Company Registration No. 1541957

00588878

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~~Director~~ / Secretary

Cable & Wireless U.K.

Report and Financial Statements

31 March 2008

Registered Office
Waterside House
Longshot Lane
Bracknell
RG12 1XL

Contents

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2008. Cable & Wireless UK is an unlimited company having a share capital.

Principal activities and review of developments

The Company's principal activity is the supply of telecommunications services and equipment. It is the Directors' intention to continue the business in line with current activities.

Business review

In the UK, Cable & Wireless is the largest fixed line telecommunications service provider after BT. The UK business provides a full range of services to businesses, including international and domestic voice, data and IP services. Unlike our competitors, we focus solely on this market, which allows us to devote all our investments, processes and business culture to delivering market-leading services with the best customer experience tailored to their needs.

The products and services we offer through our Multi Service Platform (MSP), our next generation network, completed in October 2006, improve quality and performance, reduce costs for both customers and us and provide a platform for new services. It also enables greater product capability, such as fixed mobile convergence and managed applications. We're the first to market with our fixed mobile convergence product that lets customers use their mobile phone on their sites as normal, but with the calls going through their internal data network, rather than through a mobile network. Hosting is another important aspect of our business.

We also offer managed services to our customers, bundling together a number of individual service offerings. This allows us to become a one-stop-shop for customers' telecommunication requirements. Our market-leading products and applications and our service culture give us a strong competitive advantage and the means to grow our market share from the 16% share we currently have of the £7 billion UK enterprise market.

Our growth drivers
We see a number of growth drivers for our business as we redefine what it's like for customers to work with a telecoms company.

Our focus on great customer service
Customers want, and we can deliver, faster lead times and consistent delivery. Over the last two years, our lead times have improved 50% and our delivery on time has increased from 50% to 90%. In the last year we've improved call response times from an average of 90 seconds to under 20 seconds for 90% of all customer calls. Our MSP enables even faster and more predictable delivery times, higher service reliability and faster fix times.

Innovative new products and solutions
The immediate availability of our full suite of next generation IP products, enabled by our MSP, gives us a distinct competitive advantage. These new products and our service focus are increasingly important in winning and retaining customers and helping those customers to develop and grow their businesses.

Future revenue growth will be driven by customers' adoption of fixed mobile convergence, new applications and managed services, as we build on our customer wins to date. We're the first and only company to market with a fixed mobile convergence solution in the corporate mobile market, estimated to be worth £500 million. Our new applications include digital marketing and next generation video conferencing, applications that are already being used by our major customers.

Our competitive position
We operate in a number of competitive markets, competing with major global and dominant incumbent players. Although there are a number of participants in the market, for large enterprise customers their final choice will often be between us and BT.

Directors' Report (continued)

In these highly competitive markets our strength derives from being the only enterprise pure play business, so we can offer these customers a specialised service that is customised to their type of business, leading to strong, long-term relationships. Furthermore, our strategy places service at the heart of everything we do, which is allowing us to build a reputation based on the quality of our service. We have a truly worldwide network, with connectivity in the countries our customers need.

Our strategy and objectives
Our vision for our business is simple – to be the first customer-defined communications services business in the world. Our strategy to do this is as follows:

Specialise in enterprise pure play
We know who our customers are and what they want. By focusing on the enterprise market, we can deliver an unparalleled customer experience for these customers. This market provides us with the richest product set, has high operational barriers to entry for our competitors and is one we have many years' experience in serving.

With a market-leading product suite
We have a clear set of products that are driven by the needs of our customers, rather than technology for technology's sake. Our new capability is already creating new possibilities and opportunities for customers in a wide variety of sectors.

Giving the best service
We are breaking the mould in an industry that's been synonymous with poor service. Customer service is our number one priority and we're creating a service-focused culture throughout our business.

Whilst offering the best value
We're creating a proposition that's valued by our customers and economic for us.
Our strategy is transforming every aspect of our business to give our customers the service, products and value they want, so large enterprise customers see us as the number one choice.

Risks factors

As part of our transformation, we are outsourcing a number of non customer-facing operations in order to extend our service capability and provide more resource at a lower cost. In many cases, we are working with a partner organisation which means we are no longer in direct control. This leads to a risk that problems will occur that affect services to our customers. As a result, we have put in place a structured monitoring programme to ensure a consistently high quality of service is delivered. In addition, we have in place a management structure and governance framework to monitor performance.

Our strategy is to be the world's first customer-defined global communications business. This revolves around delivering a consistently superior service experience at every point of contact. A risk associated with this is the impact a single point of failure on our network or a failure in our IT systems can have on the service we provide to our customers. To mitigate this risk, we constantly improve our network and add capacity where a potential customer issue is identified. To ensure this is done in a timely and cost-effective way, we continue to strengthen our capacity management processes. Another risk associated with customer service relates to the security of our customers' data, in particular where services are delivered outside the UK. With large amounts of sensitive data passing through our network, there are significant legal and regulatory implications should sensitive data fall into the wrong hands. As a result, we have implemented an IT security mitigation programme, including reviews of information systems and security policies, and major improvements to IT systems.

Like most businesses, we are exposed to the risk of an economic downturn. However, our growth is not predicated on growth in one market. In the UK, we expect to grow by taking an increasing share of the £7 billion telecoms enterprise market either by winning new customers or by winning a greater share of existing customers' telecoms budgets. Further, our new services mean we are able to take advantage of growth in adjacent UK market segments, for example in corporate mobile through fixed mobile convergence, and in the hosting and applications market.

Directors' Report (continued)

Key Performance Indicators

Measurement of how the Company is performing against its aims and strategies is currently based on two key performance indicators, firstly EBITDA before exceptional items as a percentage of revenue and secondly headcount. EBITDA is calculated as all operating profits or losses before interest, taxation, depreciation, amortisation and exceptional items.

	31 March 2008	31 March 2007
EBITDA before exceptional items as a percentage of revenue	7.2%	4.4%
Headcount	4,076	4,287

EBITDA before exceptional items as a percentage of revenue is 7.2% for the year ended 31 March 2008 compared to 4.4% for the year ended 31 March 2007. This is largely the result of lower outpayment costs which have reduced by more than the reduction in revenue.

There has been a reduction in employee numbers when compared to the prior year. This is in line with the Company's commitment to its strategy of operating with a lower cost base.

Revenue in 2007/08 was £2,181 million compared with £2,383 million in 2006/07. This decrease of 8% reflects the strategy of the Company to focus on serving larger customers with higher margin IP services, whilst actively removing lower margin customers.

Outpayments and network costs have decreased year on year by 15%. The Company is reducing its underlying cost base in renegotiating network maintenance contracts, rationalising our network and fibre assets and working with suppliers to use their services more cost effectively, reducing operating costs.

Depreciation has increased year on year. This reflects the continued investment in developing our network to meet our customers requirements going forward.

Dividends

The Directors do not recommend payment of a dividend (2007: £nil).

Policy and practice on payment of creditors

The Company agrees payment terms with its suppliers when it enters into binding purchase contracts and seeks to abide fairly by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions.

At the year end, there were 76 days (2007: 58 days) purchases in trade creditors.

Directors

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

JM Jensen (resigned 22 June 2007)
DJ Platt
N Cooper
I Gunatilleke (appointed 22 June 2007)

Directors' Report (continued)

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

The Company has developed employment policies that comply with local requirements and meet relevant standards on employment of disabled people. Full and fair consideration is given to disabled applicants for employment and training, and career development is encouraged on the basis of aptitude and abilities. It is the policy of the Company to retain employees who become disabled whilst in its service and to provide specialist training where appropriate.

As a company within a global telecommunications group, great emphasis is placed on effective employee communications and direct employee communication programmes have been established. The Company values the involvement of its employees and continues to keep them informed on matters affecting them as employees and factors relevant to the performance of the Company. Employee representatives are consulted regularly on a wide range of issues affecting the current and future interests of employees.

The Company considers that the establishment of the right priorities and environment for people is essential for their performance and development and to the future of the Company.

Political and charitable contributions

The Company made no political donations or incurred any political expenditure during the year.

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 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.

Auditors

The Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the Board

H.M. HANSCOMB
Company secretary
Date: 22 [illegible] 2008

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.

Report of the independent auditors, KPMG Audit Plc, 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 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, 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 5.

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.

Report of the independent auditors, KPMG Audit Plc, to the members of Cable & Wireless U.K. *(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 2008 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 Director's Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 November 2008

8 Salisbury Square
London
EC4Y 8BB

Profit and Loss Account
For the year ended 31 March 2008

	Note	2008 £m	2007 £m
Turnover	2	**2,181.2**	2,382.7
Operating costs before depreciation, amortisation and exceptional items	3	**(2,023.8)**	(2,276.9)
Exceptional operating costs	3, 5	**(165.8)**	(68.2)
Total operating costs before depreciation and amortisation	3	**(2,189.6)**	(2,345.1)
Depreciation	3	**(116.4)**	(87.4)
Amortisation	3	**(25.8)**	(25.9)
Total operating costs		**(2,331.8)**	(2,458.4)
Operating loss		**(150.6)**	(75.7)
Profit on sale of fixed assets		**55.4**	1.2
Interest receivable and other similar income	6	**5.2**	0.1
Interest payable and similar charges	7	**(32.3)**	(32.8)
Exceptional non operating costs	5	**34.1**	-
Loss on ordinary activities before taxation		**(88.2)**	(107.2)
Taxation	8	**-**	(0.1)
Profit/(loss) for the year		**(88.2)**	(107.3)

The results for the year are derived entirely from continuing operations.

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

Reconciliation of Movements in Shareholders' Funds
For the year ended 31 March 2008

		2008 £m	2007 £m
Opening shareholders' deficit		**(409.0)**	(308.5)
Profit/(loss) for the year		**(88.2)**	(107.3)
Share based payments	22	**5.2**	6.3
Foreign exchange translation		**(0.3)**	0.5
Closing shareholders' deficit		**(492.3)**	(409.0)

Balance Sheet
At 31 March 2008

	Note	2008 £m	2007 £m
Fixed assets			
Intangible assets	*9*	**460.2**	486.0
Tangible assets	*10*	**591.5**	556.8
Investments	*11*	**44.5**	19.2
		1,096.2	1,062.0
Current assets			
Stocks	*12*	**1.3**	4.4
Debtors – including £14.7m (2007: £140.2m) due after more than one year	*13*	**580.5**	781.3
Cash at bank and in hand		**14.1**	2.5
		595.9	788.2
Creditors: amounts falling due within one year	*14*	**(2,060.7)**	(2,124.2)
Net current liabilities		**(1,464.8)**	(1,336.0)
Total assets less current liabilities		**(368.6)**	(274.0)
Creditors: amounts falling due after more than one year	*14*	**(5.3)**	(10.4)
Provisions for liabilities and charges	*15*	**(118.4)**	(124.6)
Net liabilities		**(492.3)**	(409.0)
Capital and reserves			
Called up equity share capital	*16*	**3,032.9**	3,032.9
Share premium account	*17*	**0.8**	0.8
Foreign exchange translation reserve	*17*	**0.4**	0.7
Profit and loss account	*17*	**(3526.4)**	(3,443.4)
Shareholders' deficit		**(492.3)**	(409.0)

These accounts were approved by the Board of Directors on 2 7 November 2008 and signed on its behalf by:

I GUNATILLEKE
Director

The accompanying notes form an integral part of these financial statements.

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2008

	2008	2007
	£m	£m
Loss for the financial year	**(88.2)**	(107.3)
Currency translation difference arising on consolidation of branch account	**(0.3)**	0.5
Total gains and losses recognised relating to the year	**(88.5)**	(106.8)

Notes to 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 228 of the Companies Act 1985 from the requirement to prepare group accounts. 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, notwithstanding net liabilities of £492.3m (2007: £409.0m). 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.

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 the accruals basis. Revenue is only recognised when payment is probable.

Revenue from services is recognised as the services are provided. Revenue from service contracts that cover periods greater than twelve months is recognised in the Profit & Loss account in proportion to the services delivered at the reporting date. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to telecommunications operators of national and international interconnect networks are recognised as services are provided. Charges are negotiated separately and are subject to continuous review. Revenues generated through the provision of these services are 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.

The Company earns revenue from the transmission of content on its network originated by third-party providers. The Company assesses whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following indicators:

- whether the Company holds itself out as an agent;
- establishment of the price;
- provision of customer remedies;
- performance of part of the service; and
- assumption of credit risk.

Revenue from sales of telecommunication equipment is recognised on delivery to the customer.

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.

Revenue arising from the provision of other services, including maintenance contracts, is recognised evenly over the periods in which the service is provided.

Notes to the financial statements *(continued)*

1. Accounting policies (continued)

Taxation

The charge for 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 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.

Intangible fixed assets

Intangible fixed assets are recorded at cost and amortised on a straight line basis over their estimated useful lives, not exceeding 20 years. The directors estimate the useful economic life of the goodwill relating to each acquisition on an individual basis. Goodwill is being amortised to nil over periods of between 5 and 20 years. Intangible fixed assets comprise goodwill arising on the acquisition of businesses.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. 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:

Land and buildings:	
Freehold buildings	40 years
Leasehold land and buildings	up to 40 years or term of lease if less
Plant and equipment:	
Cables and other assets	up to 20 years
Network equipment	3 to 25 years
Ducting	40 years
Computer Software:	
Computer Software	3 – 5 years

Depreciation is not provided on freehold land, where the cost is distinguishable from the cost of the building thereon, or projects under construction.

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.

Notes to the financial statements *(continued)*

1. Accounting policies (continued)

Pensions

The Company operates a number of defined contribution schemes for its employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

The Company is also a member of a pension scheme operated by the group and provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for in these financial statements as if it were a defined contribution scheme.

The amounts charged to the profit and loss account include the cost of the contributions payable to the above schemes in respect of the accounting period.

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.

Fixed asset investments

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

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 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.

Cash flow statement

Under FRS1 (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 and which are publicly available from the address in note 23.

Stocks

Stocks represent equipment and other items for resale and are stated at the lower of cost and net realisable value.

Notes to the financial statements *(continued)*

1. Accounting policies (continued)

Share based payments

The share option schemes allow employees to acquire shares of the ultimate parent company, Cable and Wireless plc. For equity-settled share based payments, the fair value of equity instruments (options and shares) granted after 7 November 2002 and not vested by 1 April 2005 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instruments. The fair value of the options granted is measured using the Black-Scholes-Merton and Monte Carlo pricing models for option pricing, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

There are no grants to employees of equity instruments in the Company and there is no policy of the ultimate parent company making linked-clearly recharges to the Company for the provision of these equity instruments.

Where the parent, Cable and Wireless plc grants options over its own shares to the employees of its subsidiaries, including Cable & Wireless UK, it recognises an increase in the cost of investment in its subsidiaries equivalent to the share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. The subsidiary records a compensation expense and a corresponding credit to shareholders' equity.

The effect on these financial statements is to present £5,197,577 (2007: £6,253,791) as a compensation expense and a credit to shareholders' equity.

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 shown.

In both the current and prior years, turnover was generated predominately by operations in the United Kingdom.

Notes to the financial statements *(continued)*

3. Operating expenses

	2008 £m	2007 £m
Outpayments and network costs	**1,569.2**	1,846.1
Staff costs (note 4)	**290.8**	277.2
Trading foreign exchange	**(5.6)**	1.2
Hire of other assets – land and buildings	**29.3**	23.4
Hire of plant and machinery	**18.6**	27.7
Other operating expenses	**121.5**	101.3
	2,023.8	2,276.9
Exceptional operating costs (note 5)	**165.8**	68.2
Depreciation of tangible assets	**116.4**	87.4
Amortisation of intangible assets	**25.8**	25.9
	2,331.8	2,458.4

Auditor's remuneration

	2008 £m	2007 £m
Audit of these financial statements	**0.5**	0.5

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 Cable and Wireless plc.

4. Information regarding Directors and employees

	2008 £000	2007 £000
Remuneration of Directors:		
Directors' emoluments	**682.4**	343.1
Company contributions to money purchase pension schemes	**29.0**	20.0
Compensation for loss of office	**445.2**	-
Amounts receivable under long-term incentive scheme	**923.8**	
	2,080.4	363.1

There is one (2007: one) Director accruing benefits under the Company's pension scheme.

The aggregate emoluments and amounts receivable under long term incentives schemes of the highest paid Director was £1,141,165 (2007: £343,120). There was no Company pension contributions (2007: £20,000) made to the money purchase scheme on his behalf.

One Director exercised share options under the Cable and Wireless plc plans during the year ended 31 March 2008 (2007: 1).

Notes to the financial statements *(continued)*

4. Information regarding Directors and employees (continued)

The aggregate remuneration and associated costs of employees were:	**2008 £m**	2007 £m
Salaries and wages	**225.3**	228.1
Share based payment (note 22)	**5.2**	6.3
Social security costs	**22.4**	23.6
Pension costs	**37.9**	19.2
	290.8	277.2

	2008 Number	2007 Number
The average monthly number of persons employed during the year was:	**4,280**	4,364

5. Exceptional items

	2008 £m	2007 £m
Operating items		
Redundancy and restructuring (i)	**33.3**	64.8
Provision for onerous network contracts (ii)	**3.1**	1.2
Write down of investments (iii)	**0.4**	2.2
Write off of pension prepayment (iv)	**129.0**	-
	165.8	68.2
Non – Operating items		
Write back of investments (iii)	**(34.1)**	-
	(34.1)	-
Total Exceptional Costs	**131.7**	**68.2**

(i) Exceptional costs in the period of £33.3m (2007: £64.8m) relate to restructuring and comprise £6.9m (2007: £36.5m) in respect of net property costs, £15.3m (2007: £21.7m) in respect of redundancy costs and £11.1m (2007: £6.6m) of other costs.

(ii) A total of £3.1m provision was created (2007: £1.2m) during the year for operations and maintenance charges relating to onerous cable systems.

(iii) The Company has carried out a review to determine whether there has been an impairment in the carrying values of its fixed asset investments (refer note 11). This has resulted in a write-back of £34.1m and a write down of £0.4m (2007: £2.2m) to reflect identified reversals and impairments.

(iv) Exceptional costs in the year of £129.0m relate to the directors' reassessment of the pension prepayment associated with the Cable & Wireless Group defined benefit scheme. The decision to align the position of the Company with the Group in light of the latest full actuarial valuation at 31 March 2007 has resulted in a write off of the pension prepayment.

Notes to the financial statements *(continued)*

6. Interest receivable and other similar income

	2008	2007
	£m	£m
Interest receivable from group undertakings	**-**	0.1
Third party interest received	**2.6**	-
Foreign exchange gains arising on loans from group undertakings	**2.6**	-
	5.2	0.1

7. Interest payable and other similar charges

	2008	2007
	£m	£m
Interest payable to group undertakings	**24.0**	24.8
Discount unwind (see note 15)	**6.5**	4.3
Foreign exchange losses arising on loans from group undertakings	**-**	0.8
Finance charges payable in respect of finance leases and hire purchase contracts	**1.8**	2.9
	32.3	32.8

8. Taxation

Analysis of charge/(credit) for the period	**2008**	2007
	£m	£m
Corporation tax		
Overseas branch or withholding tax	**-**	0.1
Adjustments in respect of previous periods	**-**	-
	-	0.1

The current tax charge is higher (2007: higher) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are explained below:

	2008	2007
	£m	£m
Current tax reconciliation:		
Profit/(loss) on ordinary activities	**(88.2)**	(107.2)
Current tax charge/(credit) at 30% (2007: 30%)	**(26.5)**	(32.2)
Effects of:		
Permanent differences	**(15.5)**	17.8
Depreciation in excess of Capital Allowances	**7.0**	14.6
Other timing differences	**(3.7)**	2.5
Group Relief surrendered without payment	**-**	(2.6)
Write off of pension prepayment	**38.7**	-
Overseas branch or withholding Tax	**-**	0.1
Double tax relief	**-**	(0.1)
	-	0.1

Notes to the financial statements *(continued)*

8. Taxation (continued)

Factors that may affect future tax charges

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

Deferred tax assets of £900.7m (2007: £990.1m) on timing differences resulting from depreciation in excess of capital allowances and £40.4m (2007: £49.2m) in respect of other timing differences and £30.5m (2007: £32.6m) for losses, have not been recognised, as these are not considered recoverable in the foreseeable future.

9. Intangible assets

	Goodwill £m
Cost	
At 1 April 2007 and **31 March 2008**	**512.7**
Amortisation	
At 1 April 2007	26.7
Charge for year	25.8
At 31 March 2008	**52.5**
Net book value	
At 31 March 2008	**460.2**
At 31 March 2007	486.0

On the 31 March 2006 Cable & Wireless UK acquired the trade and assets of Energis Communications Limited , a fellow subsidiary. This transaction generated £511.4m of goodwill, which is being amortised over a 20 year period. This period has been determined after taking into account the nature of the business acquired and the expected period over which it is anticipated it will generate value for the Company.

Other goodwill relates to the purchase of the trade and assets of the call centre business of ML Integration Limited, a fellow subsidiary of Cable and Wireless plc. The goodwill is being amortised over 5 years from 1 April 2003. This period has been determined after taking into account the nature of the business acquired and the maturity of the market in which it operates.

Notes to the financial statements *(continued)*

10. Tangible assets

	Land and buildings £m	Plant and Equipment £m	Computer Software £m	Assets under construction £m	Total £m
Cost					
At 1 April 2007	308.8	3,489.0	613.8	101.4	4,513.0
Additions	1.5	9.6	0.1	173.7	184.9
Transfers between categories	1.3	189.0	22.2	(212.5)	-
Disposals	(69.1)	(51.9)	-	-	(121.0)
At 31 March 2008	242.5	3,635.7	636.1	62.6	4,576.9
Depreciation					
At 1 April 2007	242.1	3,118.2	595.9	-	3,956.2
Charge for the year	4.2	100.7	11.6	-	116.5
Disposals	(35.1)	(52.2)	-	-	(87.3)
At 31 March 2008	211.2	3,166.7	607.5	-	3,985.4
Net book value					
At 31 March 2008	**31.3**	**469.0**	**28.6**	**62.6**	**591.5**
At 31 March 2007	66.7	370.8	17.9	101.4	556.8

Assets under construction are not depreciated. Freehold land amounting to £0.4m (2007: £0.2m) is not depreciated.

Included in the total net book value of plant and machinery is £14.0m (2007: £16.3m) in respect of assets held under finance leases. Depreciation for the year on these assets was £6.0m (2007: £7.6m).

	2008 £m	2007 £m
The net book value of land and buildings comprised:		
Freehold	**8.9**	43.0
Short leasehold	**22.4**	23.7
Long leasehold	-	-
	31.3	66.7

Notes to the financial statements *(continued)*

11. Fixed asset investments

	Subsidiary undertakings £m
Cost	
At 1 April 2007	108.8
Disposals	(29.6)
At 31 March 2008	**79.2**
Impairment provision	
At 1 April 2007	(89.6)
Impairment	(0.4)
Impairment release	34.1
Disposals	21.2
At 31 March 2008	**(34.7)**
Net book value	
At 31 March 2008	**44.5**
At 31 March 2007	19.2

The Company has carried out a review to determine whether there has been an impairment in the carrying values of its fixed asset investments in line with FRS 11 'Impairment of fixed assets and goodwill'. The review was based on a combination of discounted cash flow analysis using the approved five year business plan reflecting a terminal growth rate of 1% and a discount rate of 9% and net asset values. This exercise has resulted in a write-down of £0.4m (2007: £2.2m) to reflect identified impairments.

The impairment release of £34.1m arises from the finalisation of the voluntary liquidation of Cable &Wireless Communications (Enterprises) Limited in April 2008 at which point the liquidator assigned an inter company debtor of that amount to Cable & Wireless UK (see also Post Balance Sheet Event note 24).

Principal subsidiary undertakings

Details of principal operating subsidiary undertakings are given below:

Subsidiary undertaking	Class	Ownership %	Country of incorporation	Principal activities
Cable & Wireless Ireland Holdings Limited	Ordinary	100	Ireland	Telecommunications provider
Cable & Wireless Services (Ireland) Limited	Ordinary	100*	Ireland	Telecommunications provider
Cable & Wireless (Ireland) Limited	Ordinary	100*	Ireland	Telecommunications provider

*Denotes indirect holding

12. Stocks

	2008 £m	2007 £m
Finished goods		
Network equipment and items for resale	**1.3**	4.4

Notes to the financial statements *(continued)*

13. Debtors

	2008 £m	2007 £m
Amounts falling due within one year:		
Trade debtors	**405.0**	397.5
Amounts owed by fellow group undertakings	**90.6**	160.5
Other debtors	**14.1**	6.5
Prepayments and accrued income	**56.1**	76.6
	565.8	641.1
Amounts falling due after more than one year:		
Other debtors	**2.1**	0.2
Prepayments and accrued income	**12.6**	-
Amounts owed by fellow group undertakings	**-**	140.0
	14.7	140.2
Total debtors	**580.5**	781.3

14. Creditors

	2008 £m	2007 £m
Amounts falling due within one year:		
Bank overdrafts and loans	**14.2**	10.4
Trade creditors	**326.9**	293.3
Net obligations under finance leases	**13.3**	9.5
Amounts owed to fellow group undertakings	**1,259.1**	1,329.4
Taxation and social security	**45.9**	39.0
Other creditors	**10.1**	7.4
Accruals and deferred income	**391.2**	435.2
	2,060.7	2,124.2

	2008 £m	2007 £m
Amounts falling due after more than one year:		
Net obligations under finance leases	**5.3**	10.4
	5.3	10.4

	2008 £m	2007 £m
The maturity of obligations under finance leases and hire purchase contracts is as follows:		
Within one year	**13.3**	9.5
In the second to fifth years	**5.3**	10.4
	18.6	19.9

Amounts owed to fellow group undertakings includes a loan with Cable & Wireless Europe Holdings Limited which bears interest of LIBOR plus 1.00%. The loan and any interest accrued thereon become repayable in full on the last day of each borrowing period or immediately upon demand by the lender.

Notes to the financial statements *(continued)*

15. Provisions for liabilities and charges

	Note	At 1 April 2007 £m	Additions / (releases) £m	Utilised £m	Discount Unwind £m	At 31 March 2008 £m
Redundancy	(i)	3.6	15.4	(15.4)	-	**3.6**
Property	(ii)	67.8	6.9	(16.4)	1.9	**60.2**
Network	(iii)	8.1	3.1	(6.1)	0.5	**5.6**
Other	(iv)	-	11.3	(11.3)	-	**-**
ARO	(v)	45.1	(0.2)	-	4.1	**49.0**
		124.6	36.5	(49.2)	6.5	**118.4**

(i) Redundancy
The provision for the cost of redundancies announced during the year is expected to be utilised within the next twelve months of the balance sheet date.

(ii) Property
A provision has been made for the best estimate of the unavoidable lease payments on vacant properties, being the difference between the rental due and any income expected to be derived from their being sub-let. The provision is expected to be utilised over the shorter of the period to exit and the lease contract life.

(iii) Network
A provision has been made for the best estimate of the unavoidable costs associated with redundant network capacity. The provision is expected to be utilised over the shorter of the period to exit and the lease contract life.

(iv) Other
This provision was related to restructuring costs and was utilised in the year.

(v) Asset Retirement Obligation
A provision has been made for the best estimate for unavoidable cost associated with returning leasehold properties to their original state on exiting the property and retiring network assets from use. The provisions for property will be utilised over a period of 24 years as property leases expire and the network provision will be utilised over a period of 20 years.

16. Share capital

	2008 £m	2007 £m
Authorised:		
3,949,680,250 ordinary shares of £1 each	**3,949.7**	3,949.7
849,319,750 fixed rate Irredeemable Preference shares of £1 each	**849.3**	849.3
500,000 non-voting redeemable participating shares of £1 each	**0.5**	0.5
500,000 voting redeemable fixed rate preference shares of £1 each	**0.5**	0.5
	4,800.0	4,800.0
Allotted, called up and fully paid:		
3,032,942,458 (2007: 3,032,942,458) ordinary shares of £1 each	**3,032.9**	3,032.9

Notes to the financial statements *(continued)*

17. Reserves

	Foreign exchange translation reserve £m	Profit and loss Account £m	Share premium account £m
At 1 April 2007	0.7	(3,443.4)	0.8
Profit for the year	-	(88.2)	-
Foreign exchange translation	(0.3)	-	-
Share based payments	-	5.2	-
At 31 March 2008	**0.4**	**(3,526.4)**	**0.8**

The share based payments of £5.2m is the credit in shareholders' equity matching to the fair value of equity instruments recognised as an employee expense in the year to 31 March 2008. See note 22 for further details of the share based payment charges.

18. Operating lease commitments

At 31 March 2008 the Company had annual commitments under non-cancellable operating leases as follows:

	2008		2007	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Leases which expire:				
Within one year	**7.3**	**22.8**	5.3	11.5
Between two and five years	**8.8**	**4.3**	27.5	3.4
After five years	**25.6**	**1.8**	9.1	2.9
	41.7	**28.9**	41.9	17.8

19. Commitments

Capital commitments at the year-end amounted to £48.6m (2007: £36.8m).

In addition to the capital commitments above the Company has a number of operating commitments arising in the normal course of business. The most significant of these relate to network operation and maintenance costs, and outsourcing arrangements for the provision of certain services including information technology systems management. In respect of operation and maintenance costs, in the event of the default of another party, the Company may be liable to additional contributions under the terms of the agreements.

20. Related party transactions

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 the Group. There are no transactions with any other related parties.

Notes to the financial statements *(continued)*

21. Pension scheme

Defined contribution scheme
The pension cost charged for the year represents contributions payable by the Company to the schemes described in note 1. During the year these contributions amounted to £10.2m (2007: £8.7m). No amounts were outstanding at the end of the financial year in respect of this charge.

Multi-employer defined benefit scheme
The Company is a member of a group-wide pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 Retirement Benefits, the scheme has been accounted for, in these financial statements, as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out as at 31 March 2007 and was updated for FRS 17 purposes to 31 March 2008 by a qualified external independent actuary – Watson Wyatt Limited. The contribution for the year was £27.7m (2007: £10.5m). It has been agreed that an employer contribution rate of 28.5% (2007 – 20.3%) with a further 0.8% (2007 : 2%) for the Pension Protection Fund levy of pensionable pay will apply from 1 April 2007.

The Company is not able to separate the performance of the group-wide scheme to give the element that relates solely to the Company's employees. As an indication, however, the group-wide scheme had no recorded surplus or deficit as at 31 March 2008, compared with a surplus of £43m at 31 March 2007.

More details are included in the financial statements of Cable and Wireless plc for the year ended 31 March 2008 and can be obtained from the address in note 23.

22. Share-based payments

Share option schemes

The share option schemes operating as at 31 March 2008 with options outstanding as at this date, are as follows:

Cable & Wireless savings related share option scheme and Cable & Wireless Global savings related share option scheme

Under the Cable & Wireless savings related share options scheme ('SAYE scheme'), UK employees were invited to enter a savings contract with a bank to save regular monthly sums of between £5 and £250 for a period of either three, five or seven years. At the end of the savings contract, the participant receives interest from the bank on their savings. The savings and the interest may then be used to exercise an option over ordinary shares of Cable and Wireless plc, which are issued at a discount of 20% to the market value of Cable and Wireless plc's ordinary shares at the date of grant. Cable and Wireless plc extended the SAYE scheme to its overseas employees by the Cable & Wireless Global savings related share option scheme ('GSAYE scheme'). The GSAYE scheme was last offered in December 2004. In various of the Group's territories (excluding the UK) it operated along similar lines to the SAYE scheme with local variations to accommodate local legal and tax consideration.

Cable & Wireless Share option plan (approved and unapproved)

The level of any share option award is determined by the Cable and Wireless plc Remuneration Committee each year by reference to total remuneration within a market peer group, subject to an overriding annual limit of ten times salary for Executive Directors.

Notes to the financial statements *(continued)*

22. Share-based payments (continued)

The vesting of share options awarded to the Executive Directors and to all employees outside the US is subject to relative Total Shareholder Return ('TSR') performance conditions. For options granted before May 2004, full vesting occurs only if the TSR performance of Cable and Wireless plc meets or exceeds the upper quartile between the third and fifth anniversaries of the date of grant. Where TSR performance meets the median, 50% of the initial award vests. A sliding scale operates between median and upper quartile, and nothing vests for TSR performance below the median. If performance conditions have not been met by the fifth anniversary of the date of grant, the option lapses. For options granted from May 2004, the re-testing of performance conditions for share options granted from that date will cease. If performance conditions for these options have not been met by the third anniversary of the date of grant the option lapses. For options granted from June 2005, 33.33% of options vest where TSR performance meets the median and if the Cable and Wireless plc Remuneration Committee is satisfied that the underlying financial performance of the group warrants the release of the shares.

Other equity instrument awards

Deferred short-term incentive plan ('Deferred STIP')

The Deferred STIP is designed to encourage participants to invest in shares to align their interests more closely with those of shareholders. Under this plan any bonus deferred is used to purchase shares in Cable and Wireless plc, which are held in trust for three years before being released to the participant.

Participants may also be awarded up to two matching shares for every one purchased share based on the relative TSR performance of Cable and Wireless plc measured over a three-year period (see Performance conditions for share-based awards). A dividend award supplement also operates on the Deferred STIP. Dividends that would have been paid on the purchased shares and the actual award of matching shares during the performance period are reinvested in additional shares.

For the 2005/06 financial year, Executive Directors were able to elect to pay up to two-thirds of any net annual bonus and senior executives could elect to pay up to one-third of any net bonus into the Deferred STIP. Conditional matching shares were awarded on a gross basis, i.e. for every £100 of net bonus invested in the Deferred STIP, participants have the potential to receive matching shares with a face value on grant of £333. No award has been made under the deferred STIP since 30 September 2005.

Deferred bonus scheme

Executive Directors and selected senior executives were able to voluntarily defer between 10% and 50% of their post-tax senior management bonus to purchase shares in Cable and Wireless plc, which will be held in trust. Half of the purchased shares will be held in trust for a two-year deferral period and the remaining half will be held in trust for a three-year deferral period. Participants will be awarded matching shares when the purchased shares vest at the end of the deferral periods.

No award has been made under the deferred bonus scheme since June 2004.

Performance share plan ('PSP')

Under the PSP, Executive Directors and other senior executives can receive awards of performance shares at £nil cost.

The plan rules limit the value of shares that can be granted to an individual in any year to 100% of salary.

The vesting of performance shares is subject to relative TSR performance conditions (see Performance conditions for share-based awards). A dividend award supplement operates on the PSP. Dividends that would have been paid on the performance shares, which vest, will be regarded as having been re-invested in additional shares.

Restricted share plan ('RSP')

The RSP provides for awards of restricted shares to executives and selected employees below the Executive Directors, primarily as a retention or a recruitment tool to compensate for the forfeiture of long term incentive arrangements when transferring to the Cable & Wireless group. Generally, 50% of any restricted shares awarded under this plan vest after one year with the remaining 50% vesting after three years.

Notes to the financial statements *(continued)*

22. Share-based payments (continued)

Restricted shares are also used to award matching shares with performance conditions to Executive Directors who invested their own funds into Cable and Wireless plc shares. Attainment of these matching shares is dependent on the Executive continuing to hold the invested shares and on meeting the required TSR performance conditions (if applicable). 100% of any shares awarded under this plan vest after three years.

Performance conditions for share-based awards

TSR is the main performance measure used in share plans where performance conditions apply as it provides an objective external measure of financial performance. The Cable and Wireless plc Remuneration Committee will also consider the underlying financial performance of Cable and Wireless plc at the end of the performance period.

The Cable and Wireless plc Remuneration Committee considers that it is important to measure and reward relative performance against an appropriate set of companies. The Cable and Wireless plc's relative TSR performance is assessed against a comparative group comprising the FTSE Global Telecoms Sector Index ('FTSE GTSI'), which provides a global benchmark of independently selected industry peers. Awards vest depending upon Cable and Wireless plc's TSR ranking relative to the comparative group at the end of a single three-year performance period.

Other schemes

Cable & Wireless share purchase plan ('SPP')

The Company also offers its employees who are chargeable to income tax, under Section 15 Income Tax (Earnings and Pensions) Act 2003, the Cable & Wireless share purchase plan ('the Plan') which is a Revenue approved share incentive plan. Under the SPP, employees can contribute up to a value of £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares in Cable and Wireless plc, and Cable and Wireless plc will offer a match of one share for each partnership share purchased.

Shares are held in a UK resident trust and can be withdrawn from the trust at any time, but there may be pay as you earn (PAYE) taxation and national insurance contributions payable in such events if the shares have not been held in the trust for five years. Dividends on the partnership shares are reinvested in additional dividend shares.

UK Share Award

On 25 July 2006, all permanent employees and fixed-term contractors based in the UK were awarded £1,000 in Cable and Wireless plc shares as a one-off gift.

Share options

Options are exercised on a regular basis throughout the year. Options exercised during the year ended 31 March 2008 resulted in 4.4 million shares (2007 – 4.2 million shares) being issued at the average exercise price of 49 pence each (2007 – 74 pence). The related market weighted average share price at the time of the exercise was 159 pence per share (2007 – 124 pence per share).

Notes to the financial statements *(continued)*

22. Share-based payments (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are presented below:

	2008		2007	
	Weighted average exercise prices	**Options**	Weighted average exercise price	Options
	pence/share	**Quantity**	pence/share	quantity
At beginning of the period	**67.84**	**8,960,905**	78.24	16,417,659
Granted	**-**	**-**	-	-
Transfer within Cable & Wireless group companies	**183.26**	**1,037,852**	113.08	(1,014,132)
Forfeited	**207.87**	**(869,291)**	112.71	(1,314,621)
Exercised	**49.20**	**(4,443,267)**	73.58	(4,228,109)
Expired	**320.00**	**(46,372)**	112.38	(899,892)
At end of period	**82.75**	**4,639,827**	67.84	8,960,905
Exercisable	**70.00**	**882,291**	175.20	116,987

Share options outstanding at the end of the year have the following exercise prices:

	2008			2007		
Range of exercise prices (pence)	**Number of options outstanding at 31 March 2008**	**Weighted average exercise price**	**Weighted average remaining life (rounded to nearest year) (i)**	Number of options outstanding at 31 March 2007	Weighted average exercise price	Weighted average remaining life (rounded to nearest year) (i)
	quantity	**pence/share**	**years**	Quantity	pence/share	years
0-49	**1,343,300**	**36.96**	**2**	4,997,977	36.96	2
50-99	**1,182,379**	**89.00**	**1**	1,261,109	89.00	2
100-149	**2,080,612**	**106.04**	**4**	2,488,622	106.65	4
150-199	**16,571**	**158.36**	**2**	160,236	158.36	1
200-249		**-**	**-**	-	-	-
250-299	**10,599**	**274.64**	**1**	36,980	274.64	1
300-349		**-**	**-**	-	-	-
350-399	**4,824**	**357.92**	**1**	6,010	357.92	2
400-599	**-**	**-**	**-**	-	-	-
600-799	**1,542**	**761.76**	**0**	8,540	706.68	1
800-999	**-**	**-**	**-**	1,431	985.92	1

(i) Weighted average remaining life relates to legal life of options not expected life.

In both the current and previous period no share options were granted

Notes to the financial statements *(continued)*

22. Share-based payments (continued)

Other awards

Awards granted during 2007/08

	Shares	Weighted average fair value	Features incorporated in schemes
Award			
DSTIP	-	-	-
RSP	1,501,334	187.78	-
PSP	-	-	-
SPP scheme (matching shares)	1,029,569	184.48	-
UK share award	-	-	-

Awards granted during 2006/07

	Shares	Weighted average fair value	Features incorporated in schemes
Award			
DSTIP	-	-	-
RSP	4,660,797	121.63	-
PSP	-	-	-
UK share award	4,005,877	111.54	-

No share-based payment arrangements were modified during the year. The total expense relating to share-based payments, which are all equity settled transactions, was £5,197,577 (2007: £6,253,791).

As the Company has taken advantage of the transitional provisions of FRS 20, the charge only includes grants made after 7 November 2002 that had not vested by 1 April 2005.

23. Ultimate parent company and controlling party

The Company's immediate parent company is Cable & Wireless UK Holdings 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 company and controlling party.

The smallest and largest group in which the results of the Company are consolidated is that of Cable and Wireless plc, the parent company. The consolidated financial statements of Cable and Wireless plc may be obtained from the Secretary, Cable and Wireless plc, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ.

24. Post balance sheet events

On the 30 April 2008 the Company was assigned the residual balance upon the voluntary liquidation of Cable & Wireless Communications (Enterprises) Limited. The Company received an assigned inter company debtor of £34.1m on finalisation of the liquidation on that date.

On the 23 May 2008 the Company purchased the shareholding of Cable & Wireless Access Limited from Cable & Wireless UK Holdings for £1. Cable & Wireless Access Limited then transferred the trade and net assets (excluding the loan due to group undertakings) to the Company at net book value of these net assets on 31 May 2008.

Notes to the financial statements *(continued)*

24. Post balance sheet events *(continued)*

On the 30 June 2008 the Company acquired a new wholly owned subsidiary, Cable and Wireless Holdco Limited, with the sole intention of the purchase of Thus PLC. The Company agreed an initial loan to the subsidiary being the amount required to help facilitate this purchase. On the 1 October 2008 the subsidiary announced that it expected the outstanding conditions in respect of the purchase to be satisfied or waived and declared the offer to Thus PLC shareholders unconditional.

On the 3 September 2008 Cable and Wireless plc announced that the pension trustee of its main UK defined benefit scheme has agreed with Prudential UK a 'buy in' of the pensioner element of the fund.