Company Registration No. 01541957

Cable & Wireless U.K.

Directors' report and financial statements

For the year ended 31 March 2014

Registered Office
Vodafone House
The Connection
Newbury
Berkshire
RG14 2FN

Contents

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

Principal activities and review of developments

The principal activity of the Company is the operation of the Cable & Wireless Japanese branch supplying telecommunications services and equipment. Prior to 31 March 2013 the turnover was generated predominately by operations in the United Kingdom. On 31 March 2013 the trade and assets of the Company, excluding the operation of the Japanese branch,were sold to Vodafone Limited.

Cable & Wireless U.K. is an unlimited company with a share capital.

After reviewing the Company's budget for the next 12 months, taking into account reasonably possible changes in trading performance, and other longer term plans, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements .

The Company has taken advantage of the small companies exemption in Companies Act 2006 to not present a Strategic Report.

Business review

Due to the disposal of trade and assets of the UK business of Cable & Wireless U.K., excluding the Japanese branch in prior year, it is not meaningful to provide a busineses review of the results for the year compared to prior year. The loss for the year amounted to £201m (2013: profit of £801m) and is mainly due to a loss of £202m on the disposal of subsidiary companies to a fellow Vodafone Group company.

Dividends

The Directors do not recommend the payment of a dividend (2013: £nil).

Directors of the Company

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

P S Davis (resigned 1 September 2014)

H Copestick (Alternate Director to P S Davis) (resigned 1 September 2014)

A R Kinch (resigned 30 November 2014)

K Phillip (appointed 1 September 2014)

Vodafone Corporate Secretaries Limited (appointed 8 December 2014)

R Mullock (appointed 8 December 2014)

All 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 the auditor

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 auditor is unaware, and each director has taken all the 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 auditor is aware of that information.

Directors' report
(continued)

The report of the Directors was approved by the Board and signed on its behalf by:

Liz Miles

....

Director, for and on behalf of Vodafone Corporate Secretaries Limited
Date: 15/12/14

E. MILES.

Statement of Directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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 U.K.

We have audited the financial statements of Cable & Wireless U.K. for the year ended 31 March 2014, which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, the Reconciliation of movement in shareholders' funds and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor
As explained more fully in the Statement of Directors' responsibilities, set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's report to the members of Cable & Wireless U.K. *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.

David Griffin FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date: 15 December 2014

Profit and loss account
For the year ended 31 March 2014

	Note	2014 £m	2013 £m
Turnover (2013: (£5m relating to continuing operations)	2	4	2,363
Operating costs before depreciation, amortisation and exceptional items (2013: £4m relating to continuing operations)	3	(3)	(2,251)
Depreciation	3	-	(228)
Amortisation	3	-	(28)
Total operating costs		(3)	(2,507)
Operating profit/(loss) (2013: £1m profit relating to continuing operations)		1	(144)
Exceptional non-operating costs	5	(202)	(4)
Interest receivable and similar income	6	-	1
Interest payable and similar charges	7	-	(10)
Loss on ordinary activities before taxation		(201)	(157)
Tax credit	8	-	958
(Loss)/profit for the financial year		(201)	801

Turnover and operating loss are derived from continuing operations. The discontinued operations in 2013 relate to the UK business that was disposed in that year.

Statement of total recognised gains and losses
For the year ended 31 March 2014

	Note	2014 £m	2013 £m
(Loss)/profit for the financial year		(201)	801
Currency translation difference arising on consolidation of branch account		(1)	-
Actuarial loss on defined benefit retirement plans		-	(134)
Total recognised (losses) and gains relating to the year		(202)	667

The notes on pages 10 to 23 form an integral part of these financial statements.

Balance sheet
as at 31 March 2014

	Note	2014 £m	2013 £m
Fixed assets			
Tangible assets	9	1	1
Investments	10	336	11
		337	12
Current assets			
Debtors (2013: including £82m due after more than one year)	11	1,122	1,124
Cash at bank and in hand		1	1
		1,123	1,125
Creditors: Amounts falling due within one year	12	(527)	(2)
Net current assets		596	1,123
Net assets		933	1,135
Capital and reserves			
Foreign exchange translation reserve	15	(3)	(2)
Profit and loss account	15	936	1,137
Total shareholders' funds		933	1,135

These financial statements were approved by the Board of Directors and authorised for issue on 15/12/14 and signed on its behalf by:

K Phillip

K Phillip
Director

The notes on pages 10 to 23 form an integral part of these financial statements.

Reconciliation of movements in shareholders' funds
For the year ended 31 March 2014

	2014 £m	2013 £m
(Loss)/profit attributable to the members of the company	(201)	801
Share based payments	-	15
Foreign exchange translation	(1)	-
Actuarial loss on defined benefit retirement plans	-	(134)
Net (reduction)/addition to shareholders' funds	(202)	682
Opening shareholders' funds at 1 April	1,135	453
Closing shareholders' funds at 31 March	933	1,135

Notes to the financial statements
(forming part of the financial statements)

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.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 1.

After reviewing the Company's budget for the next 12 months, taking into account reasonably possible changes in trading performance, and other longer term plans, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Taxation

Taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of fixed assets includes materials, direct labour and other incremental costs applicable to the design, construction and connection of the telecommunications networks and equipment. Where the Company has a legal or constructive obligation to dismantle and remove its assets and restore the relevant sites, a provision is made for the estimated costs of the asset retirement obligation. The present value of the asset retirement obligation is capitalised as part of the initial cost of the asset.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful lives as follows:

Plant and equipment:

Cables and other assets	up to 20 years
Network equipment	3 to 25 years
Ducting	40 years

Notes to the financial statements
(continued)

1 Accounting policies *(continued)*

Asset impairment
Intangible and tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the fixed assets may not be recoverable. Where an impairment indicator is identified, the carrying value of the income generating unit is compared with its recoverable amount. Where the recoverable amount is less than the carrying value, an impairment is recognised.

Leased assets
Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. Depreciation on the relevant assets and interest are charged to the profit and loss account.

All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

Revenue recognition
Revenue, which excludes discounts and value added tax, represents the amount receivable in respect of services provided to customers and is accounted for on an accruals basis. Revenue is only recognised when payment is probable.

Revenue from services is recognised as the services are provided. In respect of services invoiced in advance, amounts are deferred until provision of the service. Revenue arising from the provision of other services, such as maintenance contracts, is recognised evenly over the periods in which the service is provided.

Amounts payable by and to telecommunications operators for interconnection and transmission of content are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operators for interconnect fees. In certain instances the Company uses estimates to determine the amount of income receivable from or payments to these other operators. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these adjustments. In a similar way, the Company enters into supply agreements. In certain instances it uses estimates of price or usage to determine the expense charged in any period. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed with suppliers. Credits and charges on adjustments to both interconnect and other supply arrangements are taken to operating profit in the year in which the adjustments are made.

Revenue from sales of telecommunication equipment is recognised on delivery to, and acceptance by, the customer as this is when the transfer of both significant risks and rewards of ownership and control is deemed to occur.

The total consideration on arrangements with multiple revenue-generating activities (generally the sale of telecom equipment and ongoing service) is allocated to those components that are capable of operating independently based on the estimated fair value of the components. When the fair value of components cannot be assessed the revenue is spread over the term of the service.

Notes to the financial statements
(continued)

Fixed asset investments
Investments are stated at cost less amounts written off for impairment.

Pensions
Costs relating to defined benefit plans, which are subject to periodic valuations calculated by professionally qualified actuaries, are charged against profits, within staff costs so that the expected costs of providing pensions are recognised during the period in which benefit is derived from the employees' services.

Defined contribution pension costs charged to the profit and loss account represent contributions payable in respect of the year. During the year these contributions amounted to £nil (2013: £25m).

Foreign currencies
Transactions in foreign currency are recorded in sterling at the rate of exchange ruling on the date of the transaction, except for those for which forward cover has been purchased. All monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date and gains or losses on translation are dealt with through the profit and loss account.

The assets and liabilities of overseas branches that have functional currency different to pounds sterling, are translated at the closing exchange rates. Profit and loss accounts of such undertakings are translated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Cash flow statement
Under FRS 1, 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 Vodafone Group plc in which the Company is consolidated and which are publicly available from the address in note 19.

Notes to the financial statements
(continued)

1 Accounting policies *(continued)*

Share-based payments
The Vodafone Group operates various equity-settled, share-based compensation plans. The fair value of the Company employees' services received in exchange for the grant of shares in Vodafone Group plc is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of shares that are expected to vest. At each reporting date the Company revises its estimates of the number of shares that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

There were no equity-settled share-based payments in the year (2013: £15 m), following the disposal of trade and assets of the Company, excluding the operation of the Japanese branch to Vodafone Limited on 31 March 2013.

2 Turnover

The Company's operations are all considered to fall into a single class of business, namely telecommunications, and accordingly no segmental analysis of operating profit or net assets is presented.

In the current year turnover was generated by operations in Japan, whilst in the prior year, it was predominantly in the United Kingdom, as determined by the location of the customer contract.

Notes to the financial statements
(continued)

3 Operating expenses

	2014 £m	2013 £m
Outpayments and network costs (2013: £3m relating to continuing operations)	1	1,791
Staff costs	-	304
Hire of other assets - land and buildings	-	61
Hire of plant and machinery (2013:£1m relating to continuing operations)	2	4
Other operating expenses	-	91
	3	2,251
Depreciation of tangible assets	-	228
Amortisation of intangible assets	-	28
	3	2,507

Auditor's remuneration

	2014 £000	2013 £000
Audit of these financial statements	-	592

The fee payable to the Company's auditor for the audit of the current year has been borne by another group company. Amounts receivable by the Company's auditor in respect of services to the Company and its associates, 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 Vodafone Group Plc.

Notes to the financial statements
(continued)

4 Information regarding Directors and employees

The directors' remuneration for the year was as follows:

	2014	2013
	£000	£000
Remuneration of directors		
Aggregate emoluments	-	387
Company payments to defined contribution pension schemes	-	41
	-	428

There are no (2013: 2) directors accruing benefits under the Company's defined contribution pension scheme.

The aggregate emoluments and amounts receivable under long term incentives schemes of the highest paid Director was £nil (2013: £201.987), and Company contributions of £nil (2013: £15,000) made to the defined contribution pension scheme on his behalf.

The aggregate remuneration and associated costs of employees were:

	2014	2013
	£m	£m
Included in operating costs:		
Salaries and wages	-	233
Share based payment	-	15
Social security costs	-	31
Defined contribution pension scheme charge	-	25
	-	304

	2014	2013
	Number	Number
The average monthly number of persons employed during the year was:	4	5,284

Notes to the financial statements
(continued)

5 Exceptional non-operating costs

	2014 £m	2013 £m
Loss on disposal of fixed asset investment	202	-
Write down of amounts due from group undertakings	-	4
	202	4

On 1 August 2013 the Company disposed of 100% of its shareholding interest in Cable & Wireless Ireland (Holdings) Limited and its subsidiaries to Vodafone Ireland Limited, a fellow group company for a consideration of £0.90 (€1), resulting in a net loss of £201m.

6 Interest receivable and similar income

	2014 £m	2013 £m
Interest receivable from group undertakings	-	1

7 Interest payable and other similar charges

	2014 £m	2013 £m
Discount unwind	-	3
Finance charges payable on finance leases and hire purchase contracts	-	3
Foreign exchange losses arising on loans from group undertakings	-	4
	-	10

Notes to the financial statements
(continued)

8 Taxation

Tax on loss on ordinary activities

	2014 £m	2013 £m
Current tax		
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	(961)
Effect of changes in tax rates	-	3
Total deferred tax	-	(958)
Total tax credit	-	(958)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 23% (2013: 24%). The actual tax credit for the current and previous year differs from the tax credit at the standard rate for the reasons set out in the following reconciliation:

	2014 £m	2013 £m
Loss on ordinary activities before taxation	(201)	(157)
Tax on loss on ordinary activities before tax at standard rate of 23%. (2013: 24%)	(46)	(38)
Factors affecting tax (credit)/charge for the year:		
Depreciation in excess of capital allowances	-	65
Other timing differences	-	(39)
Non-deductible items	46	12
Current tax (credit)/charge for the year	-	-

Notes to the financial statements
(continued)

9 Tangible assets

	Plant and equipment £m
Cost or valuation	
At 1 April 2013	3
At 31 March 2014	3
Depreciation	
At 1 April 2013	2
Charge for the year	-
At 31 March 2014	2
Net book value	
At 31 March 2014	1
At 31 March 2013	1

All tangible fixed assets with the exception of those held by the Company's Japanese branch were transferred to Vodafone Limited on 31 March 2013.

Notes to the financial statements
(continued)

10 Fixed asset investments

	Subsidiary undertakings £m
Cost	
At 1 April 2013	44
Additions	527
Disposals	(216)
At 31 March 2014	355
Provision for impairment	
At 1 April 2013	(33)
Eliminated on disposal	14
At 31 March 2014	(19)
Net book value	
At 31 March 2014	336
At 31 March 2013	11

Principal subsidiary undertakings

Details of principal operating subsidiary undertakings are given below:

Subsidiary undertaking	Class	Ownership	Country of incorporation	Principal activities
Thus Limited	Ordinary	100%	England	Telecommunications provider
Thus Group plc	Ordinary	100%	England	Holding company

A full list of all subsidiary undertakings will be included with the Company's Annual Return.

During the year the Company acquired the entire issued capital of Thus Group plc from a fellow group company for £326m settled through intercompany account. Further, the Company invested additional capital in another subsidiary to remove its net liabilities before its sale to a fellow group company.

Notes to the financial statements
(continued)

11 Debtors

	2014 £m	2013 £m
Amounts falling due within one year:		
Amounts owed by fellow group undertakings	1,122	1,123
Prepayments and accrued income	-	1
	1,122	1,124

12 Creditors

	2014 £m	2013 £m
Amounts falling due within one year:		
Trade creditors	-	1
Amounts owed to fellow group undertakings	527	-
Accruals and deferred income	-	1
	527	2

Deferred income is recognised in the profit and loss account over the relevant contractual term which may extend to more than one year.

Notes to the financial statements
(continued)

13 Deferred tax

The movements in deferred tax assets and liabilities during the year were as follows:

	2014 £m	2013 £m
Total recognised deferred tax asset	-	-
At 1 April	-	(72)
Recognition of deferred tax assets (note 8)	-	(961)
Effect of change in tax rates on deferred tax asset (note 8)	-	3
Transfer to group company	-	1,030
At 31 March	-	-

A deferred tax asset of £2m (2013: £nil) has not been recognised in respect of accelerated timing differences as it is not certain that suitable taxable profits will be available against which these losses could be utilised.

14 Called-up share capital

Allotted, called up and fully paid shares

	2014		2013	
	No.	£m	No.	£m
Ordinary shares of £1.00 (2013: £1.00) each	1	-	1	-

The Company underwent a capital reduction in 2013, reducing the share capital to one share of £1.00 and cancelling the share premium.

Notes to the financial statements
(continued)

15 Reserves

	Foreign exchange translation reserve £m	Profit and loss account £m
At 1 April 2013	(2)	1,137
Loss for the year	-	(201)
Foreign currency translation losses	(1)	-
At 31 March 2014	(3)	936

16 Operating lease commitments

As at 31 March 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	2014		2013	
	Land and buildings	Other	Land and buildings	Other
	£m	£m	£m	£m
Leases which expire:				
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After five years	-	2	-	-
	-	2	-	-

17 Related party transactions

Under FRS 8, the Company is exempt from the requirement to disclose transactions with wholly owned entities that are part of the Vodafone Group, as all of the Company's voting rights are controlled within the Group. There are no transactions with any other related parties.

Notes to the financial statements
(continued)

18 Ultimate parent company and controlling party

The Company's immediate parent company is Cable & Wireless Waterside Holdings Limited, a company registered in England and Wales.

The Directors regard Vodafone Group Plc, a company registered in England and Wales, as the ultimate parent company and controlling party.

The smallest and largest group in which the results of the Company are consolidated is that of Vodafone Group Plc, the parent company. The consolidated financial statements of Vodafone Group Plc may be obtained from the Company Secretary, Vodafone Group Plc, Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN.