

CABLE & WIRELESS SUPERANNUATION FUND

SUMMARY FUNDING STATEMENT – NOVEMBER 2009

This funding statement is designed to give you an update of the fund's financial position. There's a full actuarial valuation of the fund at least every three years. This involves comparing the fund assets with an estimate of the amount needed to pay the benefits that all members have earned up to the valuation date (the fund's liabilities). If the assets exceed the estimated liabilities, there's a surplus. If the value of the assets is less than the estimated liabilities, there's a deficit. The actuary calculates the funding position on two different bases, on-going and winding-up, and the most recent results are shown here.

ON-GOING BASIS

An on-going basis assumes that Cable & Wireless continues to support the fund financially. We also assess the on-going funding position annually between valuations, on a more approximate basis. The effective date of the last full valuation was 31 March 2007. The latest figures are from the annual assessment at 31 March 2009.

FULL VALUATION AT 31 MARCH 2007

The market value of the fund's assets was	£2,214 million
The amount the fund needed to provide benefits under the technical provisions was	£2,229 million
This gives a funding level of	99%

UPDATE AT 31 MARCH 2009

The annual assessment at 31 March 2009 carried out by the fund's actuary estimates that:

The market value of the fund's assets was	£2,078 million
The amount the fund needed to provide benefits under the technical provisions was	£2,457 million
This gives a funding level of	85%

Since the last full valuation at 31 March 2007 the funding position, on both the on-going and winding-up valuations, has worsened. Material variations in the funding position will inevitably arise from time to time reflecting the investment and mortality risks inherent under the operation of the fund. The deterioration in the on-going funding level should also be viewed in the context of the current volatility in investment markets.

WINDING-UP BASIS

The fact that we're also showing the winding-up position doesn't mean that the company is actually thinking of winding-up the fund. It's just another piece of information to help you understand the financial security of your benefits.

This approach assumes that Cable & Wireless plc stops supporting the fund on an on-going basis, so that the fund is wound up with members' benefits then being 'bought out' by the trustee with an insurance company. If the fund had been wound up on 31 March 2007, the assets would have been sufficient to provide around 80% of members' full benefits.

This may appear worrying but, in the first instance, the company would have been required by law to pay a lump sum into the fund to finance the deficit if it was able to do so. If the company had gone out of business and wasn't able to pay the amount needed to secure the benefits in full, the Pension Protection Fund (www.pensionprotectionfund.org.uk), might have been able to take over the fund and pay compensation to members.

The company has shown its continuing commitment to the fund by increasing its regular contribution, and paying extra contributions to meet the deficits shown in the full valuations of 2005 and 2007 (see the funding statement notes below).

PAYMENTS TO THE COMPANY

There have been no payments from the fund to Cable & Wireless plc over the 12 months to 31 March 2009, and the Pensions Regulator (www.thepensionsregulator.gov.uk) hasn't had to use its powers in connection with the fund.

FUNDING STATEMENT NOTES

STATUTORY FUNDING OBJECTIVE

The funding objective set out in pensions law is that any scheme should hold enough assets of suitable kinds to meet a funding target called the 'technical provisions'. If an actuarial valuation shows that there aren't enough assets, a 'recovery plan' to fill the gap must be agreed with the sponsoring employer. The on-going valuation basis on page 1 reflects the technical provisions.

Our policy for meeting the funding objective is set out in our statement of funding principles which sits alongside our statement of investment principles.

THE COMPANY'S SUPPORT

The 2005 full valuation showed an on-going funding deficit of £81 million. As a result, the company's regular contribution rate was increased to 22.3% of members' salaries, and an extra contribution of £97 million was paid on 31 March 2006 to meet the deficit in full. The 2007 full valuation showed an on-going funding deficit of £15 million. An extra contribution of £15 million was paid (on 28 March 2008) to meet the deficit in full, and the company's regular contribution rate was increased to 25.5% of members' salaries to meet the cost of future benefit accrual. The company made an extra contribution of £10 million on 9 September 2008 following the purchase of the bulk annuity policy from the Prudential.

In the light of the significant deterioration in the on-going funding level since 2007, the company has agreed to make additional payments into the fund in advance of the expected completion of the next actuarial valuation which is due to be undertaken as at 31 March 2010. An initial payment of £10 million was made on 1 October 2009, and further payments of £20 million and £45 million will be made on 1 October 2010 and 1 April 2011 respectively.

The extra contributions were determined after discussion between the company, the trustee and the fund actuary. As part of the discussion, the trustee considered the financial strength of Cable & Wireless plc. The trustee will continue to monitor the financial strength of the company on a regular basis.

If you're a contributing member of the Superannuation fund, the funding statement information forms part of the real-time benefit statement that you're able to produce and download from the pensions website (www.freedom.cw.com).