Cable and Wireless International Finance B.V.

Half-year Report September 30, 2011

Amsterdam, The Netherlands

Cable and Wireless International Finance B.V.
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Cable and Wireless International Finance B.V., Amsterdam
Half-year Report September 30, 2011

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1 Directors' report

1.1 Directors' report

Management hereby presents to the shareholder the unaudited interim financial statements of Cable and Wireless International Finance B.V. ("the Company") for the period April 1, 2011 up to and including September 30, 2011 as required under the Transparency Directive Implementation Act (Transparency Directive).

1.1.1 General

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

1.1.2 Activities and results

During the period under review the Company continued its activities with respect to the bonds. These bonds are listed on the London, Hong Kong and Frankfurt stock exchange and are due in 2019. The bonds are secured by a guarantee given by its shareholder, Cable & Wireless Limited (formerly named: Cable and Wireless plc). In turn, Cable & Wireless Limited is fully owned by Cable & Wireless Communications Plc, one of the world's leading telecommunications companies.

During the period under review, the Company realized a net profit of USD 100.540 and the equity ratio decreased from 2,94% to 2,90%. The activities of the Company developed in line with expectations.

1.1.3 Future outlook

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

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

1.1.4 Financial risks

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

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

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

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

To our knowledge,

1. the financial statements give a true and fair view of the assets, liabilities, financial position and profit of Cable and Wireless International Finance B.V.;

2. the directors' report gives a true and fair view of the position as per September 30, 2011 and the developments during the half-year ended September 30, 2011 of Cable and Wireless International Finance B.V.; and

3. the directors' report describes the material risks that Cable and Wireless International Finance B.V. is facing.

Amsterdam, November 21, 2011

Managing directors,

A. Parkinson Rokin Corporate Services B.V. ATC Management B.V.

2 Financial statements

2.1 Balance sheet as at September 30, 2011 (before appropriation of result)

	Notes	September 30, 2011		March 31, 2011	
		USD	USD	USD	USD
ASSETS					
Financial fixed assets	*2.5.1*				
Loans due from shareholder			313.971.743		320.204.931
Current assets	*2.5.2*				
Due from shareholder		22.898.812		9.560.099	
Corporate income tax receivable		172.816		121.467	
Cash and cash equivalents		741.095		551.467	
			23.812.723		10.233.033
			337.784.466		330.437.964

	Notes	September 30, 2011		March 31, 2011	
		USD	USD	USD	USD
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	*2.5.3*				
Share capital		993.248		1.027.585	
Share premium		23.747.102		23.747.102	
Other reserve		(28.457)		(62.794)	
Accumulated deficit		(15.002.590)		(15.799.947)	
Unappropriated result		100.540		797.357	
			9.809.843		9.709.303
Long-term liabilities	*2.5.4*		313.971.743		320.204.931
Current liabilities	*2.5.5*				
Interest payable		13.993.266		460.295	
Accrued expenses and other liabilities		9.614		63.435	
			14.002.880		523.730
			337.784.466		330.437.964

2.2 Statement of income for the period April 1, 2011 up to and including September 30, 2011

	Notes	01/04/11 - 30/09/11		01/04/10 - 30/09/10	
		USD	USD	USD	USD
Income					
Interest income	*2.5.6*	14.222.028		13.514.092	
Other financial income		1.108		29.829	
Currency exchange results	*2.5.8*	-		231.230	
			14.223.136		13.775.151
Expense					
Interest expense	*2.5.7*	(14.001.623)		(13.303.863)	
Other financial expenses		-		-	
Currency exchange results	*2.5.8*	(29.116)		-	
			(14.030.739)		(13.303.863)
Net operating result			192.397		471.288
Management and administration fee		(34.087)		(38.205)	
Tax advisory fee	*2.5.9*	(3.182)		(18.227)	
Audit fees	*2.5.9*	(2.338)		(6.696)	
Bank charges		(2.077)		(2.709)	
Other operating expenses		(4.479)		(3.194)	
			(46.163)		(69.031)
Income before taxation			146.234		402.257
Corporate income tax	*2.5.10*		(45.694)		(76.150)
Net result			100.540		326.107

2.3 Cash flow statement for the period April 1, 2011 up to and including September 30, 2011

	01/04/11 - 30/09/11		01/04/10 - 30/09/10	
	USD	**USD**	**USD**	**USD**
Net result		100.540		326.107
Adjusted for changes in:				
· Amounts due from shareholder	(13.338.713)		(14.150.312)	
· Corporate income tax receivable	45.694		76.160	
· Interest payable	13.532.971		13.716.655	
· Accrued expenses and other liabilities	(53.821)		19.762	
		186.131		(337.735)
Corporate income tax paid		(97.043)		(78.478)
Cash flow from operating activities		189.628		(90.106)
Cash flow from investing activities		**-**		**-**
Cash flow from financing activities		**-**		**-**
Net increase/(decrease) in cash and cash equivalents		189.628		(90.106)
Cash and cash equivalents at April 1		551.467		754.899
Cash and cash equivalents at 30 September		741.095		664.793

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

2.4.2 Group structure

The Company is a subsidiary of Cable & Wireless Limited, London, United Kingdom, which owns 100% of the Company's shares. The Company's figures are taken up in the consolidated accounts of Cable & Wireless Communications Plc, London, United Kingdom. The consolidated accounts of Cable & Wireless Communications Plc can be obtained from their website: *www.cwc.com.*

2.4.3 Related parties

The Company is engaged in the financing of its shareholder out of bond loans secured by its shareholder. 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 Communications 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:

Functional and presentation currency

The functional currency of the ultimate Parent Company, Cable & Wireless Communications Plc, and the majority of trading and financing companies of the Group, of which the Company is a member, is the US dollar. In respect of the Company, the directors consider the US dollar to be the functional currency reflecting the economic effects of the underlying transactions, events and conditions for the Company. The Company therefore presents its financial statements in US Dollars. The Company's presentation currency is also the USD.

Basis of preparation

The Company qualifies as a large sized company and the financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention and presented in US Dollar ("'USD"). 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.

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 period-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.

The Company concluded agreements in GBP for both the loans due from shareholder and the bond loan. The Company therefore deems the foreign currency exchange risk not significant.

Financial fixed assets

Financial fixed assets are valued at nominal value.

Corporate income tax

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

Estimates

The preparation of the financial statements requires management to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

Principles for preparation of the cash flow statement

The cash flow statement is prepared according to the indirect method. The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered highly liquid investments. Cash flows in foreign currencies are translated at at the exchange rates prevailing at the date of the transactions.

2.5 Notes to the balance sheet and the statement of income

2.5.1 Fixed assets

Loans due from shareholder

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

	September 30, 2011	March 31, 2011
	USD	USD
Opening Balance	320.204.931	297.680.000
Foreign exchange	(6.233.188)	22.524.931
Closing Balance	313.971.743	320.204.931

The loans due from shareholder relates to a loan due from Cable & Wireless Limited, London, United Kingdom in the amount of GBP 200.000.000 (USD 313.971.743). The loan is fully repayable on March 25, 2019 and carries a fixed interest at 8.75% per annum.

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

The Company concluded agreements with a fixed interest rate for both the loans due from shareholder and the bond loan. The Company therefore deems the interest rate risk not significant.

2.5.2 Current assets

Due from shareholder

The amount due from shareholder can be detailed as follows:

	September 30, 2011	March 31, 2011
	USD	USD
Short term loan due from Cable & Wireless Limited, London, UK	8.701.924	8.690.074
Accrued interest due from Cable & Wireless Limited, London, UK	14.194.139	466.966
Other amounts due to/from Cable & Wireless Limited, London, UK	2.749	403.059
	22.898.812	9.560.099

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

Corporate income tax receivable

	September 30, 2011	March 31, 2011
	USD	USD
Dutch CIT due for the period 01/04/09 – 31/03/10	-	(7.916)
Dutch CIT receivable for the period 01/04/10 – 31/03/11	99.342	129.383
Dutch CIT receivable for the period 01/04/11 – 30/09/11	73.474	-
	172.816	121.467

The latest final Dutch CIT assessment which the Company received was for the year 2009/2010.

Cash and cash equivalents

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

2.5.3 Shareholder's equity

Share capital

The authorized capital amounts to EUR 3.640.000 consisting of 8.000 ordinary shares of EUR 455 each, of which 1.601 shares are issued and paid-up.

In accordance with article 373, section 5, Book 2 of the Dutch Civil Code, the issued and paid-up capital is translated at the year-end rate of EUR 1 = USD 1,3635 (prior year; EUR 1 = USD 1,4106). 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 period under review.

Details of shareholder's equity are as follows:

	Share capital	Share premium	Accumulated deficit	Other reserve	Unappro-priated Result	Total
Balance as at March 31, 2011	**1.027.585**	**23.747.102**	**(15.799.947)**	**(62.794)**	**797.357**	**9.709.303**
Appropriation of result	-	-	797.357	-	(797.357)	-
Other reserve	(34.337)	-	-	34.337	-	-
Result for the period	-	-	-	-	100.540	100.540
Balance as at September 30, 2011	**993.248**	**23.747.102**	**(15.002.590)**	**(28.457)**	**100.540**	**9.809.843**

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 Limited, which has Cable & Wireless Communications Plc as its ultimate parent company. The proceeds of the bonds were lent to Cable & Wireless Limited. The bonds are listed on the London, Hong Kong and Frankfurt stock exchanges.

The movements in the long-term liabilities can be detailed as follows:

	September 30, 2011	March 31, 2011
	USD	USD
Opening Balance	320.204.931	297.680.000
Foreign exchange	(6.233.188)	22.524.931
Closing Balance	313.971.743	320.204.931

As at September 30, 2011 Cable & Wireless Limited is one of the bond holders for a face amount of GBP 53.300.000 as a result of past market repurchases.

Movement summary from the date of issuing till September 30, 2011 is as follows:

	Currency	Interest rate	Maturity date	GBP
Issued in 1994	GBP	8,625%	25-3-2019	200.000.000
Repurchased in 2005	GBP	8,625%	25-3-2019	(19.900.000)
Repurchased in 2007	GBP	8,625%	25-3-2019	(1.500.000)
Repurchased in 2008	GBP	8,625%	25-3-2019	(31.900.000)
Sold during 2008/2009	GBP	8,625%	25-3-2019	53.300.000
				200.000.000

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

The market value of the bonds at the balance sheet date amounts to USD 288.069.074 (GBP 183.500.000). As at March 31, 2011 the market value of the bonds amounted to USD 337.816.202 (GBP 211.000.000).

2.5.5 Current liabilities

Interest payable

The interest payable relates to interest due to the holders of the bond loan, which is payable at September 30, 2011. As at September 30, 2011 an amount of USD 3.728.699 (GBP 2.375.181) is included in the interest payable is due to Cable & Wireless Limited.

Accrued expenses and other liabilities

The accrued expenses and other liabilities can be detailed as follows:

	September 30, 2011	March 31, 2011
	USD	USD
Tax advisory fee payable	5.524	25.093
Audit fee payable	-	36.931
Other accrued expenses	4.090	1.411
	9.614	63.435

2.5.6 Interest income

The interest income can be detailed as follows:

	01/04/2011 - 30/09/2011	01/04/2010 - 30/09/2010
	USD	USD
Interest income group companies	14.222.028	13.514.092
	14.222.028	13.514.092

2.5.7 Interest expense

The interest expense can be detailed as follows:

	01/04/2011 - 30/09/2011	01/04/2010 - 30/09/2010
	USD	USD
Interest expense - bonds	14.001.623	13.303.848
Interest expense - banks	-	15
	14.001.623	13.303.863

2.5.8 Currency exchange results

The currency exchange results can be detailed as follows:

	01/04/2011 - 30/09/2011	01/04/2010 - 30/09/2010
	USD	USD
Exchange (loss)/gain on amounts due from group companies	(4.911)	194.074
Exchange (loss)/gain others	(24.205)	37.156
Net exchange (loss)/gain	(29.116)	231.230

2.5.9 Audit fee disclosure

The following fees for 2011/2012 have been or will be charged by KPMG to the Company:

	KPMG Accountants 2011/2012	KPMG network 2011/2012	Total KPMG
	USD	USD	USD
Statutory audit of annual accounts	2.338	-	2.338
Tax advisory services	-	3.182	3.182
	2.338	3.182	5.520

2.5.10 Corporate income tax

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

	01/04/2011 - 30/09/2011	01/04/2010 - 30/09/2010
	USD	**USD**
Charge for the period	27.967	76.150
Underprovision prior year	17.727	-
	45.694	76.150

As from April 1, 2011 the Company's fiscal functional currency is USD.

The Company concluded a tax ruling with the Dutch tax authories on January 28, 2011 wherewith the method of the determination of the taxable result was agreed. This tax ruling will expire on December 31, 2014. This ruling causes a difference between the effective tax rate and the nominal tax rate of 20%/25%.

2.5.11 Employees and Directors

During the period under review the Company did not employ any personnel (previous period: nil). The Company has three statutory directors.

3. Other information

3.1 Post-balance sheet events

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

Amsterdam, November 21, 2011

Managing directors,

A.J. Parkinson Rokin Corporate services B.V. ATC Management B.V.