029 (years)
Males	27.7	29.1	30.6
Females	29.0	30.5	32.0

The actuarial valuation revealed that the Cable & Wireless Communications Group's share of the deficit at 31 March 2007 in the defined benefit section was US$6 million on the basis of the funding assumptions adopted by the actuary. An US$8 million contribution made to the scheme by Cable & Wireless Communications Group on 28 March 2008 was calculated on the basis of the US$6 million deficit at 31 March 2007, together with the interest cost that accrued on this amount during the year and the backdating of the increased employer's contribution rate to the valuation date. As a result of the US$8 million contribution and the contribution by the Cable & Wireless Worldwide Group, the scheme was fully funded on an ongoing basis, based on the 2007 valuation.

The actuarial valuation showed that based on long-term financial assumptions the contribution rate required to meet the future benefit accrual was 33.2% of pensionable earnings (28.5% employer's and 4.7% employee's). This contribution rate will be reviewed when the next independent actuarial valuation is carried out, which will be based on the position at 31 March 2010. The terms of the Cable & Wireless Superannuation Fund Trust Deed also allow the trustees or Cable and Wireless plc to call for a valuation at any time. The future service contribution rate includes an allowance of 3% for administration expenses, excluding the Pension Protection Fund (PPF) levy. The PPF levy due for 2008/09 was US$110,409 (2007/08 – US$135,878, 2006/07 – US$97,420). Employers therefore paid a total contribution rate in 2007/08 of 29.4% (2007/08 – 29.3%, 2006/07 – 22.3%), or US$3.7 million (2007/08 – US$4.7 million, 2006/07 – US$3.9 million).

As part of the agreement of the valuation assumptions with the trustees, the Cable & Wireless Group has agreed a contingent funding agreement, including a requirement to provide certain financial information to allow the trustees to monitor the Cable & Wireless Group's financial performance. Should the Cable & Wireless Group's projected EBITDA fall below an agreed level, and the cash and committed facilities (net of any prior ranking creditors) available to the Cable & Wireless Group also fall below an agreed level, the Cable & Wireless Group would provide security to the trustees in the form of an escrow arrangement or bank letter of credit for an amount equal to the shortfall against the agreed level of cash and committed facilities (net of any prior ranking creditors).

During 2008/09, the Pension Trustees of the main UK defined benefit pension scheme operated by the Cable & Wireless Group agreed a buy-in of the UK pensioner element of the scheme with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy by the scheme under which Prudential Insurance assumed responsibility for the benefits payable to the scheme's UK pensioners with effect from 1 August 2008. The pensioner liabilities and the matching annuity policy remain within the scheme. The total premium for the annuity policy was approximately US$1,750 million which the scheme settled with a combination of cash and assets including an additional Cable & Wireless Communications Group contribution of US$4 million.

Main UK scheme and other schemes—IAS 19 Employee Benefits valuation

The actuarial valuations of the major defined benefit schemes and medical plans operated by the Cable & Wireless Communications Group were updated to 30 September 2009 by qualified independent actuaries for all subsidiaries. Watson Wyatt Limited prepared the valuation for the main UK scheme and unfunded schemes, and reviewed the actuarial valuations prepared for subsidiaries. Other schemes included unfunded liabilities in the United Kingdom relating to pension provisions for former Directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap. Also included are the Cable & Wireless Communications Group's overseas schemes in Macau, Jamaica, Barbados and Guernsey. The main financial assumptions applied in the valuations and an analysis of schemes' assets are as follows:

	Year ended 31 March 2007			
	Main UK scheme		Other schemes	
	Assets	Assumption	Assets	Assumption
	US$m	%	US$m	%
Inflation assumption		3.0		4.9
Salary increases		3.5		6.7
Pension increases		2.2-3.0		4.8
Discount rate		5.3		8.5
Medical cost trends for post-retirement medical plans				9.4
Long-term expected rate of return on plan assets				
—Equities	437	7.8	137	10.4
—Bonds and gilts	305	5.0	114	8.7
—Property	64	6.5	68	6.6
—Cash and swaps	10	4.5	38	8.7
	816		352	

	Year ended 31 March 2008			
	Main UK scheme		Other schemes	
	Assets	Assumption	Assets	Assumption
	$m	%	$m	%
Inflation assumption		3.5		5.5
Salary increases		4.0		7.5
Pension increases		2.3-3.4		5.5
Discount rate		6.8		9.0
Medical cost trends for post-retirement medical plans				9.8
Long-term expected rate of return on plan assets				
—Equities	378	8.0	149	11.4
—Bonds and gilts	200	5.2	132	10.2
—Property	50	7.0	86	11.4
—Cash and swaps	218	4.4	27	10.2
	846		394	

	Main UK scheme		Year ended 31 March 2009 Other schemes	
	Assets	Assumption	Assets	Assumption
	US$m	%	US$m	%
Inflation assumption		3.0		2.8
Salary increases		3.5		3.7
Pension increases		2.2-3.0		3.1
Discount rate		6.7		5.4
Medical cost trends for post-retirement medical plans				9.7
Long-term expected rate of return on plan assets				
—Annuity policies	239	6.7	64	5.4
—Equities	151	8.0	64	8.1
—Bonds and gilts	14	5.6	81	5.6
—Property	22	6.5	55	8.5
—Cash and swaps	55	3.3	—	—
	481		264	

Assumptions used by the actuary are best estimates from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The assumptions shown above for Other schemes represent a weighted average of the assumptions used for the individual schemes, which similarly may not be borne out in practice.

A one year increase or decrease in the life expectancy assumptions would have changed the Cable & Wireless Communications Group's share of the main UK defined benefit pension scheme liabilities by around US$10 million. A 0.25% change in the discount rate used to value the scheme liabilities would have changed the liabilities by around US$34 million. A 0.25% change in the assumed rate of salary increases would have changed the liabilities required by around US$2 million.

The overall expected rate of return for each pension scheme is a weighted average of the expected asset return for each asset class. The expected asset return for each asset class has been set as a best estimate of the long-term return that will be achieved for the particular asset class in the country in question having regard to investment yields on the measurement date.

The main UK defined benefit pension scheme operated by the Cable & Wireless Group is closed to new entrants. Under the projected unit credit method used for the valuation of liabilities, the current service cost will increase when expressed as a percentage of pensionable payroll as the members of the scheme approach retirement.

During 2008/09, the defined benefit and retirement medical plans of Cable & Wireless Jamaica were restructured in order to reduce financial risk materially. The restructure involved the purchase of annuities for all of the defined benefit obligations, a change in member benefits and the transfer of all of the retirement medical plan obligations to a third-party insurer. The restructure resulted in a curtailment gain of US$18 million. The transfer of the retirement medical plan obligations resulted in a settlement loss of US$6 million. The curtailment gain and settlement loss have been recorded as a net exceptional gain of US$12 million. There was also an exceptional curtailment gain in Barbados of US$2 million in the period. Refer to note 6.

The assets and liabilities of the defined benefit schemes and post-retirement medical plans operated by the Cable & Wireless Communications Group are presented below:

	At 31 March 2007			At 31 March 2008			At 31 March 2009		
	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Total fair value of plan assets	816	352	1,168	846	394	1,240	481	264	745
Present value of funded obligations	(799)	(254)	(1,053)	(696)	(286)	(982)	(491)	(233)	(724)
Excess of assets/(liabilities) of funded obligations	17	98	115	150	108	258	(10)	31	21
Present value of unfunded obligations	—	(79)	(79)	—	(72)	(72)	—	(36)	(36)
Effect of asset ceiling	—	(43)	(43)	(150)	(61)	(211)	—	(13)	(13)
Net surplus/(deficit)	17	(24)	(7)	—	(25)	(25)	(10)	(18)	(28)
Liabilities									
Defined benefit pension plans in deficit	—	(58)	(58)	—	(55)	(55)	(10)	(50)	(60)
Post-retirement medical plans (unfunded)	—	(27)	(27)	—	(32)	(32)	—	(7)	(7)
Total	—	(85)	(85)	—	(87)	(87)	(10)	(57)	(67)
Assets									
Defined benefit pension plans in surplus	17	61	78	—	62	62	—	39	39
Actuarial gains/(losses) on plan liabilities	29	1	30	139	(11)	128	33	21	54
Actuarial gains/(losses) on plan assets	12	9	21	(25)	9	(16)	(188)	(67)	(255)

Included within these liabilities is an amount of US$21 million (2007/08 – US$26 million, 2006/07 – US$28 million) to cover the cost of former Directors' pension entitlements.

The IAS 19 surplus or deficit of defined benefit funds is adjusted to reflect the future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for minimum funding contributions in accordance with IFRIC 14. Any adjustment to the surplus is recorded directly in equity. The effect of these adjustments (described as asset ceiling adjustments) was US$13 million in 2008/09 (2007/08 – US$211 million, 2006/07 – US$43 million).

The amounts recognised in the income statement are as follows:

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Current service cost	5	12	17	4	11	15	4	5	9
Interest cost	38	26	64	43	26	69	40	28	68
Expected return on plan assets	(46)	(35)	(81)	(54)	(37)	(91)	(47)	(40)	(87)
Gains on curtailment or settlement	(2)	—	(2)	(1)	(6)	(7)	—	(14)	(14)
Total (income)/expense	(5)	3	(2)	(8)	(6)	(14)	(3)	(21)	(24)

A pre-exceptional defined benefit credit of US$10 million (2007/08 – US$14 million credit, 2006/2007 – US$2 million credit) has been included in employee benefit expenses (note 9).

The actual return on plan assets was a loss of US$138 million (2007/08 – gain of US$74 million, 2006/07 – gain of US$102 million).

Net actuarial losses amounting to US$201 million (2007/08 – gains of US$112 million, 2006/07 – gains of US$51 million) have been recognised directly in equity and are presented in the statement of comprehensive income. In addition an actuarial gain of US$201 million (2007/08 – loss of US$168 million, 2006/07 – loss of US$25 million) has been recognised in the statement of comprehensive income due to the change in the effect of asset ceilings including the effect of foreign currencies. The total amount recognised in the statement of comprehensive income in the current financial year and cumulatively to 31 March 2009 is US$nil (2007/08 – loss of US$56 million, 2006/07 – gain of US$26 million) and loss of US$1 million (2007/08 – loss of US$1 million, 2006/07 – gain of US$55 million) respectively.

Changes in the value of the defined benefit obligations at the end of each period presented are as follows:

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Obligation at 1 April	(720)	(354)	(1,074)	(799)	(333)	(1,132)	(696)	(358)	(1,054)
Service cost	(5)	(12)	(17)	(4)	(11)	(15)	(4)	(5)	(9)
Interest cost	(38)	(26)	(64)	(43)	(26)	(69)	(40)	(28)	(68)
Actuarial gains/(losses) recognised in equity	29	1	30	139	(11)	128	33	21	54
Employee contributions	(1)	(4)	(5)	(1)	(4)	(5)	—	(4)	(4)
Obligations extinguished	—	—	—	—	—	—	—	37	37
Obligations acquired	—	—	—	—	—	—	—	—	—
Settlement/curtailments	2	57	59	1	6	7	—	14	14
Exchange differences on foreign plans	(90)	(11)	(101)	(15)	7	(8)	190	42	232
Benefits paid	24	16	40	26	14	40	26	12	38
Obligation at the end of the period	(799)	(333)	(1,132)	(696)	(358)	(1,054)	(491)	(269)	(760)

Changes in the fair value of defined benefit assets are as follows:

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
Fair value of assets as at 1 April	689	360	1,049	816	352	1,168	846	394	1,240
Expected return	46	35	81	54	37	91	47	40	87
Actuarial gains/(losses) recognised in equity	12	9	21	(25)	9	(16)	(188)	(67)	(255)
Contributions by employer	4	13	17	11	15	26	7	9	16
Employee contributions	1	4	5	1	4	5	—	4	4
Assets divested	—	—	—	—	—	—	—	(56)	(56)
Assets acquired	—	—	—	—	—	—	—	—	—
Settlement/curtailments	—	(57)	(57)	—	—	—	—	—	—
Exchange differences on foreign plans	88	4	92	15	(9)	6	(205)	(50)	(255)
Benefits paid	(24)	(16)	(40)	(26)	(14)	(40)	(26)	(10)	(36)
Fair value of assets as at the end of the period	816	352	1,168	846	394	1,240	481	264	745

Experience gains for the periods presented are as follows:

	Year ended 31 March 2005		Year ended 31 March 2006	
	Main UK scheme	Other	Main UK scheme	Other
	US$m	US$m	US$m	US$m
Defined benefit obligation	(656)	(270)	(720)	(354)
Plan assets	592	307	689	360
(Deficit)/surplus excluding the effects of the asset ceiling	(64)	37	(31)	6
Experience gains/(losses) on plan liabilities	13	(7)	(5)	2
Experience gains/(losses) on plan assets	17	29	74	(5)

	Year ended 31 March 2007		Year ended 31 March 2008		Year ended 31 March 2009	
	Main UK scheme	Other	Main UK scheme	Other	Main UK scheme	Other
	US$m	US$m	US$m	US$m	US$m	US$m
Defined benefit obligation	(799)	(333)	(696)	(358)	(491)	(269)
Plan assets	816	352	846	394	481	264
Surplus/(deficit) excluding the effects of the asset ceiling	17	19	150	36	(10)	(5)
Experience (losses)/gains on plan liabilities	(3)	5	5	(15)	7	3
Experience gains/(losses) on plan assets	12	9	(25)	9	(188)	(67)

The best estimate of contributions for 2009/10 is:

	Main UK scheme	Other	Total
	US$m	US$m	US$m
Employer contributions excluding one-off contributions	4	10	13
Employee contributions	1	4	5

The pension disclosures above include three post-retirement medical plans, one in Jamaica and two in Barbados. An increase or decrease in the assumed medical cost trend of 1% would have had no material effect on the aggregate of current service costs and interest costs during the periods presented and would have increased/(decreased) the accumulated defined benefit obligation by US$2 million/US$(1) million (2007/08 – US$6 million/US$(6) million, 2006/07 – US$5 million/US$(4) million).

33. Capital management

The Cable & Wireless Communications Group defines capital as invested capital, being the net accumulation of shareholders and non-controlling interests in the Cable & Wireless Communications Group.

The Cable & Wireless Communications Group's objective in managing capital is to maintain a capital structure that optimises returns to shareholders having regard to the liquidity requirements and the relative cost of debt and equity. It does not have any externally imposed requirement for managing capital, other than those imposed by company law.

The Cable & Wireless Communications Group manages its capital position in such a way as to optimise the weighted average cost of debt and equity taking into account:

- the liquidity required in the light of the projected funding requirements of the Cable & Wireless Communications Group's operating businesses with an appropriate level of contingency;
- the level of financial strength required to maintain the Cable & Wireless Communications Group's terms of trade taking account of its operational cash generation;
- the relative post-tax cost of debt and equity; and
- the extent to which external debt finance is, or is likely to be, available to the Cable & Wireless Communications Group on acceptable terms.

This strategy is unchanged from previous years.

The Cable and Wireless plc Articles currently permit borrowing up to two and a half times the adjusted capital and reserves of Cable & Wireless Groups'. The Cable & Wireless Communications articles permit borrowings up to the greater of (i) three times the Cable & Wireless Communications Group's adjusted capital or reserves or (ii) US$3 billion. Post-Demerger, the Cable & Wireless Communications Group will have funding in place to meet its investment plans and the relevant borrowing limit has been adjusted to reflect its required funding levels. Cable & Wireless Communications believes the expression of such borrowing limit as the greater of a multiple of adjusted capital and reserves or a fixed limit is a more appropriate formulation to provide the Cable & Wireless Communications Group with required flexibility in the short term.

During the period, the Cable & Wireless Communications Group actively managed its capital position by repurchasing a proportion of its convertible bonds so as to limit dilution to existing shareholders. The Cable & Wireless Communications Group also ensures that sufficient funds and distributable reserves are held to allow payments of projected dividends to shareholders. This process is managed through the Cable & Wireless Communications Group's budget and five year forecast process.

34. Share-based payments

Share option schemes

The share option schemes in operation during the periods presented or having options outstanding as at the end of the periods presented were as follows:

Cable & Wireless Employee Savings Related Share Option Scheme (UK SAYE) and Cable & Wireless Global Savings Related Share Option Scheme (Global SAYE)

Under the UK SAYE, UK employees were invited to enter into a savings contract with a bank to save regular monthly sums of between £5 and £250 for a period of either three, five or seven years. At the end of the savings contract, the participant receives interest from the bank on their savings. The savings and the interest may then be used to exercise an option over Cable and Wireless plc Ordinary Shares, which are acquired at a discount of 20% to the market value of Cable and Wireless plc Ordinary Shares at the date of grant. The UK SAYE Scheme was last offered in December 2003. Cable and Wireless plc extended the SAYE scheme to its overseas employees through the Global SAYE. The Global SAYE scheme was last offered in December 2004. In various of the Cable and Wireless plc's territories (excluding the United Kingdom) it operated along similar lines to the UK SAYE with local variations to accommodate local legal and tax considerations.

Cable & Wireless Revenue Approved Share Option Scheme and Cable & Wireless Senior Employees' Share Option Scheme

Prior to July 2001, Cable and Wireless plc granted share options under the Cable & Wireless Senior Employees' Share Option Scheme (SESOS) and the Cable & Wireless Revenue Approved Share Option Scheme (RESOS). Options awarded under these plans between June 1999 and July 2001 were subject to performance conditions based on the total shareholder return (**TSR**) performance of Cable and Wireless plc relative to the FTSE 100 Index, underpinned by real growth in EBITDA and revenue. TSR is share price growth adjusted for dividends and capital actions. TSR performance was averaged over a three month period at the beginning and end of the performance period. This moderated the effect of short-term share price volatility. For full vesting, the TSR performance of Cable and Wireless plc must have achieved at least upper quartile level against the FTSE 100 between the third and fifth anniversaries of the date of grant. Half vesting applied for TSR at the median level, with a sliding scale between median and upper quartile. If the performance conditions were not met by the fifth anniversary of the date of grant, the options would have lapsed. None of these options achieved their performance conditions and therefore they have all lapsed.

Options granted under RESOS and SESOS before June 1999 became exercisable if growth in Cable and Wireless plc's published earnings per share (excluding exceptional items) measured over any period of three consecutive financial years, commencing not earlier than the financial year in which the option was granted, exceeded by not less than 6% of the percentage growth of the Retail Price Index over the same three year period. All such options became exercisable in full.

No further grants will be made under the RESOS and SESOS plans and there are no outstanding options under those plans.

Options under the Cable & Wireless Incentive Plan 2001 (approved and unapproved)

The level of any share option award is determined by the Cable & Wireless Remuneration Committee each year by reference to total remuneration within a market peer group, subject to an overriding annual limit of ten times salary for executive directors of Cable and Wireless plc.

The vesting of share options awarded to the executive directors of Cable and Wireless plc and to all employees outside the United States is subject to relative TSR performance conditions. If performance conditions for these options have not been met by the third anniversary of the date of grant the option lapses. For options granted from June 2005, 33.33% of options vest where TSR performance meets the median. 100% of options vest where TSR performance meets or exceeds the upper quartile, with a straight line proportion vesting between those levels. In addition, the Cable & Wireless Remuneration Committee must be satisfied that the underlying financial performance of the Cable & Wireless Communications Group warrants the release of the Cable and Wireless plc Ordinary Shares. All outstanding options under the IP 2001 are currently vested.

The Cable & Wireless Employee Share Ownership Trust (Cable & Wireless ESOT)

The Cable & Wireless ESOT is a discretionary trust, which has been funded by loans from Cable and Wireless plc to acquire Cable and Wireless plc Ordinary Shares. At 31 March 2009 the Cable & Wireless ESOT holds 28,322,351 Cable and Wireless plc Ordinary Shares (31 March 2008 – 26,859,407, 31 March 2007 – 36,792,665) with a cost of US$86 million (£59 million) and a market value of US$58 million (£40 million) (31 March 2008 – cost of US$146 million (£73 million), market value of US$80 million (£40 million), 31 March 2007 – cost of US$196 million (£100 million), market value of US$120 million (£61 million)).

The costs of running the Cable & Wireless ESOT are included in the income statement as they accrue. The trustees of the Cable & Wireless ESOT may notionally allocate Cable and Wireless plc Ordinary Shares annually to executive directors or other senior executives and other key employees. Cable and Wireless plc Ordinary Shares are held in trust until such time as they may be transferred to employees in accordance with the terms of Cable and Wireless plc's share incentive plans, details of which are given above and below. The trustees of the Cable & Wireless ESOT may acquire Cable and Wireless plc Ordinary Shares through the issuance of new Cable and Wireless plc Ordinary Shares, the transfer of Cable and Wireless plc Ordinary Shares held in treasury or the purchase of existing Cable and Wireless plc Ordinary Shares in issue. Surplus Cable and Wireless plc Ordinary Shares may be held to satisfy future awards. The Cable & Wireless ESOT has waived its rights to dividends. At 31 March 2009, in respect of Cable & Wireless Communications Group employees there were 1,339,778 Cable and Wireless plc Ordinary Shares under performance share awards under the IP 2001 (31 March 2008 – 1,042,377, 31 March 2007 – 1,851,722), 18,194,249 Cable and Wireless plc Ordinary Shares under restricted share awards (31 March 2008 – 15,633,917, 31 March 2007 – 9.521,863), nil Cable and Wireless plc Ordinary Shares under awards under the DSTIP (31 March 2008 – 988,907, 31 March 2007 – 1,702,848), 29,898 Cable and Wireless plc Ordinary Shares under stock appreciation rights (31 March 2008 – 140,405, 31 March 2007 – 83,126), and 2,025,407 Cable and Wireless plc Ordinary Shares under options under the IP 2001 (31 March 2008 – 7,080,142, 31 March 2007 – 7,305,072). At 31 March 2007 there were 108,029 shares under the deferred bonus scheme.

Other equity instrument awards

Cable & Wireless Deferred Short Term Incentive Plan (DSTIP)

The DSTIP is designed to encourage participants to invest in Cable and Wireless plc Ordinary Shares to align their interests more closely with those of shareholders. Under the DSTIP any bonus deferred is used to purchase Cable and Wireless plc Ordinary Shares, which are held in trust for three years before being released to the participant.

Participants may also be awarded up to two matching shares for every one purchased share based on the relative TSR performance of the Cable and Wireless plc measured over a three year period (see performance conditions for share-based awards on page F-57). A dividend award supplement also operates on the DSTIP. Dividends that would have been paid on the purchased shares and the award of matching shares during the performance period are reinvested in additional shares.

No award has been made under the DSTIP since September 2005.

Deferred bonus scheme

Executive directors of Cable and Wireless plc and selected senior executives were able voluntarily to defer between 10% and 50% of their post-tax senior management bonus to purchase Cable and Wireless plc Ordinary Shares, which were held in the Cable & Wireless ESOT. Half of the purchased shares were held in the Cable & Wireless ESOT for a two year deferral period and the remaining half were held in the Cable & Wireless ESOT for a three year deferral period. Participants were awarded matching shares when the purchased shares vest at the end of the deferral periods.

No award has been made under the deferred bonus scheme since June 2004.

Performance share awards under the IP 2001

Under the IP 2001, executive directors of Cable and Wireless plc and other senior executives can receive awards of performance shares at nil cost.

The vesting of performance shares is subject to relative or absolute TSR performance conditions (see performance conditions for share-based awards on page F-57). A dividend award supplement applies to performance shares. Dividends that would have been paid on the performance shares which vest, will be regarded as having been re-invested in additional Cable and Wireless plc Ordinary shares.

Cable & Wireless Restricted Share Plan (RSP 2005)

The RSP 2005 provides for awards of restricted shares to executives and selected employees other than executive directors of Cable and Wireless plc. Generally, 50% of any restricted shares awarded under the RSP 2005 vest after one year with the remaining 50% vesting after three years.

Restricted Shares under the IP 2001

Restricted shares have also been used to award matching shares with performance conditions to executive directors of Cable and Wireless plc who invested their own funds into Cable and Wireless plc Ordinary Shares. Attainment of these matching shares is dependent on the executive director continuing to hold the invested shares and on meeting the required TSR performance conditions (if applicable). 100% of any matching shares awarded vest after three years.

Performance conditions for share-based awards

The Cable & Wireless Remuneration Committee considers TSR the main performance measure used in share plans where performance conditions apply, as it provides an objective external measure of financial performance and also considers the underlying financial performance of Cable and Wireless plc at the end of the performance period.

Cash-based awards

Stock appreciation rights under the IP 2001 and RSP 2005 (SARs)

SARs are used to replicate the plans described above, but rewards are delivered as a cash equivalent. SARs are used in exceptional cases for countries in which tax or legal issues preclude the use of real shares or share options.

Other schemes

Cable & Wireless Share Purchase Plan (SPP)

Cable and Wireless plc also offers its employees who are chargeable to income tax, under Section 15 Income Tax (Earnings and Pensions) Act 2003, the SPP which is an HMRC approved share incentive plan. Under the SPP, employees can contribute up to a value of £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares in Cable and Wireless plc, and Cable and Wireless plc will offer a match of one share for each partnership share purchased.

Cable and Wireless plc Ordinary Shares are held in a UK resident trust and can be withdrawn from the trust at any time, but there may be pay as you earn taxation and national insurance contributions payable in such events if the Cable and Wireless plc Ordinary Shares have not been held in the trust for five years. Dividends on the partnership and matching shares are reinvested in additional dividend shares.

High Performance Incentive Plan (HPIP)

The HPIP provides for share awards at nil cost to senior managers in the Cable & Wireless Communications Group. It is a three year incentive plan and the scheme is worth up to 100% of a participant's salary at the date he or she entered the plan. The awards are based on performance in years one and two that then vest after years two and three respectively, with the financial year 2006/07 being year one. The performance targets are based on EBITDA and cash flow. On vesting, the awards are worth the greater of the prevailing market value and the grant price. A relatively small element of the HPIP is formed as a 'Phantom' HPIP whereby the payments under the plan are made in cash rather than in shares.

Share options

Options were exercised on a regular basis throughout the periods presented.

Movements in the number of Cable and Wireless plc share options granted to employees of the Cable & Wireless Communications Group and outstanding, together with their related weighted average exercise prices, are shown below:

	Year ended 31 March 2007		Year ended 31 March 2008		Year ended 31 March 2009	
	Average exercise prices (pence/ share)	Options (000)	Average exercise prices (pence/ share)	Options (000)	Average exercise prices (pence/ share)	Options (000)
At 1 April	139	53,889	115	43,429	108	30,046
Granted	102	13,209	—	—	—	—
Forfeited	123	(1,712)	162	(5,273)	80	(160)
Exercised	98	(10,147)	102	(7,600)	92	(3,813)
Expired	221	(11,810)	262	(510)	105	(364)
At the end of the period	115	43,429	108	30,046	111	25,709
Exercisable	150	9,229	103	7,985	119	13,048
Weighted average share price at exercise date	141	—	176	—	157	—

Share options outstanding at the end of the each period presented had the following exercise prices:

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	Number of options outstanding	Weighted average exercise price (pence/ share)	Weighted average remaining life (rounded to nearest year)[1]	Number of options outstanding	Weighted average exercise price (pence/ share)	Weighted average remaining life (rounded to nearest year)[1]	Number of options outstanding	Weighted average exercise price (pence/ share)	Weighted average remaining life (rounded to nearest year)[1]
0-49	1,780,343	37	1	1,005,914	37	0	—	—	—
50-99	1,271,308	91	2	833,988	91	1	110,862	92	1
100-149	34,367,591	107	5	25,652,334	106	5	23,071,287	106	4
150-199	2,759,746	154	5	2,526,692	154	4	2,526,692	154	3
200-249	2,800,770	204	2	—	—	—	—	—	—
250-299	240,388	275	—	—	—	—	—	—	—
300-349	134,053	340	1	—	—	—	—	—	—
550-599	44,341	553	—	—	—	—	—	—	—
600-1,250	30,586	705	1	27,086	705	0	—	—	—

[1] Weighted average remaining life relates to legal life of options not expected life.

There were no share options granted in 2008/09 and 2007/08. In 2006/07, 13 million options were granted with a weighted average fair value at the measurement date of 22 pence. The Cable & Wireless Communications Group computed the fair value of share option awards using the Monte Carlo pricing model. The expected volatility was determined based on the statistical analysis of daily share prices over a historical period equal to the expected lives of the options. Performance and other market conditions attached to awards were reflected in the calculation of fair value as part of the Monte Carlo simulations.

Other awards granted

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	Shares	Weighted average average fair value (pence/ share)	Features incorporated in schemes	Shares	Weighted average average fair value (pence/ share)	Features incorporated in schemes	Shares	Weighted average average fair value (pence/ share)	Features incorporated in schemes
Restricted shares	6,187,863	110	TSR conditions	5,868,562	95	TSR conditions	3,953,633	130	—
Performance share awards	—	—	—	—	—	—	1,187,295	71	TSR conditions
HPIP	10,579,140	123	—	240,693	193	—	—	—	—
Cash Settled 'Phantom' HPIP	1,512,806	160	—	538,465	148	—	—	—	—
IP 2001 SARs	—	—	—	—	—	—	4,551,524	136	—
SPP (matching shares)	—	—	—	74,956	184	—	79,917	156	—

The performance share awards made during 2008/09 are subject to performance conditions. None of the restricted share awards made during 2008/09 had TSR conditions applicable (2007/08 – 5.5 million, 2006/07 – 2.9 million). The remaining awards had no performance conditions attached in the periods presented.

A fair value exercise was completed at 31 March 2009 and 31 March 2008 for grants made during those years using the Monte Carlo method.

In the SPP, Cable and Wireless plc Ordinary Shares were bought each month by the Halifax Corporate Trustees Limited on behalf of the Cable & Wireless Group to match the investment of the employees. Matching shares were awarded to the employee after three years, or earlier if a good leaver.

Monte Carlo pricing model assumptions used in the pricing of performance share plan grants (2008/09), restricted share plan grants (2007/08 and 2006/07) and share option grants (2006/07):

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
Weighted average share price (pence per share)	135	195	142
Weighted average exercise price (pence per share)	103	N/A	N/A
Dividend yield	3.9% to 4.3%	3.0%	5.5%
Expected volatility	30.4% to 31.4%	25.6%	31.0%
Risk-free interest rates	4.7%	5.1%	3.0%
Expected lives of the options	4 years	3 years	3 years

No share-based payment arrangements were modified during the periods presented. The total expense relating to share-based payments which were equity settled transactions was US$12 million (2007/08 – US$20 million, 2006/07 – US$24 million).

35. Cash flows from operating activities

Reconciliation of net profit to net cash inflow from operating activities:

	Note	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
		US$m	US$m	US$m
Continuing operations				
Profit for the period		655	328	306
Adjustments for:				
Tax expense	13	98	106	88
Depreciation	17,19	243	318	250
Amortisation	18	30	40	44
Gain on termination of operations	11	(28)	(18)	(5)
Gains on sale of non-current assets	10	(288)	(2)	(14)
(Gain)/loss on disposal of property, plant and equipment		(6)	(2)	3
Finance income	12	(96)	(96)	(46)
Finance expense	12	137	148	205
(Decrease)/increase in provisions		(47)	14	(16)
Employee benefits		41	6	(18)
Defined benefit pension scheme buy-in contribution		—	—	(4)
Defined benefit pension scheme top-up contributions		—	(8)	—
Defined benefit pension scheme contributions		(13)	(14)	(9)
Share of post-tax results of joint ventures and associates	20	16	(77)	(60)
Operating cash flows before working capital changes		742	743	724
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)				
Decrease in inventories		8	5	(11)
Decrease/(increase) in trade and other receivables		113	(14)	79
(Decrease)/increase in payables		(158)	63	(41)
Decrease in other assets		—	10	—
Cash from continuing operations		705	807	751
Discontinued operations				
Profit for the period		53	—	18
Adjustments for:				
Decreases in provisions and changes in working capital		(53)	—	(18)
Cash from discontinued operations		—	—	—
Cash from operations		705	807	751

36. Commitments

The Cable & Wireless Communications Group had capital commitments at 31 March 2009 relating to the purchase of property, plant and equipment of US$37 million (2007/08 – US$28 million, 2006/07 – US$39 million). No provision was made for these commitments. At 31 March 2009, US$29 million (2007/08 – US$26 million, 2006/07 – US$22 million) of these commitments related to the Cable & Wireless Communications Group's share of the capital commitments of its joint ventures and associates.

In addition, the Cable & Wireless Communications Group had a number of operating commitments arising in the ordinary course of the Cable & Wireless Communications Group's business. The most significant of these related to network operating and maintenance costs. In the event of default of another party, the Cable & Wireless Communications Group may be liable to additional contributions under the terms of the agreements.

The Cable & Wireless Communications Group leased land and buildings and networks under various lease agreements. The leases had varying terms, escalations, clauses and renewal rights.

The operating lease expenditure related to the periods presented is disclosed in note 6. The aggregate future minimum lease payments under operating leases are:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009
	US$m	US$m	US$m
No later than one year	27	36	37
Later than one year but not later than five years	80	94	93
Later than five years	49	50	49
Total minimum operating lease payments	156	180	179

37. Guarantees and contingent liabilities

At 31 March 2009, the Cable & Wireless Communications Group had US$705 million of guarantees for which no provision has been made in the financial statements (31 March 2008 – US$565 million, 31 March 2007 – US$374 million).

Trading guarantees principally comprised performance bonds issued in the normal course of business, guaranteeing that the Cable & Wireless Communications Group or Cable & Wireless Worldwide Group would meet their respective obligations to complete projects in accordance with the contractual terms and conditions. The guarantees contained a clause that they would be terminated on final acceptance of work to be done under the contract. The Cable & Wireless Communications Group has provided guarantees to third parties in respect of trading contracts between these third parties and the Cable & Wireless Worldwide Group. Included in the amounts disclosed above are amounts relating to the Cable & Wireless Worldwide Group's contracts of US$670 million. The Cable & Wireless Worldwide Group has agreed a fee schedule with Cable & Wireless Communications Group for the benefit of these guarantees. To date, the Cable & Wireless Communications Group has not been required to make any payments in respect of its obligations under its trading guarantees.

Other guarantees include guarantees for financial obligations principally in respect of borrowings, leases and letters of credit.

Whilst Pender, the Cable & Wireless Communications Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Cable & Wireless Communications Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third-party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims. Detail of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims.

In addition the Cable & Wireless Communications Group has, as is considered standard practice in such agreements, given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Cable & Wireless Communications Group also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

Companies within the Cable & Wireless Communications Group have previously participated in the Merchant Navy Officers Pension Fund (**MNOPF**). All Cable & Wireless Communications Group companies have since ceased to participate in the MNOPF, but following a court judgment on the nature of the MNOPF rules, Cable and Wireless plc may be liable for future contributions to fund a portion of any future MNOPF funding deficit. Currently, the estimated outflow for this potential liability is not expected to have a significant adverse impact on the financial position of the Cable & Wireless Communications Group.

38. Business combinations and acquisitions of non-controlling interests

The only subsidiaries acquired in 2007/08 were those in the Connecteo Group. There were no subsidiaries acquired during 2006/07.

Connecteo Group

In January 2008, the Group purchased a 49% stake in the Connecteo Group and gained management control of the holding company for cash consideration of US$14 million. The Connecteo Group provides satellite, data and

Internet services in Benin, Burkina Faso, Cameroon, Guinea, Niger and Senegal. In January 2009, the Cable & Wireless Communications Group paid US$8 million for a further 16% interest in the Connecteo Group.

The Directors performed a preliminary assessment of the fair values of the assets and liabilities acquired as property, plant and equipment (US$4 million) and net working capital liabilities (US$2 million). The excess of consideration over the fair value of the acquired assets and liabilities was allocated to goodwill. Goodwill arising on the acquisition included the value of expected synergies, specialised knowledge and other intangible assets that do not meet the recognition criteria set out in IAS 38 *Intangible Assets*.

In 2008/09, subsequent to this preliminary valuation of goodwill and intangibles, an exercise was conducted to identify and value any further intangibles at the date of acquisition. This resulted in the recognition of an additional US$2 million of licence intangible assets and a corresponding reduction in goodwill.

The contribution from Connecteo to revenues and operating profit from the date of acquisition to 31 March 2008 was less than US$1 million and US$nil respectively. If the acquisition had occurred on 1 April 2007 the contribution to Cable & Wireless Communications Group revenue would have been US$6 million and the contribution to operating profit would have been US$nil.

During 2008/09, the Connecteo Group increased its effective interest in its subsidiaries during the period. This transaction resulted in a decrease of US$2 million of non-controlling interest and a US$2 million increase in other reserves.

Monaco Telecom

Goodwill in connection with the Cable & Wireless Communications Group's investment in Monaco Telecom SAM decreased by US$41 million during 2008/09 (2007/08 – US$16 million increase, 2006/07 – US$79 million increase). The goodwill balance changed as a result of dividends and exchange movements offset by changes in the fair value of the put option.

As part of the acquisition of Monaco Telecom a put option was issued (see note 28). Changes in the fair value of this put option were treated as contingent consideration and adjusted against goodwill. Cash dividends paid to the Principality of Monaco reflected an increase in the Cable & Wireless Communications Group's investment in Monaco Telecom and therefore an increase to goodwill. The goodwill balance also changed as a result of exchange movements.

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
	US$m	US$m	US$m
Monaco goodwill			
Opening balance	121	200	216
Increase/(decrease) as a result of changes in the fair value of put option	36	(24)	(12)
Dividends paid to the Principality	28	22	19
Increases/(decreases) due to exchange movements	15	18	(48)
Closing balance	200	216	175

Cable & Wireless St Kitts and Nevis Limited

On 21 September 2007, the Cable & Wireless Communications Group purchased an additional 17% shareholding in Cable & Wireless St Kitts and Nevis Limited for cash consideration of US$14 million. The shares were previously held by the government of the Federation of St Kitts and Nevis (the **Federation**). As a result of the acquisition, the Cable & Wireless Communications Group's effective interest in Cable & Wireless St Kitts and Nevis Limited was increased from 65% to 82%. This transaction resulted in US$6 million of non-controlling interests transferred to retained earnings and a US$14 million decrease in other reserves. As part of the purchase agreement with the government, the Cable & Wireless Communications Group committed to offer 5% of the shares acquired to residents of the Federation which were subscribed in full, reducing the Cable & Wireless Communications Group's effective interest to 77%.

39. Related party transactions

Transactions with joint ventures and associates

All trade transactions with joint ventures and associates arose in the normal course of business and primarily related to fees for use of Cable and Wireless plc's products and services, network and access charges. There were no material trade transactions with joint ventures and associates during the periods presented.

The Cable & Wireless Communications Group received dividends of US$30 million from joint ventures (2007/08 – US$30 million, 2006/07 – US$30 million) during the year ended 31 March 2009 and dividends from associates of US$13 million during the year ended 31 March 2007 (the Group had no associates in the years ended 31 March 2008 and 2009), as set out in note 20. Amounts owed by joint ventures and associates in respect of trading balances are set out in note 22.

Transactions with key management employees

During 2008/09, two Directors of Cable & Wireless Communications purchased bonds issued by Cable & Wireless. These bonds were purchased for US$4,169,670 (£2,371,691) on the open market (including US$209,179 (£118,980) of accrued interest) and had a nominal value at 31 March 2009 of US$3,812,974 (£2,630,000). The interest earned on those bonds during the year was US$109,184 (£62,093) of which US$79,163 (£54,607) remained unpaid at year end.

During 2008/09, the spouse of a Director of Cable & Wireless Communications purchased bonds issued by Cable & Wireless. These bonds were purchased for US$768,602 (£437,178) on the open market (including US$67,124 (£38,180) of accrued interest) and had a nominal value at 31 March 2009 of US$695,904 (£480,000). The interest earned on those bonds during the year was US$7,778 (£4,424) of which US$987 (£681) remained unpaid at year end.

In 2007/08 and 2006/07, there were no material transactions with key management employees, including loans advanced to Directors or other key managers, except for those relating to remuneration, disclosed in notes 9 and 45, and shareholdings.

Transactions with Cable & Wireless Worldwide Group companies

The Cable & Wireless Worldwide Group companies are related parties in so far as they were wholly-owned subsidiaries of the Cable & Wireless Group.

The following sales and purchases and respective balances at the reporting date have arisen from transactions between the Cable & Wireless Communications Group and Cable & Wireless Worldwide Group companies:

	Year ended 31 March 2007	**Year ended 31 March 2008**	**Year ended 31 March 2009**
	US$m	**US$m**	**US$m**
Sales to Cable & Wireless Worldwide Group companies	23	24	11
Purchases from Cable & Wireless Worldwide Group companies	(13)	(12)	(12)

	As at 31 March 2007	**As at 31 March 2008**	**As at 31 March 2009**
	$m	**$m**	**$m**
Trade (payables)/receivables with Cable & Wireless Worldwide Group companies	(11)	(22)	5

40. Licences and operating agreements with governments

In a number of countries the Cable & Wireless Communications Group holds licences to operate or operating agreements with governments. These licences take a variety of forms and their terms, rights and obligations varied significantly. The Cable & Wireless Communications Group assumes that it will renew licences as they expire. Previous history indicates this is the most likely outcome. Were renewal not to occur, in most cases the business or its assets would be transferred to the new operator or government at fair or net book value. In a small number of locations, transfer is at a value below net book value. In these places the Cable & Wireless Communications Group monitors closely the likelihood of licence renewal in order to ensure that should a licence not be renewed, the business' assets have been written down to their recoverable value at the point of transfer.

There were no significant changes to the terms of the Cable & Wireless Communications Group's licences during 2007/08 and 2006/07. In December 2008, the licence held by the Cable & Wireless Communications Group's subsidiary (formerly joint venture) in the Maldives was extended until 2023. Further, the Cable & Wireless Communications Group has agreed with the government an extension to its operating agreement in Macau until 2016 with an automatic extension until 2021.

41. Legal proceedings

In the ordinary course of business, the Cable & Wireless Communications Group is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgment relating to contingent liabilities is required since the outcome of litigation is difficult to predict. The Cable & Wireless Communications Group does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Cable & Wireless Communications Group.

In July 2007, Cable and Wireless plc and four Cable & Wireless Communications Group subsidiaries along with Telecommunications Services of Trinidad and Tobago Limited (TSTT), in which the Cable & Wireless Communications Group holds a 49% interest, were served with proceedings in the English High Court by a Caribbean competitor, Digicel. The claim alleged that the relevant Cable & Wireless Communications Group subsidiaries delayed Digicel's entry into six Caribbean markets (St. Lucia, St. Vincent & the Grenadines, Grenada, Barbados, the Cayman Islands and Turks & Caicos) in breach of applicable statutory and contractual obligations concerning interconnection. A similar allegation was made against TSTT. In addition, it was alleged that Cable and Wireless plc and its four subsidiaries (but not TSTT) conspired to cause delay to Digicel.

The Directors of Cable & Wireless Communications believe the claim is without foundation and it has been vigorously defended in the English High Court. Although, based on legal advice, the Directors of Cable & Wireless Communications expect to defend this claim successfully, the Cable & Wireless Communications directors cannot predict the outcome of this legal proceeding. An adverse ruling could lead to the payment of damages. At this time, it is not possible to estimate potential exposure in the event of an adverse ruling, as the English High Court is considering only liability and not damage claims. However, as the directors of Cable & Wireless Communications expect to successfully defend this claim, they do not expect material damages to be awarded.

Trial in the English High Court began in May 2009 and closed in November 2009 and the Group is currently awaiting judgment.

42. Subsidiaries and joint ventures

The Cable & Wireless Communications Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affects the figures shown in the financial statements.

	Local currency	Issued share capital (million)	Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Subsidiaries						
Cable & Wireless Jamaica Ltd	J$	16,817	82	Ordinary	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	Balboa	316	49	Ordinary	Panama	Panama
Companhia de Telecomuniçacões de Macau, S.A.R.L[2]	Pataca	150	51	Ordinary	Macau	Macau and China
Cable & Wireless (Barbados) Ltd	B$	72	81	Ordinary	Barbados	Barbados
Cable & Wireless (West Indies) Ltd	GBP	5	100	Ordinary	England	Caribbean
Dhivehi Raajjeyge Gulhun Private Ltd[2,3]	Rufiya	190	52	Ordinary	The Maldives	The Maldives
Monaco Telecom SAM[4,5]	euro	2	49	Ordinary	Monaco	Monaco
Joint ventures						
Telecommunications Services of Trinidad and Tobago Ltd[3]	T$	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago

1 The Cable & Wireless Communications Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.

2 This company has a financial year end of 31 December.

3 From October 2009, this entity is a subsidiary (formerly a joint venture).

4 This company is audited by a firm other than KPMG and its international member firms.

5 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement.

On 18 June 2004 the Cable & Wireless Communications Group acquired 55% of Monaco Telecom, a Monaco based telecommunications service provider, from Vivendi Universal. Simultaneously with the acquisition, the Cable & Wireless Communications Group transferred legal ownership of 6% of the shares of Monaco Telecom to an unrelated third-party. The Cable & Wireless Communications Group contractually retained voting and economic rights in the shares as part of the arrangement. In addition, the 6% interest is subject to certain put and call options that, together with the retained voting and economic rights, provide full management control of Monaco Telecom to the Cable & Wireless Communications Group.

The Cable & Wireless Communications Group has also entered into a shareholders' agreement with the Principality of Monaco, which contains, among other provisions, a prohibition on either the Cable & Wireless Communications Group or the Principality (subject to certain limited exceptions) selling their shares in Monaco Telecom for five years, mutual pre-emption rights on transfer of shares and certain other limited rights in favour of the Principality. The Principality has a put option entitling it to put its 45% shareholding in Monaco Telecom to the Cable & Wireless Communications Group at certain times after 1 January 2008. The exercise price under the put option is fair market value, taking into account the nature of the minority stake in Monaco Telecom.

43. Financial risk management

Treasury policy

The Cable & Wireless Communications Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Cable & Wireless Communications Group's overall risk management programme seeks to minimise potential adverse effects on the Cable & Wireless Communications Group's financial performance.

The Cable & Wireless Communications Group's treasury operations are managed on the basis of policies and authorities approved by the Cable and Wireless plc Board. These policies will be adopted by the Cable & Wireless Communications Group in substantially the same form post-Demerger. Day to day management of treasury activities is delegated to Treasury, within specified financial limits for each type of transaction and counterparty.

To the extent that subsidiaries undertake treasury transactions, these are governed by Cable & Wireless Communications Group policies and delegated authorities. Material subsidiary positions are monitored by Treasury. Where appropriate, transactions are reported to the Board. All subsidiaries are required to report details of their cash and debt positions to Treasury on a monthly basis.

The key responsibilities of Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Cable & Wireless Communications Group's cash resources and borrowings are managed centrally by Treasury.

The Cable & Wireless Communications Group may use derivatives including forward foreign exchange contracts, interest rate swaps, cross-currency swaps and options, where appropriate, in the management of its foreign currency and interest rate exposures. The use of these instruments is in accordance with strategies agreed from time to time by Treasury and subject to policies approved by the Cable & Wireless Communications Group Board. Derivatives are not used for trading or speculative purposes and derivative transactions and positions are monitored and reported by Treasury on a regular basis and are subject to policies adopted by the Board.

Exchange rate risk

When the Cable & Wireless Worldwide Group was part of the Cable & Wireless Group, the Cable & Wireless Communications Group's transactions were reported in sterling and all non-sterling cash flows were subject to foreign exchange risk. As a result, at 31 March 2009, the Cable & Wireless Communications Group had in place forward exchange contracts to sell US$225 million (2007/08 – US$50 million hedging US dollar exposures). The Cable & Wireless Communications Group did not apply hedge accounting to these contracts and as such they were revalued to fair value through the income statement.

From Demerger, the Cable & Wireless Communications Group will report in US dollars, as this is the predominant transaction currency of the Cable & Wireless Communications Group.

The Cable & Wireless Communications Group trades in many countries and a proportion of its revenue is generated in currencies other than US dollars (the dominant functional currency of the Cable & Wireless

Communications Group entities), notably the euro, sterling and Jamaican dollar. The Cable & Wireless Communications Group is exposed to movements in exchange rates in relation to non-US dollar currency payments, dividend income from foreign subsidiaries, reported profits of foreign subsidiaries and the net asset carrying value of non-US dollar investments. Exchange risk is managed centrally by the Central operations on a matching cash flow basis including forecast foreign currency cash repatriation inflows from subsidiaries and forecast foreign currency payments.

Where appropriate the Cable & Wireless Communications Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created where currencies do not naturally offset in the short term. The Cable & Wireless Communications Group will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Cable & Wireless Communications Group where appropriate. Where cost-effective and possible, foreign subsidiaries are financed in their domestic currency to minimise the impact of translation of foreign currency denominated borrowings.

The reported profits of the Cable & Wireless Communications Group are translated at average rates of exchange prevailing during the year. Overseas earnings are predominantly in US dollars or currencies linked to the US dollar. In broad terms, based on the 2008/09 mix of profits, the impact of a unilateral 10% weakening of the US dollar would have been to increase operating profit before exceptional items by approximately US$16 million and increase total equity by US$33 million. The Cable & Wireless Communications Group had approximately US$319 million of net financial liabilities denominated in US dollar or US dollar linked currencies at the end of the year.

As part of the overall policy of managing the exposure arising from foreign exchange movements relating to the net carrying value of overseas investments, the Cable & Wireless Communications Group may, from time to time, elect to match certain foreign currency liabilities against the carrying value of foreign investments.

Interest rate risk

The Cable & Wireless Communications Group is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives in place during any of the historical period presented.

At 31 March 2009 55% of the Cable & Wireless Communications Group’s borrowings were at a fixed rate. A reduction in interest rates would have an unfavourable impact upon the fair value of the Cable & Wireless Communications Group’s fixed rate borrowings. However, no debt is held for trading purposes and it is intended that it will be kept in place until maturity. As a result, there is no exposure to fair value loss on fixed rate debt and, as such, it has not been modelled.

A one percentage point increase in interest rates will have a US$4 million impact on the income received from the surplus cash balances of the Cable & Wireless Communications Group and a US$5 million impact on the floating rate borrowings of the Cable & Wireless Communications Group. The impact on equity is limited to the impact on the income statement.

Credit risk

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. Management seeks to reduce this risk by ensuring the counterparties to all but a small proportion of the Cable & Wireless Communications Group’s financial instruments are the core relationship banks, which are rated A1 short-term and/or AA—long-term (or better) by Standard & Poor’s (or equivalent by Moody’s and/or Fitch). The credit rating of these counterparties is monitored on a continuing basis.

The types of instrument used for investment of funds are prescribed in Cable & Wireless Communications Group treasury policies approved by the Cable and Wireless plc Board. These policies contain limits on exposure for the Group as a whole to any one counterparty of approximately US$100 million.

Credit risk on receivables is discussed in note 22.

Liquidity risk

At 31 March 2009, the Cable & Wireless Communications Group had cash and cash equivalents of US$581 million. These amounts are highly liquid and are a significant component of the Cable & Wireless Communications Group's overall liquidity and capital resources. An analysis of the maturity of the Cable & Wireless Communications Group's financial instruments is contained in notes 20, 22 and 26 to 28.

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Cable & Wireless Communications Group.

Approximately 73% of Cable & Wireless Communications Group's cash is invested in short-term bank deposits. During 2006/07 the Cable & Wireless Communications Group sold at par £40 million (US$75 million) of credit linked notes issued by AA-rated banks and referenced to the Cable & Wireless Communications Group's US$290 million (£200 million) bond, which matures in 2012.

Certain foreign subsidiaries operate in jurisdictions which may restrict the ability to repatriate cash to the Cable & Wireless Communications Group from time to time. Where restrictions are severe, local cash balances are excluded from cash and cash equivalents.

44. Post balance sheet events

Further acquisition of interest in Dhiraagu

During October 2009, the Cable & Wireless Communications Group purchased a further 7% of the share capital of Dhiraagu from the Maldives government for cash consideration of US$40 million. This transaction will result in the Cable & Wireless Communications Group reclassifying its joint venture investment in this entity to a subsidiary investment.

45. Directors' remuneration

The remuneration of Directors of Cable & Wireless Communications Plc (translated at average exchange rates) for the three full year periods ended 31 March 2009 was as follows:

	2008/09				
	Salaries and fees	**Bonuses[1]**	**Benefits in kind[2]**	**Pension cash allowance[3]**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**
Chairman					
Sir Richard Lapthorne, CBE	678,627	—	119,377	—	**798,004**
Executive Directors					
George Battersby	738,402	500,637	4,780	184,601	**1,428,420**
Nick Cooper	480,272	413,663	5,267	—	**899,202**
Tim Pennington (since 1 September 2008)	374,257	282,644	—	116,931	**773,832**
Tony Rice	1,054,860	726,799	69,369	263,715	**2,114,743**
Non-executive Directors					
Simon Ball	183,136	—	5,607	—	**188,743**
Mary Francis (since 1 July 2009)	—	—	—	—	**—**
Kate Nealon	149,439	—	5,607	—	**155,046**
Kasper Rorsted	158,229	—	16,915	—	**175,144**
Total	**3,817,222**	**1,923,743**	**226,922**	**565,247**	**6,533,134**

	2007/08				
	Salaries and fees	**Bonuses[1]**	**Benefits in kind[2]**	**Pension cash allowance[3]**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**
Chairman					
Sir Richard Lapthorne, CBE	773,583	—	192,396	—	**965,979**
Executive Directors					
George Battersby	841,722	496,616	62,486	210,431	**1,611,255**
Nick Cooper	501,025	346,960	20,199	—	**868,184**
Tim Pennington (since 1 September 2008)	—	—	—	—	**—**
Tony Rice	1,202,460	709,451	101,347	300,615	**2,313,873**
Non-executive Directors					
Simon Ball	130,267	—	2,842	—	**133,109**
Mary Francis (since 1 July 2009)	—	—	—	—	**—**
Kate Nealon	156,987	—	2,433	—	**159,420**
Kasper Rorsted	180,369	—	11,764	—	**192,133**
Total	**3,786,413**	**1,553,027**	**393,467**	**511,046**	**6,243,953**

	2006/07				
	Salaries and fees	**Bonuses[1]**	**Benefits in kind[2]**	**Pension cash allowance[3]**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**
Chairman					
Sir Richard Lapthorne, CBE	725,950	—	133,248	—	**859,198**
Executive Directors					
George Battersby	789,894	789,894	41,011	323,029	**1,943,828**
Nick Cooper	470,175	470,175	14,643	—	**954,993**
Tim Pennington (since 1 September 2008)	—	—	—	—	**—**
Tony Rice	1,128,420	1,128,420	51,529	282,105	**2,590,474**
Non-executive Directors					
Simon Ball (since 1 May 2006)	112,058	—	—	—	**112,058**
Mary Francis (since 1 July 2009)	—	—	—	—	**—**
Kate Nealon	141,053	—	893	—	**141,946**
Kasper Rorsted	169,263	—	10,684	—	**179,947**
Total	**3,536,813**	**2,388,489**	**252,008**	**605,134**	**6,782,444**

1 Directors' bonuses for the periods presented were based on profit related to the individual Director's area of responsibility. These profit measures were partially achieved and resulted in the bonus payments outlined above. The maximum bonus potential available was 100% of salary for achievement of all measures.

2 In compliance with the Companies Act 1985, 'Benefits in kind' includes the value of benefits in kind relating to Company provided life assurance, professional advice, chauffeur travel and the reimbursement of costs associated with accommodation and relocation (including schooling).

3 Company pension contributions in the periods presented were paid to the Directors as an annual cash allowance.

Directors' share options

Name and scheme	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2006	Granted/ (lapsed, cancelled or forfeited) during 2006/07	Shares under option at 1 April 2007	Granted/ (lapsed, cancelled or forfeited) during 2007/08	Shares under option at 1 April 2008	Exercised during 2008/09	Granted/ (lapsed, cancelled or forfeited) during 2008/09	Shares under option at 31 March 2009
George Battersby												
SOP Approved	3/8/04	3/8/07	2/8/11	108.00	27,777[1]	—	27,777	(5,786)	21,991	—	—	21,991
SOP Unapproved	3/8/04	3/8/07	2/8/11	108.00	783,223[1]	—	783,223	(163,146)	620,077	—	—	620,077
SOP Unapproved	25/8/05	25/8/08	24/8/12	153.90	568,551[2]	—	568,551	—	568,551	—	(266,708)	301,843
SOP Unapproved	2/6/06	2/6/09	1/6/13	101.25	—	4,148,148	4,148,148	—	4,148,148	—	—	4,148,148
					1,379,551	4,148,148	5,527,699	(168,932)	5,358,767	—	(266,708)	5,092,059
Nick Cooper												
SOP Approved	13/2/06	13/2/09	12/2/13	103.70	28,929	—	28,929	—	28,929	—	—	28,929
SOP Unapproved	13/2/06	13/2/09	12/2/13	102.20	405,015		405,015	—	405,015	—	—	405,015
SOP Unapproved	2/6/06	2/6/09	1/6/13	101.25	—	1,975,308	1,975,308	—	1,975,308	—	—	1,975,308
					433,944	1,975,308	2,409,252	—	2,409,252	—	—	2,409,252
Tony Rice												
SOP Approved	30/3/06	21/5/09[3]	29/3/13	110.50	27,260	—	27,260	—	27,260	—	—	27,260
SOP Unapproved	30/3/06	21/5/09[3]	29/3/13	110.50	5,424,807	—	5,424,807	—	5,424,807	—	—	5,424,807
					5,452,067	—	5,452,067	—	5,452,067	—	—	5,452,067

Notes:

These are HMRC approved and unapproved grants made under the IP 2001 (see note 34 of the historical financial information for details). The vesting of options awarded under the IP 2001 was subject to relative TSR performance conditions, see note 34 for details.

No amounts were paid by Directors for the award of the options listed in the table above. The closing mid-market price of an ordinary share on 31 March 2009 was 139.50 pence (2007/08 – 148.90 pence, 2006/07 – 166.60 pence).

The highest closing mid-market price of Cable and Wireless plc Ordinary Share during 2008/09 was 179.10 pence (2007/08 – 201.50 pence, 2006/07 – 179.50 pence) and lowest closing mid-market price was 116.20 pence (2007/08 – 136.50 pence, 2006/07 – 97.50 pence).

All Directors' share options will be time pro rated up to the termination date and will continue to be subject to TSR performance conditions up to the end of the performance period.

1 Award granted on 3 August 2004 partially vested on 3 August 2007. Cable & Wireless TSR was 76% which was a ranking of 9 out of 24 which equated to 79% of the award vesting.

2 Award granted on 25 August 2005 partially vested on 25 August 2008. Cable & Wireless TSR was 30% which was a ranking of 12 out of 27 which equated to 53% of the award vesting.

3. Tony Rice agreed to delay the date on which options were to become first exercisable from March 2009 to 21 May 2009. This was to avoid options becoming exercisable during a prohibited period.

Directors' share awards

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Shares under award at 1 April 2006	Awarded/ (vested) during 2006/07	Lapsed, cancelled or forfeited during 2006/07	Shares under award at 1 April 2007	Awarded/ (vested) during 2007/08	Lapsed, cancelled or forfeited during 2007/08	Shares under award at 1 April 2008	Awarded during 2008/09	Vested during 2008/09	Lapsed, cancelled or forfeited during 2008/09	Shares under award at 31 March 2009
Chairman														
Sir Richard Lapthorne, CBE														
Restricted Shares	6/6/07	5/6/11	194.80	—	—	—	—	5,500,000[1]	—	5,500,000	—	—	—	5,500,000
				—	—	—	—	5,500,000	—	5,500,000	—	—	—	5,500,000
Executive Directors														
George Battersby														
Performance Shares	25/8/05	25/8/08	153.90	113,710[2]	—	—	113,710	—	—	113,710	—	60,368	(53,342)	—
DSTIP^{MS}	30/9/05	1/10/08	146.30	258,373[3]	—	—	258,373	—	—	258,373	—	64,593	(193,780)	—
DSTIP^{MDS}	27/1/06	1/10/08	114.80	3,046[3]	—	—	3,046	—	—	3,046	—	761	(2,285)	—
Performance Shares^{DS}	27/1/06	25/8/08	114.80	1,340[2]	—	—	1,340	—	—	1,340	—	711	(629)	—
Restricted Shares^{MS}	30/3/06	21/5/09[5]	108.98	917,570[4]	—	—	917,570	—	—	917,570	—	—	—	917,570
DSTIP^{MDS}	11/8/06	1/10/08	109.20	—	7,334[3]	—	7,334	—	—	7,334	—	1,833	(5,501)	—
Performance Shares^{DS}	11/8/06	25/8/08	109.20	—	3,228[2]	—	3,228	—	—	3,228	—	1,713	(1,515)	—
DSTIP^{MDS}	19/1/07	1/10/08	158.35	—	2,773[3]	—	2,773	—	—	2,773	—	693	(2,080)	—
Performance Shares^{DS}	19/1/07	25/8/08	158.35	—	1,220[2]	—	1,220	—	—	1,220	—	648	(572)	—
DSTIP^{MDS}	10/8/07	1/10/08	198.46	—	—	—	—	5,402[3]	—	5,402	—	1,350	(4,052)	—
Performance Shares^{DS}	10/8/07	25/8/08	198.46	—	—	—	—	2,377[2]	—	2,377	—	1,262	(1,115)	—
DSTIP^{MDS}	25/1/08	1/10/08	181.22	—	—	—	—	3,564[3]	—	3,564	—	891	(2,673)	—
Performance Shares^{DS}	25/1/08	25/8/08	181.22	—	—	—	—	1,568[2]	—	1,568	—	832	(736)	—
DSTIP^{MDS}	8/8/08	1/10/08	155.16	—	—	—	—	—	—	—	8,326[3]	2,081	(6,245)	—
Performance Shares^{DS}	8/8/08	25/8/08	155.16	—	—	—	—	—	—	—	3,664[2]	1,945	(1,719)	—
SPP^{MS}	8/5/07	8/5/10	189.43	—	—	—	—	792	—	792	—	—	—	792
SPP^{MS}	6/5/08	6/5/11	151.95	—	—	—	—	—	—	—	987	—	—	987
				1,294,039	14,555	—	1,308,594	13,703	—	1,322,297	12,977	139,681	(276,244)	919,349

Directors’ share awards

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Shares under award at 1 April 2006	Awarded/ (vested) during 2006/07	Lapsed, cancelled or forfeited during 2006/07	Shares under award at 1 April 2007	Awarded/ (vested) during 2007/08	Lapsed, cancelled or forfeited during 2007/08	Shares under award at 1 April 2008	Awarded during 2008/09	Vested during 2008/09	Lapsed, cancelled or forfeited during 2008/09	Shares under award at 31 March 2009
Nick Cooper														
Performance Shares	13/2/06	13/2/09	103.70	108,486	—	—	108,486	—	—	108,486	—	108,486	—	—
Restricted Shares	2/6/06	2/6/09	134.22	—	246,913	—	246,913	(123,456)	—	123,457	—	—	—	123,457
Restricted Shares	27/3/07	27/3/10	169.16	—	295,578	—	295,578	—	—	295,578	—	—	—	295,578
Restricted Shares	11/11/08	10/6/10	134.76	—	—	—	—	—	—	—	460,777	—	—	460,777
				108,486	542,491	—	650,977	(123,456)	—	527,521	460,777	108,486	—	879,812
Tim Pennington														
Restricted Shares [MS]	30/9/08	30/9/11	167.26	—	—	—	—	—	—	—	179,361[6]	—	—	179,361
Performance Shares	11/11/08	1/11/11	134.76	—	—	—	—	—	—	—	1,187,295[7]	—	—	1,187,295
SPP [MS]	07/10/08	7/10/11	153.75	—	—	—	—	—	—	—	975	—	—	975
				—	—	—	—	—	—	—	1,367,631	—	—	1,367,631
Tony Rice														
Restricted Shares [MS]	30/3/06	21/5/09[5]	108.98	1,000,000[8]	—	—	1,000,000	—	—	1,000,000	—	—	—	1,000,000
Restricted Shares [MS]	30/3/06	21/5/09[5]	108.98	2,000,000[4]	—	—	2,000,000	—	—	2,000,000	—	—	—	2,000,000
SPP [MS]	8/5/07	8/5/10	189.43	—	—	—	—	792	—	792	—	—	—	792
SPP [MS]	6/5/08	6/5/11	151.95	—	—	—	—	—	—	—	987	—	—	987
				3,000,000	—	—	3,000,000	792	—	3,000,792	987	—	—	3,001,779

Notes:

Restricted Shares (in the case of Sir Richard Lapthorne) means restricted share awards that have been granted pursuant to the IP 2001.

Performance Shares means performance share awards that have been granted pursuant to the IP 2001.

Restricted Shares (in the case of Tim Pennington and Nick Cooper) means the restricted share awards that have been granted pursuant to the RSP 2005.

DS Dividend Shares

MDS Matching Dividend Shares

MS Matching Shares

1 Full vesting of the restricted shares only occurs if the TSR performance of the Company is in the top 10% when compared with the FTSE GTSI, on a straight line scale. No shares vest for TSR at or below the mid-point of the comparator group of companies.

2 Full vesting of the performance shares, and any associated dividend reinvestment shares, only occurs if the TSR performance of the Company meets or exceeds the upper quartile when compared against the FTSE GTSI during the performance period. Where TSR meets the median, 33.33% of the performance shares vest and a sliding scale operates between median and upper quartile. No performance shares vest for TSR performance below the median.

3 DSTIP matching shares are based on one matching share for two purchased shares for median TSR performance, rising to two matching shares for one purchased share for performance at upper quartile or above. No matching shares are awarded for below median performance. A dividend award supplement also operates on the plan. Dividends that would have been paid on purchased shares and the actual award of matching shares during the performance period are reinvested in additional shares.

4 Subject to the Director remaining an employee of the Cable & Wireless Group and retaining beneficial ownership of the shares purchased as per below, the shares under award will be delivered to the Director at the third anniversary of grant:

- George Battersby purchased 275,000 ordinary shares on 30 March 2006.
- Tony Rice purchased 1,000,000 ordinary shares on 30 March 2006.

Performance conditions apply to these shares and vesting will only occur if the TSR performance of the Company meets or exceeds the upper quartile measured against the constituents of the FTSE GTSI.

5 George Battersby and Tony Rice agreed to delay the date on which options were to become first exercisable from March 2009 to 21 May 2009. This was to avoid options becoming exercisable during a prohibited period.

6 One half of Tim Pennington’s Restricted Shares will vest on 30 September 2009 with the remaining half vesting on 30 September 2011.

7 Full vesting of the award will only occur if the TSR performance of the Company exceeds the median TSR of the FTSE GTSI by 12% compound or more per annum. Where TSR performance meets the median, one third of the award will vest.

8 Subject to Tony Rice remaining an employee of the Company and retaining beneficial ownership until 29 March 2009, the Company will deliver these restricted shares to him.

C. CABLE & WIRELESS COMMUNICATIONS HISTORICAL FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Condensed interim income statement (unaudited)

	For the six months ended 30 September 2009			For the six months ended 30 September 2008		
	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Continuing operations						
Revenue	1,132	—	1,132	1,273	—	1,273
Operating costs before depreciation and amortisation	(737)	(31)	(768)	(845)	(31)	(876)
Depreciation	(133)	—	(133)	(129)	—	(129)
Amortisation	(19)	—	(19)	(22)	—	(22)
Other operating income	4	—	4	—	—	—
Group operating profit/(loss)	247	(31)	216	277	(31)	246
Share of post-tax profit of joint ventures	26	—	26	36	—	36
Total operating profit/(loss)	273	(31)	242	313	(31)	282
Gains and losses on sale of non-current assets	—	—	—	1	—	1
Finance income	3	27	30	35	—	35
Finance expense	(53)	—	(53)	(54)	(24)	(78)
Profit/(loss) before income tax	223	(4)	219	295	(55)	240
Income tax (expense)/credit	(63)	5	(58)	(51)	2	(49)
Profit/(loss) for the period from continuing operations	160	1	161	244	(53)	191
Discontinued operations						
Profit for the period from discontinued operations	—	—	—	—	—	—
Profit/(loss) for the period	160	1	161	244	(53)	191
Attributable to:						
Owners of the parent	92	1	93	181	(53)	128
Non-controlling interests	68	—	68	63	—	63
	160	1	161	244	(53)	191
Earnings per share attributable to the owners of the parent during the period (pence)						
— basic			3.7c			5.2c
— diluted			3.7c			5.1c
Earnings per share from continuing operations attributable to the owners of the parent during the period (pence)						
— basic			3.7c			5.2c
— diluted			3.7c			5.1c

The notes on pages F-78 to F-97 of this document are an integral part of these financial statements

Further detail on exceptional items is set out in note 7

As explained in note 2.1, certain administrative costs, interest, tax and pension amounts of the Cable & Wireless Communications Group reflect the management and capital structure of the Cable & Wireless Communications Group prior to Demerger. Accordingly these amounts, together with the respective earnings per share figures, may not be comparable with actual amounts that would have occurred had the Demerger been in effect during the periods presented.

Condensed interim statement of comprehensive income (unaudited)

	For the six months ended 30 September 2009	For the six months ended 30 September 2008
	US$m	US$m
Profit for the period	161	191
Other comprehensive income for the period		
Actuarial (losses)/gains in the value of defined benefit retirement plans	(85)	(27)
Exchange differences on translation of foreign operations	(73)	2
Other comprehensive income for the period	(158)	(25)
Income tax relating to components of other comprehensive income	—	4
Other comprehensive income for the period, net of tax	(158)	(21)
Total comprehensive income for the period	3	170
Attributable to:		
Owners of the parent	(61)	136
Non-controlling interests	64	34
	3	170

The notes on pages F-78 to F-97 of this document are an integral part of these financial statements

Condensed interim statement of financial position (unaudited)

	30 September 2009	31 March 2009
	US$m	US$m
ASSETS		
Non-current assets		
Intangible assets	376	371
Property, plant and equipment	1,575	1,602
Investments in joint ventures	336	327
Available for sale financial assets	41	39
Deferred tax asset	12	14
Retirement benefit asset	43	39
Other receivables	38	36
	2,421	2,428
Current assets		
Inventories	32	28
Trade and other receivables	542	483
Cash and cash equivalents	437	581
	1,011	1,092
Non-current assets held for sale	2	1
	1,013	1,093
Total assets	3,434	3,521
LIABILITIES		
Current liabilities		
Trade and other payables	601	603
Financial liabilities at fair value	8	36
Current tax liabilities	188	161
Loans	185	104
Provisions	92	110
	1,074	1,014
Net current (liabilities)/assets	(61)	79
Non-current liabilities		
Trade and other payables	5	8
Financial liabilities at fair value	212	200
Loans	1,036	1,048
Deferred tax liabilities	46	54
Provisions	27	41
Retirement benefit obligations	162	67
	1,488	1,418
Net assets	872	1,089
INVESTED CAPITAL		
Amounts attributable to the owners of the parent	548	774
Non-controlling interests	324	315
Total invested capital	872	1,089

The notes on pages F-78 to F-97 of this document are an integral part of these financial statements

Condensed interim statement of cash flows (unaudited)

	For the six months ended 30 September 2009	For the six months ended 30 September 2008
	US$m	US$m
Cash flows from operating activities		
Cash generated from continuing operations	259	312
Cash generated from discontinued operations	—	—
Income taxes paid	(50)	(61)
Net cash from operating activities	209	251
Cash flows from investing activities		
Finance income	3	25
Dividends received	14	24
Decrease in available for sale assets	2	2
Proceeds on disposal of property, plant and equipment	3	2
Purchase of property, plant and equipment	(101)	(157)
Purchase of intangible assets	(8)	(12)
Disposal of subsidiaries and non-controlling interests	—	4
Acquisition of subsidiaries (net of cash received)	(6)	(12)
Net cash from investing activities—continuing operations	(93)	(124)
Discontinued operations	—	—
Net cash flow before financing activities	116	127
Cash flows from financing activities		
Continuing operations		
Dividends paid to non-controlling interests	(66)	(67)
Dividends paid to the owners of the parent	(181)	(180)
Repayments of borrowings	(20)	(80)
Interest paid	(50)	(39)
Proceeds from borrowings	38	192
Purchase of treasury shares	(2)	(2)
Proceeds on issue of treasury shares	—	2
Proceeds on issue of ordinary share capital	13	4
Capital contributions to the Cable & Wireless Worldwide Group	(35)	(210)
Net cash used in financing activities—continuing operations	(303)	(380)
Discontinued operations	—	—
Net cash used in financing activities	(303)	(380)
Net decrease in cash and cash equivalents	(187)	(253)
Cash and cash equivalents at the beginning of the period	581	1,360
Exchange gains on cash and cash equivalents	43	(78)
Cash and cash equivalents at the end of the period	437	1,029

The notes on pages F-78 to F-97 of this document are an integral part of these financial statements

Condensed statement of changes in invested capital (unaudited)

	Owners of the parent	Non-controlling interests	Invested capital
	US$m	US$m	US$m
At 1 April 2008	1,738	383	2,121
Profit for the period	128	63	191
Actuarial losses recognised (net of deferred taxation)	(23)	—	(23)
Foreign currency translation reserve	31	(29)	2
Total comprehensive income for the period	136	34	170
Cash received in respect of employee share schemes	2	—	2
Own shares purchased	(2)	—	(2)
Share-based payment transactions	6	—	6
Issue of share capital	65	—	65
Dividends	(241)	—	(241)
Capital contributions to Cable & Wireless Worldwide Group companies	(233)	—	(233)
Total dividends and other transactions with the owners of the parent	(403)	—	(403)
Dividends paid to non-controlling interests	—	(67)	(67)
Total dividends and other transactions with non-controlling interests	—	(67)	(67)
At 30 September 2008	1,471	350	1,821
At 1 April 2009	774	315	1,089
Profit for the period	93	68	161
Actuarial losses recognised (net of deferred taxation)	(85)	—	(85)
Foreign currency translation reserve	(69)	(4)	(73)
Total comprehensive income for the period	(61)	64	3
Own shares purchased	(2)	—	(2)
Share-based payment transactions	6	—	6
Issue of share capital	57	—	57
Dividends	(225)	—	(225)
Capital contributions to Cable & Wireless Worldwide Group companies	10	—	10
Total dividends and other transactions with the owners of the parent	(154)	—	(154)
Acquisitions from non-controlling interests	(11)	11	—
Dividends paid to non-controlling interests	—	(66)	(66)
Total dividends and other transactions with non-controlling interests	(11)	(55)	(66)
At 30 September 2009	548	324	872

The notes on pages F-78 to F-97 of this document are an integral past of these financial statements.

Notes to the condensed financial statements

1. General information

Cable & Wireless Communications Group is an international telecommunications group offering mobile, broadband and domestic and international fixed line services to residential and business customers in 38 countries. It has four major operations being the Caribbean, Panama, Macau and Monaco & Islands.

2. Summary of significant accounting policies

2.1 ***Basis of preparation***

The historical financial information represents the financial record for the two six month periods ended 30 September 2009 and 30 September 2008 and of those businesses that will be held by the Cable & Wireless Communications Group at the date of admission of the shares of Cable & Wireless Communications to the London Stock Exchange. Following the Demerger, the Cable & Wireless Communications Group will comprise Cable & Wireless Communications and the entities forming the Cable & Wireless Group other than those entities comprising the demerged Cable & Wireless Worldwide Group. The principal entities, including associated undertakings and joint ventures, included within the historical financial information are set out in note 42 of the historical financial information for the three years ended 31 March 2009.

The financial record is based on historical financial information extracted from the consolidation schedules which supported the unaudited interim statements of the Cable & Wireless Group for the six months ended 30 September 2009.

The Cable & Wireless Communications Group has not in the past formed a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for the Cable & Wireless Communications Group. The net assets of the Cable & Wireless Communications Group are represented by the cumulative investment in the Cable & Wireless Communications Group companies (shown as "invested capital").

Application of IFRS

The historical financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union except as described below. The historical financial information has also been prepared in accordance with applicable listing rules and requirements of the Prospectus Directive (including the regulation regarding issuers with complex financial histories).

IFRS does not provide for the preparation of extracted financial information. Accordingly, the historical financial information in this document has been prepared using certain commonly used accounting conventions (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). The application of these conventions results in the following material departures from IFRS as adopted by the European Union. In all other respects, IFRS as adopted by the European Union have been applied.

Carved out and combined financial information

The historical financial information combines only the financial information for those businesses that will be held by the Cable & Wireless Communications Group and therefore excludes financial information for those subsidiaries of the Cable & Wireless Group that will form the Cable & Wireless Worldwide Group. Such excluded Cable & Wireless Worldwide Group subsidiaries, were, however, subsidiaries of entities within the Cable & Wireless Communications Group during the six months ended 30 September 2009. Such an approach differs from the consolidation requirements of IAS 27 *Consolidated and Separate Financial Statements* which requires consolidation of all subsidiaries.

Non-trading balances with the Cable & Wireless Worldwide Group

On Demerger, the Cable & Wireless Worldwide Group will not be required to repay non-trading balances with the Cable & Wireless Communications Group. For this reason, these amounts have been deducted from the Cable & Wireless Communications Group's invested capital, rather than being treated as assets as required by IFRS.

Earnings per share

The weighted average number of ordinary shares outstanding used to calculate earnings per share is based on the number of shares expected on listing of Cable & Wireless Communications. The shares expected on listing of Cable & Wireless Communications will be equal to the outstanding shares of Cable and Wireless plc prior to the scheme of arrangement. Therefore, these shares are considered to be the most appropriate denominator on which to compute earnings per share for the Cable & Wireless Communications Group.

As a result of the above matters, no statement of compliance with IFRS can be included in respect of the historical financial information.

Other principles applied

In addition, the following principles have been applied in preparing the historical financial information.

- There has been no allocation of the corporate head office costs of the Cable & Wireless Group to the Cable & Wireless Worldwide Group. This is because any allocation would be arbitrary in nature and may not reflect properly the costs relating to functions such as financial reporting and treasury and board costs as would have been incurred by that business. Therefore, the costs of the corporate head office in Cable & Wireless Communications Group represent 100% of the corporate head office costs of the Cable & Wireless Group. These costs are not representative of the level of historical head office costs of the Cable & Wireless Communications Group's business or of the costs that may be required in the future.

- The historical financial information is presented in US dollars (US$) and rounded to the nearest million. Until 1 April 2007, the financial information in respect of those businesses included within the historical accounts of Cable and Wireless plc has been presented in pounds sterling (£) as this was the dominant functional currency of the Cable & Wireless Communications Group entities when the Cable & Wireless Communications Group included other Cable & Wireless Group companies. However, as a result of the Demerger of those entities, the dominant functional currency of the Cable & Wireless Communications Group entities has been determined to be US dollars as this is the primary currency in which the exchange transactions of the Cable & Wireless Communications Group are priced. Accordingly, the historical financial information has been presented as though US dollars was the presentation currency throughout the period. The key exchange rates between sterling and US dollars used were:

US$: £	**30 September 2009**	**30 September 2008**
Average	1.5707	1.9613
Period end	1.5945	1.8471

- Trading balances with the Cable & Wireless Worldwide Group are presented within receivables and payables as though they were with an external party.

- The main UK defined benefit scheme operated by the Cable & Wireless Group provides benefits to current and past employees of, and therefore represents obligations of both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group. For the period since 1 April 2006, the two Groups have each borne a proportion of the service costs of this scheme based on the approximate split of active membership. The scheme's expected return on assets and interest expense have been apportioned between the two Groups based on the directors' assumptions about the underlying liabilities, being 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group. The assets, liabilities, actuarial gains and losses and cash flows relating to the scheme have been apportioned based on 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group.

  Detailed disclosures relating to this scheme are provided in note 32 of the historical financial information for the three years ended 31 March 2009.

  On Demerger and as agreed with the scheme trustees, the liabilities of the main UK defined benefit scheme will be allocated approximately equally between the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group.

  Management believes presenting the historical financial information according to the historical allocation better represents the underlying pension cost of the two Groups in the periods presented.

  If the historical financial information (which has been prepared on the basis of a split 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group) had been prepared on the basis of the actual split of liabilities to be applied post-Demerger (i.e. a split of 50% Cable & Wireless Communications Group and 50% Cable & Wireless Worldwide Group), the impact on the relevant financial statements of the Cable & Wireless Communications Group would have been as follows:

	Six month periods ended 30 September	
	2009	**2008**
	US$m	**US$m**
Impact on the statement of financial performance ((decrease)/increase in profit)	(1)	4
Impact on the statement of comprehensive income ((decrease)/increase in comprehensive income)	(130)	93
Impact on the statement of financial position (decrease in net assets)	(146)	—
Impact on the statement of cash flows (decrease in cash)	(2)	(9)

- Tax charges in the historical financial information have been determined based on the tax charges recorded by the Cable & Wireless Communications Group companies in their local statutory accounts as well as certain adjustments relating to those entities made for Cable & Wireless Group consolidation purposes. The tax charges recorded in the historical income statement have been affected by the tax arrangements within the Cable & Wireless Group and are not necessarily representative of the tax charges that would have been reported had the Cable & Wireless Communications Group been an independent group. They are not necessarily representative of the tax charges that may arise in the future.

This historical financial information has been prepared on the historical cost basis except for certain financial instruments held at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The preparation of the historical financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies used in the historical financial information have been applied consistently by Cable & Wireless Communications Group entities.

2.2 ***Application of recently issued International Financial Reporting Standards***

The Cable & Wireless Communications Group has considered the implications, of the upcoming amendments to IFRS, issued up to 30 September 2009, in the historical financial information.

New and amended Standards and Interpretations endorsed by the European Union and not adopted by the Cable & Wireless Communications Group

Title	Effective date	Description and impact on the Cable & Wireless Communications Group
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Annual periods beginning on or after 1 July 2009.	The amendment clarifies how existing hedge accounting principles should be applied to the designation of a one-sided risk in a hedged item and to inflation in a hedged item. This amendment will not have a material impact on the Cable & Wireless Communications Group.
Revised IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2009.	The main changes in the revised IFRS 3 include the separate accounting of acquisition related costs, changes to business combinations achieved in stages and changes to the accounting for business combinations where less than 100% of the equity is acquired. These changes will be effective for businesses purchased by the Cable & Wireless Communications Group after 31 March 2010. As such, no assessment can be determined of their impact.
Revised IAS 27 *Consolidated and Separate Financial Statements*	Annual periods beginning on or after 1 July 2009.	The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. This amendment is consistent with current Cable & Wireless Communications Group policy.

New and amended Standards and Interpretations not yet adopted by the European Union and the Cable & Wireless Communications Group

Title	Effective date	Description and impact on the Cable & Wireless Communications Group
Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*	Annual periods beginning on or after 30 June 2009.	These amendments allow the reassessment of embedded derivatives on reclassification of financial instruments out of the fair value through the income statement category. The amendments will not have a material impact on the Cable & Wireless Communications Group.
IFRIC 17 *Distribution of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009.	This interpretation applies to non-cash dividends excluding those controlled by the same party before and after the transaction. It clarifies the recognition and measurement of non-cash dividends payable. This interpretation does not affect the Cable & Wireless Communications Group.
IFRIC 18 *Transfers of Assets from Customers*	On or after 1 July 2009.	The IFRIC clarifies how existing IFRSs are applied to agreements in which an entity receives an asset from a customer which it then uses to connect the customer to a network of provide ongoing access to goods or services. The Cable & Wireless Communications Group is currently considering the implications of this interpretation.
Amendments to IFRS7 *Improving Disclosures about Financial Instruments*	Annual periods beginning on or after 1 January 2009.	This amendment contains further disclosure requirements to enhance the information available to investors about fair value measurement and liquidity risk associated with an entity's financial instruments. This is a disclosure standard only and will not have a material impact on the Cable & Wireless Communications Group.
Improvements to IFRS	Various dates, earliest is 1 January 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRSs. These improvements will not have a material impact on the Cable & Wireless Communications Group.
Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*	Annual periods beginning on or after 1 January 2010.	These amendments clarify the scope of IFRS 2 and its interaction with other standards. They also address how an entity should account for some share-based payments in its own financial statements if its parent or another entity in the Cable & Wireless Communications Group will pay for goods or services that it has received. These amendments will not have a material impact on the Cable & Wireless Communications Group.

2.3 ***Basis of consolidation***

The historical financial information has been prepared on the basis that the companies that will form the Cable & Wireless Communications Group were a group for consolidation purposes during the periods covered by the financial information and includes the Cable & Wireless Communications Group's share of the results and net assets of its joint ventures and associates. The accounts of the Cable & Wireless Communications Group's main trading subsidiaries, joint ventures and associates have been prepared to align with the Cable & Wireless Communications Group's reporting date.

(a) *Subsidiaries*

Subsidiaries are entities controlled by and forming part of the Cable & Wireless Communications Group. Control exists when the Cable & Wireless Communications Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are considered. Subsidiaries are consolidated from the date on which the Cable & Wireless Communications Group effectively takes control until the date that control ceases. Accounting policies of subsidiaries are aligned with the policies adopted by the Cable & Wireless Communications Group to ensure consistency.

The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Cable & Wireless Communications Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Cable & Wireless Communications Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Joint ventures and associates

Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. Joint ventures are entities over which the Cable & Wireless Communications Group exercises joint control. Associates are entities over which the Cable & Wireless Communications Group has significant influence but not control over the financial and operating policies. This generally accompanies a shareholding of between 20% and 50% The Cable & Wireless Communications Group's investment in joint ventures and associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Cable & Wireless Communications Group.

The Cable & Wireless Communications Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement. Its share of post-acquisition movements in reserves is recognised in invested capital. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Cable & Wireless Communications Group's share of losses in a joint venture or associate exceeds its investment (including any other unsecured long-term receivables), the Cable & Wireless Communications Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Cable & Wireless Communications Group and its joint ventures and associates are eliminated to the extent of the Cable & Wireless Communications Group's investment.

2.4 *Segmental reporting*

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies in 38 countries offering mobile, broadband and domestic and international fixed line services to residential and business customers. It has four principal operations being the Caribbean, Panama, Macau and Monaco & Islands.

IFRS 8 *Segmental Reporting* requires disclosures in respect of the operating segments of the Cable & Wireless Communications Group according to the 'management approach'. This approach reflects the type and extent of information presented to the Cable & Wireless Communications Group Board.

The Cable & Wireless Communications Group Board considers the performance of the Cable & Wireless Communications Group's four principal operations in the Caribbean, Panama, Macau and Monaco & Islands in assessing the performance of the Cable & Wireless Communications Group and making decisions about the allocation of resources. Accordingly, these are the operating segments disclosed. The operating segments are reported in a manner consistent with the internal reporting provided to the Cable & Wireless Communications Group Board.

The Cable & Wireless Communications Group also operates the Central operations, a small central function which acts as a portfolio manager. The Central operations are not considered to be an operating segment as it does not earn revenue from its activities. The results of the Central operations are reported in the other and eliminations column.

2.5 *Foreign currency translation*

(a) *Functional currency*

Items included in the financial statements of each of the Cable & Wireless Communications Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(b) *Foreign currency translation*

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Foreign operations*

The results and financial position of all the Cable & Wireless Communications Group entities that have a functional currency different from the Cable & Wireless Communications Group's presentation currency of US dollars are translated as follows:

(i) assets and liabilities are translated at the closing rate at the reporting date;

(ii) income and expenses are translated at rates closely approximating the rate at the date of the transactions; and

(iii) resulting exchange differences are recognised in invested capital.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement in the same period in which the gain or loss on disposal is recognised.

Exchange differences arising from the translation of the net investment in foreign entities are taken to invested capital. Where investments are matched in whole or in part by foreign currency loans, the exchange differences arising on the retranslation of such loans are also recorded as movements in the Cable & Wireless Communications Group's invested capital.

There are no Cable & Wireless Communications Group entities operating in a hyperinflationary economy.

2.6 *Property, plant and equipment*

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment.

The estimated costs of dismantling and removing an asset and restoring the site on which it is located are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Cable & Wireless Communications Group and the cost of the item can be measured reliably. All other subsequent costs (primarily repairs and maintenance) are charged to the income statement during the financial period in which they are incurred.

Interest costs relating to borrowings made to finance separately identifiable major capital projects (those that take six months or more to complete) are capitalised as part of the cost of assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Any interest costs included are only those that are incurred up to the time that those projects are ready for service.

Depreciation is not recognised on freehold land or assets under construction. On other property, plant and equipment, depreciation is recognised on the difference between the cost of an item and its estimated residual value, on a straight-line basis over the estimated useful lives of the assets as follows:

	Lives
Cables	up to 20 years
Network equipment	3 to 25 years
Ducting	40 years
Freehold buildings	40 years
Leasehold buildings	up to 40 years or term of lease if less

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount through sale or use.

Gains and losses on the sale of property, plant and equipment are determined by reference to the proceeds and net book values. These gains and losses are recognised in the income statement.

Engineering spares held for use by the Cable & Wireless Communications Group over a period exceeding one year are included in assets under construction. They are stated at cost and include an appropriate allocation of labour and overheads. The cost is determined on a weighted average basis. Provision is made for deterioration and obsolescence.

2.7 *Intangible assets*

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Cable & Wireless Communications Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, joint venture or associate. It is not amortised. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures and associates is included in the carrying value of those investments. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(b) *Other intangible assets*

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Cable & Wireless Communications Group are recognised as intangible assets. Expenditures that enhance and extend the benefits of computer software programs beyond their original specifications and lives are recognised as a capital improvement and added to the original cost of the software.

Expenditure is only capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Cable & Wireless Communications Group has sufficient resources to complete development and to use the asset.

Intangible assets relating to licences and customer contracts have been obtained as part of the Cable & Wireless Communications Group's business combinations. They are recorded initially at their fair values at the date of acquisition.

Other intangible assets are amortised over their respective lives which are usually based on contractual terms.

Other intangible assets are stated at cost less amortisation on a straight-line basis over the following periods:

	Lives
Licences	25 years or less if the licence term is shorter
Software	3 to 5 years
Customer contracts	4 to 15 years
Other	3 to 5 years

2.8 ***Financial assets and liabilities***

Financial assets

The Cable & Wireless Communications Group classifies its financial assets into the following categories: financial assets at fair value through the income statement, receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Cable & Wireless Communications Group currently does not classify any assets as held-to-maturity investments. The basis of determining fair values is set out in note 2.9.

Management determines the classification of its financial assets at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through the income statement.

Financial assets at fair value through the income statement

This category has two sub-categories: financial assets held for trading and those designated at fair value through the income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading. Assets classified as financial assets at fair value through the income statement are presented as current assets if they are either held for trading or are expected to be realised within one year of the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category at inception or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the reporting date. Purchases and sales of assets are recognised on the trade-date (the date on which the Cable & Wireless Communications Group commits to purchase or sell the asset).

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Cable & Wireless Communications Group provides money, goods or services directly to a third-party with no intention of trading the receivable. Receivables are included in current assets, except for those with maturities greater than one year after the reporting date (where they are classified as non-current assets). Receivables are included in trade and other receivables in the statement of financial position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest method less an allowance for impairment if necessary. An allowance for impairment of receivables is established when there is objective evidence that the Cable & Wireless Communications Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the effective interest rate). The allowance is initially recognised in the income statement.

Recognition and measurement

Financial assets at fair value through the income statement are recognised and subsequently carried at fair value. Available-for-sale financial assets are recognised and subsequently carried at fair value plus any directly attributable transaction costs. Receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets not carried at fair value through the income statement are initially recognised at fair value plus directly attributable transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Cable & Wireless Communications Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in invested capital. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The Cable & Wireless Communications Group assesses at each reporting date whether there is objective evidence that a financial asset or a Cable & Wireless Communications Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether it is impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss is removed from invested capital and recognised in the income statement. This loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised on these instruments are not reversed through the income statement if the fair value of the security increases in a later period.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses on derivative instruments that are not designated as hedge instruments are recognised immediately in the income statement.

The Cable & Wireless Communications Group only hedges net investments in foreign operations. The Cable & Wireless Communications Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Cable & Wireless Communications Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of cash flows of hedged items.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges by recognising any gain or loss on the hedging instrument relating to the effective portion of the hedge in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Financial liabilities

The Cable & Wireless Communications Group classifies its financial liabilities into the following categories: loans and puttable instruments. The classification depends on the terms of the liability, as described below.

Management determines the classification of its financial liabilities at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date.

Loans

Loans are recognised initially at fair value net of directly attributable transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method.

Convertible bonds issued by the Cable & Wireless Communications Group were initially recognised at fair value. The bond was separated into liability and equity components. The liability component was recognised at amortised cost. The equity component represented the residual of the fair value of the bond less the liability component. The liability component was subsequently measured on an amortised cost basis.

Loans are classified as current liabilities unless the Cable & Wireless Communications Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date (where they are classified as non-current assets).

Puttable instruments

Puttable instruments on non-controlling interests issued as part of a business combination are accounted for by the Cable & Wireless Communications Group as a financial liability. The liability is based on the present value of the redemption amount as if the puttable instrument had been exercised at the reporting date. Movements in the value of the liability together with dividends paid to minority interests are recognised as adjustments to goodwill with the unwind of the discount on the fair value calculation being recognised in the income statement.

2.9 ***Fair value estimation for financial instruments***

The fair value of financial instruments traded in active markets (such as publicly traded derivatives or trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for traded financial assets held by the Cable & Wireless Communications Group is the current bid price. The appropriate quoted market price for traded financial liabilities is the current offer price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Cable & Wireless Communications Group uses a variety of methods which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models which reflect the specific instrument.

The nominal value of receivables (less estimated valuation allowances) and payables are assumed to approximate their fair values. The fair value of financial liabilities measured at amortised cost for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Cable & Wireless Communications Group for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.

2.10 ***Impairment of assets (excluding financial instruments)***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. All other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The Cable & Wireless Communications Group determines any impairment by comparing the carrying values of each of the Cable & Wireless Communications Group's assets (or cash generating units to which it belongs) to their recoverable amounts which is the higher of the asset's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the asset. Future cash flows are determined with reference to the Cable & Wireless Communications Group's own projections using pre-tax discount rates which represent the estimated weighted average cost of capital for the business. The approach, assumptions and results of the impairment test are set out in note 17 of the historical financial information for the three years ended 31 March 2009.

Impairment reviews involve management making assumptions and estimates, which are highly judgmental and susceptible to change.

2.11 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. Cost is based on the first-in, first- out (FIFO) principle. For inventories held for resale, net realisable value is determined as the estimated selling price in the ordinary course of business less costs to sell. For materials and consumables, provision is made for obsolete and slow moving inventories as required.

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and at bank, short-term deposits, money market funds and government securities. They are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the statement of financial position at cost. Bank overdrafts are included within loans in current liabilities on the statement of financial position.

2.13 ***Invested capital***

Invested capital is the cumulative investment in the Cable & Wireless Communications Group, and is treated akin to equity in the historical financial information. It includes share capital and all other reserves that were in existence prior to the Cable & Wireless Communications Group's demerger from the Cable &

Wireless Group, as well as capital contributions to the Cable & Wireless Worldwide Group. On Demerger, it is expected that there will be no contractual obligation for the Cable & Wireless Worldwide Group to repay these amounts and hence they have been treated as deductions from invested capital. These amounts are recorded at cost. Incremental costs directly attributable to the issue of new shares or standalone options are recognised in invested capital as a deduction from the issue proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are included in the cost of acquisition.

2.14 ***Leases***

Leases of property, plant and equipment where the Cable & Wireless Communications Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and obligations under finance leases. These payments are split between capital and interest elements using the annuity method. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases comprising a lease of land and a lease of buildings within a single contract are split into the two component parts. The component part for buildings is then tested to determine whether the lease is a finance or operating lease and treated accordingly.

Leases of land and all other leases are classified as operating leases and are not recognised in the statement of financial position. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease.

2.15 ***Non-current assets and disposal groups held for sale***

When the value of non-current assets is expected to be recovered principally through sale rather than through continuing use, they are classified as non-current assets held for sale. With the exception of deferred tax assets, assets arising from employee benefits and financial instruments, these assets are classified as current and are stated at the lower of carrying amount and fair value less costs to sell.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities in the statement of financial position.

Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

2.16 ***Employee benefits***

Defined contribution pensions

A defined contribution plan is a pension plan under which the Cable & Wireless Communications Group pays fixed contributions to a third-party. The Cable & Wireless Communications Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Cable & Wireless Communications Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. These schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The asset (or liability) recognised in the statement of financial position in respect of each defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations and any asset ceiling adjustments at the reporting date. Defined benefit obligations for each scheme are calculated semi-annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid. The bonds used will have terms to maturity approximating the terms of the related pension liability.

The Cable & Wireless Communications Group recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the statement of comprehensive income. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In these cases, the past service costs are amortised on a straight-line basis over the vesting period.

Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities less the expected return on plan assets, are included within operating costs.

The IAS 19 surplus or deficit of defined benefits funds is adjusted to reflect future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for maximum funding contributions in accordance with IFRIC 14. Any adjustment to the surplus is recorded directly in invested capital.

Other post-employment obligations

Some Cable & Wireless Communications Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are dealt with in the same way as for defined benefit pension schemes. Independent qualified actuaries value these obligations annually. Current service costs are charged to the income statement.

Share-based compensation

The Cable & Wireless Communications Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the Cable & Wireless Communications Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the income statement, and a corresponding adjustment to invested capital over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to invested capital when the options are exercised.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cable & Wireless Communications Group recognises termination benefits when it is demonstrably committed to the action leading to the employee's termination. Termination benefits falling due more than a year after the reporting date are discounted to present value.

Bonus plans

The Cable & Wireless Communications Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

The Cable and Wireless Long Term Incentive Plan

Cable and Wireless plc operates the LTIP. The plan rewards executive directors of Cable and Wireless plc responsible for, and certain senior employees in, the Cable & Wireless Communications Group. The plan is accounted for as an 'other long term employee benefit' in accordance with IAS 19. The amount recognised as a liability represents the estimated present value of the obligation at the reporting date.

The LTIP creates a reward pool over a five year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the business has grown in value from its base valuation at the start of the period (this period was changed from four to five years in July 2009).

Base valuations are adjusted over the performance period i) to reflect additional capital notionally treated as borrowed by the business ii) to reflect capital notionally treated as returned by the business and iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

Part of the reward pool was paid to participants up to the end of year three (April 2009), with a portion payable (less payments made at end of year three) to participants at the end of year four (April 2010) and the balance in full at the end of year five (April 2011). Measurement of the size of the reward pool is carried out every six months to correspond with the Cable & Wireless Communications Group's accounting periods. However, apart from awards held by participants who ceased employment as "good leavers" no awards vested until the end of year three. In the event of a potential payment to an individual in excess of US$31 million, the deferral period would be extended until 31 March 2012 or for a period of up to one year following a vesting event, if earlier.

2.17 ***Tax***

Income tax expense in the interim period is based on the Cable & Wireless Communications Group's best estimate of the weighted average annual income tax rate expected for the full financial year.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in invested capital, in which case it is recognised in invested capital.

Current tax is the expected tax payable on the taxable income for the year, using rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except where the difference arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction other than a business combination, affecting neither accounting nor taxable profit.

Deferred tax is calculated using tax rates that are expected to apply to the period when the temporary differences reverse, based on rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Cable & Wireless Communications Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 ***Provisions***

Provisions are liabilities of uncertain timing or amount. They are recognised when the Cable & Wireless Communications Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. The discount rate is the pre-tax rate reflecting the assessment of the settlement date. Provision charges and reversals are recognised in the income statement. Discount unwinding is recognised as a finance expense.

Provisions are recognised for unavoidable lease payments in onerous contracts as the difference between the rentals due and any income expected to be derived from the vacant properties being sub-let. Redundancy provisions, relating to both continuing and discontinued operations, comprise employee termination payments. Legal provisions comprise legal fees and, where appropriate, expected settlement costs.

2.19 ***Revenue recognition***

Cable & Wireless Communications Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services provided to customers. It includes sales to joint ventures and associated companies but does not include sales by joint ventures and associated companies or sales between Cable & Wireless Communications Group companies. Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the income statement in proportion to the services delivered at the reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operators for interconnect fees.

Mobile revenue comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, and the provision of other mobile telecommunications services. This includes data services and information provision and revenue from the sale of equipment (including handsets).

Mobile monthly access charges are invoiced and recorded as part of a periodic billing cycle. Airtime, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid cards, is recorded in the period in which the customer uses the service. Unbilled revenue resulting from mobile services provided to contract customers from the billing cycle date to the end of each period is accrued. Unearned monthly access charges relating to periods after each accounting period are deferred.

The Cable & Wireless Communications Group earns revenue from the transmission of content and traffic on its network originated by third-party providers. The Cable & Wireless Communications Group assesses whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following indicators:

- whether the Cable & Wireless Communications Group holds itself out as an agent;
- establishment of the price;
- provision of customer remedies;
- performance of part of the service; and
- assumption of credit risk.

Revenue from sales of telecommunications equipment is recognised upon delivery to the customer.

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecom equipment and ongoing service) is allocated to those components that are separable based on the estimated fair value of the components.

Revenue arising from the provision of other services, including maintenance contracts, is recognised evenly over the periods in which the service is provided.

2.20 ***Dividend income***

Dividend income is recognised when the right to receive payment is established. Dividend income is included within finance income.

2.21 ***Interest income***

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

2.22 ***Exceptional items***

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Cable & Wireless Communications Group that are identified as exceptional items by virtue of their size, nature or incidence. Further detail on exceptional items is set out in note 6 of the historical financial information for the three years ended 31 March 2009 and in the relevant note for each item.

3. Critical accounting estimates and judgements

In the preparation of the consolidated financial statements, a number of estimates and assumptions have been made relating to the performance and the financial position of the Cable & Wireless Communications Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Cable & Wireless Communications Group's most critical accounting policies, which are those that are most important to the presentation of its consolidated financial performance and position. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain.

3.1 ***Valuation of assets for purchase accounting***

Where the Cable & Wireless Communications Group undertakes business combinations, the cost of acquisition is allocated to tangible and other identifiable intangible assets and liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. Any value assigned to the identifiable assets is determined by reference to an active market, independent appraisal or estimate by management based on cash flow projections. The latter situation includes estimates and judgements regarding expectations for the economic useful lives of the products and technology acquired. In this situation, where appropriate, third-party valuation specialists are involved.

3.2 ***Depreciation of property, plant and equipment***

The Cable & Wireless Communications Group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where the Cable & Wireless Communications Group determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net carrying amount in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Cable & Wireless Communications Group's financial statements when the change in estimate is determined.

3.3 ***Impairment of property, plant and equipment and intangible assets***

The Directors assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- obsolescence or physical damage;
- significant changes in technology and regulatory environments;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the use of its assets or the strategy for its overall business;
- significant negative industry or economic trends; and
- significant decline in its share price for a sustained period and its market capitalisation relative to net book value.

In addition, the Directors test goodwill at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units require significant judgement.

3.4 ***Revenue recognition***

Judgement is required in assessing the application of the principles of revenue recognition in respect of Cable & Wireless Communications Group revenues. This includes presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

3.5 ***Receivables valuation***

The valuation allowance for trade receivables reflects the Cable & Wireless Communications Group's estimates of losses arising from the failure or inability of the Cable & Wireless Communications Group's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit-worthiness and the Cable & Wireless Communications Group's historical write-off experience. Changes to the allowance may be required if the financial condition of its customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs. Historically, changes to the estimate of losses have not been material to the Cable & Wireless Communications Group's financial position and performance.

3.6 ***Customer and supplier commitments***

The nature of the telecommunications industry is such that estimates are often required to be made in relation to customer or supplier commitments, the final outcome of which may not be known for some time. It uses estimates of price or usage to determine the revenue and expense recognised in any period. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed. As issues arise or are resolved, accruals are created or released as appropriate – the net impact of this is included in operating profit within the relevant line item.

3.7 ***Interconnection with other operators***

As part of the normal course of business, the Cable & Wireless Communications Group interconnects with other telecommunications operators. In certain instances it uses estimates to determine the amount of revenue receivable from or expense payable to these other operators. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these adjustments.

Adjustments to interconnect estimates are taken to operating profit in the period in which the adjustments are made.

3.8 ***Taxation***

The tax charge is the sum of the total current and deferred tax charges or credits. The calculation of the Cable & Wireless Communications Group's total tax charge involves a degree of estimation and judgement in respect of certain items where the tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority or, if necessary, through a formal legal process. The final resolution of some of these items may give rise to material income statement and/or cash flow variances.

The resolution of issues is not always within the control of the Cable & Wireless Communications Group and is often dependent on the efficiency of the administrative and legal processes in the relevant tax jurisdictions in which the Cable & Wireless Communications Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the income statement and tax payments.

3.9 ***Recognition of deferred tax assets***

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

3.10 ***Provisions***

A provision is recognised when there is a present (legal or constructive) obligation in respect of a past event as explained in the accounting policy in note 2.18. Judgement is required to quantify such amounts.

3.11 *Pensions*

The Cable & Wireless Communications Group provides several defined benefit pension schemes for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations and asset ceiling adjustments at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:

- the life expectancy of the members;
- the length of service;
- the rate of salary progression;
- the rate of return earned on assets in the future;
- the rate used to discount future pension liabilities; and
- future inflation rates.

The assumptions used by the Cable & Wireless Communications Group are set out in note 32 of the historical financial information for the three years ended 31 March 2009 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but are comparable to the median estimates in this regard used by other FTSE 100 companies. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in note 32 of the historical financial information for the three years ended 31 March 2009.

3.12 *Fair value estimation*

The basis of determining fair values is set out in note 2.9. Where market values are not available, fair values are based on valuation methodologies which require inputs and forecasts to be made. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Cable & Wireless Communications Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term loans. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less valuation adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Cable & Wireless Communications Group for similar financial instruments.

3.13 *Long Term Incentive Plan (LTIP)*

The charge calculated in accordance with IAS 19 *Employee Benefits* requires estimates of the valuation of parts of the business to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective.

4. Seasonality and cyclicality

There is no significant seasonality or cyclicality affecting the interim results of the operation.

5. Segment information

IFRS 8 *Segmental Reporting* requires disclosures in respect of the operating segments of the Cable & Wireless Communications Group according to the 'management approach'. This approach reflects the type and extent of information presented to the Cable & Wireless Communications Group Board.

The Cable & Wireless Communications Group Board considers the performance of the Cable & Wireless Communications Group's four principal operations in the Caribbean, Panama, Macau and Monaco & Islands in assessing the performance of the Cable & Wireless Communications Group and making decisions about the allocation of resources. Accordingly, these are the operating segments disclosed. The operating segments are reported in a manner consistent with the internal reporting provided to the Cable & Wireless Communications Group Board.

The Cable & Wireless Communications Group also operates the Central operations, a small central function which acts as a portfolio manager. The Central operations are not considered to be an operating segment as it does not earn revenue from its activities. The results of the Central operations are reported in the Other and eliminations column.

Continuing operations

The operating segment results for the six months ended 30 September 2009, as provided to the Cable & Wireless Communications Group Board, are presented below:

	Caribbean	Panama	Macau	Monaco & Islands	Other and eliminations[1]	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Continuing operations						
Revenue	427	308	157	241	(1)	1,132
Cost of sales	(108)	(94)	(62)	(96)	1	(359)
Gross margin	319	214	95	145	—	773
Operating costs excluding LTIP	(187)	(76)	(24)	(80)	—	(367)
EBITDA[2]	132	138	71	65	—	406
Depreciation and amortisation	(69)	(38)	(18)	(24)	(3)	(152)
LTIP charge	—	—	—	—	(11)	(11)
Net other operating income	1	1	—	2	—	4
Operating profit/(loss)	64	101	53	43	(14)	247
Share of post-tax profit of joint ventures	11	—	—	15	—	26
Exceptional operating costs	(22)	—	—	(2)	(7)	(31)
Total operating profit/(loss)	53	101	53	56	(21)	242
Other non-operating expense						(50)
Non-operating exceptional items						27
Profit before income tax						219
Tax						(58)
Profit for the period from continuing operations						161

1 Other and eliminations includes the expenses of the Central operations of the Cable & Wireless Communications Group.

2 EBITDA is based on management reporting and is defined as earnings before interest, tax, depreciation and amortisation, LTIP credit/charge, net other operating income/expense and exceptional items.

There are no differences in the measurement of the reportable segments' results and the Cable & Wireless Communications Group's results.

6. Exceptional items

Exceptional items totalled a net US$4 million charge before income tax and primarily comprised restructuring costs offset by fair value gains.

The Group recognised US$22 million for redundancies and other costs associated with the "One Caribbean" transformation programme, US$7 million of legal and other fees and US$2 million of ongoing restructuring in Monaco & Islands. An exceptional tax credit of US$5 million was recognised in relation to these amounts.

The Group also recognised exceptional finance income of US$27 million in relation to fair value gains on foreign exchange forward contracts. These movements are a result of the recent volatility in currency markets. These contracts were entered into to reduce the risk on forecast cash repatriation from foreign operations.

7. Provisions for liabilities and charges

The table below represents the movements in significant classes of provisions during the six month period ended 30 September 2009:

	Property	Redundancy	Network & asset retirement obligations	Legal and other[1]	Total
	US$m	US$m	US$m	US$m	US$m
At 1 April 2009	11	25	31	84	151
Current portion	5	25	9	71	110
Non-current portion	6	—	22	13	41
Charged to income statement					
Additional provision	—	17	—	25	42
Amounts used	(3)	(16)	—	(33)	(52)
Unused amounts reversed	—	(9)	(2)	(10)	(21)
Discount	—	—	1	—	1
Disposal	—	—	(5)	—	(5)
Exchange	—	1	(1)	3	3
At 30 September 2009	8	18	24	69	119
Current portion	8	18	7	59	92
Non-current portion	—	—	17	10	27

1 Other comprises provisions relating to acquisitions, disposals, legal claims and claims against Cable & Wireless Communications Group's former insurance operation.

During the first half of 2009/10 provisions decreased by US$32 million. There was a net US$9 million credit to EBITDA before exceptional items from the movement in provisions.

Property

Provision has been made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sub-let. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

Redundancy

Provision has been made for the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for and spent in the period relate to the "One Caribbean" restructuring programme. The provision is expected to be used within one year.

Network and asset retirement obligations

Provision has been made for the best estimate of the unavoidable costs associated with redundant leased network capacity. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

Provision has also been made for the best estimate of the asset retirement obligation associated with office sites, technical sites and domestic and sub-sea cabling. This provision is expected to be used at the end of the life of the related asset on which the obligation arises.

Legal and other

Other provisions include amounts relating to specific legal claims against the Cable & Wireless Communications Group, amounts relating to specific claims held against the Cable & Wireless Communications Group's former insurance operation, Pender, and amounts relating to acquisitions and disposals of Cable & Wireless Communications Group companies and investments.

8. Intangible assets

During the period, goodwill in relation to Monaco Telecom increased by US$5 million. This comprised a decrease of US$10 million related to dividend payments and a change in the fair value of the put option held by the Principality of Monaco and an increase of US$15 million due to movements in foreign exchange.

9. Property, plant and equipment

During the period, US$96 million of property, plant and equipment was acquired. There were no significant disposals of property, plant and equipment. The Cable & Wireless Communications Group's capital commitments at 30 September 2009 were US$49 million.

10. Pensions

As at 30 September 2009, Cable & Wireless Communications Group's share of the main UK defined benefit scheme was an IAS 19 deficit of US$97 million compared with a deficit of US$10 million at 31 March 2009. The increase in the deficit is largely due to the 1.3 percentage point reduction in the AA corporate bond discount rate used to calculate pension liabilities for the purposes of IAS 19 reporting (5.4% used for 30 September 2009 valuation), which has more than offset the increase in the value of the scheme's assets during the period.

During the period, the Cable & Wireless Group agreed an interim funding agreement with the trustees of the main UK defined benefit pension scheme, pending the next full actuarial valuation due in March 2010. This funding plan originally comprised payments from the Cable & Wireless Communications Group of US$3 million in October 2009, US$6 million in October 2010 and US$14 million in April 2011, although the latter two payments have been revised to US$14 million and US$32 million, respectively.

Further, the Cable & Wireless Communications Group has unfunded pension liabilities in the United Kingdom of US$44 million (US$35 million at 31 March 2009). Other defined benefit schemes have a net IAS 19 surplus of US$20 million (US$17 million surplus at 31 March 2009) after applying the asset ceiling provisions of IAS 19.

11. Weighted average number of ordinary shares

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share was as follows:

Amounts are in thousands	Six months ended 30 September 2009	Six months ended 30 September 2008
Basic weighted average number of ordinary shares	2,522,684	2,473,640
Diluted weighted average number of ordinary shares	2,542,430	2,503,508

The number of ordinary shares in issue as at 30 September 2009 (excluding 29,685,671 of treasury shares) was 2,571,944,205.

12. Dividends paid and proposed

The interim dividend proposed for the six month period ended 30 September 2009 was US$127 million (4.96 cents per share). The proposed dividend was approved by the Board of Directors on 4 November 2009. The interim dividend paid for the corresponding six month period ended 30 September 2008 was US$141 million (5.55 cents per share).

The final dividend paid on 7 August 2009 for the full year ended 31 March 2009 was US$216 million (9.97 cents per share). The final dividend paid on 8 August 2008 for the corresponding full year ended 31 March 2008 was US$201 million (10.02 cents per share).

13. Related parties

Two Directors hold bonds issued by Cable and Wireless plc with a nominal value at 30 September 2009 of £2,630,000 (US$4,193,535) (purchased in 2008/09). The interest earned on these bonds during the six months ended 30 September 2009 was £114,776 (US$180,279) of which £63,532 (US$101,302) remains unpaid at 30 September 2009.

The spouse of a Director holds bonds issued by Cable and Wireless plc with a nominal value at 30 September 2009 of £480,000 (US$765,360) (purchased in 2008/09). The interest earned on these bonds during the six months ended 30 September 2009 was £20,757 (US$32,603) of which £20,757 (US$33,097) remains unpaid at 30 September 2009.

14. Subsequent events

Other than as set out below, there have been no material subsequent events between 30 September 2009 and the approval of these statements by the Board.

During October 2009, the Cable & Wireless Communications Group purchased a further 7% of the share capital of Dhiraagu from the Maldives government for cash consideration of US$40 million. This transaction will result in the Cable & Wireless Communications Group reclassifying its joint venture investment in this entity to a subsidiary investment.

Company Registration No. 4925643

SABLE HOLDING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2008

Registered Office:
3rd Floor
26 Red Lion Square
London
WC1R 4HQ

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2008

Contents

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2008

Directors' Report

The Directors present their report and the financial statements for the year to 31 March 2008.

Activities and review of developments

The Company's principal activity is to act as an investment holding company.

The loss for the year amounted to £462,920,000 (2007: Profit £679,808,000). No dividend is recommended, No change in the Company's activities is envisaged in the foreseeable future.

The Company has met the requirements in Companies Act 1985 to obtain the exemption from the need to present an enhanced business review.

Directors

The Directors who held office during the period and subsequent to the period end were:

D J Platt
N I Cooper
L Davidson (appointed 2 July 2007, resigned 31 August 2007)

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the Board of Directors

HMHanscomb

H. M. HANSCOMB
Secretary

Date: 14 November 2008

Statement of Directors' Responsibilities in Respect of Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 Sable Holding Limited

We have audited the financial statements of Sable Holding Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Reconciliation of movements in shareholders' funds, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page F-101.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24th November 2008

8 Salisbury Square
London EC4Y 8BB

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2008

Profit and Loss Account
Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Operating Expenses			
Operating costs	3	(751)	(2,853)
Amounts written off investments	4	(447,162)	(4,345)
Operating Loss		(447,913)	(7,198)
Income from shares in group undertakings		79,245	619,083
Interest receivable and similar income	5	49,828	67,923
Interest payable and similar expense	6	(144,080)	—
(Loss)/profit on ordinary activities before taxation		(462,920)	679,808
Tax on (loss)/profit on ordinary activities	7	—	—
Retained (loss)/profit for the financial year		(462,920)	679,808

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

There is no difference between the reported result and that which would be reported under the historical cost convention.

Statement of Total Recognised Gains and Losses
Year ended 31 March 2008

	2008 £'000	2007 £'000
(Loss)/profit for the financial year	(462,920)	679,808
Unrealised income from shares in group undertakings	150,172	—
Total (losses)/gains for the financial year	(312,748)	679,808

Reconciliation of Movements in Shareholders' funds
Year ended 31 March 2008

	2008 £'000	2007 £'000
Opening shareholders' funds	7,114,730	6,408,451
(Loss)/profit for the financial year	(312,748)	679,808
New share capital subscribed	—	26,471
Closing shareholders' funds	6,801,982	7,114,730

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2008

Balance Sheet
As at 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Investments	8	20,386,384	20,839,882
Current assets			
Debtors	9	2,879	5,032
Current liabilities			
Creditors—amounts falling due within one year	10	(9,448)	(225)
Net current assets		(6,569)	4,807
Total Assets less Current Liabilities		20,379,815	20,844,689
Creditors—amounts falling due after one year	11	(13,577,833)	(13,729,959)
Net assets		6,801,982	7,114,730
Capital and reserves			
Called up share capital	12	15,622	15,622
Share premium reserve	13	26,363	26,363
Profit and loss reserve	13	6,759,997	7,072,745
Shareholders' funds		6,801,982	7,114,730

The financial statements were approved by the Board of Directors on 14 November 2008 and signed on their behalf by:

D.J. PLATT
Director

The accompanying notes form an integral part of these statements.

Notes to 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 financial statements.

Basis of preparation

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

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.

Cash flow statement

Under FRS1 (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 consolidated cash flow statement is included in the financial statements of Cable and Wireless plc in which the Company is consolidated and which are publicly available from the address in note 15.

Investments

Fixed asset investments are stated at cost less amounts written off in respect of any impairments.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2. Information regarding Auditors, Directors and Employees

Directors' emoluments are borne by other group companies in the current and prior year.

The Company had no employees during the year (2007: nil).

In the current year and the prior year, the auditors remuneration of f 10,000 for the audit of these financial statements has been borne by another group company.

3. Operating Costs

	2008	2007
	£'000	£'000
Bad debt expense	751	2,853
	751	2,853

4. Amounts written off investments

The loss on disposal of fixed assets in 2008 (£447,162,000) relates to the write down of the investment in various investments and loans to group undertakings (£447,066,000) and the Loss on redemption of Treasure Investments Holdings Ltd (£96,000) described in Note 8. The loss on disposal of fixed assets in 2007 (£4,345,000) relates to the net loan with Cable & Wireless Europe SA being written off and the liquidation of Cable & Wireless ISP Limited.

5. Interest receivable & similar income

	2008	2007
	£'000	£'000
Interest received from third party	8	—
Interest received from group undertakings	43,673	87,659
Net foreign exchange gain/(loss)	6,147	(19,736)
	49,828	67,923

6. Interest payable & similar expenses

	2008	2007
	£'000	£'000
Interest payable to group undertakings	144,080	—
	144,080	—

7. Taxation

Analysis of charge in period	2008	2007
	£'000	£'000
UK corporation tax		
Current tax for the period	2,879	—
Double tax relief	(2,879)	—
	—	—
Foreign tax		
Overseas withholding tax	—	—
Total current tax charge	—	—

Factors affecting the tax charge for the current period

The current tax charge is lower (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007:30%). The differences are explained below.

	2008	2007
	£'000	£'000
(Loss)/Profit on ordinary activities	(462,920)	679,808
Current tax at 30%	(138,876)	203,942
Effects of		
Permanent Differences	134,149	(1,303)
Non-taxable income	(14,945)	(175,277)
Foreign tax credit	(2,879)	—
Group Relief charged/claimed without payment	22,551	(27,362)
Total current tax charge	—	—

Factors that may affect future current and total tax charges

There were no recognised or un-recognised deferred tax balances as at 31 March 2008 or 31 March 2007.

The corporation tax rate applicable to the Company will reduce from 30% to 28% from 1 April 2008.

8. Investments

	Shares in group undertakings	Loans to group undertakings	Total
	£'000	£'000	£'000
Cost			
At beginning of year	20,520,404	6,223,582	26,743,986
Additions	—	69,108	69,108
Disposals	(75,478)	(62)	(75,540)
Foreign Exchange	—	(168)	(168)
At end of year	20,444,926	6,292,460	26,737,386
Provision			
At beginning of year	(4,216,870)	(1,687,234)	(5,904,104)
Impairment charge	(2,484)	(444,582)	(447,066)
Foreign Exchange	—	168	168
At end of year	(4,219,354)	(2,131,648)	(6,351,002)
Net book value at 31 March 2008	16,225,572	4,160,812	20,386,384
Net book value at 31 March 2007	16,303,534	4,536,348	20,839,882

The Company received US$5,331,131.10 as consideration for the redemption of 1,999 shares in Treasure Investments Holdings Ltd.

On 25 June 2007 the Company purchased 1,601 ordinary shares in Cable & Wireless International Finance B.V. from Cable & Wireless Eastern Hemisphere B.V. for consideration of £1.

The Company has carried out a review to determine whether there has been an impairment in the carrying values of its fixed asset investments in line with FRS 11 'Impairment of fixed assets and goodwill'. The review was based on a combination of discounted cash flow analysis, using the group's approved five year business plan, and net asset values. This exercise has resulted in an impairment of £2,484,000 being charged against the investments in The Eastern Telegraph Company Limited, Mercury House Limited and Cable & Wireless Central Holding Limited (2007: fa) and an impairment of £444,582,000 being charged against the loan to Cable and Wireless European Investments Limited (2007: £nil).

On 21 February 2008, Sable Holding Limited received a dividend of £261,410,455 from its subsidiary Cable & Wireless Middle East & Islands Limited ("CWMEIL"). £38,658,455 has been recognised in the profit and loss account and the remaining £222,752,000 related to profit from disposal of investments from CWIG Limited, a subsidiary of CWMEIL to Sable. Of the £222,752,000, £72,580,000 has been credited to the cost of investment in CWMEIL and the remainder £150,172,000 treated as unrealised profit in the Statement of Total Recognise Gains and Losses.

Brief details of principal operating subsidiary undertakings are given below:

	Country of incorporation	Type of Holding	Percentage Shareholding	Principal Activity
CWIGroup Limited	England	Ordinary shares	100%	Investment Holding Company
The Eastern Telegraph Company Limited	England	Ordinary shares	100%	Telecommunications
The Western Telegraph Company Limited	England	Ordinary shares	100%	Investment Company
Cable & Wireless (UK) Group Limited	England	Ordinary shares	100%	Holding Company
Cable & Wireless Central Holding Limited	England	Ordinary shares	100%	Holding Company
Companhia de Telecomunicações de Macau, S.A.R.L.	Macau	Ordinary shares	51%	Telecommunications
Cable & Wireless Middle East & Islands Limited	England	Ordinary shares	100%	Holding Company
Compagnie Monegasque de Communication S.A.M.	Monaco	Ordinary shares	100%	Holding Company

9. Debtors

	2008	2007
	£'000	£'000
Other debtors	2,879	4,326
Loans due from group undertakings	—	706
	2,879	5,032

10. Creditors—amounts falling due within one year

	2008	2007
	£'000	£'000
Other creditors	86	86
Loans due to group undertakings	9,362	139
	9,448	225

11. Creditors—amounts falling due after one year

	2008	2007
	£'000	£'000
Loans due to parent undertakings	11,177,886	11,309,584
Loans due to group undertakings	2,399,947	2,420,375
	13,577,833	13,729,959

12. Called up share capital

	2008	2007
	£'000	£'000
Authorised 20,000,000,000 ordinary shares of £1 each	20,000,000	20,000,000
Allotted, called up and fully paid 15,622,539 ordinary shares of £1 each	15,622	15,622

13. Reserves

	Share Capital	Share Premium Account	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000
At 1 April 2007	15,622	26,363	7,072,745	7,114,730
Loss for year	—	—	(312,748)	(312,748)
At 31 March 2008	15,622	26,363	6,759,997	6,801,982

14. Related party transactions

Under FRS 8 Related Party Disclosures, the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless Group, or investors of the Group qualifying as related parties, as all of the Company's voting rights are controlled within the Group. There are no transactions with any other related parties.

15. Ultimate parent company

The Company's immediate parent and ultimate undertaking is Cable and Wireless plc, a company registered in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is that of Cable and Wireless plc, the parent company. The consolidated financial statements of Cable and Wireless plc may be obtained from the Secretary, Cable and Wireless plc, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. No other group accounts include the results of the Company.

Company Registration No. 4925643

SABLE HOLDING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 2009

Registered Office:
3rd Floor
26 Red Lion Square
LONDON
WC1R 4HQ

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2009

CONTENTS

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2009

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year to 31 March 2009.

Activities and review of developments

The Company's principal activity is to act as an investment holding company.

The profit for the year amounted to £37,504,194 (2008: loss £462,920,000). No dividend is recommended.

No change in the Company's activities is envisaged in the foreseeable future.

The Company has met the requirements in Companies Act 1985 to obtain the exemption from the need to present an enhanced business review.

Directors

The Directors who held office during the period and subsequent to the period end were:

D J Platt
N I Cooper

The Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the Board of Directors.

HMHanscomb

H. M. HANSCOMB
Secretary

Date: 4 November 2009

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2009

Statement of Directors' Responsibilities in Respect of Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the fmancial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 Sable Holding Limited

We have audited the financial statements of Sable Holding Limited for the year ended 31 March 2009 which comprise the profit and loss account, statement of total recognised gains and losses, reconciliation of movements in shareholders' funds, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page F-114.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been property prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

11th November 2009

8 Salisbury Square
London
EC4Y 8BB

Profit and loss account
Year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Operating expenses			
Operating costs	3	(1,289)	(751)
Amounts written off investments	4	(3,451)	(447,162)
Operating loss		(4,740)	(447,913)
Income from shares in group undertakings		51,361	79,245
Interest receivable and similar income	5	117,316	49,828
Interest payable and similar expense	6	(126,433)	(144,080)
Profit/(loss) on ordinary activities before taxation		37,504	(462,920)
Tax on profit/(loss) on ordinary activities	7	—	—
Retained profit/(loss) for the financial year		37,504	(462,920)

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

There is no difference between the reported result and that which would be reported under the historical cost convention.

Statement of total recognised gains and losses
Year ended 31 March 2009

	2009 £'000	2008 £'000
Profit/(loss) for the financial year	37,504	(462,920)
Unrealised income from shares in group undertakings	—	150,172
Total profit/(losses) for the financial year	37,504	(312,748)

Reconciliation of movements in shareholders' funds
Year ended 31 March 2009

	2009 £'000	2008 £'000
Shareholders' funds at 1 April	6,801,982	7,114,730
Profit/(loss) for the financial year	37,504	(312,748)
Shareholders' funds at 31 March	6,839,486	6,801,982

SABLE HOLDING LIMITED

Directors report and financial statements

For the year ended 31 March 2009

Balance Sheet
As at 31 March 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	8	19,194,871	20,386,384
Current assets			
Debtors	9	1,504	2,879
Current liabilities			
Creditors—amounts falling due within one year	10	(42,111)	(9,448)
Net current assets		(40,607)	(6,569)
Total assets less current liabilities		19,154,264	20,379,815
Creditors—amounts falling due after one year	11	(12,314,778)	(13,577,833)
Net assets		6,839,486	6,801,982
Capital and reserves			
Called up share capital	12	15,622	15,622
Share premium reserve	13	26,363	26,363
Profit and loss reserve	13	6,797,501	6,759,997
Shareholders' funds		6,839,486	6,801,982

The financial statements were approved by the Board of Directors on 4 November 2009 and signed on their behalf by:

DJPlatt

D.J. PLATT
Director

The accompanying notes form an integral part of these statements.

Notes to 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 financial statements.

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 the going concern basis. 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.

Cash flow statement

Under FRS1 (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 consolidated cash flow statement is included in the financial statements of Cable and Wireless plc in which the Company is consolidated and which are publicly available from the address in note 15.

Investments

Fixed asset investments are stated at cost less amounts written off in respect of any impairments.

Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2. Information regarding auditors, directors and employees

Directors' emoluments are borne by other group companies in the current and prior year. The Company had no employees during the year (2008: nil).

In the current year and the prior year, the auditors remuneration of £10,000 for the audit of these financial statements has been borne by another group company.

3. Operating costs

	2009	2008
	£'000	£'000
Bad debt expense	1,289	751
	1,289	751

4. Amounts written off investments

Amounts written off investments of £3,451,000 (2007: £447,162,000) relates to the write down of loans to group undertakings described in Note 8.

5. Interest receivable & similar income

	2009	2008
	£'000	£'000
Interest received from third party	364	8
Interest received from group undertakings	80,023	43,673
Net foreign exchange gain	36,929	6,147
	117,316	49,828

6. Interest payable & similar expenses

	2009	2008
	£'000	£'000
Interest payable to group undertakings	126,433	144.080
	126,433	144,080

7. Taxation

	2009	2008
	£'000	£'000
Analysis of charge in period		
UK corporation tax		
Current tax for the period	7,389	2,879
Double tax relief	(7,389)	(2,879)
	—	—
Foreign tax		
Overseas withholding tax	—	—
Total current tax charge	—	—

Factors affecting the tax charge for the current period

The current tax charge is lower (2008: lower) than the standard rate of corporation tax in the UK of 28 per cent. (2008: 30%). The differences are explained below.

	2009	2008
	£'000	£'000
Profit/(loss) on ordinary activities	37,504	(462,920)
Current tax at 28% (2008: 30%)	10,501	(138,876)
Effects of:		
Permanent Differences	1,327	134,149
Taxable Income/(Non-taxable income)	2,068	(14,945)
Foreign tax credit	(7,389)	(2,879)
Group Relief charged/claimed without payment	(6,507)	22,551
Total current tax charge	—	—

Factors that may affect future current and total tax charges

There are un-recognised deferred tax balances as at 31 March 2009 of £7,753,000 in respect of non-trade loan relationship deficits and £10,596,000 in respect of capital losses (2008: nil)

8. Investments

	Shares in group undertakings	Loans to group undertakings	Total
	£'000	£'000	£'000
Cost			
At beginning of year	20,444,926	6,292,460	26,737,386
Additions	—	870,688	870,688
Disposals	—	(2,058,750)	(2,058,750)
At end of year	20,444,926	5,104,398	25,549,324
Provision			
At beginning of year	(4,219,354)	(2,131,648)	(6,351,002)
Impairment charge	—	(3,451)	(3,451)
At end of year	(4,219,354)	(2,135,099)	(6,354,453)

	Shares in group undertakings	Loans to group undertakings	Total
	£'000	£'000	£'000
Net book value at 31 March 2009	16,225,572	2,969,299	19,194,871
Net book value at 31 March 2008	16,225,572	4,160,812	20,386,384

The Company has carried out a review to determine whether there has been an impairment in the carrying values of its fixed asset investments in line with FRS 11 'Impairment of fixed assets and goodwill'. The review was based on a combination of discounted cash flow analysis, using the group's approved five year business plan, and net asset values. This exercise has resulted in no impairment against the shares in group undertakings (2008: £2,484,000) and an impairment of £3,451,000 being charged against the loan to Cable & Wireless Delaware 1, Inc. (2008: £444,582,000).

Brief details of principal operating subsidiary undertakings are given below:

	Country of incorporation	Type of Holding	Percentage Shareholding	Principal Activity
CWIGroup Limited	England	Ordinary shares	100%	Investment Holding Company
The Eastern Telegraph Company	England	Ordinary shares	100%	Telecommunications
The Western Telegraph Company Limited	England	Ordinary shares	100%	Investment Company
Cable & Wireless (UK) Group Limited	England	Ordinary shares	100%	Holding Company
Cable & Wireless Central IIolding Limited	England	Ordinary shares	100%	Holding Company
Companhia de Telecomuniçacões de Macau, S.A.R.L.	Macau	Ordinary shares	51%	Telecommunications
Cable & Wireless Middle East & Islands Limited	England	Ordinary shares	100%	Holding Company
Compagnie Monegasque de Communication S.A.M.	Monaco	Ordinary shares	100%	Holding Company
Sable International Finance Limited	Cayman Islands	Ordinary shares	100%	Finance Company
Cable and Wireless International Finance B.Y.	Netherlands	Ordinary shares	100%	Finance Company

9. Debtors

	2009	2008
	£'000	£'000
Other debtors	1,504	2,879
	1,504	2,879

10. Creditors—amounts falling due within one year

	2009	2008
	£'000	£'000
Other creditors	—	86
Loans due to group undertakings	42,111	9,362
	42,111	9,448

The Loans due to group undertakings include a £43,000,000 zero coupon note issued by the Company to a related party due for repayment on 22 February 2010. The unsecured note was issued at the discounted issue price of £42,025,919.78 on 27 February 2009.

11. Creditors—amounts falling due after one year

	2009	2008
	£'000	£'000
Loans due to parent undertakings	11,295,376	11,177,886
Loans due to group undertakings	1,019,402	2,399,947
	12,314,778	13,577,833

12. Called up share capital

	2009	2008
	£'000	£'000
Authorised 20,000,000,000 ordinary shares of £1 each	20,000,000	20,000,000
Allotted, called up and fully paid 15,622,539 ordinary shares of £1 each	15,622	15,622

13. Reserves

	Share Capital	Share Premium Account	Profit and Loss Account	Total
	£'000	£'000	£'000	£'000
At 1 April 2008	15,622	26,363	6,759,997	6,801,982
Profit for year	—	—	37,504	37,504
At 31 March 2009	15,622	26,363	6,797,501	6,839,486

14. Related party transactions

Under FRS 8 Related Party Disclosures, the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless Group, or investors of the Group qualifying as related parties, as all of the Company's voting rights are controlled within the Group. There are no transactions with any other related parties.

15. Ultimate parent company

The Company's immediate parent and ultimate undertaking is Cable and Wireless plc, a company registered in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is that of Cable and Wireless plc, the parent company. The consolidated fmancial statements of Cable and Wireless plc may be obtained from the Secretary, Cable and Wireless plc, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. No other group accounts include the results of the Company.

Company Registration No. 3057908

CWIGROUP LIMITED (formerly Cable & Wireless International Group Limited)

REPORT AND FINANCIAL STATEMENTS

31 March 2008

Registered Office:
3rd Floor
26 Red Lion Square
London
WC1R 4HQ

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)

Report and Financial Statements 2008

Contents

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)

Directors' Report

The Directors present their annual report and the financial statements for the year ended 31 March 2008.

ACTIVITIES

The principal activity of the Company is to act as an investment holding company. No change in the Company's activities is envisaged in the foreseeable future.

The Company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review.

RESULTS AND DIVIDENDS

The Company made a profit after taxation of £31,666,000 (2007: £584,403,000). The Directors did not recommend the payment of a dividend during the year (2007: £584,103,000 (£582 per share)).

DIRECTORS

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

J P M Jankovich-Besan	(resigned 30 April 2008)
I Muir	(resigned 30 November 2007)
FJ Mount	(appointed 17 April 2007, resigned 31 December 2007)
GW Battersby	(appointed 17 April 2007)
RH Dodd	(appointed 17 April 2007)
PW Green	(appointed 17 April 2007)
H Jones	(appointed 17 April 2007, resigned 12 November 2007)
CI Hetherington	(appointed 17 April 2007, resigned 14 December 2007)
NI Cooper	(appointed 17 April 2007)
Lord GIM Robertson	(appointed 17 April 2007, resigned 12 November 2007)
WA Rice	(appointed 17 April 2007)
BPJ Buckley	(appointed 12 December 2007)
K McFadyen	(appointed 1 April 2008)
J Pluthero	(appointed 13 November 2007)

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

CHANGE OF NAME

On 20 June 2008 the Cable & Wireless International Group Limited changed its name to CWIGroup Limited.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The Company is not obliged to reappoint its auditors annually and KPMG Audit plc will therefore continue in office.

By order of the Board of Directors.

P S J DAVIS
Secretary
Date: 23 September 2008

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)

Report of the Independent Auditors, KPMG AUDIT Plc, to the Members of CWIGroup Limited (Formerly Cable & Wireless International Group Limited)

We have audited the financial statements of CWIGroup Limited (formerly Cable & Wireless International Group Limited) for the year ended 31 March 2008 which comprise the primary statements such as the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein

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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page F-128.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 23 September 2008

8 Salisbury Square
London EC4Y SBB
United Kingdom

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Operating costs		(38,343)	(10,700)
OPERATING LOSS	4	(38,343)	(10,700)
Dividend income		70,009	595,103
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	5	31,666	584,403

There are no recognised gains or losses for the year other than those presented in the profit and loss account. Accordingly no statement of recognised gains or losses has been prepared. All results derive from continuing activities.

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)

BALANCE SHEET
As at 31 March 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Investments	6	972,498	972,498
CURRENT ASSETS			
Intercompany debtors		41,831	11,000
CREDITORS: amounts falling due within one year:	7	(727,874)	(720,891)
NET CURRENT LIABILITIES		(686,043)	(709,891)
CREDITORS: amounts falling due after more than one year:	8	(2,882)	(10,700)
NET ASSETS		283,573	251,907
CAPITAL AND RESERVES			
Called up share capital	9	1,004	1,004
Share premium account	10	250,603	250,603
Profit and Loss account	10	31,966	300
EQUITY SHAREHOLDER'S FUNDS		283,573	251,907

The financial statements on pages F-131 to F-136 were approved by the Board of Directors on 23 September 2008 and signed on their behalf by:

K McFadyen
Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2008

I. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and on the historical cost basis.

The Company has taken advantage of the exemption to prepare consolidated financial statements under Section 228 of the Companies Act 1985, on the grounds that it is a wholly-owned subsidiary undertaking of Cable and Wireless plc, a Company registered within the European Union. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared on the going concern basis. 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.

Tax

The charge for tax is based on the result for the period 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.

Fixed asset investments

Fixed asset investments are stated at cost less amounts written off in respect of any impairments.

Cash long term incentive plan ('LTIP')

The Cable & Wireless Group operates a Cash LTIP. The plan rewards Executive Directors and certain senior employees responsible for the International business division of Cable and Wireless plc, of which CWIGroup Limited (formerly Cable & Wireless International Group Limited) is the principal holding company. The plan is accounted for as an 'other long term employee benefit'. A liability represents the estimated present value of the obligation at the balance sheet date.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included within finance income.

2. INFORMATION REGARDING EMPLOYEES AND AUDITORS

The Company had no employees during the year (2007: nil).

In the current and prior years, the auditor's remuneration of £2,000 was borne by another group company.
Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidation basis in the financial statements of the Company's ultimate parent, Cable and Wireless plc.

3. REMUNERATION OF DIRECTORS

	2008	2007
	£'000	£'000
Amounts receivable under long term incentive schemes	11,216	—

Amounts receivable under long term incentive schemes of £11,216,000 relate to Directors' early termination payments, in accordance with the early leaver rules under the Long Term Incentive Plan. At 31 March 2008, £2,647,000 was accrued in respect of payments to Directors leaving the scheme after year end.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £4,290,000 (2007: nil).

4. OPERATING LOSS

	2008	2007
	£'000	£'000
Operating loss is stated after charging:		
Administration costs	2,038	—
Management fees	28,405	—
Costs relating to the long term incentive plan	7,900	10,700
	38,343	10.700

The long term incentive plan ('LTIP') is a performance based reward scheme. The LTIP creates a reward pool over a four year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the Cable & Wireless International business division has grown in value from its base valuation at the start of the period (£2,041 million). The base valuation is adjusted over the performance period i) to reflect additional capital notionally treated as borrowed by the business ii) to reflect capital nationally returned by the business and iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). The charge for the year represents the movement in the present value of the obligation under the scheme.

The total amount recognised in the accounts reflects two years of service out of the four year LTIP period, payments made and the £1.1 billion increase in market capitalisation from 1 April 2006 to 3I March 2008. 10% of that increase goes into the LTIP reward pool after taking into account the equity hurdle rate, the notional interest charge and the cash flows in and out. The LTIP accrual does not represent a committed amount to participants in the plan as the eventual payout is dependent on performance over the life of the plan and in accordance with its rules.

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£'000	£'000
The charge for taxation comprises:		
United Kingdom corporation tax at 30% (2007—30%)	5,000	2,750
Double taxation relief	(5,000)	(2,750)
Tax on profit on ordinary activities	—	—

	2008 £'000	2007 £'000
Factors affecting the current tax charge:		
The current tax charge for the period is lower (2007: lower) than the standard rate of corporation tax in the UK (30%, 2007: 30%). The differences are explained below:		
Profit on ordinary activities before tax	31,666	584,403
Current tax at 30% (2007: 30%)	9,500	175,321
Double tax relief	(3,500)	(1,925)
Income not taxable	(15,003)	(175,231)
Other timing differences	(240)	3,210
Group relief claimed without payment	9,243	(1,375)
Total current tax charge	—	—

A deferred tax asset of £2,772,000 (2007: £3,210,000) has not been recognised on short term timing differences, as these are not considered recoverable in the foreseeable future.

6. INVESTMENTS HELD AS FIXED ASSETS

	2008 £'000	2007 £'000
At 31 March	972,498	972,498

Interests in subsidiaries:

Name	Country of incorporation	Type and percentage holding	Nature of business
Cable and Wireless (West Indies) Limited	England	100% Ordinary Shares	Telecommunications
Cable & Wireless Jersey Limited	Jersey	100% Ordinary Shares	Telecommunications
Cable & Wireless South Atlantic Limited	Falkland Islands	100% Ordinary Shares	Telecommunications
Cable and Wireless Guernsey Limited	Guernsey	100% Ordinary Shares	Telecommunications
Cable & Wireless Isle of Man Limited	Isle of Man	100% Ordinary Shares	Telecommunications
Cable & Wireless (Diego Garcia) Limited	Bermuda	100% Ordinary Shares	Telecommunications
Cable & Wireless International HQ Limited	England	100% Ordinary Shares	Telecommunications

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Other tax & social security	2,487	—
Accruals	4,496	—
Interest free loan from parent undertaking	720,891	720,891
	727,874	720,891

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £'000	2007 £'000
Accruals	2,882	10,700

9. CALLED UP SHARE CAPITAL

	2008	2007
	£'000	£'000
Authorised 2,000,000 ordinary shares of £1 each	2.000	2,000
Allotted, called up and fully paid 1,003,543 ordinary shares of £1 each	1,004	1,004

10. MOVEMENT ON RESERVES

	Share Premium	Profit and Loss Account	Total
	£'000	£'000	£'000
At 1 April 2007	250,603	300	250,903
Profit for the year	—	31,666	31,666
At 31 March 2008	250,603	31,966	282,569

11. 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.

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. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Sable Holding Limited.

The Directors consider that the Company's ultimate parent undertaking and controlling party 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, 3rd Floor, 26 Red Lion Square, London WC IR 411Q. No other group accounts include the results of the Company.

CWIGROUP LIMITED (formerly Cable & Wireless International Group Limited)

REPORT AND FINANCIAL STATEMENTS

31 March 2009

Registered Office:
3rd Floor
26 Red Lion Square
London
WC1R 4HQ

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

Report and Financial Statements 2009

Contents

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

Directors' Report

The Directors present their annual report and the financial statements for the year ended 31 March 2009.

ACTIVITIES

The principal activity of the Company is to act as an investment holding company. No change in the Company's activities is envisaged in the foreseeable future.

The Company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review.

On 31 July 2008, the Company became a guarantor of the new borrowing facility entered into by Sable International Finance Limited, a company under the common control of Cable and Wireless plc. The Company has provided share charges over the entire issued share capital of each of Cable and Wireless (West Indies) Limited and Cable & Wireless International HQ Limited.

RESULTS AND DIVIDENDS

The Company made a loss after taxation of £69,084,000 (2008: £31,666,000 profit). Management fees payable decreased from £28,405,000 in 2008 to £8,660,000 in 2009.

Based on the results of its annual impairment review, the Company made a provision of £57,000,000 against the investment in two of its fully-owned subsidiaries, Cable & Wireless Jersey Limited and Cable & Wireless Isle of Man Limited during the year.

The Directors did not recommend the payment of a dividend during the year (2008: nil).

DIRECTORS

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

JPM JankovichBesan	(resigned 30 April 2008)
GW Battersby	
RH Dodd	(resigned 29 October 2008)
PW Green	(resigned 31 December 2008)
NI Cooper	
WA Rice	
BPJ Buckley	(resigned 31 December 2008)
K McFadyen	(appointed 1 April 2008)
J Pluthero	(resigned 11 November 2008)
RD Lapthorne	(appointed 11 November 2008, resigned 19 May 2009)
TL Pennington	(appointed 23 September 2008)
SP Ball	(appointed 11 November 2008)

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

CHANGE OF NAME

On 20 June 2008 the Company changed its name from Cable & Wireless International Group Limited to CWIGroup Limited.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

AUDITORS

Pursuant to section 457 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit plc will therefore continue in office.

By order of the Board of Directors.

C. Underwood.

C UNDERWOOD
Secretary
Date: 29 September 2009

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

Report of the Independent Auditors, KPMG Audit Plc, to the Members of CWIGroup Limited (Formerly Cable & Wireless International Group Limited)

We have audited the financial statements of CWIGroup Limited (formerly Cable & Wireless International Group Limited) for the year ended 31 March 2009 which comprise the primary statements such as the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page F-141.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 29 September 2009

8 Salisbury Square
London EC4Y 813B
United Kingdom

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Administrative expenses:			
Before exceptional items		(8,851)	(38,343)
Exceptional items	5	(60,233)	—
		(69,084)	(38,343)
OPERATING LOSS	4	(69,084)	(38,343)
Dividend income		—	70,009
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	6	(69,084)	31,666

There are no recognised gains or losses for the year other than those presented in the profit and loss account. Accordingly no statement of recognised gains or losses has been prepared. All results derive from continuing activities.

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

BALANCE SHEET
As at 31 March 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Investments	7	915,498	972,498
CURRENT ASSETS			
Intercompany debtors		22,960	41,831
CREDITORS: amounts falling due within one year:	8	(723,105)	(727,874)
NET CURRENT LIABILITIES		(700,145)	(686,043)
TOTAL ASSETS LESS CURRENT LIABILITIES		215,353	286,455
CREDITORS: amounts falling due after more than one year:	9	(864)	(2,882)
NET ASSETS		214,489	283,573
CAPITAL AND RESERVES			
Called up share capital	10	1,004	1,004
Share premium account	11	250,603	250,603
Profit and Loss account	11	(37,118)	31,966
EQUITY SHAREHOLDER'S FUNDS		214,489	283,573

The financial statements on pages F-145 to F-150 were approved by the Board of Directors on 29 September 2009 and signed on their behalf by:

Tim Pennington
Director

CWIGROUP LIMITED (Formerly Cable & Wireless International Group Limited)
Company Registration No. 3057908

NOTES TO THE ACCOUNTS

Year ended 31 March 2009

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and on the historical cost basis.

The Company has taken advantage of the exemption to prepare consolidated financial statements under Section 228 of the Companies Act 1985, on the grounds that it is a wholly-owned subsidiary undertaking of Cable and Wireless plc, a Company registered within the European Union. These financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £700,145,000 (2008: net current liabilities £686,043,000). 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.

Tax

The charge for tax is based on the result for the period 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.

Fixed asset investments

Fixed asset investments are stated at cost less amounts written off in respect of any impairments. Fixed asset investments have indefinite useful lives, are not subject to amortisation and are tested annually for impairment.

Cash long term incentive plan ('LTIP')

The Cable & Wireless Group operates a Cash LTIP. The plan rewards Executive Directors and certain senior employees responsible for the CWI Group, of which CWIGroup Limited (formerly Cable & Wireless International Group Limited) is the principal holding company. The plan is accounted for as an 'other long term employee benefit'. A liability represents the estimated present value of the obligation at the balance sheet date.

Exceptional items

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Company that are identified as exceptional items by virtue of their size, nature or incidence.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is included within fmance income.

2. INFORMATION REGARDING EMPLOYEES AND AUDITORS

The Company had no employees during the year (2008: nil).

In the current and prior years, the auditor's remuneration of £2,000 was borne by another group company.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidation basis in the fmancial statements of the Company's ultimate parent, Cable and Wireless plc.

3. REMUNERATION OF DIRECTORS

	2009	2008
	£'000	£'000
Amounts receivable under long term incentive schemes	877	11,216

At 31 March 2009, £877,000 was accrued in respect of amounts payable to directors in accordance with the scheme, as described in note 1.

Amounts receivable under long term incentive schemes during the preceding year relate to Directors' early termination payments, in accordance with the early leaver rules under the Long Term Incentive Plan. At 31 March 2008, £2,647,000 was accrued in respect of payments to Directors leaving the scheme after year end. This was all paid during the current year.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £446,000 (2008: £4,290,000).

The directors receive no remuneration in respect of their services to the Company.

4. OPERATING LOSS

	2009	2008
	£'000	£'000
Operating loss is stated after charging:		
Administration costs	—	2,038
Management fees	8.660	28,405
Costs relating to the long term incentive plan	191	7,900
	8,851	38,343

The long term incentive plan (`LTIP') is a performance based reward scheme. The LTIP creates a reward pool over a four year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which CWI Group has grown in value from its base valuation at the start of the period (£2,041 million). The base valuation is adjusted over the performance period i) to reflect additional capital notionally treated as borrowed by the business ii) to reflect capital notionally returned by the business and iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). The charge for the year represents the movement in the present value of the obligation under the scheme. If the business' value is lower than its adjusted base value at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool. 75 per cent. of the reward pool was payable to the participants at the end of year three (April 2009), and 100% payable (less payments made at end of year three) to all participants at the end of year four (April 2010). Measurement of the size of the reward pool is carried out every six months to correspond with the Group's accounting periods.

5. OPERATING EXCEPTIONAL ITEMS

	2009	2008
	£'000	£'000
Project management costs	2,952	—
Rebranding costs	281	—
Amounts written off investments	57,000	—
	60,233	—

Based on the results of its annual impairment review, the Company made a provision of £57,000,000 against the investment in two of its fully-owned subsidiaries, Cable & Wireless Jersey Limited and Cable & Wireless Isle of Man Limited during the year. The impairment was based on discounted cash flow forecasts prepared by management, which applied a discount rate of 9.1% for Cable & Wireless Isle of Man Limited and 8.8% for Cable & Wireless Jersey Limited.

Other operating exceptional items relate to the cost of rebranding the Cable & Wireless International business as 'CWI Group' and to project management costs relating to the Caribbean shared service centre.

6. TAX CHARGE ON (LOSS)IPROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£'000	£'000
The charge for taxation comprises:		
United Kingdom corporation tax at 28% (2008: 30%)	—	5,000
Double taxation relief	—	(5,000)
Tax on profit on ordinary activities	—	—
Factors affecting the current tax charge:		
The corporation tax charge for the year differs from the statutory rate as follows:		
(Loss)/profit on ordinary activities before tax	(69,084)	31,666
Tax at UK statutory rate	(19,343)	9,500
Double tax relief	—	(3,500)
Expenditure not allowable/(Income not taxable)	15,960	(15,003)
Other timing differences	(4,306)	(240)
Group relief surrendered without payment	7,689	9,243
Total current tax charge	—	—

A deferred tax asset of £664,000 (2008: £2,772,000) has not been recognised on short term timing differences, as these are not considered recoverable in the foreseeable future.

7. INVESTMENTS HELD AS FIXED ASSETS

	£'000
Cost	
At beginning and end of year	972,498
Provision	
At beginning of year	—
Made during the year	(57,000)
At end of year	(57,000)
Net Book Value	
At end of year	915,498
At beginning of year	972,498

Based on the results of its annual impairment review, the Company made a provision of £57,000,000 against the investment in two of its fully-owned subsidiaries, Cable & Wireless Jersey Limited and Cable & Wireless Isle of Man Limited, during the year.

Interests in subsidiaries:

Name	Country of incorporation	Type and percentage holding	Nature of business
Cable and Wireless (West Indies) Limited	England	100% Ordinary Shares	Telecommunications
Cable & Wireless Jersey Limited	Jersey	100% Ordinary Shares	Telecommunications
Cable & Wireless South Atlantic Limited	Falkland Islands	100% Ordinary Shares	Telecommunications
Cable and Wireless Guernsey Limited	Guernsey	100% Ordinary Shares	Telecommunications
Cable & Wireless Isle of Man Limited	Isle of Man	100% Ordinary Shares	Telecommunications
Cable & Wireless (Diego Garcia) Limited	Bermuda	100% Ordinary Shares	Telecommunications
Cable & Wireless International HQ Limited	England	100% Ordinary Shares	Telecommunications

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£'000	£'000
Other tax & social security	251	2,487
Accruals	1,963	4,496
Interest free loan from parent undertaking	720,891	720,891
	723,105	727,874

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009	2008
	£'000	£'000
Accruals	864	2,882

Amounts over one year relate to the LTIP.

10. CALLED UP SHARE CAPITAL

	2009	2008
	£'000	£'000
Authorised 2,000,000 ordinary shares of £1 each	2,000	2,000
Allotted, called up and fully paid 1,003,543 ordinary shares of £1 each	1,004	1,004

11. MOVEMENT ON RESERVES

	Share Premium	Profit and Loss Account	Total
	£'000	£'000	£'000
At 1 April 2008	250,603	31,966	282,569
Loss for the year	—	(69,084)	(69,084)
At 31 March 2009	250,603	(37,118)	213,485

12. 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.

13. 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.

14. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Sable Holding Limited.

The Directors consider that the Company's ultimate parent undertaking and controlling party 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, 3rd Floor, 26 Red Lion Square, London WC1R 4HQ. No other group accounts include the results of the Company.

Company Registration 11116

CABLE AND WIRELESS (WEST INDIES) LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2008

Registered Office:
3rd Floor
26 Red Lion Square
London
WCIR 4HQ

CABLE AND WIRELESS (WEST INDIES) LIMITED

Report and Financial Statements
31 March 2008

Contents

CABLE AND WIRELESS (WEST INDIES) LIMITED

Directors' Report

The Directors submit their annual report together with the audited financial statements of Cable and Wireless (West Indies) Limited ('the Company') for the year ended 31 March 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of international and national public telecommunications in the Caribbean. No change in the principal activity is envisaged in the foreseeable future.

REVIEW OF THE BUSINESS

Prior to 31 March 2007, the Company operated through wholly owned branches in St. Vincent, St. Lucia, Anguilla, Antigua, British Virgin Islands, Montserrat and Turks and Caicos, together with a controlling interest in companies which own and operate the internal and external telecommunications systems of Barbados, Cayman Islands, Dominica, Grenada, Jamaica, Panama, Bermuda and St. Kitts and Nevis. In addition, the Company has a minority interest in a company which owns and operates the internal and external telecommunications systems of Trinidad and Tobago. Virtually all of the Company's activities arise under licenses and franchises of prescribed duration, granted by the Government concerned.

The Company incorporated its St. Vincent and St. Lucia branches on 31 March 2007, with the net assets of those businesses being acquired by 100% subsidiaries of the Company, Cable & Wireless St. Vincent and the Grenadines Limited and Cable and Wireless (St Lucia) Limited respectively.

The Company's branches in Antigua, Anguilla, BVI and Turks and Caicos were incorporated during the year ended 31 March 2008. On 30 June 2007, the net assets of the branch in Antigua were acquired by a 100% subsidiary of the Company, Cable & Wireless Antigua & Barbuda Limited. On 1 November 2007 the net assets of the branch in Anguilla were acquired by a 100% subsidiary of the Company, Cable and Wireless (Anguilla) Limited. On 31 December 2007 the net assets of the branches in BVI and Turks and Caicos were acquired by 100% subsidiaries of the Company, Cable and Wireless (BVI) Limited and Cable and Wireless (TCI) Limited, respectively.

ENHANCED BUSINESS REVIEW

The Company belongs to the international division of the Cable and Wireless group which operates telecommunications companies in 33 countries, offering mobile, broadband, domestic and international fixed line services to residential and business customers.

Across our markets, we face broadly the same issues. New technologies are driving down the price of existing offerings. At the same time, liberalisation has seen new entrants seeking to challenge our position and driving price erosion as they compete aggressively. Additionally, we are responding to continuing developments in regulatory and government policy.

We are meeting the challenge of increased competition head on by ensuring that we provide the best possible quality, value and innovative services to our customers. This means that we must be responsive to the technological innovations and competitive forces in the marketplace and strive to meet these challenges with continuous improvement to our products and offering.

Turnover has decreased by 62% to £48,098,000 in 2008, from £125,750,000 in 2007. This was largely due to the accounting consequences of incorporations of the Company's branches in the current and prior years.

EMPLOYEES

The average weekly number of persons employed by the Company decreased by 75% from 832 in the prior year to 206 in 2008. The Company is committed to recognizing employees' achievements by granting awards and by publishing the employees' contributions in the Cable & Wireless Americas and Caribbean biannual newsletter. The Company is committed to continual enhancement of its employees' skills by providing adequate training and by using the intranet to publish relevant policies and practices, which are updated on a regular basis to reflect changes in legislation.

RISKS

Fluctuations in currency exchange rates in the countries where we operate may adversely affect our reported results and financial condition. A significant percentage of our business is conducted in different currencies. We are thus exposed to movements in exchange rates in relation to foreign currency receipts and payments, dividend and other income from foreign subsidiaries, reported profits of foreign subsidiaries and the net asset carrying value of foreign investments particularly in respect of the £/US dollar exchange rate. The ultimate parent of the Company, Cable and Wireless plc, manages the group exposure to movements in exchange rates on a net basis and, where appropriate, through the use of forward foreign exchange contracts and other derivative and financial instruments to mitigate the exposure.

Much of the Company's business is conducted within the Caribbean hurricane zone. These storms pose a risk to the Company's property and employees. This risk is mitigated as much as possible by locating premises and equipment in the safest areas and ensuring that their construction is strong enough to withstand these storms.

Increased global competition is an inherent risk for most companies. This is especially relevant for the Company as many of the markets in which it operates have recently been deregulated, resulting in increased competition. The Company has responded well to this increased competition and has remained the market leader in most markets across the Caribbean.

RESULTS AND DIVIDENDS

The profit for the year before the payment of the dividend and after the payment of tax was £136,758,000 (2007: £132,823,000).

The aggregate amount of dividends paid in the year was £50,009,000 (2007: £584,103,000).

SUBSEQUENT EVENTS

On 23 May 2008 the Directors of the Company approved the provision of a guarantee in respect of the obligations of Sable International Finance Limited ("SIFT."), a 100% subsidiary of Sable Holding Limited, pursuant to a USD415 million revolving facilities agreement arranged by BNP Paribas and J.P. Morgan. The facilities, which have been provided for the general corporate purposes of the Cable & Wireless group, were extended against expected future cash flows of the Company and some other subsidiaries of the Cable & Wireless International business, as demonstrated to the satisfaction of the arrangers. All Group companies involved in the guarantee and the facility are 100% owned subsidiaries of the Cable & Wireless Group.

On the 24 September 2007, the Company, purchased an additional 17.05% stake in Cable and Wireless (St. Kitts & Nevis) Limited from the Government of the Federation of St. Kitts & Nevis, taking its total share holding to 82.25%. Within 12 months of completion, under the terms of the sale and purchase agreement, the Company was required to offer for sale 5% of the company via a public offering to the residents of St. Kitts and Nevis. In April 2008 the Company sold this 5% shareholding.

PAYMENTS TO SUPPLIERS

The Company agrees payment terms with its suppliers when it enters into purchase contracts. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company seeks to treat all its suppliers fairly and applies a standard in dealing with the payment of suppliers.

The Company had 31 days purchases *(2007—55 days purchases)* outstanding at 31 March 2008 based on the average daily amount invoiced by suppliers during the year ended 31 March 2008.

CABLE AND WIRELESS (WEST INDIES) LIMITED

DIRECTORS

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

JPM Jankovich-Besan	resigned 30 April 2008
LT Agard	resigned 14 November 2007
JR Boyle	resigned 29 February 2008
ST Irvine	appointed 14 November 2007—resigned 29 August 2008
PSJ Davis	appointed 14 November 2007
BPJ Buckley	appointed 8 May 2008
R Burge	appointed 29 July 2008

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The Company is not obliged to reappoint its auditors annually and KFMG Audit will therefore continue in office.

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 towards the results that have been achieved.

The Directors would also like to record their appreciation of the excellent relations the Company has enjoyed with administrations, governments, customers, suppliers and associates throughout the world.

By order of the Board of Directors

H M HANSCOMB
Company Secretary

Date: 12 September 2008

CABLE AND WIRELESS (WEST INDIES) LIMITED

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 (WEST INDIES) LIMITED

Report of the Independent Auditors, KPMG Audit Plc, to the Members of Cable and Wireless (West Indies) Limited

We have audited the financial statements of Cable and Wireless (West Indies) Limited for the year ended 31 March 2008, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Equity Shareholder's Funds and the related notes. These financial statements have been prepared under the primary statements such as the accounting policies set out therein.

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 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

As described in the Statement of Directors' Responsibilities on page F-156, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 19 September 2008

8 Salisbury Square
London EC4Y 8BB
United Kingdom

CABLE AND WIRELESS (WEST INDIES) LIMITED

PROFIT AND LOSS ACCOUNT
Year Ended 31 March 2008

	Note	2008 £'000	2007 Restated £'000
Turnover			
Continuing operations		2,348	2,675
Discontinued operations		45,750	123,075
	2	48,098	125,750
Operating costs before depreciation		(29,140)	(99,580)
Depreciation			
Continuing operations		(134)	(139)
Discontinued operations		(4,082)	(10,384)
		(4,216)	(10,523)
Total operating costs	3	(33,356)	(110,103)
Operating profit			
Continuing operations		1,100	699
Discontinued operations		13,642	14,948
		14,742	15,647
Realised gain on sale of discontinued operations	6	40,808	1,939
Net interest and other similar income	7	81,760	110,709
Profit on ordinary activities before taxation		137,310	128,295
Tax on profit on ordinary activities	8	(552)	4,528
Profit for the financial year	19	136,758	132,823

There is no difference between the reported result and that which would be reported under the historical cost convention.

CABLE AND WIRELESS (WEST INDIES) LIMITED

BALANCE SHEET
As at 31 March 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	9	1,224	57,495
Investments	10	827,195	708,702
		828,419	766,197
CURRENT ASSETS			
Asset held for resale	11	1,549	—
Stocks	12	42	835
Debtors—due within one year	13	308,985	228,432
—due after more than one year	13	—	254
		308,985	228,686
Cash at bank and in hand	14	1,435	6,192
		312,011	235,713
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(612,283)	(615,945)
NET CURRENT LIABILITIES		(300,272)	(380,232)
TOTAL ASSETS LESS CURRENT LIABILITIES		528,147	385,965
Provisions for liabilities and charges:			
Deferred taxation	16	(58)	(36)
Other provisions	17	—	—
		(58)	(36)
NET ASSETS		528,089	385,929
CAPITAL AND RESERVES			
Called up share capital	18	5,001	5,001
Share premium	19	246,606	246,606
Other reserve	19	57,025	—
Profit and loss account	19	219,457	134,322
Equity shareholder's funds		528,089	385,929

The accounts on pages F-159 to F-172 were approved by the Board of Directors on 12 September 2008 and signed on its behalf by:

PSJ Davis
Director

CABLE AND WIRELESS (WEST INDIES) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the Year Ended 31 March 2008

	Note	2008 £'000	2007 £'000
Profit for the financial year		136,758	132,823
Currency translation differences (net)		(414)	(18,905)
Unrealised gain on disposal	6	55,825	—
Total gains and losses relating to the financial year		192,169	113,918

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS
For the Year Ended 31 March 2008

	Note	2008 £'000	2007 £'000
Profit for the financial year		136,758	132,823
Dividends Paid		(50,009)	(584,103)
		86,749	(451,280)
Other recognised gains and losses relating to the year:			
Currency translation differences (net)		(414)	(18,905)
Unrealised gain on disposal	6	55,825	—
Net increase/(decrease) in equity shareholder's funds		142,160	(470,185)
Opening equity shareholder's funds		385,929	856,114
Closing equity shareholder's funds		528,089	385,929

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 in the UK and on the historical cost basis.

(b) ***Group accounts***

The Company has taken advantage of the exemption to prepare consolidated financial statements under Section 228 of the Companies Act 1985, on the grounds that it is a wholly-owned subsidiary undertaking of Cable and Wireless, a Company registered within the European Economic Area ("EEA"). These financial statements present information about the Company as an individual undertaking and not about its group.

(c) ***Fixed asset investments***

Fixed asset investments are stated at cost less amounts written off in respect of any impairment.

(d) ***Foreign currencies***

Average rates of exchange ruling during the year are used to translate the profit and loss accounts of overseas branches. The assets and liabilities of overseas branches are translated at the closing rate of exchange. Exchange differences arising are taken to the profit and loss reserve in accordance with SSAP 20 'Foreign Currency Translation'. All other exchange differences are dealt with through the profit and loss account.

(e) ***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:

Telephone cables and repeaters	15 years
Freehold buildings	40 years
Leasehold land and buildings	40 years or term of lease if less
Plant	3 to 40 years (average 13 years)

Freehold land, where the cost is distinguishable from the cost of the building thereon, is not depreciated.

(f) ***Asset impairment***

Intangible and tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Where an impairment indicator is identified, the carrying value of the income generating unit is compared with its recoverable amount. Where the recoverable amount is less than the carrying value an impairment is recognised.

(g) ***Taxation***

The charge for tax 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.

(h) ***Deferred taxation***

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 unless as otherwise required by FRS 19. 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.

(i) ***Stocks***

Stocks of equipment, held for use in the maintenance and expansion of the Company's telecommunications systems, are stated at cost, less provision for deterioration and obsolescence.

(j) ***Pensions***

The Company participates in both funded defined contribution and funded defined benefit pension plans. Contributions to defined contribution plans are expensed as incurred. Contributions to the defined benefit plan operated by Cable and Wireless are determined by an independent actuary and provides benefits based on final pensionable pay. As permitted by FRS 17, the Company is exempt from accounting for pension schemes as defined benefit schemes since it is unable to identify its share of the underlying assets and liabilities from those of the other participating employers within the group. Therefore the Company has treated the pension schemes as if they were defined contribution schemes and has expenses contributions as incurred.

(k) ***Leases***

Operating leases are charged to trading profit on a straight line basis over the lease term.

(l) ***Share based payments***

The Company operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original non-market estimates if any, in the profit and loss, and a corresponding adjustment to equity over the remaining vesting period. The expense recognised in the Company relates only to the Company employees.

Share based expenses relating to grants of the ultimate parent Company's equity made to employees of subsidiary companies are recognised in the profit and loss account of the subsidiary and the parent company does not record any entries on the award of these options except when the options are exercised.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Where continuing employees withdraw from share-based compensation plans the remaining charge is recognised immediately.

(m) ***Comparative Information***

Certain comparative disclosures in the profit and toss account have been updated, in accordance with the requirements of FRS3 to reflect the discontinued status of the company's branch operations in Antigua, Anguilla, BVI and Turks & Caicos, as discussed in note 6.

2. TURNOVER

Turnover, which excludes value added tax, represents the amount receivable in respect of telecommunications services provided to customers and is accounted for on the accruals basis. Amounts are recognised as services are provided; in respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to telecommunications operators of national and international networks are recognised as services are provided. Charges are negotiated separately and are subject to continuous review. Revenue is earned from the transmission of content on its network originated by third-party providers. The Company assesses whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following indicators:

- Whether the branch holds itself out as an agent;
- Establishment of the price;
- Provision of customer remedies;
- Performance of part of the service; and
- Assumption of credit risk.

The Company's operations are all considered to fall into one class of business, namely telecommunications, all of which arise in the Caribbean region. Turnover can be analysed as follows:

	2008	2007
	£'000	£'000
International Voice	7,096	37,525
Domestic Voice	11,097	33,056
Mobile	19,015	21,266
Data and IP	7,440	23,277
Other	3,450	10,626
	48,098	125,750

3. OPERATING COSTS

	2008	2007
	£'000	£'000
Outpayments to other telecommunications administrations and carriers	6,397	29,082
Other cost of sales	7,617	13,167
Employee costs	5,223	16,730
Pension costs	215	776
Rental of transmission facilities	3,490	6,652
Operating lease rentals	1,038	2,072
Depreciation of tangible fixed assets	4,216	10,523
Auditors' remuneration—audit of these financial statements	87	190
Other operating costs	5,073	30,911
	33,356	110,103

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Cable and Wireless.

Auditors' remuneration includes amounts for branch audits.

Exchange gains and losses on foreign currency transactions have been disclosed within net interest and other similar income (note 7).

4. EMPLOYEES

	2008 Number	2007 Number
(a) Average weekly number of persons employed by the Company during the year	206	832

(b) The aggregate remuneration and associated costs of Company employees including amounts capitalised were:

	2008 £'000	2007 £'000
Salaries and wages	5,072	16,220
Social security costs	151	510
Pension costs	215	776
	5,438	17,506

None of the Directors received any emoluments from the Company (2007: £nil).

5. PENSIONS

Defined contribution scheme:

The pension cost charged for the year represents contributions payable by the Company to the schemes described in note 1 to these financial statements. During the year these contributions amounted to £207,000 (2007: £683,000). No amounts were outstanding at the end of the financial year in respect of this charge.

Multi-employer defined benefit scheme:

The Company is a member of a group-wide pension scheme providing benefits based on final personable pay. 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 the scheme was a defined contribution scheme.

The latest triennial valuation was carried out by Watson Wyatt as at 31 March 2007 and was updated for FRS17 purposes to 31 March 2008. The ordinary contribution for the year was £8,000 (2007—£93,000). An employer contribution rate of 28.5% (2006/2007—22.3%) of pensionable pay has been applied from 1 April 2007.

The Company is not able to separate the performance of the group wide scheme to give the element that relates solely to the Company's employees. At 31 March 2008 the group wide scheme had a Nil deficit/Surplus (2007—surplus £43 million)

More details are included in the financial statements of Cable and Wireless plc for the year ended 31 March 2008. These accounts can be obtained from the Secretary, Cable and Wireless plc, 3rd Floor, 26 Red Lion Square, London, WCI R 4HQ.

6. SALE OF DISCONTINUED OPERATIONS

The branches in Antigua, Anguilla, BVI and Turks and Caicos were incorporated during the year ended 31 March 2008, with a resulting realised gain on disposal of £40,808,460 and an unrealised gain on disposal of £55,824,670.

On 30 June 2007, the net assets of the branch in Antigua were acquired by a 100% subsidiary of the Company, Cable & Wireless Antigua & Barbuda Limited. On 1 November 2007 the net assets of the branch in Anguilla were acquired by a 100% subsidiary of the Company, Cable and Wireless (Anguilla) Limited. On 31 December 2007 the net assets of the branches in BVI and Turks and Caicos were acquired by 100% subsidiaries of the Company, Cable and Wireless (BVI) Limited and Cable and Wireless TCI Limited, respectively.

7. NET INTEREST AND OTHER SIMILAR INCOME

	2008 £'000	2007 £'000
Deposit and short term loan interest	11	247
Income from fixed assets investment		
Subsidiaries: Dividends received	67,642	105,874
Interest payable	13,551	5,426
Dividends from associated undertakings	—	3,132
Other interest	—	(24)
Exchange gains/(losses) on currency transactions	556	(3,946)
	81,760	110,709

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
UK corporation tax at 30%	27,624	29,108
Double taxation relief	(27,624)	(29,108)
	—	—
Overseas taxation	397	2,856
Adjustment in respect of prior years	64	(199)
Total current tax charge	461	2,657
Deferred taxation (credit)	91	(7,185)
Tax (credit) on profit on ordinary activities	552	(4,528)

Factors affecting the current tax charge

The corporation tax (credit)/charge for the year differs from the statutory rate as follows:

	2008 £'000	2007 £'000
Profit before tax	137,310	128,295
Tax at UK statutory rate	41,195	38,489
Dividends less double tax relief	(22,961)	(18,309)
Net income not taxable	(12,869)	(301)
Capital allowances and depreciation	(8)	6,458
Other timing differences	—	76
Group relief claimed without payment	(4,960)	(23,557)
Current year tax charge	397	2,856
Adjustment in respect of prior years	64	(199)
Total current tax charge/(credit)	461	2,657

9. TANGIBLE FIXED ASSETS

	Cables and Repeaters	Land and Buildings	Plant and Machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2007	12,640	11,047	159,452	183,139
Additions	78	74	4,121	4,273
Disposals	(5,472)	(10,030)	(121,421)	(136,923)
Exchange and other adjustments	(137)	(218)	(2,536)	(2,891)
At 31 March 2008	7,109	873	39,616	47,598
Depreciation				
At 1 April 2007	10,960	5,452	109,232	125,644
Charges for the year	118	155	3,942	4,216
Disposals	(3,928)	(4,811)	(73,025)	(81,764)
Exchange and other adjustments	(104)	(107)	(1,511)	(1,722)
At 31 March 2008	7,046	689	38,639	46,374
Net book value at 31 March 2008	63	184	977	1,224
Net book value at 31 March 2007	1,680	5,595	50,220	57,495

	2008	2007
	£'000	£'000
Land and buildings at net book value comprise:		
Freeholds	21	5,132
Long leaseholds	163	296
Short leaseholds	—	167
	184	5,595

The net book value of tangible fixed assets includes £287,000 *(2007:£9,905,000)* in respect of assets not yet in service.

10. INVESTMENTS

	Subsidiary Undertakings	Associated Undertakings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2007	815,111	56,680	871,791
Investment in Subsidiaries	118,493	—	118,493
At 31 March 2008	933,604	56,680	990,284
Provisions and amounts written off			
At 1 April 2007	131,854	31,235	163,089
At 31 March 2008	131,854	31,235	163,089
Net Book value at 31 March 2008	801,750	25,445	827,195
Net Book value at 31 March 2007	683,257	25,445	708,702

a) ***At 31 March 2008 the Company's holdings in subsidiaries were:***

i 100% of the ordinary share capital of Cable & Wireless Antigua & Barbuda Limited (formerly Cable and Wireless Caribbean Cellular (Antigua) Limited), incorporated in Antigua.

ii 100% of the ordinary share capital of Cable and Wireless (BVI) Limited, incorporated in the British Virgin Islands.

iii 100% of the ordinary share capital of Cable and Wireless (Anguilla) Limited, incorporated in Anguilla.

iv 100% of the ordinary share capital of Cable and Wireless TCI Limited, incorporated in Turks and Caicos.

v 100% of the ordinary share capital of Cable and Wireless Caribbean Cellular (Marketing) Limited, incorporated in the British Virgin Islands.

vi 100% of the ordinary share capital of Cable & Wireless (St. Lucia) Limited (formerly known as Cable and Wireless Caribbean Cellular (St. Lucia) Limited), incorporated in St. Lucia.

vii 100% of the ordinary share capital of Cable & Wireless St. Vincent and the Grenadines Limited, incorporated in St. Vincent and the Grenadines.

viii 100% of the ordinary share capital of Cable and Wireless (CALA Investments) Limited, incorporated in the Cayman Islands.

ix 100% of the ordinary share capital of Cable and Wireless (CALA Management Services) Limited, incorporated in the United Kingdom.

x 81.1% of the ordinary share capital of Cable & Wireless (Barbados) Limited, incorporated in Barbados.

xi 100% of the ordinary share capital of Cable & Wireless M&G S.A.S., incorporated in France.

xii 80% of the ordinary share capital of Cable & Wireless Dominica Limited incorporated in Dominica.

xiii 70% of the ordinary share capital in Cable & Wireless Grenada Limited, incorporated in Grenada.

xiv 77.25% of the ordinary share capital in Cable & Wireless St. Kitts & Nevis Limited, incorporated in St. Kitts and Nevis.

xv 100% of the ordinary share capital in Cable & Wireless (Bermuda) Holdings Limited, incorporated in Bermuda.

xvi 100% of the ordinary share capital in Cable and Wireless (Far East) Limited, incorporated in Hong Kong.

xvii The Company held 100% of the ordinary share capital in Cable & Wireless Caribbean Cellular (Jamaica) Limited, incorporated in Jamaica, up until 15th May 2007, when this entity was liquidated.

In the opinion of the Directors, the value of the Company's investments in each of the subsidiaries is not less than the amount at which they are stated in the balance sheet. Exemption from further disclosure under the Companies Act 1985 is available as the Company is a wholly owned subsidiary of Cable and Wireless which is incorporated in England.

b) ***Associated Undertakings***

The Company owns 49% of the ordinary share capital of Telecommunications Services of Trinidad and Tobago Limited, incorporated in Trinidad and Tobago.

The Company's attributable share of the net assets of associated undertakings, calculated by using the equity method of accounting amounts to £80 million *(2007: £74 million)*.

11. ASSET HELD FOR SALE

On the 24 September 2007, the Company, purchased an additional 17.05% stake in Cable and Wireless (St. Kitts & Nevis) Limited from the Government of the Federation of St. Kitts & Nevis, taking its total share holding to 82.25%. Within 12 months of completion, under the terms of the sale and purchase agreement, the Company was required to offer for sale 5% of the company via a public offering to the residents of St. Kitts and Nevis. In April 2008 the Company sold this 5% shareholding.

12. STOCKS

Stock comprises of network equipment and items held for resale.

13. DEBTORS

	2008	2007
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	199	7,133
Amounts owed by parent undertaking	—	27,698
Amounts owed by subsidiary undertakings	305,736	13,999
Amounts owed by associated undertakings	1,392	176,611
Other debtors	1,602	2,288
Prepayments and accrued income	56	703
	308,985	228,432
Amounts falling due after more than one year:		
Other debtors	—	254
Total debtors	308,985	228,686

14. CASH AT BANK AND IN HAND

Of the total amount shown, none (2007: £2,906,000) is held in countries subject to exchange regulations which may temporarily delay repatriation.

15. CREDITORS

	2008	2007
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	300	3,610
Corporation tax	182	620
Other taxation and social security	56	207
Other creditors	18	4,590
Accruals and deferred income	434	6,483
Amounts owed to group companies	611,293	600,435
	612,283	615,945

16. DEFERRED TAXATION

	2008	2007
	£'000	£'000
Amount provided at 1 April	35	7,804
Disposals	(68)	—
Deferred tax credit	91	(7,185)
Foreign exchange and other movements	—	(583)
Amount provided at 31 March	58	35
Accelerated capital allowances	58	111
Other timing differences	—	(76)
Amount provided at 31 March	58	35

Deferred tax assets of £47,300,000 (2007—£22,987,000) on accelerated capital allowances and short term timing differences and £179,172,000 (2007—£211,350,000) on capital losses have not been recognised, as these are not considered recoverable in the foreseeable future.

17. OTHER PROVISIONS

	2008	2007
	£'000	£'000
At 1 April 2007	—	110
Amounts used during the year	—	(110)
At 31 March 2008	—	—

Last year these provisions related to a number of small liabilities across the operating units, none of which were individually significant.

18. CALLED UP SHARE CAPITAL

	2008	2007
	£	£
Authorised		
28,000,000 ordinary shares of £0.25 each	7,000,000	7,000,000
Allotted, called up and fully paid		
20,003,543 ordinary shares of £0.25 each	5,000,886	5,000,886

19. RESERVES

	Share premium account	Other reserve (unrealised)	Profit and loss account
	£'000	£'000	£'000
At 1 April 2007	246.606	—	134,322
Profit for financial year	—	—	136,758
Dividends paid	—	—	(50,009)
Unrealised gain on disposal	—	55,825	—
Transfer of unrealised gains	—	1,200	(1,200)
Exchange adjustments (net)	—	—	(414)
At 31 March 2008	246,606	57,025	219,457

The other reserve represents the unrealised gain on disposal of the branches (see note 6). The transfer of unrealised gains represents the portion of the gain made on disposal of branches in the prior year that was unrealised.

20. COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2008	2007
	£'000	£'000
Capital expenditure in respect of contracts not provided for	—	302

Operating lease commitments payable in the following year, analysed according to the period in which each lease expires are as follows:

	2008 £'000	2007 £'000
Land and Buildings		
Expiring within one year	—	155
Expiring in two to five years	—	4
Expiring thereafter	—	95
	—	254
Other assets		
Expiring within one year	—	7
Expiring in years two or five	—	5
	—	12

On 15 December 2006 Cariaccess Communications (St. Vincent) Limited served a writ on the Company suing the Company and the telecommunications regulator in St. Vincent for US$42 million, which the Company intends to vigorously defend. At 31 March 2007 all assets and liabilities of the St. Vincent branch were sold to Cable and Wireless St. Vincent and the Grenadines Limited, with the effect that any liability arising from this claim will be accounted for in future Cable and Wireless St. Vincent and the Grenadines Limited accounts. Following an application by the Company, a similar claim in St. Lucia was struck out by a judgment of the Saint Lucia High Court on 15 March 2007.

In July 2007, Cable and Wireless plc, the Company and certain other Cable & Wireless subsidiaries received a claim from their Caribbean competitor, Digicel, which they believe is without foundation and will be vigorously defended. Based on legal advice, we are making no provision for the claim itself, but Cable and Wireless plc has recorded a charge of £11 million for the legal fees for the defence of the claim. At 31 March 2008 the remaining provision stood at £8.2 million following the incursion of legal costs related to this claim. No provision or charge is in the Company's financial statements.

No provision has been made in the financial statements for the above legal matters as the Directors consider the possibility of the claim being successful to be remote.

Cable and Wireless (West Indies) Limited provided guarantees in respect of loans taken out by Cable and Wireless Antigua and Barbuda Limited in June 2007, by Cable and Wireless St. Vincent & The Grenadines Limited and by Cable and Wireless Caribbean Cellular (St. Lucia) Limited in March 2007, to facilitate the purchase of their respective branch assets from Cable and Wireless (West Indies) Limited. The total value of the principals of these loans is £23,854,000 and the total value of the guarantees on these loans is £26,975,000. To date all of the terms of these loan agreements have been met and no provision has been made in respect of the guarantees on these loans.

21. CASH FLOW STATEMENT

Under FRS1 (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 cashflow statement is included in the financial statements of Cable and Wireless plc.

22. RELATED PARTY TRANSACTIONS

Under FRS 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.

23. ULTIMATE HOLDING COMPANY

The Company's immediate parent undertaking is CWIGroup Limited (formerly Cable & Wireless International Group Limited).

The Directors consider that the Company's ultimate parent undertaking and controlling party is Cable and Wireless, registered in England and Wales. A copy of Cable and Wireless's published consolidated financial statements can be obtained from The Secretary, Cable and Wireless, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. No other group accounts include the results of the Company.

24. SUBSEQUENT EVENTS

On 23 May 2008 the Directors of the Company approved the provision of a guarantee in respect of the obligations of fellow group subsidiary Sable International Finance Limited ("SIFL"), a 100% subsidiary of Sable Holding Limited, pursuant to a USD415 million revolving facilities agreement arranged by BNP Paribas and J.P. Morgan. The facilities, which have been provided for the general corporate purposes of the Cable & Wireless group, were extended against expected future cash flows of the Company and certain other subsidiaries of the Cable & Wireless International business, as demonstrated to the satisfaction of the arrangers. All Group companies involved in the guarantee and the facility are 100% owned members of the Cable & Wireless Group.

On the 24 September 2007, the Company, purchased an additional 17.05% stake in Cable and Wireless (St. Kitts & Nevis) Limited from the Government of the Federation of St. Kitts & Nevis, taking its total share holding to 82.25%. Within 12 months of completion, under the terms of the sale and purchase agreement, the Company was required to offer for sale 5% of the company via a public offering to the residents of St. Kitts and Nevis. In April 2008 the Company sold this 5% shareholding.

25. DIVIDENDS

The aggregate amount of dividends paid comprises:

	2008	2007
	£'000	£'000
Dividends paid	50,009	584,103

Company Registration 11116

CABLE AND WIRELESS (WEST INDIES) LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

Registered Office:
3rd Floor
26 Red Lion Square
London
WCIR 4HQ

CABLE AND WIRELESS (WEST INDIES) LIMITED

Report and Financial Statements

31 March 2009

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CABLE AND WIRELESS (WEST INDIES) LIMITED

Directors' Report

The Directors submit their annual report together with the audited financial statements of Cable and Wireless (West Indies) Limited ('the Company') for the year ended 31 March 2009.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of international and national public telecommunications in the Caribbean. No change in the principal activity is envisaged in the foreseeable future.

REVIEW OF THE BUSINESS

During the year ended 31 March 2009 the Company continued management of its Montserrat Branch and providing management support services to its subsidiaries and associates across the Caribbean.

The Company's branches in Antigua, Anguilla, British Virgin Islands and Turks and Caicos were incorporated during the year ended 31 March 2008.

The Company continued to operate through controlling interests in companies which own and operate the internal and external telecommunications systems of St.Vincent, St. Lucia, Barbados, Cayman Islands, Dominica, Grenada, Jamaica, Panama, Bermuda and St. Kitts and Nevis.

In addition, the Company has a minority interest in a company which owns and operates the internal and external telecommunications systems of Trinidad and Tobago. Virtually all of the Company's activities arise under licenses and franchises of prescribed duration, granted by the Government concerned.

ENHANCED BUSINESS REVIEW

The Company belongs to the international division of the Cable & Wireless group which operates telecommunications companies, offering mobile, broadband, domestic and international fixed line services to residential and business customers.

Across our markets, we face broadly the same issues. New technologies are driving down the price of existing offerings. At the same time, liberalisation has seen new entrants seeking to challenge our position and driving price erosion as they compete aggressively. Additionally, we are responding to continuing developments in regulatory and government policy.

We are meeting the challenge of increased competition head on by ensuring that we provide the best possible quality, value and innovative services to our customers. This means that we must be responsive to the technological innovations and competitive forces in the marketplace and strive to meet these challenges with continuous improvement to our products and offering.

Turnover has decreased by 94% to £2,803,000 in 2009, from £48,098,000 in 2008. This was largely due to the accounting consequences of incorporations of some of the Company's branches in the prior year. As a result of incorporation of the Company's branches, in future, income from the former branches will be received as dividends. Turnover of the continuing operation in Montserrat increased by 19% during the year from £2,348,000 in 2008 to £2,803,000 in 2009.

The Montserrat business unit is currently the only official provider of telecommunications services in Montserrat after the notification and expiry of the exclusive operating licence in March 2007. However, the Government has recently announced the imminent liberalisation of the telecommunications market and has enacted legislation to enable the introduction of service by our competitors, most likely Digicel and Caribbean Cable Communications, who compete with us in other markets. It is expected that competitors will enter the Montserrat market within the next 12 months.

During the year a major transformation project which has been fully sanctioned by Cable and Wireless plc, continued. This focused on key issues of brand & image (services have been rebranded as LIME—LandLine, Internet, Mobile & Entertainment), customer service, human resource rationalisation, platform & systems optimisation, regional administration, and marketing & sales efforts.

EMPLOYEES

The average weekly number of persons employed by the Company decreased by 90% from 206 in the prior year to 20 in 2009 as a result of the incorporation of the Company's branches. The Company is committed to recognising employees' achievements by granting awards and by publishing the employees' contributions in the Cable & Wireless Americas and Caribbean bi-annual newsletter. The Company is committed to continual enhancement of its employees' skills by providing adequate training and by using the intranet to publish relevant policies and practices, which are updated on a regular basis to reflect changes in legislation.

RISKS

Fluctuations in currency exchange rates in the countries where we operate may adversely affect our reported results and financial condition. A significant percentage of our business is conducted in different currencies. We are thus exposed to movements in exchange rates in relation to foreign currency receipts and payments, dividend and other income from foreign subsidiaries, reported profits of foreign subsidiaries and the net asset carrying value of foreign investments particularly in respect of the £/US dollar exchange rate. The ultimate parent of the Company, Cable and Wireless plc, manages the group exposure to movements in exchange rates on a net basis and, where appropriate, through the use of forward foreign exchange contracts and other derivative and financial instruments to mitigate the exposure.

Much of the Company's business is conducted within the Caribbean hurricane zone. These storms pose a risk to the Company's property and employees. This risk is mitigated as much as possible by locating premises and equipment in the safest areas and ensuring that their construction is strong enough to withstand these storms.

Increased global competition is an inherent risk for most companies. As noted above, the imminent liberalisation of the Montserrat telecommunications market will introduce competition into that market and will pose a risk to our business there.

RESULTS AND DIVIDENDS

The profit for the year before the payment of the dividend and after the payment of tax was £100,592,000 (2008: £136,758,000).

The aggregate amount of dividends paid in the year was nil (2008: £50,009,000).

PAYMENTS TO SUPPLIERS

The Company agrees payment terms with its suppliers when it enters into purchase contracts. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company seeks to treat all its suppliers fairly and applies a standard in dealing with the payment of suppliers.

The Company had 63 days purchases *(2008—31 days purchases)* outstanding at 31 March 2009 based on the average daily amount invoiced by suppliers during the year ended 31 March 2009.

DIRECTORS

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

JPM Jankovich-Besan	resigned 30 April 2008
ST Irvine	resigned 29 August 2008
PSJ Davis	resigned 10 December 2008
BPJ Buckley	appointed 8 May 2008—resigned 31 December 2008
R Burge	appointed 29 July 2008
IL Pennington	appointed 9 October 2008
C Underwood	appointed 10 February 2009
BUY Bradberry	appointed 10 February 2009

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

CABLE AND WIRELESS (WEST INDIES) LIMITED

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Pursuant to section 487 of the companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

The Directors would also like to record their appreciation of the excellent relations the Company has enjoyed with administrations, governments, customers, suppliers and associates throughout the world.

By order of the Board of Directors

H M HANSCOMB
Company Secretary

Date: 11 September 2009

CABLE AND WIRELESS (WEST INDIES) LIMITED

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each fmancial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 (WEST INDIES) LIMITED

Report of the Independent Auditors, KPMG AUDIT Plc, to the Members of Cable and Wireless (WEST INDIES) Limited

We have audited the financial statements of Cable and Wireless (West Indies) Limited for the year ended 31 March 2009, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Equity Shareholder's Funds and the related notes. These fmancial statements have been prepared under the primary statements such as the accounting policies set out therein.

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 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 director's responsibilities for preparing the financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors responsibilities on page F-178.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 11 September 2009

8 Salisbury Square
London EC4Y 8BB
United Kingdom

CABLE AND WIRELESS (WEST INDIES) LIMITED

PROFIT AND LOSS ACCOUNT
Year Ended 31 March 2009

	Note	2009 £'000	2008 £'000
Turnover:			
Continuing operations		2,803	2,348
Discontinued operations		—	45,750
	2	2,803	48,098
Operating costs before depreciation		(4,122)	(29,140)
Depreciation & amortisation:			
Continuing operations		(122)	(134)
Discontinued operations		—	(4,082)
		(122)	(4,216)
Total operating costs	3	(4,244)	(33,356)
Operating (Loss)/profit/:			
Continuing operations		(1,441)	1,100
Discontinued operations		—	13,642
		(1,441)	14,742
Realised gain on sale of discontinued operations	6	—	40,808
Loss on sale of shares in investment	11	(158)	—
Net interest and other similar income	7	102,864	81,760
Profit on ordinary activities before taxation		101,265	137,310
Tax on profit on ordinary activities	8	(673)	(552)
Profit for the financial year	18	100,592	136,758

There is no difference between the reported result and that which would be reported under the historical cost convention.

CABLE AND WIRELESS (WEST INDIES) LIMITED

BALANCE SHEET
As at 31 March 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	9	1,993	1,224
Investments	10	827,249	827,195
		829,242	828,419
CURRENT ASSETS			
Asset held for resale	11	—	1,549
Stocks	12	98	42
Debtors—due within one year	13	385,655	308,985
—due after more than one year	13	495	—
		386,150	308,985
Cash at bank and in hand	14	1,097	1,435
		387,345	312,011
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(587,152)	(612,283)
NET CURRENT LIABILITIES		(199,807)	(300,272)
TOTAL ASSETS LESS CURRENT LIABILITIES		629,435	528,147
Provisions for liabilities and charges:			
Deferred taxation	16	(114)	(58)
NET ASSETS		629,321	528,089
CAPITAL AND RESERVES			
Called up share capital	17	5,001	5,001
Share premium	18	246,606	246,606
Other reserve	18	57,025	57,025
Profit and loss account	18	320,689	219,457
Equity shareholder's funds		629,321	528,089

The accounts on pages F-181 to F-193 were approved by the Board of Directors on 11 September 2009 and signed on its half by:

T L Pennington
Director

CABLE AND WIRELESS (WEST INDIES) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the Year Ended 31 March 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		100,592	136,758
Currency translation differences (net)		640	(414)
Unrealised gain on disposal	6	—	55,825
Total gains and losses relating to the financial year		101,232	192,169

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS
For the Year Ended 31 March 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		100,592	136,758
Dividends Paid		—	(50,009)
		100,592	86,749
Other recognised gains and losses relating to the year:			
Currency translation differences (net)		640	(414)
Unrealised gain on disposal	6	—	55,825
Net increase in equity shareholder's funds		101,232	142,160
Opening equity shareholder's funds		528,089	385,929
Closing equity shareholder's funds		629,321	528,089

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 in the UK and on the historical cost accounting rules. Accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £199,807,000 (2008: net current liabilities £300,272,000). 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) ***Group accounts***

The Company has taken advantage of the exemption to prepare consolidated financial statements under Section 228 of the Companies Act 1985, on the grounds that it is a wholly-owned subsidiary undertaking of Cable and Wireless plc, a company registered within the European Economic Area ("EEA"). These financial statements present information about the Company as an individual undertaking and not about its group.

(c) ***Fixed asset investments***

Fixed asset investments are stated at cost less amounts written off in respect of any impairment. Fixed asset investments have indefmite useful lives, are not subject to amortisation and are tested annually for impairment.

(d) ***Foreign currencies***

Average rates of exchange ruling during the year are used to translate the profit and loss accounts of overseas branches. The assets and liabilities of overseas branches are translated at the closing rate of exchange. Exchange differences arising are taken to the profit and loss reserve in accordance with SSAP 20 'Foreign Currency Translation'. All other exchange differences are dealt with through the profit and loss account.

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

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. 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:

Telephone cables and repeaters	15 years
Freehold buildings	40 years
Leasehold land and buildings	40 years or term of lease if less
Plant and Machinery	3 to 40 years (average 13 years)

Freehold land, where the cost is distinguishable from the cost of the building thereon, is not depreciated.

Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable Where the recoverable amount is less than the carrying value an impairment is recognised.

(g) ***Taxation***

The charge for tax 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.

(h) ***Deferred taxation***

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 unless as otherwise required by FRS 19. 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.

(i) ***Stocks***

Stocks of equipment, held for use in the maintenance and expansion of the Company's telecommunications systems, are stated at cost, less provision for deterioration and obsolescence.

(j) ***Pensions***

The Company participates in both funded defined contribution and funded defined benefit pension plans. Contributions to defined contribution plans are expensed as incurred. Contributions to the defined benefit plan operated by Cable and Wireless are determined by an independent actuary and provides benefits based on final pensionable pay. As permitted by FRS 17, the Company is exempt from accounting for pension schemes as defined benefit schemes since it is unable to identify its share of the underlying assets and liabilities from those of the other participating employers within the group. Therefore the Company has treated the pension schemes as if they were defined contribution schemes and has expensed contributions as incurred.

(k) ***Leases***

Operating leases are charged to trading profit on a straight line basis over the lease term.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

(l) ***Share based payments***

The Company operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original non-market estimates if any, in the profit and loss, and a corresponding adjustment to equity over the remaining vesting period. The expense recognised in the Company relates only to the Company employees.

Share based expenses relating to grants of the ultimate parent company's equity made to employees of subsidiary companies are recognised in the profit and loss account of the subsidiary and the parent company does not record any entries on the award of these options except when the options are exercised.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Where continuing employees withdraw from share-based compensation plans the remaining charge is recognised immediately.

2. TURNOVER

Turnover, which excludes value added tax, represents the amount receivable in respect of telecommunications services provided to customers and is accounted for on the accruals basis. Amounts are recognised as services are provided; in respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to telecommunications operators of national and international networks are recognised as services are provided. Charges are negotiated separately and are subject to continuous review.

Revenue is earned from the transmission of content on its network originated by third-party providers. The Company assesses whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following indicators:

- Whether the branch holds itself out as an agent;
- Establishment of the price;
- Provision of customer remedies;
- Performance of part of the service; and
- Assumption of credit risk.

The Company's operations are all considered to fall into one class of business, namely telecommunications, all of which arise in the Caribbean region. Turnover can be analysed as follows:

	2009	2008
	£'000	£'000
International Voice	503	7,096
Domestic Voice	506	11,097
Mobile	1,103	19,015
Data and IP	469	7,440
Other	222	3,450
	2,803	48,098

3. OPERATING COSTS

	2009	2008
	£'000	£'000
Operating Foreign exchange gain	(2,379)	—
Bad Debt expense	3,998	—
Depreciation of tangible fixed assets	177	4,216
Operating lease rentals—Networks	403	1,038
Operating lease rentals—Property	4	—
Auditors' remuneration—audit of these financial statements	49	87

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Cable and Wireless plc.

Auditors' remuneration includes amounts for branch audits.

Exchange gains and losses on foreign currency transactions have been disclosed within net interest and other similar income (note 7).

4. EMPLOYEES

		2009	2008
		Number	Number
(a)	Average weekly number of persons employed by the Company during the year	20	206

(b) The aggregate remuneration and associated costs of Company employees including amounts capitalised were:

	2009	2008
	£'000	£'000
Salaries and wages	302	5,072
Social security costs	10	151
Pension costs	28	215
	340	5,438

None of the Directors received any emoluments from the Company (2008: £nil).

5. PENSIONS

Defined contribution scheme

The pension cost charged for the year represents contributions payable by the Company to the schemes described in note 1 to these financial statements. During the year these contributions amounted to £16,000 (2008: £207,000). No amounts were outstanding at the end of the financial year in respect of this charge.

Multi-employer defined benefit scheme

The Company is a member of a group-wide pension scheme providing benefits based on final pensionable pay. 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 the scheme was a defined contribution scheme.

The latest triennial valuation was carried out by Watson Wyatt as at 31 March 2007 and was updated for FRS17 purposes to 31 March 2009. The ordinary contribution for the year was £12,000 (2008—£8,000). An employer contribution rate of 28.5% (2008—28.5%) of pensionable pay has been applied from 1 April 2007.

The Company is not able to separate the performance of the group wide scheme to give the element that relates solely to the Company's employees. As an indication, however, the group-wide scheme had a deficit at 31 March 2009, before the effect of the asset ceiling, of £32 million, compared with £375 million surplus at 31 March 2008. Assumptions were changed relating to increased life expectancy, using the latest, generally adopted mortality tables.

More details are included in the financial statements of Cable and Wireless plc for the year ended 31 March 2009. These accounts can be obtained from the Secretary, Cable and Wireless plc, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ.

6. SALE OF DISCONTINUED OPERATIONS

The branches in Antigua, Anguilla, BVI and Turks and Caicos were incorporated during the year ended 31 March 2008, with a resulting realised gain on disposal of £40,808,460 and an unrealised gain on disposal of £55,824,670.

On 30 June 2007, the net assets of the branch in Antigua were acquired by a 100% subsidiary of the Company, Cable & Wireless Antigua & Barbuda Limited. On 1 November 2007 the net assets of the branch in Anguilla were acquired by a 100% subsidiary of the Company, Cable and Wireless (Anguilla) Limited. On 31 December 2007 the net assets of the branches in BVI and Turks and Caicos were acquired by 100% subsidiaries of the Company, Cable and Wireless (BVI) Limited and Cable & Wireless (TCI) Limited, respectively.

7. NET INTEREST AND OTHER SIMILAR INCOME

	2009	2008
	£'000	£'000
Deposit and short term loan interest	116	11
Income from fixed assets investment		
Subsidiaries: Dividends received	50,841	67,642
Interest payable	17,292	13,551
Dividends from associated undertakings	3,406	
Exchange gains/(losses) on currency transactions	31,209	556
	102,864	81,760

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£'000	£'000
UK corporation tax at 28% (2008: 30%)	19,841	27,624
Double taxation relief	(19,841)	(27,624)
	—	—
Overseas taxation	669	397
Adjustment in respect of prior years	(24)	64
Total current tax charge	645	461
Deferred taxation	28	91
Tax on profit on ordinary activities	673	552

Factors affecting the current tax charge

The corporation tax charge for the year differs from the statutory rate as follows:

	2009	2008
	£'000	£'000
Profit before tax	101,265	137,310
Tax at UK statutory rate	28,357	41,195
Double tax relief	(13,708)	(22,961)
Expenditure not allowable/(income not taxable)	1,093	(12,869)
Capital allowances and depreciation	(26)	(8)
Other timing differences	(236)	—
Group relief claimed without payment	(14,811)	(4,960)
Current year tax charge	669	397
Adjustment in respect of prior years	(24)	64
Total current tax charge	645	461

9. TANGIBLE FIXED ASSETS

	Cables and Repeaters £'000	Land and Buildings £'000	Plant and Machinery £'000	Total £'000
Cost				
At 1 April 2008	7,109	873	39,616	47,598
Additions	216	1	416	633
Disposals	—	—	(284)	(284)
Exchange and other adjustments	546	214	1,408	2,168
At 31 March 2009	7,871	1,088	41,156	50,115
Depreciation				
At 1 April 2008	7,046	689	38,639	46,374
Charges for the year	14	1	162	177
Disposals	—	—	(67)	(67)
Exchange and other adjustments	480	206	952	1,638
At 31 March 2009	7,540	896	39,686	48,122
Net book value at 31 March 2009	331	192	1,470	1,993
Net book value at 31 March 2008	63	184	977	1,224

	2009 £'000	2008 £'000
Land and buildings at net book value comprise:		
Freeholds	23	21
Long leaseholds	169	163
	192	184

The net book value of tangible fixed assets includes £432,000 (2008: £287,000) in respect of assets not yet in service.

10. INVESTMENTS

	Subsidiary Undertakings £'000	Associated Undertakings £'000	Total £'000
Cost			
At 1 April 2008	933,604	56,680	990,284
Investment in Subsidiaries	54	—	54
At 31 March 2009	933,658	56,680	990,338
Provisions and amounts written off			
At 1 April 2008	131,854	31,235	163,089
At 31 March 2009	131,854	31,235	163,089
Net Book value at 31 March 2009	801,804	25,445	827,249
Net Book value at 31 March 2008	801,750	25,445	827,195

a) ***At 31 March 2009 the Company's holdings in subsidiaries were:***

i 100% of the ordinary share capital of Cable & Wireless Antigua & Barbuda Limited (formerly Cable and Wireless Caribbean Cellular (Antigua) Limited), incorporated in Antigua.

ii 100% of the ordinary share capital of Cable and Wireless (BVI) Limited, incorporated in the British Virgin Islands.

iii 100% of the ordinary share capital of Cable and Wireless (Anguilla) Limited, incorporated in Anguilla.

iv 100% of the ordinary share capital of Cable & Wireless (TCI) Limited, incorporated in Turks and Caicos.

v 100% of the ordinary share capital of Cable and Wireless Caribbean Cellular (Marketing) Limited, incorporated in the British Virgin Islands.

vi 100% of the ordinary share capital of Cable & Wireless (St Lucia) Limited (formerly known as Cable and Wireless Caribbean Cellular (St. Lucia) Limited), incorporated in St. Lucia.

vii 100% of the ordinary share capital of Cable and Wireless St. Vincent & the Grenadines Limited, incorporated in St. Vincent and the Grenadines.

viii 100% of the ordinary share capital of Cable and Wireless (CALA Investments) Limited, incorporated in the Cayman Islands.

ix 100% of the ordinary share capital of Cable and Wireless (CALA Management Services) Limited, incorporated in the United Kingdom.

x 81.1% of the ordinary share capital of Cable & Wireless (Barbados) Limited, incorporated in Barbados.

xi 100% of the ordinary share capital of Cable & Wireless M&G S.A.S, incorporated in France.

xii 80% of the ordinary share capital of Cable & Wireless Dominica Limited incorporated in Dominica.

xiii 70% of the ordinary share capital in Cable & Wireless Grenada Limited, incorporated in Grenada.

xiv 77.25% of the ordinary share capital in Cable & Wireless St. Kitts and Nevis Limited, incorporated in St. Kitts and Nevis.

xv 100% of the ordinary share capital in Cable and Wireless (Bermuda) Holdings Limited, incorporated in Bermuda.

xvi 100% of the ordinary share capital in Cable and Wireless (Far East) Limited, incorporated in Hong Kong.

xvii 100% of the ordinary share capital in CWI Caribbean Limited incorporated in Barbados on 23 May 2008. The consideration paid for these shares was £54,000. xviii 100% of Cable & Wireless Holdings Inc., incorporated in the USA. xix 100% of Cable & Wireless Honduras Holdings Limited, incorporated in the Cayman Islands.

In the opinion of the Directors, the value of the Company's investments in each of the subsidiaries is not less than the amount at which they are stated in the balance sheet. Exemption from further disclosure under the Companies Act 1985 is available as the Company is a wholly owned subsidiary of Cable and Wireless plc which is incorporated in England.

b) ***Associated Undertakings***

The Company owns 49% of the ordinary share capital of Telecommunications Services of Trinidad and Tobago Limited, incorporated in Trinidad and Tobago.

The Company's attributable share of the net assets of associated undertakings, calculated by using the equity method of accounting amounts to £146 million (2008: £80 million).

11. ASSET HELD FOR SALE

On the 24 September 2007, the Company purchased an additional 17.05% stake in Cable & Wireless St. Kitts and Nevis Limited from the Government of the Federation of St. Kitts and Nevis, taking its total share holding to 82.25%. Within 12 months of completion, under the terms of the sale and purchase agreement, the Company was required to offer for sale a 5% shareholding via a public offering to the residents of St. Kitts and Nevis. The assets were held for sale with a value of £1,549,000 and in April 2008 the Company sold this 5% shareholding for £1,391,000 resulting in a loss on disposal of £158,000.

12. STOCKS

Stock comprises of network equipment and items held for resale.

13. DEBTORS

	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	137	199
Amounts owed by subsidiary undertakings	383,033	305,736
Amounts owed by associated undertakings	1,392	1,392
Other debtors	1,018	1,602
Prepayments and accrued income	75	56
	385,655	308,985
Amounts falling due after more than one year:		
Other debtors	495	—
Total debtors	386,150	308,985

14. CASH AT BANK AND IN HAND

Of the total amount shown, none (2008: none) is held in countries subject to exchange regulations which may temporarily delay repatriation.

15. CREDITORS

	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	153	300
Corporation tax	665	182
Other taxation and social security	4	56
Other creditors	400	18
Accruals and deferred income	395	434
Amounts owed to group companies	585,535	611,293
	587,152	612,283

16. DEFERRED TAXATION

	2009	2008
	£'000	£'000
Amount provided at 1 April	58	35
Disposals	—	(68)
Deferred tax credit	28	91
Foreign exchange and other movements	28	—
Amount provided at 31 March	114	58
Accelerated capital allowances	114	58
Other timing differences	—	—
Amount provided at 31 March	114	58

Deferred tax assets of £44,764,000 (2008—£47,300,000) on accelerated capital allowances and short term timing differences and £232,400,000 (2008—£179,172,000) on capital losses have not been recognised, as these are not considered recoverable in the foreseeable future.

17. CALLED UP SHARE CAPITAL

	2009	2008
	£	£
Authorised 28,000,000 ordinary shares of £0.25 each	7,000,000	7,000,000
Allotted, called up and fully paid 20,003,543 ordinary shares of £0.25 each	5,000,886	5,000,886

18. RESERVES

	Share premium account	Other reserve (unrealised)	Profit and loss account
	£'000	£'000	£'000
At 1 April 2008	246,606	57,025	219,457
Profit for financial year	—	—	100,592
Exchange adjustments (net)	—	—	640
At 31 March 2009	246,606	57,025	320,689

The other reserve represents the unrealised gain on disposal of the branches (see note 6).

19. COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

The Company had no capital commitments at 31 March 2009 (2008: nil). The Company has no operating lease commitments.

In July 2007, Cable and Wireless plc, the Company and certain other Cable & Wireless subsidiaries received a claim from their Caribbean competitor, Digicel, which they believe is without foundation and will be vigorously defended. Based on legal advice, we are making no provision for the claim itself, which we believe will be defended successfully. Ongoing legal fees are being taken by Cable and Wireless plc.

No provision has been made in the financial statements for the above legal matters as the Directors consider the possibility of the claim being successful to be remote.

The Company provided guarantees in respect of loans taken out by Cable & Wireless Antigua & Barbuda Limited in June 2007, by Cable and Wireless St. Vincent & The Grenadines Limited and by Cable and Wireless Caribbean Cellular (St. Lucia) Limited in March 2007, to facilitate the purchase of their respective branch assets from Cable and Wireless (West Indies) Limited. The total value of the principals of these loans is £26,662,490 (2008; £23,854,000) and the total value of the guarantees on these loans is £37,206,660 (2008; £26,975,000). To date all of the terms of these loan agreements have been met and no provision has been made in respect of the guarantees on these loans.

The Company is a guarantor, jointly and severally with Cable & Wireless International HQ Limited, of the obligations of Sable International Finance Limited in its capacity as borrower under a US$415,000,000 Facilities Agreement dated 23 May 2008, as amended and restated on 29 August 2008. Both Cable & Wireless International HQ Limited and Sable International Finance Limited are subsidiaries in the Cable & Wireless group. Subject to early repayment, the Facilities Agreement terminates on 22 May 2011.

Since the end of the year ended 31 March 2009, the Company has become a guarantor, jointly and severally with Cable & Wireless International HQ Limited, Cable and Wireless plc and Sable Holding Limited of the obligations of Sable International Finance Limited in its capacity as borrower under a US$152,500,000 Facility Agreement dated 28 August 2009. Subject to early repayment or extension, the Facility Agreement terminates on 28 August 2010.

20. CASH FLOW STATEMENT

Under FRS 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 cashflow statement is included in the fmancial statements of Cable and Wireless plc.

21. RELATED PARTY TRANSACTIONS

Under FRS 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.

22. ULTIMATE HOLDING COMPANY

The Company's immediate parent undertaking is CWIGroup Limited (formerly Cable & Wireless International Group Limited).

The Directors consider that the Company's ultimate parent undertaking and controlling party 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, 3rd Floor, 26 Red Lion Square, London, WCIR 4HQ. No other group accounts include the results of the Company.

23. DIVIDENDS

The aggregate amount of dividends paid comprises:

	2009 £'000	2008 £'000
Dividends paid	—	50,009

ANNEX A—CABLE & WIRELESS WORLDWIDE GROUP INFORMATION

The proposed Demerger discussed elsewhere in this document involves a number of steps, each of which must be approved or sanctioned if process is to result in the successful demerger of the Cable & Wireless Worldwide Group from the existing Cable & Wireless Group.

The Demerger is the culmination of work which began in April 2006, when the Cable & Wireless Group created two largely distinct operating units under the Cable and Wireless plc umbrella to reflect the differing characteristics of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group and to establish clear strategies for both. Significant progress has been made since then, including the institution of separate stand alone capital structures, and the Cable and Wireless plc Board considers that the two businesses have now put in place the necessary arrangements to operate as independent, publicly-quoted businesses.

Although it is expected that the Scheme and the Demerger will become effective before the end of March 2010, disclosure about the Cable & Wireless Worldwide Group is included in this offering memorandum because the Cable & Wireless Worldwide Group is currently part of the Cable & Wireless Group and will remain owned by Cable & Wireless Communications Plc until the Demerger becomes effective. If the Demerger does not become effective by the Demerger Long Stop Date, the Cable & Wireless Worldwide Group will remain owned by Cable & Wireless Communications Plc indefinitely.

The Cable & Wireless Worldwide Group subsidiaries will not guarantee the Notes and will be "Unrestricted Subsidiaries" as defined in the section "*Description of Notes*" not subject to the restrictions of the indenture governing the Notes.

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PRESENTATION OF INFORMATION

Unless otherwise indicated, financial information in this document has been prepared in accordance with IFRS as adopted by the European Union. It has been presented in Sterling unless otherwise stated. All unaudited financial information in this document has been extracted without material adjustment from the Cable & Wireless Group's accounting records. Prospective investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it.

The financial information on the Cable & Wireless Worldwide Group in "*Cable & Wireless Worldwide Group Historical Financial Information*" of this document for the three year periods ended 31 March 2009 and for the six month period ended 30 September 2009 has been audited. The financial information for the six month period ended 30 September 2008 has not been audited. Unless otherwise specified, employee headcount figures in this document are as at 30 September 2009.

Use of Non-IFRS financial information

Cable & Wireless Worldwide has identified certain measures that it believes will assist understanding of the performance of the business. This approach is largely comparable with that used by Cable and Wireless plc, but as the measures are not defined under IFRS they may not be directly comparable with other companies' adjusted measures. The non-IFRS measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management have included them as these are considered to be important comparables and key measures used within the business for assessing performance and supporting the performance measures derived in accordance with IFRS.

The following are the key non-IFRS measures identified by Cable & Wireless Worldwide:

- **EBITDA**: Earnings before interest, tax, depreciation, amortisation, LTIP charge, net other operating income/expense and exceptional items.
- **Exceptional items**: Material items which derive from individual events that fall within the ordinary activities of the Cable & Wireless Worldwide Group that are identified as exceptional items by virtue of their size, nature or incidence.
- **Operating Cash Flow**: EBITDA less balance sheet capital expenditure and cash flow associated with exceptional items.
- **Data, IP and Hosting revenue percentage**: The proportion of the Cable & Wireless Worldwide Group's total revenue that is derived from Data, IP and Hosting products.
- **Gross margin**: Revenue less cost of sales.
- **Gross margin percentage**: Gross margin divided by total revenue.
- **Operating costs as a percentage of revenue**: Operating costs (excluding cost of sales, LTIP and exceptionals) divided by total revenue.
- **EBITDA margin percentage**: EBITDA (as defined above) divided by total revenue.

The Cable & Wireless Worldwide Group notes that the above non-IFRS measures, in particular, EBITDA and Operating Cash Flow, have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for analysis of, results of operations, as reported under IFRS. Some of these limitations are:

- they do not reflect all of the Cable & Wireless Worldwide Group's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Cable & Wireless Worldwide Group's working capital needs;
- they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the Cable & Wireless Worldwide Group's debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;
- they are not adjusted for all non-cash income or expense items that are reflected in the Cable & Wireless Worldwide Group's statements of cash flows; and

- other companies in the telecommunications industry may calculate these measures differently than the Cable & Wireless Worldwide Group does, limiting their usefulness as a comparative measure.

As a result of these limitations, EBITDA and Operating Cash Flow should not be considered as a measure of discretionary cash available to the Cable & Wireless Worldwide Group to invest in the growth of its business. The Cable & Wireless Worldwide Group compensates for these limitations by relying primarily on its IFRS measures and using EBITDA and Operating Cash Flow measures only supplementally. See the sections entitled "*Cable & Wireless Worldwide Group Operating and Financial Review*" and "*Cable & Wireless Worldwide Group Historical Financial Information*".

KPMG Audit Plc has given and not withdrawn its written consent to the inclusion through incorporation by reference in this prospectus of its report on historical financial information of Cable & Wireless Worldwide Group as of and for the six months ended 30 September 2009 and as of and for the years ended 31 March 2007, 2008 and 2009 referred to in the section entitled "Summary Cable & Wireless Worldwide Group Historical Financial Information" in the form and context in which they are included and has authorised the contents of the reports for the purposes of Prospectus Rule 5.5.4R(2)(f). For the purposes of Prospectus Rule 5.5.4R(2)(f) KPMG Audit Plc is responsible for the reports as part of this offering memorandum and has confirmed that it has taken all reasonable care to ensure that the information contained in the reports is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This responsibility statement is included in the prospectus in compliance with item 1.2 of annex IX of the PD Regulation. As the offered securities have not been and will not be registered under the Securities Act, KPMG Audit Plc has not filed a consent under the Securities Act.

Currencies

All references to **pounds, pounds sterling, sterling, £, pence, penny** and **p** are to the lawful currency of the United Kingdom and all references to euro are to the single currency of the member states of the European Union participating in the third stage of economic and monetary union pursuant to the Treaty of Rome of 25 March 1957 establishing the European Economic Community, as amended and supplemented from time to time.

The following tables set forth, for the periods indicated, certain information regarding the noon buying rate for the pound, expressed in dollars per pound. The rates below may differ from the actual rates used in the preparation of Cable & Wireless Worldwide Group's consolidated financial statements and other financial information appearing in this offering memorandum. Cable & Wireless Worldwide Group's inclusion of the exchange rates is not meant to suggest that the pound sterling amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

	Twelve months ended 31 December				
	2005	**2006**	**2007**	**2008**	**2009**
	(US$ per pound)				
Exchange rate at end of period	1.7188	1.9586	1.9843	1.4619	1.5928
Average exchange rate during period(1)	1.8147	1.8582	2.0073	1.8424	1.5659
Highest exchange rate during period	1.9292	1.9794	2.1104	2.0311	1.7042
Lowest exchange rate during period	1.7138	1.7256	1.9235	1.4395	1.3501

	August 2009	**September 2009**	**October 2009**	**November 2009**	**December 2009**	**January 2010 (through January 25)**
	(US$ per pound)					
Exchange rate at end of period	1.6314	1.6004	1.6479	1.6514	1.5928	1.6236
Average exchange rate during period(2)	1.6532	1.6323	1.6212	1.6591	1.6239	1.6163
Highest exchange rate during period	1.6977	1.6695	1.6610	1.6877	1.6720	1.6370
Lowest exchange rate during period	1.6212	1.5910	1.5878	1.6261	1.5832	1.5912

(1) The average of the noon buying rates on the last business day of each month during the relevant period.

(2) The average of the noon buying rates on each business day for the relevant month-long period.

The noon buying rate for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York was $1.6236 per pound as of January 25, 2010.

SUMMARY CABLE & WIRELESS WORLDWIDE GROUP HISTORICAL FINANCIAL INFORMATION

The Cable & Wireless Worldwide Group's financial information set out below has been extracted without material adjustment from "Cable & Wireless Worldwide Group Historical Financial Information" of this document. Investors should read the whole of this document and not rely just on key or summarised information.

Summary Cable & Wireless Worldwide Group Interim Income Statement

Summary interim income statement of the Cable & Wireless Worldwide Group for the six months ended 30 September 2008 and 2009.

	For the six months ended					
	30 September 2008			30 September 2009		
	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional Items	Total
	(£millions)					
Continuing operations						
Revenue	1,003	—	1,003	1,141	—	1,141
EBITDA (excluding exceptional items)*	142	(33)	109	205	(28)	177
Group operating profit/(loss)	43	(33)	10	72	(28)	44
Total operating profit/(loss)	43	(33)	10	72	(28)	44
Profit/(loss) before income tax	40	(33)	7	61	(28)	33
Income tax credit	11	—	11	29	—	29
Profit/(loss) for the period	51	(33)	18	90	(28)	62
Earnings per share attributable to owners of the parent during the period (pence per share)						
—basic			0.7p			2.5p
—diluted			0.7p			2.4p

* The EBITDA information has been extracted without material adjustment from the section entitled "*Cable & Wireless Worldwide Group Operating and Financial Review*"

Summary Cable & Wireless Worldwide Group Annual Income Statement

Summary annual income statement of the Cable & Wireless Worldwide Group for the years ended 31 March 2008 and 2009.

	For the year ended					
	31 March 2008			31 March 2009		
	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional Items	Total
	(£millions)					
Continuing operations						
Revenue	1,941	—	1,941	2,268	—	2,268
EBITDA (excluding exceptional items)*	219	(40)	179	326	(76)	250
Total operating profit/(loss)	44	13	57	97	(76)	21
Profit/(loss) before income tax	37	13	50	85	(76)	9
Income tax credit	6	—	6	33	—	33
Profit/(loss) for the period	43	13	56	118	(76)	42
Earnings per share attributable to parent owners during the period (pence per share)						
—basic			2.3p			1.7p
—diluted			2.3p			1.7p

* The EBITDA information has been extracted without material adjustment from the section entitled "*Cable & Wireless Worldwide Group Operating and Financial Review*"

Summary Cable & Wireless Worldwide Group Financial Position

Summary statement of financial position of the Cable & Wireless Worldwide Group results as at 31 March 2009 and as at 30 September 2009.

	As at 31 March 2009	As at 30 September 2009
	(£ millions)	
Non-current assets	1,974	2,015
Current assets	795	832
Total assets	2,769	2,847
Current liabilities	(1,163)	(1,143)
Net current liabilities	(368)	(311)
Non-current liabilities	(314)	(560)
Net assets	1,292	1,144
Total invested capital	1,292	1,144

CABLE & WIRELESS WORLDWIDE GROUP RISK FACTORS

Until the Demerger Effective Time, the Cable & Wireless Worldwide Group will be a part of the Cable & Wireless Group. The Demerger may not occur. An investment in the Notes to be issued in this offering involves a high degree of risk. You should carefully consider the following risk factors before purchasing the Notes in addition to the other information contained in this offering memorandum. The risks and uncertainties the Issuer describes below are not the only ones the Cable & Wireless Worldwide Group faces. Additional risks and uncertainties of which the Issuer is not aware or that it currently believes are immaterial may also adversely affect the Cable & Wireless Worldwide Group's business, financial condition or results of operations. If any of the possible events described below occurs, the Cable & Wireless Worldwide Group's business, operating performance, financial condition prospects or results of operations could be materially and adversely affected. If that happens, the Issuer may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. The Cable & Wireless Worldwide Group's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum. See "Forward-Looking Statements".

Risks relating to the Cable & Wireless Worldwide Group

The Cable & Wireless Worldwide Group is dependent on substantial contracts with large customers and these contracts may contain stringent performance criteria and high or unlimited liability limits and exposure to customer credit risk

The Cable & Wireless Worldwide Group's contracts with its large customers tend to be long-term (generally with an initial term of three to five years) and may include stringent performance criteria, with associated liability, risk sharing (including, in some cases exclusivity and minimum commitment provisions) and benchmarking clauses. In the event that the Cable & Wireless Worldwide Group fails to satisfy these contractual requirements, such customers may have the ability to claim compensation and/or, in the case of more serious breaches of the Cable & Wireless Worldwide Group's performance conditions, terminate the contract. Some contracts contain uncapped indemnity and liability clauses. Where contracts contain benchmarking clauses that permit the Cable & Wireless Worldwide Group's customers to benchmark the pricing of agreed upon services against those offered by other providers in an appropriate peer comparison group, such provisions may lead to a reduction in fees that the Cable & Wireless Worldwide Group charges to customers.

The failure of the Cable & Wireless Worldwide Group to continue to satisfy its contractual obligations, a default by such customers in their contractual obligations or the failure by the Cable & Wireless Worldwide Group to renew these contracts on acceptable commercial terms when they expire or any other event resulting in the loss of a large customer could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group also must effectively manage credit risk related to its customers, principally related to payments under its long-term contracts. Credit risk is the risk of loss from obligor or counterparty default. The Cable & Wireless Worldwide Group's customers may default on their obligations to the Cable & Wireless Worldwide Group due to bankruptcy, lack of liquidity, operational failure or other reasons. Country, regional and political risks are also components of credit risk. Rising delinquent payments and rising rates of bankruptcy are often precursors of future write-offs and may require the Cable & Wireless Worldwide Group to increase its reserve for losses. Higher write-off rates and an increase in its loss reserve may adversely affect the Cable & Wireless Worldwide Group's profitability.

Although the Cable & Wireless Worldwide Group has reporting systems and procedures in place which it believes are appropriate and makes estimates to provide for credit losses in its outstanding portfolio of receivables, these estimates may not be accurate. In addition, the information that the Cable & Wireless Worldwide Group uses in managing its customer credit risk may be inaccurate or incomplete. Although the Cable & Wireless Worldwide Group regularly reviews its credit exposure to specific clients and counterparties and to specific industries, countries and regions that it believes may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect. The Cable & Wireless Worldwide Group may also fail to receive full information with respect to the credit risks of its customers.

Although the Cable & Wireless Worldwide Group has devoted significant resources to develop its customer risk management policies and procedures and expects to continue to do so in the future, its risk management techniques may not be fully effective. Management of customer risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Business improvement initiatives by the Cable & Wireless Worldwide Group may not be successfully implemented or achieve the intended results and acquisitions may not be successfully integrated

Since November 2005, the Cable & Wireless Worldwide Group has undertaken a major turnaround programme, centred on the Cable & Wireless Worldwide Group's strategy of focusing on serving large UK and international users of telecommunications services. The turnaround programme is split into three major phases: integration, recovery and transformation. Both the integration phase, in which Energis was integrated into the Cable & Wireless Worldwide Group and the recovery phase, in which the business reduced complexity and improved the cost base and quality of earnings have completed. The Cable & Wireless Worldwide Group now is concluding its transformation phase, during which customer propositions and operational performance are intended to exceed industry standards. In October 2008, the Cable & Wireless Worldwide Group acquired THUS Group plc, which it is in the process of integrating into the existing Cable & Wireless Worldwide Group, to achieve, among other things, significant cost synergies.

The Cable & Wireless Worldwide Group historically has dedicated, and expects in the future to dedicate, significant resources to drive the transformation of its business and to integrate acquired businesses. Implementation of transformation and integration initiatives is complex, time-consuming and expensive and may divert management attention and time from core business activities. Any failure of the Cable & Wireless Worldwide Group to continue to execute its transformation plans effectively could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The funding requirements or obligations in respect of the defined benefit pension schemes may increase

The Cable & Wireless Worldwide Group operates defined benefit and defined contribution pension schemes for its current and former UK and overseas employees. The funding position of the Cable & Wireless Worldwide Group's defined benefit pension schemes will be affected by the investment performance of the pension funds' investments, the life expectancy of the schemes' members, changes in the actuarial assumptions used to assess the pension schemes' funding position, changes in the rate of inflation and interest rates, the Cable & Wireless Worldwide Group's financial position, as well as other changes in economic conditions.

Following the Demerger, the newly established Cable & Wireless Worldwide Retirement Plan is expected to have a deficit. The deficit may increase or decrease depending on a number of factors, including changes to the actuarial assumptions and market conditions. This may require the Cable & Wireless Worldwide Group to increase its cash contributions to the pension scheme in agreement with the trustee.

Furthermore, the trustee of the Cable & Wireless Worldwide Retirement Plan and the trustee of the THUS Group pension scheme each have the power to trigger the winding-up of the relevant scheme if the trustee resolves this to be in the best interest of the members of the scheme as a whole. If the trustee were to use this power, the participating employers would become liable by statute to make contributions to the pension scheme to remove any deficit calculated on the more conservative, buy-out basis, enabling the trustee of the pension scheme to purchase individual annuity policies for all members of the pension scheme.

The rules of the Cable & Wireless Worldwide Retirement Plan also give the scheme actuary a wide power to determine the contributions that the Cable & Wireless Worldwide Group is required to make to the scheme. The first triennial actuarial valuation of the Cable & Wireless Worldwide Retirement Plan is due after the bulk transfer-in of assets and liabilities and after the valuation date, which will be set in due course.

Following the valuation date, Cable & Wireless Worldwide will have, under statute, 15 months to agree such valuation and any relevant contributions with the trustee of the Cable & Wireless Worldwide Retirement Plan. Cable & Wireless Worldwide expects that the first triennial valuation will be completed on a basis consistent with the Pensions Regulator's guidance that a recovery plan should be reasonably affordable. However, if the pension trustee and Cable & Wireless Worldwide are unable to agree the amount and timing of the relevant contribution by the date falling 15 months after the valuation date, the process would be referred to the Pensions Regulator, who has certain powers to impose a specified rate of contribution upon, or make orders applying to, Cable & Wireless Worldwide.

Beyond that timeframe, changes to the funding position of the pension schemes in the longer term may lead to the Cable & Wireless Worldwide Group being required to contribute additional funding to satisfy pension obligations (including any ongoing liability to the Cable & Wireless Communications defined benefit pension schemes). This could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group's success depends on attracting and retaining highly skilled and qualified management and employees and the Cable & Wireless Worldwide Group could suffer material adverse effects if it fails to do so

The recruitment and retention of highly skilled management and employees is important to the Cable & Wireless Worldwide Group's success. The number of suitable employees at higher levels may be limited and key employees, many of whom have significant experience within the Cable & Wireless Worldwide Group and the telecommunications sector, may be difficult to replace. There can be no certainty that the Cable & Wireless Worldwide Group's succession planning, retention policies and incentive plans will be successful in attracting and retaining the right calibre of key employees. The failure to attract and retain key employees could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Failures or interruptions may affect the Cable & Wireless Worldwide Group's network and/or information technology (IT) systems

The Cable & Wireless Worldwide Group's global networks are critical assets in providing its customers with reliable and extensive telecommunications services. The Cable & Wireless Worldwide Group is reliant on its IT systems for the operation and management of its business, including its networks, the provision of services to its customers, customer billing and the provision of information regarding most aspects of its financial and operational performance. Like other telecommunications operators, the Cable & Wireless Worldwide Group's networks and/or IT systems are vulnerable to interruption and damage from natural disasters, fire, security breaches, software malfunction, terrorist action, power outages, human error or other factors outside its control.

The Cable & Wireless Worldwide Group has in place business continuity and disaster recovery plans, including contingency equipment and suppliers, network monitoring and resilience plans. However, there can be no certainty that such plans and systems will be effective in the event that they need to be activated. The failure or interruption of all or part of the Cable & Wireless Worldwide Group's network and/or IT systems would restrict the Cable & Wireless Worldwide Group's ability to continue to operate at its current performance levels and may result both in the loss of customers and potential exposure to claims from customers based on loss of service. Should the Cable & Wireless Worldwide Group experience problems with the integrity of its data and the adequacy of some or all of the associated systems and processes, it could have an impact on its ability to provide services and conduct its operations. Any insurance maintained to protect against certain of these risks may not be adequate to cover any loss suffered by the Cable & Wireless Worldwide Group, including lost revenue or increased expenses. Each of these matters could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Some of the Cable & Wireless Worldwide Group's customer contracts include clauses which could allow termination in the event of a change of control including the Demerger, or could trigger guarantee obligations

Some of the Cable & Wireless Worldwide Group's customer contracts include change of control clauses, which may be triggered by the sale of a business within the Cable & Wireless Worldwide Group to which the clauses relate or certain types of corporate restructuring, including the Demerger. These change of control clauses may restrict the Cable & Wireless Worldwide Group's strategic options, including any potential disposal of individual businesses and, if triggered, may lead to some customers terminating their contracts with the Cable & Wireless Worldwide Group. Whilst the transfer of these contracts is provided for in some of them, others will require the consent of the relevant customer. Some contracts also contain guarantees provided by Cable and Wireless plc, in relation to which the Cable & Wireless Worldwide Group intends to engage with customers to seek their removal, or replacement with a Cable & Wireless Worldwide guarantee. These change of control provisions and guarantees, if triggered, could result in the termination or revocation of such contracts, which could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

After the Demerger, use of the Cable & Wireless trademarks will be shared by both the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group

The value of the Cable & Wireless Worldwide Group's business depends, to a certain extent, upon its ability to utilise the Cable & Wireless Trademarks. After the Demerger, both the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group will share the use of the "Cable & Wireless" name and have ongoing rights to use the Cable & Wireless Trademarks.

The Cable & Wireless Worldwide Group currently protects the Cable & Wireless Trademarks and its other intellectual property rights through a variety of methods, including obtaining and maintaining registered intellectual property rights, maintaining the confidentiality of valuable technical information and the enforcement of its legal rights. Details of the ownership and rights to use the Cable & Wireless Trademarks are set out in the section entitled *"Cable & Wireless Worldwide Group Operating and Financial Review—Impact of the Demerger"*.

Use of the Cable & Wireless Trademarks by the Cable & Wireless Communications Group could cause diminution in their value. For example, the Cable & Wireless Trademarks could be damaged if they are used inappropriately or in respect of goods or services of a poor quality, or if there are complaints, adverse publicity or litigation affecting the Cable & Wireless Communications Group. It could also make it more difficult to enforce intellectual property rights in the Cable & Wireless Trademarks against third parties, for example, if they are used in a descriptive manner, or if the distinctiveness of the Cable & Wireless Trademarks is diluted due to confusion among consumers. Consequently, both the value of the Cable & Wireless Trademarks to the Cable & Wireless Worldwide Group, and the Cable & Wireless Worldwide Group's business, could be negatively affected by the use of the Cable & Wireless Trademarks by the Cable & Wireless Communications Group.

Prior to the Demerger Effective Time, the Cable & Wireless Worldwide Group will be granted rights under the Cable & Wireless Worldwide Licence to use the Cable & Wireless Trademarks in the Cable & Wireless Worldwide Territory, and, in relation to its Carrier Business and the acronym "CWW" only, anywhere in the world. The Cable & Wireless Worldwide Group is also authorised to use the Cable & Wireless Trademarks outside the Cable & Wireless Worldwide Territory for certain incidental uses and certain 'grandfathered' use on existing materials. Under the terms of the Cable & Wireless Worldwide License, the Cable & Wireless Worldwide Group is largely unrestricted in its use of the Cable & Wireless Trademarks within the Cable & Wireless Worldwide Territory but is restricted outside the Cable & Wireless Worldwide Territory as described in the section entitled *"Cable & Wireless Worldwide Group Business—Material Contracts"*. Therefore, to the extent the Cable & Wireless Worldwide Group has activities outside the Cable & Wireless Worldwide Territory which are not part of its Carrier Business, it must, subject to these limited exceptions, operate under the acronym "CWW" or trademarks other than the Cable & Wireless Trademarks. In addition the Cable & Wireless Worldwide Group must cease use of the "Cable & Wireless Globe" logo after a transitional period. As both the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group have certain rights across the world to use the Cable & Wireless Trademarks in connection with their respective Carrier Businesses, this could cause confusion among customers and potential customers, which could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Under the terms of the Cable & Wireless Worldwide Licence, the Cable & Wireless Worldwide Group is responsible, within the Cable & Wireless Worldwide Territory and, in relation to the acronym "CWW" only, also outside the Cable & Wireless Worldwide Territory, for prosecuting applications for registration and maintaining existing trademark registrations of the Cable & Wireless Trademarks at its own cost. The Cable & Wireless Worldwide Group could, through its own acts or omissions, fail to obtain the registration of trademark applications, allow registered trademarks to lapse or allow registered trademarks to become subject to challenges of invalidity (e.g. through non-usage of the registered trademark within the jurisdictions in the Cable & Wireless Worldwide Territory), thereby reducing the value of the Cable & Wireless Trademarks to the Cable & Wireless Worldwide Group. This could have a material adverse effect on the Cable & Wireless Worldwide Group's business reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group's ability to refinance its existing debt may be constrained

The Amended Cable & Wireless Worldwide Facility Agreement is due for repayment in 2013 and the Convertible Bonds are due for repayment in 2014 if they have not been redeemed, purchased, and cancelled or converted, following Demerger, into the relevant issuer's ordinary shares prior to that date. The Cable & Wireless Worldwide Group does not need to refinance any of its existing debt until 2013, when the Amended Cable & Wireless Worldwide Facility Agreement expires. Although the Cable & Wireless Worldwide Group is not reliant on the refinancing of existing debt, should the Cable & Wireless Worldwide Group's financial condition or general economic conditions at the relevant time prevent the Cable & Wireless Worldwide Group from successfully refinancing its existing debt, the Cable & Wireless Worldwide Group would have more limited access to funds in the longer term to finance its investment in the development of the business, any potential acquisitions and dividend payments. The failure to refinance its existing debt could also have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

For further details on the Cable & Wireless Worldwide Group's existing debt facilities, refer to the section entitled "*Cable & Wireless Worldwide Group Operating and Financial Review—Liquidity and Capital Resources"* of this document.

The Cable & Wireless Worldwide Group's debt obligations impose certain covenants on the Cable & Wireless Worldwide Group

The Cable & Wireless Worldwide Group's credit facilities impose financial and other restrictive covenants that limit the ability of the Cable & Wireless Worldwide Group to, among other things, borrow additional funds, create security and/or, where there is a default under those credit facilities only, pay dividends. In addition, if the Demerger is completed, Cable & Wireless Worldwide will become the principal debtor under the Convertible Bonds. Subject to limited exceptions, the Convertible Bonds limit the issuance by certain members of the Cable & Wireless Worldwide Group of secured capital markets indebtedness, which is capable of being listed (or the giving of guarantees or indemnities in respect of secured capital markets indebtedness which is capable of being listed) unless the benefit of such security guarantee or indemnity, or similar security, guarantee or indemnity is extended to the Convertible Bonds or otherwise permitted in accordance with, and subject to, the terms of the Convertible Bonds. Cable & Wireless Worldwide is not required to issue any such capital markets indebtedness in the short term. In addition, the Convertible Bonds also contain anti-dilution provisions related to capital distributions and extraordinary dividends which, subject to a threshold up to a specified yield in the case of extraordinary dividends, will require a downward adjustment to the effective conversion price of the Convertible Bonds on the making or paying of such distributions or dividends by Cable & Wireless Worldwide (see "*Cable & Wireless Worldwide Group Business—Material Contracts*" for further information on the Convertible Bonds negative pledge and anti-dilution provisions). In the longer term, Cable & Wireless Worldwide's ability to pursue growth opportunities and take advantage of potential investments may be constrained by such covenants.

The Cable & Wireless Worldwide Group's credit facilities are described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*".

The Cable & Wireless Worldwide Group relies on third parties for certain services under outsourcing and other contracts and these third parties may fail to provide the contracted services

The Cable & Wireless Worldwide Group has outsourced a number of back office activities to third parties, some of whom are located in jurisdictions that may be subject to political instability and/or poor infrastructure. The Cable & Wireless Worldwide Group has also entered into a Transitional Services Agreement with Cable & Wireless Communications and Cable and Wireless plc pursuant to which each party provides the other with certain services. The specified services include services in respect of the following: information technology, tax, networks and other services to be agreed. In the event that such third parties fail to deliver their contracted activities and the operations of the Cable & Wireless Worldwide Group's customers are interrupted, this could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results. The Cable & Wireless Worldwide Group may not be able to recover monies paid to such third parties for their services or obtain contractual damages to which it may be entitled (if any) in such an event.

In addition the Cable & Wireless Worldwide Group is dependent on third party suppliers. For example, the Cable & Wireless Worldwide Group has significant relationships with some suppliers for the provision of network infrastructure, equipment and associated services. Certain of Cable & Wireless Worldwide Group's supplier contracts require it to use one supplier exclusively and/or to take delivery of a minimum specified amount of the product made available by such supplier. The Cable & Wireless Worldwide Group has also experienced and may continue to experience an increased risk of supply chain partners entering administration or other insolvency proceedings (including, without limitation, Nortel Networks), which if not successfully mitigated could lead to a consequential impact on the Cable & Wireless Worldwide Group's ability to conduct its business in the ordinary course. The terms of Cable & Wireless Worldwide Group's supplier contracts may be onerous or uncommercial if circumstances change, which could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results. In addition, the failure of a supplier to deliver its goods or a disruption, delay or interruption in the supply chain or the loss of provision of a supplier's services could limit the Cable & Wireless Worldwide Group's ability to serve its customers and could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may be adversely affected by complaints, litigation and publicity

The Cable & Wireless Worldwide Group may be adversely affected by complaints and litigation, including from customers, competitors or regulatory authorities, as well as any adverse publicity that the Cable & Wireless Worldwide Group may attract. Any litigation, complaints or adverse publicity could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may be adversely affected by any failure to protect or any infringement of its intellectual property rights and may infringe the proprietary intellectual property rights of others

The Cable & Wireless Worldwide Group cannot be certain that the steps that have been taken to protect its intellectual property rights, including its trademarks, know-how and inventions, will be adequate or that third parties will not infringe or misappropriate its intellectual property rights. There is also a risk that the Cable & Wireless Worldwide Group may inadvertently infringe proprietary rights of others. In the communications industry, the fast evolving technologies and know-how may increase the risk of such inadvertent violations by third parties or by the Cable & Wireless Worldwide Group. Any such infringement, or misappropriation of, its intellectual property rights, or infringement by the Cable & Wireless Worldwide Group of third parties' intellectual property rights, could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Third parties may gain access to the Cable & Wireless Worldwide Group's network and/or highly sensitive data unlawfully

The Cable & Wireless Worldwide Group carries highly sensitive data across its networks globally on behalf of a number of its customers. Despite security management across the Cable & Wireless Worldwide Group's networks, there is a risk that third parties may gain access unlawfully to the Cable & Wireless Worldwide Group's networks and/or this highly sensitive data. If data security on the Cable & Wireless Worldwide Group's networks is compromised, the Cable & Wireless Worldwide Group customers may seek to claim compensation for breach of the Cable & Wireless Worldwide Group's contractual obligations or terminate their contracts with the Cable & Wireless Worldwide Group. The Cable & Wireless Worldwide Group may also face regulatory sanctions in respect of any such breach. Each of these matters could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group is exposed to the risks of internal fraud or illegal activities by third parties

The Cable & Wireless Worldwide Group expects to maintain an effective system of internal controls after the Demerger; however, any failure to implement such controls may result in the Cable & Wireless Worldwide Group not being able to report its financial results accurately or prevent fraud. Current and potential stakeholders could therefore lose confidence in the Cable & Wireless Worldwide Group's financial reporting, which would harm its business and the trading price of its securities. In addition, third parties may also utilise the Cable & Wireless Worldwide Group's communications networks for illegal activities which are beyond its control or subject them to damage, theft or other loss. For example, hackers could use the Cable & Wireless Worldwide broadband services to hack into websites and Internet accounts, or broadband users could download music content illegally. Any such fraudulent or illegal activities could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

A number of estimates and assumptions have been used in the preparation of the Cable & Wireless Worldwide Group's consolidated financial statements

The preparation of the Cable & Wireless Worldwide Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. These estimates and assumptions form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Should the actual results differ from these estimates and assumptions, this could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Risks relating to the telecommunications industry and market in which the Cable & Wireless Worldwide Group operates

The Cable & Wireless Worldwide Group may suffer if British Telecom Group plc (BT) is not effectively regulated

Like all major telecommunications operators in the United Kingdom, the Cable & Wireless Worldwide Group is reliant on BT's network to deliver some services to its customers. At the same time, BT is also the largest provider of services directly to customers with at least 50% market share of the corporate market (based on the BT first quarter 2008/09 results). As BT is both the main competitor and supplier to all major UK telecommunications operators, BT's role needs to be regulated carefully to ensure that a fair competitive environment is maintained within the United Kingdom. Should the UK regulator, Ofcom, not regulate the practices of BT adequately, leading to the other UK telecommunications operators, including the Cable & Wireless Worldwide Group, not being able to compete effectively, this could have a material adverse effect on the Cable & Wireless Worldwide Group's business, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may be adversely affected by poor local, national and worldwide economic conditions

The Cable & Wireless Worldwide Group derives a significant amount of its revenue from the United Kingdom and therefore is sensitive to fluctuations in the UK economy, particularly its impact on the expenditure and the financial health of large enterprises (affecting default rates and the willingness of such corporates to fund capital investments). The Cable & Wireless Worldwide Group also has some exposure to international markets, in particular India and a number of other Asian markets, where some of the Cable & Wireless Worldwide Group's large customers have operations.

The recent global recession has affected the pattern of demand from some of the Cable & Wireless Worldwide Group's customers. The Cable & Wireless Worldwide Group has seen a lengthening of the sales cycle with large corporate customers and the demand for voice minutes has also decreased as customers reduced their discretionary expenditure. The economic conditions have also led to increased credit risk of existing customers as well as increased incidence of customers seeking variations to payment terms.

Should the poor UK or global economic conditions or a recession continue or recur, and continue to affect the Cable & Wireless Worldwide Group's customers' demand for its products, this could have a material adverse effect on the Cable & Wireless Worldwide Group's business, financial condition and/or operating results.

Increases in energy prices, particularly electricity prices, could have a material adverse impact on the cost base of the Cable & Wireless Worldwide Group

The Cable & Wireless Worldwide Group is a significant user of power in its network and data centres. Energy costs, primarily electricity, represented 2% of revenue in the financial year ended 31 March 2009. The Cable & Wireless Worldwide Group does not currently fully hedge its energy price exposures. Increases in energy prices, particularly electricity prices, could have a material adverse impact on the cost base of the Cable & Wireless Worldwide Group which could, in turn, have a material adverse effect on its business, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may be adversely affected by changes to UK tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which the Cable & Wireless Worldwide Group operates

The Cable & Wireless Worldwide Group operates in multiple jurisdictions and its profits are taxed according to the tax laws of such jurisdictions. The Cable & Wireless Worldwide Group's effective tax rate may be affected by changes in, or interpretations of, tax laws in any given jurisdiction, including those relating to the utilisation of capital allowances, net operating losses and tax credit carry forwards, changes in geographical allocation of income and expense, and changes in management's assessment of matters such as the ability to realise deferred tax assets. The Cable & Wireless Worldwide Group's effective income tax rates in a given financial year reflect a variety of factors that may not be present in the succeeding financial year or years.

In particular, as at 30 September 2009, the Cable & Wireless Worldwide Group has a timing difference in respect of UK capital allowances of approximately £3.8 billion, which is expected to be available as a deductible item to offset profits generated by the Cable & Wireless Worldwide Group under the terms of current UK tax legislation.

An adverse change to UK tax legislation, or its interpretation, relating to the usage of capital allowances or an increase in the Cable & Wireless Worldwide Group's effective tax rate in future periods by any other means could have a material adverse effect on the Cable & Wireless Worldwide Group's financial condition and/or operating results and specifically its net income, cash flow and earnings may decrease.

The Cable & Wireless Worldwide Group relies on other telecommunications operators and is affected by the behaviour of other market participants that it does not own or control

Parts of the Cable & Wireless Worldwide Group's operations rely on access to networks that it does not own or entirely control. In these cases, the Cable & Wireless Worldwide Group's operations depend on network operators to provide interconnection or transit services for the origination, carriage and/or termination of some of its telecommunications services, such as traditional voice minutes, on acceptable commercial terms.

If the Cable & Wireless Worldwide Group is unable to obtain and maintain the necessary interconnection and other transmission services in a timely fashion and on acceptable commercial terms in each country in which access to other telecommunications operators' networks is required to introduce or continue to offer its telecommunications services, this could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may be adversely affected by unforeseen changes in regulation, government policy and the economic or political environment in the countries in which the Cable & Wireless Worldwide Group operates

The Cable & Wireless Worldwide Group's ability to provide telecommunications services depends in most countries on government licences, telecommunications regulations and applicable laws in the markets in which it operates. Compliance with these licences and applicable local laws will often require that the Cable & Wireless Worldwide Group companies obtain consents or approvals from regulatory authorities for certain activities. The Cable & Wireless Worldwide Group operates in certain highly regulated markets, such as in the United Kingdom and India, and its flexibility to manage its business can be constrained by regulation in these markets and the strength of its relationships with relevant regulators and governments.

The regulatory regimes having jurisdiction over the Cable & Wireless Worldwide Group may restrict its ability to operate in or provide specified products or services in designated areas, or require that it maintain licences for its operations and conduct its operations in accordance with prescribed standards, or adversely affect the regulation of competition in the markets in which the Cable & Wireless Worldwide Group operates.

Typically telecommunications licences, including some of the Cable & Wireless Worldwide Group's licences, contain extensive obligations with which the licencee is required to comply. These licences also typically include provisions for the termination of the licences in specific circumstances, for example, on non-compliance with licence conditions or in the general public interest.

Moreover, the Cable & Wireless Worldwide Group cannot guarantee that it will be successful in obtaining the licences it needs to carry out its business strategy or in maintaining its existing licences. The loss of, or a material limitation on, certain of the Cable & Wireless Worldwide Group's licences could have a material adverse effect on its business, reputation, financial condition and/or operating results.

The adoption of new laws or regulations or changes to the existing competition and regulatory framework could also adversely affect the Cable & Wireless Worldwide Group's business. The Cable & Wireless Worldwide Group has no ability to predict with certainty whether the regulatory regimes to which it is subject or the laws or regulations promulgated by the regulators having jurisdiction over it will change or whether such changes could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may be subject to unexpected political, economic or legal developments that affect telecommunications regulations and lead to it being unable to acquire or retain the regulatory approvals necessary for its business. Future changes to regulation or a significant deterioration in the Cable & Wireless Worldwide Group's relationships with relevant regulators in the jurisdictions in which the Cable & Wireless Worldwide Group operates may have a material adverse effect on the Cable & Wireless Worldwide Group. Failure to acquire and retain the necessary consents and approvals or in any other way to comply with regulatory requirements or, alternatively, the costs to the Cable & Wireless Worldwide Group of complying with new or more onerous regulations and restrictions, could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Technological changes in communication and information technology may render the Cable & Wireless Worldwide Group's products, services and supporting infrastructure obsolete or uncompetitive

The telecommunications industry is subject to rapid changes in technology, some of which may be significant . Despite the strength of its existing networks and its investment in product development and the business' supporting infrastructure, it is not possible to predict with certainty the effect of future technological changes on the industry and on the Cable & Wireless Worldwide Group's individual businesses. As technology evolves, the Cable & Wireless Worldwide Group may need to obtain new and/or additional regulatory licences, or make significant investments to upgrade its infrastructure to new technologies if, for example, Internet access migrates to wireless technology. Competitors may also acquire rights to newer and more competitive technologies not available to the Cable & Wireless Worldwide Group. Additionally, should items of mechanical and electrical network infrastructure remain in use beyond their anticipated service life, these assets may present a risk to service. Any such events could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may fail to compete effectively in the competitive markets in which it operates

The Cable & Wireless Worldwide Group faces competition in all its areas and markets. Certain of the Cable & Wireless Worldwide Group's competitors may have greater financial, marketing or other resources, which may allow them to provide services more effectively and at a lower cost than the Cable & Wireless Worldwide Group. These competitors, or potential competitors from other territories who choose to enter the Cable & Wireless Worldwide Group's market, may adopt more aggressive pricing policies, undertake more extensive advertising and marketing campaigns or successfully replicate or impact the Cable & Wireless Worldwide Group's business model. The telecommunications sector in the markets in which the Cable & Wireless Worldwide Group operates may experience further consolidation, which could result in, among other things, competitors with greater scale operating aggressively in these markets.

As the markets for some of the Cable & Wireless Worldwide Group's services expand in certain locations, additional competition may emerge in the Cable & Wireless Worldwide Group's key markets, including the UK, and existing competitors may commit more resources to the markets in which such competitors participate. The impact of increased competition in the Cable & Wireless Worldwide Group's markets or failure of the Cable & Wireless Worldwide Group to compete effectively could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group may not accurately forecast demand for its cable systems

The Cable & Wireless Worldwide Group invests in global cable consortiums connecting many countries across the world. Should the Cable & Wireless Worldwide Group not accurately forecast demand in relation to its infrastructure, investments or for capacity within a cable consortium this could result in asset impairment charges and have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Demand for next-generation, IP-based, services may not grow as quickly as anticipated

In the business telecommunications market, demand is moving away from traditional services carried over multiple networks towards next-generation, IP-based services carried over a single network. The Cable & Wireless Worldwide Group has already deployed its next-generation network, an IP-based network and Multi-Service Platform, over which it is providing its services, such as Fixed Mobile Convergence. These IP-based services are less commoditised than traditional services and therefore currently provide better margins. If demand for these services does not grow as quickly as anticipated or these products become commoditised more quickly than anticipated, this could have a material adverse effect on the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

Concerns about perceived or actual health risks related to wireless devices and facilities could have an adverse effect on the Cable & Wireless Worldwide Group

The Cable & Wireless Worldwide Group provides mobile services within its Fixed Mobile Convergence product and uses other wireless devices as part of its networks. Research and studies into the health risks posed by mobile telephone handsets and radio transmission facilities are continuing. The Cable & Wireless Worldwide Group reviews scientific and medical research, and studies media, legal, regulatory and other developments, as well as the public perception of risk arising from the use of such equipment.

New research and/or increased speculation regarding health risks associated with mobile telephone handsets and radio transmission facilities or any subsequent substantiation of such risks could have an adverse impact on the Cable & Wireless Worldwide Group's customer numbers or customers' usage of mobile and/or radio devices or could expose the Cable & Wireless Worldwide Group to litigation, regulatory intervention and/or new legislation, each of which could materially adversely affect the Cable & Wireless Worldwide Group's business, reputation, financial condition and/or operating results.

The Cable & Wireless Worldwide Group's operations, facilities, products and employees are subject to a wide range of health and safety regulations and concerns

The Cable & Wireless Worldwide Group is subject to certain environmental, health and safety laws and regulations that affect its operations, facilities, products and employees in each of the jurisdictions in which it operates. The Cable & Wireless Worldwide Group believes that it is in compliance in all material respects with applicable environmental, health and safety laws and regulations related to its operations, facilities, products, employees and business activities and has adequate measures in place to ensure that its affiliates, vendors and contractors comply with all environmental, health and safety laws and regulations. However, in spite of these measures, there is a risk that the Cable & Wireless Worldwide Group may have to incur expenditures to cover environmental and health liabilities to maintain compliance with current or future environmental, health and safety laws and regulations or to undertake any necessary remediation.

In addition, certain employees or contractors of Cable & Wireless Worldwide Group may be required to work under extreme or dangerous conditions (for example, heights or weather) or in extreme or dangerous locations. Although the Cable & Wireless Worldwide Group complies in all material respects with applicable health and safety laws and regulations related to its operations, facilities, products, employees and business activities, it is subject to potentially material liabilities, including those related to personal injuries or property damage, that may result from working under extreme or dangerous conditions or in extreme or dangerous locations.

CABLE & WIRELESS WORLDWIDE GROUP BUSINESS

This overview contains forward-looking statements that involve risks and uncertainties. The actual results of the Cable & Wireless Worldwide Group could differ materially from those anticipated in these forward-looking statements as a result of such risks and uncertainties. Investors should read the section headed "Forward-Looking Statements" set out at the front of this document and "Cable & Wireless Worldwide Group Risk Factors" for a discussion of risks and uncertainties related to these statements.

The Cable & Wireless Worldwide Group has historically formed part of the Cable & Wireless Group. Following the Demerger, the Cable & Wireless Worldwide Group will be owned by Cable & Wireless Worldwide, as a stand-alone business.

OVERVIEW

The Cable & Wireless Worldwide Group specialises in the provision of critical communication infrastructure and services for large users of telecommunications. The Cable & Wireless Worldwide Group provides high quality managed voice, data, applications and Internet Protocol (**IP**) based services to its customers, focusing on serving large corporates, multinational companies, governments, carrier customers and telecommunications resellers. Small and medium sized enterprises are served indirectly via telecommunications resellers and directly through the Cable & Wireless Worldwide Group's Thus brand.

The Cable & Wireless Worldwide Group has an extensive telecommunications network. The majority of its operations, and its headquarters, are in the United Kingdom, where it owns the country's biggest fibre network dedicated to business users of telecommunications. The Cable & Wireless Worldwide Group also has a substantial global telecommunications network, totalling approximately 500,000km in length, including interests in 69 major global cable systems. The Cable & Wireless Worldwide Group's next-generation network, across which all services provided by the Cable & Wireless Worldwide Group can be delivered, improves the quality and performance of telecommunications services through its use of advanced optical and IP transmission. The Cable & Wireless Worldwide Group has a Multi-Service Platform that operates across its fibre infrastructure and offers a single environment for their telecommunications requirements, which reduces costs for both customers and the Cable & Wireless Worldwide Group and provides the platform for innovative new applications. With 127 points of presence in 35 countries, the Cable & Wireless Worldwide Group provides connectivity to 153 countries, where appropriate using local carriers as suppliers. The Cable & Wireless Worldwide Group has 36 offices in 16 countries around the world including operations in India, Asia Pacific, the Middle East and Africa, Continental Europe and the United States.

In the six months ended 30 September 2009, the Cable & Wireless Worldwide Group generated revenue of £1,141 million and EBITDA of £205 million. EBITDA has grown by 99% per annum since the six months ended 30 September 2006. The Cable & Wireless Worldwide Group aims to continue growing by being the first choice communications integrator specialising in the mission critical needs of large users of telecommunications who rely on the communication infrastructure and services provided by the Cable & Wireless Worldwide Group to operate their businesses.

The Directors believe that the Cable & Wireless Worldwide Group's network and continuous development of an advanced product suite, together with positive customer experience for customers, position it to be able to capitalise on the trends being experienced in its markets. These include the need to reduce business complexity through the adoption of next-generation network infrastructure and applications; the demand for voice and data products, alongside the demand for advanced next-generation technologies, that can enable new business models; and globalisation, in particular increasing telecommunications traffic between Asia, Europe and the United States.

HISTORY AND DEVELOPMENT

Cable & Wireless is one of the world's leading international communications companies. For more than 130 years Cable & Wireless has provided telecommunications services, networks and equipment to business, government and residential customers around the world. Cable & Wireless traces its history to a number of British telegraph companies founded by Sir John Pender in the 1860s. In 1866, a Pender-led consortium laid the first submarine cable across the Atlantic Ocean using Brunel's ship, the "Great Eastern". The Great Eastern also laid the cable from Bombay to Porthcurno in the far south west of England in 1870, the first cable into what subsequently became, for a period, the biggest cable station in the world. Following this success, further submarine cables were laid from the United Kingdom to the Caribbean, Asia, Australia and the United States.

With the development of wireless telegraphy, the Eastern and Associated Telegraph Company expanded its interests by merging with the Wireless Telegraph Company founded by Marconi in 1929 to form the Imperial and International Communications Company. This merger led to the formation of the biggest wireless and cable company in the world and the company was renamed Cable & Wireless Limited in 1934.

During World War II, Cable & Wireless' communications network played a vital strategic role and following the war the company was nationalised acknowledging the vital importance of the international communications infrastructure. Cable & Wireless became the international communications business of the British Post Office.

Cable & Wireless was one of the first privatisations of the Thatcher government with the initial sale of 49% of Cable & Wireless in 1981. The remaining 51% was offered to the public in two tranches in 1983 and 1985. In 1981, Mercury Communications was created within the Cable & Wireless Group as a competitor to BT to provide fixed line telecommunications services in the United Kingdom. In 1993, One2One, a Mercury Communications division, launched mobile communications to the UK consumer market. In 1997, Mercury merged with several UK telecommunications operators and was renamed Cable & Wireless Communications (**CW Communications);** Cable & Wireless owned a 53% stake in CW Communications. Following the Mercury merger, Cable & Wireless initiated a significant disposal programme, which included the following disposals: of the Cable & Wireless Group's stake in One2One to Deutsche Telekom in 1999, its CW Communications consumer operations stake to NTL in 2000, its Hong Kong Telecom stake to PCCW in 2000 and its Australian Optus stake to Singapore Telecom in 2001. At the same time, the Cable & Wireless Group began developing its business around a global IP network with a strategy to sell global IP services and build its hosting expertise.

In 2003, Sir Richard Lapthorne was appointed as Chairman to lead a turnaround of the business following a downturn in financial performance. This turnaround included resolving a significant tax issue relating to its disposal of the Cable & Wireless Group's stake in One2One, the sale of the Japanese business and the exit from the loss-making US operations. In 2004, Cable & Wireless successfully competed for the opportunity to purchase a stake in Monaco Telecom. The following year, in a transformational move, Cable & Wireless bought Energis, an acquisition which strengthened Cable & Wireless' position in the United Kingdom. In 2006, Cable & Wireless internally re-structured into two standalone divisions—Cable & Wireless International (since renamed the Cable & Wireless Communications Group) and Cable & Wireless Europe, Asia & US (**EAUS**) (since renamed the Cable & Wireless Worldwide Group).

In 2008, Cable & Wireless completed the purchase of THUS Group plc, a UK telecommunications group. The integration of Thus is ongoing and a new company, Thus Limited, has been set up as a stand-alone business within the Cable & Wireless Worldwide Group focused on offering a full suite of advanced business communications to small and medium sized enterprises.

In November 2009, the Cable and Wireless plc Board announced its intention to separate the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, reflecting its belief that the businesses had reached a position where they would deliver increased value to shareholders as separately listed companies. The separation is the culmination of work which began in April 2006, when Cable and Wireless plc created two largely distinct operating units under the Cable and Wireless plc umbrella to reflect their differing characteristics and the establishment of clear strategies for both. As a result of the significant progress made since then, the Cable and Wireless plc Board considers that the two businesses have now put in place the necessary arrangements to operate as independent, publicly-quoted businesses.

The Cable and Wireless plc Board believes that the separation will deliver further value for shareholders by:

- allowing the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group to pursue their strategies independently with greater flexibility over management of resources and opportunities;
- creating two separately listed companies with distinct investment profiles and clear market valuations;
- sharpening management focus further, helping the two businesses maximise their performance; and
- providing a transparent capital structure and an efficient balance sheet for each business.

SUBSIDIARY UNDERTAKINGS

Immediately following implementation of the Scheme and Demerger, Cable & Wireless Worldwide will be the holding company of the Cable & Wireless Worldwide Group. The following table shows those companies which will be the significant subsidiary undertakings of Cable & Wireless Worldwide following the Demerger Effective Date. Unless otherwise stated, each of the following subsidiary undertakings will be wholly owned, either by Cable & Wireless Worldwide or by one of its subsidiaries:

Name	*Incorporated in*	*Class of share capital (issued and fully paid, unless otherwise stated)*	*Proportion of capital held*	*Proportion of voting power held*	*Nature of Business*
Cable & Wireless UK	England	Ordinary	100	100	Telecommunications
Cable & Wireless (Ireland) Limited	Ireland	Ordinary	100	100	Telecommunications
Cable & Wireless S.A.S	France	Ordinary	100	100	Telecommunications
Cable & Wireless Telecommunication Services GmbH	Germany	Ordinary	100	100	Telecommunications
Cable & Wireless Global Pte Limited	Singapore	Ordinary	100	100	Telecommunications
Cable and Wireless (India) Limited	England	Ordinary	100	100	Telecommunications
Thus Limited	England	Ordinary	100	100	Telecommunications

MARKET OVERVIEW

The Cable & Wireless Worldwide Group serves large users of telecommunications in the UK, its largest market, as well as in Asia-Pacific, India, the Middle East, Africa, Continental Europe and the United States.

The Cable & Wireless Worldwide Group divides its operations into three categories: the UK telecommunications market, the global telecommunications market and the carrier market.

The UK telecommunications market

The Cable & Wireless Worldwide Group divides the UK telecommunications market into two customer groupings: UK enterprise and mid-market.

- *UK enterprise.* Includes large corporate customers, public sector customers and system integrators. For the six months ended 30 September 2009, the Cable & Wireless Worldwide Group's UK enterprise group had revenue of £617 million and a gross margin of £343 million, which were 54% and 64% of the Cable & Wireless Worldwide Group's total revenue and total gross margin respectively.
- *Mid-market.* Includes small and medium sized enterprises whether served directly through the Cable & Wireless Worldwide Group's reseller brand Thus or indirectly through resellers. For the six months ended 30 September 2009, the mid-market group had revenue of £173 million and a gross margin of £62 million, which were 15% and 12% of the Cable & Wireless Worldwide Group's total revenue and total gross margin respectively.

The Cable & Wireless Worldwide Group estimates that, in 2010, the UK enterprise market will spend approximately £9 billion on telecommunications services, comprising of approximately £5.5 billion for traditional voice and data services, approximately £1.5 billion for hosting services and approximately £2 billion for new applications, including network-based applications and Fixed Mobile Convergence products. The Cable & Wireless Worldwide Group estimates that this market is growing at approximately 1% per annum, with growth in Data, IP and Hosting offsetting declines in traditional voice services. The Cable & Wireless Worldwide Group estimates that the hosting services market will grow at approximately 5% per annum in the short to medium term.

The UK enterprise telecommunications market remains highly competitive, with a number of operators having invested in networks, resulting in strong competition, particularly in traditional voice and data services. See the section entitled *"Competitive Landscape"* below. The Cable & Wireless Worldwide Group competes in the UK enterprise market with a range of product offerings, including wide area networks, Voice Services and Hosting. In addition, the desire of UK companies to look for additional ways to reduce costs and make business processes and operating models more efficient has led to an increase in demand for new IP-based applications, which in turn has driven demand for bandwidth (network capacity) and increased hosting and data storage services. In response to this demand, the Cable & Wireless Worldwide Group has developed IP-based applications for customers as part of its core product set, which has reduced the effect of the economic downturn on the Cable & Wireless Worldwide Group. These include applications such as Managed Video Conferencing, Fixed Mobile Convergence and Managed Email. The Cable & Wireless Worldwide Group currently provides international services to about 40% of its UK multinational customers and aims to increase this percentage in the future.

The Cable & Wireless Worldwide Group also supplies telecommunications services to resellers in the United Kingdom, who in turn sell services to end-users. This provides an indirect channel, primarily focused on small and medium sized enterprises, but also on retail consumers, that adds volume to its network. In the past, resellers principally purchased voice products, but, increasingly, are purchasing data products as these become more important to their end customers. The Cable & Wireless Worldwide Group also serves small and medium sized enterprises directly through the Cable & Wireless Worldwide Group's reseller brand Thus. Gross margin percentage is higher (at 56%) for directly served customers than for indirectly (at 23%). The Cable & Wireless Worldwide Group estimates that, in 2009, the UK small and medium sized enterprise market spent approximately £5 billion on telecommunications services.

The global telecommunications market

For the six months ended 30 September 2009, the Cable & Wireless Worldwide Group's global enterprise category had revenue of £81 million and a gross margin of £36 million, which was 7% and 7% of each of the Cable & Wireless Worldwide Group's total revenue and total gross margin (excluding international service to UK multinationals).

Other than in the United Kingdom, the Cable & Wireless Worldwide Group has operations in the Asia-Pacific region, India, the Middle East and Africa, Continental Europe and the United States. In 2006, the global market for next-generation data services to enterprise customers was approximately US$64 billion, and, in 2009, it is forecast to have grown to approximately US$98 billion (Source: Gartner: Enterprise Network Services, Worldwide, 2006-13). The market is expected to continue to grow, with the compound annual growth rate for global next-generation business data services to enterprise customers expected to be 9% between 2009 and 2013, with the size of the market reaching approximately US$139 billion (Source: Gartner: Enterprise Network Services, Worldwide, 2006-13). The strongest growth in the global telecommunications market is occurring in emerging markets, reflecting the growth of these economies and the increasing development of their infrastructure and demand for high quality telecommunications services. The Cable & Wireless Worldwide Group has access to a number of these higher growth markets through its operations in India, China and other countries in the Asia-Pacific region, the Middle East and Africa.

The Cable & Wireless Worldwide Group believes multinational companies are securing relationships with a smaller number of suppliers rather than multi-sourcing across international operations. In addition, multinational companies increasingly are demanding managed services to help them address their business goals, which the Cable & Wireless Worldwide Group, with its international network, can provide.

The carrier market

For the six months ended 30 September 2009, the Cable & Wireless Worldwide Group carrier category had revenues of £270 million and a gross margin of £92 million, which were 24% and 17% of the Cable & Wireless Worldwide Group's total revenue and total gross margin, respectively. The Cable & Wireless Worldwide Group offers services to carriers both in the United Kingdom and internationally.

In the United Kingdom, the Cable & Wireless Worldwide Group provides voice services to other telecommunications operators, which either terminate on the Cable & Wireless Worldwide Group's network or on the network of another carrier using the Cable & Wireless Worldwide Group's interconnection network. The value of this market has declined recently due to regulatory changes to non-geographic numbers and mobile termination rates. Data services are also sold to other telecommunications operators. The Cable & Wireless Worldwide Group estimates that, in 2009, the UK carrier market spent approximately £4 billion on telecommunications services and that the Cable & Wireless Worldwide Group is the second largest provider.

Internationally, the Cable & Wireless Worldwide Group provides voice and data services to other international telecommunications operators, in particular making use of its global telecommunications network to transport voice and data traffic to and from the United Kingdom. In addition, the Cable & Wireless Worldwide Group provides data services in the United Kingdom to other international carriers wishing to provide service to their customers without investing in an owned network. Globalisation is expected by the Directors to drive further growth in this market.

Competitive landscape

In the United Kingdom, the principal competitor to the Cable & Wireless Worldwide Group is BT. The Cable & Wireless Worldwide Group competes with BT in more than two-thirds of the corporate contract tenders that it enters. During the past three years, the Cable & Wireless Worldwide Group has increased its success rate in tenders and increased its market share from 13% prior to the Energis acquisition to approximately 19% for enterprise voice, data and hosting services. Several other companies compete with the Cable & Wireless Worldwide Group in the United Kingdom market, including Global Crossing, Verizon, Colt, KCOM, Virgin Media and Carphone Warehouse. The Directors believe that the combination of the Cable & Wireless Worldwide Group's extensive network, leading product suite, focus on large users of telecommunications and its service-based approach differentiates it from its UK competitors.

Internationally, the Cable & Wireless Worldwide Group competes with a number of global operators, including AT&T, BT, France Telecom and Verizon, as well as various regional operators, including NTT, Reliance Globalcom and Singapore Telecom. The Cable & Wireless Worldwide Group differentiates itself in its international markets with its regional focus, network capability, advanced IP-based propositions and strong focus on customer service and the strength of its relationships with UK multinational companies.

PRODUCT OFFERINGS

The Cable & Wireless Worldwide Group categorises its product offerings in the telecommunications markets into three types: Data, IP and Hosting, Traditional Voice and Legacy products.

Data, IP and Hosting

For the six months ended 30 September 2009, £592 million, or 52% of the Cable & Wireless Worldwide Group's total revenue, was derived from Data, IP and Hosting services.

Data, IP and Hosting consists of a number of core products:

- *Wide area networks:* The Cable & Wireless Worldwide Group provides direct connectivity between customer sites on either a point-to-point basis or via a wide area network at speeds from less than 2Mbps to 10Gbps. These are provided in the UK and globally and utilise both IP Virtual Private Networks and Ethernet technology.
- *Local area networks:* The Cable & Wireless Worldwide Group's local area network solutions provide connectivity within a customer's physical location.
- *Local loop unbundling:* The Cable & Wireless Worldwide Group utilises its 802 unbundled exchanges in the United Kingdom to provide data and voice services directly to its own customers and also via resellers.
- *Hosting:* The Cable & Wireless Worldwide Group offers a range of hosting products that utilise the Cable & Wireless Worldwide Group's data centres, which have 205,000 square feet of hosting space and are based in the UK and the Republic of Ireland and are connected to the Cable & Wireless Worldwide Group's fibre network. Services offered include co-location, server and website hosting, storage and security. For the six months ended 30 September 2009, £92 million, or 8% of the Cable & Wireless Worldwide Group's total revenue, was derived from hosting services. Of the hosting service total revenue, 26% was for co-location services and 74% was for managed hosting services. Over the same period, hosting services had £63 million of gross margin. Hosting revenue and gross margin have grown at, on average, 30% and 28% per annum, respectively, since the six months ended 30 September 2006.

The Cable & Wireless Worldwide Group also provides a number of applications that combine elements of these core products to provide business services. IP voice is included in this category given its reliance on data networks. Other examples of applications include:

- *Managed Video Conferencing:* Managed Video Conferencing is delivered over the Cable & Wireless Worldwide Group's global Multi-Service Platform and next-generation network. The solution includes a next-generation bridging application (Virtual Presence) that connects multiple devices and media into a single simplified video conferencing service.

- *Fixed Mobile Convergence:* Fixed Mobile Convergence provides customers with an integrated fixed and mobile solution giving the flexibility of mobile telephony with the lower cost of a fixed line phone. FMC provides an in-building mobile network using small Global System for Mobile Communications network cells (pico-cells) owned by the Cable & Wireless Worldwide Group, which in combination with a roaming agreement in the United Kingdom, allows mobile users to benefit from lower costs (estimated at 25% to 35%) and an integrated service. The Cable & Wireless Worldwide Group currently offers this service only in the United Kingdom.
- *Managed Email:* Managed Email combines the Cable & Wireless Worldwide Group's managed services for hosting, security and storage and network infrastructure with commercial software to offer customers a high-quality messaging infrastructure.

Traditional Voice Services

The Cable & Wireless Worldwide Group's traditional voice revenue in the six months ended 30 September 2009 was £527 million, or 46% of the Cable & Wireless Worldwide Group's total revenue.

The Cable & Wireless Worldwide Group provides a range of voice services to retail and wholesale customers, including:

- *Lines and Calls:* The provision of either a line connection or calls or both to end users who are either the Cable & Wireless Worldwide Group's own customers or those of a reseller customer. This service can be provided either on the Cable & Wireless Worldwide Group's own infrastructure (direct connection) in which case all aspects of the service, including line and feature rentals and call charges, are billed by the Cable & Wireless Worldwide Group or over a line provided by another carrier in which case the Cable & Wireless Worldwide Group bills for call charges and may or may not bill for line and feature rentals.
- *Telebusiness (inbound call management):* The provision of call-routing, revenue share and management services for non-geographic numbers, such as 0800, 0844 or premium rate lines that are used by customers for a variety of purposes, including, for example, call centres or TV voting.
- *Voice Transit and Interconnect:* The provision of voice capacity to carry minutes originated by other carriers, either to terminate with the Cable & Wireless Worldwide Group's customers or to terminate with other carriers taking advantage of Cable & Wireless Worldwide Group's extensive voice interconnect network. This includes calls originating in the UK from fixed and mobile operators as well as internationally.

Legacy Services

The Cable & Wireless Worldwide Group's revenue from legacy products in the six months ended 30 September 2009 was £22 million, or 2% of the Cable & Wireless Worldwide Group's total revenue. The Cable & Wireless Worldwide Group reports several services as legacy as the platforms and products are nearing the end of their life. These include data products (point-to-point links and wide area networks) utilising the **Asynchronous Transfer Mode** and Frame Relay protocols and internet service providers supporting dial-up internet access.

Service Propositions

Each of the above-described products are offered to the Cable & Wireless Worldwide Group's customers individually or as a combination, together with a proposition that offers three levels of service model:

- *Standard Service:* standard products with standard support and service level agreements, supported from a shared service customer centre with common access to corporate monitoring and incident management teams. This service model represented 52% of the Cable & Wireless Worldwide Group's total gross margin for the six months ended 30 September 2009.
- *Managed Service:* standard products with bespoke support and service level agreements, supported from a secure network operation centre with its own technical expertise to monitor and manage incidents and interact directly with customers' technology teams. This service model represented 32% of the Cable & Wireless Worldwide Group's total gross margin for the six months ended 30 September 2009.
- *Managed Proposition:* bespoke solutions for customers' communications infrastructure integrated into their business processes, supported by a dedicated team with intimate understanding of the customer's

business. Typically, these solutions will require transfer of ownership of network infrastructure, risk and/or people. This service model represented 16% of the Cable & Wireless Worldwide Group's total gross margin for the six months ended 30 September 2009.

Each service proposition is provided with support 24 hours a day, seven days a week from centres based in Europe and Asia, offering first line response for initial call handling and early diagnosis of faults through to technical support, shared and dedicated service teams and technology specialists.

STRENGTHS

The Directors believe the Cable & Wireless Worldwide Group's principal competitive strengths are as follows:

Focus on large users of telecommunications

The Cable & Wireless Worldwide Group's strategy is to focus on large users of telecommunications in its markets, with a particular strength in the industry sectors of retail, financial services, utilities, government and media, where companies are highly dependent on communications infrastructure. The strategy enables management to focus on delivering specific products and services for its customers that address their need to simplify communications, reduce costs and enable new business models. The Cable & Wireless Worldwide Group believes that the critical nature of these contracts, which typically require close integration within the customer's business and are often long-term, continues to contribute to the increasing quality of Cable & Wireless Worldwide Group's revenue.

Next-generation network and delivery platform

The Cable & Wireless Worldwide Group owns the UK's biggest fibre network dedicated to business users of telecommunications and has an international cable network that provides connectivity to 153 countries, either directly or through partners, that reaches across the Atlantic Ocean, through Europe and on to India and throughout Asia. These networks have inbuilt resilience with capability to re-route traffic across diverse paths in the event of failure of one or more paths and, especially at the international level, the Cable & Wireless Worldwide Group believes this is a significant advantage over many competitors.

The Cable & Wireless Worldwide Group's Multi-Service Platform is an IP-based next-generation platform that operates across the Cable & Wireless Worldwide Group's next-generation infrastructure and offers customers a single environment for their telecommunications requirements. It provides the capability to integrate customer voice and data applications closely with the Cable & Wireless Worldwide Group's network. The Directors believe that the platform can be managed at a significantly lower cost for the Cable & Wireless Worldwide Group than for legacy infrastructures.

Customer service

The Cable & Wireless Worldwide Group has put customer service at the heart of its strategy and seeks to establish a close relationship with its customers and a detailed understanding of their business challenges.

Many of the products and services the Cable & Wireless Worldwide Group offers are typically in constant use by their customers and tightly integrated into their operational activity. A deep understanding of the ways in which they are used, how they contribute to the success of customers' business and how they might be further developed to generate additional value is one of the ways in which the Cable & Wireless Worldwide Group believes it differentiates itself and its customer service offering. The Cable & Wireless Worldwide Group operates teams of sector, service and technical specialists to ensure it has the capability to meet not only its contractual service commitments but also to deliver an enhanced level of customer service that contributes to the quality of the Cable & Wireless Worldwide Group's revenues and the depth of its customer relationships.

Product suite

The Cable & Wireless Worldwide Group offers a wide range of products and services focusing on advanced IP-based solutions that help customers achieve their business objectives. This suite of products enables customers to build a package of telecommunications solutions that address customer business requirements. The Cable & Wireless Worldwide Group's next-generation network and Multi-Service Platform have enabled the Cable & Wireless Worldwide Group to bring new high-quality next-generation products to market, such as Managed Video Conferencing, digital signage and voice recognition products.

In the six months ended 30 September 2009, more than half of the Cable & Wireless Worldwide Group's revenue was generated from the Data, IP and Hosting product suite with higher margins than traditional voice and data products. The Cable & Wireless Worldwide Group expects this trend to continue.

Management team

The Cable & Wireless Worldwide management team is led by John Pluthero and Jim Marsh. Since their arrival in November 2005 they have led the turnaround of the Cable & Wireless Worldwide Group. The Cable & Wireless Worldwide Group's business has been restructured to focus on higher margin products and services whilst costs have been significantly reduced. For both the financial year ended 31 March 2009 and the six months ended 30 September 2009, the Cable & Wireless Worldwide Group was profitable and generated positive operating cash flow.

John Pluthero and Jim Marsh are supported by strong management and employees throughout the business who are focused on providing exceptional customer service.

Brand strength

Cable & Wireless has a strong, recognised brand under the Cable & Wireless Trademarks, which has been used for more than 70 years. Post-Demerger, the Cable & Wireless Worldwide Group will have rights to continue to use the Cable & Wireless Trademarks in the areas where it currently operates. For more information about the Cable & Wireless Worldwide Group's rights to use the Cable & Wireless Trademarks, see "*—Material Contracts*". The Directors consider the Cable & Wireless Trademarks particularly strong in the United Kingdom and the Asia-Pacific markets, where Cable & Wireless has been operating for many years.

STRATEGY

The Cable & Wireless Worldwide Group aims to be the first choice communications integrator specialising in the mission critical needs of large users of telecommunications. The Cable & Wireless Worldwide Group's customers rely on the telecommunications infrastructure and services provided by the Cable & Wireless Worldwide Group in order to operate their businesses.

The Cable & Wireless Worldwide Group aims to achieve this objective by implementing the following strategy:

(a) working closely with its customers and differentiating itself through a tiered customer service model that is 'right first time', stable, proactive, responsive, and positions the Cable & Wireless Worldwide Group as 'easy to do business with';

(b) continuing to evolve a market-leading product suite of advanced network-based services and solutions, which is attractive to the large users of telecommunications, focused on its next-generation network and Multi-Service Platform technology;

(c) increasing the share of revenue generated by its strategic product set of Data, IP and application services, which attract higher margins and are in greater demand than products such as traditional voice and legacy services;

(d) continuing to expand its network and technologies to improve both margin and capability to meet customer demand, both in the United Kingdom and in its global footprint;

(e) maintaining its focus on efficiency in its network and service operations;

(f) increasing focus on emerging markets in Asia Pacific, India and the Middle East and Africa to capitalise on increasing global demand; and

(g) leveraging its scale and product capability in the small and medium sized enterprise sector through the Thus brand.

The Cable & Wireless Worldwide Group believes that implementation of this strategy will enable the Cable & Wireless Worldwide Group to deliver long-term growth in earnings and cash flow.

The market for the Cable & Wireless Worldwide Group's core Data, IP and Hosting products and services in the United Kingdom and overseas is expected to continue to grow. Furthermore, the demand for telecommunications services from enterprises in the Cable & Wireless Worldwide Group's target emerging markets is expected to experience significant growth, and the Cable & Wireless Worldwide Group currently has only a small market share in the global enterprise market. The Directors believe that the Cable & Wireless Worldwide Group's extensive UK and global network, together with its product suite and service focus positions it to successfully exploit these growing markets and to build on its track record of increasing market share in the UK and overseas. The Directors further believe that the Cable & Wireless Worldwide Group's proven ability to manage costs and focus on operational efficiencies underpin the Cable & Wireless Worldwide Group's attractive outlook for earnings and cash flow.

GEOGRAPHIC OPERATIONS

The Cable & Wireless Worldwide Group provides communication services to large users of telecommunications predominantly in the United Kingdom but also in Asia (particularly India and China), the Middle East and Africa, Continental Europe and the United States.

United Kingdom: The Cable & Wireless Worldwide Group's largest operation is in the United Kingdom with its headquarters in Hammersmith. It employs 5,857 employees across the United Kingdom including in Bracknell, Glasgow, Livingston, Manchester, Birmingham, Leeds, Swindon, London, Norwich and Bletchley.

The Cable & Wireless Worldwide Group has an extensive fibre optic network in the United Kingdom which is approximately 20,500 km in length that provides ubiquitous UK access through a combination of fibre, digital microwave, radio and leased circuits. The network has presence in more than 400 towns and cities throughout the United Kingdom, and has 802 unbundled exchanges covering 55% of the population.

Continental Europe, Middle East and Africa: The Cable & Wireless Worldwide Group has offices and operations in France, Germany, Ireland, Italy and Spain, together with smaller offices and operations in Belgium, Dubai, the Netherlands, Nigeria, Russia, Switzerland and Sweden. Its operations in these territories employ a total of 180 employees. It has 55 points of presence in Abu Dhabi, Austria, Bahrain, Belgium, Czech Republic, Denmark, Dubai, France, Germany, Holland, Hungary, Ireland, Italy, Luxembourg, Poland, Portugal, Russia, Slovakia, Spain, Sweden and Switzerland.

India: The Cable & Wireless Worldwide Group employs 450 employees in India with offices in Bangalore and eight points of presence in Bangalore, Chennai, New Delhi and Mumbai. The Cable & Wireless Worldwide Group has relationships with business process outsourcing companies in India and as a result, has approximately a further 1,050 people in the region working to help the Cable & Wireless Worldwide Group support customers globally.

Asia Pacific: The Cable & Wireless Worldwide Group employs 126 employees across the Asia Pacific region with offices in Australia (Sydney), China (Beijing and Shanghai), Hong Kong, Japan (Tokyo), and Singapore. The Cable & Wireless Worldwide Group has network in 13 countries with 40 points of presence in Australia, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

United States and Canada: The Cable & Wireless Worldwide Group employs 29 employees in the United States with offices in New York and Virginia. It also has 21 points of presence with international gateway nodes from Chicago, Dallas, Houston, Los Angeles, Miami, New York City, San Francisco, Washington DC, Toronto and Montreal.

REGULATION

Telecommunications is a regulated industry; the nature and scope of regulatory obligations applicable to the Cable & Wireless Worldwide Group and to its competitors can have a significant impact on its business. This includes making sure the Cable & Wireless Worldwide Group complies with regulation in all jurisdictions in which it operates. The Cable & Wireless Worldwide Group, therefore, monitors and participates in the regulatory process, with a view to protecting its interests and ensuring it can both continue to develop its product and service capability, and serve its customers efficiently and effectively. For a description of the risk of regulatory changes, see *"Cable & Wireless Worldwide Group Risk Factors—Risks relating to the telecommunications industry and market in which Cable & Wireless Worldwide Group operates"* of this document.

The Cable & Wireless Worldwide Group holds licences or authorisations in 23 separate jurisdictions and generally works with partners to deliver services to other countries. In the United Kingdom, the Cable & Wireless Worldwide Group holds various licences to use radio spectrum for fixed link and mobile services and, in addition, it is authorised to offer a full suite of telecommunications services. The Cable & Wireless Worldwide Group also holds licences or authorisations to operate in all major European markets, the United States, Canada and major Asian markets, such as India, Singapore and Hong Kong. The Cable & Wireless Worldwide Group also maintains many industry quality standards including ISO27001 (information security management standard), BS25999 (business continuity standard) and for the United Kingdom and Northern Ireland, ISO9001 (quality assurance standard).

PROPERTY, PLANT AND EQUIPMENT

The Cable & Wireless Worldwide Group has a property portfolio of approximately 4.1 million square feet of freehold and leasehold technical and office space, located primarily in the United Kingdom, although the spread of properties extends across Continental Europe, the United States and Asia. Numerically, the bulk of properties are technical and house equipment necessary to support the Cable & Wireless Worldwide Group's operations world wide.

The majority of the existing portfolio is leased. All of the Cable & Wireless Worldwide Group's technical properties in the United Kingdom enjoy the protection of telecommunications legislation, which has the aim of ensuring the continuity of the Cable & Wireless Worldwide Group's networks.

Over the last few years, the Cable & Wireless Worldwide Group has been reducing the size of its property portfolio to match its business rationalisation. Where possible the Cable & Wireless Worldwide Group has exited or disposed of properties it no longer requires. Where it is not possible to exit or dispose of a property that is no longer required by the Cable & Wireless Worldwide Group, future lease obligations have been provided in full. Whilst disposals are being pursued across the Cable & Wireless Worldwide Group as part of these projects, acquisition of both office and technical sites still occurs to support business growth.

Other than property, the tangible fixed assets of the Cable & Wireless Worldwide Group mainly comprises network and technical equipment, none of which is individually material.

MATERIAL LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Cable & Wireless Worldwide is aware), during a period covering at least the previous twelve months which may have, or have had in the recent past, significant effects on Cable & Wireless Worldwide, the Cable & Wireless Worldwide Group and/or the Cable & Wireless Worldwide Group's financial position or profitability.

MATERIAL CONTRACTS

Save as set out below, there are no contracts, not being contracts entered into in the ordinary course of business, and which are or may be material:

(i) which have been entered into by members of the Cable & Wireless Worldwide Group within the two years immediately preceding the date of this document; or

(ii) which have been entered into by members of the Cable & Wireless Worldwide Group and which contain any provision under which any such member has any obligation or entitlement which is material to the Cable & Wireless Worldwide Group as at the date of this document:

Finance Arrangements

Cable & Wireless Worldwide Facility Agreement

The Cable & Wireless Worldwide Group has obtained financing pursuant to the terms of a credit agreement originally dated 5 December 2008, amended and restated by an amendment agreement dated 16 March 2009 (the **Cable & Wireless Worldwide Facility Agreement**). The Cable & Wireless Worldwide Facility Agreement is between, among others, Cable & Wireless Worldwide Holdings as borrower (the **Borrower**), and various financial institutions listed therein as lenders (the **Lenders**), agent and security agent and issuing bank.

The parties to the Cable & Wireless Worldwide Facility Agreement entered into a further deed of amendment dated 14 January 2010 to amend and restate the Cable & Wireless Worldwide Facility Agreement (the **Amended Cable & Wireless Worldwide Facility Agreement**). The Amended Cable & Wireless Worldwide Facility Agreement will come into effect on the date of Admission of the Cable & Wireless Worldwide Ordinary Shares following the Demerger (the **Facility Completion Date**).

Pursuant to the Amended Cable & Wireless Worldwide Facility Agreement the Borrower will have available, as of the Facility Completion Date, £300 million by way of a multicurrency revolving credit facility for general corporate purposes, up to £100 million of which may be utilised by letters of credit (the **Facilities**). The Facilities also contemplate that the Borrower may enter into permitted bilateral facilities with the Lenders of up to £75 million, subject to certain conditions (the **Permitted Bilateral Facilities**).

The Facilities and the Permitted Bilateral Facilities are guaranteed by the material subsidiaries of the Borrower and Cable & Wireless Worldwide will become a guarantor on the Facility Completion Date. A stand-alone guarantee given by Cable and Wireless plc will be released on the Facility Completion Date. The Lenders and the lenders under the Permitted Bilateral Facilities also share *pari passu* in the security package, which comprises fixed charges over the shares in each obligor and a floating charge over the assets of each obligor.

Loans made under the Amended Cable & Wireless Worldwide Facility Agreement will bear interest at a floating rate per annum based on the relevant interbank rate plus a margin of 3.5% per annum. A fee is payable on each letter of credit issued, which is equal to the margin.

The Cable & Wireless Worldwide Facility Agreement terminates on the earlier of the third anniversary of the Facility Completion Date and 31 March 2012 (extended to 31 March 2013 under the Amended Cable & Wireless Worldwide Facility Agreement) at which point all loans need to be repaid in full. Loans under the Facilities are prepayable at par at any time at the Borrower's option plus break costs. The Facilities are also mandatorily prepayable on the occurrence of a change of control, illegality of a Lender and using the proceeds of disposals and insurance claims, subject to exceptions.

The Amended Cable & Wireless Worldwide Facility Agreement contains a number of representations given by the Borrower and the guarantors in respect of themselves and their subsidiaries, some of which must be true at the signing date and then the Demerger and on each drawing. The Amended Cable & Wireless Worldwide Facility Agreement also contains a number of financial covenants that are tested on a semi-annual basis looking at the previous 12 months.

The Amended Cable & Wireless Worldwide Facility Agreement includes covenants to provide the agent with each obligor's audited annual financial statements, the Borrower's half-yearly financial information provided for its interim announcement and on a 6-monthly basis, a report on the Cable & Wireless Worldwide Group's performance. Those financial statements need to be accompanied by a compliance certificate, which includes a list of the material subsidiaries of the Cable & Wireless Worldwide Group and which, on an annual basis, is separately confirmed by the Cable & Wireless Worldwide Group's auditors. The Borrower is required to give the Agent written notice of a number of other events including material litigation and any default under the Amended Cable & Wireless Worldwide Facility Agreement.

The Cable & Wireless Worldwide Facility Agreement includes other customary covenants, such as compliance with laws, authorisations, maintenance of existence, payment of taxes, pension compliance and maintenance of insurance. There are also restrictions on the ability of the Cable & Wireless Worldwide Group to incur debt, create security, make disposals and acquisitions, enter into joint ventures, give guarantees, make loans, enter into derivative contracts, make distributions, and change its business. Under the Amended Cable & Wireless Worldwide Facility Agreement, the restrictive covenants on the Cable & Wireless Worldwide Group will be less restrictive.

A breach of any of the terms of the Cable & Wireless Worldwide Facility Agreement or the Amended Cable & Wireless Worldwide Facility Agreement and the connected documents, failure by the Borrower to make any payment due under the Cable & Wireless Worldwide Facility Agreement or the Amended Cable & Wireless Worldwide Facility Agreement and the connected documents, insolvency events in respect of the Cable & Wireless Worldwide Group, cross-default to other debt and various other customary events will constitute events of default under the Cable & Wireless Worldwide Facility Agreement or the Amended Cable & Wireless Worldwide Facility Agreement. The result of such an event of default is that the Agent may terminate the commitments under the Facilities, and declare the loans then outstanding due and payable.

Convertible Bonds

On 24 November 2009, Cable and Wireless plc (the **Initial Issuer**) issued £230 million convertible bonds due 2014 (the **Convertible Bonds**).

The Convertible Bonds are senior debt obligations of Cable and Wireless plc and are convertible into fully paid ordinary shares of Cable and Wireless plc. Upon Admission, subject to the satisfaction of the substitution conditions described below and the execution of the Worldwide Substitution Deed and, unless previously converted, redeemed or purchased and cancelled, the Convertible Bonds become debt obligations of Cable & Wireless Worldwide and convertible into fully paid ordinary shares of Cable & Wireless Worldwide.

The conditions for the substitution of Cable & Wireless Worldwide as the principal debtor under the Convertible Bonds upon Admission require that a Substitution Compliance Certificate is delivered to the bond trustee on the business day in London prior to the date of Admission, certifying that the (i) total net debt for the Cable & Wireless Worldwide Group equals no more than £225 million; (ii) total secured bank debt for the Cable & Wireless Worldwide Group equals no more than £200 million; (iii) the Cable & Wireless Worldwide Group has freely available, uncommitted and unsecured cash and cash equivalents and available credit facilities of not less than £200 million; and (iv) Cable & Wireless Worldwide is the ultimate holding company of the Cable & Wireless Worldwide Group.

The Demerger is conditional upon the delivery by Cable & Wireless Worldwide to the bond trustee of the Substitution Compliance Certificate. Cable & Wireless Communications will, shortly before Demerger, transfer the proceeds of the Convertible Bonds to Cable & Wireless Worldwide, thereby allowing Cable & Wireless Worldwide to deliver the substitution compliance certificate to the bond trustee prior to the Demerger. Pursuant to the terms of the Separation Agreement, the execution by Cable & Wireless Worldwide and Cable & Wireless Communications of the Worldwide Substitution Deed which effects the substitution of Cable & Wireless Worldwide as principal debtor in respect of the Convertible Bonds, will take place no later than immediately prior to the Admission in consideration for, and subject to, Cable & Wireless Communications having shortly before Demerger (as described above), transferred such net proceeds of the Convertible Bonds to Cable & Wireless Worldwide. Therefore, all necessary conditions for the substitution of Cable & Wireless Worldwide as principal debtor under the Convertible Bonds, subject only to Admission taking place, will have been met, *de facto*, prior to Admission.

In the event that the conditions to transfer the Convertible Bonds to Cable & Wireless Worldwide are not met or the Demerger does not otherwise complete, Cable and Wireless plc (or, subject to the fulfilment of certain conditions, Cable & Wireless Communications) shall remain principal debtor under the Convertible Bonds and the Convertible Bond proceeds will be returned to the principal debtor thereunder. The principal debtor under the Convertible Bonds from time to time is referred to below as the **Convertible Issuer**.

From a date falling prior to the Scheme Effective Time, to be specified by Cable and Wireless plc by giving five days written notice to bondholders, conversion rights under the Convertible Bonds will be suspended until the date falling 21 dealing days following Admission on which the reset conversion price of the Convertible Bonds will be established. To the extent that the substitution of Cable & Wireless Worldwide as principal debtor under the Convertible Bonds has not occurred by the earlier of:

(i) 90 days following the effective date of any such suspension of conversion rights by Cable and Wireless plc or, if earlier, 31 December 2010; or

(ii) the date on which certain change of control events described in the terms of the Convertible Bonds occur,

the terms of the Convertible Bonds provide that the suspension period shall end on the ninetieth day following the effective date of the suspension of conversion rights by Cable and Wireless plc (or, if earlier, 30 December 2010) or as the case may be, the date of such change of control event.

The Convertible Bonds carry a coupon from and including 24 November 2009 of 5.75% per annum payable semi-annually in arrear in equal instalments on 30 June and 30 December in each year, with a long first coupon on 30 June 2010 of £3,440.57 per £100,000 principal amount of the Convertible Bonds and a short last coupon on the maturity date of £2,309.43 per £100,000 principal amount of the Convertible Bonds, in each case, in respect of each Convertible Bond. The conversion price is £1.841 per £100,000 principal amount of the Convertible Bonds and is subject to adjustment from the issue date of the Convertible Bonds. Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed on 24 November 2014 at their principal amount.

The Convertible Bonds contain a negative pledge which provides that, so long as any of the Convertible Bonds remain outstanding, the Convertible Issuer and its principal subsidiaries will not create or permit to subsist security upon their respective assets to secure, guarantee or indemnify any other debt instruments which are listed or capable of being listed. However, in respect of the Initial Issuer and Cable & Wireless Communications only, this negative pledge does not apply to the creation or subsistence of security in respect of listed indebtedness of no more than US$500 million. The negative pledge also contains certain other customary exemptions for the benefit of the Convertible Issuer.

Failures to pay all or any part of the principal or interest due in respect of the Convertible Bonds, cross default and certain other events (linked, *inter alia,* to insolvency) may constitute events of default under the Convertible Bonds, subject to customary thresholds and exceptions and, in certain cases, a material prejudice certification being given by the bond trustee. Such events of default may lead to the acceleration of the repayment of principal and accrued (but unpaid) interest under the Convertible Bonds.

The Convertible Issuer may, subject to certain conditions, redeem all but not some only of the Convertible Bonds at their principal amount, together with accrued (but unpaid) interest: (a) at any time on or after 15 December 2012, if the value of the ordinary shares deliverable on conversion of a Convertible Bond exceeds 130% of the principal amount of a Convertible Bond for a prescribed period; or (b) at any time once 85% or more of the principal amount of the Convertible Bonds have been purchased and cancelled, converted or redeemed.

Payments in respect of the Convertible Bonds are subject to a customary gross-up provision with relevant carve-outs applying from the date that the Convertible Bonds are listed. From such listing date, the Convertible Issuer will benefit from a right to redeem the Convertible Bonds on the occurrence of certain changes in the tax laws or regulations of the United Kingdom.

For a period of 60 days following a change of control of the Convertible Issuer (or, if later, notice thereof) excluding, for the avoidance of doubt, the Demerger, the conversion price will be adjusted downwards in accordance with a formula resulting in straight line amortisation of the conversion premium of the Convertible Bonds. In addition, on a change of control of the Convertible Issuer, each holder of Convertible Bonds may exercise their conversion rights or, instead, require the Convertible Issuer to redeem any Convertible Bond held by such holder at its principal amount, together with accrued and unpaid interest.

The Convertible Bonds contain customary anti-dilution adjustment provisions dealing with, *inter alia,* share consolidations, share splits, capital distributions, extraordinary dividends, rights issues and bonus issues and customary undertakings to protect the conversion rights of the Convertible Bonds.

The Convertible Bonds and the Convertible Trust Deed are governed by English law.

An application will be made by the Convertible Issuer for the Convertible Bonds to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Professional Securities Market of the London Stock Exchange by no later than 30 June 2010.

Demerger Transaction Agreements

Demerger Agreement

Cable & Wireless Worldwide has entered into a Demerger Agreement with Cable & Wireless Communications and Cable and Wireless plc. The Demerger Agreement sets forth the agreements between Cable & Wireless Worldwide, Cable & Wireless Communications and Cable and Wireless plc regarding the principal transactions necessary to effect the Demerger, including the conditions to implementation of the Scheme and the Demerger. The Demerger Agreement also contains customary warranties from Cable & Wireless Worldwide, Cable & Wireless Communications and Cable and Wireless plc as to capacity and authority in relation to the issue of shares pursuant to the Scheme and the Demerger.

To effect the Demerger, at the Scheme Effective Time, Cable & Wireless Communications will issue a stapled securities unit consisting of two components: (i) one Cable & Wireless Communications Ordinary Share and (ii) one Cable & Wireless Communications 'B' Share for each Cable and Wireless plc Ordinary Share issued and outstanding immediately prior to such Scheme Effective Time. At the Demerger Effective Time, Cable & Wireless Communications will reduce its share capital by cancelling each Cable & Wireless Communications 'B' Share and will repay this capital by transferring to Cable & Wireless Worldwide the shares in Cable & Worldwide Holdings and the Cable & Wireless Worldwide Group's Brand in consideration for the issue to Cable & Wireless Communications Shareholders of one Cable & Wireless Worldwide Ordinary Share for each such cancelled Cable & Wireless Communications 'B' Share. The only right associated with any Cable & Wireless Communications 'B' Share is the right to receive a Cable & Wireless Worldwide Ordinary Share at the Demerger Effective Time or, if the Demerger is not effected by the Demerger Long Stop Date, the right to be redenominated, reorganised and reclassified into an Cable & Wireless Communications Ordinary Share.

Among other things, the Demerger Agreement requires Cable and Wireless plc to notify Cable & Wireless Communications by no later than the Demerger Long Stop Date if the Demerger will not be effective by such date and, upon receipt of such notice, Cable & Wireless Communications will forthwith announce on an RNS that the Demerger will not proceed. In such case, the Cable & Wireless Communications 'B' Shares shall be redenominated, reorganised and reclassified and a new application for admission to the Official List and to trading on the London Stock Exchange's market for listed securities of the additional Cable & Wireless Communications Ordinary Shares will be made as soon as reasonably practicable after such announcement has been made.

Separation Agreement

Cable & Wireless Worldwide has entered into a Separation Agreement with Cable & Wireless Communications, Cable and Wireless plc, CWIGroup Limited and Cable & Wireless Worldwide Holdings which sets forth agreements that govern certain aspects of the relationship between Cable & Wireless Worldwide and Cable & Wireless Communications and their respective subsidiaries pre- and post-Demerger. The Separation Agreement includes an undertaking from each of Cable and Wireless plc and Cable & Wireless Communications to enter into an agreement, prior to the Scheme Effective Time, to, amongst other things, transfer the entire issued share capital of Cable & Wireless Worldwide Holdings, the immediate holding company of the Cable & Wireless Worldwide Group, to Cable & Wireless Communications. It also contains the agreements between Cable and Wireless plc and Cable & Wireless Worldwide Holdings in respect of the transfer of the Cable & Wireless Trademarks prior to the Demerger Effective Time (as further described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*" of this document).

The Separation Agreement also contains the agreements between Cable and Wireless plc, Cable & Wireless Worldwide and Cable & Wireless Communications in relation to the substitution of Cable & Wireless Worldwide as the principal debtor under the Convertible Bonds (as further described in "*Cable & Wireless Worldwide Group Business—Material Contracts*").

Under the Separation Agreement, Cable & Wireless Communications and Cable & Wireless Worldwide also agree to provide each other with certain customary indemnities on a reciprocal basis in respect of liabilities which the Cable & Wireless Communications Group may incur but which relate exclusively to the Cable & Wireless Worldwide Group and vice versa and in respect of an agreed proportion of liabilities which do not relate exclusively to one group or the other. In consideration for a reciprocal undertaking given by Cable & Wireless Communications, Cable & Wireless Worldwide also agrees to use its reasonable endeavours to procure that each member of the Cable & Wireless Communications Group is released from all guarantees and indemnities given in respect of any liability or obligation of any member of the Cable & Wireless Worldwide Group and, pending the release of such guarantees and indemnities, indemnifies the Cable & Wireless Communications Group against all liabilities associated therewith. In addition, Cable & Wireless Worldwide (in respect of guarantees given by the Cable & Wireless Communications Group) and Cable & Wireless Communications (in respect of guarantees given by the Cable & Wireless Worldwide Group) shall pay a negotiated fee for the maintenance of such guarantees until such time as they are released.

The Separation Agreement also includes provisions relating to the allocation of tax liabilities and the conduct of tax affairs of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group relating to the period prior to the Demerger and sets out the agreements between Cable & Wireless Communications and Cable & Wireless Worldwide regarding access to financial and other records and information, insurance matters, incentive scheme matters, real estate matters and provisions in relation to certain existing contractual arrangements relevant to either of Cable & Wireless Communications Group or Cable & Wireless Worldwide Group after the Demerger Effective Time.

Transitional Services Agreement

Cable & Wireless Worldwide has entered into a Transitional Services Agreement with Cable & Wireless Communications pursuant to which each party will provide the other with certain services on an interim basis for terms ranging generally from three to seven months (though the term of certain services may be shorter or longer) following the Demerger. The services include information technology, tax, and procurement and the parties agree to work together to identify further services to include in the Transitional Services Agreement following the Demerger Effective Time.

Pensions Agreement

Cable and Wireless plc, Cable & Wireless Worldwide Services Limited and the trustee of the Cable & Wireless Superannuation Fund have entered into a heads of terms which establishes the commercial terms and legal principles of the bulk transfer of pension assets and liabilities to the Cable & Wireless Worldwide Retirement Plan in respect of current and former employees of the Cable & Wireless Worldwide Group. The same parties have agreed the terms of the new contingent funding agreement for the Cable & Wireless Worldwide Retirement Plan providing security of up to £100 million by way of escrow account or letter of credit in certain circumstances, based on agreed financial and business triggers.

Before Demerger, Cable and Wireless plc, the Cable & Wireless Worldwide Group and the trustees of the Cable & Wireless Superannuation Fund and the Cable & Wireless Worldwide Retirement Plan will enter into a pensions agreement which sets out the full terms of the bulk transfer to the Cable & Wireless Worldwide Retirement Plan.

Intellectual Property Arrangements

Prior to the Demerger Effective Time, all rights held by the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group in the Cable & Wireless Trademarks will be assigned to a UK joint venture company. Shares in the joint venture company will be held 50% by Cable and Wireless plc and 50% by Cable & Wireless Worldwide Holdings. Cable and Wireless plc will be granted a licence by the joint venture company in respect of use of the Cable & Wireless Trademarks in the Cable & Wireless Communications Territory (and also certain rights worldwide) and will be granted a licence by the joint venture company in respect of use of the Cable & Wireless Trademarks in the Cable & Wireless Worldwide Territory (and also certain rights worldwide) (the **Cable & Wireless Worldwide Licence**).

The Cable & Wireless Worldwide Brand will be assigned by Cable & Wireless to Cable & Wireless Communications at the Demerger Effective Time and in effecting the Demerger, Cable & Wireless Communications will transfer the Cable & Wireless Worldwide Brand to Cable & Wireless Worldwide.

Under the Cable & Wireless Worldwide Licence, the Cable & Wireless Worldwide Group will be granted a licence to use and exploit (including by way of sublicensing) the Cable & Wireless Trademarks in the Cable & Wireless Worldwide Territory and the acronym “CWW” globally, and is also authorised to use and exploit the Cable & Wireless Trademarks outside the Cable & Wireless Worldwide Territory in relation to its Carrier Business and for certain incidental uses (e.g. use on the Internet which is targeted to customers in the Cable & Wireless Worldwide Territory or in order to identify Cable & Wireless Worldwide companies incorporated outside the Cable & Wireless Worldwide Territory), and certain grandfathered use on existing materials. The Cable & Wireless Worldwide Licence is (save for certain rights, globally in relation to its Carrier Business and the acronym “CWC” and certain similar incidental and grandfathered rights, granted to the Cable & Wireless Communications Group) exclusive in the Cable & Wireless Worldwide Territory. The Cable & Wireless Worldwide Group also has a limited non-exclusive transitional licence to use the “Cable & Wireless Globe” logo to enable it to phase out its use in an orderly manner but otherwise has no right to use the “Cable & Wireless Globe” logo. Under the terms of the Cable & Wireless Worldwide Licence, the Cable & Wireless Worldwide Group is largely unrestricted in its use of the Cable & Wireless Trademarks within the Cable & Wireless Worldwide Territory and in relation to its Carrier Business and the “CWW” acronym globally. The Cable & Wireless Worldwide Group’s use of the Cable & Wireless Trademarks outside the Cable & Wireless Worldwide Territory in areas other than its Carrier Business and the acronym “CWW” is severely restricted to subsidiary use in conjunction with another trademark or incidental or certain grandfathered use, and for use in its Carrier Business.

Under the terms of the Cable & Wireless Worldwide Licence, the Cable & Wireless Worldwide Group is responsible, within the Cable & Wireless Worldwide Territory, for prosecuting applications for registration and maintaining existing trademark registrations of the Cable & Wireless Trademarks and the acronym “CWW” at its own cost. The Cable & Wireless Worldwide Group can also, call upon the joint venture company to file (at the Cable & Wireless Worldwide Group’s cost) new applications for registration of the Cable & Wireless Trademarks in jurisdictions within the Cable & Wireless Worldwide Territory and in relation to the acronym “CWW” globally, whereupon the Cable & Wireless Worldwide Group also assumes responsibility for prosecuting such applications and (once registered) maintaining such registrations at its own cost.

Under the terms of the Cable & Wireless Worldwide Licence, the Cable & Wireless Worldwide Group has the first right (at its own cost) to take action against third-party infringers of the Cable & Wireless Trademarks within the Cable & Wireless Worldwide Territory and in relation to the acronym “CWW” globally, and the joint venture company is obliged to provide, at the Cable & Wireless Worldwide Group’s cost, reasonable assistance to the Cable & Wireless Worldwide Group in this regard. The Cable & Wireless Communications Group has similar rights outside the Cable & Wireless Worldwide Territory and globally for the “Cable & Wireless Globe” logo.

Under the terms of the Cable & Wireless Worldwide Licence the licensor may only terminate the license or any sub-license under limited circumstances: (i) where either a member of the Cable & Wireless Worldwide Group or one of its sub-licensees directly or indirectly challenges the validity of any of the Cable & Wireless Trademarks; and (ii) in relation to a country within the Cable & Wireless Worldwide Territory or the Cable & Wireless Worldwide Licence as a whole, if the Cable & Wireless Worldwide licensee is in material breach of the Cable & Wireless Worldwide Licence and either that breach is incapable of remedy or it has failed to remedy that breach within 90 days of receiving notice and following the prior implementation of an escalation procedure under the Cable & Wireless Worldwide Licence. The Cable & Wireless Worldwide licensee may also terminate the agreement on 120 days written notice or similarly for a breach of the licensor. Acts or omissions of (and therefore breaches by) sub-licensees are deemed to be acts or omissions of the Cable & Wireless Worldwide licensee. Aside from these specific termination provisions, the Cable & Wireless Worldwide Licence is perpetual and irrevocable.

CABLE & WIRELESS WORLDWIDE GROUP OPERATING AND FINANCIAL REVIEW

This section contains discussion and analysis of the Cable & Wireless Worldwide Group. For a discussion on the basis of preparation of the financial information for the Cable & Wireless Worldwide Group, see section entitled "Basis of Preparation—Overview" in this "Cable & Wireless Worldwide Group Operating and Financial Review".

The historical financial information of the Cable & Wireless Worldwide Group is audited as of and for the financial years ended 31 March 2007, 31 March 2008, 31 March 2009 and as of and for the six month period ended 30 September 2009.

This "Cable & Wireless Worldwide Group Operating and Financial Review" also contains unaudited operating information in relation to the Cable & Wireless Worldwide Group, which is extracted without material adjustment from management accounts for the relevant accounting periods presented and internal financial reporting systems supporting the preparation of financial statements. An analysis of certain non-IFRS financial information is contained on page A-2 of this document. There are also certain forward-looking statements that involve risks and uncertainties. Investors should be aware that Cable & Wireless Worldwide's actual results may differ materially from the results discussed in the forward-looking statements as a result of certain factors, including those set out under "Risk Factors" and elsewhere in this document.

The following discussion should be read in conjunction with the historical financial information set out in "Historical Financial Information of the Cable & Wireless Worldwide Group" of this document.

OVERVIEW OF THE CABLE & WIRELESS WORLDWIDE GROUP

Introduction

The Cable & Wireless Worldwide Group specialises in the provision of critical communication infrastructure and services for large users of telecommunications. The Cable & Wireless Worldwide Group provides high quality managed voice, data, applications and Internet Protocol based services to its customers, focusing on serving large corporates, multinational companies, governments, carrier customers and telecommunications resellers. Small and medium sized enterprises are served indirectly via telecommunications resellers and directly through the Cable & Wireless Worldwide Group's Thus brand.

The Cable & Wireless Worldwide Group has an extensive telecommunications network. The majority of its operations, and its headquarters, are in the United Kingdom, where it owns the country's biggest fibre network dedicated to business users of telecommunications. The Cable & Wireless Worldwide Group also has a substantial global telecommunications network, totalling approximately 500,000km in length, including interests in more than 69 major global cable systems. The Cable & Wireless Worldwide Group's next-generation network, across which all services provided by the Cable & Wireless Worldwide Group can be delivered, improves the quality and performance of telecommunications services through its use of advanced optical and IP transmission. The Cable & Wireless Worldwide Group has a Multi-Service Platform that runs across its next-generation network, which reduces costs for both customers and the Cable & Wireless Worldwide Group and provides the platform for innovative new applications. With points of presence in 35 countries, the Cable & Wireless Worldwide Group provides connectivity to 153 countries, where appropriate using local carriers as suppliers.

The Cable & Wireless Worldwide Group has 36 offices in 16 countries around the world including operations in India, Asia Pacific, the Middle East and Africa, Continental Europe and the United States.

The Cable & Wireless Worldwide Group's total revenue for the year ended 31 March 2009 was £2,268 million, a £327 million increase on the £1,941 million achieved in the year ended 31 March 2008. The Cable & Wireless Worldwide Group's total EBITDA before exceptional items for the year ended 31 March 2009 was £326 million, a £107 million increase on the £219 million achieved in the year ended 31 March 2008. Profit after exceptional items and before income tax for the year ended 31 March 2009 was £9 million. For the year ended 31 March 2009, the Cable & Wireless Worldwide Group employed an average of 5,605 employees.

In the six months ended 30 September 2009, the Cable & Wireless Worldwide Group generated revenue of £1,141 million and EBITDA of £205 million. EBITDA has grown by 99% per annum since 30 September 2006. The Cable & Wireless Worldwide Group aims to continue growing by being the first choice communications integrator specialising in the mission critical needs of large users of telecommunications who rely on the communication infrastructure and services provided by the Cable & Wireless Worldwide Group to operate their businesses.

The Directors believe that the Cable & Wireless Worldwide Group's network and continuous development of an advanced product suite, together with positive customer experience for customers, position it to be able to capitalise on the trends being experienced in its markets. These include the need to reduce business complexity through the adoption of next-generation network infrastructure and applications; the demand for voice and data products, alongside the demand for advanced next-generation technologies, that can enable new business models; and globalisation, in particular increasing telecommunications traffic between Asia, Europe and the United States.

On 1 October 2008, the Cable & Wireless Worldwide Group acquired a controlling interest in THUS Group plc, the UK focused telecommunications provider. THUS Group plc reported revenue for the year ended 31 March 2008 of £576 million and EBITDA of £57 million and was consolidated into the Cable and Wireless plc accounts from 1 October 2008. For the period ended 31 March 2008, THUS Group plc employed an average of 1,762 employees.

The quality of Cable & Wireless Worldwide Group's revenue continues to improve. Between the six months ended 30 September 2006 and the six months ended 30 September 2009 the level of incremental sales won from enterprise customers increased by 70% (as measured by estimated annualised revenue value in the Cable & Wireless Worldwide Group's sales tracking tool). During the same period the Cable & Wireless Worldwide Group achieved a 22% increase in contract length for the contracts signed (for those estimated to deliver greater that £0.5m annualised gross margin). The Cable & Wireless Worldwide Group's incremental contract wins in the six months ended 30 September 2009 in terms of estimated annualised revenue were 67% Data, IP and Hosting, less than 1% Legacy, with the remainder Traditional Voice. The Cable & Wireless Worldwide Group's current sales pipeline is split approximately 84% Data, IP & Hosting, 16% Traditional Voice, with no Legacy sales.

In terms of retention, the Cable & Wireless Worldwide Group continues to provide services to all of its top 25 customers (by gross margin for the six months ended 30 June 2006, being the period shortly after the acquisition of Energis). In addition, 12 more customers (by gross margin for the six months ended 30 September 2009) now surpass the annualised margin level that denoted the top 25 customers in that prior period. The gross margin from the Cable & Wireless Worldwide Group's top 25 customers (by gross margin for the six months ended 30 September 2008) grew by 11% in the six months ended 30 September 2009 (compared to the six months ended 30 September 2008).

The Cable & Wireless Worldwide Group's principal activities

The Cable & Wireless Worldwide Group categorises its product offerings in the telecommunications markets into three types: Data, IP and Hosting, and Traditional Voice and Legacy products.

Data, IP and Hosting

For the six months ended 30 September 2009, £592 million, or 52% of the Cable & Wireless Worldwide Group's total revenue, was derived from Data, IP and Hosting services.

Data, IP and Hosting consists of a number of core products:

- *Wide area networks*: The Cable & Wireless Worldwide Group provides direct connectivity between customer sites on either a point-to-point basis or via a wide area network at speeds from below 2Mbps to 10Gbps. These are provided in the UK and globally and utilise both IP Virtual Private Networks and Ethernet technology.
- *Local area networks*: The Cable & Wireless Worldwide Group's local area network solutions provide connectivity within a customer's physical location.
- *Local loop unbundling*: The Cable & Wireless Worldwide Group utilises its 802 unbundled exchanges in the United Kingdom to provide data and voice services directly to its own customers and also via resellers.
- *Hosting*: The Cable & Wireless Worldwide Group offers a range of hosting products that utilise the Cable & Wireless Worldwide Group's data centres, which have 205,000 square feet of hosting space and are based in the UK and the Republic of Ireland and are connected to the Cable & Wireless Worldwide Group's fibre network. Services offered include co-location, server hosting, storage, website hosting and intelligent network defence (security). For the six months ended 30 September 2009, £92 million, or 8% of the Cable & Wireless Worldwide Group's total revenue, was derived from

hosting services. Of the hosting service total revenue, 26% was for co-location services and 74% was for managed hosting services. Over the same period, hosting services had £63 million of gross margin. Hosting revenue and gross margin have grown at 30% and 28% per annum, respectively, since the six months ended 30 September 2006.

The Cable & Wireless Worldwide Group also provides a number of applications that combine elements of these core products to provide business services. IP voice is included in this category given its reliance on data networks. Other examples of applications include:

- *Managed Video Conferencing*: Managed Video Conferencing is delivered over the Cable & Wireless Worldwide Group's global Multi-Service Platform and next-generation network. The solution includes a next-generation bridging application (Virtual Presence) that connects multiple devices and media into a single simplified video conferencing service.
- *Fixed Mobile Convergence*: Fixed Mobile Convergence provides customers with an integrated fixed and mobile solution giving the flexibility of mobile telephony with the lower cost of a fixed line phone. FMC provides an in-building mobile network using small Global System for Mobile Communications network cells (pico-cells) owned by the Cable & Wireless Worldwide Group, which in combination with a roaming agreement in the United Kingdom, allows mobile users to benefit from lower costs and an integrated service. The Cable & Wireless Worldwide Group currently offers this service only in the United Kingdom.
- *Managed Email*: Managed Email combines the Cable & Wireless Worldwide Group's managed services for hosting, security and storage and network infrastructure with commercial software to offer customers a high-quality messaging infrastructure.

Traditional Voice Services

The Cable & Wireless Worldwide Group's traditional voice revenue in the six months ended 30 September 2009 was £527 million, or 46% of the Cable & Wireless Worldwide Group's total revenue.

The Cable & Wireless Worldwide Group provides a range of voice services to retail and wholesale customers, including:

- *Lines and Calls*: The provision of either a line connection or calls or both to end users who are either the Cable & Wireless Worldwide Group's own customers or those of a reseller customer. This service can be provided either on the Cable & Wireless Worldwide Group's own infrastructure (direct connection) in which case all aspects of the service, including line and feature rentals and call charges, are billed by the Cable & Wireless Worldwide Group or over a line provided by another carrier in which case the Cable & Wireless Worldwide Group bills for call charges and may or may not bill for line and feature rentals.
- *Telebusiness (inbound call management)*: The provision of call-routing, revenue share and management services for non-geographic numbers, such as 0800, 0844 or premium rate lines that are used by customers for a variety of purposes, including, for example, call centres or TV voting.
- *Voice Transit and Interconnect*: The provision of voice capacity to carry minutes originated by other carriers, either to terminate with the Cable & Wireless Worldwide Group's customers or to terminate with other carriers taking advantage of Cable & Wireless Worldwide Group's extensive voice interconnect network. This includes calls originating in the UK from fixed and mobile operators as well as internationally.

Legacy Services

The Cable & Wireless Worldwide Group's revenue from legacy products in the six months ended 30 September 2009 was £22 million, or 2% of the Cable & Wireless Worldwide Group's total revenue. The Cable & Wireless Worldwide Group reports several services as legacy as the platforms and products are nearing end of life. These include data products (point-to-point links and wide area networks) utilising the Asynchronous Transfer Mode and Frame Relay protocols and Internet service providers supporting dial-up Internet access.

Service Propositions

Each of the above-described products are offered to the Cable & Wireless Worldwide Group's customers individually or as a combination, together with a proposition that offers three levels of service models:

- *Standard Service*: standard products with standard support and service level agreements, supported from a shared customer service centre with common access to corporate monitoring and incident management teams. This service model represented 52% of the Cable & Wireless Worldwide Group's total gross margin for the six months ended 30 September 2009.
- *Managed Service*: standard products with bespoke support and service level agreements, supported from a secure network operation centre with its own technical expertise to monitor and manage incidents and interact directly with customers' technology teams. This service model represented 32% of the Cable & Wireless Worldwide Group's total gross margin for the six months ended 30 September 2009.
- *Managed Proposition*: bespoke solutions for customers' communications infrastructure integrated into their business processes, supported by a dedicated team with intimate understanding of the customer's business. Typically, these solutions will require transfer of ownership of network infrastructure, risk and/or people. This service model represented 16% of the Cable & Wireless Worldwide Group's total gross margin for the six months ended 30 September 2009.

Each service proposition is provided with support 24 hours a day, seven days a week from centres based in Europe and Asia, offering first line response for initial call handling and early diagnosis of faults through to technical support, shared and dedicated service teams and technology specialists.

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following section contains a description of the key drivers for the results of the Cable & Wireless Worldwide Group, both in general and those issues specific to the three and a half years under review.

Transformation

After the acquisition of Energis in November 2005, the Cable & Wireless Worldwide Group implemented a major turnaround programme and changed its strategy to focus resources on serving fewer, larger customers with a wide range of IP-based services tailored to their specific business needs. The turnaround strategy involved three stages: the integration of Energis into the Cable & Wireless Worldwide Group business; a recovery stage in which the business fixed service, reduced complexity and improved the cost base and the quality of earnings; and a transformation period during which customer propositions and operational performance are intended to exceed industry standards. The Cable & Wireless Worldwide Group is currently in the third phase of this strategy, having successfully completed the integration and recovery phases.

In 2008, the Cable & Wireless Worldwide Group acquired THUS Group plc, which has generated significant synergies for the Cable & Wireless Worldwide Group.

The results of the turnaround are evident in the Cable & Wireless Worldwide Group's operating performance over the last three and a half years—gross margin has improved, operating costs have reduced and customer satisfaction is at considerably higher levels. This has led to EBITDA of £326 million for the year ended 31 March 2009, including the impact of the acquisition of THUS Group plc on 1 October 2008, compared with £44 million for the year ended 31 March 2006, and EBITDA margin has increased from 2% to 14% of revenue over the same period.

Competition

The Cable & Wireless Worldwide Group operates in a number of competitive markets around the world and this competition generally results in downward pressure on prices. In its international markets, the Cable & Wireless Worldwide Group competes with both major global operators and local operators in the individual markets in which it operates. These global operators include AT&T, BT, France Telecom and Verizon. In the United Kingdom, there are a number of participants in the market. For the enterprise customers, which is the Cable & Wireless Worldwide Group's largest customer grouping, BT is the Cable & Wireless Worldwide Group's primary competitor. As at 31 March 2009, the Cable & Wireless Worldwide Group's share of the UK enterprise telecommunications market was approximately 19%.

Demand drivers

The Cable & Wireless Worldwide Group provides a wide range of telecommunications services, primarily to large corporate customers, multinational companies, governments, carrier customers and telecommunication resellers. Small and medium sized enterprises are served indirectly via telecommunications resellers and directly through the Cable & Wireless Worldwide Group's Thus brand. The key drivers of demand for its products and services are:

Technological development: The telecommunications industry is characterised by rapid technological advances and the frequent introduction of new products and services. This drives demand for new products and services, and churn from other products and services. For example, the advent of IP-based services has led in recent years to a shift away from traditional voice services. The most significant recent advance in telecommunications technology that has affected the results of the Cable & Wireless Worldwide Group in the period under review is the development of next-generation networks.

In the period under review, the Cable & Wireless Worldwide Group has developed and launched a full suite of IP-based products and services, which are enabled by its next-generation network and Multi-Service Platform. This network provides a common infrastructure and a more robust telecommunication and IT platform, which the Directors believe can be managed at a lower cost and with greater scalability than legacy platforms. The Cable & Wireless Worldwide Group also was the first operator in the United Kingdom to offer a Fixed Mobile Convergence solution using GSM guard band spectrum. In addition, the desire of UK companies to look for additional ways to reduce costs and make business processes and operating models more efficient has led to an increase in demand for new IP-based applications, which in turn has driven demand for bandwidth (network capacity) and increased hosting and data storage services. In response to this demand, the Cable & Wireless Worldwide Group has developed IP-based applications for customers as part of its core product set, which has reduced the effect of the economic downturn on the Cable & Wireless Worldwide Group. These include applications such as Managed Video Conferencing, Fixed Mobile Convergence and Managed Email.

Globalisation: The globalisation of large corporates has led to increasingly complex telecommunications requirements. As companies grow they need more bandwidth and hosting space and a telecommunications provider that has global network capability. They are also more likely to outsource the management of their telecommunications estate as its scale potentially outgrows their internal capability.

Economic environment: The Cable & Wireless Worldwide Group provides telecommunications solutions to its customers. In times of economic downturn, customers look for ways to reduce their cost base and the Cable & Wireless Worldwide Group's services allow them to do that. As a result, while the current economic downturn has lengthened sales cycles to corporate customers, reduced the demand for voice minutes and slightly increased the timing of accounts receivable collections, the impact of an economic downturn on the Cable & Wireless Worldwide Group's business has been moderated.

Cost drivers

The Cable & Wireless Worldwide Group has three general categories of costs—those which are directly related to the generation of revenue (cost of sales), those that are fixed (operating costs) and restructuring costs.

Cost of sales accounts for those costs that are either variable, typically correlating with changes in revenue, or can be directly attributable to a single customer. A major item in the cost of sales of the Cable & Wireless Worldwide Group is the cost that arises when a customer of the Cable & Wireless Worldwide Group makes a call or sends data that transfers over or terminates on another operator's network, either fixed or wireless. The other network operator charges the Cable & Wireless Worldwide Group for their service, and these charges are referred to as outpayments. Outpayments are based on usage and charges are regulated. Cost of sales also includes items such as the cost of equipment to be installed in a single customer's premises (where it is not capitalised) and the cost of providing a dedicated network, such as wide area networks or local area networks, to a single customer's premises. In the four years ended 31 March 2009, the Cable & Wireless Worldwide Group has implemented a cost of sales reduction programme, which includes activities such as improving the Cable & Wireless Worldwide Group's network utilisation, reducing its reliance on other network operators, and ongoing programmes relating to supplier renegotiations and process efficiencies. This programme has led to a reduction in the Cable & Wireless Worldwide Group's cost of sales in the period, helping to increase its gross margin as a percentage of revenue to 42% in the year ended 31 March 2009, compared to 41% in the year ended 31 March 2008.

Operating costs are those costs that are not directly variable in line with changes in revenue, and cannot be directly attributed to a single customer. These include costs such as salaries and wages, licence and operating arrangement fees, network and cable maintenance and support fees, equipment support fees, rental on properties, sales and marketing costs, travel, consultancy fees and utilities. The Cable & Wireless Worldwide Group has focused on reducing its operating cost base in the three years under review and has undertaken activities including reducing its headcount, renegotiating network maintenance contracts and rationalising its network assets. This has led to a reduction in operating costs before exceptionals and LTIP in the year ended 31 March 2009 to 27% of revenue, compared to 30% in the year ended 31 March 2008.

Restructuring costs are associated with the transformation activities that the Cable & Wireless Worldwide Group has undertaken in the period under review to drive improved business performance and reduce operating costs. They include the integration of the Energis and Thus businesses, the change in strategy to focus on enterprise customers and a property rationalisation programme to reduce the number of properties and the associated overheads. The Cable & Wireless Worldwide Group recorded exceptional charges for restructuring costs of £65 million in the year ended 31 March 2007, £40 million in the year ended 31 March 2008 and £76 million in the year ended 31 March 2009 (of which £30 million related to the integration of THUS Group plc).

Long Term Incentive Plan (LTIP)

The LTIP was introduced on 1 April 2006 for the Cable & Wireless Worldwide Group's most senior managers. For more details on the LTIP, see the section entitled "*Cable & Wireless Worldwide Group—Operating and Financial Review*" of this document.

Members of the Cable & Wireless Worldwide Group senior management have waived their right to immediate vesting of their Cable & Wireless Worldwide Group-related LTIP awards at Demerger so that those awards can continue until 31 March 2011.

The LTIP is accounted for in accordance with IAS 19 *Employee Benefits.* The amount accrued as a liability at each reporting date represents the estimated time pro-rated present value of the obligation. This requires estimates of the valuation of the Cable & Wireless Worldwide Group to determine the obligation and requires the use of a number of assumptions which, by their nature, are subjective and subject to fluctuation. The income statement charge for each period reflects the movement in the amount accrued in the period. For the periods under review the income statement charge for the LTIP was £17 million for the year ended 31 March 2007, £19 million for the year ended 31 March 2008, £17 million for the year ended 31 March 2009 and £2 million for the six months ended 30 September 2009.

Acquisitions and disposals

In the periods under review, the Cable & Wireless Worldwide Group has undertaken a strategic transformation, resulting in the acquisition of assets that would enable this transformation and the disposal of assets no longer core to the strategy. The following were the key transactions undertaken in the periods under review or with a material impact on these periods.

On 11 November 2005, the Cable & Wireless Worldwide Group purchased Energis for a total consideration of £739 million. This comprises £690 million paid at the time of the transaction to repay debt and acquire the share capital of Chelys Limited and a further £49 million in contingent consideration, which was paid in March 2008.

On 8 June 2006, the Cable & Wireless Worldwide Group announced a revised strategy to leverage its local loop unbundled network by offering a wholesale product to major broadband service providers and ceasing residential sales. On 7 September 2006, the Cable & Wireless Worldwide Group announced its first wholesale customer, Pipex, and sold its residential broadband customer base and the 'Bulldog' brand to Pipex for £9 million of net cash.

On 2 April 2007, the Cable & Wireless Worldwide Group signed a 25 year sale and leaseback agreement covering nine freehold properties in the United Kingdom. The Cable & Wireless Worldwide Group received £88 million for the disposal of these properties and recorded an exceptional profit of £53 million. Lease payments for the first five years were set at £4.5 million per year, subject to review every five years thereafter.

On 30 June 2008, the Cable & Wireless Worldwide Group, acquired a 29.9% stake in THUS Group plc for £99 million. On and after 1 October 2008, the Cable & Wireless Worldwide Group purchased the remaining share capital of THUS Group plc for £244 million and consolidated the results of Thus from that date. Thus reported revenue for the year to 31 March 2008 of £576 million and EBITDA of £57 million.

Investment priorities

In the period under review, the Cable & Wireless Worldwide Group has focused its capital expenditure on equipment and network infrastructure which is directly related to customer contracts and the expansion of its local access network. This reflects the change in strategy of the Cable & Wireless Worldwide Group to focus on fewer, larger customers and the increase in contract wins as a result of improved product and service offerings. For the year ended 31 March 2009, 49% of the Cable & Wireless Worldwide Group's capital expenditure was directly related to customer contracts, compared with 27% for the year ended 31 March 2006. Capital expenditures represented 12%, 11% and 11% of revenue in the years ended 31 March 2009, 31 March 2008 and 31 March 2007, respectively.

BASIS OF PREPARATION

Overview

The historical financial information discussed below represents the financial record for the three years ended 31 March 2009 and the two six month periods ended 30 September 2008 and 30 September 2009 of those businesses that will be held by the Cable & Wireless Worldwide Group at the date of Admission.

The financial record is based on historical financial information extracted from the consolidation schedules, which supported the audited financial statements of the Cable & Wireless Group for the three years ended 31 March 2009 and the unaudited interim statements of the Cable & Wireless Group for the six months ended 30 September 2009 and the six months ended 30 September 2008.

The Cable & Wireless Worldwide Group represents the companies belonging to the Cable & Wireless Group less those companies that will form the Cable & Wireless Communications Group after the Demerger.

The Cable & Wireless Worldwide Group has not in the past formed a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for the Cable & Wireless Worldwide Group. The net assets of the Cable & Wireless Worldwide Group are represented by the cumulative investment in the Cable & Wireless Worldwide Group companies (shown as "invested capital").

Application of IFRS

The historical financial information has been prepared in accordance with IFRS as adopted by the European Union except as described below. The historical financial information has also been prepared in accordance with the applicable listing rules and requirements of the Prospectus Directive (including the regulation regarding issuers with complex financial histories).

IFRS do not provide for the preparation of extracted financial information. Accordingly, the historical financial information in this document has been prepared using certain commonly used accounting conventions for the financial information (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). The application of these conventions results in the following material departures from IFRS as adopted by the European Union. In all other respects, IFRS as adopted by the European Union have been applied.

Non-trading balances with the Cable & Wireless Communications Group

At Demerger, the Cable & Wireless Worldwide Group will not be required to repay non-trading balances with Cable & Wireless Communications Group. For this reason, these amounts have been included in the Cable & Wireless Worldwide Group's invested capital, rather than being treated as liabilities as required by IFRS.

Earnings per share

The weighted average number of ordinary shares outstanding used to calculate earnings per share is based on the total number of shares expected to be in issue on listing of Cable & Wireless Worldwide Ordinary Shares. The shares expected to be in issue on listing of Cable & Wireless Worldwide Ordinary Shares will be equal to the outstanding shares of Cable and Wireless plc prior to the Demerger. These shares are considered to be the most appropriate denominator on which to compute earnings per share for the Cable & Wireless Worldwide Group.

As a result of the above matters, no statement of compliance with IFRS is included in respect of the historical financial information.

Other principles applied

In addition, the following principles have been applied in preparing the historical financial information:

- There has been no allocation of the Central operations' costs of the Cable & Wireless Group to the Cable & Wireless Worldwide Group. This is because any allocation would be arbitrary in nature and may not reflect properly the costs relating to functions such as accounting and financial reporting, treasury and cash management as would have been incurred by that business and may not be representative of the level of costs required in the future.
- Trading balances with Cable & Wireless Communications Group are presented within receivables and payables as though they were with an external party.
- The main UK defined benefit pension scheme operated by the Cable & Wireless Group provides benefits to current and past employees of, and therefore represents obligations of, both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group. For the period since 1 April 2006, the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group have each borne a proportion of the service costs of this scheme based on the approximate split of active membership. The scheme's expected return on assets and interest expense have been apportioned between Cable & Wireless Communications Group and Cable & Wireless Worldwide Group based on the Directors' assumptions about the underlying liabilities, being 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group. The assets, liabilities, actuarial gains and losses and cash flows of the scheme have been apportioned based on 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group.

Detailed disclosures relating to this scheme are provided in the section entitled "*Historical Financial Information of the Cable & Wireless Worldwide Group*" of this document.

On Demerger, and as agreed with the scheme trustees, the liabilities of the Cable & Wireless Group's main UK defined benefit pension scheme will be allocated approximately evenly between the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group.

Management considers that presenting the historical financial information according to the historical allocation better represents the underlying historical cost of each of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group over the periods presented.

If the historical financial information (which has been prepared on the basis of a split of 80% Cable & Wireless Worldwide Group and 20% Cable & Wireless Communications Group) had been prepared on the basis of the estimated split of assets and liabilities to be applied post-Demerger (i.e. a split of 50% Cable & Wireless Worldwide Group and 50% Cable & Wireless Communications Group), the impact on the relevant financial statements of the Cable & Wireless Worldwide Group would have been as follows:

	Year ended 31 March			Six month periods ended 30 September	
	2007	2008	2009	2008	2009
			(£ million)		
Impact on the statement of financial performance ((decrease)/increase in profit)	(4)	(6)	(4)	(2)	1
Impact on the statement of comprehensive income ((decrease)/increase in comprehensive income)	(33)	(310)	320	(47)	83
Impact on the statement of financial position ((decrease)/increase in net assets)	(13)	—	10	—	92
Impact on the statement of cash flows (increase in cash)	3	8	6	5	2

- Tax charges in the historical financial information have been determined based on the tax charges recorded by the Cable & Wireless Worldwide Group companies in their local statutory accounts as well as certain adjustments relating to those entities made for Cable & Wireless Group consolidation purposes. The tax charges recorded in the historical income statement have been affected by the tax arrangements within the Cable & Wireless Group and are not necessarily representative of the tax charges that would have been reported had the Cable & Wireless Worldwide Group been an independent group. They are therefore not necessarily representative of the historical tax charges attributable to the Cable & Wireless Worldwide Group or tax charges that may arise in the future.

The presentation currency of the Cable & Wireless Worldwide Group is sterling, as this is the primary currency in which transactions of Cable & Wireless Worldwide Group entities are conducted.

This historical financial information has been prepared on the historical cost basis, except for certain financial instruments held at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The preparation of the historical financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies used in the historical financial information for the periods presented have been applied consistently by the Cable & Wireless Worldwide Group entities.

Principal Income Statement Line Items

- ***Revenue***: The Cable & Wireless Worldwide Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services provided to customers. It includes sales to joint ventures and associated companies, but does not include sales by joint ventures and associated companies or sales between the Cable & Wireless Worldwide Group companies. Revenue is recognised only when payment is probable.
- ***Cost of sales***: The Cable & Wireless Worldwide Group's cost of sales are set forth in note 4 to the historical financial statements in the section entitled "*Historical Financial Information of the Cable & Wireless Worldwide Group*", and are costs that are either variable in line with changes in revenue or can be directly attributable to a single customer, for example outpayments and customer premise equipment (where not capitalised).
- ***Gross Margin***: Revenue less cost of sales.
- ***Operating costs:*** Costs that are not variable in line with changes in revenue or cannot be directly attributable to a single customer, for example, salaries and wages, network maintenance and support, property rental, utilities and travel.
- ***EBITDA***: The Cable & Wireless Worldwide Group's EBITDA is set forth in note 4 to the historical financial statements in the section entitled "*Historical Financial Information of the Cable & Wireless Worldwide Group*", and represents earnings before interest, taxation, depreciation, amortisation, LTIP charge, net other operating income/expense and, unless otherwise specified, exceptional items.
- ***EBITDA Margin***: EBITDA divided by revenue.
- ***LTIP***: Long Term Incentive Plan. In line with IAS 19 *Employee Benefits,* the expected payout is estimated at each reporting period and the amount expected to that date accrued in the statement of financial position. The charge to the income statement for the relevant period is the movement in the statement of financial position accrual.
- ***Net other operating income or expense***: Represents the net of income and expenses which are not derived from underlying trading of the business but which are related to operations, for example, gains on the sale of property, plant and equipment.
- ***Net finance income or expense***: Consists of the net amount of items such as interest on cash and deposits and, other investment income, and interest on loans, finance charges on leases and the unwinding of discounts on provisions and other financial instruments.
- ***Gains/losses on sale of non-current assets***: Arise on the sale of businesses that do not meet the definition of discontinued operations or investments.

Impact of Demerger

In November 2009, the Cable and Wireless plc Board announced the proposed separation of Cable and Wireless plc's two businesses, the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, into independently listed companies, by way of the Demerger.

At Demerger, the Cable & Wireless Worldwide Group is expected to have sufficient cash and credit lines to support its business and to meet at least three years of projected financing and refinancing needs post-Demerger, with negligible net debt and good liquidity during this period. At Demerger it will have no material loans maturing within three years and will have sufficient liquidity to cover its seasonal working capital requirements and invest in its business to support customer growth in this period. Upon Admission, the Convertible Bonds become obligations of the Cable & Wireless Worldwide Group and, shortly before Demerger, the Convertible Bonds' net proceeds will be transferred to the Cable & Wireless Worldwide Group. In addition, the Cable & Wireless Worldwide Group has agreed an amendment to its existing £200 million secured credit facility which, as at Demerger will be increased to a three year £300 million secured credit facility. As a result of the receipt of the Convertible Bond proceeds and this facility, the Cable & Wireless Worldwide Group will have cash and available credit at Demerger of approximately £500 million. For more details on the debt facility, refer to the section entitled "*Description of Certain Financing Arrangements*".

The Central operations of the Cable & Wireless Group will be combined with the Cable & Wireless Communications Group. For the year ended 31 March 2010 the corporate costs of the Central operations of the Cable & Wireless Group are expected to be £22 million. It will be necessary for Cable & Wireless Communications and Cable & Wireless Worldwide to incur the equivalent corporate costs in order to operate as independent, listed companies. For the year ended 31 March 2011, these costs are expected to be £12 million for Cable & Wireless Communications and £10 million for Cable & Wireless Worldwide.

80% of the assets and liabilities of the main UK defined benefit pension scheme operated by the Cable & Wireless Group have historically been allocated to the Cable & Wireless Worldwide Group. On the Demerger, approximately half of the pension assets and liabilities of the main UK defined benefit pension scheme operated by the Cable & Wireless Group will be transferred to the Cable & Wireless Worldwide Group, with the other half remaining with the Cable & Wireless Communications Group. If such a transfer had been effected at 30 September 2009, the portion of the £305 million IAS 19 *Employee Benefits* pension deficit on this scheme allocated to the Cable & Wireless Worldwide Group would have been approximately half of the Cable & Wireless Superannuation Fund deficit. This would amount to approximately £153 million, representing a £92 million increase to the historical net assets presented for the Cable & Wireless Worldwide Group. The result of this change on the income statement of the Cable & Wireless Worldwide Group for the six months ended 30 September 2009 would have been to increase profit by £1 million.

The Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group have agreed to share the use of the Cable & Wireless Trademarks on the terms of the Cable & Wireless Worldwide Licence and the Cable & Wireless Communications Licence, each as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*". The use of the Cable & Wireless Trademarks by the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group is restricted under the trademark licences as described in the section entitled "*Cable & Wireless Worldwide Business—Intellectual Property Arrangements*".

COMPARATIVE OVERVIEW OF FINANCIAL CONDITION

The Cable & Wireless Worldwide Group financial performance and key performance indicators

Cable & Wireless Worldwide Group summary income statement

	For the year ended 31 March					
	2007			2008		
	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total
			(£ millions)			
Data, IP and Hosting	718	—	718	774	—	774
Traditional voice	1,201	—	1,201	1,071	—	1,071
Legacy products	191	—	191	96	—	96
Consumer broadband	29	—	29	—	—	—
Revenue	2,139	—	2,139	1,941	—	1,941
Cost of sales	(1,351)	—	(1,351)	(1,138)	—	(1,138)
Gross margin	788	—	788	803	—	803
Operating costs (excluding LTIP charge)	(704)	(65)	(769)	(584)	(40)	(624)
EBITDA (excluding exceptional items)[1]	84	(65)	19	219	(40)	179
LTIP charge	(17)	—	(17)	(19)	—	(19)
Depreciation and amortisation	(128)	(13)	(141)	(157)	—	(157)
Net other operating income	8	(11)	(3)	2	53	55
Group operating (loss)/profit	(53)	(89)	(142)	45	13	58
Share of post-tax (loss)/ profit of joint ventures	(3)	—	(3)	(1)	—	(1)
Total operating (loss)/profit	(56)	(89)	(145)	44	13	57
Net finance expense	(6)	—	(6)	(8)	—	(8)
Gains and losses on sale of non-current assets	—	—	—	1	—	1
(Loss)/profit before income tax	(62)	(89)	(151)	37	13	50

	For the year ended 31 March 2009[2]		
	Pre-exceptional items	Exceptional items	Total
		(£ millions)	
Data, IP and Hosting	1,036	—	1,036
Traditional voice	1,149	—	1,149
Legacy products	83	—	83
Consumer broadband	—	—	—
Revenue	2,268	—	2,268
Cost of sales	(1,323)	—	(1,323)
Gross margin	945	—	945
Operating costs (excluding LTIP charge)	(619)	(76)	(695)
EBITDA (excluding exceptional items)[1]	326	(76)	250
LTIP charge	(17)	—	(17)
Depreciation and amortisation	(212)	—	(212)
Net other operating income	—	—	—
Group operating (loss)/profit	97	(76)	21
Share of post-tax (loss)/ profit of joint ventures	—	—	—
Total operating (loss)/profit	97	(76)	21
Net finance expense	(11)	—	(11)
Gains and losses on sale of non-current assets	(1)	—	(1)
(Loss)/profit before income tax	85	(76)	9

	For the six months ended 30 September 2008		
	Pre-exceptional items	Exceptional items	Total
	(£ millions)		
Data, IP and Hosting	427	—	427
Traditional voice	530	—	530
Legacy products	46	—	46
Consumer broadband	—	—	—
Revenue	1,003	—	1,003
Cost of sales	(589)	—	(589)
Gross margin	414	—	414
Operating costs (excluding LTIP charge)	(272)	(33)	(305)
EBITDA (excluding exceptional items)(1)	142	(33)	109
LTIP charge	(13)	—	(13)
Depreciation and amortisation	(88)	—	(88)
Net other operating income	2	—	2
Group operating (loss)/profit	43	(33)	10
Share of post-tax (loss)/ profit of joint ventures	—	—	—
Total operating (loss)/profit	43	(33)	10
Net finance expense	(3)	—	(3)
Gains and losses on sale of non-current assets	—	—	—
(Loss)/profit before income tax	40	(33)	7

	For the six months ended 30 September 2009		
	Pre-exceptional items	Exceptional items	Total
	(£ millions)		
Data, IP and Hosting	592	—	592
Traditional voice	527	—	527
Legacy products	22	—	22
Consumer broadband	—	—	—
Revenue	1,141	—	1,141
Cost of sales	(608)	—	(608)
Gross margin	533	—	533
Operating costs (excluding LTIP charge)	(328)	(28)	(356)
EBITDA (excluding exceptional items)(1)	205	(28)	177
LTIP charge	(2)	—	(2)
Depreciation and amortisation	(131)	—	(131)
Net other operating income	—	—	—
Group operating (loss)/profit	72	(28)	44
Share of post-tax (loss)/profit of joint ventures	—	—	—
Total operating (loss)/profit	72	(28)	44
Net finance expense	(10)	—	(10)
Gains and losses on sale of non-current assets	(1)	—	(1)
(Loss)/profit before income tax	61	(28)	33

Notes:

(1) Earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income.

(2) Includes six months of Thus results, acquired on 1 October 2008.

Key performance indicators (unaudited)

	31 March			30 September	
	2007	2008	2009[(3)]	2008	2009
Data, IP and Hosting revenue percentage	33%[(1),(2)]	40%[(1)]	46%	43%	52%
Gross margin percentage	37%	41%	42%	41%	47%
Operating costs[(4)] percentage	33%	30%	27%	27%	29%
EBITDA[(5)] margin percentage	4%	11%	14%	14%	18%

Notes:

(1) Including local loop unbundling revenue.

(2) Excluding WTG and Cable & Wireless (Allnet) Limited which were sold in February and April 2007 respectively.

(3) Includes six months of Thus results, acquired on 1 October 2008.

(4) Excluding exceptional items and LTIP.

(5) EBITDA before exceptional items and LTIP.

Commentary on the Cable & Wireless Worldwide Group operating performance

Comparison of the six months ended 30 September 2009 with the six months ended 30 September 2008

Revenue

Total revenue for the six months ended 30 September 2009 was £1,141 million, an increase of £138 million, or 14%, compared to the same period in the previous year. The increase in revenue is due to the inclusion of THUS Group plc revenue, as well as organic growth in Data, IP and Hosting revenue, partially offset by reduced project work, reduction in legacy revenue and lower voice revenue due to fewer minutes and changes in regulation.

The Cable & Wireless Worldwide Group's Data, IP and Hosting revenue grew by £165 million, or 39%, to £592 million in the six months ended 30 September 2009, compared with £427 million in the equivalent period in the previous year, driven by the inclusion of THUS Group plc revenue and growth from increased demand for its strategic product set, partially offset by the reduction in project work. Data, IP and Hosting revenue as a proportion of total revenue was 52% in the six months ended 30 September 2009, up from 43% in the six months ended 30 September 2008.

Traditional voice revenue decreased by £3 million, or less than 1%, from £530 million in the period ended 30 September 2008 to £527 million in the period ended 30 September 2009, reflecting £110 million from the acquisition of THUS Group plc offset by a £50 million reduction in revenues as a result of the recession, £43 million as a result of removing low margin traffic from the network and £20 million as a result of regulated pricing of mobile termination rates and non-geographic number ranges.

Revenue from the Cable & Wireless Worldwide Group's legacy products reduced by £24 million, or 52%, from £46 million in the six months ended 30 September 2008 to £22 million in the six months ended 30 September 2009 and represented only 2% of revenue in the six months ended 30 September 2009. This decline was principally due to the winding down of two dial-up ISP contracts as customers migrated to broadband contracts.

Gross margin

In the six months ended 30 September 2009, the Cable & Wireless Worldwide Group's gross margin increased by £119 million, or 29%, to £533 million, reflecting the Cable & Wireless Worldwide Group's fifth consecutive half-year of absolute gross margin growth, together with the acquisition of THUS Group plc. Gross margin as a percentage of revenue increased from 41% in the six months ended 30 September 2008 to 47% in the six months ended 30 September 2009. A portion of this improvement was due to the effect of much reduced volumes of low margin and traditional voice revenue. The remaining movement reflected the continuing change in the Cable & Wireless Worldwide Group's product mix towards its strategic product set of Data, IP and Hosting and activities to reduce cost of sales. These activities included improving the Cable & Wireless Worldwide Group's network utilisation, reducing its reliance on other network operators, and ongoing programmes relating to supplier renegotiations and process efficiencies.

Operating costs

In the six months ended 30 September 2009, the Cable & Wireless Worldwide Group's pre-exceptional operating costs increased by £56 million, or 21% compared with the six months ended 30 September 2008 to £328 million. This was due to an extra £76 million as a result of the acquisition of THUS Group plc and an increase in provisions of £12 million, partially offset by approximately £16 million of synergies and £16 million of cost reductions in the Cable & Wireless Worldwide Group's existing business. The Cable & Wireless Worldwide Group continued with its programme of renegotiating its network maintenance contracts, rationalising its network assets and working with suppliers to use their services more cost-effectively, which all contributed to the net reduction in operating costs.

EBITDA (excluding exceptional items)

As a result of the above factors, EBITDA before exceptional items and LTIP charge and net other operating income increased by £63 million to £205 million for the six months ended 30 September 2009. As a percentage of revenue, EBITDA improved from 14% for the six months ended 30 September 2008 to 18% for the six months ended 30 September 2009, reflecting the growth in higher margin Data, IP and Hosting and the success of the THUS Group plc integration programme.

Depreciation and amortisation

Depreciation and amortisation was £131 million for the six months ended 30 September 2009, compared with £88 million for the six months ended 30 September 2008. This increase reflected the level of capital expenditure in previous years and the impact of the acquisition of THUS Group plc.

Net finance expense

The £7 million increase in net finance expense excluding exceptional items in the six months ended 30 September 2009 reflects increased borrowings undertaken by the Cable & Wireless Worldwide Group in the six months ended 30 September 2009.

Exceptional items

In the six months ended 30 September 2009, the Cable & Wireless Worldwide Group recognised net exceptional operating charges of £28 million, compared with net exceptional operating charges of £33 million in the six months ended 30 September 2008. Exceptional charges in the six months ended 30 September 2009 included £23 million from the integration of THUS Group plc, and £5 million from redundancy and property rationalisation costs of the Cable & Wireless Worldwide Group's existing business.

Comparison of the year ended 31 March 2009 with the year ended 31 March 2008

Revenue

Total revenue for the year ended 31 March 2009 was £2,268 million, an increase of £327 million, or 17%, compared to the previous year. This increase reflected an additional £237 million from the Cable & Wireless Worldwide Group's acquisition of THUS Group plc on 1 October 2008, together with continuing demand for its Data, IP and Hosting products from large corporate customers of approximately £90 million.

Data, IP and Hosting revenue increased by £262 million, or 34%, to £1,036 million in the year ended 31 March 2009. Data, IP and Hosting as a proportion of revenue increased to 46% for the year ended 31 March 2009, up from 40% in the year ended 31 March 2008.

Traditional voice revenue increased by £78 million, or 7%, from £1,071 million in the year ended 31 March 2008 to £1,149 million in the year ended 31 March 2009, primarily reflecting £103 million from the acquisition of THUS Group plc, offset by a £25 million reduction in revenues as a result of price erosion and customers migrating to IP voice services.

Revenue from the Cable & Wireless Worldwide Group's legacy products reduced from £96 million in the year ended 31 March 2008 to £83 million in the year ended 31 March 2009, and represented only 4% of revenue in the year ended 31 March 2009. This decline was expected as customers chose to migrate to more advanced services, such as IP Virtual Private Networks.

Gross margin

In the year ended 31 March 2009, the Cable & Wireless Worldwide Group's gross margin increased by £142 million, or 18%, to £945 million. The acquisition of THUS Group plc contributed £100 million of this gross margin improvement. Gross margin as a percentage of revenue increased from 41% in the year ended 31 March 2008 to 42%, which reflected the change in the Cable & Wireless Worldwide Group's product mix towards its strategic product set of Data, IP and Hosting, and activities to reduce cost of sales. These activities included improving the Cable & Wireless Worldwide Group's network utilisation, reducing its reliance on other network operators, and ongoing programmes relating to supplier renegotiations and process efficiencies.

Operating costs

In the year ended 31 March 2009, the Cable & Wireless Worldwide Group's pre-exceptional operating costs increased by £35 million, or 6%, compared with the year ended 31 March 2008, to £619 million. This was due to £71 million as a result of the acquisition of THUS Group plc, offset by a £36 million of cost reductions in the Cable & Wireless Worldwide Group's existing business. During the period, the Cable & Wireless Worldwide Group continued to renegotiate its network maintenance contracts, rationalise its network assets and work with suppliers to use their services more cost-effectively, which all contributed to the reductions in operating costs. The cost savings are net of an £11 million increase in energy spend as a result of rising electricity costs in the year ended 31 March 2009.

EBITDA (excluding exceptional items)

As a result of the above factors, EBITDA before exceptional items increased by £107 million, or 49%, to £326 million for the year ended 31 March 2009. As a percentage of revenue, EBITDA improved from 11% for the year ended 31 March 2008 to 14% for the year ended 31 March 2009.

Depreciation and amortisation

Depreciation and amortisation was £212 million for the year ended 31 March 2009, compared with £157 million for the year ended 31 March 2008. This increase reflected the impact of the acquisition of THUS Group plc, the level of capital expenditure in recent years and the effect of previous impairments. Excluding Thus, depreciation and amortisation was £193 million.

Net finance expense

The £3 million increase in net finance expense in the year ended 31 March 2009 reflects increased borrowings undertaken by the Cable & Wireless Worldwide Group in the second half of the year.

Exceptional items

In the year ended 31 March 2009, the Cable & Wireless Worldwide Group recognised net exceptional operating charges of £76 million compared with a net exceptional operating gain of £13 million in the previous year. The year ended 31 March 2009 included a £46 million charge for restructuring costs due to redundancies and property rationalisation related to the Cable & Wireless Worldwide Group's turnaround programme, and £30 million of costs relating to the acquisition of THUS Group plc.

Comparison of the year ended 31 March 2008 with the year ended 31 March 2007

Revenue

Total revenue for the year ended 31 March 2008 was £1,941 million, a decrease of £198 million, or 9%, compared to the year ended 31 March 2007. This decrease reflected the Cable & Wireless Worldwide Group's strategy to focus on serving larger customers with higher margin IP services, whilst actively removing lower margin customers.

Data, IP and Hosting revenue increased by £56 million, or 8%, to £774 million in the year ended 31 March 2008 despite the Cable & Wireless Worldwide Group's disposal of its web design business (WTG) on 1 February 2007 and its structured cabling business Cable & Wireless (Allnet) Limited on 2 April 2007, which together contributed £66 million of revenue during the year ended 31 March 2007. Excluding the impact of WTG and Cable & Wireless (Allnet) Limited, the growth rate of these products was 19%.

Traditional voice revenue declined by 11%, from £1,201 million in the year ended 31 March 2007 to £1,071 million in the year ended 31 March 2008, as the Cable & Wireless Worldwide Group moved away from unprofitable routes and low margin traffic and customers migrated to other products, such as email and IP voice.

Revenue from the Cable & Wireless Worldwide Group's legacy products reduced from £191 million in the year ended 31 March 2007 to £96 million in the year ended 31 March 2008, and represented only 5% of revenue in the year ended 31 March 2008. This decline was expected as customers chose to migrate to more advanced services, such as IP Virtual Private Networks.

In September 2006, the Cable & Wireless Worldwide Group ceased to provide consumer broadband products as it moved to a wholesale strategy. Accordingly, the Cable & Wireless Worldwide Group did not generate any consumer broadband revenue in the year ended 31 March 2008, compared with £29 million in the year ended 31 March 2007.

Gross margin

In the year ended 31 March 2008, the Cable & Wireless Worldwide Group's gross margin increased by £15 million, or 2%, to £803 million. Gross margin as a percentage of revenue increased from 37% in the year ended 31 March 2007 to 41%, which reflected the change in the Cable & Wireless Worldwide Group's product mix towards its strategic product set of Data, IP and Hosting, and activities to reduce cost of sales. These activities included improving the Cable & Wireless Worldwide Group's network utilisation, reducing its reliance on other network operators, and ongoing programmes relating to supplier renegotiations and process efficiencies.

Operating costs

In the year ended 31 March 2008, the Cable & Wireless Worldwide Group's pre-exceptional operating costs reduced by £120 million, or 17%, compared with the year ended 31 March 2007, to £584 million. The Cable & Wireless Worldwide Group delivered cost savings through a number of projects, including reducing its total year end headcount by 9% and off-shoring some non-customer facing roles, such as finance. The Cable & Wireless Worldwide Group also renegotiated its network maintenance contracts, rationalised its network assets and worked with suppliers to use their services more cost-effectively, all of which contributed to the reduction in operating costs.

Further reductions resulted from the move to a wholesale strategy in the Cable & Wireless Access business in the year ended 31 March 2007, the subsequent integration of Cable & Wireless Access into the main corporate business, and the disposal of the Cable & Wireless Worldwide Group's structured cabling and web design businesses. Operating costs for the year ended 31 March 2008 included a £14 million net credit relating to the Cable & Wireless Worldwide Group's main UK defined benefit pension scheme operated by the Cable & Wireless Group, compared with a £4 million net credit for the year ended 31 March 2007.

EBITDA (excluding exceptional items)

As a result of the above factors, EBITDA before exceptional items and LTIP more than doubled from £84 million to £219 million for the year ended 31 March 2008, an increase of £135 million from the year ended 31 March 2007. As a percentage of revenue, EBITDA improved from 4% for the year ended 31 March 2007 to 11% for the year ended 31 March 2008.

Depreciation and amortisation

Depreciation and amortisation was £157 million for the year ended 31 March 2008 compared with £128 million for the year ended 31 March 2007. This increase reflected the level of capital expenditure in that year relative to previous years and the impact of an asset impairment in the year ended 31 March 2006.

Net other operating income

The £2 million of net other operating income in the year ended 31 March 2008 compares with £8 million for the year ended 31 March 2007 and primarily reflects profits on the disposal of property, plant and equipment.

Net finance expense

The £2 million increase in net finance expense in the year ended 31 March 2008 relates primarily to an increase in the charges relating to the unwinding of discounts on provisions. This compares with £6 million of net finance expense for the year ended 31 March 2007.

Exceptional items

In the year ended 31 March 2008, the Cable & Wireless Worldwide Group recognised net exceptional operating gains of £13 million compared with net exceptional operating charges of £89 million in the previous year. The year ended 31 March 2008 included a £40 million charge for restructuring costs due to redundancies and property rationalisation related to the Cable & Wireless Worldwide Group's turnaround programme and a £53 million profit on the disposal of nine properties as part of the sale and leaseback transaction completed in April 2007, which was recorded in net other operating income.

Liquidity and Capital Resources

The Cable & Wireless Worldwide Group's principal sources of liquidity are cash flows from operations and bank financing. As at 30 September 2009, the Cable & Wireless Worldwide Group had net cash and cash equivalents of £150 million and undrawn credit lines of £95 million, out of total available credit lines of £207 million. The Cable & Wireless Worldwide Group's financing arrangements are described in more detail in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*".

The Cable & Wireless Worldwide Group's principal use of funds are costs of sales (primarily costs associated with private circuits and interconnect), operating costs (primarily employee costs and the cost of network maintenance contracts) and restructuring costs, as described above in the section entitled "*Cable & Wireless Worldwide Group Operating and Financial Review—Principal factors affecting the results of operations*" of this document. The Cable & Wireless Worldwide Group also continues to invest in fixed assets relating to specific customer projects that yield a contracted return, together with strategic investments that enhance its network reach and capabilities.

The Cable & Wireless Worldwide Group's treasury operations manage its net interest-bearing debt and cash balances on a day-to-day basis. To facilitate daily liquidity management, cash pools covering relevant jurisdictions have been established. The Cable & Wireless Worldwide Group holds cash in a variety of currencies, principally sterling, US dollars and euros. Cash and cash equivalents consist of cash, short term deposits and other liquid investments with an appropriate short term maturity. For a discussion of the Cable & Wireless Worldwide Group's policies as related to management of market risk, see the section entitled "*Cable & Wireless Worldwide Group Operating and Financial Review—Qualitative and quantitative disclosures on market risk*".

Summary consolidated cash flow statement

Summary consolidated cash flow statement of the Cable & Wireless Worldwide Group for the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009.

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	(£ millions)				
Cash flows from operating activities					
Cash generated from continuing operations	(76)	101	242	105	109
Income taxes paid	(1)	—	—	—	—
Net cash from operating activities	(77)	101	242	105	109
Net cash used in investing activities	(195)	(174)	(568)	(202)	(124)
Net cash flow before financing	(272)	(73)	(326)	(97)	(15)
Net cash flows from financing activities	273	75	449	104	22
Net (decrease)/increase in cash and cash equivalents	1	2	123	7	7
Cash and cash equivalents at the start of the period	20	15	19	19	144
Exchange (losses)/gains on cash and cash equivalents	(1)	2	2	1	(1)
Cash and cash equivalents at the end of the period	20	19	144	27	150
Less: Cash included in disposal groups held for sale	(5)	—	—	—	—
Net cash and cash equivalents	15	19	144	27	150

Comparison of the six months ended 30 September 2009 with the six months ended 30 September 2008

At 30 September 2009, the Cable & Wireless Worldwide Group had £150 million of cash and cash equivalents.

Net cash from operating activities increased by £4 million in the six months ended 30 September 2009 to £109 million, compared with £105 million in the six months ended 30 September 2008. This increase was primarily the result of an increase in EBITDA of £63 million over the six months ended 30 September 2008, offset by a working capital outflow of £23 million primarily reflecting higher trade receivables and inventories, compared with a £12 million inflow in the six months ended 30 September 2008 and £34 million of LTIP payments in the six months ended 30 September 2009.

Net cash used in investing activities was an outflow of £124 million in the six months ended 30 September 2009, compared with a £202 million outflow in the six months ended 30 September 2008. The decrease was largely a result of the six months ended 30 September 2008 where £99 million was paid for a 30% stake in THUS Group plc, which was subsequently acquired on 1 October 2008.

As a result of the above, the Cable & Wireless Worldwide Group's net cash outflow before financing improved by £82 million to a £15 million outflow in the six months ended 30 September 2009.

Net cash flows from financing activities in the six months ended 30 September 2009 decreased from a £104 million inflow in the six months ended 30 September 2008 to a £22 million inflow. This was due to the Cable & Wireless Worldwide Group reducing the value of transactions financed by its parent company in the six months ended 30 September 2009 compared with the six months ended 30 September 2008.

Comparison of the year ended 31 March 2009 with the year ended 31 March 2008

At 31 March 2009, the Cable & Wireless Worldwide Group had £144 million of cash and cash equivalents representing a £125 million increase from 31 March 2008.

Net cash from operating activities increased £141 million in the year ended 31 March 2009 to £242 million. This increase was primarily the result of £107 million EBITDA growth compared with the prior year and a £32 million improvement in the movement in working capital, primarily the higher trade payables.

Net cash used in investing activities was an outflow of £568 million in the year ended 31 March 2009 compared with a £174 million outflow in the year ended 31 March 2008. The increase was largely the result of the £330 million paid for the acquisition of THUS Group plc net of cash acquired. Payments for capital expenditure increased by £23 million to £245 million.

As a result of the above, the Cable & Wireless Worldwide Group's net cash before financing decreased by £253 million to a £326 million outflow in the year ended 31 March 2009.

Net cash from financing activities in the year ended 31 March 2009 increased from a £75 million inflow in the year ended 31 March 2008 to a £449 million inflow. This was due to Cable and Wireless plc financing the acquisition of THUS Group plc, together with paying down THUS Group plc's third party debt and related financing costs of £113 million. In addition, the Cable & Wireless Worldwide Group drew down £99 million from a revolving third party facility.

Cash exceptionals in the year ended 31 March 2009 were a £71 million outflow compared with a £56 million outflow in the year ended 31 March 2008**.**

Comparison of the year ended 31 March 2008 with the year ended 31 March 2007

At 31 March 2008, the Cable & Wireless Worldwide Group had £19 million of cash and cash equivalents representing a £4 million increase from 31 March 2007.

Net cash from operating activities increased £178 million in the year ended 31 March 2008 to an inflow of £101 million. This increase was primarily the result of £135 million EBITDA growth compared with the previous year and a £61 million improvement in the movement in working capital.

Net cash used in investing activities was an outflow of £174 million in the year ended 31 March 2008 compared with a £195 million outflow in the year ended 31 March 2007. With capital expenditure broadly flat at £222 million, the decrease of £21 million was largely the result of £88 million of proceeds from the property sale and leaseback transaction, offset by the payment of £49 million of contingent consideration relating to the acquisition of Energis in the year ended 31 March 2008.

As a result of the above, the Cable & Wireless Worldwide Group's net cash flow before financing improved by £199 million to a £73 million outflow in the year ended 31 March 2008.

Net cash from financing activities in the year ended 31 March 2008 decreased from a £273 million inflow in the year ended 31 March 2007 to a £75 million inflow. This was due to the Cable & Wireless Worldwide Group generating additional operational cash and therefore requiring less funding from the Cable & Wireless Group.

Cash exceptionals in the year ended 31 March 2008 were a £56 million outflow compared with a £75 million outflow in the year ended 31 March 2007.

Cash and debt

At 30 September 2009, the balance of cash and cash equivalents was £150 million. The debt held by the Cable & Wireless Worldwide Group at such time related to a £110 million draw down on a £200 million three year facility, US dollar and other currency loans payable of £9 million and obligations under finance leases of £25 million, £11 million of which is current and £14 million of which is non-current. All of the obligations under the finance leases are secured by the assets to which they relate.

	As at 31 March			As at 30 September	
	2007	2008	2009	2008[(1)]	2009
			(£ millions)		
Interest-bearing assets					
Cash at bank and in hand	15	19	144	27	150
Interest-bearing debt					
Instalments due on bank loans after more than one year	–	–	(95)	–	(107)[(2)]
US dollars and other currencies payable to 2011	–	–	(11)	6	(9)
Finance leases	(20)	(19)	(22)	18	(25)
Net (debt)/cash	(5)	–	16	3	9

Notes:

(1) Unaudited.

(2) Net of £3 million of capitalised finance fees.

Capital Expenditure

Summary of Capital Expenditure

Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2009
£235m	£221m	£265m (£241m excluding THUS)	£137m

Comparison of the six months ended 30 September 2009 with the six months ended 30 September 2008

In the six months ended 30 September 2009, the Cable & Wireless Worldwide Group invested £137 million in capital expenditure, compared with £108 million in the six months ended 30 September 2008. The increase was attributable to servicing an increased customer base as a result of acquiring THUS Group plc, together with expenditure on THUS integration projects of £11 million.

Comparison of the year ended 31 March 2009 with the year ended 31 March 2008

In the year ended 31 March 2009, the Cable & Wireless Worldwide Group invested £265 million in capital expenditure, an increase of £44 million over the year ended 31 March 2008. This was a result of the purchase of additional international capacity and £9 million of cost required to achieve the Thus integration, which cost included investment in additional capacity required for the migration of THUS Group plc's corporate customers onto the Cable & Wireless Worldwide Group's network.

Comparison of the year ended 31 March 2008 with the year ended 31 March 2007

In the year ended 31 March 2008, the Cable & Wireless Worldwide Group invested £221 million in capital expenditure compared with £235 million in the year ended 31 March 2007.

Capital expenditure categorisation:

The Cable & Wireless Worldwide Group groups its capital expenditure into four categories:

- Cost out - expenditure relating to projects that drive synergies and cost out programmes
- Maintenance - expenditure required to keep the network and supporting systems in good order
- Capability - investing in new products and infrastructure
- Contracted return - expenditure directly linked to the provision of customer contracts

The percentage of capital expenditure across the above four categories is set out in the table below:

	For the year ended 31 March			For the six months ended 30 September
	2007	2008	2009(1)	2009(1)
Cost out	10%	7%	13%	9%
Maintenance	14%	12%	11%	10%
Capability	44%	30%	25%	29%
Contracted return	32%	51%	51%	52%

Note:

(1) Excludes THUS Group plc.

Over half of the capital expenditure is now linked to customer contracts, which help drive business growth, particularly in the Cable & Wireless Worldwide Group's strategic project set of Data, IP and Hosting.

Taxation

The Cable & Wireless Worldwide Group is subject to corporate income tax at various rates in the countries where the Cable & Wireless Worldwide Group operates and also is subject to withholding taxes on revenues for services provided in certain countries (mainly in Asia). The Cable & Wireless Worldwide Group's principal country for corporate income tax purposes is the United Kingdom, where its future corporate income tax liability is expected to be reduced by available capital allowances in respect of historic capital expenditure. The Cable & Wireless Worldwide Group's effective tax rates in any given financial year reflect a variety of factors that may not be present in the succeeding financial year or years. As at 30 September 2009, the Cable & Wireless Worldwide Group had a timing difference in respect of UK capital allowances of £3.8 billion. The recognition and subsequent utilisation of these timing differences may result in non-cash deferred tax credits and charges in addition to any underlying current tax charge. The Cable & Wireless Worldwide Group also has tax losses of £13 billion in various countries and UK capital losses of £5.2 billion, however the opportunities to realise value from these are considered limited. For further details please refer to the section entitled "*Risk Factors*" of this document.

Qualitative and quantitative disclosures on market risk

Treasury Policy

The Cable & Wireless Worldwide Group's activities expose it to a variety of financial risks: market risk, including currency risk and interest rate risk, credit risk and liquidity risk. The Cable & Wireless Worldwide Group's overall risk management programme seeks to minimise potential adverse effects on the Cable & Wireless Worldwide Group's financial performance.

The Cable & Wireless Worldwide Group's treasury operations are managed on the basis of policies and authorities approved by the Cable and Wireless plc Board. These policies are expected to be adopted by the Cable & Wireless Worldwide Group in substantially the same form post-Demerger. Day to day management of treasury activities is delegated to the Chief Financial Officer and the Cable & Wireless Worldwide Group Treasurer (together, **Treasury**), within specified financial limits for each type of transaction and counterparty.

To the extent that subsidiaries undertake treasury transactions, these are governed by Cable & Wireless Worldwide Group policies and delegated authorities. Material subsidiary positions are monitored by Treasury Where appropriate, transactions are reported to the Board. The key responsibilities of Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Cable & Wireless Worldwide Group's cash resources and borrowings are managed centrally.

The Cable & Wireless Worldwide Group may use derivatives, such as forward foreign exchange contracts, in the management of its foreign currency and interest rate exposures. The use of these instruments would be in accordance with strategies agreed from time to time by Treasury subject to policies approved by the Board. Derivatives are not used for trading or speculative purposes and all derivative transactions and positions are monitored and reported to the Board at each Board meeting and are subject to policies adopted by the Board.

Exchange rate risk

The Cable & Wireless Worldwide Group trades in several countries, however, the majority of the Cable & Wireless Worldwide Group's revenue is earned in sterling. The Cable & Wireless Worldwide Group's main foreign currency exposure relates to movements in exchange rates for foreign currency payments. Exchange risk is measured on the basis of current or future net foreign currency payments. Details of the net currency position of the Cable & Wireless Worldwide Group are set out in note 25 to "*Historical Financial Information of the Cable & Wireless Worldwide Group*" of this document.

Where appropriate the Cable & Wireless Worldwide Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative instruments to reduce the exposures created where currencies do not naturally offset in the short-term. The Cable & Wireless Worldwide Group will undertake hedges, where appropriate, to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Cable & Wireless Worldwide Group. The reported results of the Cable & Wireless Worldwide Group are translated at average rates of exchange prevailing during the year.

Interest rate risk

The Cable & Wireless Worldwide Group is exposed to movements in interest rates on its surplus cash balances and floating rate debt. The Treasury function may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives in place as at 30 September 2009.

A one percentage point lowering of interest rates will have a £2 million impact on the income received from the surplus cash balances of the Cable & Wireless Worldwide Group and a £1 million impact on debt with floating interest rates. The impact on equity is limited to the impact on the income statement.

Credit risk

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. Management seeks to reduce this risk by ensuring the counterparties to all but a small proportion of the Cable & Wireless Worldwide Group's financial instruments are entities rated A1 short-term and/or AA- (or better) long-term by Standard & Poor's (or equivalent by Moody's and/or Fitch). The credit rating of these counterparties is monitored on a continuing basis.

The types of instrument used for investment of funds are prescribed in Cable & Wireless Worldwide Group treasury policies approved by the Board. These policies contain limits on exposure to any one counterparty.

Liquidity risk

At 30 September 2009, the Cable & Wireless Worldwide Group had cash and cash equivalents of £150 million (31 March 2009—£144 million, 31 March 2008—£19 million, 31 March 2007—£15 million). These amounts are highly liquid and are a component of the Cable & Wireless Worldwide Group's overall liquidity and capital resources.

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, that covenant compliance targets and medium-term liquidity are maintained and also for the purpose of identifying long-term strategic funding requirements. The Board of Directors also continually assesses the balance of capital and debt funding of the Cable & Wireless Worldwide Group.

The majority of the Cable & Wireless Worldwide Group's cash is held centrally and is predominantly invested in short-term bank deposits.

Off balance sheet arrangements

The Cable & Wireless Worldwide Group's off balance sheet arrangements consist of capital commitments and guarantees and contingent liabilities.

At 30 September 2009, the Cable & Wireless Worldwide Group had capital commitments relating to the purchase of property, plant and equipment of £125 million. No provision was made for these commitments.

In addition, the Cable & Wireless Worldwide Group had a number of operating commitments arising in the ordinary course of its business. The most significant of these related to network operating and maintenance costs. In the event of default of another party, the Cable & Wireless Worldwide Group may be liable to additional contributions under the terms of the agreements.

The Cable & Wireless Worldwide Group leased land, buildings and networks under various lease agreements. The leases had varying terms, escalations, clauses and renewal rights.

The aggregate future minimum lease payments under operating leases at 30 September 2009 were:

	As at 30 September 2009
	(£m)
No later than one year	108
Later than one year but not later than five years	204
Later than five years	234
Total minimum operating lease payments	546

Guarantees at 30 September 2009 for which no provision was made in the financial statements were:

	As at 30 September 2009
	(£m)
Trading guarantees	482
Other guarantees	75
Total guarantees	557

Trading guarantees principally comprised performance bonds issued in the normal course of business, guaranteeing that the Cable & Wireless Worldwide Group would meet its obligations to complete projects in accordance with the contractual terms and conditions. The nature of contracts included projects, service level agreements, installation of equipment, surveys, purchase of equipment and transportation of materials. The guarantees contained a clause that they would be terminated on final acceptance of work to be done under the contract.

Historically, the Cable & Wireless Group provided guarantees to third parties in respect of contracts between these third parties and the Cable & Wireless Worldwide Group. These guarantees amounted to £502 million and are included in the table above. The Cable & Wireless Worldwide Group has agreed a fee schedule with Cable & Wireless Communications Group for the benefit of these guarantees. £211 million of guarantees contain conditional rights of substitution relating to the Demerger. Further, the Cable & Wireless Worldwide Group has indemnified the Cable & Wireless Communications Group for these guarantees post-Demerger. To date, the Cable & Wireless Worldwide Group has not been required to make any payments in respect of its obligations under its trading guarantees.

Other guarantees included guarantees for financial obligations principally in respect of borrowings, leases and letters of credit.

In the ordinary course of its business, the Cable & Wireless Worldwide Group is engaged in litigation proceedings, regulatory claims, investigations and reviews. The Cable & Wireless Worldwide Group considers that adequate allowance has been made in respect of these matters and does not expect the ultimate resolution of the actions to which it is a party to have a materially adverse impact on the financial position of the Cable & Wireless Worldwide Group. For further details please refer to the section entitled "*Cable & Wireless Worldwide Group Business—Material Litigation*".

The Cable & Wireless Worldwide Group does not have any significant special purpose vehicles used for financing that are not consolidated or disclosed.

Capitalisation and indebtedness

The following table sets out the unaudited capitalisation and indebtedness of the Cable & Wireless Worldwide Group. The financial information in this table as at 30 November 2009 has been extracted without material adjustment from the unaudited accounting records of the Cable & Wireless Worldwide Group.

	As at 30 November 2009
	£m
Current debt	
Loans (guaranteed)	6
Finance leases (secured)	11
Total current debt	17
Non-current debt	
Loans (guaranteed)	1
Loans (secured)	97
Finance leases (secured)	15
Total non-current debt	113
Total debt	**130**
Analysis of debt	
Total secured	123
Total guaranteed	7
	130
Liquidity	
Cash and cash equivalents	109
Total	109
Current debt	(17)
Net current cash	92
Non-current debt	(113)
Net debt	(21)

As at 31 December 2009, the Cable & Wireless Worldwide Group had cash and cash equivalents of £91 million, debt of £116 million (of which £81 million was drawn down under its bank facilities) and undrawn facilities of £126 million.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

A full list of critical assumptions is included in "*Historical Financial Information of the Cable & Wireless Worldwide Group*" of this document, a selection of which are presented below.

Revenue recognition: Revenue, which excludes discounts, value added tax or other sales taxes, represents the amount receivable in respect of services provided to customers and is accounted for on the accruals basis to match revenue with the provision of service. Revenue is recognised monthly as services are provided. Revenue in respect of services invoiced in advance is deferred and recognised on provision of the service. Revenue in respect of unbilled services is accrued.

Judgement is required in assessing the application of these principles and the specific guidance in respect of the Cable & Wireless Worldwide Group's revenues, including in relation to the presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

LTIP: The LTIP creates a reward pool over a five year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the business has grown in value from its base valuation at the start of the period (this period was changed from four to five years in July 2009). Base valuations are adjusted over the performance period (i) to reflect additional capital notionally treated as borrowed by the business, (ii) to reflect capital notionally treated as returned by the business, and (iii) as increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

Part of the reward pool was payable to participants at the end of year three (31 March 2009), with a portion payable (less payments made at end of year three) to participants at the end of year four (31 March 2010) and the balance will be payable at the end of year five (31 March 2011). Measurement of the size of the reward pool is carried out every six months to correspond with the Cable & Wireless Worldwide Group's accounting periods. However, other than in the case of awards held by participants who ceased employment as "good leavers," no awards vested until the end of year three. In the event of a potential payment to an individual in excess of £20 million, the deferral period would be extended until 31 March 2012 or for a period of up to one year following a vesting event, if earlier.

The LTIP charge calculated in accordance with IAS 19 *Employee Benefits* requires an estimation of the valuation of the Cable & Wireless Worldwide Group to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective.

Impairment of property, plant and equipment and intangible assets: The Directors assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable, or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- Obsolescence or physical damage;
- Significant changes in technology and regulatory environments;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the use of its assets or the strategy for its overall business;
- Significant negative industry or economic trends; and
- Significant decline in its stock price for a sustained period and its market capitalisation relative to net book value.

In addition, the Directors test goodwill, which is not amortised, at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement concerning the identification and validation of impairment indicators, the timing and amount of expected cash flows and applicable discount rates.

The Cable & Wireless Worldwide Group determines any impairment by comparing the carrying values of each of its cash generating units to their recoverable amounts, which is the higher of net realisable value and the value in use. Net realisable value represents the market value in an active market less the cost to sell. Value in use is determined by discounting future cash flows arising from the asset or cash generating unit to which it refers. Future cash flows are determined with reference to the Cable & Wireless Worldwide Group's own projections using discount rates which represent the estimated weighted average cost of capital.

CABLE & WIRELESS TRADEMARKS

The Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group have agreed to share the use of the Cable & Wireless Trademarks and the "Cable & Wireless Globe" logo on the terms of the Cable & Wireless Worldwide Licence and the Cable & Wireless Communications Licence, each as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*" of this document. Subject to certain rights of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group is licensed to use the Cable & Wireless name in the Cable & Wireless Worldwide Territory and the acronym "CWW" globally, and subject to certain rights of the Cable & Wireless Worldwide Group, the Cable & Wireless Communications Group is licensed to use the Cable & Wireless name in the Cable & Wireless Communications Territory. The Cable & Wireless Worldwide Territory encompasses substantially all the territories where the Cable & Wireless Worldwide Group currently operates. Each group has certain rights to use the Cable & Wireless Trademarks outside its respective territory as described in the section entitled "*Business—Material Contracts*" of this document.

REGULATORY OUTLOOK

Telecommunications is a regulated industry; the nature and scope of regulatory obligations applicable to the Cable & Wireless Worldwide Group and to its competitors can have a significant impact on its business. The

Cable & Wireless Worldwide Group, therefore, monitors and, where appropriate, participates in the regulatory process, with a view to protecting its interests and ensuring it can both continue to develop its product and service capability, and serve its customers efficiently and effectively. For a description of the risk of regulatory changes, see page A-13 in "*Cable & Wireless Worldwide Group Risk Factors*" of this document.

The Cable & Wireless Worldwide Group holds licences or authorisations in 23 separate jurisdictions and generally works with partners to deliver services to other countries. In the United Kingdom, the Cable & Wireless Worldwide Group holds various licences to use radio spectrum for fixed link and mobile services and, in addition, it is authorised to offer a full suite of telecommunications services. The Cable & Wireless Worldwide Group also holds licences or authorisations to operate in all major European markets, the United States, Canada and major Asian markets, such as India, Singapore and Hong Kong. The Cable & Wireless Worldwide Group also maintains many industry quality standards including ISO27001 (information security management standard), BS25999 (business continuity standard) and for the United Kingdom and Northern Ireland, ISO9001 (quality assurance standard).

PENSION SCHEME

The Cable & Wireless Worldwide Group operates defined benefit and defined contribution pension schemes for its current and former UK and overseas employees.

In the United Kingdom, before Demerger, employees of the Cable & Wireless Worldwide Group have generally been able to participate in the Cable & Wireless Superannuation Fund. Following Demerger, Cable & Wireless Worldwide Services Limited will be the principal employer of the newly-established Cable & Wireless Worldwide Retirement Plan, which will provide defined benefit and defined contribution arrangements for current and former employees of the Cable & Wireless Worldwide Group, on the same basis as applied to them under the Cable & Wireless Superannuation Fund. The Cable & Wireless Worldwide Retirement Plan will be closed to new defined benefit members.

The Cable & Wireless Superannuation Fund has been closed to new defined benefit members since 1998. The latest full actuarial valuation of the Cable & Wireless Superannuation Fund was carried out as at 31 March 2007 by independent actuaries. On an ongoing basis, there was a deficit of £15 million. The ongoing funding position is expected to have significantly deteriorated since the 31 March 2007 valuation. On an IAS 19 basis, at 30 September 2009, the Cable & Wireless Superannuation Fund had a deficit of £305 million. Following the bulk transfer of pensions assets and liabilities, the Cable & Wireless Worldwide Retirement Plan is expected to have a deficit. If the bulk transfer had been effected at 30 September 2009, it is expected that the pension deficit allocated to the Cable & Wireless Worldwide Group would have been approximately half of the Cable & Wireless Superannuation Fund deficit.

Bulk transfer to the Cable & Wireless Worldwide Retirement Plan

The key commercial terms and legal principles of the bulk transfer are included in a binding heads of terms agreement between Cable and Wireless plc, Cable & Wireless Worldwide Services Limited and the trustee of the Cable & Wireless Superannuation Fund. Before Demerger, the same parties and the trustee of the Cable & Wireless Worldwide Retirement Plan will enter into the Pensions Agreement which sets out the full terms of the bulk transfer.

Following Demerger, there will be a bulk transfer of approximately half of the assets and liabilities of the Cable & Wireless Superannuation Fund to the Cable & Wireless Worldwide Retirement Plan, in respect of current and former employees of the Cable & Wireless Worldwide Group. The membership will be split on the basis of the last known employer of each member. This split will result in approximately 6,300 defined benefit members remaining with the Cable & Wireless Superannuation Fund and approximately 8,700 defined benefit members moving to the Cable & Wireless Worldwide Retirement Plan.

Cable & Wireless Worldwide Retirement Plan

Following Demerger, the assets of the Cable & Wireless Worldwide Retirement Plan will be held by a trustee board separately from the Cable & Wireless Worldwide Group. The trustee will have the power to trigger the winding-up of the scheme in certain circumstances. If the trustee uses this power, the participating employers would become liable by statute to make contributions to the pension scheme to remove any deficit calculated on the more conservative, buy-out basis, enabling the trustee of the pension scheme to purchase individual annuity policies for all members of the scheme.

During 2008, the trustee of the Cable & Wireless Superannuation Fund agreed an insurance buy-in of its UK pensioner liabilities, approximately half of the total liabilities, with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy by the Cable & Wireless Superannuation Fund under which Prudential Insurance assumed responsibility for the benefits payable to the Cable & Wireless Superannuation Fund's UK pensioners with effect from 1 August 2008. The pensioner liabilities and the matching annuity policy remain within the Cable & Wireless Superannuation Fund. Following Demerger, the buy-in policy will be split between the Cable & Wireless Superannuation Fund and the newly-established Cable & Wireless Worldwide Retirement Plan in accordance with the allocation of corresponding members.

Funding of the Cable & Wireless Worldwide Retirement Plan

Following discussions with the trustee of the Cable & Wireless Superannuation Fund, a payment of £5 million will be made to the Cable & Wireless Worldwide Retirement Plan on Demerger. It has also been agreed that the interim funding plan agreed between Cable and Wireless plc and the trustee of the Cable & Wireless Superannuation Fund in July 2008 will be split and two new interim funding plans will be established, one for the Cable & Wireless Superannuation Fund and one for the Cable & Wireless Worldwide Retirement Plan. Pursuant to the Cable & Wireless Worldwide agreement, the Cable & Wireless Worldwide Group will make payments of £11 million in October 2010 and £25 million in April 2011.

Following Demerger, the trustees of the Cable & Wireless Worldwide Retirement Plan will undertake a first actuarial valuation of the Cable & Wireless Worldwide Retirement Plan. The funding and investment strategy will be agreed by the trustee of the Cable & Wireless Worldwide Retirement Plan and Cable & Wireless Worldwide Services Limited as part of that valuation.

A new contingent funding agreement will also be entered into with the trustee of the Cable & Wireless Worldwide Retirement Plan, providing security of £100 million by way of escrow account or letter of credit in certain circumstances based on agreed financial and business triggers. The existing contingent funding agreement will cease to apply on Demerger.

In addition, under the heads of terms, Cable & Wireless Worldwide and certain other Cable & Wireless Worldwide Group companies have agreed to guarantee the pensions obligations of the principal employer of the Cable & Wireless Worldwide Retirement Plan.

Clearance from the Pensions Regulator

A number of companies and directors within the Cable & Wireless Worldwide Group have sought clearance from the Pensions Regulator in respect of the Demerger and bulk transfer of pension assets and liabilities from the Cable & Wireless Superannuation Fund, such that the Pensions Regulator would consider that it was not reasonable in the circumstances of the Demerger to impose any liability on those applicants under a contribution notice or financial support direction under the Pensions Act 2004 in respect of the Cable & Wireless Superannuation Fund or the Cable & Wireless Worldwide Retirement Plan.

Clearance is expected to be granted on the basis that the bulk transfer from the Cable & Wireless Superannuation Fund and the other terms of the heads of terms appropriately address the effect of the Demerger on the Cable & Wireless Superannuation Fund and the Cable & Wireless Worldwide Retirement Plan.

Other Cable & Wireless Worldwide Group pension arrangements

The Cable & Wireless Worldwide Group operates the THUS Group Pension Scheme, a defined benefit pension scheme. The THUS Group Pension Scheme is in the process of completing an actuarial valuation which is expected to show a small deficit on a scheme specific basis as at 31 December 2008, which the Cable & Wireless Worldwide Group expects to pay to the scheme by one-off payment.

The Cable & Wireless Worldwide Group also operates defined benefit arrangements in Hong Kong and Ireland, as well as unfunded liabilities in the UK relating to pension provision for former directors and other senior employees and other small defined benefit and defined contribution pension arrangements in the United Kingdom.

CABLE & WIRELESS TRADEMARKS

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Wireless Worldwide Licence and the Cable & Wireless Communications Licence, each as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*" of this document. Subject to certain rights of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group is licensed to use the Cable & Wireless name in the Cable & Wireless Worldwide Territory and the acronym "CWW" globally, and subject to certain rights of the Cable & Wireless Worldwide Group, the Cable & Wireless Communications Group is licensed to use the Cable & Wireless name in the Cable & Wireless Communications Territory. The Cable & Wireless Worldwide Territory encompasses substantially all the territories where the Cable & Wireless Worldwide Group currently operates. Each group has certain rights to use the Cable & Wireless Trademarks outside its respective territory as described in the section entitled "*Business—Material Contracts*" of this document.

REGULATORY OUTLOOK

Telecommunications is a regulated industry; the nature and scope of regulatory obligations applicable to the Cable & Wireless Worldwide Group and to its competitors can have a significant impact on its business. The Cable & Wireless Worldwide Group, therefore, monitors and, where appropriate, participates in the regulatory process, with a view to protecting its interests and ensuring it can both continue to develop its product and service capability, and serve its customers efficiently and effectively. For a description of the risk of regulatory changes, see page A-13 in "*Cable & Wireless Worldwide Group Risk Factors*" of this document.

The Cable & Wireless Worldwide Group holds licences or authorisations in 23 separate jurisdictions and generally works with partners to deliver services to other countries. In the United Kingdom, the Cable & Wireless Worldwide Group holds various licences to use radio spectrum for fixed link and mobile services and, in addition, it is authorised to offer a full suite of telecommunications services. The Cable & Wireless Worldwide Group also holds licences or authorisations to operate in all major European markets, the United States, Canada and major Asian markets, such as India, Singapore and Hong Kong. The Cable & Wireless Worldwide Group also maintains many industry quality standards including ISO27001 (information security management standard), BS25999 (business continuity standard) and for the United Kingdom and Northern Ireland, ISO9001 (quality assurance standard).

FINANCIAL GUIDANCE FOR 2009/10

On 5 November 2009, Cable and Wireless plc published its Interim Results for the six months ended 30 September 2009.

The table below shows Cable and Wireless plc's 2009/10 full year guidance in respect of the Cable & Wireless Worldwide Group compared to the actual results for 2007/08 and 2008/09.

	2007/08 Actuals	2008/09 Actuals	2009/10 Guidance[1]
Cable & Wireless Worldwide Group (£m)			
EBITDA	219	326	430
Capital expenditure	(221)	(265)	(280)
P&L exceptionals[2]	13	(76)	(55)
Cash exceptionals	(56)	(71)	(70)

(1) This guidance does not include any Demerger related costs.

(2) P&L exceptionals within operating profit.

See "—*Basis of Preparation*" for the principal assumptions used in preparing this guidance.

CURRENT, TRADING, TRENDS AND PROSPECTS

Below is an extract from the text of the Cable and Wireless plc trading update issued on 2 February 2010 in respect of the Cable & Wireless Worldwide Group:

"*Cable and Wireless plc confirms the 2009/10 EBITDA guidance given on 5 November 2009: Worldwide continues to expect that its 2009/10 EBITDA will be approximately £430 million.*

The costs and expenses related to demerger are expected to be approximately £22 million, to be shared approximately £12 million by Cable & Wireless Communications and approximately £10 million by Cable & Wireless Worldwide.

Worldwide continues to make excellent progress with strong new contract wins in the third quarter. Worldwide expects to achieve its EBITDA and operating cash flow guidance for 2009/10, with EBITDA of approximately £430 million, capital expenditure of approximately £280 million and exceptional costs (cash and P&L) of approximately £70 million and £55 million respectively before any costs arising from the demerger.

In the third quarter we saw strong sales of our strategic product set—Data, IP and Hosting—up more than 40% on the same period last year. These are long term contracts and can take nine months or more to convert into revenue. The recessionary effects that we saw earlier in the year are showing some signs of abating; for example voice minutes have stabilised and we have seen the anticipated improvement in the levels of project work. In the second half, revenue will reflect the previously noted regulatory price changes which will have a minimal effect on our margins. Gross margin continues to grow in line with our expectations.

The integration of Thus continues to make good progress and we are on track to deliver the expected synergies of £104 million by 2011/12."

PROFIT FORECAST

Profit forecast for the Cable & Wireless Worldwide Group for the year ended 31 March 2010

On 5 November 2009, Cable and Wireless plc published its Interim Results for the six months ended 30 September 2009. The Interim Results contained the following statements in respect of the Cable & Wireless Group:

"*With EBITDA growth of 44% in the first half, the Cable & Wireless Worldwide Group business is performing well as we continue to increase margin from our strategic product set and reduce costs in the face of a global recession which has led to lower traditional voice revenue and less discretionary project work. We continue to expect that the Cable & Wireless Worldwide Group 2009/10 EBITDA will be approximately £430 million.*

We have reclassified £20 million of cost to achieve the Thus synergies from exceptionals to capital expenditure, reflecting a change in how the costs are expected to arise. We have reduced our expected Cable & Wireless Worldwide Group P&L exceptional costs for 2009/10 by £15 million to £55 million, reflecting the reclassification of Thus costs to achieve, partially offset by bringing forward £5 million of exceptional restructuring costs from 2010/11. Overall, the Cable & Wireless Worldwide Group's cash guidance remains unchanged."

Accordingly, on the basis of preparation, and based on the principal assumptions set out below, the Directors forecast that for the year ending 31 March 2010, the post-exceptional EBITDA (as defined below) of the Cable & Wireless Worldwide Group will be approximately £375 million.

The statements above regarding post-exceptional EBITDA in 2009/10 represent a profit forecast under the Prospectus Rules. The Directors have considered the above statement and continue to believe that it is valid based on the assumptions below.

Basis of preparation

The Directors confirm that the profit forecast described above in (the **Profit Forecast**), has been properly compiled on the basis of the assumptions stated below and using accounting policies which are in accordance with IFRS, as adopted in the EU, and is consistent with those adopted by the Cable & Wireless Worldwide Group in the preparation of the accounts included in "*Historical Financial Information*" of the Cable & Wireless Worldwide Group of this document.

The Profit Forecast is based upon the audited consolidated results for the six months ended 30 September 2009 (set out in Part "*Historical Financial Information*" of the Cable & Wireless Worldwide Group of this document), the results shown by unaudited management accounts for the three months ended 31 December 2009 and the Directors' forecast of the results for the three month period ending 31 March 2010.

Post-exceptional EBITDA represents earnings before interest, tax, depreciation and amortisation, LTIP credit/charge and net other operating income/expense.

The Profit Forecast does not include any costs related to the Demerger.

The Profit Forecast is stated on the basis of the EBITDA after exceptional items rather than profit before tax due to the extent of existing guidance which has been provided to the market by Cable and Wireless plc on both EBITDA and exceptional items. Guidance on the EBITDA performance of the Cable & Wireless Worldwide Group has been provided for a number of years as it represents the measure on which management consistently assess the performance of the business and it is also the measure on which both shareholders and analysts attach greatest significance. During the course of 2009, Cable and Wireless plc also provided guidance on the level of exceptional items in the Cable & Wireless Worldwide Group. Accordingly, the Directors consider EBITDA after exceptional items to be the most appropriate basis to present the Profit Forecast.

Principal assumptions

The Profit Forecast has been prepared on the basis of the following principal assumptions:

Assumptions within the control or influence of the Directors

There will be no material acquisitions and disposals during the financial year ending 31 March 2010 other than those already reported.

Assumptions outside the control or influence of the Directors

The main assumptions outside the control of the Directors are:

- there will be no material changes to the general trading and economic conditions in each of the markets or jurisdictions in which the Cable & Wireless Worldwide Group operates from that which is currently prevailing and/or anticipated by the Directors, which would cause a material change in levels of demand;
- there will be no material litigation or customer dispute that may arise in the period other than those that are currently prevailing and/or anticipated by the Directors;
- there will be no change to legislation or regulatory environments in the jurisdictions in which the business operates that would materially impact on the Cable & Wireless Worldwide Group's operations, or its accounting policies;
- there will be no major disruption to the business of the Cable & Wireless Worldwide Group, its suppliers or customers due to natural disaster, terrorism, extreme weather conditions, industrial disruption, civil disturbance or government action;
- there will be no material changes in interest, inflation or exchange rates;
- there will be no material change in the present management or control of the Cable & Wireless Worldwide Group or its existing operational strategy; and
- the Cable & Wireless Worldwide Group will continue to enjoy the goodwill and confidence of present and potential customers, and of its strategic partners.

ANNEX GLOSSARY

The following definitions apply throughout this Annex unless the context requires otherwise.

Act or **Companies Act** means the Companies Act 2006 as amended.

Admission means admission of the Cable & Wireless Worldwide Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities and **Admission becoming effective** means it becoming effective in accordance with paragraph 3.2.7 of the Listing Rules and the Admission and Disclosure Standards published by the London Stock Exchange.

Adopted IFRS means IFRS as adopted by the European Union and as adjusted for commonly used accounting conventions pertaining to circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board.

Agent means the agent in respect of the Cable & Wireless Worldwide Facility Agreement.

Amended Cable & Wireless Worldwide Facility Agreement means the Cable & Wireless Worldwide Facility Agreement, amended and restated pursuant to an agreement dated 14 January 2010 between, among others, Cable & Wireless UK Holdings Limited as borrower, and various financial institutions listed therein as lead managers, lead arrangers and lenders.

Borrower means, in respect of the Cable & Wireless Worldwide Facility Agreement, Cable & Wireless UK Holdings Limited.

BT means British Telecom Group plc.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the City of London for the transaction of normal banking business.

Cable & Wireless Communications means Cable & Wireless Communications Plc, a public limited company incorporated in England and Wales with registered number 7130199.

Cable & Wireless Communications Group means prior to Scheme Effective Time the international operating units of the Cable & Wireless Group which provide mobile, broadband and domestic and international fixed line services to consumers, small and medium enterprises, corporate customers and governments through major operations in Panama, Macau, the Caribbean and Monaco & Islands and means, following the Scheme Effective Time, Cable & Wireless Communications and its subsidiaries and subsidiary undertakings from time to time.

Cable & Wireless Communications Territory means (i) Panama and all countries within Central and South America, including: Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Venezuela, Colombia, Ecuador, Guyana, Suriname, French Guiana, Brazil, Peru, Bolivia, Paraguay, Argentina, Chile, Uruguay but excluding Mexico; (ii) all countries within the Caribbean including: the Bahamas, Cuba, Dominican Republic, Haiti, US Virgin Islands (St Thomas, St John, St Croix, Water Island), Puerto Rico, Saint Martin, Saba, Saint Eustatius, Redonda, Guadeloupe, Martinique, Isla Aves, Saint-Barthelemy, Aruba, Bonaire, Curacao, Jamaica, Barbados, Cayman Islands, Turks & Caicos Islands, British Virgin Islands (Tortola, Virgin Gorda, Anegada, Jost Van Dyke), Anguilla, Montserrat, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Antigua and Barbuda, Dominica, Grenada, Trinidad and Tobago, Bermuda; and (iii) Monaco, the Maldives, Guernsey, Jersey, Isle of Man, Seychelles, Falkland Islands, St Helena, Ascension, Diego Garcia, Afghanistan, Solomon Islands, Fiji, and Vanuatu.

Cable and Wireless plc Articles means the articles of association of Cable and Wireless plc.

Cable & Wireless Group means Cable and Wireless plc and its subsidiaries and subsidiary undertakings.

Cable and Wireless plc, Cable and Wireless or **Cable & Wireless** means Cable and Wireless plc, a public limited company incorporated in England and Wales with registered number 238525.

Cable and Wireless plc Board means the board of directors of Cable and Wireless plc.

Cable and Wireless plc Circular means the circular to holders of Cable and Wireless plc Ordinary Shareholders dated 1 February 2010 containing, among other things, details of the Demerger Proposals (including a description of the Scheme) and notice of the Court Meeting and the General Meeting.

Cable and Wireless plc Ordinary Shareholders means the holders of Cable and Wireless plc Ordinary Shares from time to time.

Cable and Wireless plc Ordinary Shares means ordinary shares of 25 pence each in the capital of Cable and Wireless plc.

Cable and Wireless plc Reduction of Capital means the proposed reduction of capital of Cable and Wireless plc under sections 645-648 of the Companies Act, as described in paragraph 1(a) of Part XII: "*The Scheme*" of the Cable and Wireless plc Circular, which is incorporated by reference herein.

Cable & Wireless Superannuation Fund or **Fund** means the Cable and Wireless plc Superannuation Fund, governed by a definitive trust deed and rules dated 27 October 2008, as amended.

Cable & Wireless Worldwide Brand means the rights of Cable and Wireless plc in goodwill, know-how, other intangibles and any other intellectual property rights owned by or licensed to Cable and Wireless plc in relation to the business of the Cable & Wireless Worldwide Group, including the benefit of the Cable & Wireless Worldwide Licence and the GTS Licence.

Cable & Wireless Worldwide Facility Agreement means the credit agreement originally dated 5 December 2008, amended and restated by an amendment agreement dated 16 March 2009 between Cable & Wireless UK Holdings Limited as borrower, various subsidiaries of the borrower as guarantors, and the financial institutions listed therein as lenders.

Cable & Wireless Worldwide Group means:

(i) prior to the Demerger Effective Time: (a) the operating units of the Cable & Wireless Group (or following the Scheme Effective Time but prior to the Demerger Effective Time, the Cable & Wireless Communications Group), which provide managed services such as data, hosting and voice across the United Kingdom, Continental Europe, India, Asia-Pacific, Middle East and Africa, and the United States to large users of telecommunications services and (b) Thus Limited, whose business is focused on the mid-market, offering advanced business communications to small and medium sized enterprises; and

(ii) following the Demerger Effective Time, Cable & Wireless Worldwide and its subsidiaries and subsidiary undertakings.

Cable & Wireless Worldwide Group Board means, in respect of "*Historical Financial Information of the Cable & Wireless Worldwide Group*", the chief operating decision-maker of the Cable & Wireless Worldwide Group.

Cable & Wireless Worldwide Group Pension Scheme means the pension scheme to be established by the Cable & Wireless Worldwide Group to provide pension benefits to current and former employees of the Cable & Wireless Worldwide Group.

Cable & Wireless Worldwide Holdings means Cable & Wireless UK Holdings Limited.

Cable & Wireless Worldwide Territory means the world excluding the Cable & Wireless Communications Territory.

Cable & Wireless Worldwide or **Company** means Cable & Wireless Worldwide plc, a public limited company incorporated in England and Wales with registered number 7029206.

Cable & Wireless Worldwide Board or **Board** means the board of directors of Cable & Wireless Worldwide.

Cable & Wireless Worldwide Ordinary Shares means ordinary shares in the capital of Cable & Wireless Worldwide, the nominal value of which will be set prior to the Scheme Effective Time) in the capital of Cable & Wireless Worldwide.

Cable & Wireless Worldwide Ordinary Shareholders means holders of Cable & Wireless Worldwide Ordinary Shares from time to time.

Cable & Wireless Worldwide Reduction of Capital means the proposed reduction of capital of Cable & Wireless Worldwide under sections 645-648 of the Companies Act, as described in "*Explanatory Statement"* of the Cable and Wireless plc Circular.

Cable & Wireless Worldwide Register means the register of members of Cable & Wireless Worldwide.

Cable & Wireless Worldwide Retirement Plan or **Plan** means the Cable & Wireless Worldwide Retirement Plan to be established by the Cable & Wireless Worldwide Group to provide pension benefits to current and former employees of the Cable & Wireless Worldwide Group.

Cable & Wireless Trademarks means (a) the "Cable & Wireless" name and all abbreviations of the "Cable & Wireless" name whether registered or unregistered, and (b) in relation to the Cable & Wireless Communications Group, includes the "Cable & Wireless Globe" logo.

Caribbean operation means those operations conducted by the Cable & Wireless Communications Group in the region of the Caribbean, which include Jamaica, Barbados, the Cayman Islands, Turks & Caicos, the British Virgin Islands, Anguilla, Montserrat, St. Lucia, St Kitts & Nevis, St. Vincent, Antigua, Dominica, Grenada as well as a joint venture company in Trinidad and Tobago.

Carrier Business means the wholesale selling of telecommunications services to other telecommunications carriers.

certificated or **in certificated form** means in relation to a share or other security, a share or other security which is not in uncertificated form.

Code means US Internal Revenue Code of 1986.

Combined Code means the Combined Code on Corporate Governance published in June 2008 by the UK Financial Reporting Council.

Convertible Bonds means the £230 million convertible bonds due in 2014 issued on 24 November 2009 by Cable and Wireless plc.

Convertible Issuer means the principal debtor under the Convertible Bonds from time to time.

Convertible Trust Deed means the trust deed in respect of the Convertible Bonds.

Court means the High Court of Justice in England and Wales.

Court Meeting means the meeting of the Scheme Shareholders convened by order of the Court pursuant to Part 26 of the Companies Act to be held at the offices of Allen & Overy LLP at One Bishops Square, London E1 6AD, at 11.00 a.m. on 25 February 2010 to consider and, if thought fit, approve the Scheme, notice of which is set out in Part XVI: "*Notice of Court Meeting"* of the Cable and Wireless plc Circular (which is incorporated by reference herein), and any adjournment thereof.

CREST means the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the CREST Regulations.

CREST Regulations means the Uncertificated Securities Regulations 2001, as amended.

Demerger means the proposed demerger of the Cable & Wireless Worldwide Group on the terms and subject to the conditions set out in the Demerger Agreement.

Demerger Agreement means the agreement entered into by and among Cable and Wireless plc, Cable & Wireless Worldwide and Cable & Wireless Communications in respect of the principal transactions necessary to effect the Demerger as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*".

Demerger Effective Time means the time at which the Demerger becomes effective, expected to be at or around 8.00 a.m. (London time) on 26 March 2010.

Demerger Transaction Agreements means, collectively, the Demerger Agreement, Separation Agreement, Transitional Services Agreement, Intellectual Property Agreement and Pensions Agreement as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*".

EAUS means Cable & Wireless International and Cable & Wireless Europe, Asia & US.

Energis means the Energis Group plc.

Euroclear means Euroclear UK and Ireland Limited.

Facility Completion Date means, in respect of the Amended Cable & Wireless Worldwide Facility Agreement, the date of Admission of the Cable & Wireless Worldwide Ordinary Shares following the Demerger.

Facility Lenders means, in respect of the Cable & Wireless Worldwide Facility Agreement, various financial institutions listed therein as lenders.

FSA means the UK Financial Services Authority.

FSMA means the Financial Services and Markets Act 2000, as amended.

GAAP means Generally Accepted Accounting Principles.

General Meeting means the general meeting of Cable and Wireless plc Ordinary Shareholders to be held at 11.15 a.m. on 25 February 2010 (or as soon thereafter as the Court Meeting shall have been concluded or adjourned), notice of which is set out in Part XVII: "*Notice of General Meeting*" of the Cable and Wireless plc Circular (which is incorporated by reference herein), and any adjournment thereof.

Heads of Terms means the agreement that establishes the commercial terms and legal principles of the bulk transfer of assets and liabilities to the Cable & Wireless Worldwide Retirement Plan in respect of current and former employees of the Cable & Wireless Worldwide Group, entered into by Cable and Wireless plc, Cable & Wireless Worldwide Services Limited and the trustee of the Cable & Wireless Superannuation Fund.

HMRC means Her Majesty's Revenue & Customs.

holder means a registered holder, including any person entitled by transmission.

IAS means International Accounting Standards.

IFRS means the International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee published by the International Accounting Standards Board.

Initial Issuer means, in respect of the Convertible Bonds, Cable and Wireless plc.

Intellectual Property Agreements means the agreements entered into by Cable and Wireless plc as described in the section entitled "*Cable & Wireless Worldwide Group Business—Intellectual Property Arrangements*".

IRS means the United States Internal Revenue Service.

Listing Rules means the listing rules of the UK Listing Authority.

London Stock Exchange means London Stock Exchange plc.

LTIP means the Cable & Wireless Long Term Incentive Plan.

member means a member of Cable & Wireless Worldwide, on the Cable & Wireless Worldwide Register at any relevant date.

Monaco & Islands means those operations conducted by the Cable & Wireless Communications Group in Monaco, Benin, Burkina Faso, Cameroon, Guinea, Niger, Senegal, Jersey, Guernsey, the Isle of Man, Seychelles, Bermuda, the Falkland Islands, St. Helena, Ascension, Diego Garcia as well as joint ventures in Afghanistan, Tunisia, Algeria, the Soloman Islands, Fiji and Vanuatu.

Facilities means, pursuant to the Amended Cable & Wireless Worldwide Facility Agreement, £300 million made available to the Borrower by the Lenders by way of a multicurrency revolving credit facility, up to £100 million of which may be utilised by letters of credit.

Notes means the Senior Secured Notes.

Official List means the official list of the UK Listing Authority.

Pensions Agreement the agreement to be entered into by and among Cable and Wireless plc, Cable & Wireless Worldwide Services Limited, the trustees of the Cable & Wireless Superannuation Fund and the trustees of the Cable & Wireless Worldwide Group Pension Scheme as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*".

Pensions Regulator means the UK regulator of work-based pension schemes, established under Part 1 of the Pensions Act 2004.

Permitted Bilateral Facilities means, in respect of the Amended Cable & Wireless Worldwide Facility Agreement, the permitted bilateral facilities with the Lenders of up to £75 million subject to certain conditions.

Prospectus Directive means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, including any relevant implementing measure in each member state of the European Economic Area.

Prospectus Rules means the rules and regulations made by the FSA in its capacity as the UK Listing Authority under Part VI of FSMA and contained in the UK Listing Authority's publication of the same name.

Remuneration Committee means the remuneration committee of the Cable & Wireless Worldwide Board.

Scheme or **Scheme of Arrangement** means the scheme of arrangement proposed to be made under Part 26 of the Companies Act between Cable and Wireless plc and the holders of Scheme Shares as set out in Part XII: "*The Scheme"* of the Cable and Wireless plc Circular, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Cable and Wireless plc and Cable & Wireless Communications.

Scheme Effective Time means the date and time at which the Scheme becomes effective in accordance with its terms pursuant to Part XII: "*The Scheme"* of the Cable and Wireless plc Circular, expected to be on or about 5.00 p.m. (London time) on 19 March 2010.

Scheme Record Time means 4.30 p.m. (London time) on the same Business Day as (or, if the Scheme Effective Time is after such time, the Business Day immediately preceding) the Scheme Effective Time.

Scheme Shareholder means a holder of Scheme Shares, as appearing in the register of members of Cable and Wireless plc at the Scheme Record Time.

Scheme Shares means:

(a) the Cable and Wireless plc Ordinary Shares in issue at the date of the Cable and Wireless plc Circular;

(b) all (if any) additional Cable and Wireless plc Ordinary Shares issued after the date of the Cable and Wireless plc circular and before the Voting Record Time; and

(c) all (if any) further Cable and Wireless plc Ordinary Shares which may be in issued after the Voting Record Time but on or before the Scheme Record Time in respect of which the original or any subsequent holders shall be bound by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound,

but excluding any Cable and Wireless plc Ordinary Shares held in treasury at the Scheme Record Time.

SEC means the US Securities and Exchange Commission.

Separation Agreement means the agreement entered into by and among Cable & Wireless Worldwide, Cable & Wireless Communications, Cable & Wireless International Group Limited and Cable & Wireless UK Holdings Limited as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*".

SPP means the Cable & Wireless Share Purchase Plan.

subsidiary or **subsidiary undertaking** has the meaning given in the Act.

Substitution Compliance Certificate means the certificate signed by two directors of Cable & Wireless Worldwide that is delivered to the bond trustee on the business day in London prior to the date of Worldwide Admission, certifying that the (i) total net debt for the Cable & Wireless Worldwide Group equals no more than £225 million; (ii) total secured bank debt drawings for the Cable &Wireless Worldwide Group equals no more than £200 million; (iii) the Cable & Wireless Worldwide Group has freely available, uncommitted and unsecured cash and cash equivalents and available credit facilities of not less than £200 million; and (iv) Cable & Wireless Worldwide is the ultimate holding company of the Cable &Wireless Worldwide Group.

Thus means the operating units of Thus Limited whose business is focused on the mid-market, offering advanced business communications to small and medium-sized enterprises.

THUS Group means THUS Group plc and its subsidiaries and subsidiary undertakings.

total shareholder return or **TSR** means share price growth adjusted for dividends and capital actions.

Transitional Services Agreement means the agreement entered into by and among Cable & Wireless Worldwide and Cable & Wireless Communications, as described in the section entitled "*Cable & Wireless Worldwide Group Business—Material Contracts*".

UK Listing Authority means the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the Admission to the Official List otherwise than in accordance with Part VI of FSMA.

United Kingdom or **UK** means the United Kingdom of Great Britain and Northern Ireland.

United States or **US** means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

US Securities Act means US Securities Act of 1933, as amended.

Voting Record Time means 6.00 p.m. (London time) on 23 February 2010 or, if the Court Meeting or General Meeting is adjourned, 48 hours before the time appointed for any adjourned Court Meeting and/or General Meeting, for holders of Cable and Wireless plc Ordinary Shares.

Glossary of Selected Industry Terms

Asynchronous Transfer Mode means a network protocol designed to carry real-time data and other multimedia. This is now being replaced by IP networks.

bandwidth means an amount of capacity to carry signals over part of a telecommunications system.

corporate customers means large business customers.

Data or **data services** means services designed to facilitate the transmission of digital information over network capacity.

Ethernet means a data transmission specification most widely used in local area networks and increasingly used in advanced telecommunication networks.

FMC or **Fixed Mobile Convergence** means a service which allows a suitably enabled mobile phone handset to utilise both mobile and fixed networks for calls. Calls can be made from or to the mobile handset that are routed over the fixed line network when inside a customer's premises, or routed onto a mobile network (via roaming) when outside the premises.

Frame Relay means a legacy data link protocol used for metropolitan and wide area networking solutions which is now being replaced by IP networks

Gbps means gigabits per second.

GSM or **Global System for Mobile Communications** means a digital mobile platform which allows the transmission of voice and data and global roaming and is the main standard used in carrying voice and SMS on mobile networks.

hosting means a service that provides a facility or location for the housing of equipment typically to store websites and other computing or telecommunication applications.

IP means Internet Protocol, a protocol used throughout the Internet and many local area networks which sets out rules that govern how devices communicate.

IP Virtual Private Network means an IP-based network that creates private links between different networks in a secure manner essentially creating a private network on top of a shared network.

Local area network means a computer network covering a small physical area usually a single office or a small group of co-located buildings, typically transmitting information at very high speeds.

legacy products (including legacy voice and legacy data) means products designed to be carried over networks and platforms that are separate for voice and data; compared to next-generation products which are designed to be carried over a single network.

legacy network means networks constructed primarily to carry either voice, or data services separately.

LLU or **Local loop unbundling** is the process where the incumbent operators (BT and KCom in the UK) make the copper cables that run from their telephone exchanges to the customer premises available to other operators and are typically used to deliver always-on, high-speed internet access direct to the customer.

Mbps means megabits per second.

mid-market means medium sized enterprises and smaller corporate companies.

Multi-Service Platform means the Cable & Wireless Worldwide Group's high-bandwidth IP-based platform that runs across its NGN.

Managed Video Conferencing means a next-generation bridging application that brings together multiple device types, conferencing end points (regardless of manufacturer) and media into a single user friendly service. This allows the initiation and management of calls simply and seamlessly over high-quality video conferencing.

NGN or **Next-generation network** means a telecommunications network designed to handle multiple types of traffic simultaneously on a single infrastructure.

Points of presence means a location where a telecommunications provider sites its network equipment, typically used to allow the connection of multiple customers in the local geographical area.

SLA or **Service Level Agreement** means a specification of the level of service performance a network service provider will deliver to a customer.

storage means a centrally managed data storage facility.

WAN or **Wide area network** means a network that covers a metropolitan, regional, national or international area. Wide area networks are typically used to connect local area networks together.

WTG means the Cable & Wireless Worldwide Group's web design business.

CABLE & WIRELESS WORLDWIDE GROUP INCOME STATEMENT

FOR THE THREE YEARS ENDED 31 MARCH 2009

		Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
		Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total
	Note	£m	£m	£m	£m	£m	£m	£m	£m	£m
Continuing operations										
Revenue		2,139	—	2,139	1,941	—	1,941	2,268	—	2,268
Operating costs before depreciation and amortisation	5	(2,072)	(65)	(2,137)	(1,741)	(40)	(1,781)	(1,959)	(76)	(2,035)
Amortisation	15	(24)	(11)	(35)	(27)	—	(27)	(38)	—	(38)
Depreciation	16	(104)	(2)	(106)	(130)	—	(130)	(174)	—	(174)
Other operating income	6	9	—	9	2	53	55	1	—	1
Other operating expenses	7	(1)	(11)	(12)	—	—	—	(1)	—	(1)
Group operating (loss)/profit		(53)	(89)	(142)	45	13	58	97	(76)	21
Share of post-tax loss of joint ventures	17	(3)	—	(3)	(1)	—	(1)	—	—	—
Total operating (loss)/profit		(56)	(89)	(145)	44	13	57	97	(76)	21
Gains and losses on sale of non-current assets	9	—	—	—	1	—	1	(1)	—	(1)
Finance income	10	1	—	1	3	—	3	3	—	3
Finance expense	10	(7)	—	(7)	(11)	—	(11)	(14)	—	(14)
(Loss)/profit before income tax		(62)	(89)	(151)	37	13	50	85	(76)	9
Income tax credit	11	9	—	9	6	—	6	33	—	33
(Loss)/profit for the period from continuing operations		(53)	(89)	(142)	43	13	56	118	(76)	42
Discontinued operations										
Profit for the period from discontinued operations	12	—	—	—	—	—	—	—	—	—
(Loss)/profit for the period		(53)	(89)	(142)	43	13	56	118	(76)	42
(Losses)/earnings per share attributable to the owners of the parent during the period (pence per share)	13									
—basic				(6.1)p			2.3p			1.7p
—diluted				(6.1)p			2.3p			1.7p
Earnings per share from continuing operations attributable to the owners of the parent during the period (pence per share)	13									
—basic				(6.1)p			2.3p			1.7p
—diluted				(6.1)p			2.3p			1.7p
Earnings per share from discontinued operations attributable to the owners of the parent during the period (pence per share)	13									
—basic				0.0p			0.0p			0.0p
—diluted				0.0p			0.0p			0.0p

1 Further detail on exceptional items is set out in note 5 and in the relevant note for each item.

As explained in note 2.1, certain administrative costs, interest, tax and pension amounts of the Cable & Wireless Worldwide Group reflect the management and capital structure of the Cable & Wireless Worldwide Group prior to Demerger. Accordingly these amounts, together with the respective earnings per share figures, may not be comparable with actual amounts that would have occurred had the Demerger been in effect during the periods presented.

CABLE & WIRELESS WORLDWIDE GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE YEARS ENDED 31 MARCH 2009

	Note	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009
		£m	£m	£m
(Loss)/profit for the period		(142)	56	42
Other comprehensive income for the period:				
Actuarial gains/(losses) in the value of defined benefit retirement plans	29	90	(73)	(60)
Exchange differences on translation of foreign operations		(28)	(32)	(119)
Other comprehensive income/(expense) for the period		62	(105)	(179)
Income tax relating to components of other comprehensive income		—	—	—
Other comprehensive income/(expense) for the period, net of tax		62	(105)	(179)
Total comprehensive expense for the period		(80)	(49)	(137)

The notes in "*Historical Financial Information of the Cable & Wireless Worldwide Group*" on pages AF-8 to AF-63 of this document are an integral part of this historical financial information.

CABLE & WIRELESS WORLDWIDE GROUP INCOME STATEMENT

FOR THE TWO SIX MONTH PERIODS ENDED 30 SEPTEMBER 2008 (UNAUDITED) AND 30 SEPTEMBER 2009

	Note	Six months ended 30 September 2008 (unaudited)			Six months ended 30 September 2009		
		Pre-exceptional items	Exceptional items[1]	Total	Pre-exceptional items	Exceptional items[1]	Total
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue		1,003	—	1,003	1,141	—	1,141
Operating costs before depreciation and amortisation	5	(874)	(33)	(907)	(938)	(28)	(966)
Amortisation	15	(18)	—	(18)	(24)	—	(24)
Depreciation	16	(70)	—	(70)	(107)	—	(107)
Other operating income	6	2	—	2	—	—	—
Group operating profit/(loss)		43	(33)	10	72	(28)	44
Share of post-tax loss of joint ventures	17	—	—	—	—	—	—
Total operating profit/(loss)		43	(33)	10	72	(28)	44
Gains and losses on sale of non-current assets	9	—	—	—	(1)	—	(1)
Finance income	10	2	—	2	—	—	—
Finance expense	10	(5)	—	(5)	(10)	—	(10)
Profit/(loss) before income tax		40	(33)	7	61	(28)	33
Income tax credit	11	11	—	11	29	—	29
Profit/(loss) for the period from continuing operations		51	(33)	18	90	(28)	62
Discontinued operations							
Profit for the period from discontinued operations	12	—	—	—	—	—	—
Profit/(loss) for the period		51	(33)	18	90	(28)	62
Earnings per share attributable to the owners of the parent during the period (pence per share)	13						
—basic				0.7p			2.5p
—diluted				0.7p			2.4p
Earnings per share from continuing operations attributable to the owners of the parent during the period (pence per share)	13						
—basic				0.7p			2.5p
—diluted				0.7p			2.4p
Earnings per share from discontinued operations attributable to the owners of the parent during the period (pence per share)	13						
—basic				0.0p			0.0p
—diluted				0.0p			0.0p

1 Further detail on exceptional items is set out in note 5 and in the relevant note for each item.

As explained in note 2.1, certain administrative costs, interest, tax and pension amounts of the Cable & Wireless Worldwide Group reflect the management and capital structure of the Cable & Wireless Worldwide Group prior to Demerger. Accordingly these amounts, together with the respective earnings per share figures, may not be comparable with actual amounts that would have occurred had the Demerger been in effect during the periods presented.

CABLE & WIRELESS WORLDWIDE GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE TWO SIX MONTH PERIODS ENDED 30 SEPTEMBER 2008 (UNAUDITED) AND 30 SEPTEMBER 2009

	Note	Six months ended 30 September 2008 (unaudited) £m	Six months ended 30 September 2009 £m
Profit for the period		18	62
Other comprehensive income for the period:			
Actuarial losses in the value of defined benefit retirement plans	29	(17)	(240)
Exchange differences on translation of foreign operations		5	33
Other comprehensive income for the period		(12)	(207)
Income tax relating to components of other comprehensive income		—	—
Other comprehensive income for the period, net of tax		(12)	(207)
Total comprehensive income for the period		6	(145)

The notes in "*Historical Financial Information of the Cable & Wireless Worldwide Group*" on pages AF-8 to AF-63 of this document are an integral part of this historical financial information.

CABLE & WIRELESS WORLDWIDE GROUP STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2007 £m	As at 31 March 2008 £m	As at 31 March 2009 £m	As at 30 September 2009 £m
ASSETS					
Non-current assets					
Intangible assets	15	563	580	935	937
Property, plant and equipment	16	600	658	948	965
Available-for-sale financial assets	18	—	—	11	2
Deferred tax asset	27	13	17	54	84
Retirement benefit asset	29	35	—	—	—
Other receivables	19	33	32	26	27
		1,244	1,287	1,974	2,015
Current assets					
Inventories	20	6	3	3	13
Trade and other receivables	19	568	579	648	669
Cash and cash equivalents	21	15	19	144	150
		589	601	795	832
Non-current assets and disposal groups held for sale	22	52	—	—	—
		641	601	795	832
Total assets		1,885	1,888	2,769	2,847
Current liabilities					
Trade and other payables	23	897	875	1,099	1,079
Current tax liabilities		11	9	13	14
Loans and obligations under finance leases	24	9	14	18	19
Provisions	28	25	26	33	31
		942	924	1,163	1,143
Liabilities associated with disposal groups held for sale	22	10	—	—	—
		952	924	1,163	1,143
Net current liabilities		(311)	(323)	(368)	(311)
Non-current liabilities					
Trade and other payables	23	50	31	6	—
Loans and obligations under finance leases	24	11	5	110	122
Provisions	28	117	107	158	163
Financial liabilities at fair value	26	—	—	1	1
Retirement benefit obligations	29	3	3	39	274
		181	146	314	560
Net assets		752	818	1,292	1,144
Invested capital		752	818	1,292	1,144

The notes in "*Historical Financial Information of the Cable & Wireless Worldwide Group*" on pages AF-8 to AF-63 of this document are an integral part of this historical financial information.

CABLE & WIRELESS WORLDWIDE GROUP STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
		£m	£m	£m	£m	£m
Cash flows from operating activities						
Cash generated from continuing operations	32	(76)	101	242	105	109
Cash generated from discontinued operations	32	—	—	—	—	—
Income taxes paid		(1)	—	—	—	—
Net cash from operating activities		(77)	101	242	105	109
Cash flows from investing activities						
Continuing operations						
Interest received		—	2	4	1	—
Other income		—	—	—	1	—
Proceeds on disposal of customer base		9	—	—	—	—
Purchase of available-for-sale assets		—	—	(1)	(100)	—
Decrease in available-for-sale assets		—	—	—	—	10
Proceeds on disposal of non-current assets held for sale		—	92	—	—	—
Proceeds on disposal of property, plant and equipment		10	3	1	1	—
Purchase of property, plant and equipment		(182)	(187)	(226)	(104)	(124)
Purchase of intangible assets		(32)	(35)	(19)	(5)	(10)
Acquisition of subsidiaries (net of cash received)	35	—	(49)	(327)	4	—
Net cash from continuing operations		(195)	(174)	(568)	(202)	(124)
Discontinued operations		—	—	—	—	—
Net cash from investing activities		(195)	(174)	(568)	(202)	(124)
Net cash outflow before financing		(272)	(73)	(326)	(97)	(15)
Cash flows from financing activities						
Continuing operations						
Repayments of borrowings		(10)	(11)	(125)	(1)	(7)
Interest paid		(2)	(2)	(5)	(2)	(4)
Proceeds from borrowings		—	—	100	—	11
Capital contributions received from the Cable & Wireless Communications Group		285	88	479	107	22
Net cash from continuing operations		273	75	449	104	22
Discontinued operations		—	—	—	—	—
Net cash from financing activities		273	75	449	104	22
Net increase in cash and cash equivalents		1	2	123	7	7
Cash and cash equivalents at the start of the period		20	15	19	19	144
Exchange (losses)/gains on cash and cash equivalents		(1)	2	2	1	(1)
Cash and cash equivalents at the end of the period		20	19	144	27	150
Less: Cash included in disposal groups held for sale		(5)	—	—	—	—
Net cash and cash equivalents	21	15	19	144	27	150

The notes in "*Historical Financial Information of the Cable & Wireless Worldwide Group*" on pages AF-8 to AF-63 of this document are an integral part of this historical financial information.

CABLE & WIRELESS WORLDWIDE GROUP STATEMENT OF CHANGES IN INVESTED CAPITAL

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Opening invested capital	535	752	818	818	1,292
(Loss)/profit for the period	(142)	56	42	18	62
Movements on loans with the Cable & Wireless Communications Group	285	87	605	119	(6)
Net actuarial gains/(losses) recognised	90	(73)	(60)	(17)	(240)
Foreign currency translation reserve	(28)	(10)	(119)	5	33
Share-based payment costs	12	6	6	3	3
Closing invested capital	752	818	1,292	946	1,144

The notes in "*Historical Financial Information of the Cable & Wireless Worldwide Group"* on pages AF-8 to AF-63 of this document are an integral part of this historical financial information.

Cable & Wireless Worldwide Group notes to the historical financial information

1. General information

The Cable & Wireless Worldwide Group is an international telecommunications group providing corporate and carrier solutions to large users of telecommunications services across the United Kingdom, the Middle East and Asia.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The historical financial information represents the financial record for the three years ended 31 March 2009 and the two six month periods ended 30 September 2008 and 30 September 2009 of those businesses that will be held by the Cable & Wireless Worldwide Group at the date of admission of the shares of Cable & Wireless Worldwide to the London Stock Exchange. Following the Demerger, the Cable & Wireless Worldwide Group will comprise the entities forming the Cable & Wireless Group other than those entities comprising the Cable & Wireless Communications Group. The principal entities, including joint ventures, included within the historical financial information are set out in note 39.

The financial record is based on historical financial information extracted from the consolidation schedules which supported the audited financial statements of the Cable & Wireless Group for the three years ended 31 March 2009 and the unaudited interim statements of the Cable & Wireless Group for the six months ended 30 September 2009 and the six months ended 30 September 2008.

Throughout this document, 'FY' refers to the twelve month periods ended 31 March and 'HY' refers to the six month periods ended 30 September.

The Cable & Wireless Worldwide Group has not in the past formed a separate legal group and therefore it is not meaningful to show share capital or an analysis of historical reserves for the Cable & Wireless Worldwide Group. The net assets of the Cable & Wireless Worldwide Group are represented by the cumulative investment in the Cable & Wireless Worldwide Group companies (shown as "invested capital").

Application of IFRS

The historical financial information has been prepared in accordance with IFRS as adopted by the European Union, except as described below. The historical financial information has also been prepared in accordance with applicable listing rules and requirements of the Prospectus Directive (including the regulation regarding issuers with complex financial histories).

IFRS does not provide for the preparation of extracted financial information. Accordingly, the historical financial information in this document has been prepared using certain commonly used accounting conventions (as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board). The application of these conventions results in the following material departures from IFRS as adopted by the European Union. In all other respects, IFRS as adopted by the European Union have been applied.

Non-trading balances with the Cable & Wireless Communications Group

At Demerger, the Cable & Wireless Worldwide Group will not be required to repay non-trading balances with the Cable & Wireless Communications Group. For this reason, these amounts have been included in Cable & Wireless Worldwide Group's invested capital, rather than being treated as liabilities as required by IFRS.

Earnings per share

The weighted average number of ordinary shares outstanding used to calculate earnings per share is based on the number of shares expected on listing of Cable & Wireless Worldwide Ordinary Shares. The shares expected on listing of Cable & Wireless Worldwide Ordinary Shares will be equal to the outstanding shares of Cable and Wireless plc prior to the Demerger. Therefore, these shares are considered to be the most appropriate denominator on which to compute earnings per share for the Cable & Wireless Worldwide Group.

As a result of the above matters, no statement of compliance with IFRS can be included in respect of the historical financial information.

Other principles applied

In addition, the following principles have been applied in preparing the historical financial information:

- There has been no allocation of the corporate head office costs of the Cable & Wireless Group to the Cable & Wireless Worldwide Group. This is because any allocation would be arbitrary in nature and may not reflect properly the costs relating to functions such as financial reporting, treasury and Board costs as would have been incurred by that business. Therefore, the costs of the Cable & Wireless Worldwide Group may not be representative of the level of costs required in the future.
- Trading balances with the Cable & Wireless Communications Group are presented within receivables and payables as though they were with an external party.
- The main UK defined benefit scheme operated by the Cable & Wireless Group provides benefits to current and past employees of, and therefore represents obligations of, both the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group. For the period since 1 April 2006, the two Groups have each borne a proportion of the service costs of this scheme based on the approximate split of active membership. The scheme's expected return on assets and interest expense have been apportioned between the two Groups based on the Directors' assumptions about the underlying liabilities, being 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group. The assets, liabilities, actuarial gains and losses and cash flows relating to the scheme have been apportioned based on 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group.

  Detailed disclosures relating to this scheme are provided in note 29.

  On Demerger, as agreed with the scheme trustees, the liabilities of the main UK defined benefit pension scheme operated by the Cable & Wireless Group will be allocated approximately equally between the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group.

  Management believes presenting the historical financial information according to the historical allocation better represents the underlying pension cost of the two Groups over the periods presented.

  If the historical financial information (which has been prepared on the basis of a split of 20% Cable & Wireless Communications Group and 80% Cable & Wireless Worldwide Group) had been prepared on the basis of the approximate actual split of liabilities to be applied post-Demerger (i.e. a split of 50% Cable & Wireless Communications Group and 50% Cable & Wireless Worldwide Group), the impact on the relevant financial statements of the Cable & Wireless Worldwide Group would have been as follows:

	Year ended 31 March			Six month periods ended 30 September	
	2007	2008	2009	2008	2009
	£m	£m	£m	£m	£m
Impact on the statement of financial performance ((decrease)/ increase in profit)	(4)	(6)	(4)	(2)	1
Impact on the statement of comprehensive income ((decrease)/ increase in comprehensive income)	(33)	(310)	320	(47)	83
Impact on the statement of financial position ((decrease)/ increase in net assets)	(13)	—	10	—	92
Impact on the statement of cash flows (increase in cash)	3	8	6	5	2

- Tax charges in the historical financial information have been determined based on the tax charges recorded by the Cable & Wireless Worldwide Group companies in their local statutory accounts as well as actual adjustments relating to those entities made for Cable & Wireless Group consolidation purposes. The tax charges recorded in the historical income statement have been affected by the tax arrangements within the Cable & Wireless Group and are not necessarily representative of the tax charges that would have been reported had the Cable & Wireless Worldwide Group been an independent group. They are not necessarily representative of the tax charges that may arise in the future.

The presentation currency of the Cable & Wireless Worldwide Group is sterling as this is the primary currency in which transactions of Cable & Wireless Worldwide Group entities are conducted.

The historical financial information has been prepared on the historical cost basis except for certain financial instruments held at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The preparation of the historical financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual outcomes may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies used in the historical financial information have been applied consistently by Cable & Wireless Worldwide Group entities.

2.2 *Application of recently issued International Financial Reporting Standards*

The Cable & Wireless Worldwide Group has considered the implications of the upcoming amendments to IFRS, issued up to 30 September 2009, in the historical financial information.

New and amended Standards and Interpretations endorsed by the European Union and not adopted by the Cable & Wireless Worldwide Group

Title	Effective date	Description and impact on the Cable & Wireless Worldwide Group
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Annual periods beginning on or after 1 July 2009.	The amendment clarifies how existing hedge accounting principles should be applied to the designation of a one-sided risk in a hedged item and to inflation in a hedged item. This amendment will not have a material impact on the Cable & Wireless Worldwide Group.
Revised IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2009.	The main changes in the revised IFRS 3 include the separate accounting of acquisition related costs, changes to business combinations achieved in stages and changes to the accounting for business combinations where less than 100% of the equity is acquired. These changes will be effective for businesses purchased by the Cable & Wireless Worldwide Group after 31 March 2010. As such, no assessment can be determined of their impact.
Revised IAS 27 *Consolidated and Separate Financial Statements*	Annual periods beginning on or after 1 July 2009.	The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. This amendment is consistent with current Cable & Wireless Worldwide Group policy.

New and amended Standards and Interpretations not yet adopted by the European Union and the Cable & Wireless Worldwide Group

Title	Effective date	Description and impact on the Cable & Wireless Worldwide Group
Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*	Annual periods beginning on or after 30 June 2009.	These amendments allow the reassessment of embedded derivatives on reclassification of financial instruments out of the fair value through the income statement category. The amendments will not have a material impact on the Cable & Wireless Worldwide Group.
IFRIC 17 *Distribution of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009.	This interpretation applies to non-cash dividends excluding those controlled by the same party before and after the transaction. It clarifies the recognition and measurement of non-cash dividends payable. This interpretation does not affect the Cable & Wireless Worldwide Group.
IFRIC 18 *Transfers of Assets from Customers*	On or after 1 July 2009.	The IFRIC clarifies how existing IFRSs are applied to agreements in which an entity receives an asset from a customer which it then uses to connect the customer to a network to provide ongoing access to goods or services. The Cable & Wireless Worldwide Group is currently considering the implications of this interpretation.
Amendments to IFRS7 *Improving Disclosures about Financial Instruments*	Annual periods beginning on or after 1 January 2009.	This amendment contains further disclosure requirements to enhance the information available to investors about fair value measurement and liquidity risk associated with an entity's financial instruments. This is a disclosure standard only and will not have a material impact on the Cable & Wireless Worldwide Group.
Improvements to IFRS	Various dates, earliest is 1 January 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRSs. These improvements will not have a material impact on the Cable & Wireless Worldwide Group.
Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*	Annual periods beginning on or after 1 January 2010.	These amendments clarify the scope of IFRS 2 and its interaction with other standards. They also address how an entity should account for some share-based payments in its own financial statements if its parent or another entity in the Cable & Wireless Worldwide Group will pay for goods or services that it has received. These amendments will not have a material impact on the Cable & Wireless Worldwide Group.

2.3 ***Basis of consolidation***

The consolidated historical financial information comprises a consolidation of the accounts of the parent and subsidiaries of the Cable & Wireless Worldwide Group of companies and include the Cable & Wireless Worldwide Group's share of the results and net assets of its joint ventures. The accounts of the Cable & Wireless Worldwide Group's main trading subsidiaries and joint ventures have been prepared to align with the Cable & Wireless Worldwide Group's reporting date.

(a) *Subsidiaries*

Subsidiaries are entities controlled by and forming part of the Cable & Wireless Worldwide Group. Control exists when the Cable & Wireless Worldwide Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are considered. Subsidiaries are consolidated from the date on which the Cable & Wireless Worldwide Group effectively takes control until the date that control ceases. Accounting policies of subsidiaries are aligned with the policies adopted by the Cable & Wireless Worldwide Group to ensure consistency.

The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Cable & Wireless Worldwide Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Cable & Wireless Worldwide Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) *Joint ventures*

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Joint ventures are entities over which the Cable & Wireless Worldwide Group exercises joint control. The Cable & Wireless Worldwide Group's investment in joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Cable & Wireless Worldwide Group.

The Cable & Wireless Worldwide Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement. Its share of post-acquisition movements in reserves is recognised in invested capital. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Cable & Wireless Worldwide Group's share of its joint venture's losses exceeds its investment in the joint venture (including any other unsecured long-term receivables), the Cable & Wireless Worldwide Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Cable & Wireless Worldwide Group and its joint ventures are eliminated to the extent of the Cable & Wireless Worldwide Group's interest.

2.4 ***Segmental reporting***

Cable & Wireless Worldwide Group is an international telecommunications service provider. It provides corporate and carrier solutions to large users of telecommunications services across the United Kingdom and other regions of the world.

IFRS 8 *Segmental Reporting* requires disclosures in respect of the operating segments of the Cable & Wireless Worldwide Group according to the 'management approach'. This approach reflects the type and extent of information presented to the chief operating decision-maker of the Cable & Wireless Worldwide Group (the **Cable & Wireless Worldwide Group Board**).

The Cable & Wireless Worldwide Group Board considers the results of the business as a whole when assessing the performance of the Cable & Wireless Worldwide Group and making decisions about the allocation of resources. Accordingly, the Cable & Wireless Worldwide Group discloses a single operating segment. The results of this operating segment are reported in note 4 in a manner consistent with the internal reporting provided to the Cable & Wireless Worldwide Group Board.

2.5 ***Foreign currency translation***

(a) *Functional currency*

Items included in the historical financial information of each of the Cable & Wireless Worldwide Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(b) *Foreign currency translation*

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Foreign operations*

The results and financial position of all the Cable & Wireless Worldwide Group entities that have a functional currency different from the Cable & Wireless Worldwide Group's presentation currency of sterling are translated as follows:

(i) assets and liabilities are translated at the closing rate at the reporting date;

(ii) income and expenses are translated at rates closely approximating the rate at the date of the transactions; and

(iii) resulting exchange differences are recognised in invested capital.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement in the same period in which the gain or loss on disposal is recognised.

Exchange differences arising from the translation of the net investment in foreign entities are taken to invested capital. Where investments are matched in whole or in part by foreign currency loans, the exchange differences arising on the retranslation of such loans are also recorded as movements in the Cable & Wireless Worldwide Group's invested capital.

There are no Cable & Wireless Worldwide Group entities operating in a hyperinflationary economy.

2.6 *Property, plant and equipment*

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment.

The estimated costs of dismantling and removing an asset and restoring the site on which it is located are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Cable & Wireless Worldwide Group and the cost of the item can be measured reliably. All other subsequent costs (primarily repairs and maintenance) are charged to the income statement during the financial period in which they are incurred.

Interest costs relating to borrowings made to finance separately identifiable major capital projects (those that take six months or more to complete) are capitalised as part of the cost of assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Any interest costs included are only those that are incurred up to the time that those projects are ready for service.

Depreciation is not recognised on freehold land or assets under construction. On other property, plant and equipment, depreciation is recognised on the difference between the cost of an item and its estimated residual value, on a straight-line basis over the estimated useful lives of the assets as follows:

	Lives
Cables	up to 20 years
Network equipment	3 to 25 years
Ducting	40 years
Freehold buildings	40 years
Leasehold buildings	up to 40 years or term of lease if less

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount through sale or use.

Gains and losses on the sale of property, plant and equipment are determined by reference to the proceeds and net book values. These gains and losses are recognised in the income statement.

Engineering spares held for use by the Cable & Wireless Worldwide Group over a period exceeding one year are included in assets under construction. They are stated at cost and include an appropriate allocation of labour and overheads. The cost is determined on a weighted average basis. Allowance is made for deterioration and obsolescence.

2.7 *Intangible assets*

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Cable & Wireless Worldwide Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary or joint venture. It is not amortised. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures is included in the carrying value of those investments. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(b) *Other intangible assets*

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Cable & Wireless Worldwide Group are recognised as intangible assets. Expenditures that enhance and extend the benefits of computer software programs beyond their original specifications and lives are recognised as a capital improvement and added to the original cost of the software.

Expenditure is only capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Cable & Wireless Worldwide Group has sufficient resources to complete development and to use the asset.

Intangible assets relating to licences and customer contracts have been obtained as part of the Cable & Wireless Worldwide Group's business combinations. They are recorded initially at their fair values at the date of acquisition.

Other intangible assets are amortised over their respective lives which are usually based on contractual terms.

Other intangible assets are stated at cost less amortisation on a straight-line basis over the following periods:

	Lives
Licences	25 years or less if the licence term is shorter
Software	3 to 5 years
Customer contracts	4 to 15 years
Other	3 to 5 years

2.8 *Financial assets and liabilities*

Financial assets

The Cable & Wireless Worldwide Group classifies its financial assets into the following categories: financial assets at fair value through the income statement, receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Cable & Wireless Worldwide Group currently does not classify any assets as held-to-maturity investments. The basis of determining fair values is set out in note 2.9.

Management determines the classification of its financial assets at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through the income statement.

Financial assets at fair value through the income statement

This category has two sub-categories: financial assets held for trading and those designated at fair value through the income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading. Assets classified as financial assets at fair value through the income statement are presented as current assets if they are either held for trading or are expected to be realised within one year of the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category at inception or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the reporting date. Purchases and sales of assets are recognised on the trade-date (the date on which the Cable & Wireless Worldwide Group commits to purchase or sell the asset).

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Cable & Wireless Worldwide Group provides money, goods or services directly to a third party with no intention of trading the receivable. Receivables are included in current assets, except for those with maturities greater than one year after the reporting date (where they are classified as non-current assets). Receivables are included in trade and other receivables in the statement of financial position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest method less an allowance for impairment if necessary. An allowance for impairment of receivables is established when there is objective evidence that the Cable & Wireless Worldwide Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the effective interest rate). The allowance is initially recognised in the income statement.

Recognition and measurement

Financial assets at fair value through the income statement are recognised and subsequently carried at fair value. Available-for-sale financial assets are recognised and subsequently carried at fair value plus any directly attributable transaction costs. Receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets not carried at fair value through the income statement are initially recognised at fair value plus directly attributable transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Cable & Wireless Worldwide Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in invested capital. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The Cable & Wireless Worldwide Group assesses at each reporting date whether there is objective evidence that a financial asset or a Cable & Wireless Worldwide Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether it is impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss is removed from invested capital and recognised in the income statement. This loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised on these instruments are not reversed through the income statement if the fair value of the security increases in a later period.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses on derivative instruments that are not designated as hedging instruments are recognised immediately in the income statement.

The Cable & Wireless Worldwide Group does not hedge net investments in foreign operations.

Financial liabilities

The Cable & Wireless Worldwide Group classifies its financial liabilities into the following categories: loans and puttable instruments. The classification depends on the terms of the liability, as described below.

Management determines the classification of its financial liabilities at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date.

Loans

Loans are recognised initially at fair value net of directly attributable transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans using the effective interest method.

Loans are classified as current liabilities unless the Cable & Wireless Worldwide Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date (where they are classified as non-current liabilities).

Puttable instruments

Puttable instruments on minority interests issued as part of a business combination are accounted for by the Cable & Wireless Worldwide Group as a financial liability. The liability is based on the present value of the redemption amount as if the puttable instrument had been exercised at the reporting date. Movements in the value of the liability together with dividends paid to minority interests are recognised as adjustments to goodwill with the unwind of the discount on the fair value calculation being recognised in the income statement.

2.9 ***Fair value estimation for financial instruments***

The fair value of financial instruments traded in active markets (such as publicly traded derivatives or trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for traded financial assets held by the Cable & Wireless Worldwide Group is the current bid price. The appropriate quoted market price for traded financial liabilities is the current offer price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Cable & Wireless Worldwide Group uses a variety of methods which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models which reflect the specific instrument.

The nominal value of receivables (less estimated valuation allowances) and payables are assumed to approximate their fair values. The fair value of financial liabilities measured at amortised cost for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Cable & Wireless Worldwide Group for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.

2.10 ***Impairment of assets (excluding financial instruments)***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. All other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The Cable & Wireless Worldwide Group determines any impairment by comparing the carrying values of each of the Cable & Wireless Worldwide Group's assets (or cash generating units to which it belongs) to their recoverable amounts which is the higher of the asset's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the asset. Future cash flows are determined with reference to the Cable & Wireless Worldwide Group's own projections using pre-tax discount rates which represent the estimated weighted average cost of capital for the business. The approach, assumptions and results of the impairment test are set out in note 14.

Impairment reviews involve management making assumptions and estimates, which are highly judgmental and susceptible to change.

2.11 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. Cost is based on the first-in, first-out (FIFO) principle. For inventories held for resale, net realisable value is determined as the estimated selling price in the ordinary course of business less costs to sell. For materials and consumables, provision is made for obsolete and slow moving inventories as required.

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and at bank, short-term deposits, money market funds and government securities. They are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the statement of financial position at cost. Bank overdrafts are included within loans in current liabilities on the statement of financial position.

2.13 ***Invested capital***

Invested capital represents the net amounts contributed to the Cable & Wireless Worldwide Group by Cable & Wireless Communications Group. At Demerger, it is expected that there will be no contractual obligation to repay these amounts and hence they have been treated as invested capital in the historical financial information. These amounts are recorded at cost.

2.14 ***Leases***

Leases of property, plant and equipment where the Cable & Wireless Worldwide Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and obligations under finance leases. These payments are split between capital and interest elements using the annuity method. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases comprising a lease of land and a lease of buildings within a single contract are split into the two component parts. The component part for buildings is then tested to determine whether the lease is a finance or operating lease and treated accordingly.

Leases of land and all other leases are classified as operating leases and are not recognised in the statement of financial position. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease.

2.15 ***Non-current assets and disposal groups held for sale***

When the value of non-current assets is expected to be recovered principally through sale rather than through continuing use, they are classified as non-current assets held for sale. With the exception of deferred tax assets, assets arising from employee benefits and financial instruments, these assets are classified as current and are stated at the lower of carrying amount and fair value less costs to sell.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities in the statement of financial position.

Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

2.16 ***Employee benefits***

Defined contribution pensions

A defined contribution plan is a pension plan under which the Cable & Wireless Worldwide Group pays fixed contributions to a third party. The Cable & Wireless Worldwide Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Cable & Wireless Worldwide Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. These schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The asset (or liability) recognised in the statement of financial position in respect of each defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations and any asset ceiling adjustments at the reporting date. Defined benefit obligations for each scheme are calculated semi-annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid. The bonds used will have terms to maturity approximating the terms of the related pension liability.

The Cable & Wireless Worldwide Group recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the statement of comprehensive income. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In these cases, the past service costs are amortised on a straight-line basis over the vesting period.

Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities less the expected return on plan assets, are included within operating costs.

The IAS 19 surplus or deficit of defined benefit funds is adjusted to reflect the future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for minimum funding contributions in accordance with IFRIC 14. Any adjustment to the surplus is recorded directly in invested capital.

Share-based compensation

The Cable & Wireless Worldwide Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the Cable & Wireless Worldwide Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the income statement, and a corresponding adjustment to invested capital over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to invested capital when the options are exercised.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cable & Wireless Worldwide Group recognises termination benefits when it is demonstrably committed to the action leading to the employee's termination. Termination benefits falling due more than a year after the reporting date are discounted to present value.

Bonus plans

The Cable & Wireless Worldwide Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Cable & Wireless Long Term Incentive Plan

Cable and Wireless plc operates the LTIP. The plan rewards executive directors of Cable and Wireless plc responsible for, and certain senior employees in, the Cable & Wireless Worldwide Group. The plan is accounted for as an 'other long-term employee benefit' in accordance with IAS 19 *Employee Benefits*. The amount recognised as a liability represents the estimated present value of the obligation at the reporting date.

The LTIP creates a reward pool over a five year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the business has grown in value from its base valuation at the start of the period (this period was changed from four to five years in July 2009).

Base valuations are adjusted over the performance period (i) to reflect additional capital notionally treated as borrowed by the business, (ii) to reflect capital notionally treated as returned by the business, and (iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

Part of the reward pool was paid to participants up to the end of year three (31 March 2009), with a portion payable (less payments made at end of year three) to participants at the end of year four (31 March 2010) and the balance in full at the end of year five (31 March 2011). Measurement of the size of the reward pool is carried out every six months to correspond with the Cable & Wireless Worldwide Group's accounting periods. However, other than in the case of awards held by participants who ceased employment as "good leavers", no awards vested until the end of year three. In the event of a potential payment to an individual in excess of £20 million, the deferral period would be extended until 31 March 2012 or for a period of up to one year following a vesting event, if earlier.

2.17 ***Tax***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in invested capital, in which case it is recognised in invested capital.

Current tax is the expected tax payable on the taxable income for the year, using rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated historical financial information, except where the difference arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction other than a business combination, affecting neither accounting nor taxable profit.

Deferred tax is calculated using tax rates that are expected to apply to the period when the temporary differences reverse, based on rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Cable & Wireless Worldwide Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 ***Provisions***

Provisions are liabilities of uncertain timing or amount. They are recognised when the Cable & Wireless Worldwide Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. The discount rate is the pre-tax rate reflecting the assessment of the settlement date. Provision charges and reversals are recognised in the income statement. Discount unwinding is recognised as a finance expense.

Provisions are recognised for unavoidable lease payments in onerous contracts as the difference between the rentals due and any income expected to be derived from the vacant properties being sublet. Redundancy provisions, relating to both continuing and discontinued operations, comprise employee termination payments. Legal provisions comprise legal fees and, where appropriate, expected settlement costs.

2.19 ***Revenue recognition***

Cable & Wireless Worldwide Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services provided to customers. It includes sales to joint ventures but does not include sales by joint ventures or sales between Cable & Wireless Worldwide Group companies. Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods of greater than 12 months is recognised in the income statement in proportion to the services delivered at the reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operators for interconnect fees.

The Cable & Wireless Worldwide Group earns revenue from the transmission of content and traffic on its network originated by third party providers. The Cable & Wireless Worldwide Group assesses whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following indicators:

- whether the Cable & Wireless Worldwide Group holds itself out as an agent;
- establishment of the price;
- provision of customer remedies;
- performance of part of the service; and
- assumption of credit risk.

Revenue from sales of telecommunications equipment is recognised upon delivery to the customer.

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecommunications equipment and ongoing service) is allocated to those components that are separable based on the estimated fair value of the components.

Revenue arising from the provision of other services, including maintenance contracts, is recognised evenly over the periods in which the service is provided.

2.20 ***Dividend income***

Dividend income is recognised when the right to receive payment is established. Dividend income is included within finance income.

2.21 ***Interest income***

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

2.22 ***Exceptional items***

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Cable & Wireless Worldwide Group that are identified as exceptional items by virtue of their size, nature or incidence. Further detail on exceptional items is set out in note 5 and in the relevant note for each item.

3. Critical accounting estimates and judgments

In the preparation of the consolidated historical financial information, a number of estimates and assumptions have been made relating to the performance and the financial position of the Cable & Wireless Worldwide Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Cable & Wireless Worldwide Group's most critical accounting policies, which are those that are most important to the presentation of its consolidated financial performance and position. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain.

3.1 ***Valuation of assets for purchase accounting***

Where the Cable & Wireless Worldwide Group undertakes business combinations, the cost of acquisition is allocated to tangible and other identifiable intangible assets and liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. Any value assigned to the identifiable assets is determined by reference to an active market, independent appraisal or estimate by management based on cash flow projections. The latter situation includes estimates and judgements regarding expectations for the economic useful lives of the products and technology acquired. In this situation, where appropriate, third party valuation specialists are involved.

3.2 ***Depreciation of property, plant and equipment***

The Cable & Wireless Worldwide Group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where the Cable & Wireless Worldwide Group determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net carrying amount in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Cable & Wireless Worldwide Group's historical financial information when the change in estimate is determined.

3.3 ***Impairment of property, plant and equipment and intangible assets***

The Directors assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which could trigger an impairment review include the following:

- obsolescence or physical damage;
- significant changes in technology and regulatory environments;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the use of its assets or the strategy for its overall business;
- significant negative industry or economic trends; and
- significant decline in its share price for a sustained period and its market capitalisation relative to net book value.

In addition, the Directors test goodwill at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units require significant judgement.

3.4 ***Revenue recognition***

Judgement is required in assessing the application of the principles of revenue recognition in respect of Cable & Wireless Worldwide Group revenues. This includes presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

3.5 ***Receivables valuation***

The valuation allowance for trade receivables reflects the Cable & Wireless Worldwide Group's estimates of losses arising from the failure or inability of the Cable & Wireless Worldwide Group's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit-worthiness and the Cable & Wireless Worldwide Group's historical write-off experience. Changes to the allowance may be required if the financial condition of the Cable & Wireless Worldwide Group's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs. Historically, changes to the estimate of losses have not been material to the Cable & Wireless Worldwide Group's financial position and performance.

3.6 ***Customer and supplier commitments***

The nature of the telecommunications industry is such that estimates are often required to be made in relation to customer or supplier commitments, the final outcome of which may not be known for some time. It uses estimates of price or usage to determine the revenue and expense recognised in any period. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed. As issues arise or are resolved, accruals are created or released as appropriate—the net impact of this is included in operating profit within the relevant line item.

3.7 ***Interconnection with other operators***

As part of the normal course of business, the Cable & Wireless Worldwide Group interconnects with other telecommunications operators. In certain instances it uses estimates to determine the amount of revenue receivable from or expense payable to these other operators. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these adjustments.

Adjustments to interconnect estimates are taken to operating profit in the period in which the adjustments are made.

3.8 ***Taxation***

The tax charge is the sum of the total current and deferred tax charges or credits. The calculation of the Cable & Wireless Worldwide Group's total tax charge involves a degree of estimation and judgement in respect of certain items where the tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority or, if necessary, through a formal legal process. The final resolution of some of these items may give rise to material income statement and/or cash flow variances.

The resolution of issues is not always within the control of the Cable & Wireless Worldwide Group and is often dependent on the efficiency of the administrative and legal processes in the relevant tax jurisdictions in which the Cable & Wireless Worldwide Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the income statement and tax payments.

3.9 ***Recognition of deferred tax assets***

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

3.10 ***Provisions***

A provision is recognised when there is a present (legal or constructive) obligation in respect of a past event as explained in the accounting policy in note 2.18. Judgement is required to quantify such amounts.

3.11 ***Pensions***

The Cable & Wireless Worldwide Group provides several defined benefit pension schemes for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations and asset ceiling adjustments at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:

- the life expectancy of the members;
- the length of service;
- the rate of salary progression;
- the rate of return earned on assets in the future;
- the rate used to discount future pension liabilities; and
- future inflation rates.

The assumptions used by the Cable & Wireless Worldwide Group are set out in note 29 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but are comparable to the median estimates in this regard used by other FTSE 100 companies. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in note 29.

3.12 ***Fair value estimation***

The basis of determining fair values is set out in note 2.9. Where market values are not available, fair values are based on valuation methodologies which require inputs and forecasts to be made. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Cable & Wireless Worldwide Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term loans. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less valuation adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Cable & Wireless Worldwide Group for similar financial instruments.

3.13 ***Long Term Incentive Plan (LTIP)***

The charge calculated in accordance with IAS *19 Employee Benefits* requires estimates of the valuation of the Cable & Wireless Worldwide Group to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective.

4. Segment information

Cable & Wireless Worldwide Group is an international telecommunications service provider. It provides enterprise and carrier solutions to large users of telecommunications services across the United Kingdom and other regions of the world.

Across the United Kingdom and other regions of the world, during the periods presented, the Cable & Wireless Worldwide Group operated as a single operating segment. The Cable & Wireless Worldwide Group Board considered the results of the business as a whole when assessing the performance of the Cable & Wireless Worldwide Group and making decisions about the allocation of resources.

Accordingly, the results from continuing operations, in the format as provided to the Cable & Wireless Worldwide Group Board for the three years ended 31 March 2009 and the two six month periods ended 30 September 2008 (unaudited) and 30 September 2009 are presented below:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Continuing operations					
Revenue	2,139	1,941	2,268	1,003	1,141
Cost of sales	(1,351)	(1,138)	(1,323)	(589)	(608)
Gross margin	788	803	945	414	533
Pre-exceptional operating costs	(704)	(584)	(619)	(272)	(328)
EBITDA[1]	84	219	326	142	205
LTIP charge	(17)	(19)	(17)	(13)	(2)
Depreciation and amortisation	(128)	(157)	(212)	(88)	(131)
Net other operating income	8	2	—	2	—
Group operating (loss)/profit	(53)	45	97	43	72
Share of post-tax loss of joint ventures	(3)	(1)	—	—	—
Exceptional operating (costs)/income	(89)	13	(76)	(33)	(28)
Total operating (loss)/profit	(145)	57	21	10	44
Other income/(expense)	—	1	(1)	—	(1)
Net finance expense	(6)	(8)	(11)	(3)	(10)
(Loss)/profit before income tax	(151)	50	9	7	33
Tax credit	9	6	33	11	29
(Loss)/profit for the year from continuing operations	(142)	56	42	18	62

1 EBITDA is based on management reporting and is defined as earnings before interest, tax, depreciation and amortisation, LTIP credit/charge, net other operating income/expense and exceptional items.

There are no differences in the measurement of the reportable segments' results and the Cable & Wireless Worldwide Group's results.

Details of the segment assets and liabilities as at and for the three years ended 31 March 2009 and six months ended 30 September 2009 are:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 30 September 2009
	£m	£m	£m	£m
Total assets	1,885	1,888	2,769	2,847
Additions to non-current assets during the year (excluding financial assets, deferred tax assets and defined benefit pension assets)	235	222	273	136
Total liabilities	(1,133)	(1,070)	(1,477)	(1,703)

Discontinued operations

There were no businesses discontinued during the periods presented.

Entity-wide disclosures

The revenue from external customers by product can be analysed as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Revenue					
Data, IP and Hosting	718	774	1,036	427	592
Traditional voice	1,201	1,071	1,149	530	527
Legacy products	191	96	83	46	22
Consumer broadband	29	—	—	—	—
Total	2,139	1,941	2,268	1,003	1,141

The gross margin from external customers by product can be analysed as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Gross margin					
Data, IP and Hosting	406	494	616	260	379
Traditional voice	292	250	282	128	143
Legacy products	78	59	47	26	11
Consumer broadband	12	—	—	—	—
Total	788	803	945	414	533

Revenue and non-current assets (other than financial instruments, deferred tax assets and defined benefit pension assets) by country are classified as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Revenue					
UK	1,930	1,718	2,068	907	1,041
All other countries and eliminations	209	223	200	96	100
Total	2,139	1,941	2,268	1,003	1,141

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 30 September 2009
	£m	£m	£m	£m
Non-current assets[1]				
UK	1,185	1,237	1,858	1,873
All other countries and eliminations	11	33	51	56
Total	1,196	1,270	1,909	1,929

1 Excluding financial instruments, deferred tax assets and defined benefit pension assets.

Revenues are allocated to a geographical region based on the location in which the telecommunications services were delivered. It does not follow necessarily that the international telecommunications traffic transiting the Cable & Wireless Worldwide Group's networks originates in that location. The Cable & Wireless Worldwide Group does not have access to information on the original source or ultimate destination of international telecommunications traffic.

The Cable & Wireless Worldwide Group does not have any customers from which revenue exceeds 10% of Group revenue.

5. Operating costs

The split of the operating costs incurred by the Cable & Wireless Worldwide Group during the periods presented, in accordance with the nature of cost, is presented below:

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	Pre-exceptional	Exceptional	Total	Pre-exceptional	Exceptional	Total	Pre-exceptional	Exceptional	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Out payments and direct costs	1,337	—	1,337	1,136	—	1,136	1,323	—	1,323
Employee and other staff expenses (see note 8)	325	28	353	284	30	314	298	39	337
Operating lease rentals									
—networks	41	—	41	13	—	13	39	—	39
—property	36	—	36	53	—	53	51	17	68
Other administrative expenses	102	—	102	73	—	73	57	6	63
Network costs	184	—	184	142	4	146	133	14	147
Property and utility costs	47	37	84	40	6	46	58	—	58
Operating costs before depreciation and amortisation	2,072	65	2,137	1,741	40	1,781	1,959	76	2,035
Amortisation and impairment of intangible assets	24	11	35	27	—	27	38	—	38
Depreciation and impairment of property, plant and equipment	104	2	106	130	—	130	174	—	174
Operating costs	2,200	78	2,278	1,898	40	1,938	2,171	76	2,247

	Six months ended 30 September 2008 (unaudited)			Six months ended 30 September 2009		
	Pre-exceptional	Exceptional	Total	Pre-exceptional	Exceptional	Total
	£m	£m	£m	£m	£m	£m
Out payments and direct costs	589	—	589	608	—	608
Employee and other staff expenses (see note 8)	139	11	150	146	15	161
Operating lease rentals						
—networks	8	—	8	26	—	26
—property	21	—	21	32	—	32
Other administrative expenses	27	—	27	42	—	42
Network costs	70	14	84	60	10	70
Property and utility costs	20	8	28	24	3	27
Operating costs before depreciation and amortisation	874	33	907	938	28	966
Amortisation and impairment of intangible assets	18	—	18	24	—	24
Depreciation and impairment of property, plant and equipment	70	—	70	107	—	107
Operating costs	962	33	995	1,069	28	1,097

Exceptional items relate to the ongoing programme of restructuring the Cable & Wireless Worldwide Group's operations (including redundancy, vacant property and onerous network costs) in each of the periods presented, together with periodic impairments and other significant asset write-offs. In H1 2009/10 and FY 2008/09, this restructuring also included the integration of THUS Group plc and exceptional items for those periods therefore also include the resulting integration costs. Exceptional items within operating costs are disclosed below, while further information on other exceptional items is given in notes 6 and 7.

	Note	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
		£m	£m	£m	£m	£m
Exceptional items within operating costs						
Employee costs	(i)	28	30	39	11	15
Property costs	(ii)	37	6	17	8	3
Other costs	(iii)	—	4	20	14	10
Assets written off	(iv)	13	—	—	—	—
Total exceptional operating costs		78	40	76	33	28

(i) Exceptional employee costs principally related to redundancy costs arising from the restructuring of the Cable & Wireless Worldwide Group's operations and were net of a £2 million provision release in FY 2008/09 (FY 2007/08—£1 million, FY 2006/07—£nil) and a redundancy related pension curtailment credit of £4 million in FY 2008/09 (FY 2007/08—credit of £2 million, FY 2006/07—credit of £6 million). These costs were net of a £3 million provision release in H1 2009/10 (H1 2008/09—£1 million).

(ii) Exceptional property costs included provisions relating to vacant property and in FY 2008/09 were net of £14 million (FY 2007/08—£4 million, FY 2006/07—£16 million) of provision releases. These costs were net of £3 million of provision releases in H1 2009/10 (H1 2008/09—£7 million).

(iii) In FY 2008/09, exceptional other costs related to the provision for network costs of £14 million (net of £6 million of provision releases) and other restructuring costs of £6 million. In FY 2007/08, exceptional other costs were related to provision for onerous contracts relating to networks and other restructuring costs. In H1 2009/10 and H1 2008/09 these costs were also related to network and restructuring costs.

(iv) In FY 2006/07, redundant IT assets of £13 million (£11 million software, £2 million fixed assets) were written off following the change in Cable & Wireless Access strategy from a consumer to a wholesale business.

See note 28 for further information on provisions.

Auditor's remuneration

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Audit services:					
Statutory audit services—in respect of the Group's accounts	0.5	0.6	0.8	—	—
Audit services in respect of prior years—in respect of Group accounts	0.1	—	—	—	—
Audit of the Group's annual accounts	0.6	0.6	0.8	—	—
Amounts receivable by auditors and their associates:					
Statutory audit services—in respect of other statutory accounts	0.5	0.5	0.7	—	—
Audit services of prior years—in respect of other statutory accounts	0.3	0.1	—	—	—
Audit related regulatory reporting	0.1	0.1	0.1	0.1	0.1
	1.5	1.3	1.6	0.1	0.1
Tax services—compliance and advisory	0.6	0.5	0.4	0.1	0.2
Other services	—	0.3	0.5	—	0.1
	2.1	2.1	2.5	0.2	0.4

6. Other operating income

In FY 2008/09 and H1 2008/09, pre-exceptional other operating income related to the sale of a database and gains on disposal of property, plant and equipment. In FY 2007/08 and FY 2006/07, pre-exceptional other operating income primarily related to gains on disposals of property, plant and equipment.

Exceptional other operating income in FY 2007/08 related to the sale and leaseback of nine freehold properties in April 2007. The disposal of these properties for £88 million resulted in a profit of £53 million.

7. Other operating expenses

In FY 2008/09 and FY 2006/07, pre-exceptional other operating expenses related to losses on disposal of property, plant and equipment.

Exceptional other operating expenses in FY 2006/07 related to the net loss on disposal of the retail customer base of Cable & Wireless Access (formerly Bulldog) to Pipex. Cash proceeds of £9 million were offset by a write-off of £20 million relating to goodwill.

8. Employee and other staff expenses

Costs of employees and contract staff of the Cable & Wireless Worldwide Group

The pre-exceptional employee and other staff expenses are set out below:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Wages and salaries	280	256	288	126	143
Social security costs	27	24	27	12	15
Share-based payments	12	6	6	3	2
Long Term Incentive Plan	17	19	17	13	2
Pension (credit)/expense					
—defined benefit plans	(10)	(15)	(8)	(5)	3
—defined contribution plans	10	11	12	5	7
Temporary labour and recruitment	16	13	7	3	2
	352	314	349	157	174
Less: Employee costs capitalised	(27)	(30)	(51)	(18)	(28)
Employee costs	325	284	298	139	146

Total exceptional employee and other staff expenses which are not reflected in the table above in H1 2009/10 were £15 million (FY 2008/09—£39 million, H1 2008/09—£11 million, FY 2007/08—£30 million, FY 2006/07—£28 million). Refer to note 5 for further detail.

Average number of employees

The average monthly number of persons, including Executive Directors, employed by the Cable & Wireless Worldwide Group during the periods presented was:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
Commercial	1,351	1,213	1,699	1,437	1,012
Customer service	2,057	1,867	1,998	1,690	2,823
Network operations	1,763	1,574	1,170	989	1,170
Support	646	585	502	422	836
Other	59	79	236	203	650
Average number of employees	5,876	5,318	5,605	4,741	6,491

There were no employees in discontinued operations.

Key management's remuneration

Key management includes Directors and any senior employees that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of the Cable & Wireless Worldwide Group. Included in employee costs are key management expenses, as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Salaries and short-term employment benefits	2	2	2	1	1
Share-based payments	1	1	1	–	–
Long Term Incentive Plan	6	8	10	5	–
	9	11	13	6	1

Included in the table above are aggregate Director's emoluments of £1 million for the six months ended 30 September 2009 (FY2008/09—£2 million, FY2007/08—£2 million, FY2006/07—£2 million).

9. Gains and losses on the sale of non-current assets

Pre-exceptional gains and losses on the sale of non-current assets arise on the sale of businesses that do not meet the definition of discontinued operations or investments.

In FY 2008/09 and H1 2009/10, the pre-exceptional loss on disposal of non-current assets principally arose on the recycling of foreign currency reserve translation balances on liquidation of subsidiaries. In 2007/08, a pre-exceptional gain of £1 million was recognised on the sale of non-current assets.

There were no exceptional gains or losses relating to the sale of non-current assets in the periods presented.

10. Finance income and expense

The pre-exceptional finance income and expense amounts were as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Finance income					
Interest on cash and deposits	1	3	3	2	—
Total pre-exceptional finance income	1	3	3	2	—
Finance expense					
Interest on loans	—	2	6	1	5
Finance charges on leases	3	2	2	1	1
Unwinding of discounts on provisions	4	7	6	3	4
Total pre-exceptional finance expense	7	11	14	5	10

11. Income tax expense

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
Current tax charge					
Overseas tax	3	1	—	—	1
Adjustments relating to prior periods	1	(2)	4	2	—
Total current tax charge/ (credit)	4	(1)	4	2	1
Deferred tax (credit)/charge					
Origination and reversal of temporary differences	(13)	(5)	(37)	(13)	(30)
Effect of change in tax rates	1	—	—	—	—
	(12)	(5)	(37)	(13)	(30)
Adjustments relating to prior periods	(1)	—	—	—	—
Total deferred tax credit	(13)	(5)	(37)	(13)	(30)
Total tax credit	(9)	(6)	(33)	(11)	(29)

There were no tax charges relating to discontinued operations or exceptional items during the periods presented.

The Cable & Wireless Worldwide Group's effective tax rate differs from the UK statutory tax rate as follows:

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	%	%	%	%	%
UK statutory tax rate	30.0	30.0	28.0	28.0	28.0
Effect of overseas tax rates	(0.9)	8.0	(5.8)	57.7	(9.8)
Effect of branches and intra-group dividends less double tax relief	(0.6)	2.0	—	—	—
Effect of changes in unrecognised deferred tax assets	(21.9)	(48.0)	(433.3)	(257.1)	(106.1)
Adjustments relating to prior periods (including group relief)	(0.6)	(4.0)	44.4	14.3	—
Effective tax rate	6.0	(12.0)	(366.7)	(157.1)	(87.9)

12. Discontinued operations

There were no businesses discontinued during the periods presented.

13. Earnings per share

Basic earnings per ordinary share is based on the profit or loss for the period attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. The weighted average number of ordinary shares outstanding used to calculate earnings per share is based on the number of shares expected on listing of Cable & Wireless Worldwide Ordinary Shares. The shares expected on listing of Cable & Wireless Worldwide Ordinary Shares will be equal to the outstanding shares of Cable and Wireless plc prior to the Demerger. Therefore, these shares are considered to be the most appropriate denominator on which to compute earnings per share for the Cable & Wireless Worldwide Group.

	Year ended 31 March 2007	Year ended 31 March 2008	Year ended 31 March 2009	Six months ended 30 September 2008 (unaudited)	Six months ended 30 September 2009
	£m	£m	£m	£m	£m
(Loss)/profit for the period attributable to ordinary shareholders	(142)	56	42	18	62
Weighted average number of ordinary shares outstanding (millions)	2,324	2,424	2,486	2,474	2,523
Dilutive effect of share options	36	42	26	30	19
Number of ordinary shares used to calculate diluted earnings per share	2,360	2,466	2,512	2,504	2,542
Basic earnings per share (pence per share)	(6.1)p	2.3p	1.7p	0.7p	2.5p
Diluted earnings per share (pence per share)	(6.1)p	2.3p	1.7p	0.7p	2.4p
Continuing operations					
(Loss)/profit (and adjusted profit) from continuing operations for the period attributable to shareholders	(142)	56	42	18	62
Basic earnings per share from continuing operations (pence per share)	(6.1)p	2.3p	1.7p	0.7p	2.5p
Diluted earnings per share from continuing operations (pence per share)	(6.1)p	2.3p	1.7p	0.7p	2.4p
Discontinued operations					
Profit (and adjusted profit) from discontinued operations for the period attributable to shareholders	—	—	—	—	—
Basic earnings per share from discontinued operations (pence per share)	0.0p	0.0p	0.0p	0.0p	0.0p
Diluted earnings per share from discontinued operations (pence per share)	0.0p	0.0p	0.0p	0.0p	0.0p

The dilutive effect of share options does not take account of any changes to employee share incentive schemes that will result from the Demerger from the Cable & Wireless Group.

14. Impairment review

The Cable & Wireless Worldwide Group assessed the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicated that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important, which could trigger an impairment review, are set out in note 3.3.

Goodwill

Six months ended 30 September 2009

There were no events or changes in circumstances during this period to indicate that the carrying value of property, plant and equipment and other intangible assets had been impaired.

Year ended 31 March 2009

As required by IFRS 3, a review of the carrying value of goodwill has been performed at each year end. In performing these reviews, the recoverable amount of goodwill has been determined by reference to the higher of the fair value less costs to sell and the value in use of the continuing operations of the related businesses. No impairments were required in any of the periods presented.

At 31 March 2009, including the acquired Thus business, which was integrated into the Cable & Wireless Worldwide Group during the period, the Cable & Wireless Worldwide Group had one cash generating unit. It generates revenue through an integrated network for which the business is unable to identify relevant cash flows separately. Goodwill of £784 million was allocated to this business at 31 March 2009 (31 March 2008—£431 million, 31 March 2007—£421 million). A discounted cash flow analysis was performed using a five year business projection which was extended using a terminal value growth rate of 1% (31 March 2008—1%, 31 March 2007—1.2%) and a pre-tax discount rate of 10% (31 March 2008—9%, 31 March 2007—10%). This analysis indicated that the carrying value of the goodwill was supported and no impairment charge was required. The key assumptions on which the projected cash flows are based relate to revenue growth and the level of capital expenditure required to maintain the network at its current level. These assumptions were determined using a combination of long-term trends, industry forecasts and in-house estimates.

The goodwill's value in use would not support the carrying value of the goodwill if earnings decreased or maintenance capital expenditure increased by more than £50 million per year; or the discount rate increased by more than 6 percentage points.

Other non-current assets and other intangibles

Six months ended 30 September 2009, year ended 31 March 2009 and year ended 31 March 2008

There were no events or changes in circumstances during these periods to indicate that the carrying value of property, plant and equipment and other intangible assets had been impaired.

Year ended 31 March 2007

In 2006/07, redundant IT assets of £13 million (£11 million software, £2 million fixed assets) were written off following the change in Cable & Wireless Access strategy from a consumer to a wholesale business. There were no other events or changes in circumstances during this period to indicate that the carrying value of property, plant and equipment and other intangible assets had been impaired.

15. Intangible assets

	Goodwill	Software	Licences, operating, agreements and other	Customer contracts and relationships	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2006	404	622	10	130	1,166
Business combinations (note 35)	37	—	—	—	37
Transfers to property, plant and equipment	—	(10)	—	—	(10)
Transfer between categories	—	(12)	12	—	—
Additions	—	31	—	—	31
Disposals	(20)	(2)	(1)	—	(23)
Exchange differences	—	1	(1)	—	—
At 31 March 2007	421	630	20	130	1,201
Business combinations (note 35)	10	—	—	—	10
Additions	—	35	—	—	35
Exchange differences	—	—	1	—	1
At 31 March 2008	431	665	21	130	1,247
Business combinations (note 35)	350	—	5	15	370
Additions	—	16	—	—	16
Exchange differences	3	3	—	—	6
At 31 March 2009	784	684	26	145	1,639
Business combinations (note 35)	17	—	—	—	17
Additions	—	10	—	—	10
Disposals	—	(7)	(16)	—	(23)
Exchange differences	(1)	1	—	—	—
At 30 September 2009	800	688	10	145	1,643
Amortisation and impairment					
At 1 April 2006	—	596	2	5	603
Charge for the year	—	—	12	12	24
Impairment	—	11	—	—	11
Exchange differences	—	(1)	1	—	—
At 31 March 2007	—	606	15	17	638
Charge for the year	—	13	1	13	27
Exchange differences	—	—	1	1	2
At 31 March 2008	—	619	17	31	667
Charge for the year	—	21	2	15	38
Exchange differences	—	(2)	1	—	(1)
At 31 March 2009	—	638	20	46	704
Charge for the year	—	16	—	8	24
Disposals	—	(7)	(15)	—	(22)
At 30 September 2009	—	647	5	54	706
Net book value at 31 March 2007	421	24	5	113	563
Net book value at 31 March 2008	431	46	4	99	580
Net book value at 31 March 2009	784	46	6	99	935
Net book value at 30 September 2009	800	41	5	91	937

Goodwill balances arose on acquisition of the following subsidiaries:

	Cable & Wireless Access	Energis	Thus (see note 35)	Apollo (see note 35)	Total
	£m	£m	£m	£m	£m
At 1 April 2006	20	384	—	—	404
(Disposals)/additions	(20)	37	—	—	17
At 31 March 2007	—	421	—	—	421
Additions	—	10	—	—	10
At 31 March 2008	—	431	—	—	431
Additions	—	—	341	9	350
Foreign exchange movements	—	—	—	3	3
At 31 March 2009	—	431	341	12	784
Additions	—	—	17	—	17
Foreign exchange movements	—	—	—	(1)	(1)
At 30 September 2009	—	431	358	11	800

Additional goodwill was recognised in 2007/08 and 2006/07 in relation to contingent consideration on the acquisition of Energis. In March 2008, the Cable & Wireless Worldwide Group paid £49 million satisfying the contingent consideration under this agreement which has now expired (see note 35). This represented £47 million of additional goodwill (of which £37 million was accrued in 2006/07) and £2 million of interest on the consideration.

16. Property, plant and equipment

	Land and buildings	*Plant and equipment*	*Assets under construction*	*Total*
	£m	*£m*	*£m*	*£m*
Cost				
At 31 March 2006	344	4,458	176	4,978
Additions	2	8	194	204
Disposals	—	(65)	(56)	(121)
Transfers	5	225	(230)	—
Transfer from intangibles	—	—	10	10
Transfer to held for sale assets	(68)	(4)	—	(72)
Exchange differences	(1)	(10)	(1)	(12)
At 31 March 2007	282	4,612	93	4,987
Additions	3	9	175	187
Disposals	(1)	(6)	—	(7)
Transfers	12	186	(198)	—
Exchange differences	7	7	—	14
At 31 March 2008	303	4,808	70	5,181
Additions	1	73	172	246
Asset retirement obligations	3	5	—	8
Business combinations (note 35)	11	191	—	202
Disposals	(30)	(207)	(3)	(240)
Transfers	11	178	(189)	—
Exchange differences	17	97	2	116
At 31 March 2009	316	5,145	52	5,513
Additions	—	8	119	127
Asset retirement obligations	(1)	—	—	(1)
Disposals	(1)	(11)	—	(12)
Transfers	10	93	(103)	—
Exchange differences	—	1	—	1
At 30 September 2009	324	5,236	68	5,628
Depreciation				
At 1 April 2006	275	4,113	48	4,436
Charge for the period	6	98	—	104
Impairment	—	2	—	2
Disposals	—	(60)	(48)	(108)
Transfer to held for sale assets	(34)	(3)	—	(37)
Exchange differences	—	(10)	—	(10)
At 31 March 2007	247	4,140	—	4,387
Charge for the period	5	125	—	130
Disposals	(1)	(6)	—	(7)
Transfers	11	(11)	—	—
Exchange differences	7	6	—	13
At 31 March 2008	269	4,254	—	4,523
Charge for the period	6	168	—	174
Disposals	(30)	(207)	—	(237)
Exchange differences	17	88	—	105
At 31 March 2009	262	4,303	—	4,565
Charge for the period	5	102	—	107
Disposals	(1)	(10)	—	(11)
Exchange differences	(1)	3	—	2
At 30 September 2009	265	4,398	—	4,663
Net book value at 31 March 2007	35	472	93	600
Net book value at 31 March 2008	34	554	70	658
Net book value at 31 March 2009	54	842	52	948
Net book value at 30 September 2009	59	838	68	965

Included in the cost of plant and equipment at 30 September 2009 is £25 million (31 March 2009—£19 million, 31 March 2008—£14 million, 31 March 2007—£11 million) relating to assets held under finance leases.

Additions during H1 2009/10 included own work capitalised during the construction of certain assets of £28 million (FY 2008/09—£51 million, FY 2007/08—£30 million, FY 2006/07—£27 million).

17. Investments in joint ventures

	Year ended 31 March 2007	*Year ended 31 March 2008*	*Year ended 31 March 2009*	*Six months ended 30 September 2009*
	£m	*£m*	*£m*	*£m*
Gross carrying amount				
At 1 April				
—Cost	13	12	12	—
—Share of post-acquisition reserves	(15)	(16)	(17)	—
	(2)	(4)	(5)	—
Share of post-tax loss	(3)	(1)	—	—
Transfer to subsidiary undertakings	—	—	5	—
Exchange differences	1	—	—	—
At the end of the period	(4)	(5)	—	—
Impairment allowance				
At 1 April	(3)	(3)	(3)	—
Release on transfer to subsidiary undertakings	—	—	3	—
At the end of the period	(3)	(3)	—	—
Net carrying amount at the end of the period	(7)	(8)	—	—
Liability amounts reclassified to current trade and other payables (refer to note 23)	7	8	—	—
Total	—	—	—	—

Investments in joint ventures are accounted for using the equity method. The investment comprises the cost of the investment together with the Cable & Wireless Worldwide Group's share of post-acquisition profit or loss less any impairments. The Cable & Wireless Worldwide Group's total interest in its joint ventures is presented below:

	As at and for the year ended 31 March 2007	*As at and for the year ended 31 March 2008*	*As at and for the year ended 31 March 2009*	*As at and for the six months ended 30 September 2009*
	£m	*£m*	*£m*	*£m*
Non-current assets	1	1	—	—
Current assets	1	2	—	—
Non-current liabilities	(4)	(5)	—	—
Current liabilities	(5)	(6)	—	—
Share of net liabilities	(7)	(8)	—	—
Revenue	2	4	—	—
Operating costs	(5)	(5)	—	—
Operating loss	(3)	(1)	—	—
Net interest income	—	—	—	—
Net interest financing costs	—	—	—	—
Share of loss before tax	(3)	(1)	—	—
Taxation charge	—	—	—	—
Share of retained loss	(3)	(1)	—	—

There were no significant restrictions on joint ventures' ability to transfer funds to the Cable & Wireless Worldwide Group.

The joint ventures had no significant contingent liabilities to which the Cable & Wireless Worldwide Group was exposed, nor did the Cable & Wireless Worldwide Group have any significant contingent liabilities in relation to its interests in joint ventures.

The Cable & Wireless Worldwide Group's joint ventures did not discontinue any operations during the periods presented.

On 1 April 2008 the Cable & Wireless Worldwide Group gained full management control of Apollo Submarine Cable Systems Limited which was previously accounted for as a joint venture (see note 35).

18. Available-for-sale financial assets

	For the year ended 31 March 2007	*For the year ended 31 March 2008*	*For the year ended 31 March 2009*	*For the six months ended 30 September 2009*
	£m	*£m*	*£m*	*£m*
At 1 April	—	—	—	11
Additions	—	—	1	1
Disposals	—	—	—	(10)
Business combinations	—	—	10	—
At end of the period	**—**	**—**	11	2

At 30 September 2009 and 31 March 2009 the available-for-sale financial asset primarily comprised cash held as collateral. The asset was measured at fair value based on observable market data.

19. Trade and other receivables

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Gross trade receivables	443	471	506	517
Valuation allowance	(68)	(40)	(31)	(44)
Net trade receivables	375	431	475	473
Other receivables	19	9	15	30
Prepayments and accrued income	174	137	156	163
Taxation and social security receivables	—	2	2	3
Trade and other receivables—current	568	579	648	669
Other receivables	17	5	5	5
Prepayments and accrued income	16	27	21	22
Trade and other receivables—non-current	33	32	26	27
Total trade and other receivables	601	611	674	696

The maximum exposure to credit risk for receivables was equal to the carrying value of those financial instruments. There was no material difference between the carrying value and fair value of receivables during the periods presented.

Concentrations of credit risks with respect to trade receivables were small as the Cable & Wireless Worldwide Group customer base was large and unrelated. Receivables predominantly related to large corporate entities, governments and other telecommunications operators.

Customer risk procedures varied depending on the size or type of customer. These procedures included such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that were neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Cable & Wireless Worldwide Group that indicate this would change in the future. In FY 2006/07 and FY 2007/08 there were no material changes in the markets in which the Cable & Wireless Worldwide Group operates that indicated an increased credit risk on receivables that are neither past due nor impaired. In FY 2008/09 and H1 2009/10, there was an economic downturn in markets in which the Cable & Wireless Worldwide Group operates. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management have assessed this risk and, after providing additional valuation allowance where necessary, continue to support the assessment of credit quality as low risk.

An ageing analysis of the net trade and other current receivables at the end of each period that were not impaired is as follows:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Not yet due	200	228	218	256
Overdue 30 days or less	66	40	79	32
Overdue 31 to 60 days	29	15	24	29
Overdue 61 to 90 days	17	27	20	18
Overdue 91 days to 180 days	27	32	47	52
Overdue 181 days or more	55	98	102	116
Net trade and other current receivables at the end of the period	394	440	490	503

Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods. Generally, interconnection agreements with major carriers resulted in receivables and payables balances with the same counterparty. Industry practice is that receivable and payable amounts relating to interconnection revenue and costs for a defined period are agreed between counterparties and settled on a net basis. Included within receivables at 30 September 2009 are amounts relating to interconnection with other carriers of £291 million (31 March 2009—£256 million, 31 March 2008—£244 million, 31 March 2007—£228 million). In most circumstances, the Cable & Wireless Worldwide Group has a corresponding payable to the receivable counterparty.

There were no amounts held as collateral for trade and other receivables balances.

An analysis of the trade receivables valuation allowance for the periods presented is as follows:

	For the period ended 31 March 2007	*For the period ended 31 March 2008*	*For the period ended 31 March 2009*	*For the period ended 30 September 2009*
	£m	*£m*	*£m*	*£m*
At 1 April	46	68	40	31
Bad debts written off	(1)	(24)	(9)	(2)
Increase/(decrease) in allowance	23	(5)	(1)	15
Exchange differences	—	1	1	—
At the end of the period	68	40	31	44

All trade transactions with joint ventures arose in the normal course of business and primarily related to fees for use of the Cable & Wireless Worldwide Group's products and services, network and access charges. There were no material transactions with joint ventures during the periods presented.

20. Inventories

Inventories represent equipment and consumables held for sale. The cost and allowance made at each balance sheet date against slow moving or obsolete items is set out below:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Cost	8	3	5	15
Allowance for slow moving or obsolete items	(2)	—	(2)	(2)
Carrying amount	6	3	3	13

In H1 2009/10, the cost of equipment and consumables held for sale that was expensed within operating costs was £3 million (FY 2008/09—£6 million, FY 2007/08—£4 million, FY 2006/07—£3 million). Inventories of the Cable & Wireless Worldwide Group were not pledged as security or collateral against any of the Cable & Wireless Worldwide Group's borrowings.

21. Cash and cash equivalents

Cash and cash equivalents typically include bank deposits, money market funds, commercial paper and government securities.

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Cash in bank and hand	14	18	74	148
Short-term bank deposits	1	1	70	2
Cash and cash equivalents	15	19	144	150

22. Non-current assets and disposal groups held for sale

At the end of FY 2006/07, certain freehold property of £34 million was identified as non-current assets held for sale.

At the end of the 2006/07 year, Cable & Wireless (Allnet) Limited had been identified as a disposal group held for sale. The assets and liabilities of this business were carried in the balance sheet at the lower of their carrying value or the expected proceeds less cost to sell as set out below:

	As at 31 March 2007
	£m
Assets relating to disposal group held for sale	
Property, plant and equipment	1
Other current assets	12
Cash and cash equivalents	5
Total assets relating to disposal group held for sale	18
Liabilities relating to disposal group held for sale	
Trade and other payables	(10)
Total liabilities relating to disposal group held for sale	(10)

23. Trade and other payables

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Trade payables	330	355	438	536
Other taxation and social security costs	41	49	36	34
Other payables	50	17	20	3
Accruals	332	276	316	244
Deferred income	137	170	289	262
Investments in joint ventures (note 17)	7	8	—	—
Trade and other payables—current portion	897	875	1,099	1,079
Accruals	50	31	6	—
Trade and other payables—non-current portion	50	31	6	—
Total trade and other payables	947	906	1,105	1,079

There was no material difference between the carrying value and fair value of trade and other payables during the periods presented.

24. Loans and obligations under finance leases

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Loans				
Sterling secured loans repayable in 2012 (net of facility fees)	—	—	95	107
US dollar loans repayable at various dates up to 2011	—	—	8	7
Other currency loans repayable at various dates up to 2010	—	—	3	2
	—	—	106	116
Loans—current	—	—	8	8
Loans—non-current	—	—	98	108
Finance leases				
Obligations under finance leases	20	19	22	25
Obligations under finance leases—current	9	14	10	11
Obligations under finance leases—non-current	11	5	12	14

At 30 September 2009, the sterling £200 million loan facility repayable in 2012 (of which £110 million was drawn down at 30 September 2009 and £99 million was drawn down at 31 March 2009) was secured by way of guarantee from Cable and Wireless plc and Cable & Wireless Worldwide Group companies and security over assets of Cable & Wireless Worldwide Group and other entities comprising the Cable & Wireless Group. Other currency loans were secured by way of a guarantee from Cable and Wireless plc and other Cable & Wireless Worldwide Group companies.

The repayment profile of loans (including interest payable at rates prevailing at the reporting date) was:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Due in less than one year	—	—	9	9
Due in more than one year but not more than two years	—	—	14	14
Due in more than two years but not more than five years	—	—	106	115
Total	—	—	129	138
Less future finance charges on loans	—	—	(23)	(22)
Total loans	—	—	106	116

The repayment profile of obligations under finance leases is as follows:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Finance leases—minimum lease payments				
Due in less than one year	11	15	11	12
Due in more than one year but not more than two years	12	3	7	8
Due in more than two years but not more than five years	—	2	3	4
Due in more than five years	—	—	2	2
Total obligations under finance leases	23	20	23	26
Less future finance charges on finance leases	(3)	(1)	(1)	(1)
Carrying value of finance lease liabilities at the end of the period	20	19	22	25

The carrying amount of obligations under finance leases closely approximates fair value.

The repayment profile of net finance lease liabilities at the end of each period presented is as follows:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Due in less than one year	9	14	10	11
Due in more than one year but not more than two years	11	3	7	8
Due in more than two years but not more than five years	—	2	3	4
Due in more than five years	—	—	2	2
Carrying value of finance lease liabilities at the end of the period	20	19	22	25

The weighted average effective interest rate on finance leases is 6%.

The carrying amount of loans and obligations under finance leases approximates to fair value during the periods presented.

25. Currency analysis

The carrying amounts of the Cable & Wireless Worldwide Group's cash and cash equivalents, available-for-sale financial assets and loans are denominated in the following currencies:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*		*As at 30 September 2009*	
	Financial assets	*Financial assets*	*Financial assets*	*Financial liabilities*	*Financial assets*	*Financial liabilities*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Sterling	6	5	138	95	122	107
US dollar	—	1	1	8	8	7
Euro	6	11	8	—	9	—
Other currencies	3	2	8	3	13	2
	15	19	155	106	152	116

26. Financial liabilities at fair value

At 30 September 2009 and 31 March 2009, the Cable & Wireless Worldwide Group had a put option of £1 million relating to a subsidiary, Cable & Wireless Networks India Private Ltd. The Cable & Wireless Worldwide Group had no financial liabilities at 31 March 2008 or 31 March 2007.

27. Deferred tax

The movements in deferred tax assets and liabilities during the three full year periods ended 31 March 2009 and the six months ended 30 September 2009 are as follows:

	Capital allowances on non-current assets	Tax losses	Pensions	Other	Balance sheet offset	Total
	£m	£m	£m	£m	£m	£m
Deferred tax assets	1	1	—	—	(2)	—
Deferred tax liabilities	—	—	—	(2)	2	—
At 1 April 2006	1	1	—	(2)	—	—
Profit and loss credit/ (charge)	17	4	(7)	(1)	—	13
Exchange differences	—	—	1	(1)		—
At 31 March 2007	18	5	(6)	(4)	—	13
Deferred tax assets	18	5	—	—	(10)	13
Deferred tax liabilities	—	—	(6)	(4)	10	—
At 31 March 2007	18	5	(6)	(4)	—	13
Profit and loss (charge)/credit	—	(3)	6	2	—	5
Exchange differences	—	—	—	(1)	—	(1)
At 31 March 2008	18	2	—	(3)	—	17
Deferred tax assets	19	2	1	—	(5)	17
Deferred tax liabilities	(1)	—	(1)	(3)	5	—
At 31 March 2008	18	2	—	(3)	—	17
Profit and loss credit	34	2	—	1	—	37
At 31 March 2009	52	4	—	(2)	—	54
Deferred tax assets	55	4	—	—	(5)	54
Deferred tax liabilities	(3)	—	—	(2)	5	—
At 31 March 2009	52	4	—	(2)	—	54
Profit and loss credit	30	—	—	—	—	30
At 30 September 2009	82	4	—	(2)	—	84
Deferred tax assets	85	4	—	—	(5)	84
Deferred tax liabilities	(3)	—	—	(2)	5	—
At 30 September 2009	82	4	—	(2)	—	84

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Capital allowances available on non-current assets	Tax losses	Pensions	Other	Total
	£m	£m	£m	£m	£m
At 31 March 2007	3,508	12,016	6	59	15,589
At 31 March 2008	3,334	12,045	5	31	15,415
At 31 March 2009	3,753	18,126	13	57	21,949
At 30 September 2009	3,496	18,125	13	58	21,692

Tax losses (recognised and unrecognised) expire as follows:

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 30 September 2009
	£m	£m	£m	£m
Within 1 year	17	11	13	13
Within 3 years	26	22	13	13
Within 5 years	14	5	15	15
Within 10 years	72	62	81	82
After more than 10 years	23	40	48	47
Not expiring	11,879	11,913	17,971	17,971
	12,031	12,053	18,141	18,141

Capital losses at 30 September 2009 were £5,192 million (31 March 2009—£5,192 million, 31 March 2008—£nil, 31 March 2007—£nil). Other losses principally arose in overseas holding companies and the opportunity to realise benefits from them was considered remote.

Deferred tax was not provided on unremitted earnings of subsidiaries and joint ventures where the Cable & Wireless Worldwide Group controlled the timing of remittance and it was probable that the temporary difference would not reverse in the foreseeable future. As at 30 September 2009, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and joint ventures for which deferred tax liabilities have not been recognised was £18 million (31 March 2009—£nil, 31 March 2008—£8 million, 31 March 2007—£8 million). These temporary differences related to unremitted earnings.

28. Provisions for other liabilities and charges

	Property	*Redundancy costs*	*Network and asset retirement obligations*	*Other*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*
At 1 April 2006	53	17	59	17	146
Movements during the period					
—Additional provision	53	28	5	7	93
—Amounts used	(16)	(41)	(3)	(21)	(81)
—Unused amounts reversed	(16)	—	(1)	(2)	(19)
Effect of discounting	1	—	2	—	3
At 31 March 2007	75	4	62	1	142
Current portion	18	4	3	—	25
Non-current portion	57	—	59	1	117
At 1 April 2007	75	4	62	1	142
Movements during the period					
—Additional provision	10	21	4	13	48
—Amounts used	(18)	(19)	(6)	(13)	(56)
—Unused amounts reversed	(4)	(1)	—	(1)	(6)
Effect of discounting	2	—	3	—	5
At 31 March 2008	65	5	63	—	133
Current portion	14	5	7	—	26
Non-current portion	51	—	56	—	107
At 1 April 2008	65	5	63	—	133
Additions from businesses combinations	1	—	34	1	36
Movements during the period					
—Additional provision	31	23	25	17	96
—Amounts used	(16)	(19)	(11)	(17)	(63)
—Unused amounts reversed	(14)	(2)	(6)	—	(22)
Effect of discounting	3	—	6	—	9
Exchange differences	2	—	—	—	2
At 31 March 2009	72	7	111	1	191
Current portion	17	7	8	1	33
Non-current portion	55	—	103	—	158
At 1 April 2009	72	7	111	1	191
Movements during the period					
—Additional provision	13	11	3	14	41
—Amounts used	(7)	(8)	(5)	(14)	(34)
—Unused amounts reversed	(3)	(3)	(1)	—	(7)
Effect of discounting	2	—	2	—	4
Exchange differences	(1)	—	—	—	(1)
At 30 September 2009	76	7	110	1	194
Current portion	20	7	4	—	31
Non-current portion	56	—	106	1	163

Property

In the periods presented, provision was made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represented the difference between the rentals due and any income expected to be derived from the vacant properties being sub-let. The provision was expected to be used over the shorter of the period to exit and the lease contract life.

Redundancy

In the periods presented, redundancy provisions included the total employee related costs of redundancies announced prior to the balance sheet date. Amounts provided for and spent during the periods presented primarily related to the restructuring of the Cable & Wireless Worldwide Group's business subsequent to the acquisition of THUS Group plc in October 2008 and Energis in November 2005. The provision was expected to be used within one year.

Network and asset retirement obligations

In the periods presented, provision was made for the best estimate of the unavoidable costs associated with redundant leased network capacity. These provisions were expected to be used over the shorter of the period to exit and the lease contract life.

Provision was also made for the best estimate of the asset retirement obligation associated with office sites, technical sites, domestic and sub-sea cabling. This provision was expected to be used at the end of the life of the related asset on which the obligation arose. Amounts utilised in the periods presented related predominantly to cash expenditure against unavoidable costs associated with redundant network capacity.

Other

Other provisions during the periods presented included the costs of business transformation initiatives.

29. Retirement benefits obligations

The Cable & Wireless Worldwide Group operated pension and other retirement schemes, which covered the majority of employees in the Cable & Wireless Worldwide Group. These schemes included both defined benefit schemes, where retirement benefits were based on the employee's remuneration and length of service, and defined contribution schemes, where retirement benefits reflected the accumulated value of agreed contributions paid by, and in respect of, employees. Contributions to the defined benefit schemes were made in accordance with the recommendations of independent actuaries who value the schemes. The main UK defined benefit pension scheme operated by the Cable & Wireless Group was closed to new members in 1998.

Defined contribution schemes

The pension cost for H1 2009/10 for the defined contribution schemes of the Cable & Wireless Worldwide Group was £7 million (FY 2008/09—£12 million, FY 2007/08—£11 million, FY 2006/07—£10 million), of which £6 million (FY 2008/09—£10 million, FY 2007/08—£10 million, FY 2006/07—£9 million) was for the main UK scheme operated by the Cable & Wireless Group.

Defined benefit schemes

Main UK defined benefit pension scheme operated by the Cable & Wireless Group—funding valuation

Historically, the main UK defined benefit pension scheme operated by the Cable & Wireless Group has been allocated between the Cable & Wireless Worldwide Group and the Cable & Wireless Communications Group on a ratio of 80:20 (see note 2.1 for further information). The figures below relate to the Cable & Wireless Worldwide Group's 80% allocation unless otherwise stated.

The latest triennial actuarial valuation was carried out by Watson Wyatt Limited as at 31 March 2007. The projected unit credit method was used and the principal actuarial assumptions adopted were that the annual rate of inflation would be 3.1% and that future increases in pensionable earnings would be 4.1% per annum; investments held in respect of pensions before they become payable would average 6.2% annual rate of return; investments held in respect of pensions after they become payable would average 4.9% annual rate of return; and pensions would increase at an annual rate of 3% for fixed rate increasing pensions and 3.1% for inflation related pensions. As at 31 March 2007, the value of the assets represented approximately 99% of the actuarial value of benefits due to members calculated on the basis of pensionable earnings and service at 31 March 2007 on an ongoing basis and allowing for projected increases in pensionable earnings.

The assumptions regarding current mortality rates in retirement were set having regard to the actual experience of the Cable & Wireless Superannuation Fund's pensioners and dependents over the five years ended 31 March 2007. In addition, allowance was made for future mortality improvements in line with medium cohort projections of the 1992 mortality series tables published by the Institute and Faculty of Actuaries, subject to a minimum annual rate of improvement of 1.5% .

Based on these assumptions, the life expectancies of pensioners aged 60 are as follows:

	On 31 March 2009	*On 31 March 2019*	*On 31 March 2029*
	(years)	*(years)*	*(years)*
Males	27.7	29.1	30.6
Females	29.0	30.5	32.0

The actuarial valuation revealed that the Cable & Wireless Worldwide Group's share of the deficit at 31 March 2007 in the defined benefit section was £12 million on the basis of the funding assumptions adopted by the actuary. A £15 million contribution made to the scheme by Cable & Wireless Worldwide Group on 28 March 2008 was calculated on the basis of the £12 million deficit at 31 March 2007, together with the interest cost that accrued on this amount during the year and the back-dating of the increased employer's contribution rate to the valuation date. As a result of the £15 million contribution and the corresponding contribution by the Cable & Wireless Communications Group, the scheme was fully funded on an ongoing basis, based on the 2007 valuation.

The actuarial valuation showed that based on long-term financial assumptions the contribution rate required to meet the future benefit accrual was 33.2% of pensionable earnings (28.5% employer's and 4.7% employee's). This contribution rate will be reviewed when the next independent actuarial valuation is carried out, which will be based on the position at 31 March 2010. The terms of the Cable & Wireless Superannuation Fund Trust Deed also allow the Trustees or Cable and Wireless plc to call for a valuation at any time. The future service contribution rate included an allowance of 3% for administration expenses, excluding the Pension Protection Fund (PPF) levy. The PPF levy due for H1 2009/10 was £124,800 (FY 2008/09—£224,800, FY 2007/08—£271,200, FY 2006/07—£207,200). Employers therefore paid a total contribution rate in H1 2009/10 of 29.4% (FY 2008/09 —29.3%, FY 2007/08—29.3%, FY 2006/07—22.3%), or £4.2 million (FY 2008/09—£8.5 million, FY 2007/08—£9.4 million, FY 2006/07—£8.4 million).

As part of the agreement of the valuation assumptions with the Trustees, the Cable & Wireless Group has agreed to a contingent funding agreement, including a requirement to provide certain financial information on a semi-annual basis to allow the trustees to monitor the Cable & Wireless Group's financial performance. Should the Cable & Wireless Group's projected EBITDA fall below an agreed level, and the cash and committed facilities (net of any prior ranking creditors) available to the Cable & Wireless Group also fall below an agreed level, the Cable & Wireless Group would provide security to the Trustees in the form of an escrow arrangement or bank letter of credit for an amount equal to the shortfall against the agreed level of cash and committed facilities (net of any prior ranking creditors).

During 2008/09, the pension trustees of the main UK defined benefit pension scheme operated by the Cable & Wireless Group agreed a buy-in of the UK pensioner element of the scheme with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy by the scheme under which Prudential Insurance assumed responsibility for the benefits payable to the scheme's UK pensioners with effect from 1 August 2008. The pensioner liabilities and the matching annuity policy remain within the scheme. The total premium for the annuity policy was approximately £1,000 million which the scheme settled with a combination of cash and assets including an additional Cable & Wireless Worldwide Group contribution of £8 million.

Main UK defined benefit pension scheme operated by the Cable & Wireless Group and other schemes—IAS 19 Employee Benefits valuation

The IAS 19 *Employee Benefits* valuations of the major defined benefit schemes and medical plans operated by the Cable & Wireless Worldwide Group have been updated to 30 September 2009 by qualified independent actuaries. Watson Wyatt Limited prepared the valuation for the main UK defined benefit pension scheme operated by the Cable & Wireless Group, the THUS Group pension scheme acquired during 2008 and unfunded schemes, and reviewed the IAS 19 Employee Benefits valuations prepared for all other schemes. Other schemes included unfunded liabilities in the United Kingdom relating to pension provisions for former directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap and the THUS Group pension scheme. Also included are the Cable & Wireless Worldwide Group's overseas schemes in Hong Kong and Ireland. The main financial assumptions applied in the valuations and an analysis of schemes' assets are as follows:

	Year ended 31 March 2007				*Year ended 31 March 2008*			
	Main UK scheme		*Other schemes*		*Main UK scheme*		*Other schemes*	
	Assets	*Assumption*	*Assets*	*Assumption*	*Assets*	*Assumption*	*Assets*	*Assumption*
	£m	*%*	*£m*	*%*	*£m*	*%*	*£m*	*%*
Inflation assumption		3.0		2.3		3.5		2.5
Salary increases		3.5		3.8		4.0		4.5
Pension increases		2.2–3.0		3.0		2.3–3.4		3.0
Discount rate		5.3		4.9		6.8		5.6
Medical cost trends for post-retirement medical plans				10.3				9.8
Long-term expected rate of return on plan assets								
—Equities	890	7.8	16	7.5	755	8.0	16	7.6
—Bonds and gilts	622	5.0	13	4.3	400	5.2	13	4.6
—Property	131	6.5	—	5.1	100	7.0	—	—
—Cash and swaps	20	4.5	—	3.7	437	4.4	—	4.1
	1,663		29		1,692		29	

	Year ended 31 March 2009				*Six months ended 30 September 2009*			
	Main UK scheme		*Other schemes*		*Main UK scheme*		*Other schemes*	
	Assets	*Assumption*	*Assets*	*Assumption*	*Assets*	*Assumption*	*Assets*	*Assumption*
	£m	*%*	*£m*	*%*	*£m*	*%*	*£m*	*%*
Inflation assumption		3.0		4.3		3.1		2.8
Salary increases		3.5		5.5		3.6		3.7
Pension increases		2.2–3.0		4.5		2.2–3.1		3.1
Discount rate		6.7		7.9		5.4		5.4
Medical cost trends for post-retirement medical plans				9.7				9.7
Long-term expected rate of return on plan assets								
—Annuity policies	660	6.7	—	—	765	6.7	1	6.7
—Equities	415	8.0	54	8.1	439	8.0	64	7.8
—Bonds and gilts	41	5.6	40	5.6	140	5.6	48	4.9
—Property	61	6.5	2	8.5	77	6.5	—	6.8
—Cash and swaps	152	3.3	—	—	101	3.3	1	3.0
	1,329		96		1,522		114	

Assumptions used by the actuary are best estimates from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The assumptions shown above for Other schemes represent a weighted average of the assumptions used for the individual schemes, which similarly may not be borne out in practice.

A one year increase in the life expectancy assumptions would have increased the main UK defined benefit pension scheme operated by the Cable & Wireless Group's liabilities by approximately £27 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £17 million. A 0.25% decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around £66 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £21 million. A 0.25% change in the assumed rate of salary increases would have changed the liabilities by around £3 million.

Excluding the annuities, which are measured at the value of the obligation to which they relate, the overall expected rate of return for each pension scheme is a weighted average of the expected asset return for each asset class. The expected asset return for each asset class has been set as a best estimate of the long-term return that will be achieved for the particular asset class in the country in question having regard to investment yields on the measurement date.

The main UK defined benefit pension scheme operated by the Cable & Wireless Group is closed to new entrants. Under the projected unit credit method used for the valuation of liabilities, the current service cost will increase when expressed as a percentage of pensionable payroll as the members of the scheme approach retirement.

The assets and liabilities of the defined benefit schemes and post-retirement medical plans operated by the Cable & Wireless Worldwide Group are presented below:

	As at 31 March 2007			*As at 31 March 2008*		
	Main UK scheme	*Other schemes*	*Total*	*Main UK scheme*	*Other schemes*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Total fair value of plan assets	1,663	29	1,692	1,692	29	1,721
Present value of funded obligations	(1,629)	(31)	(1,660)	(1,392)	(32)	(1,424)
Excess of assets/(liabilities) of funded obligations	34	(2)	32	300	(3)	297
Effect of asset ceiling	—	—	—	(300)	—	(300)
Net surplus/(deficit)	34	(2)	32	—	(3)	(3)
Liabilities						
Defined benefit pension plans in deficit	—	(3)	(3)	—	(3)	(3)
Assets						
Defined benefit pension plans in surplus	34	1	35	—	—	—
Actuarial gains/(losses) on plan liabilities	61	3	64	277	4	281
Actuarial gains/(losses) on plan assets	26	—	26	(50)	(4)	(54)

	As at 31 March 2009			*As at 30 September 2009*		
	Main UK scheme	*Other schemes*	*Total*	*Main UK scheme*	*Other schemes*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Total fair value of plan assets	1,329	96	1,425	1,522	114	1,636
Present value of funded obligations	(1,354)	(110)	(1,464)	(1,766)	(144)	(1,910)
Excess of assets/(liabilities) of funded obligations	(25)	(14)	(39)	(244)	(30)	(274)
Effect of asset ceiling	—	—	—	—	—	—
Net surplus/(deficit)	(25)	(14)	(39)	(244)	(30)	(274)
Liabilities						
Defined benefit pension plans in deficit	(25)	(14)	(39)	(244)	(30)	(274)
Assets						
Defined benefit pension plans in surplus	—	—	—	—	—	—
Actuarial gains/(losses) on plan liabilities	78	1	79	(395)	(32)	(427)
Actuarial gains/(losses) on plan assets	(430)	(8)	(438)	174	13	187

The IAS 19 surplus or deficit of defined benefit funds is adjusted to reflect the future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for minimum funding contributions in accordance with IFRIC 14. Any adjustment to the surplus is recorded directly in equity. The effect of these adjustments (described as asset ceiling adjustments) was £nil in H1 2009/10 (FY 2008/09—£nil, FY 2007/08—£300 million, FY 2006/07—£nil).

The amounts recognised in the income statement are as follows:

	Year ended 31 March 2007			*Year ended 31 March 2008*			*Year ended 31 March 2009*		
	Main UK scheme	*Other schemes*	*Total*	*Main UK scheme*	*Other schemes*	*Total*	*Main UK scheme*	*Other schemes*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Current service cost	11	1	12	8	1	9	6	2	8
Interest cost	80	2	82	85	2	87	93	4	97
Expected return on plan assets	(97)	(2)	(99)	(108)	(2)	(110)	(109)	(4)	(113)
Gains on curtailment or settlement	(5)	—	(5)	(1)	—	(1)	(2)	5	3
Total (income)/expense	(11)	1	(10)	(16)	1	(15)	(12)	7	(5)

	Six months ended 30 September 2008 (unaudited)			Six months ended 30 September 2009		
	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total
	£m	£m	£m	£m	£m	£m
Current service cost	3	—	3	3	2	5
Interest cost	46	2	48	44	3	47
Expected return on plan assets	(54)	(2)	(56)	(45)	(4)	(49)
Gains on curtailment or settlement	(1)	—	(1)	—	—	—
Total (income)/expense	(6)	—	(6)	2	1	3

The defined benefit expense has been included in employee benefit expenses (note 8).

The actual return on plan assets was a gain of £236 million in H1 2009/10, a loss of £325 million in FY 2008/09, a gain of £56 million in FY 2007/08 and a gain of £125 million in FY 2006/07.

In H1 2009/10, net actuarial losses amounting to £240 million (FY 2008/09—losses of £359 million, FY 2007/08—gains of £227 million, FY 2006/07—gains of £90 million) were recognised directly in equity and are presented in the statement of comprehensive income. In addition an actuarial gain of £nil (FY 2008/09—gain of £300 million, FY 2007/08—loss of £300 million, FY 2006/07—£nil) was recognised in the statement of comprehensive income due to the change in the effect of asset ceilings. The total amount recognised in the statement of comprehensive income in the six months and cumulatively to 30 September 2009 was a loss of £240 million and a loss of £227 million. The total amount recognised in the statement of comprehensive income in the financial year and cumulatively to 31 March 2009 was a loss of £59 million (FY 2007/08—loss of £73 million, FY 2006/07—gain of £90 million) and gain of £13 million (FY 2007/08—gain of £73 million, FY 2006/07—gain of £146 million) respectively.

Changes in the value of the defined benefit obligations at the end of each period presented are as follows:

	As at 31 March 2007			As at 31 March 2008		
	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total
	£m	£m	£m	£m	£m	£m
Obligation at 1 April	(1,654)	(32)	(1,686)	(1,629)	(31)	(1,660)
Service cost	(11)	(1)	(12)	(8)	(1)	(9)
Interest cost	(80)	(2)	(82)	(85)	(2)	(87)
Actuarial gains recognised in invested capital	61	3	64	277	4	281
Employee contributions	(2)	—	(2)	(1)	—	(1)
Settlement/curtailments	5	—	5	1	—	1
Exchange differences on foreign plans	—	(1)	(1)	—	(3)	(3)
Benefits paid	52	2	54	53	1	54
Obligation at the end of the period	(1,629)	(31)	(1,660)	(1,392)	(32)	(1,424)

	As at 31 March 2009			As at 30 September 2009		
	Main UK scheme	Other schemes	Total	Main UK scheme	Other schemes	Total
	£m	£m	£m	£m	£m	£m
Obligation at 1 April	(1,392)	(32)	(1,424)	(1,354)	(110)	(1,464)
Service cost	(6)	(2)	(8)	(3)	(2)	(5)
Interest cost	(93)	(4)	(97)	(44)	(3)	(47)
Actuarial gains/(losses) recognised in invested capital	78	1	79	(395)	(32)	(427)
Employee contributions	(2)	(1)	(3)	(1)	(1)	(2)
Obligations acquired	—	(63)	(63)	—	—	—
Settlement/curtailments	2	(6)	(4)	—	—	—
Exchange differences on foreign plans	—	(6)	(6)	—	1	1
Benefits paid	59	3	62	31	3	34
Obligation at the end of the period	(1,354)	(110)	(1,464)	(1,766)	(144)	(1,910)

Changes in the fair value of defined benefit assets are as follows:

	Year ended 31 March 2007			Year ended 31 March 2008		
	Main UK scheme	*Other schemes*	*Total*	*Main UK scheme*	*Other schemes*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Fair value of assets as at 1 April	1,582	27	1,609	1,663	29	1,692
Expected return	97	2	99	108	2	110
Actuarial gains/(losses) recognised in invested capital	26	—	26	(50)	(4)	(54)
Contributions by employer	8	1	9	23	—	23
Employee contributions	2	—	2	1	—	1
Assets acquired	—	—	—	—	—	—
Exchange differences on foreign plans	—	1	1	—	3	3
Benefits paid	(52)	(2)	(54)	(53)	(1)	(54)
Fair value of assets as at the end of the period	1,663	29	1,692	1,692	29	1,721

	Year ended 31 March 2009			Six months ended 30 September 2009		
	Main UK scheme	*Other schemes*	*Total*	*Main UK scheme*	*Other schemes*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Fair value of assets as at 1 April	1,692	29	1,721	1,329	96	1,425
Expected return	109	4	113	45	4	49
Actuarial (losses)/gains recognised in invested capital	(431)	(8)	(439)	174	13	187
Contributions by employer	16	3	19	4	3	7
Employee contributions	2	1	3	1	1	2
Assets acquired	—	63	63	—	—	—
Exchange differences on foreign plans	—	6	6	—	—	—
Benefits paid	(59)	(2)	(61)	(31)	(3)	(34)
Fair value of assets as at the end of the period	1,329	96	1,425	1,522	114	1,636

Experience gains for the periods presented are as follows:

	Year ended 31 March 2005		Year ended 31 March 2006		Year ended 31 March 2007	
	Main UK scheme	*Other*	*Main UK scheme*	*Other*	*Main UK scheme*	*Other*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Defined benefit obligation	(1,420)	(59)	(1,654)	(32)	(1,629)	(31)
Plan assets	1,292	48	1,582	27	1,663	29
Deficit excluding the effects of the asset ceiling	(141)	(11)	(72)	(5)	(34)	(2)
Experience gains/(losses) on plan liabilities	28	(4)	(12)	—	(6)	(2)
Experience gains/(losses) on plan assets	36	(1)	165	3	(26)	—

	Year ended 31 March 2008		Year ended 31 March 2009		Six months ended 30 September 2009	
	Main UK scheme	*Other*	*Main UK scheme*	*Other*	*Main UK scheme*	*Other*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Defined benefit obligation	(1,392)	(32)	(1,354)	(110)	(1,766)	(144)
Plan assets	1,692	29	1,329	96	1,522	114
Deficit excluding the effects of the asset ceiling	300	(3)	(25)	(14)	(244)	(30)
Experience gains on plan liabilities	11	—	16	—	—	—
Experience (losses)/gains on plan assets	(50)	(4)	(430)	(8)	174	13

The best estimate of cash contributions for 2009/10 is:

	Main UK scheme	*Other*	*Total*
	£m	*£m*	*£m*
Employer contributions excluding one-off contributions	8	6	14
Employee contributions	2	2	4

30. Capital management

The capital of the Cable & Wireless Worldwide Group is equal to the capital investments received from the Cable & Wireless Communications Group and movements in that invested capital.

The Cable & Wireless Worldwide Group's objective in managing capital is to maintain a capital structure that optimises returns to shareholders having regard to the liquidity requirements and the relative cost of debt and equity. It does not have any externally imposed requirement for managing capital, other than those imposed by company law.

The Cable & Wireless Worldwide Group manages its capital position in such a way as to optimise the weighted average cost of debt and equity taking into account:

- the liquidity required in the light of the projected funding requirements of the Cable & Wireless Worldwide Group's operating businesses with an appropriate level of contingency;
- the level of financial strength required to maintain the Cable & Wireless Worldwide Group's terms of trade taking account of its operational cash generation;
- the relative post-tax cost of debt and equity; and
- the extent to which external debt finance is, or is likely to be, available to the Cable & Wireless Worldwide Group on acceptable terms.

This strategy remained unchanged in the periods presented.

The Cable & Wireless Worldwide Group ensures that sufficient funds and distributable reserves are held to allow payments of projected dividends to shareholders. This process is managed through the Cable & Wireless Worldwide Group's budget and five year forecast process.

31. Share-based payments

Share option schemes

The share option schemes in operation during the periods presented or having options outstanding as at the ends of the periods presented, are as follows:

Cable & Wireless Employee Savings Related Share Option Scheme (UK SAYE) and Cable & Wireless Global Savings Related Share Option Scheme (Global SAYE)

Under the UK SAYE, UK employees were invited to enter into a savings contract with a bank to save regular monthly sums of between £5 and £250 for a period of either three, five or seven years. At the end of the savings contract, the participant receives interest from the bank on their savings. The savings and the interest may then be used to exercise an option over Cable and Wireless plc Ordinary Shares, which are acquired at a discount of 20% to the market value of Cable and Wireless plc Ordinary Shares at the date of grant. The UK SAYE Scheme was last offered in December 2003. Cable and Wireless plc extended the SAYE scheme to its overseas employees through the Global SAYE. The Global SAYE was last offered in December 2004. In various of the Cable & Wireless Group's territories (excluding the United Kingdom) it operated along similar lines to the UK SAYE with local variations to accommodate local legal and tax considerations.

Cable & Wireless Revenue Approved Share Option Scheme and Cable & Wireless Senior Employees' Share Option Scheme

Prior to July 2001, Cable and Wireless plc granted share options under the Cable & Wireless Senior Employees' Share Option Scheme (SESOS) and the Cable & Wireless Revenue Approved Share Option Scheme (RESOS). Options awarded under these plans between June 1999 and July 2001 were subject to performance conditions based on Cable and Wireless plc's TSR performance relative to the FTSE 100 Index, underpinned by real growth in EBITDA and revenue. TSR is share price growth adjusted for dividends and capital actions. TSR performance was averaged over a three month period at the beginning and end of the performance period. This moderated the effect of short-term share price volatility. For full vesting, the TSR performance of Cable and Wireless plc must have achieved at least upper quartile level against the FTSE 100 between the third and fifth anniversaries of the date of grant. Half vesting applied for TSR at the median level, with a sliding scale between median and upper quartile. If the performance conditions were not met by the fifth anniversary of the date of grant, the options would have lapsed. None of these options achieved their performance conditions and therefore they have all lapsed. Options granted under RESOS and SESOS before June 1999 became exercisable if growth in Cable and Wireless plc's published earnings per share (excluding exceptional items) measured over any period of three consecutive financial years, commencing not earlier than the financial year in which the option was granted, exceeded by not less than 6% of the percentage growth of the Retail Price Index over the same three year period. All such options became exercisable in full.

No further grants will be made under the RESOS and SESOS plans and there are no outstanding options under these plans.

Options under the Cable & Wireless Incentive Plan 2001 (approved and unapproved)

The level of any share option award is determined by the Cable & Wireless Remuneration Committee each year by reference to total remuneration within a market peer group, subject to an overriding annual limit of ten times salary for executive directors of Cable and Wireless plc.

The vesting of share options awarded to the executive directors of Cable and Wireless plc and to all employees outside the United States is subject to relative TSR performance conditions. For options granted before May 2004, full vesting occurs only if the TSR performance of Cable and Wireless plc meets or exceeds the upper quartile between the third and fifth anniversaries of the date of grant. Where TSR performance meets the median, 50% of the initial award vests. A sliding scale operates between median and upper quartile, and nothing vests for TSR performance below the median. If performance conditions have not been met by the fifth anniversary of the date of grant, the option lapses. For options granted from May 2004, the re-testing of performance conditions for share options granted from that date will cease. If performance conditions for these options have not been met by the third anniversary of the date of grant the option lapses. For options granted from June 2005, 33.33% of options vest where TSR performance meets the median. 100% of options vest where TSR performance meets or exceeds the upper quartile, with a straight line proportion vesting between those levels. In addition, the Cable & Wireless Remuneration Committee must be satisfied that the underlying financial performance of the Cable & Wireless Group warrants the release of the Cable and Wireless plc Ordinary Shares. All outstanding options under the IP 2001 are currently vested.

The Cable & Wireless Employee Share Ownership Trust (Cable & Wireless ESOT)

The Cable & Wireless ESOT is a discretionary trust, which has been funded by loans from Cable and Wireless plc to acquire Cable and Wireless plc Ordinary Shares. At 30 September 2009 the Cable & Wireless ESOT held 20,599,199 Cable and Wireless plc Ordinary Shares (31 March 2009—28,322,351, 31 March 2008—26,859,407, 31 March 2007—36,792,665) with a cost of £42 million (31 March 2009—£59 million, 31 March 2008—£73 million, 31 March 2006/07—£100 million) and a market value of £30 million (31 March 2009—£40 million, 31 March 2008—£40 million, 31 March 2007—£61 million).

The costs of running the Cable & Wireless ESOT are included in the profit and loss account as they accrue. The trustees of the Cable & Wireless ESOT may notionally allocate Cable and Wireless plc Ordinary Shares annually to executive directors of Cable and Wireless plc or other senior executives and other key employees. Cable and Wireless plc Ordinary Shares are held in trust until such time as they may be transferred to employees in accordance with the terms of Cable and Wireless plc's share incentive plans details of which are given above and below. The trustees of the Cable & Wireless ESOT may acquire Cable and Wireless plc Ordinary Shares through the issuance of new Cable and Wireless plc Ordinary Shares, the transfer of Cable and Wireless plc Ordinary Shares held in treasury or the purchase of existing Cable and Wireless plc Ordinary Shares in issue. Surplus Cable and Wireless plc Ordinary Shares may be held to satisfy future awards. The Cable & Wireless ESOT has waived its rights to dividends. At 30 September 2009, in respect of Cable & Wireless Worldwide employees there were 2,344,626 Cable and Wireless plc Ordinary Shares under performance share awards under the IP 2001 (31 March 2009—254,589, 31 March 2008—281,567, 31 March 2007—369,027), 1,708,481 Cable and Wireless plc Ordinary Shares under restricted share awards (31 March 2009—4,731,605, 31 March 2008—6,615,422, 31 March 2007—7,962,664), 782,931 Cable and Wireless plc Ordinary Shares under stock appreciation rights (31 March 2009—839,810, 31 March 2008—414,583, 31 March 2007—193,531), 2,316,915 Cable and Wireless plc Ordinary Shares under options under the IP 2001 (31 March 2009 –764,889, 31 March 2008—807,494, 31 March 2007—341,582) and nil Cable and Wireless plc Ordinary Shares under awards under the DSTIP (31 March 2009—nil, 31 March 2008—13,390, 31 March 2007—38,625).

Other equity instrument awards

Deferred bonus scheme

Selected senior executives were able voluntarily to defer between 10% and 50% of their post-tax senior management bonus to purchase Cable and Wireless plc Ordinary Shares, which were held in the Cable & Wireless ESOT. Half of the purchased shares were held in the Cable & Wireless ESOT for a two year deferral period and the remaining half were held in the Cable & Wireless ESOT for a three year deferral period. Participants were awarded matching shares when the purchased shares vested at the end of the deferral periods.

No award has been made under the deferred bonus scheme since June 2004.

Performance share awards under the IP 2001

Under the IP 2001, executive directors of Cable and Wireless plc and other senior executives can receive awards of performance shares at nil cost.

The vesting of performance shares is subject to either relative or absolute TSR performance conditions (see performance conditions for share-based awards on page AF-52). A dividend award supplement applies to performance shares. Dividends that would have been paid on the performance shares which vest, will be regarded as having been re-invested in additional Cable and Wireless plc Ordinary Shares.

Cable & Wireless Restricted Share Plan (RSP 2005)

The RSP 2005 provides for awards of restricted shares to executives and selected employees other than executive directors of Cable and Wireless plc. Generally, 50% of any restricted shares awarded under the RSP 2005 vest after one year with the remaining 50% vesting after three years.

Restricted Shares under the IP 2001

Restricted shares have also been used to award matching shares with performance conditions to executive directors of Cable and Wireless plc who invested their own funds into Cable and Wireless plc Ordinary Shares. Attainment of these matching shares is dependent on the executive director continuing to hold the invested shares and on meeting the required TSR performance conditions (if applicable). 100% of any matching shares awarded vest after three years.

Performance conditions for share-based awards

The Cable & Wireless Remuneration Committee considers TSR is the main performance measure used in share plans where performance conditions apply as it provides an objective external measure of financial performance and also considers the underlying financial performance of Cable and Wireless plc at the end of the performance period.

The Remuneration Committee considers that the best alignment of executives with shareholders is currently through the use of absolute TSR performance measures.

Cash-based awards

Stock appreciation rights plan under the IP 2001 and RSP 2005 (SARs)

The SARs are used to replicate the plans described above, but rewards are delivered as a cash equivalent. SARs are used in exceptional cases for countries in which tax or legal issues preclude the use of real shares or share options.

Other schemes

Cable & Wireless Share Purchase Plan (SPP)

Cable and Wireless plc also offers its employees who are chargeable to income tax, under Section 15 Income Tax (Earnings and Pensions) Act 2003, the SPP which is an HMRC approved share incentive plan. Under the SPP, employees can contribute up to a value of £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares in Cable and Wireless plc, and Cable and Wireless plc will offer a match of one share for each partnership share purchased.

Cable and Wireless plc Ordinary Shares are held in a UK resident trust and can be withdrawn from the trust at any time, but there may be pay as you earn taxation and national insurance contributions payable in such events if the Cable and Wireless plc Ordinary Shares have not been held in the trust for five years. Dividends on the partnership and matching shares are reinvested in additional dividend shares.

UK Share Award

On 25 July 2006, all permanent employees and fixed-term contractors of the Cable & Wireless Worldwide Group based in the United Kingdom were awarded a one off gift of £1,000 (gross) in Cable and Wireless plc Ordinary Shares.

Share options

Options were exercised on a regular basis throughout the periods presented.

Movements in the number of Cable and Wireless plc share options granted to employees of the Cable & Wireless Worldwide Group and outstanding, together with their related weighted average exercise prices, are shown below:

	Year ended 31 March 2007		*Year ended 31 March 2008*		*Year ended 31 March 2009*		*Six months ended 30 September 2009*	
	Average exercise prices (pence/share)	*Options (000)*	*Average exercise prices (pence/share)*	*Options (000)*	*Average exercise prices (pence/share)*	*Options (000)*	*Average exercise prices (pence/share)*	*Options (000)*
At 1 April	193	47,433	119	19,796	101	8,561	106	6,125
Granted	231	106	—	—	—	—	—	—
Forfeited	193	(1,215)	170	(2,842)	100	(30)	143	(431)
Exercised	88	(8,486)	65	(6,705)	85	(2,344)	108	(889)
Expired	326	(18,042)	345	(1,688)	279	(62)	150	(40)
At the end of the period	119	19,796	101	8,561	106	6,125	102	4,765
Exercisable	218	5,092	108	4,057	44	4,823	26	3,676
Weighted average share price at exercise date	141		162		161		139	

Share options outstanding at the end of the periods presented had the following exercise prices:

	As at 31 March 2007			*As at 31 March 2008*		
Range of exercise prices (pence)	*Number of options outstanding*	*Weighted average exercise price (pence/share)*	*Weighted average remaining life (rounded to nearest year)[1]*	*Number of options outstanding*	*Weighted average exercise price (pence/share)*	*Weighted average remaining life (rounded to nearest year)[1]*
0-49	5,580,536	37	2	1,361,383	37	2
50-99	1,450,506	89	2	1,234,079	89	1
100-149	8,596,901	110	4	5,282,189	111	4
150-199	923,236	159	4	645,405	154	4
200-249	1,938,652	205	2	—	—	—
250-299	42,311	275	1	10,599	275	1
300-349	930,386	340	1	—	—	—
350-399	42,588	354	2	6,876	358	1
550-599	239,839	553	—	—	—	—
600-1,250	50,859	797	1	20,950	733	—

Range of exercise prices (pence)	As at 31 March 2009 Number of options outstanding	Weighted average exercise price (pence/share)	Weighted average remaining life (rounded to nearest year)[1]	As at 30 September 2009 Number of options outstanding	Weighted average exercise price (pence/share)	Weighted average remaining life (rounded to nearest year)[1]
0-49	807,562	37	1	807,562	37	1
50-99	205,982	89	2	179,323	89	1
100-149	4,455,466	111	3	3,473,528	112	2
150-199	644,043	154	3	293,981	154	3
200-249	—	—	—	—	—	—
250-299	9,945	275	0	9,080	275	—
600-1,250	1,834	982	1	1,834	982	—

1 Weighted average remaining life relates to legal life of options not expected life.

There were no share options granted in H1 2009/10, FY 2008/09 or FY 2007/08. In FY 2006/07, 106,000 options were granted with a weighted average fair value at the measurement date of 22 pence. The Cable & Wireless Worldwide Group computed the fair value of share option awards using the Monte Carlo pricing model. The expected volatility was determined based on the statistical analysis of daily share prices over a historical period equal to the expected lives of the options. Performance and other market conditions attached to awards were reflected in the calculation of fair value as part of the Monte Carlo simulations.

Other awards granted

	Year ended 31 March 2007 Shares	Weighted average fair value (pence/share)	Features incorporated in schemes	Year ended 31 March 2008 Shares	Weighted average fair value (pence/share)	Features incorporated in schemes
Restricted shares	5,245,429	124	—	1,735,834	176	—
Performance share awards	—	—	—	—	—	—
SARs	—	—	—	368,667	182	—
SPP (matching shares)	—	—	—	1,133,405	184	—
UK share award	4,039,895	111	—	—	—	—

	Year ended 31 March 2009 Shares	Weighted average fair value (pence/share)	Features incorporated in schemes	Six months ended 30 September 2009 Shares	Weighted average fair value (pence/share)	Features incorporated in schemes
Restricted shares	581,059	150	—	339,599	129	—
Performance share awards	—	—	—	2,232,811	74	TSR conditions
SARs	479,406	136	—	—	—	—
SPP (matching shares)	1,306,472	156	—	1,000,935	133	—
UK share award	—	—	—	629,208	132	—

The performance share awards made during the period are subject to performance conditions. A fair value exercise was completed at 31 March 2009 for grants made during 2008/09 using the Monte Carlo method. In the SPP, Cable and Wireless plc Ordinary Shares are bought each month by Halifax Corporate Trustees Limited on behalf of the Cable & Wireless Group to match the investment of the employees. Matching shares are awarded to the employee after three years, or earlier if a good leaver.

Monte Carlo pricing model assumptions used in the pricing of performance share plan grants (2008/09), restricted share plan grants (2007/08 and 2006/07) and share option grants (2006/07)

	Year ended 31 March 2007 £m	Year ended 31 March 2008 £m	Year ended 31 March 2009 £m	Six months ended 30 September 2009 £m
Weighted average share price	135	195	142	134
Weighted average exercise price	103	N/A	N/A	N/A
Dividend yield	3.9% to 4.3%	3.0%	5.5%	6.3%
Expected volatility	30.4% to 31.4%	25.6%	31.0%	32.9%
Risk-free interest rates	4.7%	5.1%	3.0%	2.0%
Expected lives of the options	4 years	3 years	3 years	3 years

No share-based payment arrangements were modified during the periods presented. In H1 2009/10, the total expense relating to share-based payments which are equity settled transactions was £2 million (FY 2008/09—£6 million, H1 2008/09—£3 million, FY 2007/08—£6 million, FY 2006/07—£12 million).

32. Cash flows from operating activities

Reconciliation of net profit to net cash inflow from operating activities:

	Note	*Year ended 31 March 2007*	*Year ended 31 March 2008*	*Year ended 31 March 2009*	*Six months ended 30 September 2008 (unaudited)*	*Six months ended 30 September 2009*
		£m	*£m*	*£m*	*£m*	*£m*
Continuing operations (loss)/profit for the period		(142)	56	42	18	62
Adjustments for:						
Tax credit	11	(9)	(6)	(33)	(11)	(29)
Depreciation	16	106	130	174	70	107
Amortisation	15	35	27	38	18	24
Loss/(gains) on sale of non-current assets	7,9	—	(1)	1	(2)	1
Net loss on sale of Bulldog brand and retail customer base	7	11	—	—	—	—
Gain on disposal of property, plant and equipment		(8)	(55)	—	—	—
Finance income	10	(1)	(3)	(3)	(2)	—
Finance expense	10	7	11	14	5	10
(Decrease)/increase in provisions		(3)	(16)	6	6	(7)
Employee and other staff expenses (including pensions)		19	3	14	5	(29)
Defined benefit pension scheme buy-in contribution		—	—	(8)	—	—
Defined benefit pension scheme top-up contributions		—	(15)	—	(8)	—
Defined benefit pension scheme other contributions		(11)	(9)	(13)	(6)	(7)
Share of post-tax results of joint ventures	17	3	1	—	—	—
Operating cash flows before working capital changes		7	123	232	93	132
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)						
Decrease/(increase) in inventories		4	3	—	(4)	(10)
Decrease/(increase) in trade and other receivables		16	2	40	(30)	(27)
(Decrease)/increase in payables		(103)	(27)	(30)	46	14
Cash from continuing operations		(76)	101	242	105	109
Discontinued operations						
Profit for the year		—	—	—	—	—
Adjustments for:						
Changes in working capital		—	—	—	—	—
Cash from discontinued operations		—	—	—	—	—
Cash from operations		(76)	101	242	105	109

33. Commitments

The Cable & Wireless Worldwide Group had capital commitments at 30 September 2009 relating to the purchase of property, plant and equipment of £125 million (31 March 2009—£88 million, 31 March 2008—£56 million, 31 March 2007—£55 million). No provision was made for these commitments.

In addition, the Cable & Wireless Worldwide Group had a number of operating commitments arising in the ordinary course of the Cable & Wireless Worldwide Group's business. The most significant of these related to network operating and maintenance costs. In the event of default of another party, the Cable & Wireless Worldwide Group may be liable to additional contributions under the terms of the agreements.

The Cable & Wireless Worldwide Group leased land and buildings and networks under various lease agreements. The leases had varying terms, escalations, clauses and renewal rights.

The operating lease expenditure related to the periods presented is disclosed in note 5. The aggregate future minimum lease payments under operating leases are:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
No later than one year	81	96	114	108
Later than one year but not later than five years	99	87	230	204
Later than five years	122	175	209	234
Total minimum operating lease payments	302	358	553	546

During 2007/08, the Cable & Wireless Worldwide Group entered into operating lease commitments of £96 million relating to property sold to a third party as part of a sale and leaseback transaction.

34. Guarantees and contingent liabilities

Guarantees at the end each period presented for which no provision was made in the historical financial information are as follows:

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Trading guarantees	117	212	400	482
Other guarantees	23	42	73	75
Total guarantees	140	254	473	557

Trading guarantees principally comprised performance bonds issued in the normal course of business, guaranteeing that the Cable & Wireless Worldwide Group would meet its obligations to complete projects in accordance with the contractual terms and conditions. The nature of contracts included projects, service level agreements, installation of equipment, surveys, purchase of equipment and transportation of materials. The guarantees contained a clause that they would be terminated on final acceptance of work to be done under the contract.

Historically, the Cable & Wireless Group has provided guarantees to third parties in respect of trading contracts between these third parties and the Cable & Wireless Worldwide Group. These guarantees amounted to £502m and are included in the table above. The Cable & Wireless Worldwide Group has agreed a fee schedule with the Cable & Wireless Communications Group for the benefit of these guarantees post-Demerger. Further, the Cable & Wireless Worldwide Group has indemnified the Cable & Wireless Communications Group for these guarantees.

Other guarantees included guarantees for financial obligations principally in respect of borrowings, leases and letters of credit.

35. Business combinations and acquisitions of non-controlling interests

THUS Group plc

On 1 October 2008, the Cable & Wireless Worldwide Group obtained control of THUS Group plc for a total consideration of £343 million. The consideration comprised £336 million to acquire the entire share capital of THUS Group plc and £7 million of direct costs.

The acquisition is summarised below:

	Provisional at 31 March 2009	*Final at 30 September 2009*
	£m	*£m*
Consideration paid	343	343
Goodwill arising on acquisition	341	358
Fair value of net assets acquired	2	(15)
Cash outflows on acquisition	343	343
Less: cash acquired	(13)	(13)
Net cash outflow on acquisition	330	330

From the date of its acquisition on 1 October 2008 to 31 March 2009, Thus contributed £237 million to Cable & Wireless Worldwide Group revenue and a loss of £17 million to Cable & Wireless Worldwide Group profit after tax. If the acquisition had occurred on 1 April 2008 the contribution to Cable & Wireless Worldwide Group revenue would have been £518 million and the contribution to Cable & Wireless Worldwide Group profit after tax would have been a loss of £34 million. Based on its published accounts, revenue from continuing operations for THUS Group plc for the year ended 31 March 2008 was £576 million (31 March 2007—£533 million). Loss after tax for the year ended 31 March 2008 was £6 million (31 March 2007—profit of £55 million).

The Directors made a provisional assessment of the fair values of the assets and liabilities at 31 March 2009. This assessment was updated at 30 September 2009 to adjust for new information regarding the previously assessed balances. The fair values, both provisional and final, were as follows:

	Book value	*Alignment of accounting policy*	*Fair value adjustments*	*Provisional fair value at 31 March 2009*	*Adjustments*	*Adjusted fair value at 30 September 2009*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Property, plant and equipment	282	—	(80)	202	—	202
Purchased goodwill	50	—	(50)	—	—	—
Customer contracts and relationships	—	—	15	15	—	15
Trademarks and other intangibles	8	—	(3)	5	—	5
Trade and other receivables	130	5	(29)	106	(4)	102
Inventories	7	—	(7)	—	—	—
Deferred tax	56	(56)	—	—	—	—
Defined benefit pension scheme	4	(4)	—	—	—	—
Cash and cash equivalents	13	—	—	13	—	13
Available-for-sale financial assets	10	—	—	10	—	10
Trade and other payables	(111)	(64)	(28)	(203)	(6)	(209)
Loans and other borrowings	(113)	—	—	(113)	—	(113)
Provisions	—	(33)	—	(33)	(7)	(40)
Total	336	(152)	(182)	2	(17)	(15)

Fair value adjustments primarily related to the market value of property, plant and equipment, receivables and payables.

The acquiree's carrying amounts were previously recorded in accordance with IFRS.

Goodwill arising on the acquisition of THUS Group plc includes the value of expected synergies resulting from the integration into the existing The Cable & Wireless Worldwide Group business, and workforce valuations and other intangible assets that do not meet the recognition criteria set out in IAS 38 *Intangible assets*.

Apollo

On 1 April 2008 the Cable & Wireless Worldwide Group gained full management control of Apollo which was previously accounted for as a joint venture. Goodwill arising on this business combination amounted to £9 million. The net liabilities acquired were £9 million (including £4 million of cash and cash equivalents). In 2008/09, Apollo contributed £7 million to revenue and £nil to profit after tax. On 13 November 2008 the Cable & Wireless Worldwide Group increased its effective interest in Apollo from 55% to 60% for consideration of £nil. This transaction resulted in £nil of non-controlling interests transferred to retained earnings and a £nil increase in other reserves.

There were no subsidiaries acquired during 2006/07 and 2007/08.

Energis contingent consideration

As part of the Energis acquisition on 11 November 2005, the Cable & Wireless Worldwide Group agreed to pay contingent consideration of between £nil and a maximum of £80 million. The amount of contingent consideration was linked to Cable and Wireless plc's share price and was to be satisfied, at the Cable & Wireless Worldwide Group's option, in either cash or shares of Cable and Wireless plc. Payments were based on a ratio of £1.25 million for every one penny by which the maximum three-month volume weighted average Cable and Wireless plc share price exceeded the reference price of 135 pence. Any payments were to begin in March 2008 and were payable monthly until December 2008. Any payments were based upon Cable & Wireless' volume weighted average share price for the three months prior to any relevant payment date.

In 2008/09, no additional goodwill was recognised in connection with the contingent consideration since the payment criteria were not met. In 2007/08, an additional £10 million of goodwill was recognised due to contingent consideration. In March 2008, the Cable & Wireless Worldwide Group paid £49 million satisfying the contingent consideration under this agreement which has now expired.

36. Related party transactions

Transactions with joint ventures

All trade transactions with joint ventures arose in the normal course of business and primarily related to fees for use of Cable and Wireless plc's products and services, network and access charges. There were no material trade transactions with joint ventures during the periods presented.

The Cable & Wireless Worldwide Group received no dividends from joint ventures in the periods presented.

Transactions with key management employees

There were no material transactions with key management employees, including loans advanced to Directors or other key managers, except for those relating to remuneration, disclosed in notes 8 and 42, and shareholdings.

Transactions with Cable & Wireless Communications Group companies

Cable & Wireless Communications Group companies are related parties of the Cable & Wireless Worldwide Group and its subsidiaries as they were wholly-owned subsidiaries of the Cable & Wireless Group.

The following sales and purchases and respective balances have arisen from transactions between the Cable & Wireless Worldwide Group and Cable & Wireless Communications Group companies (including recharges made and purchases from Cable & Wireless Communications Group companies):

	Year ended 31 March 2007	*Year ended 31 March 2008*	*Year ended 31 March 2009*	*Six months ended 30 September 2008 (unaudited)*	*Six months ended 30 September 2009*
	£m	*£m*	*£m*	*£m*	*£m*
Sales to Cable & Wireless Communications Group companies	7	6	7	3	4
Purchases from Cable & Wireless Communications Group companies	(12)	(12)	(6)	(3)	(3)

	As at 31 March 2007	*As at 31 March 2008*	*As at 31 March 2009*	*As at 30 September 2009*
	£m	*£m*	*£m*	*£m*
Trade receivables/(payables) with Cable & Wireless Communications Group companies	(6)	11	(3)	(25)

37. Licences

In a number of countries the Cable & Wireless Worldwide Group holds licences to operate. These licences take a variety of forms and their terms, rights and obligations vary significantly. The Cable & Wireless Worldwide Group assumes that it will renew licences as they expire. Previous history indicates this is the most likely outcome. Were renewal not to occur, in most cases the business or its assets would be transferred to the new operator or government at fair or net book value. In a small number of locations, transfer is at a value below net book value. In these places the Cable & Wireless Worldwide Group monitors closely the likelihood of licence renewal in order to ensure that should a licence not be renewed, the business' assets have been written down to their recoverable value at the point of transfer.

There were no significant changes to the terms of the Cable & Wireless Worldwide Group's licences in the periods presented.

38. Legal proceedings

In the ordinary course of business, the Cable & Wireless Worldwide Group is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgement relating to contingent liabilities is required since the outcome of litigation is difficult to predict. The Cable & Wireless Worldwide Group does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Cable & Wireless Worldwide Group.

39. Subsidiaries

The Cable & Wireless Worldwide Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affects the figures shown in the historical financial information.

	Local currency	*Issued share capital (millions)*	*Ownership percentage %*	*Class of shares*	*Country of incorporation*	*Area of operation*
Subsidiaries						
Cable & Wireless UK	GBP	3,466	100	Ordinary	England	UK
Cable & Wireless (Ireland) Limited	Euro	0	100	Ordinary	Ireland	Ireland
Cable & Wireless S.A.S	Euro	5	100	Ordinary	France	France
Cable & Wireless Tele-communication Services GmbH	Euro	0	100	Ordinary	Germany	Germany
Cable & Wireless Global Pte Limited	Singapore $	6	100	Ordinary	Singapore	Singapore
Cable and Wireless (India) Ltd	GBP	1	100	Ordinary	England	India
THUS Group plc	GBP	46	100	Ordinary	Scotland	UK

40. Financial risk management

Treasury policy

The Cable & Wireless Worldwide Group's activities expose it to a variety of financial risks: market risk, including currency risk and interest rate risk, credit risk and liquidity risk. The Cable & Wireless Worldwide Group's overall risk management programme seeks to minimise potential adverse effects of the Cable & Wireless Worldwide Group's financial performance.

The Cable & Wireless Worldwide Group's treasury operations are managed on the basis of policies and authorities approved by the Cable and Wireless plc Board. These policies are expected to be adopted by the Cable & Wireless Worldwide Group in substantially the same form post-Demerger. Day to day management of treasury activities is delegated to the Chief Financial Officer and the Cable & Wireless Worldwide Group Treasurer (together, **Treasury**) within specified financial limits for each type of transaction and counterparty.

To the extent that subsidiaries undertake treasury transactions, these are governed by Cable & Wireless Worldwide Group policies and delegated authorities. Material subsidiary positions are monitored by Treasury. Where appropriate, transactions are reported to the Board. The key responsibilities of the Treasury function include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Cable & Wireless Worldwide Group's cash resources and borrowings are managed centrally.

The Cable & Wireless Worldwide Group may, from time to time, use derivatives such as forward foreign exchange contracts in the management of its foreign currency and interest rate exposures. The use of these instruments would be in accordance with strategies agreed from time to time by Treasury, subject to policies approved by the Cable & Wireless Worldwide Group Board. Derivatives are not used for trading or speculative purposes and all derivative transactions and positions are monitored and reported to the Cable & Wireless Worldwide Group Board on a regular basis.

Exchange rate risk

The Cable & Wireless Worldwide Group trades in several countries, however, the majority of the Cable & Wireless Worldwide Group's revenue is earned in pounds sterling. The Cable & Wireless Worldwide Group's main foreign currency exposure relates to movements in exchange rates for foreign currency payments. Exchange risk is measured on the basis of net current or future foreign currency payments.

Where appropriate the Cable & Wireless Worldwide Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative instruments to reduce the exposures created where currencies do not naturally offset in the short-term. The Cable & Wireless Worldwide Group will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Cable & Wireless Worldwide Group where appropriate. The reported results of the Cable & Wireless Worldwide Group are translated at average rates of exchange prevailing during the year.

Interest rate risk

The Cable & Wireless Worldwide Group is exposed to movements in interest rates on its surplus cash balances. The Treasury function may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives in place as at 30 September 2009.

A one percentage point lowering of interest rates will have a £2 million impact on the income received from the surplus cash balances of the Cable & Wireless Worldwide Group and a £1 million impact on debt with floating interest rates. The impact on equity is limited to the impact on the income statement.

Credit risk

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. Management seeks to reduce this risk by ensuring the counterparties to all but a small proportion of the Cable & Wireless Worldwide Group's financial instruments are entities rated A1 short-term and/or AA- (or better) long-term by Standard & Poor's (or equivalent by Moody's and/or Fitch). The credit rating of these counterparties is monitored on a continuing basis.

The types of instrument used for investment of funds are prescribed in Cable & Wireless Worldwide Group treasury policies approved by the Board. These policies contain limits on exposure to any one counterparty.

Credit risk on receivables is discussed in note 19.

Liquidity risk

At 30 September 2009, the Cable & Wireless Worldwide Group had cash and cash equivalents of £150 million (31 March 2009—£144 million, 31 March 2008—£19 million, 31 March 2007—£15 million). These amounts are highly liquid and are a component of the Cable & Wireless Worldwide Group's overall liquidity and capital resources. An analysis of the maturity of financial instruments is contained in note 24.

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure that covenant compliance targets and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Cable & Wireless Worldwide Group.

The majority of the Cable & Wireless Worldwide Group's cash is held centrally and is predominantly invested in short-term bank deposits.

41. Post-balance sheet events

There were no events subsequent to 30 September 2009 that require disclosure.

42. Directors' remuneration

The remuneration of Directors of the Cable & Wireless Worldwide Group for the three full year periods ending 31 March 2009 was as follows:

	Year ended 31 March 2009				
	Salaries and fees	*Bonuses[1]*	*Benefits in kind[2]*	*Pension cash allowance[3]*	*Total*
	£	£	£	£	£
Chairman					
John Pluthero	600,000	509,400	42,579	150,000	1,301,979
Executive Directors					
Jim Marsh	434,562	246,686	34,950	—	716,198
Non-executive Directors					
John Barton (since 9 March 2009)	4,185	—	4	—	4,189
Clive Butler	85,000	—	2,883	—	87,883
Penny Hughes (since 1 July 2009)	—	—	—	—	—
Total	1,123,747	756,086	80,416	150,000	2,110,249

	Year ended 31 March 2008				
	Salaries and fees	*Bonuses[1]*	*Benefits in kind[2]*	*Pension cash allowance[3]*	*Total*
	£	£	£	£	£
Chairman					
John Pluthero	600,000	447,000	58,294	150,000	1,255,294
Executive Directors					
Jim Marsh	425,000	301,382	21,694	—	748,076
Non-executive Directors					
John Barton (since 9 March 2009)	—	—	—	—	—
Clive Butler	78,333	—	1,214	—	79,547
Penny Hughes (since 1 July 2009)	—	—	—	—	—
Total	1,103,333	748,382	81,202	150,000	2,082,917

	Year ended 31 March 2007				
	Salaries and fees	*Bonuses[1]*	*Benefits in kind[2]*	*Pension cash allowance[3]*	*Total*
	£	£	£	£	£
Chairman					
John Pluthero	600,000	600,000	31,494	150,000	1,381,494
Executive Directors					
Jim Marsh	425,000	425,000	21,694	—	871,694
Non-executive Directors					
John Barton (since 9 March 2009)	—	—	—	—	—
Clive Butler	72,500	—	475	—	72,975
Penny Hughes (since 1 July 2009)	—	—	—	—	—
Total	1,097,500	1,025,000	53,663	150,000	2,326,163

[1] Directors' bonuses for the periods presented were based on profit related to the individual Director's area of responsibility. These profit measures were partially achieved and resulted in the bonus payments outlined above. The maximum bonus potential available was 100% of salary for achievement of all measures.

[2] In compliance with the Companies Act 1985, 'Benefits in kind' includes the value of benefits in kind relating to Company provided life assurance, professional advice, chauffeur travel and the reimbursement of costs associated with accommodation and relocation (including schooling).

[3] Company pension contributions in the periods presented were paid to the Directors as an annual cash allowance. In H1 2009/10, an amount of £75,000 (FY 2008/09—£150,000, FY 2007/08—£150,000, FY 2006/07—£150,000) was included in the provisions to cover the cost of former directors' pension entitlements.

Directors' share options

Name and scheme	*Grant date*	*Date from which first exercisable*	*Date of expiry of option*	*Exercise price (pence)*	*Shares under option at 28 January 2010*
John Pluthero					
SOP Approved	3/3/06	21/5/09[1]	2/3/13	107.40	27,932
SOP Unapproved	3/3/06	21/5/09[1]	2/3/13	107.40	1,135,941
					1,163,873

Notes:

These are HMRC approved and unapproved grants made under the IP 2001 (see note 31 of the consolidated financial statements for details). The vesting of options awarded under the IP 2001 is subject to relative TSR performance conditions, see note 31 for details.

No amounts were paid by Directors for the award of the options listed in the table above. The closing mid-market price of an ordinary Cable and Wireless plc share on 30 September 2009 was 143.50 pence (31 March 2009—139.50 pence, 31 March 2008—148.90 pence, 31 March 2007—143.50 pence).

The highest closing mid-market price of a Cable and Wireless plc Ordinary Share during H1 2009/10 was 155.75 pence (FY 2008/09—179.10 pence, H1 2008/09—164.60 pence, FY 2007/08—201.50 pence, FY 2006/07—179.50 pence) and lowest closing mid`-market price was 125.70 pence (FY 2008/09—116.20 pence, H1 2008/09—145.20 pence, FY 2007/08—136.50 pence, FY 2006/07—97.50 pence).

All Directors' share options will be time pro rated up to the termination date and will continue to be subject to TSR performance conditions up to the end of the performance period.

[1] John Pluthero agreed to delay the date on which options were to become first exercisable from March 2009 to 21 May 2009. This was to avoid options becoming exercisable during a prohibited period.

Directors' share awards

Name and scheme	*Award date*	*Vesting date*	*Market price on date of award (pence)*	*Shares under award at 1 April 2006*	*Awarded/ (vested) during 2007/08*	*Lapsed, cancelled or forfeited during 2007/08*	*Shares under award at 1 April 2007*	*Awarded/ (vested) during 2007/08*	*Lapsed, cancelled or forfeited during 2007/08*	*Shares under award at 1 April 2008*	*Awarded/ (vested) during 2008/09*	*Lapsed, cancelled or forfeited during 2008/09*	*Shares under award at 1 April 2009*	*Awarded/ (vested) during H1 09/10*	*Lapsed, cancelled or forfeited during H1 09/10*	*Shares under award at 30 September 2009*
John Pluthero																
Restricted Shares[MS]	3/3/06	21/5/09[1]	107.40	1,000,000[5]	—	—	1,000,000	—	—	1,000,000	—	—	1,000,000	(1,000,000)	—	—
Performance Shares	3/3/06	21/5/09[1]	107.40	232,774[2]	—	—	232,774	—	—	232,774	—	—	232,774	(232,774)	—	—
Performance Shares[DS]	11/8/06	21/5/09[1]	109.20	—	6,608[2]	—	6,608	—	—	6,608	—	—	6,608	(6,608)	—	—
Performance Shares[DS]	19/1/07	21/5/09[1]	158.35	—	2,498[2]	—	2,498	—	—	2,498	—	—	2,498	(2,498)	—	—
Performance Shares[DS]	10/8/07	21/5/09[1]	198.46	—	—	—	—	4,867[2]	—	4,867	—	—	4,867	(4,867)	—	—
Performance Shares[DS]	25/1/08	21/5/09[1]	181.22	—	—	—	—	3,211[2]	—	3,211	—	—	3,211	(3,211)	—	—
Performance Shares[DS]	8/8/08	21/5/09[1]	155.16	—	—	—	—	—	—	—	7,501[2]	—	7,501	(7,501)	—	—
Performance Shares[DS]	23/1/09	21/5/09[1]	145.18	—	—	—	—	—	—	—	4,537[2]	—	4,537	(4,537)	—	—
Performance Shares	2/6/09	2/6/12	134.32	—	—	—	—	—	—	—	—	—	—	2,322,811[3]	—	2,322,811
Performance Shares [DS]	7/8/09	2/6/12	128.30	—	—	—	—	—	—	—	—	—	—	102,652[3]	—	102,652
				1,232,774	9,106	—	1,241,880	8,078	—	1,249,958	12,038	—	1,261,996	1,163,467	—	2,425,463
Jim Marsh																
Restricted Shares	23/11/05	22/11/08	118.63	170,713[4]	(85,356)	—	85,357	—	—	85,357	(85,357)	—	—	—	—	—
Restricted Shares	3/3/06	3/3/09	107.40	395,716[4]	(197,858)	—	197,858	—	—	197,858	(197,858)	—	—	—	—	—
				566,429	(283,214)	—	283,215	—	—	283,215	(283,215)	—	—	—	—	—

DS Dividend Shares
MS Matching Shares

Restricted Shares means restricted share awards that have been granted pursuant to the RSP 2005

Performance Shares means performance share awards that have been granted pursuant to the IP 2001

1 John Pluthero agreed to delay the vesting of awards which were due to vest during March 2009. This was to avoid shares vesting during a prohibited period.

2 Full vesting of the performance shares, and any associated dividend reinvestment shares, only occurred if TSR performance of Cable and Wireless plc met or exceeded the upper quartile when compared against the FTSE GTSI during the performance period. Where TSR met the median, 33.33% of the performance shares vested and a sliding scale operated between median and upper quartile. No performance shares vested for TSR performance below the median.

3 Full vesting of the performance shares and any associated dividend reinvestment shares, will occur only if Cable & Wireless Worldwide TSR performance is equal to 20% or more compound growth per annum during the performance period starting on 1 April 2009 and ending on 31 March 2012. Where Cable & Wireless Worldwide Group TSR performance is equal to 8% compound growth per annum, 25% of the performance shares will vest. The performance shares will vest pro-rate where Cable & Wireless Worldwide Group TSR performance is more than 8% but less than 20% compound growth per annum. If the Cable & Wireless Worldwide Group TSR is less than 8% compound growth per annum no performance shares will vest. Vesting must also be warranted by reference to the underlying financial performance of Cable & Wireless Worldwide during the performance period which will be determined by the Cable & Wireless Remuneration Committee within 12 months of the end of the performance period.

4 50% of the Restricted Shares vested on the first anniversary of the date of grant and the remaining 50% vested on the third anniversary of the date of grant, subject to the condition that Jim Marsh remained an employee of the Cable & Wireless Worldwide Group. No performance conditions attached to the Restricted Shares.

5 Subject to John Pluthero remaining an employee of the Cable & Wireless Worldwide Group and retaining beneficial ownership of the 1,000,000 ordinary shares purchased on 3 March 2006, the shares under award will be delivered to him at the third anniversary of grant.

REGISTERED OFFICE OF THE ISSUER
Card Corporate Services Limited
PO Box 709
Grand Cayman, KY1-1107
Cayman Islands

LEGAL ADVISORS TO THE ISSUER AND THE GUARANTORS

as to matters of US law
Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

as to matters of English law
Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

as to matters of Cayman law
Mourant du Feu & Jeune
Third Floor, Harbour Centre
PO Box 1348
Grand Cayman, KY1-1108
Cayman Islands

LEGAL ADVISORS TO THE INITIAL PURCHASERS

as to matters of US law
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

as to matters of English law
Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

as to matters of Cayman law
Appleby
Second Floor, 2 Royal Exchange Buildings
London EC3V 3LF
United Kingdom

INDEPENDENT AUDITORS
KPMG Audit Plc
Transaction Services
8 Salisbury Square
London EC4Y 8BB
United Kingdom

TRUSTEE
Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London, EC2N 2DB
United Kingdom

PAYING AGENT, REGISTRAR AND (REGULATION S) TRANSFER AGENT
Deutsche Bank Trust Company Americas
Trust & Securities Services
60 Wall Street, Mailstop NYC60-2710
New York, New York 10005
United States

PRINCIPAL PAYING AGENT AND (RULE 144A) TRANSFER AGENT
Deutsche Bank AG,
London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

SECURITY TRUSTEE
BNP Paribas
21, place du Marché Saint Honoré
75031—Paris Cedex 01
France

Printed by RR Donnelley 90069

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Sable International Finance Limited
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