

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

Report and Financial Statements

31 March 2007

Registered Office:
7th Floor,
The Point,
37 North Wharf Road,
London W2 1L



CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the financial statements for the year ended 31 March 2007

ACTIVITIES

The Company's principal activity is to act as an investment holding company

BUSINESS REVIEW

The company has met the requirements in Companies Act 1985 to obtain an exemption provided from the presentation of an Enhanced Business Review

FUTURE PROSPECTS

No change in the Company's activities is envisaged in the foreseeable future

DIRECTORS

The Directors who held office during the year and subsequent to the year 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

AUDITORS

The Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

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 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 this information

By order of the Board of Directors



H M HANSCOMB
Secretary

Date 15th JANUARY 2008

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

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 the directors 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

We have audited the financial statements of Cable & Wireless Eastern Hemisphere UK Limited for the year ended 31 March 2007 which comprise 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 in respect of Directors' Report and the financial statements on page 3.

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 2007 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

Date: 16 Jan 2008

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31 MARCH 2007

	Note	Year Ended 31 March 2007 £	Year Ended 31 March 2006 £
Exceptional operating costs	3	(36,568,647)	-
Loss on ordinary activities before taxation		(36,568,647)	-
Tax (charge) / credit on ordinary activities	4	-	-
Loss for the financial year		(36,568,647)	-

The notes on pages 7 to 10 form part of the financial statements

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

All results derive from continuing activities

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

BALANCE SHEET 31 March 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	5	<u>3,143,232,235</u>	<u>1,444,956,882</u>
NET ASSETS		<u>3,143,232,235</u>	<u>1,444,956,882</u>
CAPITAL AND RESERVES			
Called up share capital	6	1,737,049,982	2,205,982
Share premium account	7	1,442,750,900	1,442,750,900
Profit and loss account	7	<u>(36,568,647)</u>	<u>-</u>
EQUITY SHAREHOLDERS' FUNDS		<u>3,143,232,235</u>	<u>1,444,956,882</u>

These financial statements on pages 5 to 10 were approved by the Board of Directors on 15th JANUARY 2008 2008 and signed on their behalf by



D J PLATT
Director

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

NOTES TO THE ACCOUNTS **(Year ended 31 March 2007)**

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.

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.

Fixed asset investments

Fixed asset investments are stated at cost less amounts written off in respect of any impairments.

Tax

The charge for tax is based on the result for the year 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.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2006 – nil). The Directors did not receive any emoluments from the Company (2006 – £nil).

In the current and prior year, 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 consolidated basis in the consolidated financial statements of the Company's ultimate parent, Cable and Wireless plc.

3. EXCEPTIONALS

The Company reviewed the carrying amount of its fixed asset investments in subsidiary undertaking. This resulted in an exceptional charge of £36,568,647 following the impairment in value of the Company's fixed asset investment in subsidiary undertaking, Cable & Wireless Eastern Hemisphere BV.

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

NOTES TO THE ACCOUNTS (cont) (Year ended 31 March 2007)

4 TAXATION ON ORDINARY ACTIVITIES

Factors affecting tax charge for the year

The tax assessment for the period is lower than the standard rate of corporation tax in the UK (30%) The difference is explained below

	2007	2006
Statutory Rate	30%	30%
Permanent differences	(30%)	-
	<hr/>	<hr/>
Current Tax Rate	-	30%
	<hr/> <hr/>	<hr/> <hr/>

5 INVESTMENTS

Shares in subsidiary undertakings

	2007	2006
	£	£
Cost		
At 1 April	1,444,956,882	1,444,956,882
Additions – Cable & Wireless European Investments Limited	1,734,844,000	-
	<hr/>	<hr/>
At 31 March	3,179,800,882	1,444,956,882
Amounts provided		
At 1 April	-	-
Impairment charge	(36,568,647)	-
	<hr/>	<hr/>
At 31 March	(36,568,647)	-
	<hr/> <hr/>	<hr/> <hr/>
Net Book Value at 31 March	3,143,232,235	1,444,956,882

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

NOTES TO THE ACCOUNTS (cont) (Year ended 31 March 2007)

5. INVESTMENTS (cont)

Interest in subsidiary undertakings:

Undertaking	Country of incorporation	Principal activity	Class of share	Percentage of ownership (direct)
Cable & Wireless European Investments Limited	England & Wales	Investment Holdings	Ordinary	100%
Cable & Wireless Eastern Hemisphere BV	Netherlands	Investment Holdings	Ordinary	29.41%

6. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised 2,073,743,628 Ordinary shares of £1 each (2006 2,205,982 shares of £1 each)	2,073,743,628	2,205,982
Allotted, called up and fully paid		
At the beginning of the year 2,205,982 Ordinary shares of £1 each	2,205,982	2,205,982
Additional shares allotted	1,734,844,000	-
Balance as at 31 March 2007	1,737,049,982	2,205,982

On 30 March 2007, the Company increased its authorised share capital to £2,073,743,628 Ordinary Shares of £1 each. On the same day, the Company allotted a further 1,734,844,000 Ordinary shares to its parent company, Cable and Wireless (Investments) Limited, as consideration for the transfer to the Company of the entire issued share capital of Cable and Wireless European Investments Limited.

7. MOVEMENT ON RESERVES

	Share premium £	Profit and loss account £	Total £
At 1 April 2006	1,442,750,900	-	1,442,750,900
Loss for the financial year	-	(36,568,647)	(36,568,647)
At 31 March 2007	1,442,750,900	(36,568,647)	1,406,182,253

CABLE & WIRELESS EASTERN HEMISPHERE UK LIMITED

NOTES TO THE ACCOUNTS (cont) (Year ended 31 March 2007)

8. 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 which are publicly available from the address in Note 10.

9. 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.

10. ULTIMATE PARENT COMPANY

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, 7th Floor, The Point, 37 North Wharf Road, London W2 1LA. No other group accounts include the result of the Company.