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ACCEPTED FOR PROCESSING - 2019 December 17 10:26 AM - SCPSC - 1998-166-C - Page 1 of 99

NEXSEN PRUET JACOBS & POLLARD, LLP
ATTORNEYS AND COUNSELORS AT LAW

S. C. PUBLIC SERVICE COMMISSION

MAR 31 1998

RECEIVED

DIRECT DIAL
803-253-8211
rdc@npj.com

ROBERT D. COBLE
PARTNER

March 31, 1998

hand delivered

Reply to Columbia

Mr. Charles W. Ballentine
Executive Director
South Carolina Public Service Commission
111 Doctor's Circle
Columbia, South Carolina 29203

DN 98-166-C

Re: **Application of Cable Wireless Global Cards Services, Inc. for a Certificate to Operate as a Reseller of Interexchange Telecommunications Services and for Approval of Its Initial Tariff**

Dear Mr. Ballentine:

I am enclosing for filing in the above matter an original and ten (10) copies of an Application with attachments. Please verify receipt of the Application by returning a clocked-in copy of this letter to me via my office courier.

Thank you for your assistance in this matter.

Very truly yours,

Robert D. Coble

Robert D. Coble

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
APR 01 1998
RECEIVED
UTILITIES DEPARTMENT

RDC/lwb
Enclosure

cc: Mr. Alan Stiffler

DN 98-166-C

POSTED
3/4/98

Before the
PUBLIC SERVICE COMMISSION
OF THE STATE OF SOUTH CAROLINA

ACCEPTED
Legal *[Signature]* 3/31/98

Application of)
)
Cable & Wireless Global Card Services, Inc.)
)
For a Certificate to Operate as a Reseller of)
Interexchange Telecommunications Services)
And for Approval of Its Initial Tariff)

S. C. PUBLIC SERVICE COMMISSION
MAR 31 1998
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APPLICATION OF
CABLE & WIRELESS GLOBAL CARDS SERVICES, INC.

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
APR 01 1998
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UTILITIES DEPARTMENT

Cable & Wireless Global Card Services, Inc. ("C & W Card Services" or

"Applicant"), by its undersigned attorneys, hereby applies to the Public Service Commission of the State of South Carolina ("Commission") for a Certificate of Authority to provide intrastate telecommunications services to the public within South Carolina through the resale of similar services offered by other certificated interexchange carriers ("IXCs") in the state. Applicant further requests that the Commission approve its initial proposed tariff effective as of the date of the order granting authority. In support thereof, Applicant provides the following information as well as a proposed tariff:

I. The Applicant

1. Applicant is a Delaware corporation that is headquartered at 1275 Pennsylvania Avenue, N.W., Washington, D.C. 20004. C & W Card Services is a wholly owned subsidiary of Cable & Wireless Global Business Services SA and an indirect wholly-owned subsidiary Cable & Wireless plc, a publicly traded company organized under the laws of England and Wales. A copy of the Applicant's Articles of Incorporation is attached hereto as *Exhibit A*.

2. Applicant is qualified to transact business within the state of South Carolina as a foreign corporation. A copy of the qualifying document will be late-filed as *Exhibit B* hereto.

II. Designated Contacts

3. Correspondence or communications pertaining to this application should be directed to Applicant's attorneys of record:

Robert D. Coble
Nexsen, Pruet, Jacobs & Pollard LLP
1441 Main Street
Suite 1500
Columbia, SC 29202
(803) 771-8900 (Telephone)
(803) 253-8277 (Facsimile)

Danny A. Adams
Andrea D. Pruitt
Kelley Drye & Warren LLP
1200 19th Street, N.W.
Suite 500
Washington, DC 20036
(202) 955-9600 (Telephone)
(202) 955-9792 (Facsimile)

4. Questions concerning the ongoing operations of C & W Card Services following certification should be directed to:

Alan Stiffler
Vice President, North America
Cable & Wireless Global Business Services, Inc.
1919 Gallows Road
Vienna, Virginia 22182
(703) 734-7511

III. Description of Authority Requested

5. C & W Card Services seeks authority to operate as a reseller of interLATA and intraLATA intrastate telecommunications services to the public on a statewide basis. Initially, C & W Card Services seeks to offer interexchange service through methods commonly known as prepaid telephone or debit card and postpaid telephone or travel card. Applicant, however, requests general authority to provide a full range of 1+ interexchange services including, inter alia, MTS, WATS, calling card, prepaid calling card and toll free service products.

6. All of C & W Card Services services will be provided pursuant to the terms and conditions set forth its proposed intrastate services tariff, which is attached hereto as *Exhibit C*.

7. C & W Card Services has no plans at this time to construct any telecommunications facilities of its own in South Carolina and seeks no construction authority by means of this Application. C & W Card Services will offer service to its subscribers using the communications networks of IXCs and local exchange companies authorized in South Carolina to provide facilities-based telecommunications service.

8. C & W Card Services will abide by all rules governing telecommunications resellers which the Commission has promulgated or may promulgate in the future, unless application of such rules is specifically waived by the Commission.

IV. Description and Fitness of the Applicant

9. C & W Card Services has the financial, managerial and technical ability necessary for the provision of intrastate services in the State of South Carolina. Applicant's parent company, Cable & Wireless plc, has been involved in the telecommunications industry for over 120 years. Cable and Wireless plc subsidiaries and affiliates operate in over 70 countries worldwide. Moreover, C & W Card Services senior management team has a wealth of experience in the telecommunications industry. Biographies of C & W Card Services' senior management team are attached hereto as *Exhibit D*.

10. C & W Card Services is financially qualified to provide resold telecommunications services within the State. As a wholly owned subsidiary of Cable and Wireless plc, C & W Card Services has access to the financing and capital necessary to provide the proposed services. Attached hereto as *Exhibit E* is the most recent Securities and Exchange Commission ("SEC") Form 20-F of Cable and Wireless plc, the Applicant's parent company. As this Exhibit demonstrates, Cable & Wireless plc is a robust and healthy company, possessing sufficient resources to ensure C & W Card Services' continued operations throughout the United States, including South Carolina.

V. Public Interest Consideration

11. C & W Card Services' entry into the South Carolina marketplace is in the public interest because C & W Card Services intends to offer an attractive service to South Carolina consumers at reasonable rates.

12. In addition to the direct benefits delivered to the public by its services, C & W Card Services' entry into the interexchange marketplace will benefit the public indirectly by increasing competition, spurring lower costs and improving services in response to consumer demand.

13. Prepaid telephone cards offer consumers a wealth of calling options. The travelling public is often faced with high rates and surcharges when using communications services. Because prepaid calling cards may be purchased in specific denominations, consumers will have a greater degree of predictability for telephone expenses than that provided by standard calling cards or other forms of payment.

14. Prepaid telephone cards also provide consumers with additional convenience by allowing them to make telephone calls from any location. Callers do not need to find a specific location which would accept their preferred method of payment. Nor do callers need to ensure that they have proper change to make a call from a payphone.

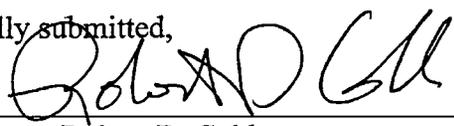
VI. Requested Regulatory Treatment

15. C & W Card Services will be a non-dominant reseller of interexchange telecommunications. C & W Card Services therefore requests to be regulated by the Commission in the same relaxed fashion extended to other similarly situated non-dominant resellers.

WHEREFORE, Cable & Wireless Global Card Services, Inc. respectfully requests that the Commission grant it authority to transact the business of a reseller of interexchange telecommunications services within the State of South Carolina, that the Commission regulate it in a streamlined fashion and that the Commission approve its initial tariff effective on the date of the order granting authority.

Respectfully submitted,

By:



Robert D. Coble
Nexsen, Pruet, Jacobs & Pollard LLP
1441 Main Street
Suite 1500
Columbia, SC 29202

Danny A. Adams
Andrea D. Pruitt
Kelley Drye & Warren LLP
1200 19th Street, N.W.
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Washington, DC 20036

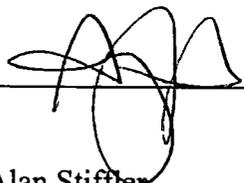
Of Counsel

Its Attorneys

Dated: March 24, 1998

VERIFICATION

I am authorized to represent Cable & Wireless Global Card Services, Inc. and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

By: 

Name: Alan Stiffler

Title: Vice President, North America
Global Business Services

Date: 3/26/98

County of Fairfax, Commonwealth of Virginia
Sworn and subscribed to
before me this 26th
day of March, 1998.

Cynthia M. Rodcliff
Notary Public

My Commission expires: My Commission Expires March 31, 2000



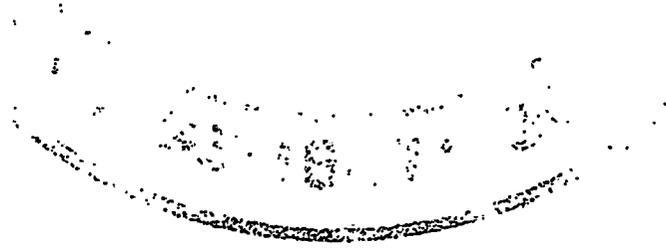
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EXHIBIT A
ARTICLES OF INCORPORATION

State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "CABLE & WIRELESS GLOBAL CARD SERVICES, INC.", FILED IN THIS OFFICE ON THE EIGHTEENTH DAY OF FEBRUARY, A.D. 1998, AT 9 O'CLOCK A.M.



Edward J. Freel

Edward J. Freel, Secretary of State

2853437 8100

981063621

AUTHENTICATION: 8928258

DATE: 02-19-98

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 02/18/1998
981063621 - 2853437

CERTIFICATE OF INCORPORATION

OF

CABLE & WIRELESS GLOBAL CARD SERVICES, INC.

The undersigned incorporator, for the purpose of incorporating or organizing a corporation under the General Corporation Law of the State of Delaware, certifies:

FIRST: The name of the corporation is Cable & Wireless Global Card Services, Inc. (the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Delaware is United Corporate Services, Inc., 15 East North Street, Kent County, Dover, Delaware 19901. The name of its registered agent at such address is United Corporate Services, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is One Thousand Five Hundred (1,500) shares of Common Stock, and the par value of each such share is One Cent (\$0.01).

FIFTH: The name and mailing address of the incorporator is Marcello Hallake, Esq., Morgan, Lewis & Bockius, 101 Park Avenue, New York, New York 10178.

SIXTH: Elections of directors need not be by ballot unless the By-Laws of the Corporation shall so provide.

SEVENTH: The Board of Directors of the Corporation may make By-Laws and from time to time may alter, amend or repeal By-Laws.

EIGHTH: No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i)

for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

NINTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

18th IN WITNESS WHEREOF, I have signed this Certificate this day of February , 1998.



Marcello Halliaka

EXHIBIT B
STATE QUALIFICATION DOCUMENTS
(TO BE LATE-FILED)

EXHIBIT C
TARIFF

RESOLD TELECOMMUNICATIONS SERVICES

This tariff applies to the service offerings, rates, terms and conditions applicable to the furnishing of intrastate telecommunications services of Cable & Wireless Global Card Services, Inc. ("Cable & Wireless", "CWGCS" or "Company") between one or more points in the State of South Carolina. This tariff is on file with the South Carolina Public Service Commission, and copies may be inspected during normal business hours, at Carrier's place of business, 1275 Pennsylvania Avenue, N.W., Washington, D.C. 20004.

Issued:

Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

Effective:

Check Sheet

The pages of this Tariff are effective as of the date shown at the bottom of each page. Original and revised pages as named below contain all changes from the original Tariff that are in effect on the date hereof.

<u>Page</u>	<u>Number of Revision</u>
Title	Original
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original

*Pages submitted with this filing.

Issued:

Effective:

Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

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Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

CONCURRING CARRIERS

None

CONNECTING CARRIERS

None

PARTICIPATING CARRIERS

None

EXPLANATION OF SYMBOLS

When changes are made on any Tariff page, a revised page will be issued canceling the Tariff page affected; such changes will be identified through use of the following symbols:

- (C) to signify changed regulation
- (D) to signify discontinued rate or regulation
- (I) to signify increased rates
- (M) to signify matter relocated without change
- (N) to signify new rate or regulation
- (R) to signify reduced rates
- (S) to signify reissued material
- (T) to signify a change in text but no change in rate or regulation
- (Z) to signify a correction

ABBREVIATIONS

CWGCS - Cable & Wireless Global Card Services, Inc.
POP - Point-of-Presence

Issued:

Effective:

Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

TARIFF FORMAT

- A. Page Numbering - Page numbers appear in the upper-right corner of the page. Pages are numbered sequentially, however, new pages are occasionally added to the Tariff. When a new page is added between pages already in effect, a decimal point is added. For example, a new page is added between pages 14 and 15 would be 14.1.
- B. Page Revision Numbers - Revision numbers also appear in the upper-right corner of the page. These numbers are used to determine the most current page number on file with the Commission. For example, the fourth revised Page 14 cancels the third revised Page 14.
- C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level of coding.
 - 2.
 - 2.1
 - 2.1.1
 - 2.1.1.A.
 - 2.1.1.A.(1)
 - 2.1.1.A.(1)(a)
 - 2.1.1.A.(1)(a)I
 - 2.1.1.A.(1)(a)I(i)
 - 2.1.1.A.(1)(a)I(i)(1)
- D. Check Sheets - When a Tariff filing is made with the Commission, an updated Check Sheet accompanies the Tariff filing. The Check Sheet lists the pages contained in the Tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet. The Tariff reader should refer to the latest check sheet to find out is a particular page is the most current page on file with the Commission.
- E. Section Headings - The section headings set forth in this Tariff are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Tariff.

Issued:

Effective:

Alan Stiffler
 Cable & Wireless Global Card Services, Inc.
 1919 Gallows Road
 Vienna, VA 22182

SECTION 1 - APPLICATION OF TARIFF

This Tariff contains the regulations and charges that apply to intrastate switched telecommunications services provided by Cable & Wireless Global Card Services, Inc. (hereinafter "CWGCS" or "Carrier"), between locations within the State of South Carolina.

Issued:

Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

Effective:

SECTION 2 - GENERAL RULES AND REGULATIONS

2.1 Definitions

Access Carrier

Collectively means either the applicable local exchange carrier, or a competitive access provider, or other local access provider, or another interexchange carrier selected by CWGCS to provide the Access Facilities between the Customer's Premises and CWGCS's POP.

Access Facilities

All facilities that connect Customer's premises to CWGCS's POP.

Authorization Code

A numerical code assigned to the Customer that enables CWGCS to identify use of Service on the Customer's account and to bill the Customer accordingly for such Service.

Authorization Form -- ("Auth Form"),

A set of CWGCS's standard applicable order forms, specification sheets and other related documentation which include all pertinent billing, technical, and other descriptive information which, upon execution by the Customer and CWGCS, will authorize CWGCS to provide services as required.

Authorized User

An end user authorized by the Customer to use the Service.

Call Initiator

A party that prearranges a conference call.

Called Station

The station at which a call terminates.

Calling Station

The station from which a call is originated.

Card Holder

Customer or another authorized user, irrespective of whether such user is authorized or unauthorized by the Customer, who is in possession of a calling card or a prepaid calling card and has the capability of completing a call and charging such call to the Customer account assigned to such card.

Carrier

Cable & Wireless Global Card Services, Inc. ("CWGCS") unless context indicates otherwise.

Collect Call

A billing arrangement where a call is billed to the called station.

Commission

South Carolina Public Service Commission unless context indicates otherwise.

Conferee

An end user participating in a conference call.

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Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

2. GENERAL RULES AND REGULATIONS (Cont.)

2.1 Definitions (Cont.)

Customer

The company, firm, corporation, or other entity which orders or uses the Service and, has agreed by signature or otherwise to honor the terms of Service herein, and is responsible for the payment of rates and charges for Service to all Customer locations and for compliance with Tariff regulations.

Holiday

Unless stated otherwise, CWGCS recognized Holidays are: New Year's Day (January 1), Memorial Day (observed), Independence Day (July 4), Labor Day (observed), Thanksgiving Day (observed) and Christmas Day (December 25).

Main Account

For a multi-location Customer, the Customer account that is responsible for payment of charges for Service and has the authority to place orders for Service, modify Service and/or discontinue Service.

Minimum Monthly Usage Commitment ("MMUC")

The minimum monthly volume usage committed to by the Customer, at the time of execution of an Auth Form.

Operator Station

A call that is completed with an assistance of an operator and is billed to the calling party.

Person-to-Person

A call for which the person originating the call specifies to the operator a particular person, department or extension to be reached.

Premises

The space designated by Customer as its place(s) of business for termination of Service for its own communications needs.

Service

Intrastate telecommunications Service provided by CWGCS throughout the State of South Carolina, as described in this Tariff.

Service Start Date

The date on which the Service is first made operational and available by CWGCS for the Customer's use as described in this Tariff.

Special Access Surcharge

A surcharge imposed by an Access Carrier on dedicated facilities that terminate on the Premises and have been interconnected to the local exchange network.

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Effective:

Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

2. GENERAL RULES AND REGULATIONS (Cont.)

2.2 Undertaking of CWGCS

CWGCS undertakes to install, operate and maintain the Service in accordance with the terms and conditions set forth in this Tariff.

2.3 Limitations Of Service

2.3.1 Service is available for resale by Customers who assume sole responsibility to provide all functions of providing such service to their customers.

2.3.2 Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this Tariff. CWGCS reserves the right not to provide Service to or from a location where the necessary facilities or equipment are not available.

2.3.3 CWGCS reserves the right to discontinue furnishing Service, in accordance with the terms of this Tariff.

2.3.4 Service and facilities furnished by CWGCS under this Tariff shall be used by the Customer only for lawful purposes, and in accordance with all applicable laws, rules and regulations and of CWGCS's rules of general application.

2.3.5 Service may be used for transmission of communications by the Customer and by the Authorized User.

2.3.6 Customer may not assign or transfer, at any time prior to or after the commencement of the Service, the Customer's Service or any rights or obligations thereunder without the prior written consent of CWGCS which consent shall not be unreasonably withheld. An assignment shall be deemed to include any change of voting or management control of Customer. All regulations and conditions contained in this Tariff shall apply to all such assignees or transferees, as well as all conditions for Service. Any unauthorized assignment shall be null and void except as ratified by CWGCS.

2.3.7 This Tariff shall not be construed such that CWGCS and the Customer could be considered as principal and agent, partners, or employer and employee.

2.3.8 CWGCS's failure to insist upon strict performance of the terms of this Tariff or to exercise any rights or remedies set forth in this Tariff shall not waive any of CWGCS's rights to require strict performance of such terms, to assert any of the same rights, or to rely on any such terms any time thereafter.

Issued:

Effective:

Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

2. GENERAL RULES AND REGULATIONS (Cont.)

2.4 Liability

- 2.4.1 Customer shall defend, indemnify and hold CWGCS harmless from and against all third party claims, demands, actions, causes of action, judgments, costs and reasonable attorneys' fees and expenses of any kind or nature, for any and all damages of any kind arising from or related to any use of the Service or in connection with any Customer text which CWGCS, at Customer's request, prints onto Prepaid Calling Cards, or otherwise arising from the relationship with CWGCS.
- 2.4.2 CWGCS shall not be liable for, and is excused from, any failure or delay in performance that is due to acts of God, acts of civil or military authority, acts of the public enemy, war or threats of war, accidents, fires, explosions, earthquakes, floods, unusually severe weather, epidemics, or due to any other cause beyond CWGCS's reasonable control.
- 2.4.3 If a third party solicits a Customer's order on behalf of CWGCS or promotes or endorses to the Customer the use of Service, or provides all or a portion of such Service with, for, or on behalf of CWGCS, or if a third party is involved in any other way, CWGCS and such third party shall have no greater obligation or liabilities to such Customer, and such Customer shall have no greater rights or remedies against either CWGCS or such third party, whether under contract, warranty, tort or any other grounds, than if such a third party had not been so involved.
- 2.4.4 In the event that the Service or any portion thereof is unavailable to Customer due to a total or partial interruption of the Service, CWGCS's sole obligation, and Customer's sole and exclusive remedy, with respect to such interruption of Service shall be for CWGCS, if requested by Customer, to provide and for the Customer to receive a pro rata credit for the period and for the portion of the Service affected during which the Service or any part thereof was unavailable to Customer.
- 2.4.5 In no event shall CWGCS be liable for any loss of profits or for any indirect, incidental, special, exemplary, or consequential damages. CWGCS's maximum liability for any damages arising out of or related to the Service or the applicable Auth Form(s) and/or Service agreement(s) between Customer and CWGCS shall not exceed the estimated monthly charges as calculated by CWGCS for the month during which such liability arises.
- 2.4.6 CWGCS warrants that it shall provide its Service in accordance with the description of Service set forth in the applicable Auth Form and in accordance with this Tariff. CWGCS DISCLAIMS ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY WARRANTIES WITH RESPECT TO ANY CUSTOMER TEXT PRINTED ON A PREPAID CALLING CARD.
- 2.4.7 No agents or employees of other carriers shall be deemed to be agents or employees of CWGCS.

Issued:

Effective:

Alan Stiffler
 Cable & Wireless Global Card Services, Inc.
 1919 Gallows Road
 Vienna, VA 22182

2. GENERAL RULES AND REGULATIONS (Cont.)**2.5 Payment and Billing**

2.5.1 Service is billed on a monthly basis. Bills are due and payable upon receipt. In addition to any other remedies CWGCS may have, a late payment fee shall be applied on balances that remain unpaid for one calendar month following the invoice date in the amount of the lesser of (a) one and one-half percent (1-½%) per month of the amount of the late payment starting from the invoice date; or (b) the maximum amount allowed under applicable law.

2.5.2 Except where indicated, charges for Service shall accrue from the earlier of the Customer-requested service start date, Service Start Date, or the date set forth in Section 2.5.3, below. Partial month billings shall be prorated based on 30 days. Unless otherwise referenced in this Tariff, any fraction of a cent for CWGCS service will be rounded up to the next whole cent.

2.5.3 Acceptance of Service

Unless the Customer notifies CWGCS's network management center to the contrary within five (5) business days after Service Start Date, Service shall be deemed accepted by the Customer as of that day, and charges shall accrue for the Service as of the Service Start Date.

2.5.4 The Customer is responsible for payment of all charges for Service furnished to the Customer whether or not such use is authorized or consented to by the Customer, including but not limited to, all calls originated at the Customer's number(s); accepted at the Customer's number(s) via third party billing or collect billing; incurred at the specific request of the Customer; or placed using a calling card issued to the Customer. The security of the Customer's Authorization codes is the responsibility of the Customer. CWGCS reserves the right to bill all calls placed using Customer's Authorization Code.

2.5.5 Taxes

Customer will be billed for and will be responsible for any applicable Federal, state, or local taxes, tax surcharges and similar fees related to the provision and use of Service unless Customer provides CWGCS with a valid exemption certificate. CWGCS reserves the right to adjust its rates and charges, or impose additional rates and charges on its Customers pursuant to charges imposed on CWGCS by an order, rule, or regulation of the Federal Communications Commission (FCC) or other governmental authority in support of statutory or regulatory programs, such as Universal Service Fund, Presubscribed Interexchange Carrier Charge, and payphone service provider compensation.

2.5.6 Deposits:

- A. CWGCS reserves the right to examine the credit record of all applicants and Customers and require a security deposit when determined to be necessary to assure future payment.
- B. Customer whose Service has been discontinued for non-payment and desires to have CWGCS reestablish Service may be required to pay a security deposit. In addition, such Customer may be required to pay any unpaid balance due to CWGCS before Service is restored.

Issued:

Effective:

Alan Stiffler
Cable & Wireless Global Card Services, Inc.
1919 Gallows Road
Vienna, VA 22182

2. GENERAL RULES AND REGULATIONS (Cont.)

2.5 Payment and Billing (Cont.)

- C. If Customer's Service requirements have increased since the Customer's account was canceled, CWGCS may require a security deposit based on such increased requirements. If the Customer fails to submit the required deposit within five (5) business days, CWGCS may, at its discretion, discontinue Service, pursuant to Section 2.8 of this Tariff, Discontinuance of Service by CWGCS and in accordance with applicable South Carolina Rules.
- D. The Deposit shall not exceed an estimated two months' gross bill or existing two months' bill where applicable, and will be administered in accordance with South Carolina rules and regulations governing telephone utilities in the State of South Carolina.

2.5.7 Disputed Bills

Customer must bring billing inquiries and disputes to CWGCS's attention within forty (45) days of the invoice date. Failure to do so within this period shall be deemed an admission of the accuracy of the entire contents of the bill, and shall foreclose any opportunity to challenge the accuracy of any portion of that bill at a later date.

2.5.8 Cost of Collection

Customers will be liable to CWGCS for any and all costs and/or expenses including reasonable attorney's fees and expenses of any kind or nature, incurred by CWGCS directly or indirectly in the collection of any amounts due or while otherwise enforcing the terms of this Tariff with respect to the Customer.

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2. GENERAL RULES AND REGULATIONS (Cont.)

2.5 Payment and Billing (Cont.)

2.5.9 Bad Check Charge

If payment for Service is made by a check, draft, or similar instrument (collectively "Check") that is returned unpaid by a bank or another financial institution to CWGCS for any reason, CWGCS, in addition to any other remedies available, will bill the Customer a twenty-five dollar (\$25.00) charge and will re-deposit the Check. If, after the Check is re-deposited, it is returned by the bank or the financial institution for the second time, another twenty-five dollar (\$25.00) charge will be billed to the Customer. In addition, the Customer will be required to replace the returned Check with a payment in cash or equivalent to cash, such as cashier's check, certified check or money order. Notwithstanding the bad check charge provision as set forth in this Section, CWGCS may disconnect the Service in the event of returned payment, as set forth in Section 2.8.5 of this Tariff.

2.5.10 Billing To Term

If the total charges incurred by the Customer for all usage identified in the term plan as being contributory toward meeting the Customer's minimum spend commitment (net of any applicable term plan or other discounts) for any monthly billing period are not at least equal to their timer plan minimum, then for that month the Customer shall pay an additional charge (as a service underutilization charge and not as penalty) equal to the difference between the Customer's term plan minimum and the total amount of net usage charges for contributory usage incurred that month.

2.6 Notices to CWGCS by Customer

A notice shall be considered given when delivered in the manner prescribed below.

2.6.1 This Section applies to:

- A. Notices of Termination of Service by Customer when such termination is prior to the end of the term commitment for such Service, or when such termination does not otherwise conform with the terms and conditions of this Tariff or Customer's Auth Form;
- B. All other notices such as ordering of Service, changes of Service, billing inquiries and other notices regarding Service.

2.6.2 Notices pertaining to 2.6.1.A, above, shall be sent to CWGCS's principle place of business, Attention: Contract Management. Such notices shall be in writing, and shall be either delivered in person; or sent by certified mail with return receipt requested; or by facsimile, electronically confirmed and followed up immediately by regular mail.

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2. GENERAL RULES AND REGULATIONS (Cont.)

2.6.3 Notices pertaining to 2.6.1.B in the first paragraph shall be sent to a CWGCS-designated representative assigned to Customer's account, and such notices shall be either delivered in person; or sent by facsimile, electronically confirmed; or sent by regular mail.

2.7 Cancellation or Termination of Service by Customer

2.7.1 Cancellation of Service Prior to Service Start Date

If Customer cancels an application for Service prior to the Service Start Date, Customer shall be liable for any costs incurred by CWGCS in provisioning the Service as well as CWGCS's applicable administrative fees, if any.

2.7.2 Termination of Service without Term Commitment

Unless stated otherwise, for a Service not subject to term commitment, the Customer may, by providing thirty (30) days advance written notice to CWGCS, terminate such Service without incurring liability. Upon such a termination, Customer shall immediately cease using the Service and pay CWGCS for all charges incurred by Customer through the date such Service is discontinued.

2.7.3 Termination of Service with Term Commitment

For a Service, subject to term commitment, Customer may, by providing thirty (30) days' advance written notice to CWGCS, terminate such Service prior to the expiration of its specified term. Upon such termination, the following shall apply:

- A. Customer shall immediately cease using that Service; and
- B. Customer shall pay CWGCS for all charges incurred for that Service through the date that Service is discontinued; and
- C. Customer shall pay CWGCS any promotion credits provided to Customer by CWGCS for the terminated Service; and
- D. Customer shall pay CWGCS the minimum commitment amounts remaining in the term. For example, if the Customer committed to \$400 per month in charges, and the Service is discontinued three (3) months prior to the expiration of the specified term, the amount due to CWGCS is equal to 3 [three months] x \$400 [minimum monthly commitment] or \$1,200.

2.7.4 Renewal Period

Upon expiration of the initial term for Service, unless CWGCS and the Customer have agreed to renew such Service for a specified period of time, CWGCS shall continue to provide such Service until either CWGCS or the Customer, upon thirty (30) days prior written notice, terminates the Service. During such continuation, CWGCS may adjust the charges to the applicable month-to-month rate.

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2. GENERAL RULES AND REGULATIONS (Cont.)

2.8 Discontinuance of Service by CWGCS

In addition to any other remedies available to CWGCS, CWGCS may, upon notice unless stated otherwise, discontinue Service or cancel an application for Service for any of the following reasons:

- 2.8.1 For nonpayment of any sum due to CWGCS; or
- 2.8.2 In the event of a violation of any of the provisions governing the furnishing of the Service under this Tariff, or of any CWGCS rule of general application with respect to the use of Service; or
- 2.8.3 Without notice, in the event of a violation of any law, rule, regulation or policy of any government authority having jurisdiction over the Service; or
- 2.8.4 Without notice, by reason of any order or decision of a court or other government authority having jurisdiction which prohibits CWGCS from furnishing such
- 2.8.5 In the event when payment for Service is made by a check, draft, or similar instrument that is returned unpaid by a bank or another financial institution to CWGCS for any reason; or
- 2.8.6 In case of any intentional or de facto transfer or assignment of Service without the expressed written authorization of CWGCS; or
- 2.8.7 In the event of Customer's insolvency; or
- 2.8.8 Failure to pay deposit requested by CWGCS in accordance with Section 2.5.7 of this Tariff; or
- 2.8.9 Initiation of proceedings by Customer in voluntary bankruptcy; or
- 2.8.10 Initiation of proceedings against Customer for involuntary bankruptcy which are ninety (90) days of initiation; or
- 2.8.11 The appointment of a receiver or trustee for Customer; or
- 2.8.12 A general assignment by the Customer for the benefit of its creditors; or
- 2.8.13 Without notice, if CWGCS deems such action necessary to protect against fraud or to otherwise protect CWGCS's personnel, agents, facilities or Service.
- 2.8.14 If Customer's account is not used for three (3) consecutive CWGCS billing cycles, CWGCS may deem such account inactive and cancel such account without further notice to the Customer.

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2. **GENERAL RULES AND REGULATIONS (Cont.)**

2.8 **Discontinuance of Service by CWGCS (Cont.)**

2.8.15 In the event of the Customer maintaining and/or operating its own equipment in a manner that may cause imminent harm to CWGCS' equipment.

If CWGCS terminates Service as set forth above, in addition to any other remedies available to CWGCS, the Customer shall pay to CWGCS any amounts due as a result of such termination of Service, including, without limitation, any specified discontinuance charges (as an early discontinuance fee and not as a penalty) the same as if the Customer had terminated Service as set forth in Section 2.7 above. The Customer must pay all specified amounts within thirty (30) days of termination of Service.

2.9 **Inspection, Testing and Adjustment**

2.9.1 CWGCS may, upon reasonable notice, make such tests and inspections as may be necessary to determine whether the requirements of this Tariff are being complied with in the installation, operation or maintenance of the Customer's or CWGCS's equipment. CWGCS may interrupt the Service at any time, without penalty to itself, because of the Customer's departure from any of these requirements.

2.9.2 Upon reasonable notice, the facilities provided by CWGCS shall be made available to CWGCS for such tests and adjustments as may be necessary for their maintenance in a condition satisfactory to CWGCS.

2.9.3 In the event of Service interruption, the Customer shall cooperate in good faith to the extent necessary to reinstate the Service, including the provision of immediate access to the Customer's Premises.

2.9.4 No interruption of Service allowance will be granted for the time during which such tests and adjustments are made.

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2. **GENERAL RULES AND REGULATIONS (Cont.)**

2.10 **Interconnection**

- 2.10.1 Service furnished by CWGCS may be interconnected with services or facilities of an Access Carrier, other authorized communications common carriers or with private systems, subject to the technical limitations established by CWGCS. Service furnished by CWGCS is not part of a joint undertaking with such other carriers. Any special interface equipment or facilities necessary to achieve compatibility between the facilities of CWGCS and of others shall be provided at the Customer's expense.
- 2.10.2 Interconnection with the facilities or services of other carriers shall be under the Applicable terms and conditions of the other carriers' tariffs, if any. The Customer is responsible for taking all necessary legal steps for interconnecting its Customer-provided Terminal Equipment or communications systems with such other carriers' facilities. The Customer shall secure all licenses, permits, rights-of-ways, and other arrangements necessary for such interconnection.
- 2.10.3 The Customer shall ensure that its equipment is properly interfaced with CWGCS facilities that the signals emitted into the Carrier's network are of the following: proper mode, bandwidth, power, data speed, and signal level for the intended use by the Customer. If the Customer maintains and operates its equipment in a manner that may cause an imminent harm to CWGCS' equipment, personnel or the quality of Service to other customers, CWGCS may require the use of protective equipment at the Customer's expense. If this fails to produce quality and safety satisfactory to CWGCS, CWGCS may, upon written notice, terminate the Customer's Service pursuant to Section 2.8.15 of this Tariff.

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2. **GENERAL RULES AND REGULATIONS (Cont.)**

2.10 **Interconnection (Cont'd)**

2.10.4 The Customer agrees to use and maintain CWGCS-provided equipment in accordance with instructions of CWGCS. Failure to do so will void liability for interruption of Service and may make the Customer responsible for damage to CWGCS's equipment pursuant to this Section. Risk of loss for any CWGCS-furnished equipment shall pass to Customer upon delivery of such equipment to Customer's Premises.

2.10.5 Title to any CWGCS-furnished equipment shall at all times remain with CWGCS or its designee(s). Customer shall not permit any liens or encumbrances to be placed upon such equipment, and CWGCS shall have the right to take all actions necessary (including taking possession from Customer) to protect its ownership interest in CWGCS-furnished equipment.

2.10.6 Customer agrees to return to CWGCS all CWGCS-provided equipment delivered to Customer within five (5) days of termination of the Service in connection with which the equipment was used. Said equipment shall be in the same condition as when delivered to the Customer, normal wear and tear only excepted. Customer shall reimburse CWGCS upon demand, for any costs incurred by CWGCS due to the Customer's failure to comply with this provision.

2.10.7 If CWGCS provides any software (whether embedded in hardware as firmware or otherwise) and any related documentation (collectively "Software") to Customer, Customer shall use the Software only with CWGCS-furnished equipment, and Service. Customer shall not (a) reproduce, reverse engineer, disassemble, decompile, modify, adapt, translate, create derivative works from, or transfer or transmit the Software in any form or by any means, or (b) use the Software for any purpose other than as set forth in this Section. Customer shall not have any ownership rights in, or obtain rights to, the Software. If a license agreement accompanies the Software, Customer agrees to abide by the terms of such agreement.

2.10.8 Customer shall sign a CWGCS-provided letter of agency to enable and authorize CWGCS to notify the local service provider of Customer's selection of CWGCS as its long distance carrier for the Customer-designated telephone numbers and to contact the local service provider on its behalf.

2.11 **Allowance for Interruptions**

2.11.1 For all Services for which charges are specified on time-sensitive basis, and which there may be interruption of an individual call, due to a condition in CWGCS' facilities or in access or termination facilities provided by other carriers, which may be remedied by re-dialing the call, the Customer will receive a credit allowance as follows:

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2. GENERAL RULES AND REGULATIONS (Cont.)**2.11 Allowance for Interruptions (Cont.)**

- A. A credit allowance will be made for that portion of a call which is interrupted due to poor transmission (e.g. noisy circuit), one-way transmission (one party is unable to hear the other), or involuntary disconnection caused by deficiencies in Service. Customer may also be granted credit for reaching a wrong number. To receive a credit, Customer must notify a CWGCS customer service representative and furnish information, including the called number, the Service subscribed to, the difficulty experienced, and the approximate time the call was placed.
- B. Credit allowance will not be made for (1) interruptions not reported to CWGCS, or (2) interruptions that are due to the failure of power, equipment, systems or services not provided by CWGCS. If Customer elects to use another means of communications after one of the above interruptions, or during a period when Customer is unable to place a call over CWGCS facilities, the Customer must pay the charges for the alternative Service used.
- 2.11.2 When a call has been disconnected, the Customer will be given a credit allowance equivalent to the charge for the initial minute of the call made to reestablish communications with the other party. Where a call has been interrupted due to poor transmission or one-way transmission, the Customer will be given a credit allowance up to an amount equivalent to the charge for the last three minutes of the interrupted call, or for an entire call if it lasted less than three minutes. Customer who has reached a wrong number will be given a credit allowance up to an amount equivalent to the charge for the initial minute of the call to the wrong number if the Customer reports the situation promptly to a CWGCS customer service representative.
- 2.11.3 For all services which involve dedicated access, dedicated interexchange transmission, and/or dedicated termination, for which monthly recurring charges are applied and which may be interrupted for as long as several days, the Customer will be given a credit allowance for an interruption of two consecutive hours or more, as follows:
- A. When Service is interrupted for a period of less than two hours, no credit allowance will be given; or
- B. When the Service's dedicated access or termination line(s) associated with the Service are interrupted for a period of more than two hours, a credit allowance in an amount equal to one thirtieth of the monthly recurring charge(s) will be given; or
- C. When the Service's access or termination line(s) associated with the Service are interrupted for a period of more than twenty-four hours, a credit allowance in an amount equal to one thirtieth of the monthly recurring charge(s) will be given for each twenty-four hour period or fraction thereof.

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2. GENERAL RULES AND REGULATIONS (Cont.)

2.11 Allowance for Interruptions (Cont.)

2.11.4 No credit allowanees will be made for:

- A. Interruptions caused by the negligence of the Customer, Customer's Authorized User or agent and/or designees; or
- B. Interruptions due to the failure of power, equipment, systems, or services not provided by CWGCS; or
- C. Interruptions during any period during which CWGCS or its agents are not afforded access to CWGCS-provided equipment or the Premises where Access Facilities associated with Service are terminated; or
- D. Interruptions during any period when the Customer or user has released the Service to CWGCS for maintenance, rearrangement purposes, for the implementation of a Customer order, or for routine maintenance, testing and adjustment; or
- E. Interruptions during periods when the Customer elects not to release the Service for testing or repair and continues to use it on an impaired basis; or
- F. Interruptions not reported to CWGCS; or
- G. Interruptions that are due to a cause beyond CWGCS's reasonable control, including, without limitation, problems with the Customer's Terminal Equipment, or failure of Customer to meet its responsibilities set forth in this Tariff.

2.11.5 An interruption period begins when the Customer reports to CWGCS that the Service has been interrupted and releases it for testing and repair. An interruption period ends when the Service is operative again. If the Customer reports the Service to be inoperative but declines to release it for testing and repair, the Service is deemed to be impaired, but not interrupted, therefore, no credit for the interruption will be allowed.

2.11.6 If the Customer elects to use another means of communication during the period of interruption, the Customer must pay the charges for the alternative service used.

2.12 Mileage Measurement

Usage charges for all distance sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call. Originating points for all services is the Customer's central office and the point of termination is the central office where the call terminates.

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2. GENERAL RULES AND REGULATIONS (Cont.)

2.12 Mileage Measurement (Cont.)

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. CWGCS uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V and H Coordinates Tape and Bell's NECA Tariff No. 4.

FORMULA: Mileage =

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

Where V1 and H1 are the V and H coordinates of point 1 and V2 and H2 are the coordinates of point 2.

The mileage is rounded up to an integer value to determine the airline mileage.

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SECTION 3 - SERVICE DESCRIPTION

3.1 Intrastate Service Offered

3.1.1 Prepaid Calling Card Service

Prepaid Calling Card Service enables the Card Holder to complete an outbound direct dial call from any touch-tone or rotary telephone in South Carolina. Service is accessed by dialing a designated 800 number and a card identification number.

The Customer has an option to "Recharge" available balance on the Prepaid Calling Card. If a Card is Recharged, after the earlier of when the Card's value balance first becomes zero or the expiration of the Card's validity period, for each call placed through the Card, the Card's then-remaining recharge amount balance shall be decremented at the rate applicable to the Plan specified by the Customer. The Recharge rates assumes that CWGCS shall pay to the applicable taxing entity any applicable Federal excise and state and local telecommunications taxes and surcharges computed based on the Recharge rates. In addition, the Card's then-remaining Recharge Amount balance shall be decremented for any applicable local, state or international taxes and surcharges. When a Card's then-remaining Recharge amount balance, based on the call then in progress, is thirty (30) seconds an announcement shall be made indicating that the call shall be automatically terminated when the Card's Recharge Amount balance becomes zero.

The maximum dollar value of each Recharge Amount shall be \$50.00. To Recharge a Card, the Cardholder shall call a designated toll-free number and, in response to the automated voice prompts, provide (i) its account number for a major credit card accepted by CWGCS, (ii) PIN, and (iii) other pertinent information. A Recharge amount may be used by the Cardholder only within one (1) year from the date the Cardholder Recharges its Card.

Each Recharge amount shall be non-refundable and shall be billed by CWGCS to the Cardholder via the Cardholder's designated credit card account. For any Recharge amount that a Cardholder fails to pay to CWGCS via the Cardholder's credit card account, the Customer shall pay such amount to CWGCS within fifteen (15) days of the Customer's receipt of written notice thereof from CWGCS.

If CWGCS notifies the Customer that a credit card company has notified CWGCS that a Recharge amount is non-collectable and if CWGCS provides to the Customer the supporting documentation that CWGCS has received from the credit card company with regard to such Recharge amount, the Customer shall pay such amount to CWGCS within fifteen (15) days after the Customer's receipt of CWGCS' notice.

CWGCS may immediately, and without prior notice to the Customer or the Cardholder, terminate the Recharge option for a particular PIN for any of the reasons for disconnection applicable to other Services and specified in Section 2 of this Tariff. In the event the Recharge option is terminated for a particular PIN, CWGCS shall not be obligated to pay the Customer for any Recharge Payments associated with that PIN.

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3. SERVICE DESCRIPTION (Cont.)

3.1.2 Travel Card Services

Travel Card Service enables the Card Holder to make calls through the use of a long distance calling card. Access is gained by dialing a Company-designated 800 access number plus the Travel card authorization number and the called telephone number. Charges incurred are billed to the Customer's Account.

3.2 Billing Information

3.2.1 When a call is established in one time-of-day rate period and ends in another, the rate in effect at call origination applies to the entire call duration.

3.2.2 The hours included in a rate period (e.g., 8 am - 5 pm) apply from the first stated hour (e.g., 8 am) and continue to, but do not include, the second stated hour (e.g., 5 pm).

3.2.3 Unless otherwise specified, time-of-day rate periods are as follows:

Day:	Monday - Friday, 8 a.m. - 5 p.m.
Evening*:	Sunday - Friday, 5 p.m. - 11 p.m.
Night/Weekend:	All other times

Peak:	Monday - Friday, 8 a.m. - 5 p.m.
Off-Peak**:	All other times

*Evening rate applies during Holidays, unless a lower rate would normally apply.

**Off-Peak rate applies during Holidays.

3.2.4 Minimum Call Completion Rate: The CWGCS network is designed to insure that no more than 5% of all calls are blocked during the busy hour of the average business day. The network circuits are designed and engineered to provide high quality transmission of the human voice with a minimum level of impairment such as noise and echo. However, overall quality may vary somewhat due to the variability in quality of connections provided by the local telephone companies or the transmission facilities of underlying carriers, which are beyond CWGCS's control.

3.2.5 Timing of Calls:

A. On direct dialed outbound and inbound calls provided pursuant to this Tariff, and except as set forth in Section 3.2.5.C below, chargeable call duration accrues from the time the called party answers, as indicated by Carrier's receipt of answer supervision, until one of the parties hangs up, as detected by Carrier's equipment.

B. Carrier may receive answer supervision signaling directly from local exchange carriers, may employ software answer supervision, or may receive answer supervision from other interexchange carriers. These other interexchange carriers may themselves employ either local exchange carrier-provided answer supervision or some other method of determining called party on-hook or off-hook status.

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SECTION 4 - RATES

4.1 Travel Card Service - Long Distance

All calls are billed in 6-second increments after a 1-minute minimum call duration.

4.1.1 Travel Card - Per Minute Usage Charges

<u>Mileage</u>	<u>Day</u>
All	\$0.4750

4.2 Prepaid Calling Card

4.2.1 Per Unit Value

Prepaid Calling Card is valid until (i) on the date which has been printed on the card, or (ii) if no expiration date is printed on the card, on the date announce to the card holder after the card holder enters his or her PIN; or (iii) otherwise communicated to the cardholder by CWGCS or until the balance on the card is \$0.00, whichever occurs first.

The expiration date shall be one year from the last day of the calendar month during which the Card was issued. CWGCS shall not issue a refund on any amounts left on the card past its expiration date. Calls are billed in 1-minute increments. Cards are available in various unit denominations. The number of minutes of use for each card shall be the maximum number of minutes at the rates set forth below, covered by the CWGCS-fixed dollar value of the card. The per unit value listed below excludes any local taxes or surcharges.

Unless stated otherwise in this Tariff, a 2-unit surcharge will be added to all Prepaid Calling Card calls that originate at payphones. The surcharge will be assessed in addition to any other rates and fees.

Rates:

All intrastate traffic = 1 unit per minute.

PLAN A -- CWGCS CORPORATE CARD:
Standard CWGCS card printed by CWGCS.

<u>Minimum Purchase (\$)</u>	<u>Rate Per Unit</u>
\$0 - \$499.99	\$0.35
\$500.00 - \$999.99	\$0.32
\$1,000.00 - \$1,999.99	\$0.28
\$2,000.00 - \$3,499.99	\$0.25
\$3,500.00 - \$4,999.99	\$0.21
\$5,000.00+	\$0.18

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4. RATES (Cont.)

4.2 Prepaid Calling Card (Cont.)

4.2.1 Per Unit Value (Cont.)

PLAN E -- IMAGE CARD

Limited Edition collectible, prepaid calling cards.

<u>Minimum Purchase (\$)</u>	<u>Rate Per Unit</u>
0 - \$99.99	\$0.60
\$100.00 - \$199.99	\$0.55
\$200.00 - \$299.99	\$0.50
\$300.00 - \$399.99	\$0.45
\$400.00+	\$0.40

PLAN F – Suretel

SureTel is a product with low international rates and is targeted for frequent international callers.

<u>Surcharge per call:</u>	\$0.25
<u>Rate per minute:</u>	\$0.19

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EXHIBIT D
MANAGEMENT BIOGRAPHIES

GLOBAL CARD SERVICES MANAGEMENT TEAM - BIOGRAPHIES

Sharon Premoli

Position: Managing Director

Sharon Premoli joined Cable & Wireless as Managing Director, Global Card Services. Sharon's background in the financial services and payment systems industries covers marketing and implementation, product development and positioning. Since arriving in the UK in 1992, she has worked for MBNA International Bank and prior to Cable & Wireless, for Experian (formerly the CCN Group), a subsidiary of Great Universal Stores.

At Experian she identified the key opportunities in the banking, telecommunications, healthcare and T&E industries in Europe and the US for card-based applications. She produced the feasibility study and business plan for the first on-line, real-time, adjudication and payment system in Europe using a multi-function card (credit, loyalty and ID)

Previously, she recommended the UK as a strategic market, and developed the marketing and entry strategies for MBNA International Bank. From start-up in 1993 they have built a card portfolio of 1.3 million, and continue to grow.

Prior to that, as Director of Visa's Business Card and Gold Card globally she was responsible for world-wide co-ordination and monitoring of the strategic position of both products including value-added features and services to support activation and retention.

She was previously Executive Vice President of the AI Group, an international affinity card marketing company specialised in developing and implementing lifestyle programmes. Its focus was on new card product development for banks, card companies, insurance companies, the healthcare and T&E industries.

Peter Bury

Position: Director of Products

Peter Bury has been working in the field of value-added telecommunications services since 1979, when he led the Business Development team at Prestel, the first mass interactive service in the UK. He subsequently became Managing Director of Telecom Gold Ltd, the pioneering electronic mail service of BT. He joined Lotus Development Corporation as International General Manager for Communications Products (including Lotus Notes). In 1988 he joined Mercury Communications Ltd as Director of Mercury Data services, running messaging, data network and fax services, and then as Marketing Director for Mercury's Corporate sector. In 1994 he set up Cable & Wireless Innovations Inc. in Menlo Park, California, as the technology watch and strategic development arm of Cable & Wireless.

Peter Bury holds MA and PhD degrees from Cambridge University and an MBA from the University of Warwick.

Morley Holliday**Position: Director of IT**

Morley Holliday joined Cable & Wireless in July 1997 as Director of IT, Global Card Services. Morley has been working in the banking, card and payment fields for the last seventeen years. In 1980 he was involved in the launch of the House of Fraser "FraserCard". He subsequently joined KPMG and in 1985 was responsible for the setting up of St. Michael's Financial Services and the launch of the Marks & Spencer Chargecard. In 1988 he joined Midland Bank and set up, from a zero base, a new card issuing and acquiring operations centre for Midland Bank in Leicester. This centre handled the new SWITCH card initially and then took over the running of the VISA and MasterCard portfolios for the whole of Midland Bank. In 1992 he joined CAP Gemini to take responsibility for their card business world wide and worked extensively in the US, South Africa and Europe. More recently, before joining Cable & Wireless in July, he was with the Experian Group based in Nottingham and responsible for IT for international card systems.

Alan Stiffler**Position: Vice President, North America**

Alan Stiffler is currently Director, Local Calling Services for Cable & Wireless, Inc.(CWI). In this position, Mr. Stiffler is leading CWI's strategic move into the local calling market. He is responsible for the national development and management of CWI's local calling product enhancing CWI's one-stop shopping strategy for the telecommunications needs of business customers. Mr. Stiffler works closely with regulatory affairs to ensure competitive local service strategies in a rapidly changing telecommunications environment.

Previously, Mr. Stiffler was Director of Carrier Programs at CWI. His responsibilities included customer support and growth and developing new products and systems to better serve carriers. Mr. Stiffler began his career at CWI as Senior Manager of Carrier Programs.

Prior to CWI, Mr. Stiffler managed carrier programs at National Telephone Services (NTS)/Telesphere; was an Economist with the Department of Commerce's International Trade Administration and an Executive Manager with DSL, an economic consulting firm.

Mr. Stiffler began his career as a Securities Analyst with the U.S. Treasury Department.

Mr. Stiffler received a Bachelor of Arts degree in Economics from the University of Maryland.

EXHIBIT E
FINANCIAL INFORMATION

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As filed with the Securities and Exchange Commission

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20548

FORM 20-F

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REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended: March 31, 1997

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-10309

CABLE AND WIRELESS PUBLIC LIMITED COMPANY

(Exact name of Registrant as specified in its charter)

ENGLAND AND WALES

(Jurisdiction of incorporation or organization)

124 Theobalds Road, London WC1X 8PX, United Kingdom

(Address of principal executive offices)

PROCESSED BY

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DISCLOSURE, INC.

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
<u>American Depositary Shares</u>	<u>New York Stock Exchange</u>
<u>Ordinary Shares of 25p each</u>	<u>New York Stock Exchange</u>

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant
to Section 15(b) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital
or common stock as of the close of the period covered by the annual report.

2,242,591,030 Ordinary Shares of 25p each
1 Special Rights Preference Share of £1

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period
that the registrant was required to file such reports), and (2) has been subject to such filing requirements
for the past 90 days. Yes No

Indicate by check mark which financial statement item the registrant has elected to follow
 Item 17 Item 18

*Not for trading, but only in connection with the registration of American Depositary Shares.

INTRODUCTION

Cable and Wireless plc is a public limited company incorporated under the laws of England and Wales. The principal executive offices of the Company are located at 124 Theobalds Road, London, WC1X 8RX, United Kingdom.

As used in this Annual Report, references to the "Company" and "Cable & Wireless" are to Cable and Wireless plc, references to the "Group" and "Cable & Wireless Group" are to the Company, its consolidated subsidiaries and "associated companies" (companies which are less than majority-owned and are accounted for according to the equity method) unless the context otherwise requires. References to "Cable & Wireless Group Companies" are to any companies within the Cable & Wireless Group.

Unless otherwise indicated, the financial information contained in this Annual Report has been prepared on the basis of generally accepted accounting principles in the United Kingdom ("UK GAAP"), which, as described in Note 39 of Notes to Consolidated Financial Statements, differ in certain material respects from generally accepted accounting principles in the United States ("US GAAP"). Unless otherwise indicated, any reference in this Annual Report to Consolidated Financial Statements is to the Consolidated Financial Statements of the Cable & Wireless Group (including the notes thereto) included herein.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the United States Private Securities Litigation Reform Act of 1995.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This Annual Report contains certain forward-looking statements, including, but not limited to, the discussion of further liberalisation of the telecommunications industry in the United Kingdom, the introduction of additional competition in the United Kingdom and Europe generally, the recent transfer of sovereignty over Hong Kong from the Government of the United Kingdom to the Central People's Government of the People's Republic of China, further liberalisation of the telecommunications industry in Hong Kong and Asia, proposals to extend the range of liberalised services offered over HKT's circuits the effects of the integration of the entities comprising Cable & Wireless Communications plc and HM Government's proposed examination of broadcast restrictions on BT and other PTO's. Such statements include, but are not limited to, statements under the following headings:

- Discussion of further liberalisation of the telecommunications industry in the United Kingdom. See "Item 1 - Description of Business - Regulatory Framework - Regulatory Regimes".
- Introduction of additional competition in the United Kingdom and Europe generally. See "Item 1 - Description of Business - Competition - UK Telecommunications Market - Current United Kingdom Telecommunication Competition Policy".
- Recent transfers of sovereignty over Hong Kong from the UK to the PRC. See "Item 1 - Description of Business - The Group". See "Item 1 - Description of Business - Hong Kong - Hong Kong Telecom Group - Information on Hong Kong". See "Item 1 - Description of Business - Other Asia and Pacific - Peoples Republic of China."
- Further liberalisation of the telecommunications industry in Hong Kong and Asia. See "Item 1 - Description of Business - Hong Kong - HKT Description of Business - Competitive International Services".
- Proposal to extend the range of liberalised services offered over HKT's circuits. See "Item 1 - Description of Business - Hong Kong - HKT Description of Business - Competitive International Services - Non-Telephony Services and Transit".
- Effects of integration of entities comprising CWC. See "Item 1 - Description of Business - United Kingdom - Cable & Wireless Communications - Certain Considerations and Uncertainties - Integration". See "Item 1 - Description of Business - United Kingdom - Cable & Wireless Communications - Strategy and near term initiatives".

- HM Government's proposed examination of broadcast restrictions on BT and the other national PTO's. See "Item 1 - Description of Business - Competition - UK Telecommunications and Cable TV Markets - Current UK Telecommunications Competition Policy - PTOS".

Actual results may differ materially from those projected or implied in the forward looking statements. Such forward looking information involves risks and uncertainties that could significantly affect expected results. These risks and uncertainties include, but are not limited to, uncertainties relating to economic conditions and changes in the regulatory and competitive environments in which the Cable & Wireless Group operates. See "Item 9 - Management's Discussion and Analysis of Financial Condition and Results of Operations".

References to a year in this Annual Report are, unless otherwise indicated, references to the Company's fiscal year ending March 31 of such year. In this Annual Report, financial and statistical information is, unless otherwise indicated, stated on the basis of such fiscal year.

EXCHANGE RATES

The Company publishes its consolidated financial statements in pounds sterling. In this Annual Report, references to "£" and "p" are to pounds sterling and to pence, respectively, the lawful currency of the United Kingdom, references to "\$", "US dollars" and "cents" are to the lawful currency of the United States, and references to "HK\$" are to the lawful currency of Hong Kong. This Annual Report contains translations of certain pound sterling amounts into US dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the pound sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise indicated, the translation of pounds sterling into such US dollars have been made at the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York in effect on March 31, 1997, which was £1.00 to \$1.64.

The following table sets forth, for the periods indicated, the average, high, low and period-end Noon Buying Rates for pounds sterling expressed in US dollars per £1.00.

<u>Year ended March 31</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>	<u>Period end</u>
1993.....	1.69	2.00	1.41	1.51
1994.....	1.50	1.59	1.46	1.49
1995.....	1.56	1.64	1.51	1.62
1996.....	1.56	1.62	1.50	1.53
1997.....	1.60	1.71	1.50	1.64

⁽¹⁾ The average of the Noon Buying Rates on the last day of each full month during the relevant period.

On September 15, 1997, the Noon Buying Rate was £1.00 to \$1.60.

A substantial portion of the Group's assets, gross turnover and operating costs are denominated in currencies other than sterling. See "Item 9 - Management's Discussion and Analysis of Financial Condition and Results of Operations-Exchange Rates".

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CABLE AND WIRELESS PLC AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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CABLE AND WIRELESS PLC AND SUBSIDIARIES
INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of Cable and Wireless plc

We have audited the accompanying consolidated balance sheets of Cable and Wireless plc and subsidiaries at March 31, 1997 and 1996 and the related consolidated profit and loss accounts, statements of cash flows, statements of total recognised gains and losses and reconciliations of movements in shareholders' funds for each of the years in the three year period ended March 31, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom, which are substantially consistent with those of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cable and Wireless plc and subsidiaries as of March 31, 1997 and 1996, and the results of their operations and cash flows for each of the years in the three year period ended March 31, 1997, in conformity with generally accepted accounting principles in the United Kingdom.

Generally accepted accounting principles in the United Kingdom vary in certain significant respects from generally accepted accounting principles in the United States. Application of generally accepted accounting principles in the United States would have affected results of operations for each of the years in the three year period ended March 31, 1997, and shareholders' equity as of March 31, 1997 and 1996, to the extent summarised in Note 39 to the consolidated financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

May 13, 1997

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CABLE AND WIRELESS PLC AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED MARCH 31, 1997, 1996 AND 1995

	Note	1997	1996	1995
(in £ millions, except per share data)				
Turnover of the Group including its share of associated undertakings	3, 4	7,002	6,172	5,593
Share of turnover of associated undertakings	10	(952)	(655)	(460)
Group turnover	3, 4	<u>6,050</u>	<u>5,517</u>	<u>5,133</u>
Operating costs before exceptional items		(4,512)	(4,206)	(3,939)
Exceptional items: charged against operating costs	9	-	-	(60)
Total operating costs	5	<u>(4,512)</u>	<u>(4,206)</u>	<u>(3,999)</u>
Operating profit	4	1,538	1,311	1,134
Profits less (losses) on sale and termination of operations		22	-	-
Exceptional items	9	-	(34)	(18)
Profits less (losses) on disposal of fixed assets	8	79	-	-
Exceptional items	9	-	199	(44)
Exceptional provision for goodwill charge on sale of business	9	-	-	(178)
Profit on ordinary activities before associated undertakings		<u>1,639</u>	<u>1,476</u>	<u>894</u>
Associated undertakings:				
Share of profits less (losses) before exceptional items	10	(169)	(24)	(38)
Exceptional items: amounts written off investments in associated undertakings	9, 10	-	(86)	-
Net interest and other similar income	11	(52)	(25)	(12)
Profit on ordinary activities before taxation		1,418	1,341	844
Tax on profit on ordinary activities	12	(287)	(320)	(244)
Profit on ordinary activities after taxation		1,131	1,021	600
Minority interests	13	(454)	(414)	(348)
Profit for the financial year		<u>677</u>	<u>607</u>	<u>252</u>
Earnings per share	14	30.3p	27.5p	11.5p
Earnings per share before exceptional items	14	30.3p	26.4p	23.6p
Dividends per share		11.10p	10.00p	9.05p

The Group has made no material acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard No. 3 during 1997, 1996 or 1995. Therefore Group turnover, operating profit and exceptional items derive entirely from continuing operations.

The accompanying notes are an integral part of these consolidated financial statements.

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CABLE AND WIRELESS PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 1997 AND 1996

	Note	1997	1996
(in £ millions)			
Fixed Assets			
Tangible assets			
Investments	15	5,540	5,338
	16	902	1,287
		<u>6,442</u>	<u>6,625</u>
Current Assets			
Stocks			
Debtors – due within one year	17	83	87
– due after more than one year	18	1,170	1,013
Short term deposits	18	207	254
Cash at bank and in hand	19	1,615	924
	19	150	117
		<u>3,225</u>	<u>2,395</u>
Creditors: amounts falling due within one year	20		
Loans and obligations under finance leases		471	419
Other creditors		1,818	1,838
		<u>2,289</u>	<u>2,257</u>
Net current assets		936	138
Total assets less current liabilities		<u>7,378</u>	<u>6,763</u>
Creditors: amounts falling due after more than one year	21		
Convertible bonds		124	138
Other loans and obligations under finance leases		1,699	1,551
Other creditors		24	150
Provisions for liabilities and charges			
Deferred taxation	22	161	155
Other provisions	23	59	50
		<u>2,067</u>	<u>2,044</u>
Net assets		5,311	4,719
Capital and reserves			
Called up share capital			
Share premium account	24	561	555
Profit and loss account	25	472	429
Equity shareholders' funds	25	2,716	2,275
Equity minority interests		3,749	3,259
		1,562	1,460
		<u>5,311</u>	<u>4,719</u>
Total assets		9,667	9,020
Total liabilities		4,356	4,301

The accompanying notes are an integral part of these consolidated financial statements.

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CABLE AND WIRELESS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 1997, 1996 AND 1995

	Note	1997	1996	1995
		(in £ millions)		
Net cash inflow from operating activities	30	2,227	1,867	1,604
Returns on investments and servicing of finance				
Interest received				
Interest paid		101	82	81
Interest element of finance lease rentals paid		(188)	(143)	(127)
Issue costs of long term debt		(5)	(8)	(5)
Dividends paid to minorities		-	(3)	(5)
Dividends received from investments		(32.5)	(252)	(236)
		2.6	28	17
		(391)	(296)	(275)
Taxation				
UK corporation tax paid		(72)	(49)	(54)
Overseas tax paid		(188)	(202)	(160)
		(260)	(251)	(214)
Capital expenditure and financial investment				
Purchase of tangible fixed assets				
Sale of tangible fixed assets		(1,027)	(1,002)	(1,024)
Purchase of investments		53	21	31
Sale of investments		(92)	(390)	(47)
Capital element of finance lease rentals received		62	239	30
		-	5	7
		(1,004)	(1,127)	(1,003)
Acquisitions and disposals				
Receipts from sales of subsidiary undertakings				
Purchase of additional shareholdings in subsidiary companies	34	28	57	3
Payments to acquire investments in associates		(154)	(5)	(45)
Receipts from sales of associates		(608)	(553)	(171)
		845	1	-
		111	(500)	(213)
Equity dividends paid				
Dividends paid to shareholders		(219)	(185)	(175)
Management of liquid resources				
(Increase)/decrease in short term investments and fixed deposits (net)		(732)	(23)	107
Financing				
Issue of ordinary shares - parent		49	37	13
- subsidiary undertakings		7	53	-
Issue of Eurobonds		-	200	200
Capital element of finance lease rental repayments		(12)	(19)	(8)
Other long term debt issued		755	439	129
Long term debt repaid		(473)	(167)	(175)
		326	543	159
Increase/(decrease) in cash in the year	31	58	28	(10)

The accompanying notes are an integral part of these consolidated financial statements.

■ 00104

CABLE AND WIRELESS PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES
AND RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEARS END MARCH 31, 1997, 1996 AND 1995

Consolidated statement of total recognised gains and losses

	1997	1996	1995
	(in £ millions)		
Profit for the financial year	677	607	252
Currency translation differences on foreign currency net investments and related borrowings	(137)	43	(113)
Total gains and losses relating to the financial year	540	650	139

Reconciliations of movements in shareholders' funds

	1997	1996	1995
	(in £ millions)		
Profit for the financial year	677	607	252
Dividends - interim	(76)	(68)	(62)
- final (proposed)	(173)	(154)	(137)
Profit for the year retained	428	385	53
Other recognised gains and losses relating to the year	(137)	43	(113)
New share capital issued	49	48	17
Adjustment in respect of scrip dividend	11	20	11
Goodwill written back	600	78	178
Goodwill acquired and written off during the year	(461)	(654)	(82)
Net increase/(decrease) in shareholders' funds	490	(80)	64
Opening shareholders' funds	3,259	3,339	3,275
Closing shareholders' funds	3,749	3,259	3,339

The accompanying notes are an integral part of these consolidated financial statements.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statement of Accounting Policies

(a) Basis of preparation and accounting convention

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United Kingdom (UK GAAP) which differ in certain material respects from generally accepted accounting principles in the United States (US GAAP). See Note 39.

The accounts have been prepared in accordance with applicable accounting standards and on the historical cost basis. Two new accounting standards have become effective in the year and have been adopted by the Group: FRS8 - 'Related Party Transactions' and FRS1 (Revised) - 'Cash Flow Statements.' Prior year comparative figures in the Cash Flow Statement have been restated.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Basis of consolidation

The Group accounts comprise a consolidation of the accounts of the Company and all its subsidiaries together with the Group's share of the results and net assets of its associated undertakings. The accounts of principal subsidiaries and associated undertakings are generally made up to March 31. However, where this is not practical the results of certain subsidiary and associated undertakings are based on their audited accounts to December 31.

Where subsidiary or associated undertakings are acquired during the year, goodwill, being the difference between cost and fair values attributed to the net assets acquired, is dealt with as a movement on Group reserves. When a disposal occurs, or where a permanent diminution in the value of goodwill is identified, goodwill is transferred from reserves and charged to the profit and loss account.

(c) Foreign currencies

Average rates of exchange ruling during the year are used to translate the profit and loss accounts of overseas subsidiary and associated undertakings.

The net investments in the Group's overseas subsidiary and associated undertakings are translated into sterling at rates of exchange ruling at March 31. Exchange differences resulting from the translation of such net investments at rates ruling at the beginning and end of the year, together with the differences between profit and loss accounts translated at average rates and rates ruling at March 31, are dealt with as movements on Group reserves.

Where net investments are matched in whole or in part by foreign currency borrowings, the exchange differences arising on the retranslation of such borrowings are also recorded as movements on Group reserves and any excess taken to the profit and loss account.

Foreign currency assets and liabilities are translated at the rates ruling at March 31, and all other exchange differences are dealt with through the profit and loss account.

Results of operations in hyper-inflationary economies are translated using a relatively stable currency as the functional currency. The exchange difference arising from this process is taken to the profit and loss account.

CABLE AND WIRELESS PLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(d) *Tangible fixed assets and depreciation*

Depreciation is provided on the difference between the cost of tangible fixed assets and the estimated residual value in equal instalments over the estimated useful lives of the assets. These lives are:

	<u>Lives</u>	<u>Average</u>
Telephone cables and repeaters		
- analogue	12 to 20 years	14 years
- digital	15 years	15 years
Freehold buildings	40 years	40 years
Leasehold land and buildings	up to 50 years or term of lease if less	40 years
Plant	2 to 40 years	10 years
Cableships	up to 30 years	14 years

Freehold land, where the cost is distinguishable from the cost of the building thereon, is not depreciated.

Surpluses and deficits on disposals of tangible fixed assets are determined by reference to sale proceeds and net book amounts.

(e) *Fixed asset investments*

Associated undertakings are accounted for in the Group's accounts under the equity method of accounting. Other fixed asset investments in the Group accounts are stated at cost less amounts written off in respect of permanent diminutions in value.

(f) *Deferred taxation*

The Group provides for deferred tax only when there is a reasonable probability that the liability will arise in the foreseeable future. Where deferred tax is provided, the liability method is used.

(g) *Stocks*

Stocks of equipment, held for use in the maintenance and expansion of the Group's telecommunications systems, are stated at cost, including appropriate overheads, less provision for deterioration and obsolescence. Stocks held for resale are stated at the lower of cost and net realisable value.

(h) *Pensions*

The regular cost of providing benefits is charged to the operating profit over the service lives of the members of the schemes so as to achieve a constant percentage of pensionable pay. Variations from the regular cost arising from periodic actuarial valuations of the principal schemes are allocated to the operating profit over the expected remaining service lives of the members.

(i) *Finance leases*

Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease. The total net investment in finance leases included in the balance sheet represents total lease payments receivable net of finance lease income relating to future accounting periods.

(j) *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

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(k) Capitalisation of interest

Interest, net of taxation, incurred up to the time that separately identifiable major capital projects are ready for service is capitalised as part of the cost of the assets.

(l) Debenture issue costs

The costs of issue of capital instruments such as bonds and debentures are charged to the profit and loss account on an annual basis over the life of the instrument. A corresponding amount is subsequently transferred from the share premium account to the profit and loss account reserve.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Presentation of financial information

The consolidated financial statements are stated in pounds sterling, the currency of the country in which the Company is incorporated.

2 Historical cost profits and losses

There is no difference between the Group results as reported and on a historical cost basis. Accordingly, no additional note of historical cost profits and losses has been prepared.

3 Group turnover and turnover recognition

The Group's operations are all considered to fall into one class of business, namely telecommunications.

Group turnover comprises the value of all services provided and equipment sold to third parties and is accounted for on the accruals basis. At the end of each year adjustments are recorded to defer prepayments with respect to services invoiced in advance and to accrue for unbilled services. Turnover derives from:

(a) Public telecommunications

Amounts accruing to the Group from international and domestic telecommunications, both fixed line and mobile, including telephone, facsimile, internet, multimedia and data transmission. These services are generally provided under agreements with licensing governments. Also included is turnover arising from the ownership and/or the operation of assets which form part of the Group's worldwide communications systems, such as leased circuit services, together with amounts charged for maritime telecommunications services and management fees.

(b) Other

Equipment sales and rental - turnover from the sale, leasing, rental and maintenance of terminals, communications systems and associated activities in respect of non-franchised and public telecommunications activities; except for rentals in respect of direct exchange lines which are treated as domestic telephone turnover.

Cablesips - turnover from charters and from the use of the Group's ships under agreement with other cable owners and with manufacturers.

Contracts - turnover derived from consultancy fees together with the proceeds of short term contracts completed in the year and the estimated sales value of work done during the year on long term contracts relating to telecommunications systems.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 Group turnover and turnover recognition continued

The following table sets forth certain information with respect to the Group's turnover by category of service.

	1997	1996	1995
	(in £ millions)		
<i>Public telecommunications:</i>			
International telephone services	2,804	2,560	2,462
Domestic telephone services	1,553	1,442	1,323
Other telecommunications services	1,165	986	821
	<u>5,522</u>	<u>4,988</u>	<u>4,606</u>
<i>Other:</i>			
Equipment sales and rental	240	307	348
Cables and contracts	288	222	179
Group turnover	<u>6,050</u>	<u>5,517</u>	<u>5,133</u>
Share of turnover of associated undertakings	952	655	460
Turnover of the Group including its share of associated undertakings	<u>7,002</u>	<u>6,172</u>	<u>5,593</u>

4 Segmental information

Details of Group turnover, contributions to operating profit, identifiable assets, net operating assets, additions to tangible fixed assets and depreciation and amortisation by geographical region are as follows:

	1997	1996	1995
	(in £ millions)		
<i>Group turnover</i>			
Hong Kong	2,665	2,422	2,244
Other Asia	118	106	92
United Kingdom	1,718	1,698	1,652
Other Europe	59	50	42
Caribbean	603	548	498
North America	621	477	422
Rest of the world	327	273	232
Inter-regional turnover	(61)	(57)	(49)
Group turnover	<u>6,050</u>	<u>5,517</u>	<u>5,133</u>
Share of turnover of associated undertakings	952	655	460
Turnover of the Group including its share of associated undertakings	<u>7,002</u>	<u>6,172</u>	<u>5,593</u>

The Group turnover figure disclosed represents turnover of the Company and its subsidiaries to the location from which the Group supplies its telecommunications services. This is generally the same as the location to which telecommunications services are supplied. However, it does not follow that international telecommunications traffic which the Group may be responsible for carrying on part of its route would necessarily originate in that location. The Group does not have access to information on the original source or ultimate destination of international telecommunications traffic.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 Segmental information continued

<i>Operating profit</i>	1997	1996	1995
	(in £ millions)		
Hong Kong	1,007	920	823
Other Asia	10	11	13
United Kingdom	317	183	102
Other Europe	(38)	(35)	(29)
Caribbean	194	179	169
North America	41	41	35
Rest of the world	7	12	21
	<u>1,538</u>	<u>1,311</u>	<u>1,134</u>

Financing is dealt with at a Group level and therefore net interest and other similar income cannot be allocated to a geographic region.

<i>Identifiable assets</i>	1997	1996
	(in £ millions)	
Hong Kong	4,340	3,440
Other Asia	278	160
United Kingdom	1,895	935
Other Europe	1,168	2,721
Caribbean	1,060	269
North America	285	938
Rest of the world	641	557
	<u>9,667</u>	<u>9,020</u>

<i>Net operating assets</i>	1997	1996
	(in £ millions)	
Hong Kong	1,782	1,642
Other Asia	114	113
United Kingdom	1,537	1,714
Other Europe	54	37
Caribbean	690	592
North America	171	164
Rest of the world	271	247
	<u>4,619</u>	<u>4,509</u>
Other assets	692	210
	<u>5,311</u>	<u>4,719</u>

Other assets include tangible fixed assets not yet in service, fixed asset investments, short term deposits less loans, overdrafts and promissory notes.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 Segmental information continued

<i>Additions to tangible fixed assets</i>	1997	1996
	(in £ millions)	
Hong Kong	411	358
Other Asia	26	25
United Kingdom	355	313
Other Europe	8	13
Caribbean	173	170
North America	58	50
Rest of the world	53	82
	1,084	1,011

<i>Depreciation and amortisation</i>	1997	1996
	(in £ millions)	
Hong Kong	180	160
Other Asia	24	20
United Kingdom	302	282
Other Europe	7	3
Caribbean	65	52
North America	39	32
Rest of the world	33	30
	650	579

5 Operating costs

	1997	1996	1995
	(in £ millions)		
Outpayments to other telecommunications administrators and carriers	1,789	1,716	1,642
Cost of sales relating to equipment sales and rental	355	262	206
Employee costs	832	831	799
Pension costs	63	66	60
Property rentals, taxes and utility costs	172	110	150
Rental of transmission facilities	88	73	63
Operating lease rentals	161	140	96
Other operating costs	422	429	466
Depreciation of owned tangible fixed assets	643	571	511
Depreciation of tangible fixed assets held under finance leases	7	8	6
	4,512	4,206	3,999

Net foreign exchange gains of £4m are included within operating costs for 1997 (1996 - £nil, 1995 - losses of £1m).

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 Operating costs continued

The remuneration of the auditors in respect of audit services provided to the Group during the year was £1.7m (1996 – £1.7m, 1995 – £1.6m). The remuneration of the auditors in respect of non-audit services to the Company and its UK subsidiaries was £4.6m (1996 – £3.5m, 1995 – £4.0m), including £2.9m (1996 – £0.4m, 1995 – £0.2m), in respect of acquisition and disposal services.

6 Employees

The average monthly number of persons employed by the Group during the year was:

	1997	1996
	(Number)	
Hong Kong	14,187	15,436
Other Asia	1,172	1,153
United Kingdom	7,835	9,170
Other Europe	426	459
Caribbean	7,749	7,950
North America	2,442	2,575
Rest of the world	3,473	2,810
Associated undertakings	164	83
	37,448	39,636

The aggregate remuneration and associated costs of the Group employees, including amounts capitalised, were:

	1997	1996
	(in £ millions)	
Salaries and wages	781	821
Social security costs	40	43
Pension costs – principal schemes	52	53
– other costs	14	18
	887	935

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 Pensions

The Company and its principal subsidiaries operate pension and retirement schemes which cover the majority of employees in the Group. These schemes are principally of the defined benefit type whereby retirement benefits are based on the employees' final remuneration and length of service and are funded through separate trustee administered schemes. Contributions to the schemes are made in accordance with the recommendations of independent actuaries who value the schemes at regular intervals, usually triennially.

Actuarial values of the principal United Kingdom and Hong Kong pension schemes were prepared at March 31, 1996 and December 31, 1996 respectively.

The valuation of the United Kingdom Scheme disclosed an increased surplus compared with the previous valuation. The Company has thus reduced its contributions to the scheme with effect from April 1, 1996 with the agreement of the actuary. In the accounts, the surplus in the United Kingdom Scheme has been spread over the remaining service lives of the employed members.

The United Kingdom Scheme was valued using the projected unit method and the principal assumptions were that future investment returns would, on average, be 4.5 per cent a year above the level of price inflation, that general salary growth would be 2 per cent a year above price inflation and that both pension increases and the growth of equity dividends from March 1996 levels would be in line with price inflation. The market value of the scheme's investments at the valuation date was £920m. The assessed value which the actuary placed on those investments was £805m. The scheme also holds some insurance policies which have an assessed value of £11m. The total assessed value of the assets was 113 per cent of the value of the aggregate benefits that had accrued to members of the scheme, allowing for expected future earnings increases in the case of employees.

The valuation of the Hong Kong Scheme showed a surplus of assets over the discontinuance rights of members as at the valuation date. On an on going basis, the valuation revealed a reduced deficit as compared with the previous valuation of assets over the accrued rights of members. As a result, the actuary recommended, and the Company agreed to, a reduction in contributions to the scheme with effect from January 1, 1997. In the accounts, the deficit in the Hong Kong Scheme has been spread over the remaining service lives of the employed members.

The two main sections of the Hong Kong Scheme which are open to new members were valued using the projected unit method and the four smaller closed sections of the Hong Kong Scheme were valued using the attained age method. The principal assumption is that the average long term rate of return on the scheme's assets will be 2 per cent a year higher than the rate of salary escalation. The method used to value the scheme's assets is a three year quarterly moving average method. The market value of the scheme's assets at the valuation date was £485m. The assessed value of the scheme assets at the valuation date was £472m and was 97 per cent of the aggregate benefits that had accrued to the members after allowing for expected future increases in earnings.

The pension costs as shown in Note 6 comprise:
 Regular costs
 Variation from regular costs (including interest)

	1997	1996
(in £ millions)		
60	52	
(8)	1	
52	53	

Pension schemes other than the principal schemes are accounted for on the basis of local custom and practice. Pension prepayments of £45m (1996 - £43m) are included in other debtors (Note 18). Provisions for obligations to pay terminal gratuities on retirement to staff who are not members of the pension and retirement schemes are included in provisions for pensions (Note 23).

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 Pensions continued

US GAAP disclosures

The following disclosures are in accordance with US pension accounting rules under SFAS 87 "Employers Accounting for Pensions". Separate disclosures are made in respect of the two principal schemes, United Kingdom and Hong Kong.

United Kingdom scheme

The defined benefit obligations were determined using the following assumptions at March 31, 1997, 1996 and 1995:

	1997	1996	1995
	(% per annum)		
Discount rate	8.0	8.0	9.0
Rate of future pay increase	5.5	5.5	6.5
Rate of pension increase	4.0	4.0	4.5
Estimated rate of return on plan assets	8.7	8.7	9.2

The components of the pension cost for the year were as follows:

	1997	1996	1995
	(in £ millions)		
Service cost	46	49	46
Interest cost on projected benefit obligation	67	61	51
Actual return on plan assets	(104)	9	30
Net amortisation and deferral	18	(77)	(94)
Net pension cost	27	42	33
Members' contribution	(14)	(11)	(9)
Pension cost for the year under US GAAP	13	31	24

The information required to be disclosed in accordance with SFAS 87 and SFAS 88 concerning the funded status as at March 31, 1997 and 1996 is as follows:

	1997	1996
	(in £ millions)	
Accumulated benefit obligations (all benefits vested)	748	719
Projected benefit obligation	(828)	(785)
Plan assets at fair value (see note below)	968	884
Plan assets in excess of projected benefit obligation	140	99
Unrecognised transition amount	(30)	(36)
Unrecognised prior service cost	16	21
Gain at year end	(93)	(78)
Prepaid pension cost under US GAAP	33	6

The Plan assets comprise primarily investments in equity and fixed interest securities.

During 1995, Mercury's Customer Premises Equipment Division was sold and staff reductions took place following the Mercury reorganisation. As a result of this, curtailment and termination gains of £7m have been recognised within the projected benefit obligation in 1997 (1996 - £3m).

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 Pensions continued

Hong Kong Scheme

The defined benefit obligations were determined using the following assumptions at March 31, 1997, 1996 and 1995:

	1997	1996	1995
	(% per annum)		
Discount rate	9.5	8.5	9.0
Rate of future pay increase	7.5	7.5	8.0
Rate of pension increase	6.0	5.5	6.0
Estimated rate of return on plan assets	9.0	9.0	10.0

The components of the pension cost for the year were as follows:

	1997	1996	1995
	(in £ millions)		
Service cost	44	41	35
Interest cost on projected benefit obligation	41	39	37
Actual return on plan assets	(62)	(62)	64
Net amortisation and deferral	18	25	(115)
Net pension cost	41	43	21
Members contributions	(4)	(4)	(3)
Pension cost for the year under US GAAP	37	39	18

The information required to be disclosed in accordance with SFAS 87 and SFAS 88 concerning the funded status as at March 31, 1997 and 1996 is as follows:

	1997	1996
	(in £ millions)	
Accumulated benefit obligations:		
Vested	233	226
Non-vested	9	10
	242	236
Projected benefit obligation	(502)	(511)
Plan assets at fair value (see note below)	498	479
Plan assets below projected benefit obligation	(4)	(32)
Unrecognised transition amount	(15)	(18)
Unrecognised prior service cost	1	1
Loss at year end	13	46
Accrued pension cost under US GAAP	(5)	(3)

The plan assets consist primarily of investments in equity and fixed interest securities.

CABLE AND WIRELESS PLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 Profits less (losses) on disposal of fixed assets

Profits less (losses) on disposal of fixed assets comprises profits on disposal of a number of investments in associated undertakings of £95m, profit on disposal of a trade investment of £43m, profits on disposal of tangible fixed assets of £11m and a provision for the expected loss on disposal of Group properties of £70m.

9 Exceptional items

Exceptional items in 1996 comprised a £199m profit on sale of the Company's 5.03 per cent interest in Mannesmann Mobilfunk GmbH and an exceptional charge of £120m relating to the write down of investments primarily in respect of businesses in Central and Eastern Europe, (£34m shown within 'profits less (losses) on sale or termination of operations' and £86m shown within 'Amounts written off investments in associated undertakings'). The charge included a write back of £76m of goodwill which had previously been charged directly to reserves.

The £60m exceptional charge against operating costs in 1995 related to the termination of employment of 2,500 Mercury employees, relocation costs and asset write downs. The exceptional pre-tax charge of £18m in 1995 related to profits less (losses) on sale and termination of operations following the Mercury reorganisation. The £178m exceptional charge related to goodwill associated with the acquisition of Telephone Rentals plc in 1988. The remaining £44m charge related to the losses on disposal of fixed assets following Mercury reorganisation.

10 Associated undertakings

	1997	1996	1995
	(in £ millions)		
Turnover	952	655	460
Operating costs	(1,079)	(652)	(487)
Operating profits less (losses)	(127)	3	(27)
Net interest	(57)	(37)	(14)
Share of profits less (losses) dealt with within associated undertakings	(184)	(34)	(41)
Interest received and receivable on loans to associated undertakings	15	10	3
Share of profits less (losses) of associated undertakings before exceptional items	(169)	(24)	(38)
Exceptional items: amounts written off investment in associated undertakings	-	(86)	-
	(169)	(110)	(38)

CABLE AND WIRELESS PLC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 Associated undertakings continued

Segmental analysis of share of turnover and operating profits less (losses) of associated undertakings:

	<u>1997</u>	<u>1996</u>	<u>1995</u>
	(in £ millions)		
Turnover			
Hong Kong	16	11	8
Other Asia	107	83	81
United Kingdom	143	81	58
Other Europe	190	114	22
Caribbean	57	53	51
North America	-	2	3
Rest of the world	439	311	237
	<u>952</u>	<u>655</u>	<u>460</u>
Operating profit			
	<u>1997</u>	<u>1996</u>	<u>1995</u>
	(in £ millions)		
Hong Kong	8	5	3
Other Asia	16	19	14
United Kingdom	(112)	(53)	(58)
Other Europe	(93)	(6)	(4)
Caribbean	23	22	17
North America	-	(1)	-
Rest of the world	31	17	1
	<u>(127)</u>	<u>3</u>	<u>(27)</u>

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 Net interest and other similar income

	1997	1996	1995
	(in £ millions)		
<i>Interest receivable and similar income:</i>			
Deposits and short term loan interest	99	77	100
<i>Income from fixed asset investments:</i>			
Share of profits of international telecommunications satellite organisations	13	11	12
Other income from fixed asset investments	10	4	-
Other income including net surplus on sale of assets	-	29	11
Exchange (losses)/gains on retranslation of foreign currency denominated loans and deposits	(1)	7	(4)
	<u>121</u>	<u>128</u>	<u>119</u>
<i>Interest payable:</i>			
Finance charges on leases:	6	7	5
Bank loans and overdrafts	45	32	21
Other loans - repayable in less than five years	109	47	55
- repayable in more than five years	29	77	59
	<u>189</u>	<u>163</u>	<u>140</u>
Less: interest capitalised	(16)	(10)	(9)
	<u>173</u>	<u>153</u>	<u>131</u>
	<u>(52)</u>	<u>(25)</u>	<u>(12)</u>

12 Tax on profit on ordinary activities

	1997	1996	1995
	(in £ millions)		
<i>Profit/(loss) before tax:</i>			
United Kingdom	97	211	(159)
Overseas	1,321	1,130	1,003
	<u>1,418</u>	<u>1,341</u>	<u>844</u>

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 Tax on profit on ordinary activities continued

The charge for taxation, based on the Group profit for the year, comprises:

	1997	1996	1995
	(in £ millions)		
<i>United Kingdom:</i>			
Corporation tax at 33%			
Current	96	164	123
Deferred	17	26	3
Double taxation relief	(30)	(50)	(64)
	83	140	62
<i>Overseas:</i>			
Current	204	190	166
Deferred	2	-	2
Associated undertakings	13	12	5
	302	342	235
Adjustments in respect of prior years	(15)	(22)	9
	287	320	244

A tax charge of £27m relates to the 'profits less (losses) on sale and termination of operations' and 'profits less (losses) on disposal of fixed assets.' A £55m tax charge arose on the exceptional profit on disposal of fixed assets in 1996. In 1995 a tax credit of £13m relates to the exceptional items charged to operating profit, 'profits less losses on sale and termination of operations' and 'profits less losses on disposal of fixed assets'.

If deferred tax had been fully provided in each year under the liability method, the tax charge would have reduced by £19m, (1996 - increased by £47m, 1995 - increased by £58m), comprising:

	1997	1996	1995
	(in £ millions)		
Current year	37	53	81
Prior year	(56)	(6)	(23)
	(19)	47	58

The Group's effective tax rate varies from the statutory tax rate as a result of the following factors:

	1997	1996	1995
	(%)		
Statutory tax rate	33.0	33.0	33.0
Timing differences not provided for:			
- Timing differences included in potential deferred tax	(3.2)	(4.0)	(9.5)
- Other timing differences	1.2	(0.9)	1.1
Items not deductible for tax or not taxable	2.2	12.8	26.8
Tax rate differences	(12.1)	(15.2)	(20.3)
Prior year	(1.1)	(1.6)	1.0
Other	0.2	(0.2)	(3.2)
Effective tax rate	20.2	23.9	28.9

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 Minority interests

The value of non-equity minority interests is not material. There is no material minority interest relating to the 'profits less (losses) on sale and termination of operations' and 'profits less (losses) on disposal of fixed assets' in 1997 or 1996.

In 1995 the minority share of the 'Exceptional item charged against operating costs' of £60 million, the loss of £18 million disclosed as 'Profits less (losses) on sale and termination of operations' and the loss of £44 million disclosed as 'Profits less (losses) on disposal of fixed assets' was £22 million.

14 Earnings per share

	1997	1996	1995
	(in £ millions)		
Profit for the financial year attributable to shareholders	677	607	252
Exceptional items			
- included in operating profit	-	-	38
- not included in operating profit	-	(24)	227
Profit for the financial year excluding exceptional items	677	583	517
Earnings per ordinary share excluding exceptional items	30.3p	26.4p	23.6p
Earnings per ordinary share on exceptional items	-	1.1p	(12.1)p
Earnings per ordinary share	30.3p	27.5p	11.5p

The weighted average number of shares in issue were 2,252,619,261; 2,206,524,316 and 2,189,737,387 for 1997, 1996 and 1995 respectively.

A fully diluted earnings per share based on share options in issue and the conversion of unsecured loan stock is not provided as the effects on the earnings per share are not material. Additional information on earnings per share has been provided in order that the effects of exceptional items on reported earnings can be fully appreciated.

Exceptional items in 1996 and 1995 are disclosed in Note 9. The tax and minority interest effect of these exceptional items are given in Notes 12 and 13 respectively.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 Tangible fixed assets

	Cables and repeaters	Land and buildings	Plant	Cableships	Projects under construction	Total
	(in £ millions)					
<i>Cost:</i>						
At April 1, 1996	477	631	6,207	216	613	8,144
Additions	39	70	628	-	347	1,084
Disposals	(2)	(11)	(161)	(7)	(14)	(195)
Transfers	44	23	245	5	(317)	-
Exchange adjustments	(2)	(18)	(147)	-	(8)	(175)
At March 31, 1997	<u>556</u>	<u>695</u>	<u>6,772</u>	<u>214</u>	<u>621</u>	<u>8,858</u>
<i>Depreciation:</i>						
At April 1, 1996	217	104	2,412	73	-	2,806
Charge for the year	30	23	586	11	-	650
Eliminated in respect of disposals	(2)	(2)	(64)	(3)	-	(71)
Exchange adjustments	(2)	(3)	(62)	-	-	(67)
At March 31, 1997	<u>243</u>	<u>122</u>	<u>2,872</u>	<u>81</u>	<u>-</u>	<u>3,318</u>
Net book value						
At March 31, 1997	<u>313</u>	<u>573</u>	<u>3,900</u>	<u>133</u>	<u>621</u>	<u>5,540</u>
At March 31, 1996	<u>260</u>	<u>527</u>	<u>3,795</u>	<u>143</u>	<u>613</u>	<u>5,338</u>
<i>Capitalised interest included in the above net book value comprises:</i>						
At March 31, 1997	<u>8</u>	<u>20</u>	<u>10</u>	<u>1</u>	<u>-</u>	<u>39</u>
At March 31, 1996	<u>9</u>	<u>20</u>	<u>6</u>	<u>1</u>	<u>-</u>	<u>36</u>

The net book value of tangible fixed assets includes an amount of £51m (1996 - £57m) in respect of assets held under finance leases.

	1997	1996
	(in £ millions)	
<i>Land and buildings at net book value comprises:</i>		
Freeholds	300	232
Long leaseholds	160	158
Short leaseholds	113	137
	<u>573</u>	<u>527</u>

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 Fixed asset investments

	<u>Associated undertakings</u>	<u>Other investments</u>	<u>Total</u>
	(in £ millions)		
Cost			
At April 1, 1996	1,947	258	2,205
Additions	361	34	395
Transfers	58	(58)	-
Disposals	(864)	(6)	(870)
Exchange adjustments	(98)	(16)	(114)
At March 31, 1997	<u>1,404</u>	<u>212</u>	<u>1,616</u>
Amounts written off			
At April 1, 1996	(784)	(1)	(785)
Disposals	16	-	16
Goodwill written back through the profit and loss account	579	-	579
Excess of cost of shares over underlying assets acquired	(285)	-	(285)
At March 31, 1997	<u>(474)</u>	<u>(1)</u>	<u>(475)</u>
Share of post acquisition reserves			
At April 1, 1996	(133)	-	(133)
Dealt with by associated undertakings	(218)	-	(218)
Exchange adjustments	5	-	5
Disposals	107	-	107
At March 31, 1997	<u>(239)</u>	<u>-</u>	<u>(239)</u>
Net book value			
At March 31, 1997	<u>691</u>	<u>211</u>	<u>902</u>
At March 31, 1996	<u>1,030</u>	<u>257</u>	<u>1,287</u>

Investments at net book value comprise:

	<u>1997</u>	<u>1996</u>
	(in £ millions)	
Associated undertakings:		
Listed shares	(8)	11
Unlisted shares	494	824
Loans	205	195
	<u>691</u>	<u>1,030</u>
Other investments:		
Listed shares	104	163
Unlisted shares	49	43
Interest in international telecommunications satellite organisations	58	51
	<u>211</u>	<u>257</u>

Loans to associated undertakings includes provisions of £6m (1996 - £10m).

The market value of listed shares was £431m (1996 - £33m) for associated undertakings and £155m (1996 - £211m) for other investments.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 Fixed asset investments continued

Reconciliation of share of profits less (losses) of associated undertakings with post acquisition retained reserves:

	1997	1996
	(in £ millions)	
Share of profits less (losses) of associated undertakings	(169)	(110)
Interest received and receivable on loans to associated undertakings	(15)	(10)
Taxation charge	(13)	(12)
Dividends received	(21)	(23)
	(218)	(155)
Add back: goodwill previously written off to reserves	-	69
Add back: amounts written off loans and other amounts owed by associated undertakings	-	17
Dealt with by associated undertakings	(218)	(69)

Associated undertakings: group share of net assets

	1997	1996
	(in £ millions)	
Fixed assets		
Current assets	1,758	1,240
Current borrowings	384	519
Other current liabilities	(163)	(64)
	(383)	(470)
Net current assets	1,596	1,225
Long term borrowings	(987)	(320)
Other long term liabilities	(123)	(70)
Net assets	486	835

Segmental analysis of the net assets of associated undertakings

	1997	1996
	(in £ millions)	
Hong Kong	12	8
Other Asia	91	66
United Kingdom	2	112
Other Europe	140	384
Caribbean	61	61
Rest of the world	385	399
	691	1,030
Loans from Group companies	(205)	(195)
	486	835

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 Stocks

	1997	1996
	(in £ millions)	
Stocks for the development of the Group's telecommunication systems	11	11
Stocks for resale	60	62
Consumable stores	12	14
	<u>83</u>	<u>87</u>

18 Debtors

	1997	1996
	(in £ millions)	
<i>Amounts falling due within one year:</i>		
Trade debtors	932	832
Less: Allowance for doubtful accounts	(82)	(74)
Amounts recoverable on contracts	850	758
Amounts owed by associated undertakings	34	14
Other debtors	52	47
Prepayments and accrued income	140	122
Net investment in finance leases	94	71
	-	1
	<u>1,170</u>	<u>1,013</u>
<i>Amounts falling due after more than one year:</i>		
Other debtors	107	157
Prepayments and accrued income	59	54
Net investment in finance leases	41	43
	<u>207</u>	<u>254</u>
Total debtors	<u>1,377</u>	<u>1,267</u>
<i>Net investment in finance leases comprises:</i>		
Total lease payments receivable	41	43
Total rentals received during the year under finance leases	2	5

A company within the Group is a limited partner in a number of limited partnerships which own and lease assets to third parties. Non-recourse finance of £263m (1996 - £189m) has been offered, under paragraph 29 of Financial Reporting Standard No 5, against the net investments in finance leases.

19 Short term deposits and cash at bank and in hand

Of the total amount shown, £34m (1996 - £34m) is held in countries subject to exchange regulations which may delay repatriation.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20 Creditors: amount falling due within one year

	1997	1996
	(in £ millions)	
<i>Loans and obligations under finance leases:</i>		
Bank loans and overdrafts	15	24
Bills payable	1	5
Current instalments due on loans	443	379
Obligations under finance leases	12	11
	<u>471</u>	<u>419</u>
	1997	1996
	(% per annum)	
<i>Weighted average interest rates at the end of the period applicable to the above borrowings:</i>		
Bank loans and overdrafts	7.3	7.6
Obligations under finance leases	11.7	9.8
Bills payable and Current instalments due on loans	8.9	7.6
Overall average	<u>8.7</u>	<u>8.9</u>
	1997	1996
	(in £ millions)	
<i>Other creditors:</i>		
Payments received on account	59	41
Trade creditors	386	472
Amounts owed to associated undertakings	18	262
Dividends payable	173	154
Corporation tax	57	81
Other taxation and social security	136	104
Other creditors	163	133
Accruals	695	467
Deferred income	131	124
	<u>1,818</u>	<u>1,838</u>

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21 Creditors: amount falling due after more than one year

	1997	1996
	(in £ millions)	
7% Convertible Unsecured Loan Stock repayable 2008	124	138
<i>Other loans and obligations under finance leases:</i>		
Sterling repayable at various dates up to 2019	687	552
Hong Kong dollars repayable at various dates up to 2000	419	320
US dollars repayable at various dates up to 2038	916	939
Other currencies repayable at various dates up to 2015	86	73
	2,108	1,884
Less: Current instalments due	(443)	(379)
	1,665	1,505
Obligations under finance leases	34	46
	1,699	1,551
Amounts owed to associated undertakings	-	123
Accruals and deferred income	8	15
Other creditors	16	12
	24	150
Total creditors: Amounts falling due after more than one year	1,847	1,839
	Finance	Loans
	(in £ millions)	
<i>Other loans and net obligations under finance leases are payable as follows:</i>		
1998	4	107
1999	4	162
2000	4	133
2001	3	302
After 2002	19	961
	34	1,665

- (i) The 7% Convertible Unsecured Loan Stock 2008 carries interest at 7 per cent per annum. This stock is convertible at the option of stock holders into ordinary shares in the Company on August 31 in each year up to and including 2008, on the basis of one share for every 206p of nominal loan stock.
- (ii) The Group has fixed rates of interest on 53 per cent of its principal bank loans with average rates of interest of approximately 9 per cent for sterling denominated loans and 7 per cent for US dollar loans. All floating rate debt is LIBOR related. Interest rate swaps and forward rate agreements are used to manage the overall balance of fixed and floating rate debt. The fixed portion will increase to 66 per cent in December 1997 as a fixed to floating rate swap matures.
- (iii) Any borrowing, the liability of which is swapped into another currency, is accounted for as a liability in the swap currency and not in the original currency of denomination.
- (iv) £96m of borrowings due after more than one year were secured on assets of the Group.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21 Creditors: amount falling due after more than one year continued

Borrowing facilities

At March 31, 1997, the Company and its subsidiaries had commercial paper programs of £700m of which £605m was backed up by committed term facilities. The Company also had a short term committed facility of £1,000m.

22 Deferred taxation

	<i>in £ millions</i>
<i>Amounts provided:</i>	
At April 1, 1996	155
Charge to current year profit and loss account	16
Other movements	(10)
At March 31, 1997	161

	1997	1996
	<i>(in £ millions)</i>	
<i>Total potential liability:</i>		
Excess capital allowances	671	701
Other	271	230
	942	931
Less: Advance Corporation Tax	(43)	(38)
	899	893

Deferred taxation provided in the accounts and the total potential liability, including amounts for which provision has been made, are as follows:

	1997	1996
	<i>(in £ millions)</i>	
<i>Amounts provided:</i>		
Excess capital allowances	44	45
Other	160	148
	204	193
Less: Advance corporation tax	(43)	(38)
	161	155

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22 Deferred taxation continued

	1997	1996
	(in £ millions)	
<i>Deferred tax asset:</i>		
Advance corporation tax	43	38
Losses	7	23
Other	79	51
	<u>129</u>	<u>112</u>
Less: Deferred tax not recognised under UK GAAP	(73)	(26)
Deferred tax asset recognised under UK GAAP	<u>56</u>	<u>86</u>
<i>Deferred tax liability:</i>		
Capital allowances	673	703
Undistributed reserves	146	172
Other	209	131
	<u>1,028</u>	<u>1,006</u>
Less: Deferred tax not provided under UK GAAP	(811)	(765)
Deferred tax liability provided under UK GAAP	<u>217</u>	<u>241</u>
Net deferred tax liability provided under UK GAAP	<u>161</u>	<u>155</u>

The analysis of the deferred tax liability provided under UK GAAP between current and non-current amounts is as follows:

	1997	1996
	(in £ millions)	
<i>Current:</i>		
UK	23	15
Hong Kong	-	1
Other overseas	(10)	(12)
	<u>13</u>	<u>4</u>
<i>Non current:</i>		
UK	62	42
Hong Kong	58	58
Other overseas	28	51
	<u>148</u>	<u>151</u>
	<u>161</u>	<u>155</u>

The potential deferred tax liability does not include an amount of £616m (1996 - £521m) of contingent tax liability arising on the reserves of overseas subsidiary and associated undertakings which the Group does not expect to remit to the United Kingdom.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22 Deferred taxation continued

At March 31, 1997 some of the operating subsidiary companies had tax losses available to be carried forward to future years. The tax value of these losses and the expiration dates are as follows:

	(in £ millions)
1998	-
1999	-
2000	(7)
After 2000	(7)

23 Other provisions

	1997	1996
	(in £ millions)	
At April 1	50	90
Charge to current year profit and loss account	36	17
Amounts paid or released during the year	(26)	(56)
Disposals	(1)	(1)
At March 31	59	50
<i>Other provisions comprise:</i>		
Pension, redundancy payments and unfunded gratuities	15	8
Ships' periodic overhauls	3	4
Reorganisation	41	38
	59	50

24 Called up share capital

	1997	1996
	(in £ millions)	
<i>Authorised:</i>		
2,734,520,636 ordinary shares of 25p each (1996 - 2,734,520,636 ordinary shares of 25p each)	684	684
	1997	1996
	(in £)	
Special Rights Preference Share of £1	1	1
	1997	1996
	(in £ millions)	
<i>Allocated, called up and fully paid:</i>		
2,242,591,030 ordinary shares of 25p each (1996 - 2,220,497,738 ordinary shares of 25p each)	561	555
	1997	1996
	(in £)	
Special Rights Preference Share of £1	1	1

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Called up share capital continued

The Special Rights Preference Share is held by HM Government and carries no right to participate in the capital (beyond the sum of £1) or the earnings of the Company.

Allotments of ordinary shares of 25p each during the year were:

	Number of shares allotted	Gross consideration received £
In lieu of cash dividends	2,472,917	-
Under the C&W Savings Related Share Option Scheme	2,997,005	6,781,132
Under the C&W Senior Employees' Share Option Scheme	2,078,741	6,741,104
Under the C&W Revenue Approved Share Option Scheme	7,452,370	20,800,276
Under the C&W Employee Stock Purchase Plan	305,907	1,120,104
On conversion of 7% Convertible Unsecured Loan Stock 2008	6,752,152	13,909,441
Under the TR Executive Share Option Scheme	34,200	36,898
	22,093,292	49,388,955

Share options

The Group operates a savings related share option scheme (SAYE) which was approved by the shareholders in September 1983 and renewed for a further 10 years by resolution passed on June 25, 1993. The scheme provides a long term savings and investment opportunity for employees who can make regular savings and utilise the proceeds of the savings account to acquire shares. The scheme is open to all UK employees of the Company and the principal UK subsidiaries in the Group. Existing options may be exercised, normally after 5 or 7 years, according to the length of the option period chosen, at a price not less than 80 per cent of the market value of the shares at the time of the grant. From April 29, 1996, a shorter period of 3 years may be chosen.

At March 31, 1997 outstanding options granted under the SAYE scheme were as follows:

	Number of shares	Price	Normal dates of exercise
C&W Savings Related Share Option Scheme	178,240	217.00p	1997
	160,398	212.00p	1997-1998
	448,536	179.00p	1997-1998
	294,915	222.00p	1997-1999
	987,989	222.50p	1997-1999
	1,432,773	209.36p	1997-2000
	617,457	272.64p	1998-2000
	851,240	304.24p	1998-2001
	1,669,880	393.84p	1999-2001
	1,698,868	341.84p	1999-2001
	1,732,426	285.20p	2000-2002
	1,454,373	336.56p	2000-2003
	1,196,849	358.16p	2001-2003
	* 1,751,033	336.40p	1999-2004
	* 1,511,005	376.56p	1999-2004

* Granted during the year ended March 31, 1997.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Called up share capital continued
Share options continued

The Group operates another investment-related plan, Employee Stock Purchase Plan (ESPP). The ESPP, which was approved by the shareholders in July of 1992, allows eligible employees of Cable & Wireless, Inc. and its US subsidiaries, the ability to acquire American Depositary Receipts (ADRs) in Cable and Wireless plc at the discounted price of 85% of the market value of the ADRs on the first day of the ESPP's year. The first plan year began on October 1, 1992 and the last plan year shall end on September 30, 2002. Eligible employees authorise the Company to make payroll deductions in increments of US\$10.00, with the maximum deduction of US\$600.00, throughout the designated plan year. On the last day of the plan year, the Company purchases the ADRs on behalf of the eligible employees and ADR certificates are tendered.

At March 31, 1997 outstanding options granted under the ESPP are as follows:

	Number of ADRs	Price	Normal dates of exercise
Employee Stock Purchase Plan	74,611	\$18.06	Sept 30, 1997

The Group operates an executive share option scheme established in July 1984 which was renewed for a 10 year period by resolution of the shareholders based on June 25, 1993.

This option scheme ('Revenue Approved Share Option Scheme' or 'RESOS') has been approved by the UK Inland Revenue. The Group also operates another share option scheme established in September 1983 which was also renewed for a 10 year period by shareholder resolution passed on June 25, 1993 ('Senior Employees Share Option Scheme' or 'SESOS'). The two schemes are each administered by a committee consisting of directors, all or a majority of whom are non-executive directors of the Company. Options under both schemes are currently issued at an exercise price which is the market value of the ordinary shares at the time of grant. Options may normally be exercised between 3 and 10 years from date of grant in the case of options under RESOS and between 3 and 7 years from date of grant in the case of options under SESOS. Options may not be transferred or assigned to other persons. On exercise, new ordinary shares are allotted on the same terms as existing ordinary shares.

At March 31, 1997 outstanding options granted under SESOS and RESOS Schemes were as follows:

	Number of shares	Price	Normal dates of exercise
C&W Senior Employees' Share Option Scheme	651,058	265.00p	1997
	731,760	261.70p	1997-1999
	827,078	222.44p	1997-1999
	1,226,454	397.70p	1997-2000
	739,027	338.04p	1998-2000
	100,000	445.30p	1997-2001
	3,923,416	446.50p	1997-2001
	4,172,875	413.70p	1998-2002
	180,000	454.50p	1998-2002
	7,107,989	420.50p	1999-2003
	49,240	467.10p	1999-2003
226,503	472.41p	2000-2004	

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Called up share capital continued
Share options continued

	Number of shares	Price	Normal dates of exercise
C&W Revenue Approved Share Option Scheme	95,450	199.50p	1997
	351,717	185.50p	1997-1998
	1,124,224	251.50p	1997-1999
	1,519,920	265.00p	1997-2000
	1,039,139	261.70p	1997-2002
	1,897,233	222.44p	1998-2002
	20,526	323.90p	1997-2002
	11,511	275.31p	1998-2002
	1,766,069	397.70p	1997-2003
	70,202	397.70p	1998-2003
	1,131,477	338.04p	1998-2003
	69,099	463.10p	1997-2004
	3,703,584	446.50p	1997-2004
	165,000	446.50p	1999-2004
	3,785,125	413.70p	1998-2005
	* 2,634,069	420.50p	1999-2006
	* 6,422	467.10p	1999-2007
	* 6,350	472.40p	2000-2007

* Granted during the year ended March 31, 1997.

All the Group's share option schemes are fixed option schemes and are not performance related.

Authorisation of share options

SAYE, SESOS and RESOS schemes

The number of shares over which options may be granted, when aggregated with the number of shares subject to options, whether or not the option has been exercised, which were granted during the ten years prior to the date of grant, should not exceed 10 per cent of the issued ordinary share capital.

In addition, the number of shares over which options may be granted, when aggregated with the number of shares subject to options, whether or not the option has been exercised, which were granted during the three years prior to the date of grant, should not exceed 3 per cent of the issued ordinary share capital.

SESOS and RESOS schemes only

The number of shares over which options may be granted, when aggregated with the number of shares subject to options, whether or not the option has been exercised, granted during the ten years prior to the date of grant, excluding share options issued under any profit sharing scheme or savings related share option scheme approved by the Inland Revenue, should not exceed 5 per cent of the issued ordinary share capital.

ESPP scheme only

There is a limit on how many Cable and Wireless plc ordinary shares that can be purchased through the Plan on behalf of all participants. This limit is the number of ADRs that represent up to ten million Cable and Wireless plc ordinary shares. Once this limit is reached, the ESPP will be terminated or amended to increase the limit.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Called up share capital continued

Stock compensation plans

At March 31, 1997 the Company had four stock-based compensation plans (share option schemes) which have been described above. The Company computes the fair value of its share option grants under those plans in accordance with SFAS 123.

The fair value of each option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions used for grants in the respective years.

	1997	1996
<i>UK schemes</i>		
Dividend yield	2.2%	2.0%
Expected volatility	24.7%	23.0%
Risk-free interest rate	7.5%	7.8%
Expected lives of the options	5.4yrs	5.8yrs

	1997	1996
<i>US scheme</i>		
Dividend yield	2.6%	2.5%
Expected volatility	24.3%	20.9%
Risk-free interest rate	5.6%	5.7%
Expected lives of the options	1.0yrs	1.0yrs

A summary of the status of the Company's three fixed stock option plans (UK based) as at March 31, 1997, 1996 and 1995, and changes during the years ended on those dates is presented below:

	1997		1996		1995	
	Shares	Weighted average exercise price (p)	Shares	Weighted average exercise price (p)	Shares	Weighted average exercise price (p)
<i>UK schemes</i>						
<i>Fixed options</i>						
Outstanding at beginning of year	56,524,155	330.75	62,849,097	301.16	55,254,173	274.53
Exercised	(12,562,316)	255.45	(14,392,418)	249.21	(4,638,487)	234.46
Granted	13,487,959	404.94	11,831,831	363.35	14,974,944	403.59
Lapsed	(2,131,297)	336.71	(3,764,355)	341.26	(2,741,533)	318.94
Outstanding at end of year	<u>55,318,501</u>	361.69	<u>56,524,155</u>	330.75	<u>62,849,097</u>	301.16
Options normally exercisable at year end	<u>13,880,847</u>	292.54	<u>15,793,597</u>	242.53	<u>18,493,208</u>	243.43

Certain figures in the above table have been restated to reflect the correct amounts.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Called up share capital continued
Stock compensation plans continued

	1997		1996	
	Weighted average exercise price (p)	Weighted average grant date fair value of options granted during year (p)	Weighted average exercise price (p)	Weighted average grant date fair value of options granted during year (p)
<i>UK schemes</i>				
<i>Options granted during year</i>				
Options whose exercise price is less than market value of shares on date of grant.	355.00	149.16	346.05	150.42
Options whose exercise price equals market value of shares on date of grant	421.96	118.34	414.53	119.55

The following table summarises information about the UK fixed stock options outstanding at March 31, 1997.

<i>UK schemes</i>	Options outstanding			Options exercisable	
	Number outstanding at March 31, 1997	Weighted average remaining contractual life (yrs)	Weighted average exercise price (p)	Number exercisable at March 31, 1997	Weighted average exercise price (p)
Range of exercise prices (p)					
150 - 200	895,703	1.3	183.74	447,167	188.49
201 - 250	5,778,628	3.3	218.73	3,223,214	222.15
251 - 300	7,427,495	3.5	267.53	5,077,612	260.88
301 - 350	7,646,544	5.5	334.43	1,891,030	337.99
351 - 400	7,440,459	5.6	386.18	3,062,725	397.70
401 - 450	25,592,058	6.5	426.40	100,000	445.30
451 - 500	537,614	6.4	464.67	69,099	463.10
	<u>55,318,501</u>	5.4	361.69	<u>13,880,847</u>	292.54

A summary of the status of the Company's US based fixed stock option plan as at March 31, 1997, 1996 and 1995, and changes during the years ended on those dates is presented below:

<i>US scheme</i>	1997		1996		1995	
	ADRs	Weighted average exercise price (\$)	ADRs	Weighted average exercise price (\$)	ADRs	Weighted average exercise price (\$)
<i>Fixed options</i>						
Outstanding at beginning of year	89,435	16.79	99,079	15.72	103,202	17.27
Exercised	(101,969)	17.27	(122,507)	15.80	(103,202)	17.27
Granted	87,143	18.44	112,863	16.66	99,079	15.72
Lapsed	-	-	-	-	-	-
Outstanding at end of year	<u>74,611</u>	18.06	<u>89,435</u>	16.79	<u>99,079</u>	15.72
Options normally exercisable at year end	-	n/a	-	n/a	-	n/a

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 Called up share capital continued
Stock compensation plans continued

<i>US scheme</i>	1997		1996	
	Weighted average exercise price (\$)	Weighted average grant date fair value of options granted during year (\$)	Weighted average exercise price (\$)	Weighted average grant date fair value of options granted during year (\$)
<i>Options granted during year</i>				
Options whose exercise price is less than market value of shares on date of grant.	18.44	1.98	16.66	1.59

The following table summarises information about the US fixed stock options outstanding at March 31, 1997.

<i>US scheme</i>	Options outstanding			Options exercisable	
	Number outstanding at March 31, 1997	Weighted average remaining contractual life (yrs)	Weighted average exercise price (\$)	Number exercisable at March 31, 1997	Weighted average exercise price (\$)
Exercise price (\$)					
18.06	74,611	0.5	18.06	-	n/a

One ADR represents three ordinary shares.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25 Reserves

	Share Premium	Profit and loss account
At March 31, 1994		
Net premium on shares allotted	362	2,367
Goodwill on acquisition of subsidiary and associated undertakings	25	-
Goodwill written back through profit and loss account	-	(82)
Exchange adjustments	-	178
Profit for the financial year	-	(113)
Dividends	-	252
	-	(199)
At March 31, 1995		
Net premium on shares allotted	387	2,403
Adjustments in respect of scrip dividends	43	-
Goodwill on acquisition of subsidiary and associated undertakings	(1)	20
Goodwill written back through profit and loss account	-	(654)
Exchange adjustments	-	78
Profit for the financial year	-	43
Dividends	-	607
	-	(222)
At March 31, 1996		
Net premium on shares allotted	429	2,275
Adjustments in respect of scrip dividends	44	-
Goodwill on acquisition of subsidiary and associated undertakings	(1)	11
Goodwill written back through the profit and loss account	-	(461)
Exchange adjustments	-	600
Profit for the financial year	-	(137)
Dividends	-	677
	-	(249)
At March 31, 1997		
	472	2,716

Exchange adjustments in the Group are net of exchange losses of £11m (1996 - £23m) on foreign currency borrowings. The cumulative amount of goodwill resulting from acquisitions during the year ended March 31, 1997 and prior years, net of goodwill written back through the profit and loss account amounted to £818m (1996 - £957m). Of this amount £352m (1996 - £646m) related to associated undertakings.

Cumulative exchange losses on the revaluation of net investments overseas amounted to £392m at March 31, 1997 (1996 - £255m).

26 Financial instruments

The Group uses financial instruments, including forward foreign exchange contracts and interest rate swaps, in its management of exchange rate and interest rate exposures. While these instruments are subject to the risk of loss from changes in exchange rates and interest rates, these losses would generally be offset by gains in the related exposures. Financial instruments are only used to hedge underlying commercial exposures. The Group does not speculate in derivative financial instruments.

Realised and unrealised gains and losses on forward contracts which hedge firm third party commitments are recognised in income in the same period as the underlying transaction. Net interest paid or received on interest rate swaps is included in interest expense on an accruals basis.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26 Financial instruments continued

The Group assesses the exposure of its overall financial position on a net basis, after considering the extent to which variable rate liabilities can be offset with variable rate assets, typically short term deposits and cash. The Group's objective is to minimise interest expense consistent with maintaining an acceptable level of exposure to the risk of interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and variable rate debt based on an assessment of interest rate trends. To obtain this mix in a cost efficient manner the Group primarily utilises interest rate swaps that have the effect of converting specific debt obligations of the Group from fixed to variable rate, or vice versa, as required. If appropriate the Group also uses foreign currency swaps to match long term currency denominated debt to a proportion of its overseas asset base.

The estimated fair value of the Group's financial instruments are summarised below:

	1997		1996	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(in £ millions)			
Investments	211	262	257	305
Convertible bonds	(124)	(290)	(138)	(354)
Other long term debt	(1,699)	(1,714)	(1,551)	(1,587)
Interest rate swaps				
- asset	-	5	-	15
- (liability)	-	(2)	-	(12)
Cross currency swaps				
- asset	-	8	-	14
- (liability)	-	(11)	-	(10)
Forward foreign exchange contracts	-	-	-	-

Investments

The fair value of investments is based on year end quoted prices for listed investments and estimates of likely sales value for other investments.

Cash at bank and in hand, accounts receivable, accounts payable, short term borrowings and other current liabilities

The carrying value approximates fair value either because of the short maturity of the instruments or because the interest rate on investments is reset after periods not greater than six months.

Long term debt

The fair value is based on quoted market prices or, where these are not available, on the quoted market prices of comparable debt issued by other companies.

Interest rate swaps

The fair value of interest rate swaps is the estimated amount which the Group expect to pay or receive on the termination of the agreement, taking into consideration current interest rates and the current creditworthiness of the counter parties. The nominal value of the interest rate and currency swaps at March 31, 1997 was £709m (1996 - £943m).

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

26 Financial instruments continued

Forward foreign exchange contracts

The value of these contracts is the estimated amount which the Group would expect to pay or receive on the termination of the contracts, taking into consideration current exchange rates. At March 31, 1997 the Group had £226m of such contracts outstanding (1996 - £36m).

Concentrations of Credit risk

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. The counterparties to the Group's financial instruments are major international financial institutions. It is the Group's policy to monitor the financial standing of these counterparties on an ongoing basis. The Group does not have a significant exposure to any individual counterparty.

Potential concentrations of risk also include trade debtors. The Group's trade debtors represent amounts due to the Group's operations around the world from their customers and other local and international telecommunications operators. 37 per cent of the Group's trade debtors are due to operations based in the UK and 34 per cent are due to operations based in Hong Kong. The Group does not have a significant exposure to any individual customer or telecommunications operator.

27 Commitments

	1997	1996
	(in £ millions)	
Commitments in respect of contracts placed	113	116
Undrawn commitments to lend to associated undertakings	178	-
Commitments to acquire additional fixed assets investments	175	54

28 Contingent liabilities

At March 31, 1997 the Group had issued trading guarantees to the extent of £38m (1996 - £220m). The amounts represent the maximum liability on a consolidated basis that the Company would have been exposed to under these types of agreements in effect as at these dates.

Trading guarantees are performance bonds or contracts issued usually by the Company on behalf of its trading subsidiaries in the normal course of business guaranteeing that the subsidiary will meet its obligations to complete projects in accordance with the contractual terms and conditions. The guarantees also enable the customer to obtain repayment of any advance payment in the event of the relevant subsidiary failing to carry out its contractual obligations in full.

The nature of contracts include construction projects, service level agreements, installation of equipment, surveys, purchase of equipment and transportation of materials. The guarantees contain a clause that they will be terminated on final acceptance of work to be done under the contract.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

29 Leases

Operating lease commitments payable in the following year, analysed according to the period in which each lease expires are as follows:

	1997	1996
	(in £ millions)	
<i>Land and buildings:</i>		
Expiring within one year	7	11
Expiring in years two to five	23	25
Expiring thereafter	30	36
	<u>60</u>	<u>72</u>
<i>Other assets:</i>		
Expiring within one year	37	36
Expiring in years two to five	20	22
Expiring thereafter	31	30
	<u>88</u>	<u>88</u>

Lease obligations as lessee

At March 31, 1997 future minimum lease payments under operating leases that have initial lease terms in excess of one year were as follows:

	(in £ millions)
1998	148
1999	94
2000	79
2001	72
After 2001	696
Minimum lease payments	<u>1,089</u>

30 Reconciliation of operating profit to net cash inflow from operating activities

	1997	1996	1995
	(in £ millions)		
Operating profit	1,538	1,311	1,134
<i>Add back non-cash items:</i>			
Exceptional items included in operating income	-	-	60
Depreciation	650	579	517
Decrease/(increase) in stocks	2	41	(19)
Increase in debtors	(116)	(196)	(106)
Increase in creditors	177	185	38
Net cash outflow in respect of re-structuring costs	(4)	(42)	(17)
Other non-cash items including foreign exchange	(20)	(11)	(3)
Net cash inflow from operating activities	<u>2,227</u>	<u>1,867</u>	<u>1,604</u>

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GABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 Reconciliation of net cash flow to movement in net debt

	1997	1996	1995
	(in £ millions)		
Increase in cash in the period	58	28	(10)
Cash inflow resulting from increase in debt and lease financing	(270)	(453)	(146)
Cash outflow resulting from increase in liquid resources	732	23	(107)
Bond issue costs	-	3	5
Changes in net debt resulting from cash flows	520	(399)	(258)
Changes in net debt resulting from acquisitions	-	-	(21)
Amortisation of bond issue costs	(1)	-	-
Conversion of Unsecured Loan Stock	14	12	5
Inception of finance lease contracts	(1)	(1)	(25)
Translation difference	6	(9)	30
Movement in net debt in the period	538	(397)	(269)
Net debt at April 1	(1,067)	(670)	(401)
Net debt at March 31	(529)	(1,067)	(670)

32 Analysis of changes in net debt

	At April 1, 1996	Cash flow	Other non- cash changes	Exchange movements	At March 31, 1997
	(in £ millions)				
Cash at bank and in hand	117	50	-	(17)	150
Short term deposits repayable on demand	25	-	-	-	25
Bank overdrafts	(24)	8	-	1	(15)
	118	58	-	(16)	160
Liquid resources (Note 33)	899	732	-	(41)	1,590
Debt due within 1 year	(395)	12	(100)	27	(456)
Debt due after 1 year	(1,689)	(282)	112	36	(1,823)
Total (debt)	(2,084)	(270)	12	63	(2,279)
Total net (debt)	(1,067)	520	12	6	(529)

33 Liquid resources

Liquid resources comprise short-term deposits which are readily convertible into known amounts of cash at or close to their carrying value.

Included within liquid resources are amounts totalling £26m (1996 - £22m, 1995 - £19m) held by the Group's insurance subsidiary. These assets are actively managed to meet insurance liabilities. All of these assets are required to meet insurance solvency requirements and which, as a result, are not readily available for the general purposes of the Group. Other short term deposits typically include bank deposits (excluding those which are repayable on demand),

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

commercial paper and government securities. These deposits have short maturities and a high turnover occurring from rollover as part of the Group's treasury management activities.

34 Sale of subsidiary undertakings

	1997	1996	1995
	(in £ millions)		
Fixed assets sold	10	29	-
Net current assets sold	(6)	26	1
Minority share of net assets	(3)	-	-
Goodwill previously written off to reserves	13	-	-
	<u>14</u>	<u>55</u>	<u>1</u>
Profit on disposal	15	2	2
	<u>29</u>	<u>57</u>	<u>3</u>
<i>Satisfied by:</i>			
Cash received	28	57	3
Deferred consideration	1	-	-
	<u>29</u>	<u>57</u>	<u>3</u>

35 Purchase of Bell Cablemedia plc

The Company acquired a further 20 per cent interest in Bell Cablemedia plc during the year for a consideration of £205m in cash. This acquisition increased the Group's holding to 32.5 per cent. Goodwill arising as a result of the transaction, taking into account the cost of the Company's previous 12.5 per cent interest in Bell Cablemedia plc, was £273m.

36 Related party transactions

Transactions with associated undertakings

All transactions with associated undertakings arise in the normal course of business for the year ended March 31, 1997.

	(in £ millions)
Turnover	54
Outpayments	61
Other operating expenses payable	11
Management fees received and receivable	13
Interest received and receivable	21
Interest paid and payable	6
Dividends received	21
Sales of fixed assets	5

	(in £ millions)
At March 31, 1997	
Loans to associated undertakings (Note 16)	205
Amounts owed by associated undertakings (Note 18)	52
Amounts owed to associated undertakings (Note 20)	18

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CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

36 Related party transactions continued

Transactions with associated undertakings continued

The Group has guaranteed bank loans of £4m held by associated undertakings. Guarantee fees charged by the Group are included as part of the management fees receivable from associated undertakings. Management fees also include the provision of technical support services, which includes the cost of employee secondments to associated undertakings.

Transactions with Directors

There were no material transactions with Directors, except for those relating to remuneration and shareholdings disclosed in Item 10.

37 Post balance sheet events

Audited

UK - Cable & Wireless Communications plc

On October 22 1996, Cable & Wireless announced that it had reached agreement to create one of the United Kingdom's leading providers of integrated telecommunications, information and entertainment services by forming CWC from a merger of the operations of Mercury Communications Limited, NYNEX CableComms Group plc, NYNEX Cablecomms Group Inc., Bell Cablemedia plc and Videotron Holdings plc. Following the announcement that the public offers for the share capital of the constituent companies of CWC were declared unconditional, CWC was listed on the New York and London stock exchanges on April 28, 1997. The opening price of 300p per ordinary share valued CWC at approximately £4.5 billion, in which Cable & Wireless has a 52.6 per cent share.

Unaudited

Cable & Wireless Panama S.A.

On May 29, 1997 the Company acquired 49 per cent of INTEL subsequently renamed Cable & Wireless Panama S.A., the state owned telecommunications company of Panama, together with management control, following a competitive bid. The Government will retain 49 per cent of the shares while the remaining 2 per cent has been granted to Cable & Wireless Panama's employees. For the year ended December 31, 1996 Cable & Wireless Panama reported revenues of US\$246 million, and profit before tax of US\$153 million.

China/Hongkong Telecom

On June 6, 1997, Cable & Wireless and the Ministry of Posts and Telecommunications signed an agreement designed to reinforce their existing co-operation in Hong Kong. The agreement resulted in the acquisition by a wholly-owned subsidiary of China Telecom (Hong Kong) Limited of approximately 5.5 per cent of Hongkong Telecom from Cable & Wireless. Following this sale Cable & Wireless received approximately HK\$9.2 billion in cash which it applied in reducing Cable & Wireless Group indebtedness.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

37 Post balance sheet events continued
Australia - Optus

On July 1, 1997, the Company announced that it had reached agreement in principle with Bell South to purchase Bell South's 24.5 per cent interest in Optus. The completion of this purchase, which took place on August 18, 1997 increased the Company's shareholding in Optus to 49 per cent. In addition, the Company received free options to acquire shares in Optus that are expected, in due course to take its stake up to a maximum of approximately 55 per cent. The options become exercisable when Optus is listed on the Australian Stock Exchange.

UK - Cable & Wireless Communications plc

On September 15, 1997 CWC launched itself as the UK's leading provider of integrated telecommunications, information and entertainment services and at the same time announced that it would be taking a £200m exceptional reorganisation charge to the profit and loss account as a result of integrating the acquired entities.

38 Debtor and stock provisions

	1997	1996	1995
	(in £ millions)		
<i>Balance at beginning of period</i>			
Doubtful debts			
Stock	74	70	64
Total	9	8	10
<i>Charged to costs and expenses</i>	83	78	74
Doubtful debts			
Stock	31	33	34
Total	5	2	1
<i>Charged to other accounts</i>	36	35	35
Doubtful debts			
Stock	-	2	4
Total	2	-	(2)
<i>Deductions</i>	2	2	2
Doubtful debts			
Stock	(23)	(31)	(32)
Total	(5)	(1)	(1)
<i>Balance at end of period</i>	(28)	(32)	(33)
Doubtful debts			
Stock	82	74	70
Total	11	9	8
	93	83	78

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

39 Summary of differences between United Kingdom and United States generally accepted accounting principles

The Company prepares its consolidated accounts in accordance with generally accepted accounting principles (GAAP) in the United Kingdom, which differ in certain material respects from US GAAP. The significant differences relate principally to the following items and the adjustments necessary to restate net income and shareholders' equity in accordance with US GAAP are shown below.

(a) Goodwill

Under UK GAAP goodwill arising on acquisition is eliminated directly against reserves. Amounts are transferred from reserves and charged through the profit and loss account when the related investments are sold or written down as a result of permanent diminutions in value. Under US GAAP goodwill is capitalised and amortised by charges against income over the period, not to exceed 40 years, over which the benefit arises. For US GAAP, goodwill has been amortised by the Company over periods varying between 5 and 40 years.

Under UK GAAP the profit or loss on the disposal of all or part of a previously acquired business is calculated after taking account of the gross amount of any goodwill previously eliminated directly against reserves and not already charged to profit. Under US GAAP an adjustment to profit or loss on disposal is required in respect of goodwill previously amortised.

(b) Capitalisation of interest

Under UK GAAP the capitalisation of interest is not required, but the Company does capitalise interest, net of tax, incurred in relation to separately identifiable major capital projects. US GAAP requires that gross interest cost should be capitalised on all qualifying assets during the time required to prepare them for their intended use.

(c) Deferred tax

Under UK GAAP provision is made for deferred taxation only when there is a reasonable probability that the liability will arise in the foreseeable future. US GAAP requires full provision for deferred income taxes under the liability method on all temporary differences and, if required, a valuation allowance is established to reduce gross deferred tax assets to the amount which is likely to be realised.

(d) Marketable securities

Under UK GAAP investments in marketable securities are recorded at historic cost less provision for permanent diminutions in value. Under US GAAP investments classified as available for sale are reported at fair value, with unrealised gains or losses reported as a separate component of shareholders' equity.

(e) Pension costs

Under UK GAAP the expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the expected service lives of employees. Surpluses arising from actuarial valuations are similarly spread. Under US GAAP costs and surpluses are similarly spread but based on prescribed actuarial assumptions, which differ in certain respects from those used for UK GAAP.

(f) Restructuring costs

Under UK GAAP restructuring costs charged to the profit and loss account in full irrespective of whether they have been agreed or incurred. Under US GAAP certain of these costs are only charged to the profit and loss account when certain specific criteria have been met.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

39 Summary of differences between United Kingdom and United States generally accepted accounting principles continued

(g) *Cumulative exchange loss on sale of foreign associated undertakings*

Under UK GAAP the gain or loss arising on the sale or liquidation of a foreign subsidiary or associated company does not include the related cumulative exchange gain or loss, previously recorded as a separate component of shareholders' equity for that investment. Under US GAAP, the gain or loss on sale or liquidation includes the related cumulative exchange gain or loss.

(h) *Ordinary dividends*

Under UK GAAP dividends proposed after the end of an accounting period in respect of that accounting period are deducted in arriving at retained earnings for that period. Under US GAAP such dividends are not deducted until formally approved.

(i) *Cash flows*

The Cash Flow Statement is prepared in accordance with the UK Financial Reporting Standard No 1 Revised, Cash Flow Statements (FRS 1 Revised) for UK GAAP reporting. Its objective and principles are similar to those set out in Statement of Financial Accounting Standard (SFAS) 95, "Statement of Cash Flows". The principal difference between the standards is in respect of classification. Under FRS 1 Revised, the Group presents its cash flows for: operating activities; returns on investments and servicing of finance; taxation; capital expenditure and financial investment; acquisitions and disposals; equity dividends paid; management of liquid resources; and financing. SFAS 95 requires only three categories of cash flow activity: operating; investing; and financing.

Cash flows arising from taxation and returns on investments and servicing of finance under FRS 1 Revised would, with the exception of dividends paid, be included as operating activities under SFAS 95; dividend payments would be included as a financing activity under SFAS 95. Under FRS 1 Revised, cash is defined as cash in hand and deposits repayable on demand, short term deposits which are readily convertible into known amounts of cash at or close to their carrying value are classified as liquid resources. SFAS 95 defines cash and cash equivalents as cash in hand and short term highly liquid investments with original maturities of three months or less. Cash flows in respect of short term deposits with original maturities exceeding three months are included in investing activities under SFAS 95 and are included in Capital expenditure and financial investment under FRS 1 Revised.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

39 Summary of differences between United Kingdom and United States generally accepted accounting principles continued

The effect of these different accounting principles are as follows:

	1997	1996	1995
	(in £ millions)		
Net income as reported under UK GAAP	677	607	252
<i>US GAAP adjustments:</i>			
Amortisation of goodwill	(30)	(20)	(17)
Goodwill written off in respect of sale of subsidiary undertakings	22	3	21
Capitalisation of interest	11	2	1
Deferred tax - full provision	14	(31)	(86)
- tax effect of other US GAAP reconciling items	5	7	(4)
Pension costs	11	(7)	13
Restructuring costs	15	(21)	22
Cumulative exchange loss on sale of foreign associated undertaking	(35)	-	-
Other	(4)	3	(4)
Minority interests	(10)	3	10
Net income under US GAAP	<u>676</u>	<u>546</u>	<u>208</u>
Earnings per share under US GAAP	<u>30.3p</u>	<u>24.2p</u>	<u>9.4p</u>
Earnings per ADR* under US GAAP	<u>90.9p</u>	<u>72.6p</u>	<u>28.2p</u>

Had the compensation cost for the Company's three stock-based compensation plans been determined consistent with SFAS 123, the Company's US GAAP net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1997	1996
	(in £ millions except per share data)	
Net income - as reported	676	546
- pro forma	<u>666</u>	<u>542</u>
Earnings per share - as reported	30.3p	24.2p
- pro forma	<u>29.8p</u>	<u>24.0p</u>
Earnings per ADR* - as reported	90.9p	72.6p
- pro forma	<u>89.4p</u>	<u>72.0p</u>

The effects of applying SFAS 123 for disclosing compensation cost under such pronouncement may not be representative of the effects on reported net income for future years.

* Computed on the basis that one American Depository Receipt (ADR) represents three ordinary shares.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

39 Summary of differences between United Kingdom and United States generally accepted accounting principles continued

The effect on shareholders' equity of the differences between UK GAAP and US GAAP is as follows:

	1997	1996
	(in £ millions)	
Shareholders' equity as reported under UK GAAP	3,749	3,259
US GAAP adjustments:		
Goodwill		
Capitalisation of interest	698	962
Deferred tax - full provision	213	202
= tax effect of other US GAAP reconciling items	(775)	(788)
Proposed final dividend	(96)	(108)
Pension costs	173	154
Restructuring costs	(10)	(21)
Unrealised gains on equity securities	20	5
Other	34	53
Minority interest	(22)	(18)
Shareholders' equity under US GAAP	4,097	3,815

Goodwill and capitalised interest are analysed as follows:

	Goodwill		Capitalised Interest	
	1997	1996	1997	1996
	(in £ millions)			
Gross	790	1,050	416	380
Accumulated amortisation/depreciation	(92)	(88)	(164)	(142)
Included in UK GAAP consolidated financial statements	-	-	(39)	(36)
	698	962	213	202

Impact of new accounting standards:

SFAS 121 - Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of
 SFAS 121 was issued in March 1995. It establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used, and for long-lived assets and certain intangibles to be disposed of. Effective from April 1, 1996 the Company adopted SFAS 121, for the purpose of presenting the Group's results for the period and shareholders' interest as adjusted to accord with US GAAP. The adoption of SFAS 121 had no material impact on the Group's results of operations or financial position as adjusted to accord with US GAAP.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
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39 Summary of differences between United Kingdom and United States generally accepted accounting principles continued

SFAS 123 - Accounting for Stock-Based Compensation

SFAS 123 'Accounting for stock-based compensation' which establishes financial accounting and reporting standards for stock-based employee compensation plans, was effective for accounting periods beginning after December 15, 1995. This statement provides the option to continue under the accounting provisions of Accounting Principles Board Opinion 25 'Accounting for stock issued to employees' (APB 25), providing that proforma footnote disclosures of the effects on net income and earnings per share, calculated as if the new method had been implemented, are included. The Company has elected to continue under APB 25, and the proforma and other disclosures required by SFAS 123 are disclosed above and in Note 24.

Other US Accounting Standards issued but not adopted:

Derivative Financial Instruments

In January 1997, the Securities and Exchange Commission issued rules which, inter alia, expand the disclosure requirements regarding accounting policies for derivatives. The new accounting policy disclosures are effective for accounting periods ending after June 15, 1997, including interim periods.

SFAS 125 - Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

SFAS 125 was issued in June 1996 and establishes, among other things, new criteria for determining whether a transfer of financial assets in exchange for cash or other consideration should be accounted for as a sale or as a pledge of collateral. As issued Statement 125 is effective for all transfers and servicing of financial assets and extinguishment of liabilities occurring after December 31, 1996. In December 1996, SFAS 127, 'Deferral of the effective date of certain provisions of SFAS 125', was issued. Statement 127 defers for one year the effective date of certain requirements of Statement 125. The Company has not yet assessed the impact of Statement 125 on its consolidated financial statements.

SFAS 128 - Earnings Per Share

SFAS 128 was issued in February 1997 and is effective for financial periods ending after December 15, 1997. This statement simplifies the standards for computing earnings per share previously found in APB Opinion 15, Earnings per share, and makes them more comparative to international EPS standards. Statement 128 replaces the presentation of primary EPS with a presentation of basic EPS. In addition, the statement requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. The Group has not yet assessed the impact of Statement 128 on its financial statements.

SFAS 131 - Disclosure about Segments of an Enterprise and Related Information

SFAS 131 was issued in June 1997 and is effective for fiscal years beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated. It requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. It also requires entity-wide disclosures about the products and services an entity provides, the material countries in which it holds assets and reports revenues and its major customers. The Company has not yet evaluated the likely impact on the level of disclosure provided.

Statement of Position (SOP) 96-1 - Environmental Remediation Liabilities

SOP 96-1 was issued in October 1996. This statement provides authoritative guidance on specific accounting issues that are present in the recognition, measurement, display and disclosure of environmental remediation liabilities. The provisions of this Statement are effective for fiscal years beginning after December 15, 1996. SOP 96-1 is not expected to have a material impact on the financial position or results of operations of the Group.

CABLE AND WIRELESS PLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

39 Summary of differences between United Kingdom and United States generally accepted accounting principles
 continued

Glossary of UK/US terminology

UK term used in consolidated financial statements

US equivalent or brief description

Called-up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Corporation tax	Income tax
Creditors: amounts falling due after more than one year	Long-term debt
Creditors: amounts falling due within one year	Current liabilities
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Interest receivable	Interest income
Profit	Income
Profit and loss account	Income statement
Profit and Loss account (under 'capital and reserves')	Retained earnings
Profit attributable to ordinary shareholders	Net income
Proposed dividend	Dividend declared by directors but not yet approved by shareholders
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share premium account	Additional paid-in capital or paid-in surplus (not distributable)
Stocks	Inventories
Tangible fixed assets	Property, plant and equipment
Trade creditors	Accounts payable
Trade debtors	Accounts receivable
Turnover	Operating revenue

40 Concentrations of turnover

In the year ended March 31, 1997 approximately 23 per cent of the Group's turnover was derived from the provision of international telephone services under an exclusive licence which expires in 2006, granted to a subsidiary of Hongkong Telecom by the Hong Kong Government.

The Hong Kong Government has stated that until September 30, 2006 any further liberalisation in international services will be constrained by the terms of the HKTI Licence. However, the Hong Kong Government has also stated that it intends to pursue opportunities for further liberalisation without infringing the exclusive rights granted under the HKTI Licence.

Hongkong Telecom has regular discussions with the Hong Kong Government on various aspects of Hongkong Telecom's operations and the telecommunications regulatory environment in Hong Kong, including the possibility of early surrender of the HKTI Licence in exchange for fair compensation.

It is currently not possible to say whether any agreement will be reached with the Hong Kong Government in relation to the HKTI Licence and, if so, the nature and amount of any compensation that would be received by HKTI.

In the year ended March 31, 1997 approximately 10 per cent of the Group's revenue was earned from international telecommunications traffic carried to or from the United Kingdom. Until December 1996 the Group was part of a duopoly for the provision of international facilities. Since December 1996 a further 45 IFLs have been issued. These new licences are expected to result in further price reductions for international wholesale traffic carriage both to and from the United Kingdom and result in the replacement of existing product revenue with revenue from new products offered to the IFL holders.