

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

Report and Financial Statements

31 March 2006

Registered Office:
Lakeside House
Cain Road
Bracknell
Berkshire
RG12 1XL

WEDNESDAY



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30/05/2007
COMPANIES HOUSE

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

To the Company's Ordinary Shareholders

Elective Regime

On 10 February 2003 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.

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CABLE & WIRELESS EUROPE HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year to 31 March 2006

ACTIVITIES

The Company's principal activity is to act as an investment holding company. The loss for the year amounted to £8,284,360 (2005 £23,685,000 loss). No dividend is recommended.

FUTURE PROSPECTS

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

DIRECTORS AND THEIR INTERESTS

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

B J Alexis (resigned 29 September 2005)

D J Platt (appointed 8 September 2005)

J M Jensen (appointed 15 January 2007)

The Directors have no 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 period or entered into since the end of the previous financial period. The Directors who held office at the end of the financial period had the following beneficial interests in the shares of Cable and Wireless plc:

	At 1 April 2005 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 2006
D J Platt	17,196	144	-	17,340
	8,881	-	-	8,881 (a)
	383,767	-	-	383,767 (b)
	56,855	-	-	56,855 (c)
	24,376	270	-	24,646 (d)

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 restricted shares awarded on 25 August 2005 50% of which will vest on 25 August 2006 and 50% will vest on 25 August 2008, or (d) which are matching shares awarded under the Deferred Bonus Plan, 50% of which will vest on 24 June 2006 and 50% will vest on 24 June 2007.

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

DIRECTORS' REPORT (Continued)

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this 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 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 auditors are aware of that information

By order of the Board of Directors



H M HANSCOMB

Secretary

Date 16/5/07

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

Statement of directors' responsibilities in respect of the 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 they 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 auditors' report to the members of Cable & Wireless Europe Holdings Limited

We have audited the financial statements of Cable & Wireless Europe Holdings Limited for the year ended 31 March 2006 which comprise of 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 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.

Independent auditors' report to the members of Cable & Wireless Europe Holdings Limited *(continued)*

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 2006 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

Wendy Aird AC

KPMG Audit Plc

16 May 2007

Chartered Accountants

Registered Auditor

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Exceptional operating costs	3	(8,271)	(23,685)
Interest payable and similar charges	4	(13)	-
OPERATING LOSS & LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,284)	(23,685)
Tax credit on loss on ordinary activities	5	-	-
LOSS FOR THE FINANCIAL PERIOD		(8,284)	(23,685)

The notes on pages 8 to 14 form part of the financial statements

There are no recognised gains or losses for the year other than those presented in the profit and loss account. Accordingly no statement of recognised gains or losses has been prepared. All results derive from continuing activities.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the periods stated above and their historical cost equivalents.

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

BALANCE SHEET As at 31 March 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Investments	6	-	8,271
CURRENT LIABILITIES			
Creditors	7	(37,662)	(37,649)
NET CURRENT LIABILITIES		(37,662)	(29,378)
NET LIABILITIES		(37,662)	(29,738)
CAPITAL AND RESERVES			
Called up share capital	8	-	-
Profit and loss reserve	9	(37,662)	(29,378)
EQUITY SHAREHOLDER'S DEFICIT		(37,662)	(29,378)

The notes on pages 8 to 14 form part of the financial statements

The financial statements were approved by the Board of Directors on *16 May* 2007 and signed on their behalf by



J JENSEN
Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2006

1. ACCOUNTING POLICIES

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- The presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The corresponding amounts in these financial statements are restated in accordance with the new policies. The adoption of the above standards did not have any impact on these financial statements

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. 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, notwithstanding net liabilities of £37,662,000 (2005 net liabilities of £29,378,000). 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. The parent company has no plans to liquidate the Company within the foreseeable future.

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 period 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.

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2006

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2005 nil) The Directors did not receive any emoluments from the Company (2005 nil) The auditors' remuneration for the year was borne by the parent company

3 EXCEPTIONALS

The Company reviewed the carrying value of its fixed asset investments in subsidiary undertakings This resulted in an exceptional charge of £8,271,391 (2005 £23,685,000) following the impairment in value of the Company's fixed asset investments in subsidiary undertakings

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£'000	£'000
Net exchange losses	13	-

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2006

5. TAX ON ORDINARY ACTIVITIES

	2006 £	2005 £
Analysis of charge/ (credit) for the period		
<i>Corporation tax</i>		
Current year at 30%	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The current tax credit is lower (2005 credit is lower) than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

	2006 £000	2005 £000
<i>Factors affecting the current tax rate for the period</i>		
<i>Current tax reconciliation</i>		
Profit / (Loss) on ordinary activities	(8,284)	(23,685)
	<hr/>	<hr/>
Current tax at 30%	(2,485)	(7,106)
Effects of		
- Permanent Differences	2,481	6,956
- Group Relief surrendered without payment	4	150
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2006

6. INVESTMENTS

During the year the Company acquired the ordinary share capital of the following company from a fellow subsidiary undertaking for £1

Cable & Wireless SLU Spain Spain Ordinary shares 100% Telecommunications

	Shares in group undertakings £'000
Cost	
At beginning of year	37,149
Additions	-
At end of year	<u>37,149</u>
Provision	
At beginning of year	(28,878)
Impairment charge	(8,271)
At end of year	<u>(37,149)</u>
Net book value at 31 March 2006	<u>-</u>
Net book value at 31 March 2005	<u>8,271</u>

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2006

Interest in subsidiary undertakings

	Country of incorporation	Type of Holding	Percentage Shareholding	Principal Activity
Cable & Wireless Austria GmbH	Austria	Ordinary shares	100%	Telecommunications
Cable & Wireless (Belgium) N V	Belgium	Ordinary shares	100%	Telecommunications
Cable & Wireless Global A/S	Denmark	Ordinary shares	100%	Telecommunications
Cable & Wireless SAS France	France	Ordinary shares	100%	Telecommunications
Cable & Wireless Luxembourg S A	Luxembourg	Ordinary shares	100%	Telecommunications
Cable & Wireless Netherlands B V	Netherlands	Ordinary shares	100%	Telecommunications
Cable & Wireless Telecommunications Services GmbH Germany	Germany	Ordinary shares	100%	Telecommunications
Cable & Wireless Global AS Norway	Norway	Ordinary shares	100%	Telecommunications
Cable & Wireless S p A Italy	Italy	Ordinary shares	100%	Telecommunications
Cable & Wireless Sweden AB	Sweden	Ordinary shares	100%	Telecommunications
Cable & Wireless Switzerland AG	Switzerland	Ordinary shares	100%	Telecommunications
Cable & Wireless Europe (UK) Limited	United Kingdom	Ordinary shares	100%	Telecommunications
Cable & Wireless SLU Spain	Spain	Ordinary shares	100%	Telecommunications

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2006

7. CREDITORS

	2006 £'000	2005 £'000
Amounts due to group undertakings	<u>(37,662)</u>	<u>(37,649)</u>
	<u>(37,662)</u>	<u>(37,649)</u>

The loan becomes repayable in full on the last day of each borrowing period or immediately upon demand by the lender

8. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

9. PROFIT AND LOSS RESERVE

	2006 £'000	2005 £'000
At 1 April 2005	(29,378)	(5,693)
Loss for year	(8,284)	(23,685)
	<u>(37,662)</u>	<u>(29,378)</u>
At 31 March 2006	<u>(37,662)</u>	<u>(29,378)</u>

CABLE & WIRELESS EUROPE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

Year ended 31 March 2006

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2006 £'000	2005 £'000
Opening Shareholders deficit	(29,378)	(5,693)
Loss in the period	(8,284)	(23,685)
Closing Shareholders' deficit	<u>(37,662)</u>	<u>(29,378)</u>

11. 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.

12. RELATED PARTY TRANSACTIONS

The company is controlled by Cable & Wireless (UK) Group Limited (formerly Cable & Wireless (UK) Holdings Limited), its immediate controlling party. The ultimate controlling party is Cable and Wireless plc, its parent company. Under FRS 8, Related Party Transactions 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.

13. 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 results of the Company.

14. POST BALANCE SHEET EVENT

In March 2007 the Cable & Wireless Group restructured its intra-group loans. All existing loans and deposits in the Europe, Asia and US business of Cable & Wireless were replaced by new loans and deposits with the Company with effect from February 2007.

The Company increased its own loan facility with Sable Holdings Limited to £2,000,000,000 in order to facilitate the restructure.