

**Cable & Wireless International
Finance B.V.
Annual Report 2007/2008
Amsterdam, The Netherlands**

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1 Directors' report

1.1 Directors' report

Management hereby presents to the shareholder the financial statements of Cable & Wireless International Finance B.V. ("the Company") for the period April 1, 2007 up to and including March 31, 2008.

1.1.1 Activities and results

On August 1, 2007 ATC Management B.V. was appointed as managing director and on August 31, 2007 Mr. F. Goreux resigned as managing director of the Company.

On September 20, 2007 Cable & Wireless Plc., London, United Kingdom, repaid part of the loan due to the Company for an amount of GBP 31,900,000. The Company used these funds to repurchase part of the bonds for an equal amount on the same date.

Furthermore, during the year under review, activities and results of the Company developed in line with expectations.

1.1.2 Future outlook

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

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

Amsterdam, 19th September 2008

Managing directors,

2 Financial statements

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2.1 Balance sheet as at March 31, 2008 (before appropriation of result)

| | | <u>March 31, 2008</u> | | <u>March 31, 2007</u> | |
|---|-------|-----------------------|-------------|-----------------------|-------------|
| | | GBP | GBP | GBP | GBP |
| ASSETS | | | | | |
| Fixed assets | 2.5.1 | | | | |
| Loans due from group companies | | | 146,700,000 | | 178,600,000 |
| Current assets | 2.5.2 | | | | |
| Due from group companies | | 5,556,812 | | 5,041,734 | |
| Cash and cash equivalents | | <u>489,277</u> | | <u>603,484</u> | |
| | | | 6,046,089 | | 5,645,218 |
| | | <u>152,746,089</u> | | <u>184,245,218</u> | |
| SHAREHOLDER'S EQUITY AND LIABILITIES | | | | | |
| Shareholder's equity | 2.5.3 | | | | |
| Share capital | | 568,085 | | 488,634 | |
| Share premium | | 15,954,786 | | 15,954,786 | |
| Other reserve | | (86,557) | | (7,106) | |
| Accumulated deficit | | (11,358,373) | | (11,512,305) | |
| Unappropriated result | | <u>491,782</u> | | <u>153,932</u> | |
| | | | 5,569,723 | | 5,077,941 |
| Long-term liabilities | 2.5.4 | | 146,700,000 | | 178,600,000 |
| Current liabilities | 2.5.5 | | | | |
| Interest payable | | 210,882 | | 256,738 | |
| Corporate income tax | | 230,668 | | 293,216 | |
| Accrued expenses and other liabilities | | <u>34,816</u> | | <u>17,323</u> | |
| | | | 476,366 | | 567,277 |
| | | <u>152,746,089</u> | | <u>184,245,218</u> | |

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2.2 Statement of income for the period April 1, 2007 up to and including March 31, 2008

| | | | 01/04/07 - 31/03/08 | | 01/08/06 - 31/03/07 |
|-----------------------------------|-------|-----------------|------------------------|-----------------|------------------------|
| | | GBP | GBP | GBP | GBP |
| <u>Income</u> | | | | | |
| Interest income | 2.5.6 | 14,419,571 | | 10,627,510 | |
| Currency translation results | 2.5.7 | <u>289,076</u> | | <u>(30,702)</u> | |
| | | | 14,708,647 | | 10,596,808 |
| <u>Expense</u> | | | | | |
| Interest expense | 2.5.8 | (13,944,922) | | (10,353,078) | |
| Discount on settlement bonds | | <u>(19,384)</u> | | <u>0</u> | |
| | | | (13,964,305) | | (10,353,078) |
| Net operating result | | | 744,342 | | 243,730 |
| Management and administration fee | | (28,171) | | (24,210) | |
| Tax advisory fee | | (8,083) | | 0 | |
| Legal fees | | (562) | | 0 | |
| Audit fees | | (44,172) | | 0 | |
| Bank charges | | (1,901) | | 0 | |
| Other operating expenses | | <u>(4,590)</u> | | <u>0</u> | |
| | | | (87,479) | | (24,210) |
| Income before taxation | | | 656,862 | | 219,520 |
| Corporate income tax | 2.5.9 | | <u>(165,080)</u> | | <u>(65,588)</u> |
| Net result | | | <u>491,782</u> | | <u>153,932</u> |

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2.3 Cash flow statement as at March 31, 2008

| | <u>March 31, 2008</u> | | <u>March 31, 2007</u> | |
|--|-----------------------|---------------------|-----------------------|--------------------|
| | GBP | GBP | GBP | GBP |
| Result after taxation | 477,285 | | 153,932 | |
| Adjusted for: | | | | |
| Changes in working capital | <u>(591,492)</u> | | <u>(19,729)</u> | |
| Cash flow from operating activities | | (114,207) | | 134,203 |
| Payment received on loans due from group company | <u>31,900,000</u> | | <u>1,500,000</u> | |
| Cash flow from investing activities | | 31,900,000 | | 1,500,000 |
| Repayment of borrowings | <u>(31,900,000)</u> | | <u>(1,500,000)</u> | |
| Cash flow from financing activities | | <u>(31,900,000)</u> | | <u>(1,500,000)</u> |
| Changes in cash and cash equivalents | | <u>(114,207)</u> | | <u>134,203</u> |

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

2.4 General notes to the financial statements

2.4.1 General information

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

2.4.2 Group structure

The Company is a subsidiary of Sable Holding Limited, London, United Kingdom, which owns 100% of the Company's shares. The ultimate shareholder of the Company is Cable & Wireless Plc., London, United Kingdom.

2.4.3 Related parties

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

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

2.4.4 Accounting policies

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

Basis of preparation

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

Comparison previous year

The accounting principles remained unchanged compared to the previous year. The comparative figures for the accounting period ended March 31, 2007 reflects the activities of the Company during the period August 1, 2006 through March 31, 2007.

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Payables and receivables

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

Revenue recognition

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

Foreign currencies

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

Financial fixed assets

Financial fixed assets are valued at nominal value.

2.4.5 Corporate income tax

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

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2.5 Notes to the balance sheet and the statement of income

2.5.1 Fixed assets

Loans due from group companies

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

| | March 31, 2008 | March 31, 2007 |
|----------------------------|---------------------------|---------------------------|
| | GBP | GBP |
| Opening Balance | 178,600,000 | 180,100,000 |
| Repayments during the year | (31,900,000) | (1,500,000) |
| Closing Balance | 146,700,000 | 178,600,000 |

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

2.5.2 Current assets

Due from group companies

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

| | March 31, 2008 | March 31, 2007 |
|---|---------------------------|---------------------------|
| | GBP | GBP |
| Short term loan due from Cable & Wireless Plc., London, United Kingdom | 5,332,273 | 4,751,992 |
| Accrued interest due from Cable & Wireless Plc., London, United Kingdom | 222,752 | 289,742 |
| Short term loan due from Cable & Wireless Eastern Hemisphere B.V., London, United Kingdom | 1,787 | 0 |
| | 5,556,812 | 5,041,734 |

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

Cash and cash equivalents

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

2.5.3 Shareholder's equity

Share capital

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

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

Share premium

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

Other reserve

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

Details of shareholder's equity are as follows:

| | Issued and paid-in capital | Share premium | Retained Earnings | Other reserve | Unappro- priated Result | Total |
|-------------------------------|----------------------------------|------------------|----------------------|------------------|-------------------------------|-----------|
| Balance as at 1 August 2006 | 497,070 | 15,954,786 | (11,657,960) | (15,542) | 145,655 | 4,924,009 |
| Appropriation of result | - | - | 145,655 | - | (145,655) | - |
| Result for the year | - | - | - | - | 153,932 | 153,932 |
| Translation Adjustment | (8,436) | - | - | 8,436 | - | - |
| Balance as at 31 March 2007 | 488,634 | 15,954,786 | (11,512,305) | (7,106) | 153,932 | 5,077,941 |
| Appropriation of result | - | - | 153,932 | - | (153,932) | - |
| Result for the period | - | - | - | - | 491,782 | 491,782 |
| Translation Adjustment | 79,451 | - | - | (79,451) | - | - |
| Balance as at 31st March 2008 | 568,085 | 15,954,786 | (11,358,373) | (86,557) | 491,782 | 5,569,723 |

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2.5.4 Long-term liabilities

In June 1994 the Company issued GBP 200,000,000 8.625% bonds due in 2019 secured by a guarantee given by Cable & Wireless Plc. The proceeds of the bonds were lent to Cable & Wireless Plc.

During the period ended 31st March 2008 the company repurchased part of the 8.625% bond loan for an amount of GBP 31,900,000. The par value of the repurchased bonds amounts to GBP 31,900,000. These repurchased bonds have been netted with the total 8.625% bond loan. The repurchased bonds in the amount of GBP 53,300,000 are being held in custody by Cable & Wireless Plc.

As at 31st March 2008 the total book value of the bond loan amounts to GBP 146,700,000 (31st March 2007: GBP 178,600,000).

The position as at 31st March 2008 is as follows:

| | Currency | Interest rate | Maturity date | GBP |
|---------------------|----------|---------------|---------------|--------------------|
| Issued in 1994 | GBP | 8.625% | 25/03/2019 | 200,000,000 |
| Repurchased in 2005 | GBP | 8.625% | 25/03/2019 | (19,900,000) |
| Repurchased in 2007 | GBP | 8.625% | 25/03/2019 | (1,500,000) |
| Repurchased in 2008 | GBP | 8.625% | 25/03/2019 | (31,900,000) |
| | | | | <u>146,700,000</u> |

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

Details of movements are as follows:

| | March 31, 2008 | March 31, 2007 |
|-----------------------------|--------------------|--------------------|
| | GBP | GBP |
| Opening balance | 178,600,000 | 180,100,000 |
| Repurchases during the year | (31,900,000) | (1,500,000) |
| Closing balance | <u>146,700,000</u> | <u>178,600,000</u> |

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2.5.9 Corporate income tax

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

| | March 31, 2008 | March 31, 2007 |
|---------------------|-------------------|-------------------|
| | GBP | GBP |
| Charge for the year | 165,080 | 65,588 |
| | 165,080 | 65,588 |

2.5.10 Employees and Directors

During the year under review the Company did not employ any personnel (previous year: nil). The Company has three statutory directors none of whom received remuneration in that capacity (previous year: nil).

Amsterdam, 19th September 2008

Managing directors,

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2.5.6 Interest income

The interest income can be detailed as follows:

| | March 31, 2008 | March 31, 2007 |
|---------------------------------|-------------------|-------------------|
| | GBP | GBP |
| Interest income group companies | 14,402,692 | 10,618,839 |
| Interest income banks | 16,879 | 8,671 |
| | <u>14,419,571</u> | <u>10,627,510</u> |

2.5.7 Currency translations results

The currency translation results can be detailed as follows:

| | March 31, 2008 | March 31, 2007 |
|--|-------------------|-------------------|
| | GBP | GBP |
| Exchange results on amounts due from group companies | 303,707 | (15,617) |
| Exchange gain others | (14,631) | (15,085) |
| Net exchange gain/(loss) | <u>289,076</u> | <u>(30,702)</u> |

2.5.8 Interest expense

The interest expense can be detailed as follows:

| | March 31, 2008 | March 31, 2007 |
|------------------------|-------------------|-------------------|
| | GBP | GBP |
| Interest expense bonds | 13,944,493 | 10,352,516 |
| Interest expense banks | 429 | 562 |
| | <u>13,944,922</u> | <u>10,353,078</u> |

3 Other information

3.1 Appropriation of result

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

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

3.2 Post-balance sheet events

In September 2008 the 8.625% bonds in the total amount of GBP 53,300,000 owned by the Company were sold to Cable & Wireless Plc. at par value.

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

3.3 Audit of the financial statements

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

4 Auditors' Report



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

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements of Cable and Wireless International Finance B.V., Amsterdam, which comprise the balance sheet as at 31 March 2008, the profit and loss account for the year then ended and the notes.

Management's responsibility

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

Auditor's responsibility

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

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

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cable and Wireless International Finance B.V. as at 31 March 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Amstelveen, 19 September 2008

KPMG ACCOUNTANTS N.V.

A handwritten signature in dark ink, appearing to be 'R.J. Groot', written over a horizontal line.

R.J. Groot RA