

CABLE & WIRELESS US INVESTMENTS

Directors' Report and Financial Statements

Year Ended 31 December 2007

Registered Office:

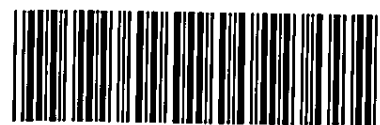
3rd Floor

26 Red Lion Square

London

WC1R 4HQ

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Principal activities and review of developments

The Company's principal activity is to act as an investment holding company. It is the Directors' intention to continue the business in line with current activities.

On 6 October 2007, the company re-registered as an unlimited company.

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

The loss for the year amounted to £152 (2006: £nil) and has been dealt with in the attached financial statements. Dividends paid during the year comprise an interim dividend in specie of £116,411,271.

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.

Disclosure of information to auditors

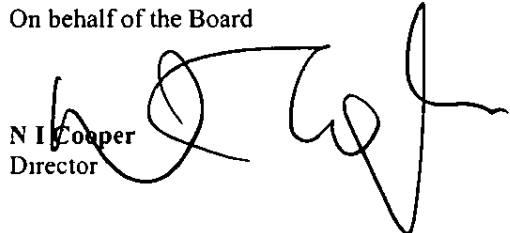
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

On behalf of the Board

N I Cooper
Director



3rd Floor
26 Red Lion Square
London
WC1R 4HQ

Date 18 August 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 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 US INVESTMENTS

We have audited the financial statements of Cable & Wireless US Investments for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Reconciliation of Movement 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 in respect of Directors' Report 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 December 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: *22 August 2008*

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

	Note	2007 £	2006 £
Write back of investment		68	-
Operating expenses			
Write down of debt due from parent undertaking		(220)	-
Tax charge on ordinary activities	3	-	-
Loss for the financial year		<u>(152)</u>	<u>-</u>

The result for the year are derived entirely from continuing activities

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 31 December 2007

	Note	2007 £	2006 £
Opening shareholders funds		2,116,411,423	2,116,411,423
Retained loss for the year		(152)	-
Dividends paid	6	(116,411,271)	-
Reduction of share capital	7	(1,098)	-
Return of capital to shareholders	8	(1,999,998,900)	-
Closing shareholders funds		<u>2</u>	<u>2,116,411,423</u>

There are no recognised gains or losses other than the result for the year above. Accordingly, no separate statement of total recognised gains and losses has been presented.

There is no difference between reported result and that which would be reported under the historical cost convention.

BALANCE SHEET
As at 31 December 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	4	-	2,051,357,501
CURRENT ASSETS			
Debtors	5	<u>2</u>	<u>65,053,922</u>
NET ASSETS		<u>2</u>	<u>2,116,411,423</u>
CAPITAL AND RESERVES			
Called up share capital	7	2	1,100
Share premium account	8	-	1,999,998,900
Revaluation reserve	8	-	104,872,271
Profit and loss account	8	<u>-</u>	<u>11,539,152</u>
EQUITY SHAREHOLDER'S FUNDS		<u>2</u>	<u>2,116,411,423</u>

These financial statements were approved by the Board of Directors on 18 August 2008 and signed on its behalf by



D J PLATT
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

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, modified to include the revaluation of investments, which are stated at market value

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to produce group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or rate of exchange ruling at the balance sheet date.

The foreign exchange gains and losses on the revaluation of the cross currency swap taken out to hedge the overseas fixed asset investment are taken to reserves to offset against the exchange differences arising on the retranslation of the fixed asset investment.

All other exchange differences are dealt with through the profit and loss account.

Fixed asset investments

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

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred due to 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.

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 consolidated cash flow statement is included in the financial statements of Cable and Wireless plc, in which the Company is consolidated, from the address in Note 12.

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

2. Information about directors, employees and auditors

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 year, the auditor's remuneration of £2,000 (2006 £nil) was borne by another group company

3. Tax on ordinary activities

Factors affecting tax charge for the year

The tax assessment for the period is lower (2006 lower) than the standard rate of corporation tax in the UK (30%, 2006 lower) The difference is explained below

	2007	2006
Loss on ordinary activities	(152)	-
Current tax at 30%	<u>46</u>	<u>-</u>
Effects of		
Permanent differences	<u>(46)</u>	<u>-</u>
Total current tax charge	<u>-</u>	<u>-</u>

Factors that may affect the future current and total tax charge

There were no recognised or unrecognised deferred tax balances as at 31 December 2007 or 31 December 2006

The corporation tax rate applicable to the Company will reduce from 30% to 28% from 1 April 2008

4. Investment in subsidiary

	2007 £	2006 £
Cost and Net Book Value at 1 January	2,051,357,501	2,051,357,501
Write back of investment	68	
Return of capital –US Financial Investment LLC	(104,872,271)	-
Disposals – US Financial Investment LLC	<u>(1,946,485,298)</u>	<u>-</u>
Net Book Value at 31 December	<u>-</u>	<u>2,051,357,501</u>

Details of the investment in the subsidiary during the year are outlined as follows

Name of Subsidiary	Country of incorporation	Holding	Nature of Business
US Financial Investments LLC	USA	100% Ordinary shares	Financing

On 31 July 2007, US Financial Investments LLC was transferred to DI Holdings Limited

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

5. Debtor

	2007 £	2006 £
Amounts owed from parent undertaking	<u>2</u>	<u>65,053,922</u>

6 Dividends declared and paid

	2007 £	2006 £
Dividend Paid –Cable & Wireless (Investments) Limited	<u>(116,411,271)</u>	<u>-</u>

7. Called up share capital

	2007 £	2006 £
Authorised		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up and fully paid		
1,100 ordinary shares of £1 each	1,100	1,100
Reduction of Share Capital	<u>(1,098)</u>	<u>-</u>
	<u>2</u>	<u>1,100</u>

8. Movement on reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 January 2007	1,999,998,900	104,872,271	11,539,152
Return of capital to Cable & Wireless (Investments) Limited	(1,999,998,900)	-	-
Profit/(Loss) for the year	-	-	(152)
Transfer	-	(104,872,271)	104,872,271
Dividends for the year	-	-	(116,411,271)
At 31 December 2007	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2007

9 Related party transaction

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.

10 Ultimate parent company

The Company's immediate parent undertaking is Cable & Wireless (Investments) Limited, a company registered in England and Wales.

The Directors regard Cable and Wireless plc, a company registered in England and Wales as the ultimate parent undertaking and controlling party.

The 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.