

Company Registration No. 1541957



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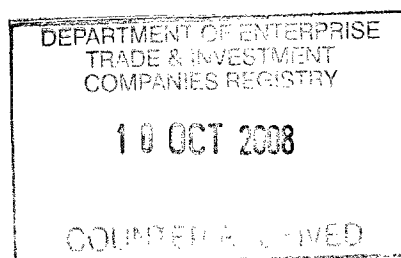
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[Signature]
~~Director~~ / Secretary

Cable & Wireless UK

Report and Financial Statements

31 March 2004



Registered Office
Lakeside House
Cain Road
Bracknell
RG12 1XL

To the Company's Ordinary Shareholders

Elective Regime

On 1 February 1991 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);
- 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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Directors' Report

The Directors present their annual report and the audited accounts for the year ended 31 March 2004.

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

The Company made a loss for the year of £138.5m (2003: loss of £1,821.1m).

The Directors do not recommend payment of a dividend (2003: £nil).

The UK telecommunications market is mature with a considerable number of competitors, significant network capacity and competitive pricing. In the United Kingdom, Cable & Wireless is the largest fixed line telecommunications services provider after BT. The UK business provides a full range of services to businesses, from international and domestic voice, data and IP services to complex web hosting solutions and professional services.

Significant progress has been made in transforming the UK business with the exit or sale of 34 properties, the insourcing of some IT activities and an overall reduction in average headcount of 1,784, net of recruitment activities to enhance the skill mix of the business. With the cash position of the business stabilised and the asset base realigned, future capital expenditure will be focused on the delivery of new capabilities and system improvements.

On 31 March 2004 the Company's parent, Caxton Holdings Limited, subscribed for a further 700 million Ordinary shares of £1 each in the Company for consideration of £700m.

As part of a Group-wide impairment review carried out at 31 March 2004 a further impairment of Cable & Wireless UK's fixed assets of £183.2m million has been recorded. This is based on an assessment of the carrying values of the fixed assets of the company as compared to their recoverable amounts.

On 8 December 2003, Cable & Wireless' former US business filed for Chapter 11 bankruptcy protection under the US Bankruptcy Code. As a result, trade debts of \$117m owed to Cable & Wireless UK by Cable & Wireless USA, Inc. were provided for as exceptional costs. On 23 October 2004 outstanding balances due to Cable & Wireless USA, Inc. were waived resulting in an exceptional credit to the profit and loss account of £12.6m. This has been adjusted for as a post balance sheet event in these financial statements.

Directors and their Interests

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

R Drolet	resigned 6 July 2003
J D Fitz	resigned 27 May 2003
R E Lerwill	resigned 5 June 2003
G H Norton	appointed 1 July 2003, resigned 16 September 2004
R Hoggarth	appointed 14 July 2003, resigned 15 December 2004
L Solomon	appointed 16 September 2004
AS Garard	appointed 17 December 2004

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 year or entered into since the end of the previous financial year. The Directors who held office at the end of the financial year had the following beneficial interests in the shares of Cable and Wireless plc:

Directors' Report (continued)

	At 1 April 2003 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 2004
R Hoggarth	-	100,000	-	100,000
	-	8,576	-	8,576 (a)
	-	930,438	-	930,438 (b)
	-	100,000	-	100,000 (c)
G H Norton	10,452	886	-	11,338
	-	10,393	-	10,393 (a)
	150,000	-	-	150,000 (b)

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, or (c) which are restricted shares which will vest on 14 July 2006.

Employees

The Company has developed employment policies that meet local conditions and requirements. They are based on best traditions and practices in the United Kingdom. The Company continues to give particular attention to the employment of disabled people. Applicants who are disabled and those who become disabled during employment are offered the widest range of training and opportunities appropriate to their skills.

As a company within a global telecommunications group, great emphasis is placed on effective employee communications and direct 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.

Payment to suppliers

The Company agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide 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. The Company seeks to treat all suppliers fairly and has a standard which deals specifically with the payment of suppliers.

By order of the Board:



H M HANSCOMB
Secretary

Date: 22/6/05

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Cable & Wireless UK

We have audited the financial statements on pages 5 to 19.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

K. Paul Harris

27 June 2005

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account*For the year ended 31 March 2004*

	<i>Note</i>	2004 £m	2003 £m
Turnover	2	2,181.0	2,159.7
Cost of sales		(1,521.2)	(1,723.0)
Gross profit		659.8	436.7
Staff costs	4	(236.5)	(292.0)
Other operating expenses		(334.7)	(238.9)
Exceptional operating costs	5	(136.5)	(147.1)
Depreciation before exceptional charge	3	(62.0)	(397.4)
Exceptional depreciation	3 & 5	(183.2)	(1,130.8)
		(245.2)	(1,528.2)
Operating loss		(293.1)	(1,769.5)
Loss on sale of fixed assets	3	(1.1)	(1.1)
Exceptional write down of investments	5	(12.5)	(44.1)
Interest receivable and other similar income	6	143.7	-
Interest payable and similar charges	7	(18.8)	(75.7)
Loss on ordinary activities before taxation	3	(181.8)	(1,890.4)
Taxation	8	43.3	69.3
Retained loss for the year		(138.5)	(1,821.1)

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 retained loss for the periods stated above and their historical cost equivalents.

Reconciliation of movements in shareholder's funds*For the year ended 31 March 2004*

	2004 £m	2003 £m
Opening balance	(511.8)	109.3
Loss for the year	(138.5)	(1,821.1)
New share capital subscribed	700.0	1,200.0
Closing balance	49.7	(511.8)

Statement of total recognised gains and losses*For the year ended 31 March 2004*

	<i>Note</i>	2004 £m	2003 £m
Loss for the year		(138.5)	(1,821.1)
Prior year adjustment – change in accounting policy for capacity sales	2	-	(16.0)
Total losses recognised since last annual report		<u>(138.5)</u>	<u>(1,837.1)</u>

Balance Sheet
At 31 March 2004

	<i>Note</i>	2004 £m	2003 £m
Fixed assets			
Intangible assets	9	1.1	1.3
Tangible assets	10	276.1	431.1
Investments	11	19.9	11.4
		<u>297.1</u>	<u>443.8</u>
Current assets			
Stocks	12	8.4	9.0
Debtors – due within one year	13	773.3	919.8
Debtors – due after more than one year	13	8.8	7.2
Cash at bank and in hand		6.3	9.3
		<u>796.8</u>	<u>945.3</u>
Creditors: amounts falling due within one year	14	<u>(922.6)</u>	<u>(1824.9)</u>
Net current liabilities		(125.8)	(879.6)
Total assets less current liabilities		<u>171.3</u>	<u>(435.8)</u>
Creditors: amounts falling due after more than one year	14	(0.6)	(0.9)
Provisions for liabilities and charges	15	<u>(121.0)</u>	<u>(75.1)</u>
Net assets/(liabilities)		<u><u>49.7</u></u>	<u><u>(511.8)</u></u>
Capital and reserves			
Called up equity share capital	17	3,032.9	2,332.9
Share premium account	18	0.8	0.8
Profit and loss account	18	(2,984.0)	(2,845.5)
		<u>49.7</u>	<u>(511.8)</u>
Shareholder's funds		<u><u>49.7</u></u>	<u><u>(511.8)</u></u>

These accounts were approved by the Board of Directors on 22 JUNE
behalf by:

2005 and signed on its



L SOLOMON
Director

The accompanying notes form an integral part of these statements.

Notes to the financial statements

Year ended 31 March 2004

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

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

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.

Revenue recognition

Interconnection with other operators

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.

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.

Capacity sales

Sales of network capacity to third parties pursuant to IRUs are accounted for as sales and recognised at the time of delivery and acceptance where:

- the purchaser's right of use is exclusive and irrevocable;
- the asset is specific and separable;
- the term of the contract is for the major part of the asset's useful economic life;
- the attributable cost of carrying value can be measured reliably; and
- no significant risks are retained by the Company.

Capacity sales are made out of network capacity and infrastructure held for resale (stock). Transfers are made from fixed assets to stock at cost on completion of construction based on an estimate of what will be sold to third parties under IRU contracts (which typically form part of the original investment criteria). The cost of construction is apportioned on a pro rata basis between stock and fixed assets. Income relating to operations and maintenance contracts is spread over the period of the contract.

Revenues or gains in respect of contracts involving the provision of capacity in exchange for receiving capacity, or other services, are not recognised on the basis that the capacity does not have a readily ascertainable market value as defined in accounting standards.

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

Notes to the financial statements (continued)
Year ended 31 March 2004

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date, except as otherwise required by FRS19. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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.

Intangible fixed assets

Intangible fixed assets are recorded at cost and amortised on a straight line basis over their estimated useful lives over a period of 5 years. Intangible fixed assets comprise goodwill arising on the acquisition of a business.

Tangible fixed assets

Tangible fixed assets are recorded at cost, which includes materials, direct labour and other incremental costs applicable to the design, construction and connection of the telecommunications networks and equipment.

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

Communications network plant and equipment:

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

Non-network plant and equipment	3 to 10 years
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Freehold land, where the cost is distinguishable from the cost of the building thereon, is not depreciated.

Pensions

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

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. 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 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

Notes to the financial statements (continued)

Year ended 31 March 2004

1. Accounting policies (continued)

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

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

Asset impairment

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.

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.

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 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.

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, over 99% of turnover was generated by operations in the United Kingdom.

Turnover for the year ended 31 March 2003 was adjusted to reflect the introduction of UITF Abstract 36, 'Contracts for sales of capacity'. The Company first adopted UITF Abstract 36 for the year ended 31 March 2003. The requirements of UITF Abstract 36 have been incorporated into a revised accounting policy for capacity sales. Accordingly the amounts for the prior period have been adjusted to comply with this accounting policy. The cumulative effect of adopting UITF Abstract 36 was to increase net liabilities by £16.0m for the year ended 31 March 2003.

Notes to the financial statements (continued)
Year ended 31 March 2004

3. Loss on ordinary activities before taxation

	2004	2003
	£m	£m
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit	0.4	0.4
Depreciation of tangible assets	62.0	397.4
Exceptional depreciation	183.2	1,130.8
Loss on sale of fixed assets	1.1	1.1
Hire of other assets – land and buildings	39.3	22.8
Hire of plant and machinery	41.9	58.2

4. Information regarding Directors and employees

No Director received any remuneration during the year (2003: £nil).

The aggregate remuneration and associated costs of employees were:	2004	2003
	£m	£m
Salaries and wages	196.3	244.0
Social security costs	19.8	21.6
Pension costs	20.4	26.4
	<u>236.5</u>	<u>292.0</u>
	2004	2003
The average monthly number of persons employed during the year was:	<u>4,301</u>	<u>6,085</u>

5. Exceptional items

	2004	2003
	£m	£m
Operating items		
Provision for irrecoverable debtor balances (i)	(3.5)	(82.1)
Redundancy and restructuring (ii)	(145.6)	(65.0)
Write off of creditor balance (v)	12.6	-
	<u>(136.5)</u>	<u>(147.1)</u>
Fixed asset impairment charge (iii)	<u>(183.2)</u>	<u>(1,130.8)</u>
	<u>(319.7)</u>	<u>(1,277.9)</u>
Non-operating items		
Write-down of investments (iv)	<u>(12.5)</u>	<u>(44.1)</u>

- (i) Following the restructuring and reorganisation of parts of the Cable & Wireless Group's activities, balances due from certain fellow subsidiaries may not be recoverable. A bad debt provision was raised during the year of £3.5m (2003: £82.1m). Included in the total provision, was a debt of \$117m that was waived on 23 October 2004, as part of full and final settlement of all balances between the Company and Cable & Wireless USA, Inc.
- (ii) On 13 November 2002 Cable and Wireless plc announced a restructuring of its former Global division, including the UK. Exceptional costs in the period of £145.6m (2003 - £65.0m) relating to this restructuring include £88.3m (2003 - £21.0m) in respect of property costs, £48.5m (2003 - £24.2m) in respect of redundancy costs and £8.8m (2003 - £19.8m) of other costs.

Notes to the financial statements (continued)
Year ended 31 March 2004

5. Exceptional items (continued)

- (iii) Following an impairment review of the company's fixed assets as at 31 March 2004, the fixed assets of the Company were written down by £183.2m (2003:£1,130.8m). The charge has been determined in accordance with FRS 11 'Impairment of fixed assets and goodwill'.
- (iv) The Company has carried out a review to determine whether there has been an impairment in the carrying values of its fixed asset investments. This has resulted in a write-down of £12.5m (2003: £44.1m) to reflect identified impairments.
- (v) A balance of £12.6m due to Cable & Wireless USA, Inc. was waived on 23 October 2004 as part of full and final settlement of all balances between the two Companies.

6. Interest receivable and other similar income

	2004 £m	2003 £m
Interest receivable from third parties	0.3	-
Dividends received	143.4	-
	<u>143.7</u>	<u>-</u>

7. Interest payable and other similar charges

	2004 £m	2003 £m
Interest payable to fellow group undertakings	<u>(18.8)</u>	<u>(75.7)</u>

Notes to the financial statements (continued)
Year ended 31 March 2004

8. Taxation

Analysis of (charge) / credit for the period	2004 £m	2003 £m
<i>Corporation tax</i>		
Adjustments in respect of previous periods	(12.2)	(28.7)
Current tax on loss for the year in respect of Group relief	55.5	98.0
	<u>43.3</u>	<u>69.3</u>

The current tax credit is lower (2003: lower) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £m	2003 £m
<i>Current tax reconciliation:</i>		
Loss on ordinary activities	<u>(181.8)</u>	<u>(1,890.4)</u>
Current tax credit at 30% (2003: 30%)	54.5	567.1
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(34.2)	(63.1)
Depreciation for year in excess of capital allowances	-	(410.8)
Capital allowances in excess of depreciation for year	51.5	-
Other timing differences	(16.3)	-
Prior period UITF 36 adjustments to be tax effected in current period	-	4.8
Adjustments to tax credit in respect of previous periods	(12.2)	(28.7)
	<u>43.3</u>	<u>69.3</u>

Factors that may affect future tax charges

Deferred tax assets of £490.8m (2003: £491.2m) on timing differences resulting from depreciation in excess of capital allowances and £29.7m (2003: £18.9m) in respect of other timing differences, have not been recognised, as these are not considered recoverable in the foreseeable future.

9. Intangible fixed assets

	Goodwill £m
Cost	
At 1 April 2003 and 31 March 2004	<u>1.3</u>
Depreciation	
At 1 April 2003	-
Charge for year	<u>0.2</u>
At 31 March 2004	<u>0.2</u>
Net book value	
At 31 March 2004	<u>1.1</u>
At 31 March 2003	<u>1.3</u>

Notes to the financial statements (continued)
Year ended 31 March 2004

9. Intangible fixed assets (continued)

The 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 arising is being amortised over 5 years. 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.

10. Tangible assets

	Land and Buildings £m	Network cable, plant and equipment £m	Non- network plant and equipment £m	Cables and repeaters £m	Total £m
Cost					
At 1 April 2003	265.4	5,102.6	452.3	180.1	6,000.4
Additions	0.1	99.0	1.8	-	100.9
Transfers	1.5	(19.2)	17.7	-	-
Disposals	(4.0)	(18.6)	(0.4)	(10.0)	(33.0)
At 31 March 2004	<u>263.0</u>	<u>5,163.8</u>	<u>471.4</u>	<u>170.1</u>	<u>6,068.3</u>
Depreciation					
At 1 April 2003	154.4	4,782.5	452.3	180.1	5,569.3
Charge for the year	9.5	43.1	9.4	-	62.0
Impairment charge	14.1	169.1	-	-	183.2
Disposals	(4.0)	(7.9)	(0.4)	(10.0)	(22.3)
At 31 March 2004	<u>174.0</u>	<u>4,986.8</u>	<u>461.3</u>	<u>170.1</u>	<u>5,792.2</u>
Net book value					
At 31 March 2004	<u>89.0</u>	<u>177.0</u>	<u>10.1</u>	<u>-</u>	<u>276.1</u>
At 31 March 2003	<u>111.0</u>	<u>320.1</u>	<u>-</u>	<u>-</u>	<u>431.1</u>

Network cable, plant and equipment cost includes £40.3m (2003: £85.1m) in respect of assets not yet in service and consequently upon which depreciation has not yet been charged. Freehold land amounting to £218,000 (2003: £218,000) is not depreciated.

	2004 £m	2003 £m
The net book value of land and buildings comprised:		
Freehold	39.5	40.8
Short leasehold	49.0	69.6
Long leasehold	0.5	0.6
	<u>89.0</u>	<u>111.0</u>

Notes to the financial statements (continued)
Year ended 31 March 2004

11. Fixed asset investments

	Subsidiary undertakings £m
Cost	
At 1 April 2003	83.3
Additions	21.0
At 31 March 2004	<u>104.3</u>
Amounts written off	
At 1 April 2003	(71.9)
Amounts written off in the year	(12.5)
At 31 March 2004	<u>(84.4)</u>
Net book value	
At 31 March 2004	<u>19.9</u>
At 31 March 2003	<u>11.4</u>

The Company has carried out a review to determine whether there has been an impairment in the carrying values of its fixed asset investments. This has resulted in a write-down of £12.5m (2003: £44.1m) to reflect identified impairments.

The additions comprise £11.3m paid for 100% of the share capital of Cable & Wireless Alpha Limited and £9.7m paid for the remaining 49.9% of the share capital of Cable and Wireless Cable Systems Limited

Principal subsidiary undertakings

Details of principal operating subsidiary undertakings are given below:

Subsidiary undertaking	Class	Ownership %	Principal activities
Cable & Wireless Communications Data Network Services Limited	Ordinary	100	Managed data network services
Cable & Wireless Ireland Holdings Limited	Ordinary	100	Telecommunications provider
Cable & Wireless (Allnet) Limited	Ordinary	100	Telecommunications provider
Cable & Wireless Alpha Limited	Ordinary	100	Telecommunications provider
Cable and Wireless Cable Systems Limited	Ordinary	100	Telecommunications provider

Notes to the financial statements (continued)
Year ended 31 March 2004

12. Stocks

	2004 £m	2003 £m
Finished goods		
Network equipment and items for resale	<u>8.4</u>	<u>9.0</u>

13. Debtors

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade debtors	372.2	694.8
Amounts owed by fellow group undertakings	359.2	116.5
Other debtors	0.4	4.6
Prepayments	41.5	103.9
	<u>773.3</u>	<u>919.8</u>
Amounts falling due after more than one year:		
Other debtors	8.8	7.2
Total debtors	<u><u>782.1</u></u>	<u><u>927.0</u></u>

14. Creditors

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade creditors	362.2	658.6
Net obligations under finance leases	1.9	0.3
Amounts owed to fellow group undertakings	275.0	811.9
Other creditors	5.5	9.7
Accruals and deferred income	278.0	344.4
	<u>922.6</u>	<u>1,824.9</u>
Amounts falling due after more than one year:		
Net obligations under finance leases	<u>0.6</u>	<u>0.9</u>
The net finance lease obligations due after more than one year are repayable as follows:		
Between one and two years	0.6	0.7
Between two and five years	-	0.2
	<u><u>0.6</u></u>	<u><u>0.9</u></u>

Notes to the financial statements (continued)
Year ended 31 March 2004

15. Provisions for liabilities and charges

		At 1 April 2003	Additions / (releases)	Utilised	At 31 March 2004
	Note	£m	£m	£m	£m
Redundancy	(i)	11.0	48.2	(54.3)	4.9
Property	(ii)	34.6	87.7	(28.3)	94.0
Network	(iii)	29.5	-	(7.4)	22.1
		<u>75.1</u>	<u>135.9</u>	<u>(90.0)</u>	<u>121.0</u>

(i) Redundancy

The provision for the cost of redundancies announced during the year is expected to be utilised within six months.

(ii) Property

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

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.

16. Acquisitions

(i) In November 2003, Cable & Wireless UK acquired at fair value the assets and liabilities of Digital Island (UK) Limited, a fellow subsidiary of Cable and Wireless plc, as follows:

	Book and Fair value £m
Prepayments	2.2
Accruals and deferred income	(1.2)
Net assets acquired	<u>1.0</u>

(ii) On 1 April 2003, Cable & Wireless UK acquired at fair value the assets and liabilities of Cable & Wireless Communications Voice Messaging Limited, a subsidiary of Cable & Wireless UK, as follows:

	Book and Fair value £m
Trade debtors	0.1
Accruals and deferred income	(0.1)
Net assets acquired	<u>0.0</u>

(iii) On 1 April 2003, Cable & Wireless UK acquired at nil value the fixed assets of Cable & Wireless Communications Data Network Services Limited, a subsidiary of Cable & Wireless UK.

Notes to the financial statements (continued)
Year ended 31 March 2004

17. Share capital

	2004 £m	2003 £m
Authorised:		
3,949,680,250 ordinary shares of £1 each	3,949.7	3,949.7
849,319,750 non-voting fixed rate irredeemable preference shares of £1 each	849.3	849.3
500,000 voting non-cumulative redeemable fixed rate preference shares of £1 each	0.5	0.5
500,000 non-voting redeemable participating shares of £1 each	0.5	0.5
	<u>4,800.0</u>	<u>4,800.0</u>
Allotted, called up and fully paid:		
Equity interests:		
3,032,942,458 (2003: 2,332,942,458) ordinary shares of £1 each	3,032.9	2,332.9
	<u>3,032.9</u>	<u>2,332.9</u>

On 31 March 2004 the Company's parent, Caxton Holdings Limited, subscribed for a further 700 million Ordinary shares of £1 each in the Company for consideration of £700m.

18. Reserves

	Profit and loss account £m	Share premium account £m
At 1 April 2003		
Retained loss for the year	(2,845.5)	0.8
	(138.5)	-
At 31 March 2004	<u>(2,984.0)</u>	<u>0.8</u>

Notes to the financial statements (continued)
Year ended 31 March 2004

19. Operating lease commitments

At 31 March 2004 the Company was committed to making the following payments during the next year in respect of operating leases:

	2004		2003	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Leases which expire:				
Within one year	5.3	7.7	6.4	8.8
Between one and five years	8.2	13.9	4.3	14.3
After five years	24.6	6.2	30.6	9.4
	<u>38.1</u>	<u>27.8</u>	<u>41.3</u>	<u>32.5</u>

20. Commitments

Capital commitments at the year end amounted to £19.9m (2003: £61.6m).

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 human resources and 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.

21. Related party transactions

Under FRS 8 'Related Party Disclosures', 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.

22. Pension scheme

The Company operates for its employees a number of defined contribution schemes. The Company is also a member of a pension scheme operated by the Group and providing benefits based on final pensionable pay. Particulars of the actuarial valuations of the group schemes are contained in the accounts of Cable and Wireless plc.

The pension cost charged for the year represents contributions payable by the Company to the above schemes. During the year these contributions amounted to £20.4m (2003: £26.4m). No amounts were outstanding at the end of the financial year in respect of this charge.

23. Ultimate parent company and controlling undertaking

The Directors regard Cable and Wireless plc, a company registered in England and Wales, as the ultimate parent company and controlling undertaking. The largest group in which the results of the Company are consolidated is that of which Cable and Wireless plc is the parent company. The consolidated financial statements of Cable and Wireless plc may be obtained from the Secretary, 7th Floor, The Point, Paddington Basin, 37 North Wharf Road, London W2 1LA. No other group accounts include the results of the Company.