

Cable and Wireless International

Finance B.V.

Half-year Report September 30, 2010

Amsterdam, The Netherlands

Cable and Wireless International Finance B.V.
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The Netherlands
Chamber of Commerce: 33.214.341

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1 Directors' report

1.1 Directors' report

Management hereby presents the unaudited interim financial statements of Cable and Wireless International Finance B.V. ("the Company") to the shareholder for the period April 1, 2010 up to and including September 30, 2010 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 326.107 and the equity ratio decreased from 2.90% to 2.71%. 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 period. 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.

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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, 2010 and the developments during the half-year ended September 30, 2010 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 17, 2010

Managing directors,

A. Parkinson

Rokin Corporate Services B.V.

ATC Management B.V.

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2 Financial statements

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2.1 Balance sheet as at September 30, 2010 (before appropriation of result)

	<u>Notes</u>	<u>September 30, 2010</u>		<u>March 31, 2010</u>	
		USD	USD	USD	USD
ASSETS					
Financial fixed assets	2.5.1				
Loans due from shareholder			317.409.935		297.680.000
Current assets	2.5.2				
Due from shareholder		22.711.949		8.561.637	
Corporate income tax receivable		82.794		80.466	
Cash and cash equivalents		664.793		754.899	
			<u>23.459.536</u>		<u>9.397.002</u>
			<u>340.869.471</u>		<u>307.077.002</u>

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	<u>Notes</u>	<u>September 30, 2010</u>		<u>March 31, 2010</u>	
		USD	USD	USD	USD
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	2.5.3				
Share capital		994.195		964.791	
Share premium		23.747.102		23.747.102	
Other reserve		(287.406)		(258.002)	
Accumulated deficit		(15.541.945)		(15.696.572)	
Unappropriated result		326.107		154.627	
			9.238.053		8.911.946
Long-term liabilities	2.5.4		317.409.935		297.680.000
Current liabilities	2.5.5				
Interest payable		14.144.580		427.915	
Corporate income tax		-		-	
Accrued expenses and other liabilities		76.903		57.141	
			14.221.483		485.056
			<u>340.869.471</u>		<u>307.077.002</u>

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2.2 Statement of income for the period April 1, 2010 up to and including September 30, 2010

	<u>Notes</u>	<u>01/04/10 - 30/09/10</u>		<u>01/04/09 - 30/09/09</u>	
		USD	USD	USD	USD
Income					
Interest income	2.5.6	13.514.092		13.793.430	
Other financial income		29.829		-	
Currency exchange results	2.5.8	<u>231.230</u>		-	
			13.775.151		13.793.430
Expense					
Interest expense	2.5.7	(13.303.863)		(13.547.633)	
Currency exchange results	2.5.8	<u>-</u>		<u>(6.141)</u>	
			(13.303.863)		(13.553.774)
Net operating result			471.288		239.656
Management and administration fee		(38.205)		(28.778)	
Tax advisory fee		(18.227)		(4.140)	
Audit fees		(6.696)		3.558	
Bank charges		(2.709)		(1.704)	
Other operating expenses		<u>(3.194)</u>		<u>(3.729)</u>	
			(69.031)		(34.793)
Income before taxation			402.257		204.863
Corporate income tax	2.5.9		<u>(76.150)</u>		<u>(10.216)</u>
Net result			<u><u>326.107</u></u>		<u><u>194.647</u></u>

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2.3 Cash flow statement for the period April 1, 2010 up to and including September 30, 2010

	<u>01/04/10 - 30/09/10</u>		<u>01/04/09 - 30/09/09</u>	
	USD	USD	USD	USD
Result after taxation	326.107		194.646	
Adjusted for:				
· Changes in working capital	<u>(450.647)</u>		<u>206.382</u>	
Cash flow from operating activities		(124.540)		401.028
Cash flow from investing activities		<u>-</u>		<u>-</u>
Cash flow from financing activities		<u>-</u>		<u>-</u>
Exchange gains/(losses) on cash and cash equivalents		<u>34.434</u>		<u>18.804</u>
Changes in cash and cash equivalents		<u><u>(90.106)</u></u>		<u><u>419.833</u></u>

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

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2.4 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

In 2006 Cable and Wireless plc internally re-structured into two standalone divisions - Cable & Wireless International (since then renamed to Cable & Wireless Communications Plc) and Cable & Wireless Europe, Asia & US (EAUS), (since then renamed to Cable & Wireless Worldwide plc).

In November 2009, the Cable and Wireless plc Board announced its intention to separate the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group, reflecting its belief that the businesses had reached a position where they would deliver increased value as separately listed companies. On March 26, 2010 the Cable & Wireless Worldwide business demerged from Cable & Wireless Communications Plc and was listed as a public company on the London Stock Exchange as Cable & Wireless Worldwide plc.

Since December 14, 2009 the Company is a subsidiary of Cable & Wireless Limited (formerly named: Cable and Wireless plc), London, United Kingdom, which owns 100% of the Company's shares as from that date. 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.

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2.4.4 Accounting policies

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

Change of functional and presentation currency

As a result of the group reorganisation on March 26, 2010, the functional currency of the ultimate parent company, Cable & Wireless Communications Plc, and of the majority of holding and financing companies of the Group, of which this Company is a member, was changed to US dollar. The Directors consider the US dollar to most faithfully represent the economic effects of the underlying transactions, events and conditions for the companies within the Cable & Wireless Communications Group therefore the interim financial statements as per September 30, 2010 are presented in US dollars. The comparative interim financial statements of the Company have been represented in US dollars.

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.

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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.

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.

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2.5 Notes to the balance sheet and the statement of income

2.5.1 Financial fixed assets

Loans due from shareholder

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

	September 30, 2010	March 31, 2010
	USD	USD
Opening Balance	297.680.000	289.960.000
Drawn during the year	-	-
Foreign exchange	19.729.935	7.720.000
Closing Balance	317.409.935	297.680.000

The loans due from shareholder relates to a loan due from Cable & Wireless Limited (formerly named: Cable and Wireless plc), London, United Kingdom. The loan is fully repayable on March 25, 2019 and carries 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 its obligations in the foreseeable future.

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2.5.2 Current assets

Due from shareholder

The amount due from shareholder can be detailed as follows:

	September 30, 2010	March 31, 2010
	USD	USD
Short term loan due from Cable & Wireless Limited, London, UK	8.350.108	8.147.896
Accrued interest due from Cable & Wireless Limited, London, UK	14.359.062	440.903
Other amounts due from/(to) to Cable & Wireless Limited, London, UK	2.779	(27.162)
	22.711.949	8.561.637

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

Corporate income tax receivable

The corporate income tax receivable can be detailed as follows:

	September 30, 2010	March 31, 2010
	USD	USD
CIT receivable for the period 01/04/09 – 31/03/10	82.919	80.466
CIT due for the period 01/04/10 – 30/09/10	(125)	-
	82.794	80.466

Cash and cash equivalents

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

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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 period-end rate of EUR 1 = USD 1,3648 (prior year; EUR 1 = USD 1,3244). 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
	USD	USD	USD	USD	USD	USD
Balance as at March 31, 2010	964.791	23.747.102	(15.696.572)	(258.002)	154.627	8.911.946
Appropriation of result	-	-	154.627	-	(154.627)	-
Other reserve	-	-	-	-	-	-
Result for the period	-	-	-	-	326.107	326.107
Translation Adjustment	29.404	-	-	(29.404)	-	-
Balance as at September 30, 2010	994.195	23.747.102	(15.541.945)	(287.406)	326.107	9.238.053

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.

As at September, 2010 the total book value of the bond loan amounts to USD 317.409.935 being the equivalent of GBP 200.000.000 (March 31, 2010: USD 297.680.000 being the equivalent of GBP 200.000.000). Further, as at September 30, 2010 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.

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Movement summary from the date of issuing till September 30, 2010 is as follows:

	<u>Currency</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>GBP</u>
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
				<u>200.000.000</u>

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

The market value of the bonds at the balance sheet date amounts to USD 333.026.503 (GBP 209.840.000). As at March 31, 2010 the market value of the bonds amounted to USD 307.384.368 (GBP 206.520.000).

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, 2010. As at September 30, 2010 an amount of USD 3.769.531 (GBP 2.375.181) 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:

	<u>September 30, 2010</u>	<u>March 31, 2010</u>
	<u>USD</u>	<u>USD</u>
Management and accounting fee payable	1.151	7.100
Tax advisory fee payable	26.845	14.306
Audit fee payable	46.450	34.674
Other accrued expenses	2.457	1.061
	<u>76.903</u>	<u>57.141</u>

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2.5.6 Interest income

The interest income can be detailed as follows:

	September 30, 2010	September 30, 2009
	USD	USD
Interest income group companies	13.514.092	13.793.414
Interest income banks	-	16
	<u>13.514.092</u>	<u>13.793.430</u>

2.5.7 Interest expense

The interest expense can be detailed as follows:

	September 30, 2010	September 30, 2009
	USD	USD
Interest expense - bonds	13.303.848	13.547.288
Interest expense - group companies	-	188
Interest expense - banks	15	157
	<u>13.303.863</u>	<u>13.547.633</u>

2.5.8 Currency exchange results

The currency exchange results can be detailed as follows:

	September 30, 2010	September 30, 2009
	USD	USD
Exchange gain on amounts due from group companies	194.074	-
Exchange gain/(loss) others	37.156	(6.141)
	<u>231.230</u>	<u>(6.141)</u>

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2.5.9 Corporate income tax

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

	September 30, 2010	September 30, 2009
	USD	USD
Charge for the period	76.150	10.216
	<u>76.150</u>	<u>10.216</u>

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 Company.

Amsterdam, November 17, 2010

Managing directors,

A. Parkinson

Rokin Corporate services B.V.

ATC Management B.V.