

CABLE & WIRELESS UK FINANCE NO 3

Report and Financial Statements

Year ended 31 December 2004

Registered Office:

Lakeside House,
Cain Road,
Bracknell,
Berkshire
RG12 1XL



CABLE & WIRELESS UK FINANCE NO 3 LIMITED

To the Company's Ordinary Shareholders

Elective Regime

On 27 August 2002, the Company passed elective resolutions in accordance with Section 379A of the Companies Act 1985 as amended ("the Act") to dispense with the formalities of:

- the laying of accounts before the Company in general meeting (Section 252 of the Act);
- the holding of annual general meetings (Section 366A of the Act); and
- the obligation to appoint auditors annually (Section 386 of the Act).

Section 253(2) gives members the right to require the laying of accounts before the Company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with Section 238(1) of the Act.

REPORT AND FINANCIAL STATEMENTS 2004

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DIRECTORS' REPORT

The Directors present their annual report and the financial statements for the year to 31 December 2004.

ACTIVITIES

The principal activity of the Company is the provision of an interest free loan to Cable and Wireless plc. During the current year and prior period the Company did not trade and received no income and incurred no expenditure.

FUTURE PROSPECTS

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

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and subsequent to the year end were:

A S Garard
 J O'Neill (resigned 24 March 2004)
 J S Wilson (appointed 16 July 2003, resigned 21 July 2005)
 D J Platt (appointed 8 September 2005)

The Directors have neither interest in the shares of the Company nor any disclosable interests in any contracts or arrangements with the Company either subsisting at the end of the financial year or entered into since the end of the previous financial period. The Directors who held office at the end of the financial year had the following beneficial interests in the shares of Cable and Wireless plc:

	At 1 January 2004 (or date of appointment if later)	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 December 2004	
A S Garard	105,964	1,281	-	107,245	
	8,576	-	-	8,576	(a)
	500,000	612,000	-	1,112,000	(b)
	105,773	-	-	105,773	(e)
J S Wilson	17,893	-	-	17,893	(a)
	500,759	185,000	-	685,759	(b)
	43,382	-	43,382	-	(c)
	54,300	-	-	54,300	(d)

DIRECTORS' REPORT (Cont.)

DIRECTORS AND THEIR INTERESTS (Cont.)

All interests are in fully paid Ordinary Shares, unless marked (a) which are options to purchase Ordinary Shares under the C&W Employee Savings Related Share Option Scheme, (b) which are options to purchase Ordinary Shares under the discretionary share option schemes, (c) which are contingent share awards granted on 27 July 2001 under the C&W Performance Share Plan 2001, (d) which are contingent share awards granted on 23 May 2002 under the C&W PSP 2002 or (e) which are restricted shares which will vest on 1 July 2006. Full details of the PSP are included in the financial statements of the ultimate parent company.

By order of the Board of Directors.



L DAVIDSON
Assistant Secretary

Date: 25 October 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial period, which 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 CABLE & WIRELESS UK FINANCE NO 3**

We have audited the financial statements on pages 6 to 9.

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 are responsible for preparing the Directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: *27 October 2005*

8 Salisbury Square
London EC4Y 8BB
United Kingdom

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

During the current year and prior period the Company did not trade and received no income and incurred no expenditure. Consequently, the Company made neither a profit nor loss or any other recognised gains or losses in the current year or prior period.

CABLE & WIRELESS UK FINANCE NO 3

BALANCE SHEET As at 31 December 2004

	Note	31 December 2004 £'000	31 December 2003 £'000
CURRENT ASSETS			
Debtors	3	1,028,076	1,028,076
NET ASSETS		<u>1,028,076</u>	<u>1,028,076</u>
CAPITAL AND RESERVES			
Called up share capital	4	4	4
Share premium	5	1,028,072	1,028,072
EQUITY SHAREHOLDERS' FUNDS		<u>1,028,076</u>	<u>1,028,072</u>

The financial statements on pages 6 to 9 were approved by the Board of Directors on 25 OCTOBER 2005 and signed on their behalf by:



A S Garard
Director

NOTES TO THE ACCOUNTS
Year to 31 December 2004

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and on the historical cost basis.

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.

2. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS' REMUNERATION

The Company had no employees during the year (2003 – nil). The Directors did not receive any emoluments from the Company during the year (2003 – £nil).

The auditors' remuneration for the year and the prior year was borne by the parent company.

3. DEBTORS

	31 December 2004 £'000	31 December 2003 £'000
Loans to ultimate parent company	1,028,076	1,028,076

The loans to the ultimate parent company are non-interest bearing.

4. CALLED UP SHARE CAPITAL

	31 December 2004 £'000	31 December 2003 £'000
Authorised 100,000 ordinary shares of £1 each	100	100
Allotted, called up and fully paid 3,860 ordinary shares of £1	4	4

NOTES TO THE ACCOUNTS (cont.)**Year to 31 December 2004****5. RESERVES**

	Share Premium £	Profit and Loss Account £	Total £
At 1 January and 31 December 2004	<u>1,028,072</u>	<u>-</u>	<u>1,028,072</u>

6. 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.

7. 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.

8. 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, Lakeside House, Cain Road, Bracknell, Berkshire RG12 1XL. No other group accounts include the results of the Company.