One & All

Annual report 2010/11

Contents

Definitions

This Annual Report of Cable & Wireless Communications Plc has been prepared in accordance with English legal and UK Listing Rules requirements. The Annual Review for the year ended 31 March 2011 is published as a separate document.

Unless otherwise stated in this Annual Report, the terms 'Cable & Wireless Communications', the 'Group', 'Cable & Wireless Communications Group', 'it', 'we', 'us' and 'our' refer to Cable & Wireless Communications Plc and its subsidiaries collectively. The term 'Company' and 'Parent Company' refers to Cable & Wireless Communications Plc. The terms 'Cable & Wireless' and 'Cable & Wireless Group' refer to the former Cable and Wireless plc and its subsidiaries collectively. The term 'Cable & Wireless Worldwide Group' refers to Cable & Wireless Worldwide plc and its subsidiaries collectively, which was demerged from the former Cable and Wireless plc on 26 March 2010.

Unless otherwise indicated, any reference in this report to financial statements is to the consolidated financial statements of Cable & Wireless Communications on pages 63 to 128.

References to a year in this report are, unless otherwise indicated, references to the year ended 31 March 2011 (the financial year).

Cable & Wireless Communications prepares its financial information in accordance with International Financial Reporting Standards (IFRS) applicable for use in the European Union (EU). The Company prepares its financial information in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP).

In this report, financial and non-financial information is, unless otherwise indicated, stated on the basis of the Group's financial year. EBITDA is defined as earnings before interest, tax, depreciation and amortisation, Long-Term Incentive Plan (LTIP) charge and net other operating and non-operating income and expense. Unless otherwise stated, EBITDA excludes exceptional items. Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Group that are identified as exceptional items by virtue of their size, nature or incidence. Operating cash flow is defined as pre-exceptional EBITDA less capital expenditure less cash exceptionals. A reconciliation of GAAP to non-GAAP measures is provided on page 127.

Information has been updated to the most practical date prior to the approval date of the document, being 24 May 2011.

Companies Act 2006

Pages 2 to 35 constitute the Chairman's statement and Business review of Cable & Wireless Communications Plc and, for the purposes of section 463 of the Companies Act 2006, are incorporated by reference into the Directors' report set out on pages 38 to 41 and shall be deemed to form part of that report.

English law

Pages 2 to 61 inclusive consist of a Directors' report that has been drawn up and presented in accordance with and in reliance upon English company law. The liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

One year into our journey as an independent company, Cable & Wireless Communications has made strong progress.

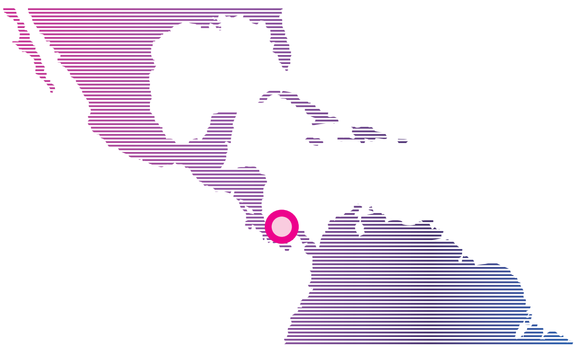
New telecommunications services are offering a multitude of means for people to communicate with each other, and as a full service business with market leading positions, we are well placed to take advantage. Our focus remains clear: to provide the services our customers demand, and the returns our shareholders expect. We aim to deliver for One & All.

At a glance

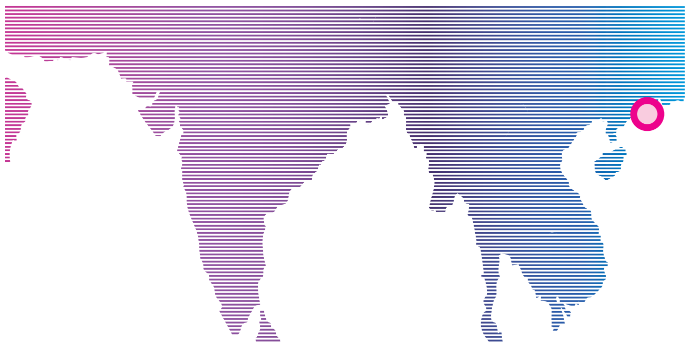
Cable & Wireless Communications provides world class telecoms services across the globe in a diverse range of communities – ranging from high growth emerging economies to developed nations. We are the market leader in most of the products that we offer and most of the markets that we serve with a strong commitment to providing the highest standards of service to each customer.

Our regional operations

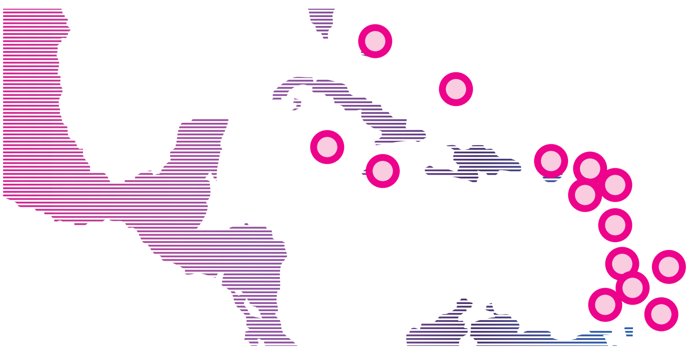
Panama



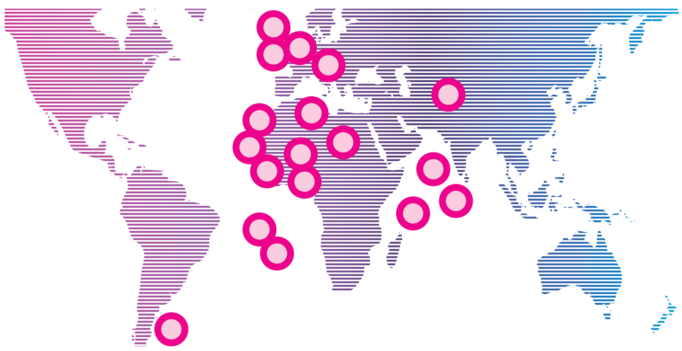
Macau



Caribbean



Monaco & Islands



Customers & services*

10.7m
Mobile customers

1.6m
Fixed line customers

630k
Broadband customers

20
Market leader in 20 of 27 mobile markets

25
Market leader in 25 of 27 fixed line markets

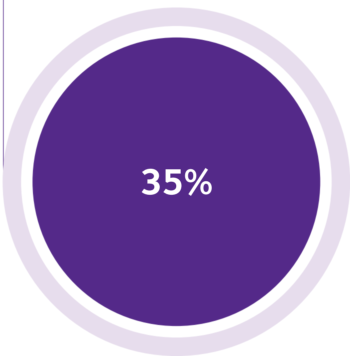
26
Market leader in 26 of 29 broadband markets

*Includes joint ventures

Revenue by region[1]

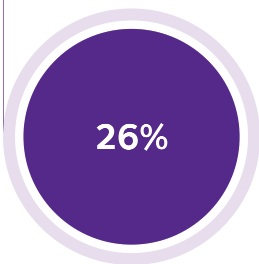
Caribbean

US$850m
Revenue



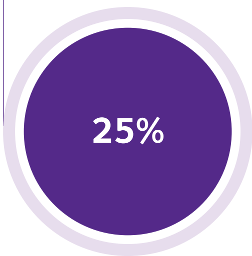
Panama

US$623m
Revenue



Monaco & Islands

US$605m
Revenue



Macau

US$377m
Revenue

1 Revenue from joint venture businesses and intra-group eliminations are excluded

Caribbean

1.29m

Mobile customers

EBITDA	US$229m
Operating cash flow	US$83m

We are the leading full service telecom provider in the Caribbean. In April this year we expanded to The Bahamas, our 14th market in the region. Our LIME brand, and our values of Respect, Deliver, Win, Innovate are recognised throughout the Caribbean.

www.lime.com

Panama

44,200

Pay TV subscribers

EBITDA	US$276m
Operating cash flow	US$170m

We are Panama's market leader in mobile, fixed line and broadband services. We are also a major provider of pay TV, carrier, enterprise and social telecoms services.

www.cwpanama.com

Monaco & Islands

5.4m

Mobile customers[2]

EBITDA	US$207m
Operating cash flow	US$128m

Our Monaco & Islands business is a portfolio with operations in Europe, the Middle East, Africa and in the Indian and Atlantic Oceans. It operates across developed and developing markets, with its largest markets in Monaco, Guernsey and the Maldives.

www.cwc.com/mi

Macau

126%

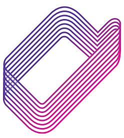
Increase in mobile data subscribers

EBITDA	US$153m
Operating cash flow	US$128m

2011 marks the 30th anniversary of the foundation of our Macau business, CTM. We are the market leader in mobile, fixed and broadband in one of the world's most popular tourist destinations.

www.ctm.net

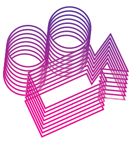
2 Includes mobile subscribers of Roshan, our Afghan joint venture



Mobile
We are investing in faster and higher capacity mobile networks. Our core services are increasingly supplemented by mobile broadband and a range of other mobile data products.

Fixed line
Our Group has been providing fixed line services for over 140 years. We remain the market leader in almost all the territories we serve.

Broadband
We provide high speed broadband to our customers homes and workplaces and are investing in our infrastructure so we can deliver on ever increasing demands for capacity.



Entertainment
We offer pay TV services in several markets and plan to roll out services in more. Our triple play services are a 'bundle' of pay TV, broadband and fixed line services.

Data centres & hosting
We maintain a number of data centres across the globe in which we securely transit, store and host data for large corporate customers and heavy internet users.

Managed Services/ Social Telecoms
For corporate and government customers, we provide a managed telecoms service – taking on the responsibility for the infrastructure, processes and people who deliver the service to the customer.

Chairman's review

+21%

Increase in profit before tax

US8c

Recommended full year dividend

It gives me great pleasure to introduce our annual report for 2010/11, Cable & Wireless Communications' (CWC's) first year as an independent company.

We have made good progress since our demerger in March 2010. We saw strong trading performances in three of our business units, Panama, Macau and Monaco & Islands. Our fourth business, the Caribbean, made solid operational progress, but its results continue to be challenged by weak or declining economies across the region. The Caribbean has a larger impact on our overall financial performance than our other businesses, due to the higher proportional shareholdings we hold in this business. Nevertheless, we have reported improved revenues (up 4% to US$2.4 billion), EBITDA (up 1% to US$872 million) and profit before tax (up 21% to US$462 million).

Each of the businesses also continues to generate a high cash conversion of profits. The Board of Directors has recommended a full year dividend of US8 cents per share, US2.67 cents of which was paid in January following our interim results with a further US5.33 cents to be paid in August 2011, subject to the approval of shareholders. We are in the process of returning further capital to shareholders through a US$100 million share buyback programme, launched in February. The buyback is an effective, and risk-free, use of our cash, saving a dividend payment on the shares we purchase.

Our demerger has also brought increased focus to our business, particularly at Board level. Prior to separation, Board discussion was dominated by the turnaround of Cable & Wireless Worldwide and the demerger itself. The focus of the Board, and management, is now on ensuring that CWC captures the emerging growth opportunities for full service telecoms businesses, particularly mobile data, enterprise and carrier services. Our businesses are well placed to do so.

We are seeing a good response to our mobile data and fixed and mobile broadband services, particularly in Panama and Macau. Demand for our data centre and hosting services is growing and we are expanding our subsea cable infrastructure to meet demand in the carrier market. We are also building our capability in providing social telecoms services to governments and managed services to large corporate customers, such as the large casino resort operators in Macau.

We also made progress on our reshaping of the Group, disposing of our operations in Bermuda and purchasing a majority shareholding in the Bahamas Telecommunications Company (BTC), the leading operator in The Bahamas in April. Reshaping the portfolio will require patience as in most territories we are a provider of key national infrastructure, often partnered with the government. To have completed two deals in our first year is an excellent start.

Whilst the shape changes, our mission and purpose remain clear. We operate in local markets, assisting them to grow by delivering world class communications services and expertise adapted for each specific environment.

Our Board of Directors has also seen change. Kasper Rorsted retired as a Non-Executive Director and Ian Tyler joined the Board. Kasper joined the Cable & Wireless Board in 2003, and has served both Cable & Wireless and CWC shareholders impeccably. Thankfully, we have found a strong replacement in Ian, who is the Chief Executive of a fellow FTSE 250 company, Balfour Beatty. Kate Nealon will also retire as a Non-Executive Director at the end of our Annual General Meeting in July, after seven years of valuable service.

George Battersby, our HR Director, also stepped down from the Board in July 2010, and sadly passed away shortly afterwards following a hard fought battle with cancer. George had been with Cable & Wireless since 2004 and provided a wealth of corporate experience and common sense. His wise counsel was valued by all of the senior executives at Cable & Wireless and CWC, particularly myself as Chairman. The Board of Directors felt a deep sense of loss of such a fine colleague.

The CWC Board has continued the rigorous approach to corporate governance employed by Cable & Wireless prior to its demerger. Our approach to governance is focused on driving good behaviours within the business. Our Independent Directors' report (page 42) outlines this approach, which includes our four behavioural questions for measuring the effectiveness of our corporate governance. This model rightly places the Board of Directors as the stewards of the business, working on behalf of shareholders.

The continued success of our business reflects the efforts of our 7,000 colleagues, who are spread across four continents. I would like to thank them for their commitment to, and pride in, this Company.

We have made a positive start as an independent Group and will continue building the foundations for the Company's future success. Shareholders should feel confident that our business is well positioned to exploit the exciting new opportunities which are emerging.

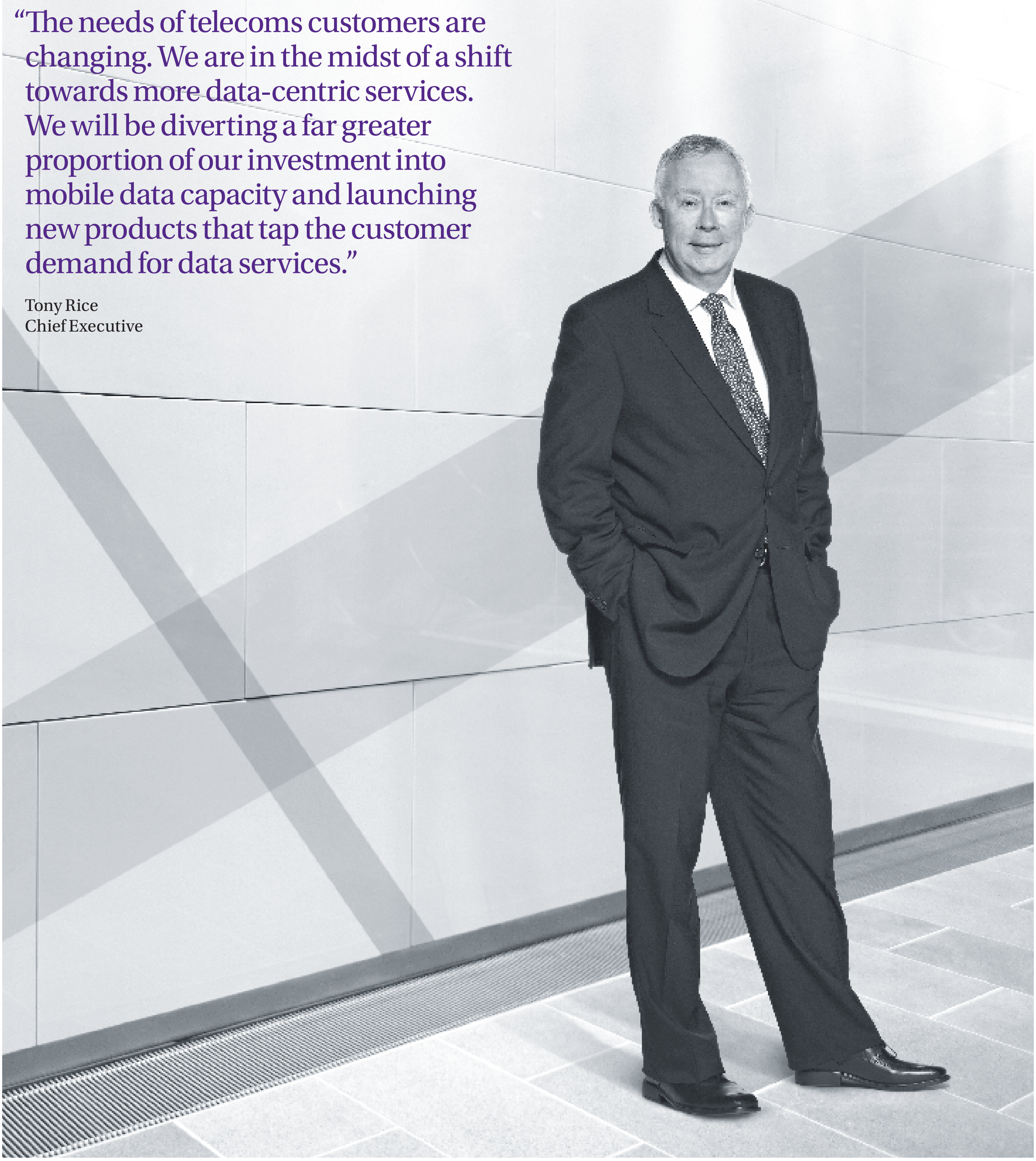
Sir Richard Lapthorne, CBE

"We have made a positive start as an independent Group and will continue building the foundations for future success. Shareholders should feel confident that our business is well positioned to exploit the exciting new opportunities which are emerging."

Sir Richard Lapthorne
Chairman

"The needs of telecoms customers are changing. We are in the midst of a shift towards more data-centric services. We will be diverting a far greater proportion of our investment into mobile data capacity and launching new products that tap the customer demand for data services."

Tony Rice
Chief Executive



Chief Executive's review

Chief Executive, Tony Rice shares his thoughts on the performance of Cable & Wireless Communications over the past year.

US$2.4bn

Revenue

US$872m

EBITDA

US$489m

Operating cash flow

How do you assess the Company's performance in 2010/11?
This was our first year following demerger and overall I am pleased with the progress we made in delivering our strategy and improving our operations. We faced, and continue to face, headwinds in the Caribbean, but to finish the year with revenues up 4% and EBITDA up 1% is a respectable performance, in the circumstances. Our Macau, Panama and Monaco & Islands businesses performed well. The environment in the Caribbean clearly has been difficult, but the strength of our portfolio is apparent in the fact that we have limited the impact of reduced profitability in the Caribbean to our income statement.

Most importantly, all of the businesses have been doing the right things to position the Company for the future – developing propositions for mobile data, pay TV/triple-play, high speed broadband, managed services and undersea cables.

Finally, we maintained our commitment to our social responsibility programmes in each of our business units. Further details of what we have been up to are set out in the CSR section on pages 26 and 27, and in our CSR Report which will be available on our website (www.cwc.com) from July. I'd like to thank all of our colleagues who have supported these initiatives and made a positive difference to the societies in which we operate.

What are your aims for the business in 2011/12?
This year will be about putting in place the building blocks to grow the business. We want to capture the opportunity of mobile data, and will be diverting a greater proportion of our investment into mobile data networks and accelerating the roll out of smartphones, including the iPhone. We have made an excellent start on mobile data in Macau and Panama, and expect further growth across all of our businesses.

We will also drive forward on other service growth initiatives. I want to see more business units providing managed services for enterprises and our social telecoms services for governments will also be a key priority. That said, I am determined we do not relax our 'do it better' strategy – cost discipline and efficiency remain central to the way we work. We'll also continue to pursue opportunities to reshape our Group, building on areas of strength, as we did with the acquisition of a controlling stake in the Bahamas Telecommunications Company (BTC), the leading operator in The Bahamas. We will also exit from businesses that no longer make sense to us, as we did last year from Bermuda.

How important were the decisions to sell the business in Bermuda and invest in The Bahamas?
Both transactions showed our commitment to bring more focus to the Group. BTC in The Bahamas is a business that plays to our strengths. It's in a region we understand well and in which we have scale. It's also a partnership with the local Government, which is a structure we have made work successfully in other territories. There is also a restructuring opportunity at BTC, which will provide further impetus to the turnaround of our Caribbean business. We are delighted to welcome our new colleagues from BTC to the Group and expect the business to make a major contribution in the future. Bermuda was not a full-service business. We found a committed buyer who received the support of the Bermudan Government, so we took the opportunity to sell the business.

The Caribbean is facing a challenging environment again next year. When do you expect the situation to improve there?
The economies of our Caribbean region remained weak last year which, when combined with 'austerity' budgets in many of the islands, impacted disposable incomes significantly. It is disposable income that dictates consumer spending on telephony, and our business felt the strain. We don't expect to see much improvement in the market this year. Jamaica, in particular, remains difficult with potential for further structural declines if there is no change to the regulatory environment.

Our Caribbean team is taking the right steps to drive better performance however – upgrading networks, improving customer services and revitalising our branding and we also expect to bring the iPhone to Caribbean markets for the first time in this calendar year. Last year we launched a fightback in the Jamaica mobile market, and stole a march with our mobile TV product.

Panama's performance was down slightly, although the second half was strong. What were the key levers?
Mobile, enterprise, broadband and pay TV were the key levers. Once again our mobile business delivered an excellent performance in the face of intense competition. In a now four player market, it maintained its market share above 50% and posted a 1% rise in revenue. Broadband and TV revenue also increased with our +TV Digital service growing to over 44,200 subscribers at year end. Broadband subscribers also grew by 4%.

In enterprise services we had a particularly good second half, being selected on several government projects. I am very proud of these social telecoms projects, which utilise our telecoms expertise to deliver public services more efficiently. Last year we were chosen to provide a telemammography service, which will ensure more Panamanian women have access to preventative breast cancer screenings. In April, we were selected by the Government of El Salvador to provide a 911 emergency services platform, similar to the one we provide in Panama, showing our social telecoms expertise can be exported beyond Panama and is relevant to all of our business units.

Our strategy

Our strategy comprises three key priorities – do it better, service growth, and building regional hubs. We pursue these across each of our four business units, taking account of the local conditions and competitive landscape.

"Our strategy is designed to ensure each of our business units captures emerging growth opportunities in their respective markets."

Tony Rice
Chief Executive

Strategic priorities

01

Do it better

'Do it better' is about continual improvement of our existing operations. Our focus is on growing margins through better management of processes and costs and through building a culture of constant improvement amongst our colleagues. Examples of 'do it better' include improvement of our networks, our customer service and promotional activities, as well as more transformational changes such as mobile tower sharing.

02

Service growth

Introducing new products and services to meet customer demand is fundamental to our success. We are introducing value added products to our existing services such as mobile data, as well as competing in new markets, for example pay TV, enterprise services and social telecoms. Expanding our services creates new areas of growth, and helps to consolidate our position in existing businesses.

03

Building regional hubs

Our strategy is to expand the business in areas where we have strength and scale, developing 'hubs'. In a broad portfolio of businesses, we can also take advantage of opportunities to realise value from operations where we are no longer the best long-term owner. We are committed to reshaping our Group to generate best value for our shareholders.

Strategy in action

Upgraded Panama networks
Upgraded and expanded our mobile network in Panama, increasing capacity and coverage to handle the growing demand for mobile data services.

Macau e-services portal
Launched an online portal for customers, available 24 hours a day, reducing operating costs and improving customer experience. The portal provides customers with up to date billing information, payment facilities and the ability to change services or select new ones.

Caribbean customer experience
Customer satisfaction surveys indicate a strong improvement in the customer service delivered by our teams in our contact centres and retail shops. Innovative customer experience programmes are being undertaken including 'Eleanor's Shoes', in which staff 'step into the shoes' of a customer.

Social telecoms
Selected by Panama's 2nd Judicial District (Coclé province) to provide a new IT and communications platform, which will improve the transparency and efficiency of the district criminal justice system.

Mobile data in Macau
Introduced new data packages and smartphones (particularly Apple's iPhone 4) prompting a surge in customer demand. Smartphones now account for more than 80% of new handset sales, and data usage leapt over the 2010/11 year.

Maldives broadband cable
New cable system commissioned to run from north to south of the Maldives, increasing access to high speed broadband and social telecoms services across the country's atolls. The 1,017km cable will provide service across 100 of the country's inhabited islands.

Jamaica mobile TV
Breakthrough mobile service launched in Jamaica, allowing customers to watch TV programmes on their mobile (see case study in Caribbean section).

The Bahamas
In April 2011, we acquired 51% of the Bahamas Telecommunications Company (BTC) in a Government privatisation. BTC became the 14th operation of our Caribbean business, and will benefit from our scale in the region.

Bermuda disposal
Bermuda business sold for US$70 million, as it could not be developed into a full service operation.

Africa relaunch
Rebranded and reorganised two African businesses, Connecteo and Divona, into a single entity, named Afinis Communications. Afinis' focus is to target enterprise business across Africa, utilising satellite and IP networks.

El Salvador
We are set to extend our services beyond Panama's borders, having been selected to provide a '911' emergency service platform for the Government of El Salvador in April 2011. The El Salvador service will be similar to the successful 911 emergency services platform we installed and manage in Panama.

Key growth areas

Mobile data
Mobile data demand is reaching a critical mass in several of our businesses. Smartphone proliferation and mobile broadband dongles, coupled with increased network capacity have substantially increased the services available on mobile devices. Industry estimates show mobile data traffic more than doubled in 2010. Traffic is predicted to grow 26-fold between 2010 and 2015.*

Managed Services & Social Telecoms
Demand for managed services – where telecoms operators install and manage telecoms systems – is increasing as the communication needs of large companies grow. Strong local knowledge and capability in our markets, coupled with our growing expertise in providing these services, position us strongly to win more business. In the public sector, governments are also seeking to improve services and reduce budgets by introducing the social telecoms services we specialise in. There are clear opportunities for our successful social telecoms services in Panama to be adapted across the rest of the portfolio.

Carrier Services
Demand for faster, higher bandwidth telecoms capacity is creating opportunities for our business to build subsea cable infrastructure in existing and new territories. We have extensive cable systems in the world's fastest growing subsea cable market between the US and Latin America. The size of this regional market is forecast to grow substantially in the years to come.

*Cisco Visual Networking Index: Global Mobile Data Traffic forecast update, 2010-2015

Women across Panama's communities can now get regular mammograms thanks to the telemammography service provided by Cable & Wireless Panama.

Panama

Mobile | Fixed line | Broadband | Entertainment | Data centres & hosting | Managed services

"We have launched the first telemammography network in Latin America, building upon our teleradiology network. This will reduce the time it takes to diagnose patients and ensure more women receive preventative testing. We are proud to have developed this service."

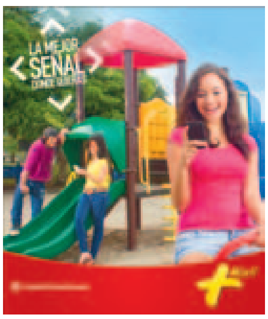
Jorge Nicolau
Chief Executive Officer, Panama

10%

The percentage of women aged over 40 – the most at risk group for breast cancer – who were scanned prior to the launch of the telemammography network

30%

The percentage of women over 40 who now have access to screenings as a result of the telemammography network



Our Panama business is the market leader in mobile, fixed line and broadband in this growing country of 3.5 million people. We are also a major provider of services to companies and governments. Our new pay TV service can be bundled with broadband and fixed line services, providing a triple play offer for customers.

2010/11 at a glance:

- Maintained mobile market share above 50%
- Achieved 16% market share for pay TV
- 69% of postpaid customers now using mobile data
- Enterprise revenue increased by 10%
- Enterprise and social telecoms projects continue to drive growth

"Panama is one of the most advanced countries in Central America in the use of data services. Mobile data usage drove mobile revenue growth last year. Prepaid customers embraced initiatives such as new mobile data plans, whilst two-thirds of postpaid customers now use mobile data."

Jorge Nicolau
Chief Executive Officer, Panama

Our brands

Móvil
TV DIGITAL
Cable&WirelessPanamá

Performance overview

	2010/11	2009/10
Revenue	**US$623m**	US$621m
Gross margin	**68%**	70%
EBITDA	**US$276m**	US$283m
Capital expenditure	**US$(106)m**	US$(94)m
Mobile customers	**2.53m**	2.46m
Mobile ARPU	**US$11.0**	US$12.4

Performance
Our Panama business, which trades as Cable & Wireless Panama, competed strongly in 2010/11, maintaining market leadership across our key products of mobile, fixed line and broadband, expanding our pay TV business and further broadening our social telecoms (telecoms-enabled public services) platform.

Despite intense mobile competition, our +Movil business held market share above 50%. Mobile revenue grew, supported by increased data revenue. In particular, prepaid customers embraced initiatives such as new mobile data plans. Two-thirds of postpaid customers now use mobile data.

Our pay TV business, branded +TV Digital, grew to 44,200 customers, a 16% market share – an excellent achievement given it launched in December 2009. A third of subscribers now have a triple play package, including broadband and fixed voice.

We launched a fibre broadband service last year, increasing the maximum download speed available in parts of the country up to 25 megabits per second (Mbps). Less than a quarter of homes in Panama have broadband at present, providing a strong opportunity to grow this service.

Together, broadband and pay TV revenue grew by 21% – the second consecutive year of double digit growth.

Another strong area of growth was in the provision of services for enterprises, with revenue increasing by 10% after a slower year in 2009/10.

Our Panama business is a leader in both our Group and its region in providing social telecoms. Adding to the services we already provide in healthcare (telemedicine), law and order (CCTV surveillance) and education, we signed a contract last year to help modernise the technology used in Panama's court system in Coclé province.

We were also recognised again for our high level of colleague engagement. The consultancy group Gallup awarded us its 'Gallup Great Workplace' award – based entirely on employee feedback – for the third time. We are one of only 29 businesses in the world to receive the accolade this year.

Outlook
Panama's economy continues to grow rapidly with GDP increasing at a rate of 7.5% in 2010. It is expected to continue growing strongly for the next five years as the country increases its drive to be the region's business and travel hub exploiting the Panama Canal's position as a centre of commerce and services.

Panama has vigorous competition in both mobile and fixed telecoms. Mobile competition is expected to remain challenging next year with four operators competing and the possible introduction of mobile number portability. However, the growth of mobile data in 2010/11 points to strong potential for further growth in 2011/12. We expect customers to continue signing up for smartphones and data plans.

We will continue extending our pay TV network next year focusing on reaching more districts of Panama City and key locations nationwide. Simultaneously, we are restructuring our sales and marketing structure to focus on increasing the number of customers taking triple play packages.

Our social telecoms services will continue to be an important driver of growth. We have recently been selected to provide El Salvador's police service with a 911 emergency response system, our first opportunity to roll out the platform we use in Panama to another market.

+3%

Increase in total active mobile customers from 2.46 million to 2.53 million

+21%

Increase in broadband and pay TV revenue to US$57m

03 Strategy in action:
Improving cancer treatment

The development of a telemammography network by our Panama business is an example of how telecoms technology can enhance public services and standards of living.

Early diagnosis is vital to reducing breast cancer deaths. In Panama, only one in ten women aged over 40 – the most at risk group for this disease – had annual screenings; sharing x-ray plates between doctors was cumbersome and the limited number of specialists was causing backlogs in diagnosis.

Now digital mammograms can be shared securely between hospital departments, and with specialists in hospitals overseas. We have also automated the appointments process, reducing waiting lists, and working on a service to visit women living in rural areas.

The telemammography network is expected to help around 100,000 Panamanian women to access better medical care and will lead to the early detection of problems which will save lives.

CTM launched the iPhone
in late November 2010.

Macau

Mobile | Fixed line | Broadband | Data centres & hosting | Managed services

> "The mobile penetration rate in Macau is one of the highest in the world. 83% of our mobile customers use 3G and we have maintained our leading position despite keen competition in this market."

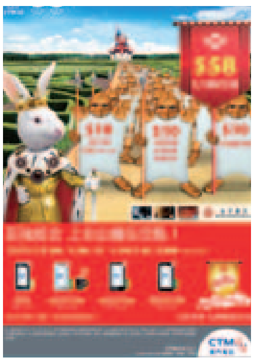
Vandy Poon
Chief Executive Officer, Macau

221%

The mobile penetration rate in Macau at the end of 2010/11. In other words, an average of over two phones per person

86%

Smartphones comprised 86% of handset sales in the fourth quarter of 2010/11



Our Macau business, operating as CTM, is the only full service operator in its market offering customers mobile, fixed line and broadband as well as enterprise services. It continues to lead the market in providing the highest quality service and driving the development of Macau.

2010/11 at a glance:

- Revenue increased by 19%, EBITDA up 8%
- Mobile revenue increased by 37%, driven by data revenue and handset sales
- One-third of mobile customers are now on data plans
- Launched 100 Mbps fibre broadband network
- Macau GDP grew by 26% in real terms

"October 2011 is the 30th anniversary of CTM's establishment. Over the last 23 years it has been an honour to have witnessed the many important milestones we have achieved, which are closely linked to the development of our community."

Vandy Poon
Chief Executive Officer, Macau

Our brands

Performance overview

	2010/11	2009/10
Revenue	**US$377m**	US$316m
Gross margin	**55%**	60%
EBITDA	**US$153m**	US$142m
Capital expenditure	**US$(25)m**	US$(31)m
Mobile customers	**402,000**	387,000
Mobile ARPU	**US$19.9**	US$17.2

Performance

Our Macau business, branded as CTM, had an exemplary year in 2010/11 with strong economic growth in the territory powering increases in revenue and earnings.

Macau's gross domestic product (GDP) rose by 26% in 2010, driven by growth in tourism and gaming. Visitor arrivals rose to 25 million people, the majority of whom were leisure tourists visiting Macau's 33 casinos. Casino gaming turnover rose by 57% in 2010. Construction of more casinos and tourist facilities further drove economic growth. Construction growth is set to continue in 2011, with the Government planning several infrastructure projects and more social housing.

Our business benefited from the strong economy with revenue growing 19% to US$377 million, and EBITDA rising 8% to US$153 million.

Our mobile business performed impressively. Revenue increased 37% to US$178 million. Despite competition from three other operators, we remain the market leader and increased mobile customers by 4% last year. Mobile data was an important factor in this growth with smartphones accounting for 86% of all handset sales in the fourth quarter – we introduced the iPhone 4 in late November. Over 80% of customers are now using 3G services.

We increased the download speed of our mobile broadband service to up to 21 Mbps last year, the fastest available in Macau.

There was also strong demand for fixed broadband, with revenue increasing by 18%. Last year we launched our fibre broadband network (see case study below), one of the fastest residential networks anywhere in the world.

Involvement in several large infrastructure projects underlines our strength in delivering enterprise and managed services. We installed the Government's free WiFi network, covering a number of public buildings in Macau, and also fulfilled a US$30 million contract for the installation of infrastructure in the Galaxy Macau, one of the world's largest casino resorts.

Outlook

The Macau economy is expected to continue expanding. Our business will benefit from that growth, but will also have to manage labour and skills shortages.

In the near future, competition is expected to be introduced within Macau's broadband and fixed line markets. We are preparing our business for competition by focusing on service quality and extending our fibre broadband network to all Macau homes over the next two years. We are also actively developing a range of multimedia services – like video over broadband – to encourage customers to move to the premium broadband product.

We have the fastest mobile broadband service, but will increase download speeds again next year. Our mobile data customers will also continue to grow as penetration of smartphones and available mobile data services grows.

There is also significant opportunity to provide mobile services to Macau's thriving tourist market.

Continued infrastructure development offers opportunities to win more managed services contracts from the gaming, banking and public sectors.

Our Macau business celebrates its 30th year of operation in 2011 and is well positioned to tackle the challenges ahead and to explore more opportunities for development.

+4%

Increase in total active mobile customers to 402,000

25m

Macau is the largest gaming market in the world, with visitor arrivals increasing by 15% in 2010 to 25 million

03 Strategy in action:

World class fibre broadband

We specialise in delivering world class technology to communities in which we operate. In July 2010 our Macau business launched one of the fastest residential broadband services in the world.

Macau is a technologically sophisticated market. Computer usage is high and almost all households access the internet through broadband.

This was therefore an ideal location for a super fast broadband service. Our fibre to the home (FTTH) broadband – offering download speeds of 100 Mbps – is supporting customers wanting to use high bandwidth services such as downloading films and online gaming. It will also ensure that families can operate several wireless enabled devices simultaneously in the home.

Our investment in FTTH delivery will provide the infrastructure to support the long-term economic development of Macau, and our business.

Increased demand for capacity from people across the Caribbean will be met by our continued investment in undersea cable systems.

Caribbean

Mobile | Fixed line | Broadband | Entertainment | Data centres & hosting | Managed services

"In February, we completed the installation of our new East-West undersea cable system linking Jamaica, the British Virgin Islands and the Dominican Republic. The East-West cable is a valuable addition to our carrier network, increasing the capability and service LIME provides to our carrier customers throughout the Americas and the Caribbean."

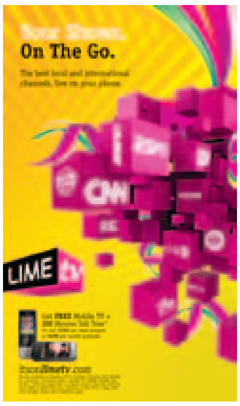
David Shaw
Chief Executive Officer, Caribbean

x3

The East-West cable more than tripled the available capacity into the Dominican Republic

25 years

LIME signed a 25-year agreement to act as the strategic landing partner in Jamaica for a cable also linking Cuba and Venezuela



Our business in the Caribbean – operating under the brand LIME – is a full service telecoms provider serving communities across 14 countries. In April 2011 we expanded our business via an acquisition in The Bahamas, where we offer fixed, mobile and broadband services.

Business review
Caribbean

2010/11 at a glance:

- Launched Caribbean's first mobile TV service
- Enterprise, data and other revenue grew 11%
- Economic conditions remain challenging
- Acquired 51% of Bahamas Telecommunications Company (BTC) in April 2011
- 4G mobile networks to be launched in region in 2011/12

"Our acquisition of a 51% shareholding in BTC will diversify our business. BTC is a full service operator which has exclusivity on mobile services until at least 2014. We will begin the process of restructuring the business to ensure it can expand and grow."

David Shaw
Chief Executive Officer, Caribbean

Our Caribbean business unit includes operations in 14 islands:

- Anguilla
- Antigua and Barbuda
- Barbados
- The Bahamas
- British Virgin Islands
- Cayman Islands
- Dominica
- Grenada
- Jamaica
- Montserrat
- St Kitts and Nevis
- St Lucia
- St Vincent and the Grenadines
- Turks and Caicos

LIME is also licensed to provide services to telecom operators in the Dominican Republic and is the strategic landing partner in Jamaica for a cable linking Venezuela and Cuba. As part of that agreement our Group transits data for the cable's owners between Cuba and Europe.

Our brand

LIME

Performance overview

	2010/11	2009/10
Revenue	**US$850m**	US$873m
Gross margin	**72%**	74%
EBITDA	**US$229m**	US$270m
Capital expenditure	**US$(140)m**	US$(114)m
Mobile customers	**1.29m**	1.27m
Mobile ARPU	**US$19.3**	US$21.3

Performance

Our Caribbean business, which trades as LIME, made operational progress in a very tough economic environment last year and, in April 2011, expanded into The Bahamas.

The economic climate in the Caribbean remained difficult. Tourism is the main industry for most of our territories and while tourist numbers increased in some islands, there has not been a broad based recovery. This contributed to a decline in revenue of 3% and in EBITDA of 15%.

Our acquisition of a 51% shareholding in BTC will diversify our business. BTC is a full service operator which has exclusivity on mobile services until at least 2014.

Our carrier business also helped us reach different markets. We completed the East-West cable connecting Jamaica in the west to the British Virgin Islands in the east, with a landing in the Dominican Republic, a new market for LIME. We also became the official landing partner in Jamaica for a cable between Cuba and Venezuela, providing a crucial telecoms link for Cuba to our international subsea cable network.

Mobile revenue increased in the second half of the year, reflecting growth in data usage. This was aided by the expansion of our Jamaican 3G network. Overall, mobile revenue declined in the year by 6%, reflecting the economic conditions.

We undertook a high-profile refresh of our LIME brand, accompanied in Jamaica by a strategy to recapture market share, and the launch of mobile TV (see case study below). There was increased competition in the sale of broadband services, particularly in Jamaica, but we continued investing to improve our networks and increase overall broadband penetration. We upgraded Jamaica's broadband network to offer higher speeds and better performance and launched a next generation network in St. Vincent and the Grenadines.

Enterprise, data and other revenues grew 11%. We won a number of significant contracts, including an agreement to supply mobile services to 21,000 members of Jamaica's National Council of Taxi Associations.

Outlook

While some economies in the region are improving, we do not expect market conditions to be significantly better in 2011/12.

We will begin the process of restructuring BTC and integrating it into our regional business. We plan to upgrade BTC's networks and introduce new services for customers. We will incur some restructuring and integration costs – expected to be approximately US$60 million - but will move the business to a more efficient footing longer term.

We will be pushing hard for a change to the regulatory environment in Jamaica, our largest market. We plan to expand our network to increase access to our mobile TV and 3G services, but without a significant change to the regulatory environment conditions will remain difficult. We expect mobile competition will remain intense.

In order to maintain market and technology leadership, we plan to introduce 4G mobile services over the next 18 months in all markets except Jamaica, which already has a 3G mobile network.

We will also continue to upgrade broadband networks and make preparations to launch pay TV services.

Our focus remains on winning in our markets, and driving for better financial performance as economic growth returns. We are confident we have the right strategy, but economic challenges mean that financial progress will take time.

11%

Increase in enterprise, data and other revenue in 2010/11

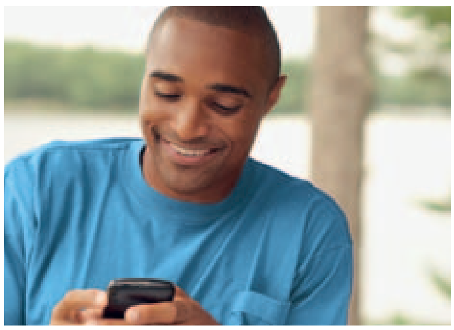
03 Strategy in action: **Television revolution!**

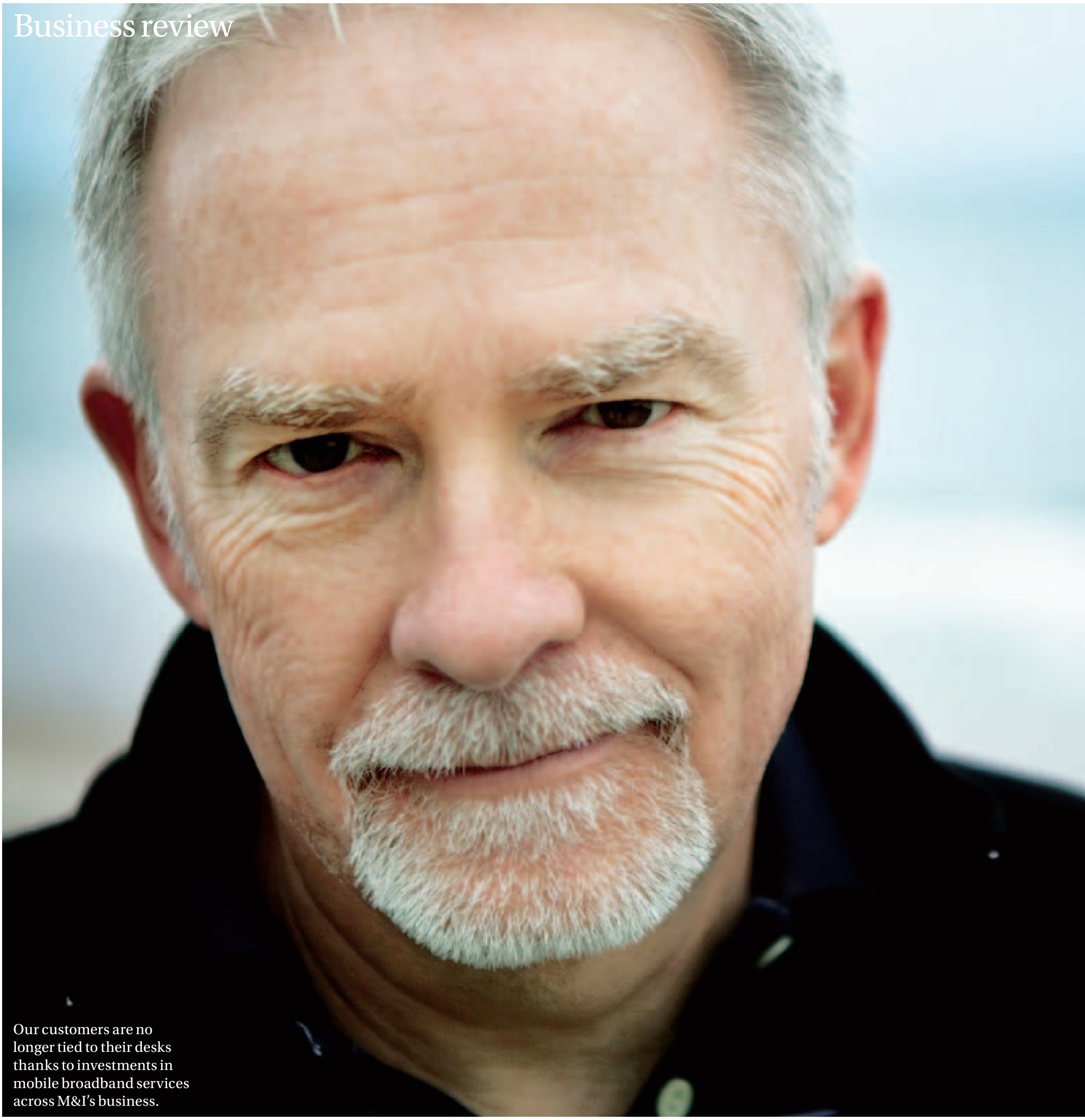
The launch of a mobile TV service in Jamaica has revitalised our LIME brand and won the hearts of customers.

Developed in partnership with a local Jamaican company, LIME Mobile TV provides customers with access to several popular free-to-air channels as well as pay per view content. A mobile TV handset is needed to access the service.

The service enables customers to watch their favourite programmes wherever they are as well as being adaptable to a home TV via a plug-in.

The service was launched in December 2010 with a series of exclusive broadcasts of music concerts and sporting events – leading to queues outside our Jamaican stores. Mobile TV has created a strong 'buzz' in Jamaica, which we intend to build upon.





Our customers are no longer tied to their desks thanks to investments in mobile broadband services across M&I's business.

Monaco & Islands

Mobile | Fixed line | Broadband | Entertainment | Data centres & hosting | Managed services

> "Monaco Telecom helped to play a vital role in the principality's digital switchover. Our new TV and broadband services will ensure Monaco's residents receive the highest quality communications services available."

Denis Martin
Chief Executive Officer, Monaco & Islands

10,700
Number of pay TV subscribers in Monaco

18,600
Number of mobile broadband customers in the Maldives at 31 March 2011. We have launched similar services across the Monaco & Islands business

Monaco & Islands (M&I) is a portfolio business operating in territories within Europe, the Middle East, Africa and the Indian and Atlantic oceans. We are the market leader in most of the markets where we operate and in most of the services we provide.

Monaco & Islands

2010/11 at a glance:

- 6% like-for-like growth in mobile revenue
- Bermuda business divested
- Relaunched our African operations as Afinis Communications
- Launched IPTV service in Monaco
- Monaco Telecom will focus on selling quad-play bundles in 2012

"Monaco & Islands remains a diverse business, with a mix of mature, strongly performing businesses and high energy start-ups. We are well positioned for future growth."

Denis Martin
Chief Executive Officer, Monaco & Islands

The Monaco & Islands business unit operates through four regional businesses:

- Monaco – Monaco Telecom and Monaco Telecom International, which invests in and provides services to telecoms operators in markets including Afghanistan (Roshan), Africa (Afinis) and Kosovo (PTK)
- CIIM – the Channel Islands (Guernsey and Jersey) and Isle of Man
- Indian Ocean – the Maldives and Seychelles
- South Atlantic & Diego Garcia – the Falkland Islands, St Helena, Ascension and Diego Garcia

Within this portfolio, Monaco, the Maldives and Guernsey together account for approximately 84% of EBITDA.

Our brands

Performance overview

	2010/11	2009/10
Revenue	**US$605m**	US$552m
Gross margin	**70%**	64%
EBITDA	**US$207m**	US$174m
Capital expenditure	**US$(77)m**	US$(64)m
Mobile customers	**5.39m***	4.08m*
Mobile ARPU	**US$36.8**	US$49.5

*Includes mobile subscribers of Roshan, our Afghan joint venture

Performance
Our Monaco & Islands (M&I) business delivered strong performance in 2010/11, further building its reputation as a reliable and well managed business.

Revenue and EBITDA increased, thanks to a full year of contribution from our Maldives business which we consolidated in October 2009. On a like-for-like basis, EBITDA was in line with the prior year, while revenue was down 1%. Across the portfolio our mobile revenue rose by 6% on a like-for-like basis, although mobile ARPU fell as a result of the consolidation of the Maldives business which has a relatively lower ARPU.

Our Maldives business made a significant contribution to earnings, increasing mobile data revenue following the launch of a mobile broadband service (see case study below) and launching a mobile entertainment download portal.

We upgraded Monaco Telecom's (MT) broadband network in 2010 to provide 30 Mbps download speeds and launched a video on demand IPTV service. That service now has more than 10,000 customers. The MT mobile business also grew subscribers, particularly through smartphone and tablet sales.

MT's International division (MTI) relaunched our African operations under the Afinis Communications brand, combining the businesses previously known as Connecteo and Divona. Afinis' business model is to supply connectivity services to large enterprises through both satellite and IP delivery networks. MTI's joint venture in Afghanistan, Roshan, also enjoyed a successful year, increasing its mobile subscribers by 35%.

Our Guernsey business maintained mobile market share, despite aggressive competition from its two competitors. We also completed a data centre complex which now houses nine units and hosts data for a number of international online gaming clients. Our Jersey and Isle of Man businesses grew mobile market share to 27% and 28% respectively.

Our Bermuda business was divested in March for US$70 million to The Bragg Group of Canada. The business could not be developed into a full service operation, so we sold it, receiving a good price.

Outlook
The outlook across the portfolio is positive, with our key territories in Monaco, Guernsey and the Maldives all expecting favourable economic conditions.

Our Maldives business is operating in a growing economy, driven by high end tourism. We are currently laying a new undersea cable across the country which will help us to improve provision of high speed internet access and launch social telecoms services. We expect more competition next year following the award of a fixed line licence to our mobile competitor. The results of the business will also be affected by the decision of the Government of the Maldives to float the local currency, the Rufiyaa, in a limited range.

Our Monaco business is trialling 4G mobile services ahead of a planned commercial launch in 2013. This will assist us to focus on continued growth of mobile data revenue. We will also be offering 'quad play' bundles (mobile, fixed line, broadband and pay TV) in 2012.

The Guernsey business will continue to be challenged by strong mobile competition. We have already seen the impact of heavy discounting by competitors on our revenue. Nevertheless, we are well positioned to maintain market share, whilst continuing to increase mobile data revenue and grow our data centre and hosting business.

M&I remains a diverse business, but with a mix of mature, strongly performing companies and high energy start-ups, it is well positioned for future growth.

+6%
Increase in mobile revenue on a like-for-like basis

+19%
Increase in Broadband and TV revenue on a like-for-like basis

03 Strategy in action: **Mobile broadband**

In the Maldives we launched mobile broadband services last year to benefit both local customers and visiting tourists.

The Maldives is one of the world's most geographically dispersed nations, attracting high end tourist visitors who want to maintain access to the internet and emails whilst on holiday.

We introduced a 3G+ mobile broadband service – branded TouchNet – in May 2010, providing download speeds of up to 7.2 Mbps.

Mobile broadband enables Maldivians and tourists to access the internet wherever they are. TouchNet complements the fixed and wireless internet available in homes and many hotels, ensuring that customers can stay online whether on the move or on the beach.

Over 18,600 customers signed up for 3G+ mobile broadband services last year, a clear demonstration of how we are supplying the right technology to meet demand for data services by our customers.

Corporate social responsibility

We place significant importance on corporate social responsibility (CSR) activities. Our CSR agenda underpins the way we operate our business to contribute positively to society.

Each of our four regional businesses has developed its own CSR programme which complies with the Group's four responsibility principles, and many have also launched social telecoms (telecoms-enabled public services) projects. Examples of the important work our business units have undertaken over the year are listed below.

01 Contribute positively to the social and economic development of the communities in which we operate
The Group contributed US$1.07 million to charitable and community projects over the last year covering a variety of issues and activities. Our businesses also sponsored many events. We are extremely proud of our business units' contribution to improving the societies in which we serve. This would not happen without the tremendous efforts of our colleagues.

Our Panama business, in partnership with MER Consortium, last year completed a US$28 million project to develop a 911 emergency call centre in Panama. The entire system was developed in just five months. The business also continues to support the National Oratory Contest and is implementing initiatives to close the digital divide in remote areas, such as providing internet connectivity to the school of Macaracas.

Our Maldives business, Dhiraagu, donated telemedicine equipment to the Maldivian Ministry of Health and Family. The telemedicine system can be installed on any remote island and medical services to patients can be provided using the system through an internet connection to hospitals in the capital, Malé. Dhiraagu has also been recognised for its support of a Child Helpline project and its contribution to the development of Kuda Kudhinge Hiya orphanage. Dhiraagu also sponsored numerous events including the Tiny Hearts of Maldives Football Tournament, which raised money to support families affected by congenital heart defects.

Our Falklands business supported a local cancer awareness charity and provided funding for the local end of year school Ball and other traditional competitions and festivals.

Our Caribbean business, LIME, organised some large community events such as Skool Aid, a back-to-school fair for children at the Jamworld Centre in Portmore, Jamaica. The fair featured free immunisation, free dental checks, free hair cuts and school safety discussions from the police.

LIME is also sponsoring the CARIFTA (Caribbean Free Trade Association) Games for the next two years and was a major contributor to a Caribbean-wide telethon fundraiser for the victims of the Haiti earthquake.

A large number of LIME colleagues participated in Kindness Day where good deeds were performed. LIME assisted over 500 people during the day.

In Macau, fundraising events were undertaken, mainly for the Red Cross, to assist recovery efforts following mudslides in the Chinese provinces of Zhouqu and Gansu and an earthquake in the province of Sichuan. Macau also signed a scholarship agreement and internship placement programme with the University of Saint Joseph. This collaboration between the two parties will enhance the development of both the students and our employees. Macau also participated in the Mid-Autumn Festival, a community event in which people help the elderly and the underprivileged.

02 Respect cultures, values and human rights throughout our operations
We have an active ethics programme. The Group has reviewed its anti-bribery policy in light of revised UK anti-bribery legislation.

The business units support various religious festivals of all denominations, as well as country independence celebrations. Dhiraagu was involved in an evening ceremony to celebrate the Maldives' independence. Panama sponsored the parade of the 1,000 typical dresses of the Azuero Penisula, during Panama's national holidays. The Panama business also held its annual employee talent show which this year focused on the magic and joy of the African continent.

In the Seychelles the business was actively involved in child protection week and also facilitated the setting up of a helpline to assist its Ministry of Health's sexual health campaign.

Macau organised a seminar to enhance colleagues awareness of corruption prevention and integrity. They also participated in World Challenge Day. The opponent city this year was Sorocaba, Brazil. 100 CTM colleagues exercised in the car park for 15 minutes to promote a healthy lifestyle.

All of our businesses promote the training and employment of nationals rather than expatriates.

03 Nurture best practice in our activities

Developing people is also important to our business. The business units operate colleague recognition schemes, notably Panama which holds an annual ceremony to recognise the achievements of high performing colleagues. We also actively seek new talent. In Macau we support the University of Macau Future Studies and Placement Centre by providing guidance on student career development.

As in previous years, we undertook a Group-wide Gallup employee engagement survey. This is the sixth survey and 85% of colleagues responded. Panama and Macau have attained a Gallup best practice ratio for the number of engaged to disengaged colleagues when compared to all the results contained in the Gallup worldwide database.

Our colleagues have utilised their knowledge and expertise to deliver special projects over and above their normal daily activity. Our Maldivian colleagues put their technology knowledge to good use by providing a web hosting package to facilitate news updates for families and supporters of the Maldivian athletes attending the Asian Games. Our Isle of Man business successfully set up a text line during the island's famous TT motorcycle races. The University of Seychelles now benefits from a full telecom service whilst Dhiraagu also upgraded internet connectivity to enable delegates at a large technology conference to have faster access.

As part of its procurement processes, the Group continues to review its strategic suppliers approach to sustainability. Cable & Wireless Communications is a member of the FTSE4Good index.

04 Seek continuous improvement in our environmental performance

During the year we improved our environmental reporting techniques. We have contracted with an external carbon reporting company to monitor and report in more detail on our energy use. The availability of reports on energy consumption varies across our business and therefore, we have adopted estimation techniques. We intend to use these figures as our baseline for future reporting.

We estimate our carbon footprint to be 198,507 tonnes of CO_2e based on our Scope 1,2 & 3 greenhouse gas emissions. In particular our electricity consumption was 200 million kWh this year and our fuel usage was 5.2 million litres.

We continue to actively use high definition video conferencing facilities across the business. This helps to reduce our business travel requirements, but travel is still necessary due to our geographical spread. We estimate our CO_2 usage from business travel to be 103 tonnes of CO_2e.

The regions continue to introduce initiatives to reduce energy consumption. In Macau, a programme to replace fluorescent lights with LED tubes continued over the last 12 months. 2,745 tubes have been replaced and the project will continue until all are LED based. Macau has also introduced other energy saving ideas including fitting time switches to lights so they automatically turn off out of hours or when an area is not being used. Casual dress summer was also started in Macau, which enabled the air conditioning systems to be run at slightly higher temperatures to reduce energy consumption.

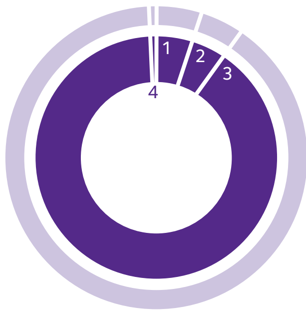
In Diego Garcia we have looked to reduce energy consumption by introducing controls around light usage and reprogramming air conditioning systems to only work when required.

Our Panama business started a collect and recycle programme for disused technology equipment.

Our customer billing systems continue to be upgraded, with e-billing promoted across our regions.

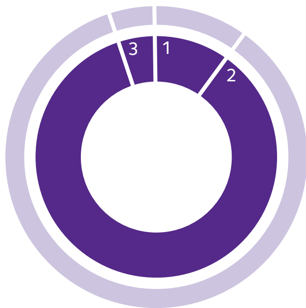
Whilst the Group is committed to seeking opportunities to reduce its carbon footprint, given our new reporting processes, we are not at this stage intending to set specific performance targets.

Summary by activity (tCO_2e)



1	Business travel	9,103
2	Company -owned vehicles	10,772
3	Premises	178,616
4	Long term leased vehicles	16

Summary by WBCSD/WRI* Scope (tCO_2e)



1	Scope 1	19,547
2	Scope 2	168,720
3	Scope 3	10,240

*World Business Council for Sustainable Development/ World Resources Institute.

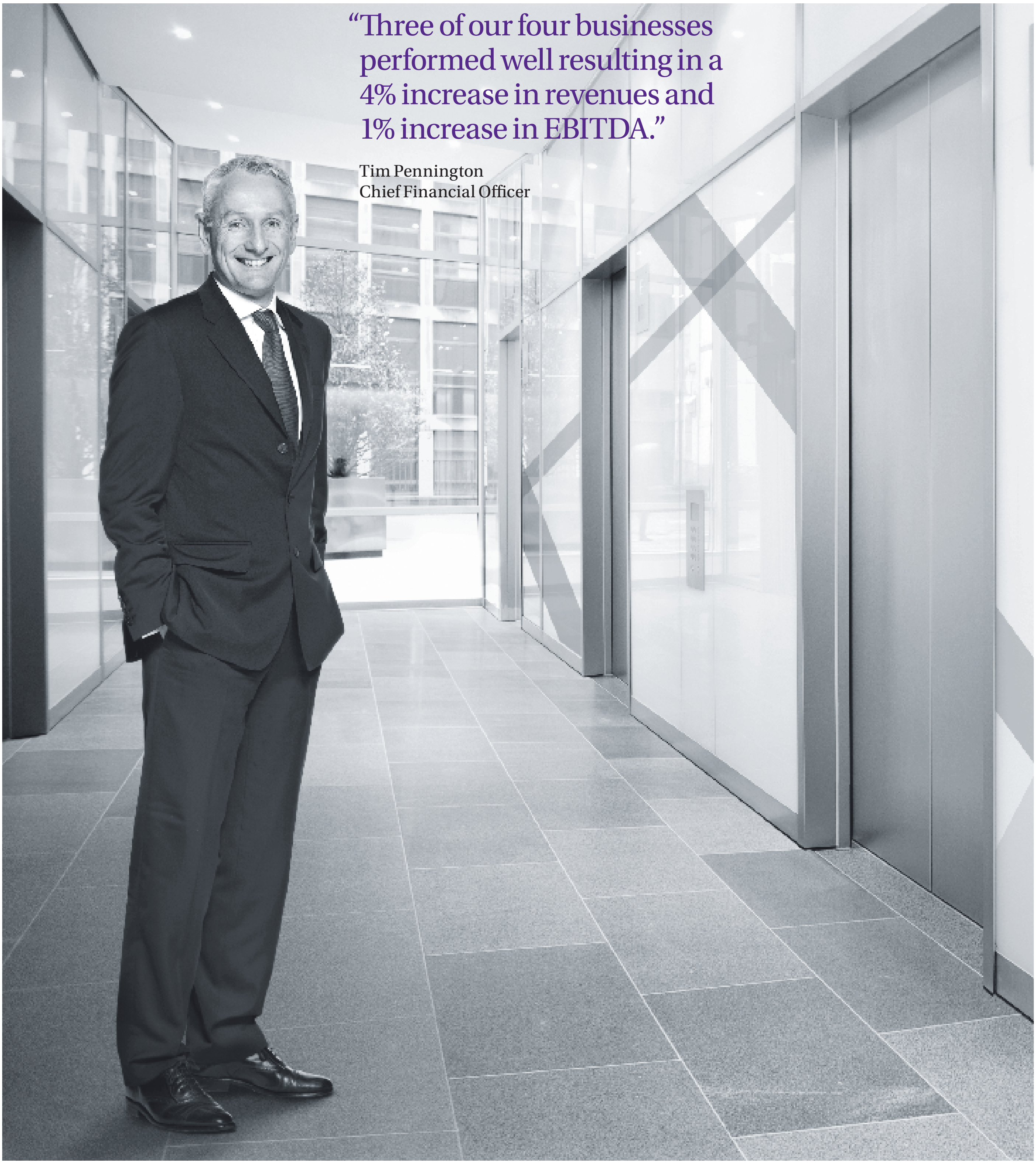
Our priorities

01 Contribute positively to the social and economic development of the communities in which we operate

02 Respect cultures, values and human rights throughout our operations

03 Nurture best practice in our activities

04 Seek continuous improvement in our environmental performance



"Three of our four businesses performed well resulting in a 4% increase in revenues and 1% increase in EBITDA."

Tim Pennington
Chief Financial Officer

Financial review

US7.2c
Adjusted earnings per share

US$536m
Total operating profit up 15%

Group financial performance summary

	Full year ended 31 March 2011			Full year ended 31 March 2010[1]		
	Pre-exceptional items US$m	Exceptional items US$m	Total US$m	Pre-exceptional items US$m	Exceptional items US$m	Total US$m
Continuing operations						
Revenue	2,440	–	2,440	2,346	–	2,346
Gross margin	1,658	–	1,658	1,617	–	1,617
Operating costs	(786)	6	(780)	(751)	(49)	(800)
EBITDA[2]	872	6	878	866	(49)	817
LTIP	(24)	–	(24)	(1)	–	(1)
Depreciation and amortisation	(321)	–	(321)	(348)	–	(348)
Net other operating (expense)/income	(28)	–	(28)	3	(33)	(30)
Results of joint ventures	31	–	31	30	–	30
Total operating profit/(loss)	530	6	536	550	(82)	468
Finance income	32	–	32	23	19	42
Finance expense	(140)	–	(140)	(119)	(7)	(126)
Other non-operating gains/(losses)	34	–	34	(1)	–	(1)
Profit/(loss) before tax	456	6	462	453	(70)	383
Income tax (expense)/credit	(119)	1	(118)	(126)	6	(120)
Profit/(loss) for the year from continuing operations	337	7	344	327	(64)	263
Discontinued operations	–	–	–	302	(122)	180
Profit/(loss) for the year	337	7	344	629	(186)	443
Attributable to:						
Owners of the Parent Company	189	8	197	486	(182)	304
Non-controlling interests	148	(1)	147	143	(4)	139
Continuing operations						
Balance sheet capital expenditure			(354)			(310)
Cash exceptionals			(29)			(72)
Operating cash flow[3]			489			484
Earnings per share (cents)			7.6			4.9
Adjusted earnings per share[4] (cents)			7.2			7.6
Headcount (full time employees at period end)			7,104			7,280

1 Full year ended 31 March 2010 includes the consolidated results for the Maldives from October 2009 after control was obtained.
2 EBITDA is defined as earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating and non-operating income/(expense) and exceptional items.
3 Operating cash flow is defined as EBITDA less balance sheet capital expenditure less cash exceptionals.
4 Adjusted EPS is before exceptional items, LTIP charges, gains/(losses) on disposals and amortisation of acquired intangibles.

Financial review

continued

Three out of four business units performed well but the continuing poor economic climate in the Caribbean had an impact on the overall Group results.

Revenue increased by 4% to US$2,440 million. This reflected a very strong performance in Macau where we saw revenue increase by 19% benefiting from strong mobile revenue and increased enterprise activity and the inclusion of a full year consolidation of the Maldives business. Growth was partially offset by the Caribbean which continued to experience difficult trading in mobile and fixed line.

Group EBITDA increased by 1% to US$872 million as strong contributions from Macau and Monaco & Islands (including a full year consolidation of the Maldives business) were offset by poor trading in the Caribbean.

Reported total operating profit was US$536 million. This reflects a net exceptional credit of US$6 million compared to a US$82 million charge last year driven by the demerger and other restructuring costs. Profit for the year from continuing operations was US$344 million, reflecting the lower level of exceptional costs and the gain on the disposal of our business in Bermuda. Adjusted earnings per share were US7.2 cents and the Board has recommended a full year dividend of US8 cents per share.

On a like-for-like basis, adjusting the prior period by including a full year of the Maldives and at constant currency, revenue for the Group would have been 1% higher and EBITDA for the Group would have been 3% lower than last year.

Panama

(US$m)	Year ended 31 March 2011	Year ended 31 March 2010	Change %
Mobile	**307**	303	1
Broadband	**57**	47	21
Fixed voice	**149**	171	(13)
Enterprise, data and other	**110**	100	10
Revenue	**623**	621	–
EBITDA	**276**	283	(2)
Margin %	**44**	46	

Revenue at US$623 million was in line with the same period last year.

Mobile revenue was up 1%, another consecutive year of growth, to US$307 million maintaining its market leading position. Subscribers grew by 3% but average revenue per user (ARPU) declined as promotional activity impacted our rate per minute, partially offset by non-voice revenue growth in the second half of the year. Non-voice revenue has grown by 33% on last year and now represents 11% of our mobile service revenue. Data revenue increased as we launched a number of programmes to strengthen usage and subscriber numbers, such as hybrid data and voice plans. 69% of our postpaid subscribers now have data plans.

Broadband & TV revenue grew strongly by 21% to US$57 million, providing the second consecutive year of double digit growth. Competition and discounting on our triple-play offering diluted the broadband ARPU in the year but this was partially offset by subscriber growth of 4%. Pay TV contributed well with subscribers growing to 44,200 and we extended our network footprint to over 235,000 homes. Over 60% of our TV subscribers take additional triple-play services from us.

Fixed voice revenue declined by 13% to US$149 million largely due to competition in the domestic market, a further decline in international rates and substitution of voice minutes to mobile.

Enterprise, data and other revenue of US$110 million increased by 10% as we were awarded a number of large contracts including the provision of a national voice and data network for Government institutions, remote mammography scanning and the provision of a wide area network for the Ministry of Justice. This strong momentum has continued into 2011/12 and we announced three new large contracts in April 2011: a project with the Second Judicial District to modernise the IT systems of the criminal justice system; a contract to provide a national telecommunications network for the country's Ministry of Security; and a contract to supply and manage an emergency services call system for the national police force in El Salvador – our first contract outside Panama.

Gross margin fell by 3% to US$421 million, largely as a result of the change in revenue mix and competitive pressures on mobile rates.

Operating costs at US$145 million were 3% lower than last year as increased marketing costs to support our fixed and mobile brands were offset by lower spend in network and other administrative costs.

As a result EBITDA fell 2% to US$276 million and EBITDA margin reduced by 2 percentage points to 44% in the period.

Our proportionate ownership of Panama EBITDA for the year ended 31 March 2011 was 49%.

Caribbean

(US$m)	Year ended 31 March 2011	Year ended 31 March 2010	Change %
Mobile	**302**	321	(6)
Broadband	**105**	99	6
Fixed voice	**278**	305	(9)
Enterprise, data and other	**165**	148	11
Revenue	**850**	873	(3)
EBITDA	**229**	270	(15)
Margin %	**27**	31	

We saw little improvement in the trading environment in the Caribbean over the period and this was reflected in revenue being 3% lower than last year. Revenue in the second half was stronger than in the first, largely reflecting one-off transactions within the enterprise, data and other revenue segment.

Mobile revenue at US$302 million was 6% lower than last year although it was stronger in the second half than the first half. ARPU in the second half of the year improved by 3% as non-voice usage increased. We maintained our market positions and launched mobile TV in Jamaica which has attracted new customers and improved our brand perception. The regulatory environment in Jamaica continues to be a concern and we are taking appropriate steps so that the proposed merger between two mobile competitors in Jamaica will not further undermine the ability of our business to compete effectively.

Broadband & TV revenue was 6% better than last year at US$105 million as ARPU across the region increased by 3%. Broadband subscribers have declined during the year as a result of churn, primarily in Jamaica, reflecting credit issues and an increasingly competitive environment.

Difficult market conditions and structural decline continue to impact fixed voice revenue, which fell by 9% to US$278 million. Subscribers continue to churn, primarily in Jamaica, due to affordability constraints resulting from the economic environment and lower usage from ongoing traffic substitution.

Enterprise, data and other revenue of US$165 million was 11% higher than last year. The East-West cable link between Jamaica, Dominican Republic and the British Virgin Islands was completed at the end of January and is already having a positive impact on the growth of this business line.

Gross margin fell by 5% to US$614 million, reflecting lower revenue and increased interconnect costs in Jamaica.

Operating costs of US$385 million were 2% higher than the same period last year. The business was adversely impacted by increased utility prices and we stepped up our marketing expenditure to improve perception of the LIME brand and to support the launch of new services such as mobile TV.

EBITDA of US$229 million was 15% lower than last year and the second half was in line with the first half of the year.

Our proportionate ownership of Caribbean EBITDA for the year ended 31 March 2011 was 90% which will decrease to around 80% following the consolidation of the Bahamas Telecommunications Company (BTC).

Bahamas acquisition

On 6 April, we completed our purchase of a 51% stake in BTC for cash consideration of US$210 million. The company is the exclusive mobile operator in The Bahamas, as well as a leading provider of fixed line and broadband services. Under the terms of the acquisition, the liberalisation process for the mobile sector will commence no sooner than three years after privatisation.

For the statutory year ended 31 December 2010, the business had total unaudited revenues of US$343 million and EBITDA of US$79 million. The company at December 2010 had approximately 388,000 mobile customers, 123,000 fixed line customers and 19,000 broadband customers. The company is a full service provider and Bahamians will benefit from improved services as we leverage our scale and the regional Caribbean platform. In the short term a number of costs will be incurred as we restructure the business to improve service, network performance and efficiency.

Macau

(US$m)	Year ended 31 March 2011	Year ended 31 March 2010	Change %
Mobile	178	130	37
Broadband	53	45	18
Fixed voice	78	82	(5)
Enterprise, data and other	68	59	15
Revenue	377	316	19
EBITDA	153	142	8
Margin %	41	45	

Our Macau business performed strongly, with revenue increasing by 19% to US$377 million.

Mobile revenue increased by 37% to US$178 million driven by an increase in ARPU as mobile non-voice usage on smartphones and mobile broadband increased. This growth was supported by higher roaming revenue and an increase in handset sales following the successful launch of the iPhone4 in November 2010. Excluding handset sales, mobile service revenue was up 17%. The number of mobile data subscribers increased by 126% to 78,000 at the end of March.

Broadband subscribers grew by 4% which together with ARPU growth as subscribers demanded greater bandwidth, resulted in broadband revenue increasing by 18% to US$53 million. During the period we introduced fibre broadband services to our customers in Macau, offering download speeds of up to 100 megabits per second (Mbps).

Fixed voice revenue of US$78 million decreased on last year due to mobile substitution effects, with subscribers falling by 2%.

Enterprise, data and other revenue of US$68 million showed significant improvement, up 15% on the same period in the prior year. Macau continued to win enterprise contracts including the installation of cabling, data network infrastructure and guestroom entertainment systems for the Galaxy casino, a 2,200 room resort which launched this month.

Gross margin of US$206 million was 8% better than last year, though gross margin as a percentage of revenue was 6 percentage points lower, reflecting the impact of low margin mobile equipment sales in the period.

Operating costs of US$53 million were 8% higher than last year, largely due to increased costs for advertising our mobile broadband offering and higher staff costs to retain employees in the competitive local labour market.

EBITDA benefited from the growth in revenue and was 8% higher at US$153 million with an EBITDA margin of 41%.

Our proportionate ownership of Macau EBITDA for the year ended 31 March 2011 was 51%.

Monaco & Islands (M&I)

(US$m)	Year ended 31 March 2011	Year ended 31 March 2010	Change %
Mobile	240	177	36
Broadband	47	37	27
Fixed voice	96	91	5
Enterprise, data and other	222	247	(10)
Revenue	605	552	10
EBITDA	207	174	19
Margin %	34	32	

Revenue increased to US$605 million. On a like-for-like basis, revenue was 1% lower on the same period last year.

Mobile revenue increased to US$240 million, up 6% like-for-like, driven by growth in non-voice revenue coupled with additional subscribers across the region. The Maldives performed particularly well as increasing tourist numbers resulted in higher roaming revenue. Mobile ARPU for M&I decreased by 26% as we consolidated the Maldives, which has a relatively lower ARPU, part of the way through 2009/10.

Broadband & TV revenue increased to US$47 million, up 19% like-for-like, as most businesses grew subscribers compared to last year. Our business in the Isle of Man launched broadband in October to complement our service offering.

Fixed line revenue decreased to US$96 million, down 2% like-for-like, where in most of our businesses customers substituted fixed voice minutes with other products. Subscriber numbers reduced by 110,000 as we disposed of our principally fixed line business in Bermuda.

Enterprise, data and other revenue of US$222 million decreased by 9% on a like-for-like basis as we ceased carrying low margin international transit traffic from Roshan in Afghanistan.

Gross margin increased to US$425 million, up 4% like-for-like, and gross margin as a percentage of revenue improved by four percentage points to 70% largely due to the loss of low margin transit traffic.

Operating costs were US$218 million, up 9% on last year on a like-for-like basis. Costs were higher in the Maldives as headcount increased to improve the operational control environment of the business. We also had additional restructuring and rebranding charges for Afinis, our African business, and higher licence fees in Monaco.

EBITDA at US$207 million was in line with the prior year on a like-for-like basis.

Our proportionate ownership of Monaco & Islands EBITDA for the year ended 31 March 2011 was 67%. If Bermuda had been excluded for the period, proportionate ownership would have been 66%.

After 31 March 2011, the Government of the Maldives announced that the currency of the Maldives would be allowed to float within a band of 20% in either direction around the previously fixed rate. The impact of a 20% devaluation of the Maldivian Rufiyaa would have been to reduce EBITDA by approximately US$14 million in 2010/11.

Bermuda disposal

We completed the disposal of our Bermuda business on 10 March 2011 for a total cash consideration of US$70 million. The decision was taken to sell the business as it was not a full service operation and therefore we felt it could not be further developed as part of the Group. Bermuda contributed revenue of US$38 million and EBITDA of US$13 million to the Group's results for the period.

Other

Other includes management, royalty and branding fees, the costs of the London head office, net UK defined benefit pension charge and intercompany and joint venture eliminations. EBITDA of US$7 million was US$10 million higher than last year and included the release of provisions of US$8 million after re-assessing risks related to litigation and indirect tax provisions. The prior year included 'Central costs' of the former Cable and Wireless plc pre-demerger.

Joint ventures

Our share of profit after tax from joint ventures was US$31 million. Compared to last year, income from the Maldives was consolidated for the full year and no longer appears under joint ventures. This reduction was offset by US$17 million in allowances held against former joint ventures that have now been released following the reassessment of these provisions.

The Group's share of profits after tax in TSTT was US$12 million lower at US$7 million. TSTT faced difficult economic conditions resulting in fixed line and mobile usage declines, whilst settlement of union litigation and increased handset subsidies to maintain market leadership further impacted results. We also saw increased levels of depreciation following capital investment in the network during the year. Our share of profits after tax in Roshan increased by US$9 million driven by revenue growth as mobile customers grew 35%, maintaining market leadership. The prior year also included an impairment to the mobile network.

Capital expenditure
Capital expenditure was US$354 million, 14% higher than last year and representing 15% of revenue. Our principal investments were to increase our capacity and coverage footprint for 3G/3.5G mobile broadband and fixed broadband networks and capacity expansion of our 2G/2.5G GSM mobile networks. In the Caribbean our focus has been on improving the quality of both the mobile and fixed networks to support our market share growth strategy. We have also completed our investment in the East-West Cable that links Jamaica in the West to Tortola (BVI) in the East, with a spur to the Dominican Republic. In Panama, we have continued to invest capital in the roll-out of the digital pay TV network, complementing our existing lines of service. In the Maldives we have commenced a multi-year investment in a domestic cable network that will allow us to provide data services to a very high percentage of the population and to all of the tourist resorts.

Depreciation and amortisation
Depreciation and amortisation at US$321 million was 8% lower than 2009/10 as the prior year included accelerated depreciation and asset obsolescence charges in Jamaica following a review of useful economic lives of assets.

Long term incentive plan (LTIP) charge
The LTIP charge for Cable & Wireless Communications for the year ended 31 March 2011 was US$24 million (£15 million) of which £10 million remains to be paid. This was the final year of our five year LTIP scheme. The total value of the scheme over the life of the plan is anticipated to be £34 million.

Net other operating expense
US$28 million of net other operating expenses were incurred in 2010/11. US$17 million relates to the translation of the sterling based pension funds at the year-end exchange rate, the remainder relates to Caribbean hurricane restoration costs and transaction costs in respect of the acquisition in The Bahamas and to evaluate a potential mobile licence application in Costa Rica where we concluded that it was not in the best interests of shareholders to proceed with a bid. These expenses were partially offset by gains on the disposal of land and property in the Group.

Exceptional items

	P&L US$m	Cash US$m
One-Caribbean	**(5)**	(6)
Legal fees	**17**	17
Other	**(2)**	(2)
Demerger	**(4)**	(38)
Total	**6**	(29)

Net operating exceptional income of US$6 million was recorded in 2010/11. This includes the receipt of US$17 million after successfully defending claims brought by a Caribbean competitor, partially offset by additional restructuring charges of US$5 million and US$2 million in the Caribbean and Monaco & Islands respectively. There were additional professional charges of US$4 million relating to the demerger.

Net finance expense
The US$108 million net finance expense for the Group is US$12 million higher than 2009/10 and consists of finance income of US$32 million (US$23 million in 2009/10) and finance expense of US$140 million (US$119 million in 2009/10). Excluding the unrealised foreign exchange gains of US$14 million this year, finance income reduced compared to last year due to lower cash balances. Interest expense increased year on year due to a higher level of borrowings and the replacement in February 2010 of floating rate debt with a fixed rate US dollar denominated bond.

Net other non-operating income
The US$34 million net other non-operating income in 2010/11 primarily relates to the gain realised on the disposal of Bermuda.

Income tax expense
The income tax charge of US$118 million (US$120 million for 2009/10) is in respect of overseas taxes. This charge represents an effective tax rate of 25.5% which is consistent with our 2009/10 Annual Results announcement in which we expected the effective tax rate pre-exceptional items for Cable & Wireless Communications for 2010/11 to be in the range of 25% to 29%.

Profit for the year from continuing operations
Profit for the year from continuing operations increased from US$263 million to US$344 million, primarily driven by the full year consolidation of the Maldives in the current year and lower exceptional costs.

Group cash flow[1]

	2010/11 US$m	2009/10 US$m
EBITDA[2]	**872**	866
Balance sheet capital expenditure	**(354)**	(310)
Operating cash flow before exceptionals	**518**	556
Movement in working capital and other provisions[3]	**(12)**	(50)
Investment income[4]	**17**	52
Underlying free cash flow	**523**	558
Fixed charges:		
Income taxes paid	**(88)**	(110)
Interest paid	**(115)**	(105)
Dividends paid to non-controlling interests[5]	**(159)**	(156)
Underlying equity free cash flow	**161**	187
Underlying equity free cash flow per share:	***6.2c***	*7.4c*
Dividends paid to shareholders	**(168)**	(268)
Net cash flow before one-off items and exceptionals	**(7)**	(81)
One-off items and exceptionals:		
Share buyback	**(30)**	–
Cash exceptionals	**(29)**	(72)
LTIP	**(9)**	(3)
Acquisitions and disposals[5]	**55**	36
Pension funding	**(149)**	(43)
Transfer to Cable & Wireless Worldwide for FY09/10 final dividend	**(117)**	–
Net cash flow after one-off items and exceptionals	**(286)**	(163)
Movement in share capital and own shares held	**1**	23
Net proceeds from borrowings	**89**	51
Net cash flow	**(196)**	(89)

1 Based on our management accounts.
2 Earnings before interest, tax, depreciation and amortisation, LTIP, net other operating and non-operating income/(expense) and exceptional items.
3 Includes movement in capital expenditure accruals.
4 Includes dividends received from joint ventures of US$9 million in 2010/11 (US$30 million in 2009/10).
5 Monaco Telecom dividend paid to minority interest of US$7 million in 2010/11 (US$12 million in 2009/10) has been reallocated to dividends paid to non-controlling interests, but for IFRS purposes is included in acquisitions and disposals.

Cable & Wireless Communications generated operating cash flow before exceptional items of US$518 million in 2010/11 after investing US$354 million in capital expenditure.

The outflow from movements in working capital and provisions was US$12 million.

Investment income of US$17 million in 2010/11 included US$9 million of dividends received from joint ventures, US$6 million of interest received on cash balances, US$4 million on the interest and disposal proceeds of Seychelles bonds and US$2 million for cash previously collateralised against guarantees partially offset by costs incurred to evaluate the mobile license application in Costa Rica.

Fixed charges

We paid US$88 million relating to income tax in 2010/11, interest of US$115 million on our external borrowings and dividends to non-controlling interests of US$159 million.

The dividends to our shareholders of US$168 million reflect the cash payment of the 2009/10 final declared dividend of 3.34 pence per share and the 2010/11 interim payment of US2.67 cents per share.

One-off items and exceptionals

In February 2011, we announced a US$100 million share buyback programme. As at 31 March 2011, US$30 million was returned to shareholders under this programme purchasing 42,762,000 shares to be held in treasury. The net cash outflow also included a US$29 million outflow for exceptional items primarily related to demerger costs which were largely charged to the income statement last year, partially offset by exceptional gains after successfully defending claims brought by a Caribbean competitor.

We received proceeds for the sale of our Bermuda operations offset by costs related to Group acquisition and disposal activities. Further to the completion of the pension scheme triennial valuation, US$149 million was contributed to the scheme in the period with no further payments scheduled until 2014. In April 2010, under the terms of the demerger agreement we transferred US$117 million to Cable & Wireless Worldwide for payment of their final 2009/10 dividend, equivalent to 3 pence per share. There will be no further payments to Cable & Wireless Worldwide for any of its dividend obligations.

Group cash and debt

	As at 31 March 2011 US$m	As at 31 March 2010 US$m
Cash and cash equivalents	**379**	573
Sterling secured loan repayable in 2012	**(46)**	(43)
US$500 million secured bonds due 2017	**(490)**	(489)
Sterling unsecured bonds repayable in 2012	**(317)**	(290)
Sterling unsecured bonds repayable in 2019	**(235)**	(219)
Other regional debt facilities	**(285)**	(196)
Total debt	**(1,373)**	(1,237)
Total net (debt)/cash	**(994)**	(664)

At 31 March 2011 Cable & Wireless Communications had US$994 million of net debt representing 1.1x consolidated and 1.8x proportionate 2010/11 EBITDA. The company also had unutilised bank facilities maturing in March 2013 of US$600 million (comprising a US$500 million revolving credit facility and a US$100 million term loan) with margins between 3.25% and 4% over LIBOR.

In early April 2011 the company drew US$180 million of the revolving credit facility, leaving US$420 million of bank facilities available.

On 6 April 2011 the company completed the acquisition of a 51% stake in BTC in The Bahamas for US$210 million. Pro forma this acquisition, Group net debt increased to US$1.2 billion representing 1.2x consolidated and 2.0x proportionate pro forma EBITDA.

Pensions – triennial review completed

At the time of the demerger of Cable & Wireless Worldwide in March 2010, Cable & Wireless Communications agreed an interim funding plan with the Trustee of the Cable & Wireless Superannuation Fund (CWSF), pending the triennial valuation due as at 31 March 2010. The payments under the funding plan were £9 million, paid in October 2010 and £20 million, originally payable in April 2011, paid in March 2011.

During the year to 31 March 2011 the Company reached agreement with the Trustee on the triennial valuation as at 31 March 2010. This showed a deficit of £161 million, following which the Company made an additional contribution to the scheme of £64 million in March 2011. Further payments from 2014 to 2016 have been agreed, totalling £64 million in order to eliminate the deficit by April 2016. These payments are subject to the outcome of the next actuarial valuation as at March 2013.

The fund assets at 31 March 2011 were approximately invested 69% in a bulk annuity policy, 16% in equities, and 5% in gilts. In addition, 10% of the assets were held in cash recently contributed by the Company and expected to be invested 44% in equities and 56% in gilts. In conjunction with the prudent nature of the actuarial valuation (both with respect to investment returns and with respect to demographic assumptions such as longevity) this investment strategy has led to significantly reduced risk for the Company.

As at 31 March 2011, the defined benefit section of the CWSF had an IAS19 deficit of £51 million, compared to a deficit of £111 million as at 31 March 2010.

The decrease in the IAS19 deficit is mainly due to additional contributions made by the Company as explained above, partially offset by the commitment to make further deficit contributions between 2014 and 2016. The AA corporate bond rate used in the IAS19 valuation was 5.6% compared with 5.5% at 31 March 2010.

In July 2010, the Government announced its intention that future statutory minimum pension indexation would be measured by the Consumer Prices Index, rather than the Retail Prices Index. The Group is currently taking external advice in respect of the Government's announcement on the determination of liabilities in the CWSF. Dependent upon the outcome, this may lead to a reduction in scheme liabilities. However, it is too soon to determine the likelihood or value of the impact.

Further to a previous agreement with the trustee of the CWSF at the time of demerger, Cable & Wireless Communications has no liabilities in respect of the pension obligations transferred to Cable & Wireless Worldwide.

There are other unfunded pension liabilities in the UK of £24 million (£23 million at 31 March 2010). Other schemes in Cable & Wireless Communications have a net IAS19 surplus of US$29 million (US$7 million surplus at 31 March 2010).

Dividend

We are recommending a final dividend of US5.33 cents per share, reflecting confidence in the long term strength of our business. This represents two-thirds of our previously announced intention to pay a full year dividend of US8 cents per share.

The final dividend will be paid on 12 August 2011 to ordinary shareholders on the register at the close of business on 3 June 2011. Subject to financial and trading performance in 2011/12, we expect to recommend a full year dividend of US8 cents per share.

Risk overview

During the year, a revised risk review process was introduced at operating and Group level with the intention of identifying and quantifying key risks and considering the adequacy of the way they are controlled. Below is a summary of some of the key risks identified by the review which could affect our business. Investors should consider them along with other information provided in this annual report.

Investment

We operate an active merger, acquisition and investment strategy which seeks new opportunities and, following thorough analysis, will execute them if appropriate. There is risk of failure or of an incorrect merger, acquisition and/or investment strategy being pursued and potential that new sources of growth may prove insufficient or fail to develop. We manage this risk by ensuring we employ experienced, knowledgeable individuals who undertake due diligence and if necessary, obtain specialist advice. The risks on any potential investment are thoroughly discussed by the Board of Directors.

Business development

Revenue and profit growth from customers increasing use of mobile data, pay TV and value added services are essential to the Group's future growth. If these services fail to perform as anticipated, or if we fail to identify and mobilise into new business lines within sufficient time, our revenue and profit may decrease as other core services reach full market penetration. Our marketing and product development strategies are focused to enable our businesses to reach full potential. We also engage experts to examine external product development.

Competitive activity

We operate in competitive markets, implementing plans to provide good value and enhance our proposition to customers. Competitor activity, new entrants and further liberalisation could all reduce our market share and margins, which in turn could affect revenue and profits. Reflecting that, we continue to invest in our network, enhance customer relationship systems, advance service quality, focus on loyalty and retention programmes, conduct market analysis and run marketing promotions, as well as tightly managing costs.

Business change

We continually work to strengthen our business. When necessary, we implement improvement strategies for underperforming areas (for instance, our Jamaica 'win back' activity). There is a risk that such strategies fail to achieve business improvement, which in turn could affect the carrying value of our investments and assets. Similarly there are risks that network or system maintenance and upgrades do not deliver expected improvements or cause disruption to existing services. To manage risks we employ people with experience of working within challenging business environments, target initiatives at key issues and thoroughly plan any upgrade works.

Economic conditions

A significant downturn in the global economy or poor local or national economic conditions may adversely affect our operations and trading, impacting our profitability, ability to obtain finance and pay dividends. The Caribbean economy continues to suffer. Whilst other regions have not been as affected, implementation of government austerity measures delayed agreement on certain new projects. Our businesses are geographically spread and that assists in reducing overall exposure. We continue to monitor key economic indicators and remain prepared to take action to protect profitability and cash flow in the event of a downturn in any of our markets.

Licences, regulation and political

The provision of telecommunications services is governed by applicable laws, regulations and government licences. The Group actively engages with governments and regulators in advance of licences and operating agreements expiring. However, there are risks that our licences are not renewed, or renewed on less favourable terms. Furthermore, licences could possibly be revoked or amended following changes in regulation, laws, government policy and/or the economic or political environment, or due to not fulfilling our regulatory requirements, default, or to promote public interest. In particular, without changes to the regulatory environment in Jamaica the Group will struggle to make an acceptable return on the capital it has invested which in turn could affect the carrying value of our investment. The Group continues to make vigorous efforts to seek a level playing field in bringing about changes to the current regulatory environment.

The Group may also be unable to obtain new or additional licences to implement new services or technology. Furthermore, regulatory environments could become anti-competitive. These risks could affect the value of our investments, cause a business to cease operating, severely restrict its operations and/or limit the Group's strategic options.

Some of the territories we operate in offer low or favourable taxation conditions, attracting large companies, several of which are also our customers. Changes to those tax regimes could result in customers moving their operations. We also provide services to governments which may be affected following changes in the political environment. Both of these risks could impact on the Group's revenues and profitability.

We manage these risks by active liaison with governments and regulators to encourage a positive working relationship consisting of

Key Risks

- Investment
- Business development
- Competitive activity
- Business change
- Economic conditions
- Licences, regulation and political
- Technology
- Joint Ventures
- Service disruption
- Network and data security
- People
- Corporate ethics
- Counterparty
- Foreign exchange and taxation
- Litigation
- Liquidity
- Funding
- Pensions
- Shared brand

open dialogue at senior level in both organisations. We also monitor developments in regulatory environments of our businesses.

Technology
Technological development may render existing products, services and supporting infrastructure non-competitive. Increased rate and level of investment in new technologies could affect our cash flow and profits. The Group keeps new technology developments under constant review.

Mobile telecommunications are a vital part of our business. Concerns are occasionally expressed that mobile phones and transmitters may pose long-term health risks. There is a risk that we may lose a strategic revenue stream or be exposed to litigation if such claims are proven. We continue to keep updated of research in this field.

Joint ventures
Although our preference is to gain management control in a joint venture business, that is not always possible.

Where we do not, we are often unable to influence their performance or ensure they do not underperform. To manage this risk, we endeavour to have some operational involvement and engagement with local management and major stakeholders.

Service disruption
Our networks are critical to providing an effective service to customers. Like other telecoms operators, our businesses also depend on other operators to provide network access and interconnect services for the origination, carriage and/or termination of some of their telecommunications services. Furthermore, our network and IT systems are vulnerable to interruption from natural disasters, fire, security breaches, terrorist action and human error. Network or IT failure could result in the loss of customers and in claims for loss of service. We continue to update our business continuity and disaster recovery plans, maintain crisis management and emergency response teams, insurance cover and employ network resilience to mitigate the effects of these risks.

Network and data security
Despite security management across the Group network, there is a risk that third parties may gain unauthorised access to the network and to sensitive data. The business has information security procedures and controls in place which are regularly reviewed and remedial action plans implemented where necessary.

People
Our people are one of our most important assets. We have incentive, succession and retention plans in place to reduce the risk of losing key personnel or significant numbers of trained people. The Group also faces risk of disruption if significant numbers of personnel are unavailable due to industrial action or a national emergency. We continuously review incentive, succession and retention plans, communicate with our colleagues and engage with unions, keep up to date with health warnings and undertake colleague engagement surveys.

Corporate ethics
We sustain a strong ethical culture through developing robust procedures, emphasising core values and providing colleagues with the information they need to make ethical decisions. The Group's anti-bribery policy has been updated to provide further guidance in light of the forthcoming implementation of the Bribery Act 2010, supplemented by a training programme.

Counterparty
The Group and business units routinely enter into a range of significant customer and supplier contracts. In any agreement there are counterparty risks, for example, insolvency of the customer or supplier or a default on their obligations, which could affect the profitability or cash flow of the business and/or its ability to perform. We manage these risks through robust procurement processes, good contract governance and regular review and management of our main customers and suppliers.

Foreign exchange and taxation
The Group generates all its profits from outside the UK, and so profits (and associated investments) are exposed to exchange rate fluctuations and changes to tax law. The Group also finances its operations by way of borrowings in several currencies. These factors create a potential risk of adverse financial impact on the results of business units and the Group. Foreign exchange risks are managed by use of hedging contracts (see notes 26 and 43), matching the currencies of material cash in-flows and expenditure and those of significant borrowings. The risk of changes to tax laws are managed by development of close working relationships with fiscal authorities, continuous monitoring of proposed legislative change and due consideration of appropriate changes to the Group contracting arrangements, tax compliance processes and holding structure.

Litigation
Not uncommon to most large organisations, there is a risk of litigation against our business units. Such risks are more prevalent in more litigious regions such as Panama and the Caribbean. Unfavourable rulings could affect our financial performance and reputation. However, if we are the subject of litigation, we will, as appropriate, defend our position vigorously using internal and external advice and support.

Liquidity
Liquidity risk could arise where the Group does not have sufficient financial resources available to meet its obligations and commitments as they fall due, or can access funding only at excessive cost. Exceptional market events could adversely impact any of the business units affecting their ability to meet obligations as they fall due. The Group forecasts and monitors cash generation and the maturity profile of its financing facilities by ensuring sufficient liquidity to fund both the business units and the Group's financial obligations. We have raised sufficient credit lines to meet medium-term liquidity needs and continue to maintain good relationships with our core banks.

Funding
Our financing agreements are subject to certain covenants. If we were to be in breach of these covenants, we may face early repayment of the funding facilities, thereby affecting our cash position. Our actual and forecast financial performance is checked against these covenants monthly.

Pensions
Our main UK defined benefit pension scheme is well managed and measures have been taken to reduce the financial risk exposures. However, the value of the scheme's assets and liabilities are affected by market movements. The Group may also have to make additional contributions to the scheme if its assumptions change. We maintain regular dialogue with the scheme Trustees who manage its assets with appropriate external advice, and supporting the Trustees with the aim of reducing financial risk.

Shared brand
The rights to the Cable & Wireless trade marks are shared between Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc, pursuant to the terms of trade mark licences which took effect upon demerger. Both Cable & Wireless Communications and Cable & Wireless Worldwide are subject to severe restrictions in using the Cable & Wireless trade marks outside of their own allocated territories, except in relation to their respective carrier businesses, and for certain incidental and grandfathered use. To the extent that Cable & Wireless Communications has activities outside of its allocated territories which are not part of its carrier business, it must operate under trade marks other than the Cable & Wireless trade marks. Breach by either party on the agreement of how the Cable & Wireless trade mark should be used could result in litigation or potential reputational issues.

Board of Directors

1. Sir Richard Lapthorne, CBE NR
Chairman
Chairman of the Nomination Committee

Sir Richard Lapthorne is Chairman of the Company having been Chairman of Cable and Wireless plc since January 2003. He is also the Chairman of the Nomination Committee. In September 2010 he was appointed as a member of the PwC Public Interest Body, and in February 2011 became its Chairman. Between June 2009 and April 2010, he was Chairman of the McLaren Group. From 1996 to May 2003 Richard was Chairman of Amersham plc (now GE Healthcare) having joined its Board as a Non-executive Director in 1989. He was Finance Director of British Aerospace plc from July 1992 and Vice Chairman from April 1998 until his retirement in 1999. Richard is a trustee of Tommy's Campaign, the charity researching still and premature birth. He was Non-executive Chairman of New Look Group and Morse plc until November 2007 and February 2008 respectively and Her Majesty the Queen's Trustee at The Royal Botanic Gardens, Kew until his retirement in September 2009.

2. Tony Rice
Chief Executive

Tony Rice is Chief Executive of the Company and has been so since demerger in March 2010, having previously served as CEO of the predecessor Cable & Wireless Communications business since November 2008. He was Group Finance Director of Cable and Wireless plc, from March 2006 onwards, having been a Non-executive Director since January 2003. Tony was at British Aerospace and its successor company BAE Systems for 16 years as Group Treasurer and ultimately Group Managing Director, Commercial Aircraft responsible for its Airbus and Regional Aircraft business units. From 2002 he was CEO of Tunstall Holdings Ltd, Europe's leading telecare company until its sale in September 2005. Tony is the Senior Independent Director of Punch Taverns plc and was appointed as Chairman of Alexander Mann Solutions on 28 July 2008, subsequently reverting to a non-executive role on 1 September 2009.

3. Tim Pennington
Chief Financial Officer

Tim Pennington is Chief Financial Officer of the Company. He previously served as the Group Finance Director for Cable and Wireless plc and as Chief Financial Officer for the Cable & Wireless Communications business. Tim also served as an Investor Director on the Cable & Wireless Worldwide Operating Board from November 2008 to January 2010. Previously, Tim was CFO and an Executive Director of Hutchison Telecommunications International Ltd, a company listed in Hong Kong and New York. Tim was also Finance Director of Hutchison 3G (UK) (Hutchison Whampoa's UK mobile business) and has corporate finance experience with HSBC Investment Bank and Samuel Montagu & Co.

4. Nick Cooper
Corporate Services Director

Nick Cooper is an Executive Director of the Company, having served as Corporate Services Director for the Cable & Wireless Communications business since December 2008 and Group General Counsel and Company Secretary for Cable and Wireless plc

A Denotes membership of Audit Committee.
N Denotes membership of Nomination Committee.
R Denotes membership of Remuneration Committee.

from January 2006 to demerger. He has Board level responsibility for Human Resources, Brand, PR & Communications, Legal & Regulatory Affairs, Insurance and Corporate Social Responsibility. He also served as an Investor Director on the Cable & Wireless Worldwide Operating Board from April 2006 until December 2009. Nick qualified as a solicitor with London law firm Herbert Smith. He has held in-house positions as company solicitor with Asda and George Clothing and as General Counsel and Company Secretary of The Sage Group Plc and JD Wetherspoon Plc. In September 2002, Nick was appointed Company Secretary and was part of the Executive Management Board of Energis until its acquisition by Cable and Wireless plc.

5. Simon Ball ANR
Deputy Chairman,
Senior Independent Director,
Chairman of the Audit Committee
Simon Ball is a Non-executive Director of the Company, having previously served as a Non-executive Director of Cable and Wireless plc since May 2006. He is also the Deputy Chairman, Senior Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. Simon has also been a Non-executive Director of Tribal Group plc since 1 June 2010. Simon was Group Finance Director for 3i Group plc until November 2008, having served on its main board since April 2005. Prior to this, Simon held a series of senior finance and operational roles at Dresdner Kleinwort Benson, served as Group Finance Director for the Robert Fleming Group and was Director General, Finance for the Department for Constitutional Affairs.

6. Mary Francis, CBE ANR
Chair of the Remuneration Committee
Mary Francis is a Non-executive Director of the Company, having previously served as a Non-executive Director of Cable and Wireless plc since July 2009. Mary became the Chair of the Remuneration Committee in March 2010. Mary is also a member of the Audit and Nomination Committees. Mary is Senior Independent Director of Centrica plc and a Non-executive Director of Aviva plc. She has previously been a Non-executive Director of the Bank of England, of Alliance & Leicester plc and of St Modwen Properties plc. Mary has held a number of positions in the UK Civil Service including Financial Counsellor at the British Embassy in Washington DC, Private Secretary to the Prime Minister and Deputy Private Secretary to the Queen. From 1999 to 2005, Mary was Director General of the Association of British Insurers, and currently is a senior adviser to Chatham House.

7. Kate Nealon ANR
Non-executive Director
Kate Nealon is a Non-executive Director of the Company, having previously served as a Non-executive Director of Cable and Wireless plc since January 2005. Kate is also a member of the Audit, Remuneration and Nomination Committees. Kate was appointed to the board of directors of Argo Group International Holdings, Ltd in February 2011. Kate was Group Head of Legal and Compliance at Standard Chartered plc until 2004, having previously practised international banking and regulatory law in New York. Kate is a senior associate of the Judge Business School at Cambridge University and a member of the advisory council of the Institute of Business Ethics. She was also a Non-executive Director of HBOS plc until 16 January 2009 and was a Non-executive Director of Shire plc until July 2010.

8. Ian Tyler ANR
Non-executive Director
Ian Tyler has been a Non-executive Director of the Company since his appointment on 1 January 2011, and is also a member of the Audit, Remuneration and Nomination Committees. Ian is a chartered accountant and has been Chief Executive of Balfour Beatty plc since January 2005, having joined the company in 1996 as Finance Director and having become Chief Operating Officer in August 2002. From 1993 to 1996 Ian was Finance Director of ARC Limited, one of the principal subsidiaries of Hanson Plc, having previously been Hanson's Group Financial Comptroller since 1991. Prior to that, from 1988, he held the positions of Group Treasurer and Financial Controller at Storehouse Plc, the retailing group. Ian is also President of CRASH, the charity for homeless people around the UK.

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2011.

Principal activities, business review and results

The Group's principal activities are detailed on pages 2 and 3. Through this Annual Report, including the Chairman's review and the Business review sections (pages 2 to 35) that precede this report and the Corporate governance report that follows (pages 44 to 46), the Board seeks to present a balanced and clear assessment of the Group's activities, position and prospects. Each of these sections is incorporated by reference into this Directors' report. The Group's results for the financial year are shown in the consolidated income statement on page 63.

Directors

The names and biographical details of the Directors are set out on pages 36 and 37.

The Board has determined to adopt the new provisions in the UK Corporate Governance Code specifying that all directors of FTSE 350 companies should be subject to annual election by shareholders at this year's Annual General Meeting (AGM).

Therefore, at the 2011 AGM, all Directors will stand for re-election with the exception of Ian Tyler, who will stand for election as this is the first AGM since his appointment to the Board on 1 January 2011, and Kate Nealon, who will not stand for re-election as she has given notice to the Company that she will retire from the Board with effect from the conclusion of the AGM.

The interests of the Directors and their connected persons in the shares of Cable & Wireless Communications Plc, along with details of their share awards, are contained in the Directors' remuneration report set out on pages 48 to 60.

No Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. For further information, refer to note 39 of the consolidated financial statements.

The Company has granted indemnities in favour of its Directors against personal financial exposure that they may incur in the course of their professional duties as Directors of the Company and/or any subsidiaries (as applicable). These indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006 (the 2006 Act). They were granted on appointment of the Directors and are still in force. Officers of wholly-owned subsidiary companies within the Group have also been granted indemnities.

Dividends

The Directors recommend a final dividend of US5.33 cents per ordinary share payable on 12 August 2011 to ordinary shareholders on the register at the close of business on 3 June 2011. This final dividend, together with the interim dividend of US2.67 cents per share paid by the Company on 13 January 2011, makes a total dividend payment to shareholders of the Company of US8 cents per ordinary share for the year ended 31 March 2011.

Share capital and treasury shares

The called-up share capital of the Company, together with details of shares allotted during the year, are shown in note 9 to the Company financial statements. At the 2010 AGM, the Company was authorised by shareholders to purchase up to 262 million of its own ordinary shares, representing approximately 10% of its issued share capital as at 1 June 2010. On 23 February 2011, the Company announced a buyback programme of shares up to a value of US$100 million in order to return capital to shareholders. During the period to 31 March 2011, the Company purchased 42,762,000 shares with a nominal value of US$0.05 each for an aggregate consideration of US$34 million, and these are held as treasury shares (31 March 2010 – nil shares in treasury). The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The Board intends to seek shareholder approval at the forthcoming AGM on 22 July 2011 to make market purchases of up to 10% of its issued share capital (excluding shares held in treasury). Details of the proposed resolution are included in the Notice of Meeting.

Further details on the share capital of the Company are set out in note 9 to the Company financial statements on pages 134 and 135 and are incorporated into this report by reference.

Company's shareholders

As at 31 March 2011 and the date of this report, the Company had been notified of the following substantial holdings of voting rights in the issued share capital of the Company in accordance with the Disclosure and Transparency Rules:

	As at 31 March 2011			As at 24 May 2011		
	No. of ordinary shares	% of voting rights	Nature of holding	No. of ordinary shares	% of voting rights	Nature of holding
Newton Investment Management Limited	381,650,561	14.32%	Indirect	364,741,582	13.99%	Indirect
Orbis Holdings Limited	342,539,483	13%	Indirect	342,539,483	13%	Indirect
Franklin Mutual Advisers LLC	242,437,048	9.24%	Indirect	242,437,048	9.24%	Indirect
Prudential Plc (group of companies)	138,064,794	5.24%	Direct and indirect	138,064,794	5.24%	Direct and indirect
Legal & General Group Plc	98,421,834	3.75%	Direct	98,421,834	3.75%	Direct

Ethics

The Company is committed to sound business conduct in its relationships with key stakeholders (shareholders, employees, customers, business partners and suppliers), governments and regulators, communities and the environment. The Group's ethics policy applies to all Group companies and employees. Where the Group operates in conjunction with business partners, third parties or in joint venture arrangements without management control, it aims to promote the application of this policy. The Group seeks to conduct its operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. The Group respects the legitimate interests of all those with whom it has relationships. During the year, a review of the Group's anti-bribery policy has been undertaken to ensure that our policies and procedures will meet the standards required by the Bribery Act 2010.

Charitable and political donations

During the year ended 31 March 2011, the Group gave US$1.07 million (2009/10 – US$1.7 million) to charitable organisations including US$95,207 (£60,000) (2009/10 – US$190,848 (£120,000)) to the Porthcurno Trust, a charitable organisation in the United Kingdom. The Group actively supports corporate social responsibility in the communities in which it operates and more information on these activities is set out on pages 26 and 27.

The Company does not make political donations and has no intention of making donations to what are generally regarded as political parties within the European Union. As a precautionary measure and in the light of the wide definitions of European Union political organisations for the purposes of the 2006 Act, a resolution was passed at the 2010 AGM permitting the Company to make political donations and incur political expenditure.

Supplier payment policy

The Company did not enter into any purchase contracts with suppliers which required payment during the year to 31 March 2011. It is the Group's policy to agree appropriate terms and conditions in advance with suppliers and to make payment in accordance with those terms and conditions, provided the supplier has complied with them.

Employee inclusion and diversity

The Group operates in many countries with diverse employment practices. Whilst respecting local circumstances, wherever we operate we follow the principles of equal opportunity in recruitment, development, remuneration and advancement. The Group's employment policies also comply with local requirements and meet relevant standards on employment of disabled people. Full and fair consideration is given to disabled applicants for employment and training, and career development is encouraged on the basis of aptitude and ability. It is Group policy to retain employees who become disabled whilst in its service and to provide specialist training where appropriate.

Employee communication

The Group communicates with employees in many ways, including regular briefings by management, newsletters and intranet sites. These communications help to achieve a common awareness among employees of the financial and operational performance of the Group.

The Group is committed to ensuring that employees share in its success. Employees are encouraged to participate in share purchase schemes and hold investments in the Group's shares.

Exercise of rights of shares in employee share schemes

The Trustees of The Cable & Wireless Communications Share Ownership Trust (formerly the Cable and Wireless Employee Share Ownership Trust) exercise the voting rights on shares held in the employee trust in accordance with their fiduciary duties as Trustees, which include the duty to act in the best interests of the beneficiaries of the trust.

Annual General Meeting

The AGM will be held at 11.00am on Friday 22 July 2011 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. Details of the resolutions to be proposed at the AGM are given in the Notice of Meeting.

Auditor

Resolutions to reappoint KPMG Audit Plc as our external auditor and to authorise the Directors to set the auditor's remuneration will be proposed at the AGM.

So far as the Directors are aware, there is no relevant audit information (as defined in Section 418(3) of the 2006 Act) of which the auditors are unaware and the Directors have taken all reasonable steps to ascertain any relevant audit information and ensure the auditors are aware of such information.

Change of control

The Group has a number of contracts that are subject to change of control clauses. These primarily relate to financing facilities, bonds, licence and operating agreements.

Under the Group's US$500 million revolving credit facility agreement and US$100 million term loan agreement, on a change of control the lenders are not obliged to fund any further sums and, if the majority lenders require, on not less than ten days' notice, the facility can be cancelled and all outstanding loans, together with related charges, become immediately due and payable.

Under the terms of the US$500 million 7.75% 2017 Senior Secured Notes (the Bonds), if a change of control event occurs, each holder of the Bonds will have the right to require the repurchase of all or any part of their Bonds at a redemption price equal to 101% of the principal amount of the Bonds purchased, together with accrued (but unpaid) interest.

A number of the Group's operating licences and shareholders' agreements include change of control clauses which may be triggered by the sale of a business, or certain types of restructuring.

In the event of a change of control, these clauses may require consideration to determine their impact on the Group. At present, risks arising from a change of control are not considered to be significant. The Group will take appropriate action to mitigate any risks arising from these events should they occur. Change of control provisions in relation to the LTIP and Directors' service contracts are explained in the Directors' remuneration report on pages 48 to 60.

Rights and obligations attaching to the ordinary shares

The following section summarises the rights and obligations in the Company's Articles of Association (the Articles) relating to the ordinary shares of the Company. The full Articles can be found on the Company's website www.cwc.com.

Amendment of Articles: The Articles may be amended by a special resolution of the shareholders passed at a general meeting of the Company.

Voting: Each share (other than those held in treasury) allows the holder to have one vote at general meetings of the Company on votes taken on a poll.

Dividends: The Company's shareholders can declare dividends by passing an ordinary resolution, but the payment cannot exceed the amount recommended by the Directors. The Directors may also pay interim dividends without shareholder approval if they consider that the financial position of the Company justifies it. The Directors may operate dividend reinvestment plans or, subject to shareholder approval, operate scrip schemes or pay dividends by distributing assets. No dividend carries a right to interest from the Company. If dividends remain unclaimed for 12 years they are forfeited by the shareholder and revert to the Company.

Partly paid shares: The Company has a lien on all partly paid shares (and dividends), which has priority over claims of others to such shares covering any money owed to the Company for the shares. The Directors may sell all or any of such shares where: (i) the money owed by the shareholder is payable immediately; (ii) the Directors have given notice demanding payment, stating the amount due and that the shares will be sold on non-payment; and (iii) the money has not been paid within 14 clear days of the service of the notice.

The Directors may make calls on shareholders to pay any money which has not yet been paid to the Company for their shares. If a call is unpaid, the shareholder will be liable to pay interest and all expenses incurred by the Company as a result of non-payment if the call remains unpaid for 14 clear days after the date of a notice. In addition, failure to comply with any such notice may result in forfeiture of any share which is the subject of the notice, including any unpaid dividends.

The Directors may decline to register the transfer of any shares that are not fully paid, provided that such refusal does not prevent dealings from taking place on an open and proper basis.

Sanctions: Unless the Directors decide otherwise, a shareholder shall not be entitled to vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or exercise any other right conferred by membership in relation to general meetings if the shareholder has not paid all amounts relating to those shares which are due at the time of the meeting, or if the shareholder is given a notice following a failure by that shareholder or someone who appears to be interested in the shares to comply with a notice under section 793 of the 2006 Act. Further, if a shareholder holding 0.25% or more of the issued shares of a class (excluding treasury shares) or interested person is in default of a section 793 notice, the Directors may also state in the notice that: (i) the payment of any dividend shall be withheld; (ii) the shareholder shall not be entitled to elect to receive shares in place of dividends withheld; and (iii) the transfer of the shares held by such shareholder shall be restricted.

Certificated shares: The Company can sell any certificated shares at the best price reasonably obtainable at the time of the sale if: (i) in a period of 12 years at least three dividends have become payable and no dividends have been claimed; (ii) the Company has published a notice after the 12 year period stating that it intends to sell the shares; and (iii) during the 12 year period and for three months after the notice, the Company has not heard from the shareholder or any person entitled to sell the shares.

The Directors may decline registration of certificated shares if: (i) a share transfer form is used to transfer more than one class of shares; (ii) transfers are in favour of more than four joint holders; or (iii) the share transfer form is not delivered to the office, or such other place decided on by the Directors, accompanied by the share certificate relating to the shares being transferred (unless the transfer is by a person to whom the Company was not required to, and did not, send a certificate) and any other evidence reasonably asked for by the Directors to show entitlement to transfer the shares.

Uncertificated shares: The Directors may decline registration of uncertificated shares if the transfer is in favour of more than four joint holders or otherwise in accordance with the Uncertificated Securities Regulations 2001.

Interests in shares: Except where express rights are given, the Company will only recognise a current and absolute right to whole shares. The fact that any share, or any part of a share, may not be owned outright by the registered owner is not of any concern to the Company.

US Holders: The Directors may require a shareholder or other person appearing to be interested in shares, to disclose information relating to the ownership of such shares or to show that such shares are not held by a US Holder (defined in the Articles as being: (i) persons resident in the US who hold shares in the Company and (ii) persons who appear to the Directors to fall within sub-paragraph (i) of the definition of a US Holder). The Directors may require a US Holder to sell their shares to someone who is not a US Holder, failing which, the Company may effect a sale of such shares on the US Holder's behalf.

Disputes: Any disputes between a shareholder and the Company and/or the Directors arising out of or in connection with the Articles shall be exclusively and finally resolved under the Rules of Arbitration of the International Chamber of Commerce, as amended from time to time, in accordance with the Articles.

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Articles, including the rules for who is eligible to be elected as a Director and the procedure to be followed to nominate such persons. The Articles must be approved by shareholders in accordance with the legislation in force from time to time.

The Articles provide that Directors may be appointed by an ordinary resolution of the members or by a resolution of the Directors, provided that, in the latter instance, a Director appointed in this way retires at the first AGM following his appointment.

The Articles also provide that at the first two Annual General Meetings of the Company, one third of the Directors who are then in office shall retire, and detail the circumstances in which and how they may be re-elected. The Company's members may remove a Director by passing an ordinary resolution for which special notice has been given. Any Director will automatically cease to be a Director if: (i) they resign; (ii) they offer to resign and the other Directors accept that offer; (iii) all the other Directors (being at least three) require it; (iv) they are suffering from mental ill health and the Directors require them to cease to be a Director; (v) they have missed Directors' meetings for a continuous period of six months without permission and the other Directors resolve that they shall cease to be a Director; (vi) a bankruptcy order is made against them, or they make an arrangement or composition with their creditors; (vii) they are prohibited from being a Director by law; or (viii) they cease to be a Director under the legislation or are removed from office under the Articles.

Powers of Directors

The powers of the Directors are determined by UK legislation and the Articles. As provided in the Articles, the Directors may exercise all the Company's powers provided that the Articles or applicable legislation do not stipulate that any such powers must be exercised by the members. The Directors have been authorised to issue and allot ordinary shares, pursuant to Article 12. The powers under Article 12 are referred to shareholders at the AGM for renewal. Shareholders are also requested to renew the Directors' power to make market purchases of shares at each AGM. Any shares purchased may be cancelled or held as treasury shares.

Conflicts of interest

The Articles permit the Directors to authorise conflicts and potential conflicts. Procedures have been put in place for the disclosure by Directors of any such conflicts and also for the consideration and authorisation of these conflicts by the Board. These procedures allow for the imposition of limits or conditions by the Board when authorising any conflict, if they think this is appropriate.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business reviews on pages 2 to 35 including the Financial review on pages 28 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 28 to 33. Further, notes 34 and 43 to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The Directors believe that the Group's wide geographic spread, robust monitoring and forecasting processes leave it well placed to manage its business risks in the current economic conditions. In addition, the Group's forecasts and projections, taking into account possible changes in trading performance which could be reasonably anticipated, indicate that the Group is able to operate within the level of its current available facilities. A formal process for monitoring compliance with debt covenants is also in place. Further information on debt can be found in note 28 to the consolidated financial statements.

After reviewing budgets and other longer-term plans and making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Clare Underwood
Company Secretary

24 May 2011

Independent Directors' report

This report focuses on the year ended 31 March 2011 which was the Company's first full year as an independent separately listed entity following the demerger of Cable & Wireless Worldwide plc from the Group in March 2010.

The Cable & Wireless Communications Plc Board was appointed at demerger as were the Audit, Remuneration and Nomination Committees. A key part of the demerger preparation work was to ensure that effective governance arrangements were in place to enable a smooth transition and to reflect the new levels of materiality. Upon demerger, the governance structure moved to a simpler model than that which had applied at Cable and Wireless plc.

The new Board, Committee and governance processes have been implemented and embedded during the year. An external Board evaluation has been undertaken by Independent Audit Limited (Independent Audit) at the end of this first year to consider whether the Board and Committee processes are working effectively. Independent Audit consider that high performing boards share a number of common characteristics: a strong and effective chairman, an executive team which is open and receptive to challenge, and with trusting but questioning relationships within the board. The Company scored well on all of these, especially when the newness of the Board was taken into account.

Since demerger, the relationship between the Chairman and the Chief Executive has transitioned to a more traditional role, whereby the Chairman's key focus is now the leadership of the Board to ensure that the effective operation of the Board and its committees is in conformity with the highest standards of corporate governance. The Chief Executive is responsible for the leadership of the business and managing it within the authorities delegated by the Board.

During the course of the year, the Board has held four Board meetings overseas, one in each of the Group's four business units. In addition to the formal business of the Board, these visits have included presentations and meetings with local management and the attendance of the regional Chief Executive at the Board meeting as well as meetings with local Government and other stakeholders, all of which have enabled the Board to have first hand exposure to the local operations. The frequency of the overseas visits has been high as this was the first year post demerger and has required a greater than normal time commitment for the Non-executive Directors. Nevertheless, the visits have provided a very valuable insight into the underlying business.

The Executive Directors attend quarterly 'deep dive' meetings with each of the four business units to review performance and analyse the future opportunities and challenges of the regional operations. The Executive Directors are also Directors on a number of the Group's material subsidiary boards. Together, these provide a high level of visibility of the business unit operations and form an important part of the overall governance control framework.

The Board has reviewed corporate governance developments during the course of the year including compliance with the new UK Corporate Governance Code. Significant focus has been given to the impact of the Bribery Act 2010 and an enhanced policy and procedures has been developed and implemented.

Turning now to the four questions posed annually as part of Cable & Wireless Communications' approach to measuring effective corporate governance:

1 What is the quality of the relationship between the Chairman and the Executive Directors?
The relationship between the Chairman and Chief Executive has made an effective transition to a more traditional form. Prior to demerger, the Chairman had four direct reports; post demerger, it is solely the Chief Executive who reports directly to the Chairman. As a consequence, the other Executive Directors have less frequent formal interaction with the Chairman but relationships remain strong and enable direct communication where necessary.

The Chairman has regular one-to-one meetings with the Chief Executive to review issues, opportunities and challenges in the Group.

Notwithstanding the challenge of moving to a different operating model post demerger, the relationship between the Chairman and the Executive Directors has been consistently strong throughout the year.

2 How open are the Executive Directors with the Board?
The Executive Directors are very open with the Board. They are also very receptive to challenge. This view was reinforced in the findings of the external Board evaluation.

The flow of information to the Board is supplemented by meetings with the regional Chief Executives and local management teams as part of the overseas Board visits. The overseas Board visits require a significant time commitment but also create opportunities for informative discussion and debate to enhance openness between the Executive Directors and the Board. The understanding and trust engendered underpin a very positive, open atmosphere in which debate and challenge flourish.

3 What is the visibility of the checks and balances between the Executive Directors?
The visibility of checks and balances between the Executive Directors is high. The Executive Directors show a willingness to openly debate and stimulate different perspectives in Board meetings enabling the Non-executive Directors to obtain a rounded view of the Executive Directors' views. In addition, the Board have met with the Regional Chief Executives, both formally and informally, enabling a supplementary view to that of the Executive Directors.

4 Have questions asked by the Independent Directors in Board and Committee meetings been appropriately addressed?
Questions asked by the Independent Directors have been appropriately addressed throughout the year. The Independent Directors also meet separately during the year to discuss any relevant governance matters. The Independent Directors are satisfied that the corporate governance controls of Cable & Wireless Communications Plc are effective.

The Board of Cable & Wireless Communications Plc firmly believe in the principles of behavioural governance and consider that this report continues to be an appropriate way to embody the principles set out in the new UK Corporate Governance Code and have confirmed that they will publish an Independent Directors' report for the year ended 31 March 2012.

Simon Ball
Senior Independent Director

24 May 2011

Corporate governance report

The Board is responsible for the Group's corporate governance system and is committed to maintaining high governance standards. The key policies and practices of the Company and the Group are set out in this Corporate governance report as well as in the reports of the Audit Committee on page 47 and the Remuneration Committee on pages 48 to 60. Furthermore, our independent Non-executive Directors have prepared a report describing the corporate governance and behaviours of the Board on pages 42 and 43 and details of significant shareholdings and rights, obligations, powers and procedures under the Company's Articles of Association are set out in the Directors' report on pages 39 to 41. Together, these reports provide shareholders with an insight into how our Board and senior management manage the business to increase shareholder value.

Compliance with the Combined Code

Throughout the year the Group has complied with all the provisions set out in Section One of the Combined Code on Corporate Governance (the Code).

A governance update was provided to the Board in November 2010, with periodic updates provided at board meetings in the Company Secretary's report to the Board.

Going forward, the Company intends to comply fully with the main and supporting principles of the new UK Corporate Governance Code.

The Code and the UK Corporate Governance Code are available on the Financial Reporting Council's website www.frc.org.uk.

Board Composition

During the year, the Board comprised Sir Richard Lapthorne (Chairman), Tony Rice, Tim Pennington, Nick Cooper, George Battersby (resigned 21 July 2010), Simon Ball, Mary Francis, Kate Nealon, Ian Tyler (appointed 1 January 2011) and Kasper Rorsted (resigned 1 January 2011). Biographies of the current Directors, including details of their Committee memberships, are shown on pages 36 and 37.

The roles of Chairman and Chief Executive are separate with distinct responsibilities. The Chairman's key areas of responsibility are the leadership of the Board, including setting its agenda, ensuring that it receives clear, timely and accurate information and facilitating the contribution of the Non-executive Directors. The Chairman is also responsible for corporate governance and for ensuring, together with the Senior Independent Director, that the Company maintains effective communication with shareholders and other stakeholders. The commitment of the Chairman as Chair of the PwC Public Interest Body is noted on page 36, and the Board considers that this is not a constraint on his agreed time commitment to the Company.

The Chief Executive is responsible for the leadership of the business and managing it within the authorities delegated by the Board.

Details of Directors' attendance at scheduled Board and Committee meetings are shown in the table below.

Role of the Board

The Board is accountable to shareholders for the creation and delivery of strong sustainable performance and the delivery of long-term shareholder value. To enable the Board to function effectively, full and timely access is given to all relevant information. The Board sets the strategic aims of the Group and is collectively responsible for matters of strategy, performance, resources, standards of conduct and accountability. In order to progress these aims the Board meets frequently and is responsible for organising and directing the Company and the Group

Board and Committee meeting attendance
1 April 2010 – 31 March 2011

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Sir Richard Lapthorne	8/8	–	2/2	3/3
George Battersby[1]	0/3	–	–	–
Nick Cooper	8/8	–	–	–
Tim Pennington	8/8	–	–	–
Tony Rice	8/8	–	–	–
Simon Ball	8/8	4/4	2/2	3/3
Mary Francis	8/8	4/4	2/2	3/3
Kate Nealon	8/8	4/4	2/2	3/3
Kasper Rorsted[2]	3/6	0/3	1/1	0/2
Ian Tyler[3]	2/2	1/1	1/1	1/1

1 Resigned with effect from 21 July 2010.
2 Resigned with effect from 1 January 2011.
3 Appointed with effect from 1 January 2011.
– Director is not a Committee member.

in a manner that promotes the success of the Company and is consistent with good corporate governance practice. Formal minutes recording decisions of all Board and Committee meetings are prepared and circulated to each Director as appropriate. If a Director objects to a particular proposal, this is recorded in the minutes of the relevant meeting. During the period under review, as for the period since incorporation, there were no such objections.

There is a formal schedule of matters reserved to the Board including:

- Group strategy;
- Corporate governance;
- Financial reporting and control;
- Budgets and operating plans;
- Acquisitions and disposals;
- Appointments to the Board, Committees and some senior executive positions;
- Director and senior executive remuneration;
- Delegation of authority;
- Customer contracts and expenditure over a certain financial limit; and
- Approval of litigation.

Other specific responsibilities are delegated to the Audit, Nomination and Remuneration Committees, each with clearly defined terms of reference.

Full details on matters reserved to the Board and the terms of reference of its Committees can be found on our website at www.cwc.com.

Board Balance and Independence

The Board considers all the Company's Non-executive Directors to be independent in character and judgement. Collectively the Non-executive Directors help to provide an effective Board with a strong mix of skills and business experience, as they all occupy or have occupied senior positions in industry and public life and, as such, each contributes significant weight to Board decisions.

The Non-executive Directors are initially appointed for a three year term with an expectation that they will continue for a further three year term.

The terms and conditions of appointment of the Non-executive Directors, together with service contracts for Executive Directors, are available for inspection by shareholders at our registered office during normal business hours and at our AGM.

All Directors have access to the advice of the Company Secretary as well as appropriate training and briefings on matters including corporate social responsibility, health & safety and governance matters. Additionally, any Director may take independent professional advice on any matter at the Company's expense in the furtherance of his duties.

The Senior Independent Director

Simon Ball is the Senior Independent Director of the Company. The Senior Independent Director is available to meet shareholders on request and is the designated point of contact for shareholders to raise any concerns where contact through the normal channels of the Chairman or Executive Directors is inappropriate. Matters raised by major shareholders to any Director are brought to the attention of the Board.

As part of our commitment to regular dialogue, meetings have been held between the Executive Directors and investors on an ongoing basis throughout the year. The Chairman and the Senior Independent Director have, as in previous years, offered ongoing dialogue and meetings with shareholders to discuss any issues they wish to raise. The Company intends to continue this practice.

Board Committees

The reports of the Audit Committee and Remuneration Committee are set out on pages 47 and 48 to 60 respectively.

The members of the Nomination Committee during the year were Sir Richard Lapthorne (Chair), Simon Ball, Mary Francis, Kate Nealon, Ian Tyler (appointed 1 January 2011) and Kasper Rorsted (resigned 1 January 2011).

The Nomination Committee has met on two occasions in the period 1 April 2010 to 31 March 2011. The Committee reviews succession planning requirements and the need to ensure planned and progressive refreshing of the Board as and when required. When recommending the appointment of new directors to the Board, regard is given to the size of the Board, balance of Executive and Non-executive Directors, the skills, knowledge and experience already represented and likely future requirements. Going forward, the Nomination Committee will take into account gender diversity during the appointment process.

The full terms of reference of the Nomination Committee are available at www.cwc.com.

During the period under review, the Nomination Committee considered and recommended to the Board the appointment of Ian Tyler as a Non-executive Director, and as a member of the Remuneration, Nomination and Audit Committees. Ian Tyler was identified as an ideal candidate to complement the existing balance of skills and knowledge of the Board, with sufficient time to dedicate to the role. The suitability of his skills and knowledge were independently verified by Jan Hall, a partner at JCA Group, a boardroom consultancy firm. The Nomination Committee also commenced a process for the appointment of a further Non-executive Director to the Board.

Corporate governance report

continued

Internal control, risk management and financial reporting

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness on a continual basis. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The concept of reasonable assurance recognises that the cost of control procedures should not exceed the expected benefits.

The Group operates a risk management process, under which the regional businesses identify the key risks to their plans, their likelihood and impact and the actions being taken to manage those risks and the effectiveness of steps taken to mitigate them. The risk register is presented to the Audit Committee on a rolling 12 month basis. The principal risks identified by the Group are set out on pages 34 and 35.

The Executive Directors report to the Board, on behalf of management, significant changes in the Group's business and the external environment in which it operates. In addition, they provide the Board with monthly financial information, which includes key risk and performance indicators. The Group's key internal control and monitoring procedures include the following:

- Financial reporting: each year, an annual budget is agreed and approved by the Board. At each Board meeting, actual results are reviewed and reported against budget and, when appropriate, revised forecasts;
- Investment appraisal: the Group has clearly defined policies for capital expenditure. These include annual budgets and detailed appraisal processes for such expenditure;
- Monitoring systems: internal controls are monitored through a programme of internal audits. The Internal Audit function reports to the Audit Committee on its examination and evaluation of the effectiveness and adequacy of systems of internal control;
- Financial controls: the Group has dedicated resource to embed processes and controls across the businesses. It operates a number of additional self-assessment exercises, which include monthly certification of compliance with key financial controls and an annual controls self-assessment. The latter exercise requires management to assess the effectiveness of its fundamental operating controls over all aspects of its operations, in addition to the other financial controls covered by our Financial Controls Toolkit. The results of this exercise are utilised by Internal Audit in planning its work for the forthcoming year; and
- Whistle blowing: the Group operates an Ethics Helpline which is administered by an independent third party and is available to all employees.

Effectiveness of internal control

The Board reviewed the effectiveness of the internal control systems in operation during the financial year in accordance with the revised Turnbull guidance. The processes as set out above have been in place for the year under review and up to the date of this Annual Report. Where appropriate, necessary action has been or is being taken to remedy any failings and weaknesses identified as significant during this review.

The responsibility for internal control procedures within our joint ventures rests with the senior management of those operations. We monitor our investments and exert our influence through board representation.

Induction and Professional Development

On appointment, the induction of new Board members is undertaken by the Company Secretary at the request of the Chairman, who retains responsibility for the induction process. The induction includes the provision of information about the Company, details of procedures, governance issues and Directors' responsibilities. The programme also includes meetings with senior management, and meetings with major shareholders may be arranged on request.

The Company intends to develop individual training and development programmes for all Directors.

Performance Evaluation

A full external performance evaluation of the Board as a whole has been undertaken by Independent Audit Limited. Independent Audit has no other connection with the Company or Group, and was appointed following a review of external providers due to their specialist experience and expertise in all aspects of board performance and governance.

The evaluation process involved a thorough review of board documentation and individual interviews with members of the Board, the Company Secretary and other attendees including external advisers and members of the senior management team.

The evaluation concluded that the Board is strong and effective with a good relationship between Executive and Non-executive Directors. The report on the findings of the review has been discussed by the Board at its meeting in May 2011 and an action plan to follow up on its recommendations will be implemented during the year.

The Non-executive Directors also appraised the Chairman's performance and carefully reviewed the relationship between the Chairman and the Executive Directors to ensure that the Board structure and relationships continue to promote the creation of shareholder value.

By order of the Board

Clare Underwood
Company Secretary

24 May 2011

Report of the Audit Committee

This report sets out the membership, purposes and activities of the Audit Committee of Cable & Wireless Communications Plc. This report should be read in conjunction with the Corporate governance report on pages 44 to 46.

Membership and terms of reference
The Audit Committee (the Committee) is comprised solely of independent Non-executive Directors. The members of the Audit Committee during the financial year were Simon Ball (Chairman), Mary Francis, Kate Nealon, Ian Tyler (appointed 1 January 2011) and Kasper Rorsted (resigned 1 January 2011).

The principal duties of the Committee are set out in the terms of reference and include:

- To review and monitor the effectiveness of internal controls, internal audit and risk management systems;
- To review and approve the internal audit programme, ensuring adequate resources and co-ordination with external auditors;
- To monitor the integrity of the financial statements and announcements relating to financial performance, and review significant judgements contained in them;
- To monitor the financial reporting process and the effectiveness of the statutory audit of the Annual Report; and
- To review and monitor independence and performance of external auditors, recommend their appointment, re-appointment and removal to the Board as appropriate and develop policy in relation to the provision of non-audit services.

The terms of reference also set out the authority of the Committee to carry out its duties.

The Committee undertook a review of its objectives and terms of reference during the period and the full terms of reference are available at www.cwc.com.

The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience and is confident that the collective experience of the members enables them to act as an effective Audit Committee.

The Chief Executive, Chief Financial Officer, Corporate Services Director, Group Financial Controller, Head of Internal Audit and representatives from KPMG, the Company's external auditor are also invited to attend all Committee meetings. In May and November when the full year and half year results are considered, the Chairman is also invited to attend.

The agenda for meetings is prepared by the Committee Chairman in conjunction with the Chief Financial Officer, Group Financial Controller and the external auditor. Each scheduled meeting commences with a private session, attended only by Committee members, the external auditor and Head of Internal Audit, to take soundings on matters to be discussed at the meeting or any other matters attendees wish to highlight. At each meeting the Committee then receives reports from the Chief Financial Officer, the external auditor and the Head of Internal Audit, together with biannual litigation reports.

During the year, the Committee also considered the specific items of business set out below, making recommendations to the Board where appropriate:

- Preliminary results and press release for the year ended 31 March 2010;
- The 2009/10 Annual Report, together with the Directors' statement on compliance with Turnbull guidance on internal controls and risk management and the reporting and disclosure of the demerger of Cable & Wireless Worldwide plc;
- Interim results and press release for the six months ended 30 September 2010;
- Review of risk management within the Group;
- Review of the External Audit Strategy for the year ended 31 March 2011 taking into account this was the first full year audit for the Group post demerger;
- Review of the Group's insurance cover;
- Effectiveness review of the internal and external auditors; and
- Review of the Group's accounting and tax policies.

Disclosure Committee
To assist the Committee with the above, responsibility for identifying and considering disclosure matters in connection with the preparation of all market releases containing material financial information has been delegated to a Disclosure Committee. This Committee comprises members of senior management from finance, legal, company secretarial and investor relations.

During the preparation of the Annual Report, the Disclosure Committee obtains certifications from contributors prior to the document's review by the Committee and approval by the Board.

Internal Audit
Internal Audit is led by the Head of Internal Audit, supported by a team of in-house auditors based in the UK and Jamaica, supplemented by a third party to provide specific skills as required. The function has a formal charter that describes its purpose, authority and responsibility. Its audit plan is approved by the Audit Committee annually.

External audit
KPMG Audit Plc (KPMG) was appointed as auditor of the Company during the financial year 2009/10 and also acted as auditor of Cable and Wireless plc since 1991. The Committee evaluates KPMG's tenure annually and is not restricted by any contractual obligations in its choice of auditors. The Board has accepted the Committee's recommendation that KPMG should be reappointed for 2011/12. This recommendation was based on a detailed review of the 2009/10 audit of the Company which demonstrated overall satisfaction with the performance of KPMG as external auditor. The review included a survey of Committee members and key personnel involved in the audit, discussions with KPMG, senior management and Internal Audit, as well as an analysis of KPMG's capabilities and independence.

The audit engagement partner responsible for the 2010/11 audit was assigned on 19 March 2010.

The Committee has established a policy to maintain the independence of the external auditor and its personnel and to govern the provision of audit and non-audit services provided by the auditor and its associates. The policy clearly identifies permitted and prohibited services and sets out the procedure to be followed for the approval of all audit and non-audit services. All engagements with an expected fee in excess of US$400,000 require the prior approval of the Chairman of the Audit Committee.

For the year ended 31 March 2011 the Audit Committee approved fees for audit services of US$3.4 million, together with fees for audit-related regulatory reporting of US$0.4 million and non-audit work of US$1.7 million. The nature of the services provided is set out in note 7 to the consolidated financial statements. There is no limitation of liability in the terms of appointment of KPMG as auditor to the Company.

Meetings
The Audit Committee held four scheduled meetings during the year ended 31 March 2011. Details of the number of meetings of the Audit Committee and individual attendance at the meetings by members are shown in the table on page 44.

Simon Ball
Chairman, Audit Committee

24 May 2011

Directors' remuneration report

Introduction

This report provides information on the remuneration of the Directors of Cable & Wireless Communications Plc for the year ended 31 March 2011, and the arrangements which will apply until 31 March 2012. It will be subject to an advisory vote at the AGM on 22 July 2011.

The current remuneration structure for Executive Directors came into effect on 26 March 2010 following the incorporation of Cable & Wireless Communications Plc and the subsequent demerger of Cable & Wireless Worldwide plc. The Remuneration Committee (the Committee) adopted the new arrangements following a review that recognised that the circumstances for managing Cable & Wireless Communications Plc were materially different from those affecting the former Cable and Wireless plc.

The Committee reviewed its remuneration policy again during 2010/11 in light of the revised UK Corporate Governance Code, and agreed that no further substantive changes were needed. The Committee will continue to keep its remuneration policy and its application under review.

The Committee remains committed to providing a remuneration framework which encourages, reinforces and rewards the delivery of outstanding shareholder value.

Committee membership and terms of reference

The Committee comprises Mary Francis (Chair), Simon Ball, Kate Nealon, Kasper Rorsted (resigned 1 January 2011), Ian Tyler (appointed 1 January 2011) and Sir Richard Lapthorne. The Board considers that all members of the Committee are independent of the Company in both character and judgement.

The Committee held three meetings during the year. A summary of each member's attendance can be found on page 44.

The Committee makes recommendations to the Board, within agreed terms of reference, on the framework of remuneration for the Chairman, Executive Directors and other senior executive management. The terms of reference of the Committee can be found on our website at www.cwc.com.

The Board is responsible for considering and approving recommendations from the Committee. In forming its recommendations the Committee receives input and advice from the Chief Executive, the Corporate Services Director and from independent consultants, Hewitt New Bridge Street (HNBS), who were appointed by the Remuneration Committee. HNBS provide advice on remuneration and share plans both for Executive Directors and the wider senior management population. In addition, HNBS provide measurement of our relative and absolute total shareholder return (TSR) performance and benchmark Non-executive Directors' and the Chairman's fee levels. HNBS are signatories to the Remuneration Consultants Group Code of Conduct and any advice provided by them is governed by that code. HNBS's terms of engagement are available on request from the Company Secretary. HNBS is a trading name of Aon Hewitt (a part of Aon Corporation Inc) which, other than acting as independent consultants to the Committee, provided no further services to the Company during the year.

The Chairman, the Executive Directors and any executives attending a meeting of the Committee abstain from any discussion on their own remuneration or contractual arrangements. In line with standard practice, the fees for Non-executive Directors are determined by the Board without consideration by the Committee. On these occasions the Non-executive Directors abstain from discussing and voting on their own remuneration arrangements.

Key activities of the Committee 2010/11

During 2010/11, the Committee:

- Reviewed remuneration policy in light of the publication of the revised UK Corporate Governance Code. It decided to make no substantive changes;
- Reviewed the remuneration packages of the Executive Directors and senior executives. No changes have been made to quantum, including no increases in base salary for the coming year;
- Assessed annual performance of the Executive Directors and senior executives against the bonus targets which were set by the Committee at the beginning of the financial year;

- Set bonus targets for the Executive Directors and senior executives for the financial year 2011/12;
- Conducted a review of any risks arising from the remuneration policy; and
- Agreed the terms of a replacement Performance Share Plan to be introduced (subject to shareholders' approval) on expiry of the previous long-term share arrangements which were introduced ten years ago. The rules of this new plan are more in line with current accepted practice but do not substantively change the approach to long-term incentives previously approved by shareholders.

Remuneration philosophy
The overall aim is to ensure that remuneration encourages, reinforces and rewards the delivery of outstanding shareholder value. This is underpinned by the following guiding principles:

- The philosophy is focused on a risk and reward structure that maintains an overall alignment with the interests of shareholders;
- Executive Directors are encouraged to maintain a significant investment in the shares of the Company;
- Incentives are set with stretching targets and provide for below-market levels of reward for below-median performance and levels of reward in the top quartile of the market for exceptional performance;
- Remuneration packages are regularly monitored by independent analysis against comparator groups of companies. Benchmarking reflects the need to retain executives of the former Cable and Wireless plc, the enterprise value of the new entity which was specifically allocated the majority of Cable and Wireless plc group debt on demerger, and the complexity and geographic spread of the Group;
- Base salaries and benefits are normally set at the mid-market level, with some flexibility to reflect executives' experience and expertise;
- An appropriate mix of short and long-term incentives is offered so that Executive Directors are incentivised to maximise performance over both the short and medium to long-term;
- All aspects of remuneration for the Directors and selected senior executives are approved by the Committee;
- The Committee reviews the levels, structure and philosophy of remuneration for the Company on an annual basis;
- The Committee considers the pay and employment conditions of other employees in the Group when determining the Executive Directors' remuneration, to ensure that the remuneration structure for Directors is consistent with that of other senior executives whilst also recognising their greater Group responsibilities. The geographic spread of the Group's activities combined with senior managers being generally appointed from within those geographies, makes it necessary for the Committee to be aware of pay and employment conditions and trends within each of those geographies; and
- The Committee considers the impact of remuneration on the risk profile of the Company and ensures that the framework for incentivising behaviours is appropriate to that risk profile. In particular, it will continue to review the remuneration of key individuals who have the largest direct impact on the business's risk profile.

Overall the Committee is satisfied that the remuneration policy promotes the long-term success of the Group and that the incentive structure and objectives do not encourage excessive risk taking. In particular, it feels that the choice of performance criteria in the short and long-term incentive arrangements will reward executives for achieving the Company's key strategic goals.

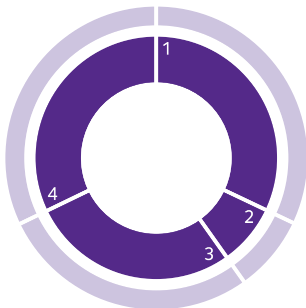
Remuneration arrangements for Executive Directors in 2011/12
The Committee has agreed that the arrangements for 2011/12 will include no substantive changes from those of last year and remain as follows:

- Base salaries will be unchanged from their 2010/11 levels;
- The annual bonus will continue to comprise a cash payment of up to 75% of base salary, with an equal payment in shares which will be deferred for 12 months and may be clawed back during that period at the discretion of the Committee. The deferred shares are counted towards each Director's shareholding requirement; and
- Performance shares of between two and three times base salary will be awarded and will be subject to stretching absolute TSR performance conditions.

The chart below illustrates the average proportion of Executive Directors' potential remuneration for 2011/12 that will be performance related.

Figures reflect payment potential for a 'target' level of performance achieved for the annual bonus plan and the 'expected value' of performance shares to be granted in 2011/12.

Split of potential total target remuneration
2011/12



1	Salary	32%
2	Pension	8%
3	Performance-related annual bonus	28%
4	Performance-related long-term incentives	32%

Directors' remuneration report

continued

The individual elements of Executive Directors' remuneration arrangements are set out in more detail in the following sections.

Base salary

Executive Directors' salaries are denominated in sterling as the Directors are based in the UK. The Executive Directors' annual base salaries with effect from 1 April 2010 are set out in the table below. US dollar equivalents have been presented for reference purposes, however, these reference amounts will fluctuate with changes in exchange rates.

	Base salary in sterling	Base salary in US dollars*
George Battersby (from 1 April 2010 to 21 July 2010)	128,864	199,288
Nick Cooper	350,000	541,275
Tim Pennington	500,000	773,250
Tony Rice	700,000	1,082,550

* Based on sterling to US dollar exchange rate of 1.5465, which was the average exchange rate used by the Group for 2010/11.

There will be no increase in the base salaries of the Executive Directors for 2011/12.

Pension and other benefits

Executive Directors either choose to receive a cash allowance of 25% of their base salary, or the Company will provide employer's pension contributions at the rate of 25% of base salary. The Director is not required to pay any pension contributions. The Company made contributions to the defined contribution scheme on behalf of two Executive Directors, Nick Cooper and Tim Pennington, totalling US$135,431 in the year.

The Executive Directors are eligible to participate in employee benefit programmes including life, disability and health insurance plans. The value of these benefits is included in the Directors' remuneration table on page 55.

Annual bonus

Bonuses for 2010/11 for the Executive Directors were paid in accordance with the arrangement set out in last year's report and were as shown in the table below.

EBITDA threshold targets were not met primarily due to the weak performance in the Caribbean. Stretching Net Cash Flow before Financing (NCFbF) targets were exceeded in the year, reflecting the focus on cash generation and repatriation to the UK. Tim Pennington's personal targets for 2010/11 related to achieving further improvements in processes and controls within the Group's main businesses, to the Group's tax rate and to other drivers for effective financial and team performance. Nick Cooper's personal targets for 2010/11 related to contract and litigation processes and controls, management development and succession planning and board development and governance. Personal objectives set for Tim Pennington and Nick Cooper at the start of the year were assessed by the Committee with input from the Chief Executive and deemed to have been met at the 60% level. The Chief Executive's bonus targets are entirely financial, with no personal element.

In accordance with the rules of the bonus scheme, half of each bonus awarded for 2010/11 has been converted into shares which are deferred for 12 months and subject to forfeiture during that period, at the discretion of the Committee.

For 2011/12 the bonus opportunity and financial/personal performance targets split (where applicable) for Executive Directors will remain unchanged. Financial performance targets will be split equally between EBITDA and NCFbF. The EBITDA element will be a composite of the four regional businesses' EBITDA targets. There will also be a minimum EBITDA underpin and Earnings per Share underpin for both the EBITDA and NCFbF elements.

The financial targets are carefully considered by the Committee in consultation with the Audit Committee, to ensure that they are appropriately stretching.

Annual bonus

	Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	Net Cash Flow before Financing (NCFbF)	Personal	Total payable for 2010/11
	% of salary awarded (Max payable)	% of salary awarded (Max payable)	% of salary awarded (Max payable)	% of salary awarded (Max payable)
Tony Rice	0% (75%)	75% (75%)	0% (0%)	75% (150%)
Tim Pennington and Nick Cooper	0% (60%)	60% (60%)	18% (30%)	78% (150%)

Long-term incentive awards
Executive Directors have received share awards under several different long-term incentive schemes, a number having been made before demerger. They are described in the following sections.

i) Performance share plan
Performance shares are the only form of long-term incentive now being granted by the Company. They are awarded under the Cable & Wireless Communications Incentive Plan 2010 (IP 2010), which was previously approved by shareholders. Grants normally range between two and three times the Director's base salary, with three year vesting, and are subject to stretching performance targets. Grants in 2010/11, as set out in last year's Committee report, were 2.8 times base salary for Tony Rice and Tim Pennington, and 2.0 times base salary for Nick Cooper. The same levels of grant will be made in 2011/12 (see the table below).

	Value of shares at grant	
	Face value US$m[2]	'Fair value'[1] US$m[2]
Nick Cooper (2.0x base salary)	1,082,550	433,020
Tim Pennington (2.8x base salary)	2,165,100	866,040
Tony Rice (2.8x base salary)	3,031,140	1,212,456

1 Assumes 'fair value' of 40% of face value which is the estimated value of these awards at grant based on conditions prevailing at the date of this report.
2 Based on sterling to US dollar exchange rate of 1.5465, which is the average exchange rate used by the Group for 2010/11.

These awards will vest according to the achievement of absolute TSR targets for the Group above a minimum threshold, as detailed in the following table.

The Committee believes absolute TSR represents the most appropriate performance condition at this stage in the Company's development because it provides strong alignment with shareholders' own returns. In particular:

- It is aligned with the policy of providing for a high dividend yield – an important component of TSR;
- It is aligned with the Group's M&A activity (where a concentration on growing asset value to the benefit of shareholders is better recognised by an absolute TSR condition than a relative condition which may include peers with differing strategies);
- Awards are made only to those top executives with strategic roles who have a clear line of sight and a good understanding of the performance condition;
- It contributes to an appropriate balance of measures across the package when operated alongside the annual bonus; and
- It provides for continuity as the Group has historically incorporated the use of absolute TSR in long-term incentives.

During the year, the Committee plans to undertake a review of the performance criteria for future performance share awards to ensure that the optimal measures and targets are in place as the Company's businesses and strategy evolve.

The performance targets for awards granted in 2010/11, which remain the same for those to be granted in 2011/12, are:

Total Shareholder Return (TSR) over performance period	% of award vesting
14% compound p.a. or higher	100%
Between 8% compound p.a. and 14% compound p.a.	Straight-line between 0% and 100%
8% compound p.a. or lower	0%

TSR is defined as share price growth adjusted for dividends and capital actions. For the purpose of these awards, TSR will be calculated using a one month average share price at the beginning and end of the performance period in order to moderate the effect of short-term share price volatility. The Committee believes that these targets are appropriately challenging.

Irrespective of potential vesting arising from the above schedule, the Committee will, during the 12 months following the end of the three year performance period, also consider whether the underlying performance of the Group warrants release of the shares and will reduce the vesting percentage if appropriate. In considering underlying performance, the Committee may take account of (though not necessarily in isolation) the following metrics: revenue, EBITDA, operational spending, cost of sales, capital expenditure and quantum and timing of cash flows.

ii) Share awards granted prior to demerger
Prior to demerger, Executive Directors received various awards under the Share Options and Performance Share Plan sections of the Cable & Wireless Incentive Plan 2001 (IP2001).

George Battersby, Nick Cooper and Tony Rice all received awards of share options between 2004 and 2006, which have now vested. At demerger unexercised options continued over a stapled unit of one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share for each former Cable and Wireless plc share over which the option vested. The exercise price for each stapled unit remains fixed at the option price set on the original date of grant and the final exercise date remains unchanged.

Before demerger, all Executive Directors received an award of performance shares in June 2009, with performance conditions, under IP 2001. Each of the Directors was granted awards equivalent to four times market salary (other than Nick Cooper who received two times market salary) vesting in June 2012.

The following summarises the vesting schedules for those performance shares currently under award:

Total Shareholder Return (TSR) over performance period	% of award vesting
20% compound p.a. or higher	100%
Between 8% compound p.a. and 20% compound p.a.	Straight-line between 25% and 100%
Equal to 8% compound p.a.	25%
Less than 8% compound p.a.	0%

At demerger, Tim Pennington also held an award of Restricted Shares under the Restricted Share Plan 2005. This was adjusted to be an award over Cable & Wireless Communications Plc shares only, having an equivalent value determined by reference to the average closing price of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc shares over the five dealing days commencing on the demerger effective date (26 March 2010). There are no performance conditions attached to this award.

In addition, Executive Directors are eligible to participate in the all-employee Cable & Wireless Communications Share Purchase Plan (the Share Purchase Plan) on the same terms as other employees.

Details of historic awards granted under these plans to Executive Directors are summarised in the tables on pages 57 to 60.

iii) Cash LTIP

The Cable & Wireless Long Term Incentive Plan (Cash LTIP) was put in place before demerger, and approved by the shareholders of Cable and Wireless plc. It created a reward pool for Executive Directors and senior management depending on the extent to which the business grew in value from its adjusted base value at 1 April 2006. The base value in the scheme was adjusted at demerger to ensure that there were no windfalls/gains. The performance period for the Cash LTIP ended on 31 March 2011 and no further grants will be made.

At 31 March 2011 Tony Rice held units worth 10% of the reward pool for the Group, Tim Pennington held units worth 5% of the reward pool for the Group and Nick Cooper held units worth 2.5% of the reward pool for the Group.

The Cash LTIP scheme had a five year performance period finishing on 31 March 2011 (extended from four years in July 2009), with part of the reward pool ordinarily payable to participants at the end of years three (31 March 2009) and four (31 March 2010), and 100% (less payments already made) payable at the end of year five (31 March 2011). Tony Rice received his award on his appointment as Chief Executive on 11 November 2008. It was structured with 85% vesting at the end of year four (of which 50% would be paid immediately and 35% deferred for a further year) with the balance vesting and payable in 2011. The awards to Tim Pennington and Nick Cooper are payable in 2011.

At the end of the period (31 March 2011), whilst the Committee had not determined the value of each unit, the payments in 2011 were anticipated to be £5 million for nine participants, with a remaining amount of £4 million to be converted into shares for 20 participants, which will vest over the next three years. The total payment pool over the five years of the plan is expected to be approximately £30 million excluding employer social security payments. A final determination of the value of individual units is expected to be made in early June 2011. Disclosures in this remuneration report have been made on the assumption that the total pool will be this amount. The methodology for calculating the reward pool and individual payments will be reviewed by independent third parties. The table on page 56 provides an estimate of the amounts receivable for each Executive Director, and summarises the performance conditions.

iv) Additional information

Performance graphs

The total shareholder return graph below shows the value by 31 March 2011 of £100 invested in Cable & Wireless Communications Plc shares from 22 March 2010 (the date shares in Cable & Wireless Communications Plc were admitted to the Official List), compared with the value of £100 invested in the FTSE 350 Index (excluding Investment Trusts) and £100 invested in the FTSE All-World Telecoms Sector Index.

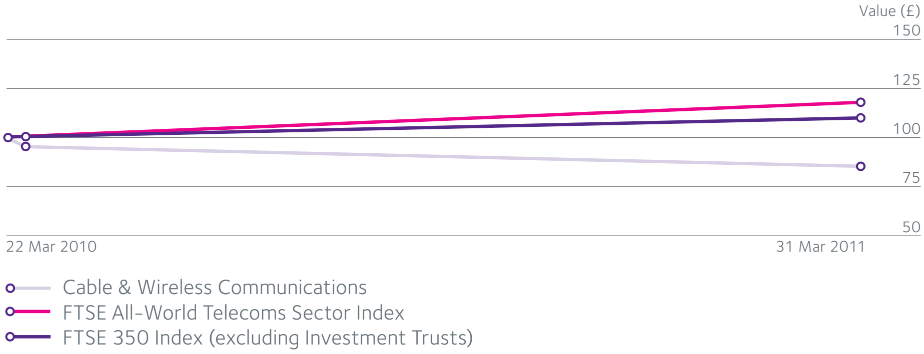
Cable & Wireless Communications business value compared to FTSE 350 and FTSE All-World Telecoms Sector Index

A similar graph over a five year period has also been presented on page 53 as the Committee believes this is more meaningful and relevant to our incentive plans. In this case the TSR for the Cable & Wireless Communications business has been calculated using the same methodology as the calculations made for the Cash LTIP (as explained on page 56).

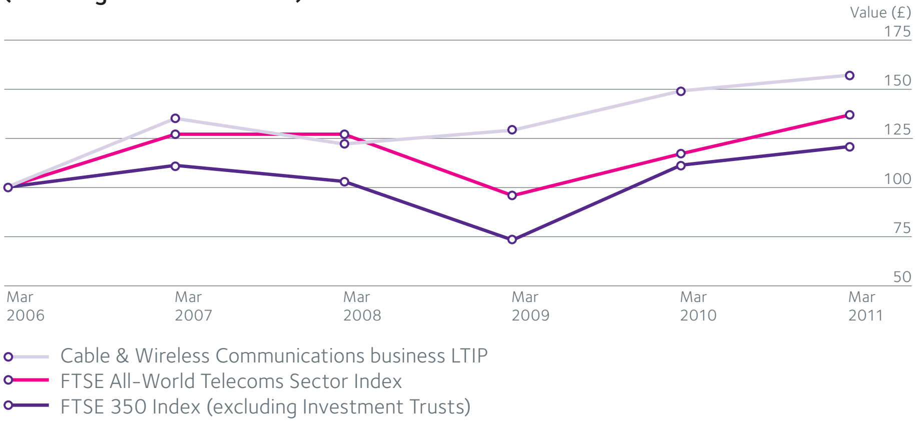
Executive Directors' shareholdings

The Company operates a policy of encouraging Executive Directors to align their interests closely with those of shareholders by requiring them to build up and maintain a holding of ordinary shares. Where the relevant holding has not already been attained, it is required to be achieved through the retention of any net awards received from share plans which vest.

Total shareholder return (TSR)
Value in £ from 22 March 2010 to 31 March 2011



Cable & Wireless Communications business value compared to FTSE 350 Index (excluding Investment Trusts) and FTSE All-World Telecoms Sector Index



The existing requirement is to build and maintain a holding of shares worth at least four times the Directors' base salary for the CEO, three times the Director's base salary for the CFO and two times the Director's base salary for other Executive Directors.

Replacement Performance Share Plan

IP2010 is due to expire in 2011 and a replacement Performance Share Plan is being put to shareholders for approval at the 2011 AGM. The Committee proposes to continue with the current policy (i.e. to grant performance shares with the same performance targets, vesting schedule and grant levels), and it has taken this opportunity to align the rules of the plan with latest practice and to provide more clarity for shareholders. We propose, for example, to remove much of the flexibility that exists in the current plan (e.g. to remove the facility to grant share options and to specify a maximum award limit within the rules).

A summary of the details of the new plan can be found in the AGM shareholder circular.

Dilution

The Committee ensures that at all times the number of new shares which may be issued under any share option or share-based plans, including all employee plans, does not exceed the dilution limit of 10% of the Company's issued share capital over any ten year rolling period. As at 31 March 2011, 8% of the issued shared capital was available for issue under our share-based plans. In calculating this figure, the Committee has taken into account historic awards of the former Cable and Wireless plc shares made to current or former employees of the Communications business and the adjustments to the awards as a result of the demerger.

Awards under the various share plans are funded by a mix of purchased and newly-issued shares, as determined by the Committee. Newly-issued shares are subject to the dilution limit outlined above. Purchased shares are held by The Cable & Wireless Communications Share Ownership Trust (formerly the Cable and Wireless Employee Share Ownership Trust) (the 1997 Trust), which is subject to a holding limit of no more than 5% of the issued ordinary share capital of the Company.

Executive Directors' service contracts

The Committee's policy is that Executive Directors' service contracts should include a maximum notice period of one year. However, a longer notice period may apply initially where this is required to secure the services of executives in exceptional circumstances, though in all cases the notice period will reduce to one year or less after two years. Executive Directors' service contracts continue until their normal retirement date.

	Date of appointment	Notice period
George Battersby (until 21 July 2010)	25 January 2010	One year
Nick Cooper	25 January 2010	One year
Tim Pennington	25 January 2010	One year
Tony Rice	25 January 2010	One year

The Executive Directors' contracts provide that, in the event of a change of control of the Company and a Director's employment being adversely changed, then he will receive a payment equal to base salary for the notice period and a time pro-rated annual bonus. The contracts do not provide for any other fixed payments.

The Executive Directors' service contracts contain no other provisions for compensation payable on early termination. In the event of early termination, the Committee will, within legal constraints, determine the approach to be taken according to the circumstances of each individual case, taking full account of the departing Executive Director's obligation to mitigate loss. Except in cases of early termination for cause, the Committee will take into account the relevant Executive Director's current salary, notice period and contractual benefits when calculating any liability of the Company. The principal contractual benefits provided in addition to salary are pension and life insurance. Annual bonuses and long-term incentives are granted at the discretion of the Committee and would therefore be dealt with in accordance with the rules of the relevant scheme. A significant proportion of each Executive Director's total remuneration is subject to performance conditions and therefore would not be payable to the extent that the relevant targets have not been met.

Chairman

The Chairman's contract is effective from 25 January 2010 with 12 months' notice on either side, and the requirement to stand for annual re-election at the AGM. There are no contractual entitlements on early termination or following a change of control. His annual fee of £386,000 (US$596,949) was fixed until at least April 2011. The Committee reviewed this fee during 2010/11 and decided that it should remain unchanged in the current year.

The Chairman was granted an award over 5.5 million Cable and Wireless plc shares in June 2007, with vesting of the award subject to demanding performance conditions. No shares vest if TSR at the specified date is at or below the mid point of the comparator group of companies in the FTSE GTSI, through to 100% vesting for performance in the top 10% of this comparator group, on a straight-line scale.

As described in last year's annual report, performance will be calculated by aggregating the TSR of the former Cable and Wireless plc for the period up to demerger with the combined TSR of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc for the period after demerger to 5 June 2011. The award continues over 5.5 million shares in Cable & Wireless Communications Plc and 5.5 million shares in Cable & Wireless Worldwide plc. A takeover, reconstruction or winding up in relation to either Cable & Wireless Communications Plc or Cable & Wireless Worldwide plc would trigger early vesting of the award.

The award is also conditional upon the Chairman retaining a personal holding of at least 3.5 million Cable & Wireless Communications Plc shares and 3.5 million Cable & Wireless Worldwide plc shares for the duration of the performance period and a positive TSR over the performance period. If 31 March 2011 had been the end of the performance period, then based on TSR performance to that date, the award would not have vested.

Non-executive Directors

The Non-executive Directors do not have service contracts with the Company, but instead have letters of appointment. Their fees are determined by the Board, within the limits set out in the Company's Articles of Association, with Non-executive Directors abstaining from any discussion or decision on their fees. Fee levels were last reviewed in March 2011 and no increases were approved for the coming year. The Non-executive Directors do not receive any incentive payments or pension provision.

Annual fees (based in sterling) payable to each Non-executive Director for 2011/12 are set out in the table below. US dollar equivalents have been presented for reference purposes. However these reference amounts will fluctuate with changes in exchange rates.

Non-executive Directors are appointed for an initial three year term with the expectation that a further three year term will follow. After two three year terms, the continued appointment of any Non-executive Director may be extended on an annual basis at the invitation of the Chairman. Termination of the appointment may be earlier at the discretion of either party on one month's written notice. None of the Non-executive Directors is entitled to any compensation if their appointment is terminated. Appointments will be subject to re-election at the AGM in accordance with the Articles of Association.

The annual fees (which are based in sterling) payable to each Non-executive Director for 2011/12 are as follows:

	Base fee in sterling	Base fee* in US dollars	Additional fees in sterling	Additional fees* in US dollars
Simon Ball	65,000	100,523	20,000[1]	30,930
Mary Francis	65,000	100,523	20,000[2]	30,930
Kate Nealon	65,000	100,523	–	–
Ian Tyler	65,000	100,523	–	–

* Based on sterling to US dollar exchange rate of 1.5465, which is the average exchange rate used by the Group for 2010/11.

1 Additional fee for role of Senior Independent Director, Chairman of the Audit Committee and Deputy Chairman.

2 Additional fee for role as Chair of the Remuneration Committee.

External directorships

The Company allows Executive Directors to hold external directorships subject to agreement by the Chairman on a case by case basis and to retain the fees received from those roles.

Details of directorships held and the annual fees received for the financial year 2010/11 are given below:

	Annual fees £	Annual fees US$*
George Battersby		
Non-executive Director and Chairman of the Remuneration Committee of Hogg Robinson Group Plc (Until 21 July 2010)	10,855	16,787
Board of Ofsted (Until 21 July 2010)	1,255	1,941
Tony Rice		
Non-executive Director of Punch Taverns Plc	55,000	85,058
Non-executive Director of Alexander Mann Solutions	15,000	23,198

* Based on sterling to US dollar exchange rate of 1.5465, which is the average exchange rate used by the Group for 2010/11.

Directors' emoluments – audited section

The table below shows the aggregate emoluments earned by the Directors of Cable & Wireless Communications Plc during the period 1 April 2010 to 31 March 2011.

For the statutory period 1 April 2010 to 31 March 2011

	Salaries total and fees US$*	Total cash bonuses[5] US$*	Benefits in kind[2] US$*	Pension cash allowance[3] US$*	Long Term Incentive Scheme[4] US$*	**Total 2010/11 statutory period 1 April 2010 to 31 March 2011[2] US$***	Total 2009/10 for non statutory period 1 April 2009 to 31 March 2010[6] US$[1]	Total 2009/10 statutory period 19 January 2010 to 31 March 2010[6] US$[1]
Chairman								
Sir Richard Lapthorne	596,949	–	116,415	–	–	**713,364**	859,751	30,622
Executive Directors								
George Battersby (from 1 April 2010 to 21 July 2010)	199,288	–	15,627	49,822	–	**264,737**	840,655	29,942
Nick Cooper	541,275	211,097	6,330	–	247,435	**1,006,137**	97,246[7]	97,246[7]
Tim Pennington	773,250	301,456	5,538	193,313	–	**1,273,557**	960,932	187,600
Tony Rice	1,082,550	405,957	61,235	270,638	–	**1,820,380**	1,253,975	44,663
Non-executive Directors								
Simon Ball	131,453	–	2,080	–	–	**133,533**	264,526	9,421
Mary Francis	131,453	–	2,255	–	–	**133,708**	78,133	2,782
Kate Nealon	100,523	–	2,080	–	–	**102,603**	138,847	4,945
Kasper Rorsted (from 1 April 2010 to 1 January 2011)	75,392	–	316	–	–	**75,708**	146,880	5,231
Ian Tyler (from 1 January 2011 to 31 March 2011)	25,130	–	–	–	–	**25,130**	–	–
Total	3,657,263	918,510	211,876	513,773	247,435	**5,548,857**	4,640,945	412,452

* Based on Sterling to US dollar exchange rate of 1.5465, which is the average exchange rate used by the Group for 2010/11.

1 Based on a Sterling to US dollar exchange rate of 1.5904, which is the average exchange rate used by the Group for 2009/10.
2 'Benefits in kind' include Company provided life assurance, professional advice, chauffeur travel and reimbursement of costs associated with accommodation and relocation (as applicable).
3 Company pension contributions in 2010/11 have been paid to the Directors as either annual cash allowances or employer's pension contributions. An amount of US$26 million (2009/10 – US$24 million) is included in the net pensions deficit figure in note 33 to cover the cost of former Directors' pension entitlements.
4 The payment of US$247,435 to Nick Cooper was due to him from a long-term incentive scheme in which he participated prior to becoming an Executive Director. No further payments are due under that or any other similar scheme.
5 For Tony Rice and Nick Cooper an equivalent amount of the cash bonus will be received in the form of shares deferred for one year and subject to claw back at the discretion of the Committee. Tim Pennington has waived US$112 from his cash bonus as an equivalent amount was paid into the pension plan by the Company on his behalf and therefore the amount of bonus received by Tim Pennington in the form of shares deferred for one year and subject to claw back at the discretion of the Committee will be US$301,568. These shares will count towards each Director's shareholding requirement.
6 As explained in last year's annual report, we were required by statute to provide details of Director's remuneration for the period 19 January to 31 March 2010 (i.e. from incorporation to the year end), but we also provided information for the full year ended 31 March 2010 to be more helpful to shareholders.
7 Nick Cooper was appointed to the Board of the Company on 25 January 2010.

Directors' shareholdings

The beneficial interests of the Directors and their connected persons in the ordinary shares of the Company as notified to the Company as at 31 March 2011 were as follows:

	Shares held at 1 April 2010 or date of appointment	Shares acquired	Shares disposed	**Shares held at 31 March 2011 or date of resignation**
Chairman				
Sir Richard Lapthorne	6,998,869	–	–	**6,998,869**
Executive Directors[1,2,3]				
George Battersby (resigned 21 July 2010)	1,290,551	791	–	**1,291,342**
Nick Cooper[4]	313,376	4,111	–	**317,487**
Tim Pennington	1,016,355	878,982	–	**1,895,337**
Tony Rice[4]	7,000,000	4,413,794	–	**11,413,794**
Non-executive Directors				
Simon Ball	298,294	17,463	–	**315,757**
Mary Francis	20,000	–	–	**20,000**
Kate Nealon	34,960	–	–	**34,960**
Kasper Rorsted (resigned 1 January 2011)	190,000	–	–	**190,000**
Ian Tyler (appointed 1 January 2011)	–	–	–	**–**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the 1997 Trust, the Executive Directors are deemed to have an interest in all of the ordinary shares held by the 1997 Trust, which at 31 March 2011 amounted to 40,054,310 shares.
2 Included in the shares acquired during the year are shares purchased under the Share Purchase Plan as well as any dividends received on the purchased shares which are converted into additional shares. Matching shares allocated under the Share Purchase Plan are included if they have vested. No unvested Matching Shares as at 31 March 2011 are included. Details are disclosed on page 57.
3 Each of the Executive Directors will receive 50% of their total gross bonus payment for 2010/11 in the form of shares deferred for one year and subject to claw back at the discretion of the Committee. Once awarded these shares will count towards each Director's shareholding requirement.
4 As at 24 May 2011, there were the following increases to the interest of Directors and their connected persons due to the vesting of Matching Shares under the Share Purchase Plan: Nick Cooper 987 shares; Tony Rice 987 shares.

Cash LTIP

The table below provides an estimate of the Cash LTIP amounts receivable and the qualifying period end date under the Cash LTIP, as described below:

For the period 1 April 2010 to 31 March 2011

	Cash LTIP interests at 1 April 2010 (units)	Cash LTIP interests awarded during the period (units)	Cash LTIP interests forfeited during the period (units)	**Cash LTIP interests at 31 March 2011 (units)**	**Estimated gross cash LTIP receivable in 2011 £**	**Estimated gross cash LTIP receivable in 2011 US$[1]**	Qualifying period end date
Nick Cooper	250	–	–	**250**	**687,500**	**1,063,219**	31/03/11
Tim Pennington	500	–	–	**500**	**1,375,000**	**2,126,438**	31/03/11
Tony Rice	1,000	–	–	**1,000**	**1,660,000**	**2,567,190**	31/03/11

1 Based on Sterling to US dollar exchange rate of 1.5465, which is the average exchange rate used by the Group for 2010/11.

The base valuation at 1 April 2006 is adjusted over the performance period to create the Cash LTIP hurdle as follows: i) to reflect additional capital notionally treated as borrowed by the business; ii) to reflect capital notionally treated as returned by the business; and iii) increased by a hurdle rate being the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the value of the Group is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the Group's value exceeds its adjusted base valuation at the end of the performance period, 10% of the growth in value over the adjusted base valuation goes into the reward pool.

Directors' share awards

Awards under the Cable & Wireless Communications Plc incentive plans are detailed in the following two tables:

Restricted shares and Share Purchase Plan awards

For the period 1 April 2010 to 31 March 2011

Name and scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communications Plc shares (pence)[2]	Market price on date of vesting (pence)	Shares under award at 1 April 2010	Shares awarded	Shares vested/ released	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2011 or date of resignation**
Chairman									
Sir Richard Lapthorne									
Restricted Shares[1]	6/6/07	5/6/11	74.0	–	5,500,000	–	–	–	**5,500,000**
					5,500,000	–	–	–	**5,500,000**
Executive Directors									
George Battersby									
Share Purchase Plan[MS]	8/5/07	8/5/10	71.9	59.15	791	–	791	–	**–**
Share Purchase Plan[MS]	7/8/07	7/8/10	64.6	61.3	1	–	1	–	**1[3]**
Share Purchase Plan[MS]	8/5/08	29/8/10	57.7	56.4	987	–	987	–	**987[3]**
					1,779	–	1,779	–	**988**
Nick Cooper									
Share Purchase Plan[MS]	8/5/07	8/5/10	71.9	59.15	791	–	791	–	**–**
Share Purchase Plan[MS]	7/3/08	7/3/11	58.2	49.75	1	–	1	–	**–**
Share Purchase Plan[MS]	8/5/08	8/5/11	57.7	–	987	–	–	–	**987**
Share Purchase Plan[MS]	12/5/10	12/5/13	60.2	–	–	2,492	–	–	**2,492**
					1,779	2,492	792	–	**3,479**
Tim Pennington									
Restricted Shares	30/9/08	30/9/11	63.5	–	236,200	–	–	–	**236,200**
Share Purchase Plan[MS]	7/10/08	7/10/11	58.4	–	975	–	–	–	**975**
Share Purchase Plan[MS]	12/5/10	12/5/13	60.2	–	–	2,491	–	–	**2,491**
Share Purchase Plan[MS]	9/6/10	9/6/13	57.34	–	–	2	–	–	**2**
					237,175	2,493	–	–	**239,668**
Tony Rice									
Share Purchase Plan[MS]	8/5/07	8/5/10	71.9	59.15	791	–	791	–	**–**
Share Purchase Plan[MS]	7/3/08	7/3/11	58.2	49.75	1	–	1	–	**–**
Share Purchase Plan[MS]	8/5/08	8/5/11	57.7	–	987	–	–	–	**987**
Share Purchase Plan[MS]	12/5/10	12/5/13	60.2	–	–	2,492	–	–	**2,492**
					1,779	2,492	792	–	**3,479**

MS Matching Shares

1 Full vesting of the restricted shares occurs only if the combined TSR performance for Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc is in the top 10% when compared with the FTSE GTSI, on a straight-line scale. No shares vest for TSR at or below the mid point of the comparator group of companies.

2 The market price on the date of awards prior to demerger has been adjusted in proportion to the market price value of Cable & Wireless Communications Plc to the combined share price of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc over the five days following demerger. This adjustment resulted in the market price on the date of award for all awards being adjusted to 38% of their original value.

3 Shares vested after date of resignation (21 July 2010) in accordance with the Share Purchase Plan rules.

Performance share awards

For the period 1 April 2010 to 31 March 2011

Name and scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communications Plc shares (pence)[1]	Market price on date of vesting (pence)	Shares under award at 1 April 2010[2]	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2011 or date of resignation**
Executive Directors									
George Battersby									
Performance Shares[4]	2/6/09	29/8/10	51.0	56.4	1,310,303	–	1,310,303	–	**1,310,303[5]**
Performance Shares[DS]	7/8/09	29/8/10	48.7	56.4	57,906	–	57,906	–	**57,906[5]**
Performance Shares[DS]	22/1/10	29/8/10	52.3	56.4	30,078	–	30,078	–	**30,078[5]**
					1,398,287	–	1,398,287	–	**1,398,287**
Nick Cooper									
Performance Shares[4]	2/6/09	2/6/12	51.0	–	461,584	–	–	–	**461,584**
Performance Shares[DS]	7/8/09	2/6/12	48.7	–	20,398	–	–	–	**20,398**
Performance Shares[DS]	22/1/10	2/6/12	52.3	–	10,595	–	–	–	**10,595**
Performance Shares[DS]	12/8/10	2/6/12	60.7	–	–	27,023	–	–	**27,023**
Performance Shares[DS]	13/1/11	2/6/12	49.95	–	–	15,794	–	–	**15,794**
Performance Shares	4/6/10	4/6/13	60.3	–	–	1,160,862	–	–	**1,160,862**
Performance Shares[DS]	12/8/10	4/6/13	60.7	–	–	67,962	–	–	**67,962**
Performance Shares[DS]	13/1/11	4/6/13	49.95	–	–	39,722	–	–	**39,722**
					492,577	1,311,363	–	–	**1,803,940**
Tim Pennington									
Performance Shares[3]	2/6/09	2/6/12	51.0	–	655,151	–	–	–	**655,151**
Performance Shares[DS]	7/8/09	2/6/12	48.7	–	28,953	–	–	–	**28,953**
Performance Shares[DS]	22/1/10	2/6/12	52.3	–	15,039	–	–	–	**15,039**
Performance Shares[DS]	12/8/10	2/6/12	60.7	–	–	38,355	–	–	**38,355**
Performance Shares[DS]	13/1/11	2/6/12	49.95	–	–	22,418	–	–	**22,418**
Performance Shares[3]	2/6/09	2/6/12	51.0	–	1,725,527	–	–	–	**1,725,527**
Performance Shares[DS]	7/8/09	2/6/12	48.7	–	76,255	–	–	–	**76,255**
Performance Shares[DS]	22/1/10	2/6/12	52.3	–	39,609	–	–	–	**39,609**
Performance Shares[DS]	12/8/10	2/6/12	60.7	–	–	101,021	–	–	**101,021**
Performance Shares[DS]	13/1/11	2/6/12	49.95	–	–	59,044	–	–	**59,044**
Performance Shares	4/6/10	4/6/13	60.3	–	–	2,321,724	–	–	**2,321,724**
Performance Shares[DS]	12/8/10	4/6/13	60.7	–	–	135,925	–	–	**135,925**
Performance Shares[DS]	13/1/11	4/6/13	49.95	–	–	79,445	–	–	**79,445**
					2,540,534	2,757,932	–	–	**5,298,466**
Tony Rice									
Performance Shares	2/6/09	2/6/12	51.0	–	5,490,320	–	–	–	**5,490,320**
Performance Shares[DS]	7/8/09	2/6/12	48.7	–	242,634	–	–	–	**242,634**
Performance Shares[DS]	22/1/10	2/6/12	52.3	–	126,029	–	–	–	**126,029**
Performance Shares[DS]	12/8/10	2/6/12	60.7	–	–	321,431	–	–	**321,431**
Performance Shares[DS]	13/1/11	2/6/12	49.95	–	–	187,868	–	–	**187,868**
Performance Shares	4/6/10	4/6/13	60.3	–	–	3,250,414	–	–	**3,250,414**
Performance Shares[DS]	12/8/10	4/6/13	60.7	–	–	190,295	–	–	**190,295**
Performance Shares[DS]	13/1/11	4/6/13	49.95	–	–	111,223	–	–	**111,223**
					5,858,983	4,061,231	–	–	**9,920,214**

DS Dividend Shares

1 The market price on the date of awards made prior to demerger has been adjusted in proportion to the market price value of Cable & Wireless Communications Plc to the combined share price of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc over the five days following demerger. This adjustment resulted in the market price on the date of award for all awards being adjusted to 38% of their original value.

2 The total number of shares comprised in each Performance Share award adjusted as a result of the demerger has been included in the table as at 1 April 2010 notwithstanding the fact that the equivalent value of these Performance Share Awards was determined by reference to the average closing price of Cable & Wireless Communications Plc ordinary shares and Cable & Wireless Worldwide plc ordinary shares over the five trading days commencing on the demerger effective date, being 26 March 2010 and concluding on 1 April 2010. The adjusted awards were granted by The Cable & Wireless Communications Share Ownership Trust (formerly the Cable & Wireless Employee Share Ownership Trust) on 13 May 2010.

3 The award of 1,310,302 Performance Shares granted to Tim Pennington on 2 June 2009 was split so that half the award is measured over TSR for Cable and Wireless plc prior to demerger and the combined Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc thereafter. The remaining half is measured over TSR for Cable & Wireless Communications Plc. Subsequent to demerger one half of the award was adjusted in line with note 2 above.

4 Performance is measured on the absolute TSR performance of Cable and Wireless plc up to demerger and the combined Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc thereafter.

5 Shares vested in full after the date of resignation (21 July 2010) in accordance with the IP2001 rules.

The aggregate gain on shares vested or released to Executive Directors whilst in office during the year was US$2,172.

Directors' share options
For the period 1 April 2010 to 31 March 2011

	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2010	Granted between 1 April 2010 and 31 March 2011	Exercised	Lapsed, cancelled or forfeited	**Shares under option at 31 March 2011 or at date of resignation**
George Battersby									
SOP Unapproved[1]	3/8/04	3/8/07	2/8/11	108.00	620,077	–	–	–	**620,077**
SOP Unapproved[2]	25/8/05	25/8/08	28/8/11	153.90	301,843	–	–	–	**301,843**
SOP Unapproved	2/6/06	2/6/09	28/8/11	101.25	4,148,148	–	–	–	**4,148,148**
					5,070,068	–	–	–	**5,070,068**
Tony Rice									
SOP Unapproved[3]	30/3/06	21/5/09	29/3/13	110.50	5,424,807	–	–	–	**5,424,807**
					5,424,807	–	–	–	**5,424,807**

1 Award granted on 3 August 2004 partially vested on 3 August 2007. At the time, Cable and Wireless plc TSR was 76% which was a ranking of 9th out of 24. This equated to 79.17% of the award vesting.
2 Award granted on 25 August 2005 partially vested on 25 August 2008. At the time, Cable and Wireless plc TSR was 30.1%, which was a ranking of 12th out of 27. This equated to 53.09% of the award vesting.
3 Tony Rice agreed to delay the date on which options were to become first exercisable from March 2009 to May 2009. This was to avoid options becoming exercisable during a prohibited period.

Notes:
Following the demerger, these shares are linked to an equal number of Cable & Wireless Worldwide plc shares and cannot be exercised separately.

These are unapproved (non-tax relieved) grants made under the Cable & Wireless Share Option Plan 2001 (SOP).

No amounts were paid by Directors for the award of the options listed in the table above. The closing mid-market price of an ordinary share in Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc on 31 March 2011 was 45.56 and 52.45 pence respectively.

The highest closing mid-market price of an ordinary share in Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc during the period from 1 April 2010 to 31 March 2011 was 63.70 and 93.00 pence respectively, and the lowest closing mid-market price was 44.37 and 52.45 respectively.

This report has been approved on behalf of the Board by:

Mary Francis CBE
Chair, Remuneration Committee

24 May 2011

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law. Further, they have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice (UK GAAP)).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of their profit and loss for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- For the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that their financial statements comply with the Companies Act 2006 and, with regard to the Group financial statements, Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are also required by the Disclosure and Transparency Rules to include a report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Company's website, www.cwc.com. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 36 and 37, confirm that, to the best of each person's knowledge and belief:

- The Group financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Company financial statements, prepared in accordance with UK GAAP give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined in Section 418(3) of the Companies Act 2006) of which the auditor is unaware, and the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

Clare Underwood
Company Secretary

24 May 2011

Independent auditor's report to the members of Cable & Wireless Communications Plc

We have audited the Group financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2011 set out on pages 63 to 128. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 61, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRS as adopted by the EU; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- The information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 41, in relation to going concern;
- The part of the Corporate governance report on pages 44 to 46 relating to the Group's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2011 and on the information in the Directors' remuneration report that is described as having been audited.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 May 2011

Consolidated income statement
for the year ended 31 March 2011

	Note	2010/11 Pre-exceptional items US$m	2010/11 Exceptional items[1] US$m	2010/11 Total US$m	2009/10 Pre-exceptional items US$m	2009/10 Exceptional items[1] US$m	2009/10 Total US$m
Continuing operations							
Revenue	5	**2,440**	**–**	**2,440**	2,346	–	2,346
Operating costs before depreciation and amortisation	7	**(1,592)**	**6**	**(1,586)**	(1,481)	(49)	(1,530)
Depreciation	20	**(271)**	**–**	**(271)**	(295)	–	(295)
Amortisation	19	**(50)**	**–**	**(50)**	(53)	–	(53)
Other operating income	8	**5**	**–**	**5**	4	–	4
Other operating expense	9	**(33)**	**–**	**(33)**	(1)	(33)	(34)
Group operating profit/(loss)		**499**	**6**	**505**	520	(82)	438
Share of profits of joint ventures	21	**31**	**–**	**31**	30	–	30
Total operating profit/(loss)		**530**	**6**	**536**	550	(82)	468
Gains on sale of businesses	11	**36**	**–**	**36**	–	–	–
Losses on termination of operations	12	**(2)**	**–**	**(2)**	(1)	–	(1)
Finance income	13	**32**	**–**	**32**	23	19	42
Finance expense	13	**(140)**	**–**	**(140)**	(119)	(7)	(126)
Profit/(loss) before income tax		**456**	**6**	**462**	453	(70)	383
Income tax (expense)/credit	14	**(119)**	**1**	**(118)**	(126)	6	(120)
Profit/(loss) for the year from continuing operations		**337**	**7**	**344**	327	(64)	263
Discontinued operations							
Profit/(loss) for the year from discontinued operations	15	**–**	**–**	**–**	302	(122)	180
Profit/(loss) for the year		**337**	**7**	**344**	629	(186)	443
Profit/(loss) attributable to:							
Owners of the Parent Company		**189**	**8**	**197**	486	(182)	304
Non-controlling interests		**148**	**(1)**	**147**	143	(4)	139
Profit/(loss) for the year		**337**	**7**	**344**	629	(186)	443
Earnings per share attributable to the owners of the Parent Company during the year (cents per share)	16						
– basic				**7.6**			11.9[2]
– diluted				**7.5**			11.8[2]
Earnings per share from continuing operations attributable to the owners of the Parent Company during the year (cents per share)	16						
– basic				**7.6**			4.9
– diluted				**7.5**			4.8
Earnings per share from discontinued operations attributable to the owners of the Parent Company during the year (cents per share)	16						
– basic				**–**			7.0
– diluted				**–**			7.0

1 Further detail on exceptional items is set out in note 7 and in the relevant note for each item.
2 Includes discontinued operations.

The notes on pages 69 to 128 are an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March 2011

			2010/11		2009/10
	Note	US$m	US$m	US$m	US$m
Profit for the year			**344**		443
Other comprehensive income for the year:					
Actuarial losses in the value of defined benefit retirement plans	33		**(36)**		(463)
Exchange differences on translation of foreign operations		**(9)**		(14)	
Less: Amounts recognised in the income statement on disposal of foreign operations		**–**		19	
			(9)		5
Exchange differences relating to hedging instrument			**–**		3
Fair value gain on available-for-sale assets			**2**		2
Other comprehensive income for the year			**(43)**		(453)
Income tax relating to components of other comprehensive income	31		**(3)**		–
Other comprehensive income for the year, net of tax			**(46)**		(453)
Total comprehensive income for the year			**298**		(10)
Total comprehensive income attributable to:					
Owners of the Parent Company			**149**		(148)
Non-controlling interests			**149**		138

The notes on pages 69 to 128 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 March 2011

	Note	31 March 2011 US$m	31 March 2010 US$m
Assets			
Non-current assets			
Intangible assets	19	**433**	414
Property, plant and equipment	20	**1,757**	1,725
Investments in joint ventures	21	**243**	231
Available-for-sale financial assets	22	**31**	29
Financial assets at fair value through profit or loss	26	**6**	–
Other receivables	23	**48**	42
Deferred tax asset	31	**4**	19
Retirement benefit assets	33	**43**	35
		2,565	2,495
Current assets			
Trade and other receivables	23	**592**	491
Inventories	24	**84**	49
Cash and cash equivalents	25	**379**	573
Financial assets at fair value through profit or loss	26	**27**	65
		1,082	1,178
Assets held-for-sale		**–**	3
		1,082	1,181
Total assets		**3,647**	3,676
Liabilities			
Current liabilities			
Trade and other payables	27	**753**	769
Loans and borrowings	28	**116**	58
Financial liabilities at fair value	29	**96**	30
Provisions	32	**62**	104
Current tax liabilities		**209**	187
		1,236	1,148
Net current (liabilities)/assets		**(154)**	33
Non-current liabilities			
Trade and other payables	27	**20**	3
Loans and borrowings	28	**1,257**	1,179
Financial liabilities at fair value	29	**120**	189
Deferred tax liabilities	31	**38**	42
Provisions	32	**32**	27
Retirement benefit obligations	33	**133**	227
		1,600	1,667
Net assets		**811**	861
Equity			
Capital and reserves attributable to the owners of the Parent Company			
Share capital	34	**133**	131
Share premium	34	**97**	62
Reserves	34	**136**	221
		366	414
Non-controlling interests		**445**	447
Total equity		**811**	861

The notes on pages 69 to 128 are an integral part of these financial statements. These financial statements on pages 63 to 68 were approved by the Board of Directors on 24 May 2011 and signed on its behalf by:

Tony Rice Chief Executive

Tim Pennington Chief Financial Officer

Cable & Wireless Communications Plc Registered number – 07130199

Consolidated statement of changes in equity
for the year ended 31 March 2011

	Share capital US$m	Share premium US$m	Foreign currency translation and hedging reserve US$m	Capital and other reserves US$m	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance at 1 April 2009	129	1,889	111	2,398	(1,877)	2,650	315	2,965
Profit for the year	–	–	–	–	304	304	139	443
Net actuarial losses recognised (net of taxation)	–	–	–	–	(462)	(462)	(1)	(463)
Exchange differences on translation of foreign operations	–	–	5	–	–	5	–	5
Exchange differences relating to hedging instrument	–	–	3	–	–	3	–	3
Fair value movements in available-for-sale assets	–	–	–	2	–	2	–	2
Total comprehensive income/(expense) for the year	–	–	8	2	(158)	(148)	138	(10)
Cash received in respect of employee share schemes	–	–	–	–	6	6	–	6
Own shares purchased	–	–	–	–	(1)	(1)	–	(1)
Share-based payment expenses	–	–	–	–	25	25	–	25
Issue of share capital	2	104	–	(106)	106	106	–	106
Equity element of the convertible bond (note 28)	–	–	–	37	–	37	–	37
Dividends	–	–	–	–	(355)	(355)	–	(355)
Exchange differences	–	–	–	–	867	867	–	867
Demerger of Cable & Wireless Worldwide business (note 2.1)	–	–	–	(37)	(2,749)	(2,786)	–	(2,786)
Court approved capital reduction scheme	–	(1,931)	–	1,931	–	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	2	(1,827)	–	1,825	(2,101)	(2,101)	–	(2,101)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(126)	(126)
Non-controlling interest reallocation	–	–	–	–	(11)	(11)	11	–
Purchase of non-controlling interest	–	–	–	30	(6)	24	109	133
Total dividends and other transactions with non-controlling interests	–	–	–	30	(17)	13	(6)	7
Balance at 31 March 2010	131	62	119	4,255	(4,153)	414	447	861
Profit for the year	–	–	–	–	197	197	147	344
Net actuarial losses recognised (net of taxation)	–	–	–	–	(39)	(39)	–	(39)
Exchange differences on translation of foreign operations	–	–	(11)	–	–	(11)	2	(9)
Fair value movements in available-for-sale assets	–	–	–	2	–	2	–	2
Total comprehensive (expense)/income for the year	**–**	**–**	**(11)**	**2**	**158**	**149**	**149**	**298**
Equity element of the convertible bond	–	–	–	(2)	–	(2)	–	(2)
Cash received in respect of employee share schemes	–	–	–	–	1	1	–	1
Own shares purchased	–	–	–	–	(34)	(34)	–	(34)
Share-based payment expenses	–	–	–	–	3	3	–	3
Issue of share capital	2	35	–	–	–	37	–	37
Dividends	–	–	–	–	(205)	(205)	–	(205)
Transfers to retained earnings	–	–	–	(742)	742	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	**2**	**35**	**–**	**(744)**	**507**	**(200)**	**–**	**(200)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	(144)	(144)
Purchase of non-controlling interest	–	–	–	3	–	3	(7)	(4)
Total dividends and other transactions with non-controlling interests	**–**	**–**	**–**	**3**	**–**	**3**	**(151)**	**(148)**
Balance at 31 March 2011	**133**	**97**	**108**	**3,516**	**(3,488)**	**366**	**445**	**811**

The notes on pages 69 to 128 are an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2011

	Note	2010/11 US$m	2009/10 US$m
Cash flows from operating activities			
Cash generated from continuing operations (page 68)		**651**	676
Cash generated from discontinued operations		**–**	382
Income taxes paid		**(88)**	(110)
Net cash from operating activities		**563**	948
Cash flows from investing activities			
Continuing operations			
Finance income		**7**	7
Other (expense)/income		**(4)**	1
Dividends received		**9**	30
Decrease in available-for-sale assets		**2**	14
Decrease in held-for-sale assets		**3**	–
Proceeds on disposal of property, plant and equipment		**3**	5
Purchase of property, plant and equipment		**(290)**	(267)
Purchase of intangible assets		**(42)**	(21)
Proceeds on disposal of businesses (net of cash disposed)		**62**	–
Acquisition of subsidiaries and non-controlling interests (net of cash received and transaction costs)		**(17)**	19
Net cash used in continuing operations		**(267)**	(212)
Discontinued operations		**–**	(394)
Net cash used in investing activities		**(267)**	(606)
Net cash flow before financing		**296**	342
Cash flows from financing activities			
Continuing operations			
Dividends paid to the owners of the Parent Company		**(168)**	(268)
Dividends paid to non-controlling interests		**(152)**	(144)
Demerger finance costs		**–**	(27)
Repayments of borrowings		**(111)**	(620)
Finance costs		**(115)**	(105)
Payment to Cable & Wireless Worldwide plc for transfer of convertible bond		**–**	(366)
Transfer to the Cable & Wireless Worldwide Group for the 2009/10 final dividend		**(117)**	–
Proceeds from borrowings		**200**	1,064
Proceeds on issue of shares on settlement of share options		**1**	24
Purchase of own shares		**(30)**	(1)
Net cash used in continuing operations		**(492)**	(443)
Discontinued operations		**–**	142
Net cash used in financing activities		**(492)**	(301)
Net (decrease)/increase in cash and cash equivalents			
From continuing operations		**(196)**	(89)
From discontinued operations		**–**	130
Less: cash held by the Cable & Wireless Worldwide business at demerger		**–**	(288)
Net decrease in cash and cash equivalents		**(196)**	(247)
Cash and cash equivalents at 1 April		**573**	790
Exchange gains on cash and cash equivalents		**2**	30
Cash and cash equivalents at 31 March	25	**379**	573

The notes on pages 69 to 128 are an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2011

The reconciliation of profit for the year to net cash generated from continuing operations was as follows:

	Note	**2010/11 US$m**	2009/10 US$m
Continuing operations			
Profit for the year		**344**	263
Adjustments for:			
Tax expense	14	**118**	120
Depreciation	20	**271**	295
Amortisation	19	**50**	53
Loss on termination of operations	12	**2**	1
Gain on sale of businesses	11	**(36)**	–
Gain on disposal of property, plant and equipment		**(3)**	(4)
Finance income	13	**(32)**	(42)
Finance expense	13	**140**	126
Other income and expenses		**26**	–
Decrease in provisions		**(40)**	(16)
Employee benefits		**32**	16
Defined benefit pension scheme funding		**(149)**	(43)
Defined benefit pension scheme other contributions		**(17)**	(11)
Share of post-tax results of joint ventures	21	**(31)**	(30)
Operating cash flows before working capital changes		**675**	728
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
Increase in inventories		**(35)**	(17)
(Increase)/decrease in trade and other receivables		**(105)**	10
Increase/(decrease) in payables		**116**	(45)
Cash generated from continuing operations		**651**	676

The notes on pages 69 to 128 are an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2011

1 General information

Cable & Wireless Communications Plc (the Company or the Parent Company) and its subsidiaries (together Cable & Wireless Communications Group or the Group) is an international telecommunications company incorporated and domiciled in the United Kingdom. It operates through four business units being the Caribbean, Panama, Macau and Monaco & Islands.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Cable & Wireless Communications Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 March 2011.

These consolidated financial statements are presented in US dollars (US$) and rounded to the nearest million. They have been prepared on the historical cost basis except for certain financial instruments held at fair value. Non-current assets and disposal groups held-for-sale are stated at the lower of their carrying amount and fair value less costs to sell.

The Directors have prepared the accounts on a going concern basis (see page 41 of the Directors' report for further detail).

The preparation of financial statements in accordance with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies have been applied consistently by Group entities.

Group reorganisation and demerger in the year ended 31 March 2010

On 19 March 2010, the Cable & Wireless Group effected a Group reorganisation whereby Cable & Wireless Communications Plc was inserted as a new holding company for the Cable & Wireless Group via a Scheme of Arrangement. Cable & Wireless Communications Plc therefore replaced Cable and Wireless plc (now Cable & Wireless Limited) as the Parent Company of the Cable & Wireless Group as at this date. On the same date, shareholders were given one ordinary share and one B share of Cable & Wireless Communications Plc for every share of Cable and Wireless plc held on that date. At this time, the Cable & Wireless Group was renamed the Cable & Wireless Communications Group. Shares in Cable & Wireless Communications Plc were admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange's main market for listed securities on 22 March 2010.

2.1 Basis of preparation continued

The Scheme of Arrangement was accounted for using the principles of reverse acquisition accounting contained within IFRS 3 *Business Combinations*. In the consolidated financial statements, the transaction to interpose the new holding company, Cable & Wireless Communications Plc, was presented as though the Cable & Wireless Group acquired Cable & Wireless Communications Plc. This resulted in the legal acquiror, Cable & Wireless Communications Plc, being treated for accounting purposes as having been acquired by its legal subsidiary, Cable & Wireless Limited. In these financial statements, this resulted in a continuation of the consolidated financial statements of the Cable & Wireless Group (renamed the Cable & Wireless Communications Group).

On 26 March 2010, the Cable & Wireless Worldwide business was demerged from the Cable & Wireless Communications Group. The demerger was effected by a three-part transaction which involved the following:

- The B shares and associated share premium in Cable & Wireless Communications Plc were cancelled to enable the Company to repay capital to shareholders;
- The entire share capital of Cable & Wireless UK Holdings Limited, the parent entity of the Worldwide Group of companies and the Cable & Wireless Worldwide Brand, were transferred to Cable & Wireless Worldwide plc, an unrelated company; and
- In return for the share capital of Cable & Wireless UK Holdings Limited and the Cable & Wireless Worldwide Brand, Cable & Wireless Worldwide plc issued one ordinary share in itself to the holder of each Cable & Wireless Communications Plc B share prior to their cancellation as part of this transaction.

These transactions resulted in the demerger of the Cable & Wireless Worldwide business from the Cable & Wireless Communications Group and the holders of shares in Cable & Wireless Communications Plc at 26 March 2010 received one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc for every share in Cable & Wireless Communications Plc held at that date. The results of the Cable & Wireless Worldwide business were shown as discontinued operations in the financial statements. See note 15 for further information on other significant aspects and transactions of the demerger.

Change of functional currency

Following the demerger of the Worldwide business, the functional currency of the Parent Company and the majority of holding and financing companies of the Group that previously had a sterling functional currency were changed to US dollars. The Directors consider the US dollar to most faithfully represent the economic effects of the underlying transactions, events and conditions for these companies within the Cable & Wireless Communications Group. The principal exchange rates used in preparing the Group financial statements are set out in note 4.

2.2 Application of recently issued International Financial Reporting Standards (IFRS)

The Group considered the implications, if any, of the following amendments to IFRS during the year ended 31 March 2011.

New and amended Standards and Interpretations endorsed by the European Union (EU) and effective for the Group at dates from 1 April 2010 adopted by the Group in 2010/11

Title	EU effective date	Description	Impact on the Group
Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*	Annual periods beginning on or after 1 January 2010.	IFRS 2 amended to clarify scope and accounting for Group cash-settled share-based payment (SBP) transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the SBP transaction.	These amendments did not have a material impact on the Group.
Revised IFRS 3 *Business Combinations (including 2010 amendments)*	Annual periods beginning on or after 1 July 2009.	The revised standard continues to apply the acquisition method to business combinations. However, all payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently re-measured at fair value through profit or loss, goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest, and all transaction costs are expensed.	These changes have been effective for business combinations since 31 March 2010 and have been applied on a prospective basis. IFRS 3 Revised contains provisions relating to contingent consideration which would have resulted in all of the movements in the fair value of the Monaco Telecom put option (note 29) being recorded through profit or loss. However, subsequent amendments contained in Improvements to IFRS 2010 have clarified that as the put option relates to a business combination effected under the 2004 version of IFRS 3 then movements in the fair value should continue to be recorded against goodwill.
Revised IAS 27 *Consolidated and Separate Financial Statements*	Annual periods beginning on or after 1 July 2009.	The revisions specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions.	These revisions did not have a material impact on the Group.
Amendments to IAS 32 *Classification of Rights Issues*	Annual periods beginning on or after 1 February 2010.	The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.	This amendment did not have a material impact on the Group.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Annual periods beginning on or after 1 July 2009.	The amendment clarifies how existing hedge accounting principles should be applied to the designation of a one-sided risk in a hedged item and to inflation in a hedged item.	This amendment did not have a material impact on the Group.
IFRIC 17 *Distribution of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009.	This interpretation applies to non-cash dividends excluding those controlled by the same party before and after the transaction. It clarifies the recognition and measurement of non-cash dividends payable and is applied to transactions on a prospective basis.	This interpretation did not have a material impact on the Group.
IFRIC 18 *Transfers of Assets from Customers*	Annual periods beginning on or after 1 November 2009.	The IFRIC clarifies how existing IFRS are applied to agreements in which an entity receives an asset from a customer which it then uses to connect the customer to a network or provide ongoing access to goods or services.	This interpretation did not have a material impact on the Group.
Improvements to IFRS 2009	Various dates, earliest is annual periods beginning on or after 1 July 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	These improvements did not have a material impact on the Group.

2.2 Application of recently issued International Financial Reporting Standards (IFRS) continued

New and amended Standards and Interpretations endorsed by the European Union (EU) but not yet effective and not adopted by the Group

Title	EU effective date	Description	Expected adoption date and impact on the Group
Revised IAS 24 *Related Party Disclosures*	Annual periods beginning on or after 1 January 2011.	The revisions provide an exemption from disclosure requirements for transactions between state-controlled entities and removes some inconsistencies.	The Group will adopt for 2011/12. These revisions are not expected to have a material impact on the Group.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	Annual periods beginning on or after 1 January 2011.	The amendments permit entities to treat an early payment of a contribution to cover minimum funding requirements as an asset.	The Group will adopt for 2011/12. These amendments are consistent with current Group policy.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after 1 July 2010.	This IFRIC provides guidance on accounting for 'debt to equity swaps' where a debtor extinguishes the liability fully or partially by issuing equity instruments to the creditor.	The Group will adopt for 2011/12. This interpretation is not expected to have a material impact on the Group.
Improvements to IFRS 2010	Various dates, earliest is annual periods beginning on or after 1 January 2011.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	The Group will adopt for 2011/12. These improvements are not expected to have a material impact on the Group.

2.3 Basis of consolidation

The consolidated financial statements comprise a consolidation of the accounts of the Company and its subsidiaries and include the Group's share of the results and net assets of its joint ventures. The accounts of the Group's main trading subsidiaries and joint ventures have been prepared to align with the Group's reporting date.

Subsidiaries

Subsidiaries are entities controlled by and forming part of the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. In assessing control, the existence and effect of potential voting rights that are currently exercisable are considered. Subsidiaries are consolidated from the date on which the Group effectively takes control until the date that control ceases. Accounting policies of subsidiaries are aligned with the policies adopted by the Group to ensure consistency.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures

Joint ventures are entities over which the Group exercises joint control. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in profit or loss. Its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in a joint venture exceeds its investment (including any other unsecured long-term receivables), the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's investment in the joint ventures.

2.4 Segmental reporting

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies offering mobile, broadband, TV and fixed line services to residential and business customers. It has four principal operations which have been identified as the Group's reportable segments, being the Caribbean, Panama, Macau and Monaco & Islands.

The Board (the chief operating decision maker of the Group) considers the performance of each of these operations in assessing the performance of the Group and making decisions about the allocation of resources. Accordingly, these are the operating segments disclosed. There are no other operating segments identified by the Board. The operating segments are reported in a manner consistent with the internal reporting provided to the Board.

The Group also has a London corporate centre that does not meet the definition of an operating segment. This function primarily acts as a portfolio manager and operational support provider for the reportable segments. This function is not considered to be an operating segment as it does not earn revenue from its activities. This non-operating central function is also disclosed in order to reconcile the reportable segment results to the Group results.

2.5 Foreign currencies

a) Functional currency

Amounts included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

c) Foreign operations

The results and financial position of all the Cable & Wireless Communications Group entities that have a functional currency different from the Cable & Wireless Communications Group's presentation currency of US dollars are translated as follows:

i) Assets and liabilities are translated at the closing rate at the reporting date;

ii) Income and expenses are translated at rates closely approximating the rate at the date of the transactions; and

iii) Resulting exchange differences are recognised in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. On disposal of a foreign entity, accumulated exchange differences are recognised in profit or loss in the same period in which the gain or loss on disposal is recognised.

Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholder's equity. Where investments are matched in whole or in part by foreign currency loans, the exchange differences arising on the retranslation of such loans are also recorded as movements in the Group's translation reserves and any excess taken to profit or loss.

There are no Group entities operating in a hyperinflationary economy.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment.

The estimated costs of dismantling and removing assets and restoring sites on which they are located are included in the cost of property, plant and equipment. The corresponding obligation is recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits will flow to the Group and the cost can be measured reliably. All other subsequent costs (primarily repairs and maintenance) are charged to profit or loss as incurred.

Finance costs relating to borrowings made to finance separately identifiable major capital projects (those that take six months or more to complete) are capitalised as part of the cost of assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. The finance costs included are only those that are incurred up to the time that those projects are ready for service.

Depreciation is not recognised on freehold land or assets under construction. Depreciation is provided to write-off the cost of property, plant and equipment, less estimated residual value, on a straight line basis over the estimated useful lives of the assets as follows:

	Lives
Cables	up to 20 years
Network equipment	3 to 25 years
Ducting	40 years
Freehold buildings	40 years
Leasehold buildings	up to 40 years or term of lease if less

Asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount through sale or use.

Engineering spares held for use by the Group over a period exceeding one year are included in assets under construction. They are stated at cost and include an appropriate allocation of labour and overheads. The cost is determined on a weighted average basis. Allowance is made for deterioration and obsolescence.

2.7 Intangible assets

a) Goodwill

Goodwill represents the future economic benefits that arise from acquired assets that are not capable of being individually identified and separately recognised.

The goodwill recorded in the Group's statement of financial position is calculated using two different methods, depending on the acquisition date, as a result of changes in accounting standards.

All business combinations that occurred since 31 March 2010 are accounted for using the acquisition method. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. All transaction costs are expensed as incurred.

All other business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations (2004)*. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Costs attributable to these combinations are included in the cost of acquisition.

Goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures is included in the carrying value of those investments.

b) Other intangible assets

Costs that are directly associated with the purchase and implementation of identifiable and unique software products by the Group are recognised as intangible assets. Expenditures that enhance and extend the benefits of computer software programmes beyond their original specifications and lives are recognised as a capital improvement and added to the original cost of the software.

Expenditure is only capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete development and to use the asset.

Intangible assets relating to licences and customer contracts obtained as part of the Group's business combinations are recorded initially at their fair values.

Other intangible assets that do not have indefinite useful lives are amortised over their respective lives which are usually based on contractual terms (including renewal periods if there is evidence to support renewal by the Group without significant cost). Other intangible assets are stated at cost less amortisation.

Other intangible assets, other than those with indefinite useful lives, are amortised on a straight-line basis over the following periods:

	Lives
Software	3 to 5 years
Licences	25 years or less if the licence term is shorter
Customer contracts	4 to 15 years
Other	3 to 5 years

2.8 Financial instruments

Financial assets

The Group classifies its financial assets into the following categories: cash and cash equivalents; trade and other receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. The classification depends on the purpose for which the assets are held. The Group does not currently classify any assets as held-to-maturity investments.

Management determines the classification of its financial assets at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, short-term deposits, money market funds and Government securities. They are highly liquid monetary investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents in the statement of financial position is considered to approximate fair value. Bank overdrafts are included within loans and borrowings and classified in current liabilities on the statement of financial position.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a third party with no intention of trading the receivable. The assets classified in this category by the Group comprise trade and other receivables and are presented in current assets in the statement of financial position, except for those with maturities greater than one year after the reporting date (where they are classified as non-current assets).

Receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either held for trading or those designated upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Included in this category are shares held by the Group in Cable & Wireless Worldwide plc which were retained on demerger together with derivative financial instruments. These financial assets are recognised initially at fair value. Subsequent changes in fair value are recognised in profit or loss. Assets classified as financial assets at fair value through profit or loss are presented as current assets in the statement of financial position if they are either held for trading or are expected to be realised within one year of the reporting date.

2.8 Financial instruments continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category upon initial recognition or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within one year of the reporting date and such assets recognised in this category by the Group include UK Government gilts and cash held as collateral. Purchases and disposals of available-for-sale financial assets are recognised at fair value. Subsequent changes in fair value, other than impairment losses and foreign currency differences, are recognised in other comprehensive income and presented in the fair value reserve (within Capital and Other reserves) in equity. When an asset is derecognised the gain or loss accumulated in equity is reclassified to profit or loss.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains and losses on derivative instruments that are not designated as hedge instruments are recognised immediately in profit or loss.

The Group only hedges net investments in foreign operations. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of cash flows of hedged items.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges by recognising any gain or loss on the hedging instrument relating to the effective portion of the hedge in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Financial liabilities

The Group classifies its financial liabilities into the following categories: trade and other payables; loans and borrowings; and financial liabilities at fair value.

Management determines the classification of its financial liabilities at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial liabilities other than those held at fair value.

Loans and borrowings

Loans and borrowings are recognised initially at fair value net of directly attributable transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans using the effective interest method. The financial liabilities recognised in this category include secured and unsecured bonds and facilities and other loans held by the Group and are presented in loans and borrowings in current liabilities in the statement of financial position unless the Group has an unconditional right to defer settlement of the liability for at least one year after the reporting date (where they are then classified as non-current liabilities).

Convertible bonds (bonds that can be converted into share capital at the option of the holder) issued by the Group are initially recognised at fair value. The bonds are separated into liability and equity components. The liability component is initially recognised at the fair value of a similar liability without an equity conversion option. The equity component represents the fair value of the bond less the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the bond is measured at amortised cost using the effective interest method. The equity component is not remeasured subsequent to initial recognition.

Financial liabilities at fair value

This category includes puttable instruments on non-controlling interests relating to the acquisition of Monaco Telecom, derivative financial instruments and the Group's obligation to transfer Cable & Wireless Worldwide plc shares. These financial liabilities are recognised initially at fair value. Subsequent changes in fair value are recognised in profit or loss except for changes in the fair value of the Monaco Telecom put option.

The fair value of the Monaco Telecom put option is based on the present value of the redemption amount as if the puttable instrument had been exercised at the reporting date. Movements in the fair value of the liability, together with dividends paid to non-controlling interests, are recognised as adjustments to goodwill in accordance with IFRS 3 *Business Combinations (2004)*, with the unwind of the discount on the fair value calculation being recognised in profit or loss in finance expenses.

2.9 Impairment of assets

Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset not carried at fair value through profit or loss or a group of those financial assets is impaired.

An impairment allowance is established for trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the effective interest rate) and is recognised in profit or loss in operating costs.

Non-financial assets

Assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. All other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The Group determines any impairment by comparing the carrying values of each of the Group's assets (or cash-generating units to which it belongs) to their recoverable amounts, which is the higher of the asset's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the asset. Future cash flows are determined with reference to the Group's own projections using pre-tax discount rates. The approach, assumptions and results of the impairment test are set out in note 18.

Impairment reviews involve management making assumptions and estimates, which are highly judgemental and susceptible to change.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the price paid less any rebates, trade discounts or subsidies. It also includes delivery charges and import duties, but does not include value added taxes or advertising and administration costs. Cost is based on the first-in, first-out (FIFO) principle. For inventories held for resale, net realisable value is determined as the estimated selling price in the ordinary course of business less costs to sell. For materials and consumables, provision is made for obsolete and slow-moving inventories as required.

2.11 Share capital

Incremental costs directly attributable to the issue of new shares, stand-alone options or the repurchase of shares are recognised in equity.

2.12 Leases

Leases of property, plant and equipment in which the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the underlying liability and finance charges in order to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and borrowings in the statement of financial position. These payments are split between capital and interest elements using the annuity method. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

All other leases are operating leases. Payments made under operating leases, net of lease incentives or premiums received, are charged to profit or loss on a straight-line basis over the period of the lease.

Leases comprising a lease of land and a lease of buildings within a single contract are split into the two component parts. The component parts are then tested to determine whether the lease is a finance or operating lease and treated accordingly.

2.13 Employee benefits

Defined contribution pensions

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a third party. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as operating costs as they are incurred through profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. These schemes are generally funded through payments to insurance companies or Trustee-administered funds, determined by periodic actuarial calculations.

The asset (or liability) recognised in the statement of financial position in respect of each defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. Assets are only recognised to the extent that the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan exceed the fair value of the plan assets less the present value of the defined benefit obligations. Defined benefit obligations for each scheme are calculated annually by independent actuaries using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid. The corporate bonds used have terms to maturity approximating the terms of the related pension liability.

The Group recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the statement of comprehensive income. Past service costs are recognised immediately through profit or loss unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In these cases, the past service costs are amortised on a straight-line basis over the vesting period.

Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities less the expected return on plan assets, are included within operating costs through profit or loss.

The IAS 19 *Employee Benefits* surplus or deficit of defined benefit funds is adjusted to reflect the future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for minimum funding contributions in accordance with IFRIC 14 *The limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. Any adjustment to the surplus is recorded directly in equity.

Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are dealt with in the same way as for defined benefit pension schemes. Independent qualified actuaries value these obligations annually. Current service costs are charged to operating costs through profit or loss.

Share-based compensation

The Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of options over shares in the Company is recognised as an operating cost through profit or loss over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits within other provisions when it is demonstrably committed to the action leading to the employee's termination. Termination benefits falling due more than a year after the reporting date are discounted to present value.

Bonus plans

The Group recognises a liability in the statement of financial position in relation to bonuses payable to employees where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-Term Incentive Plan (LTIP)

The plan rewards Executive Directors of the Group and certain senior employees in the Cable & Wireless Communications Group. The plan is accounted for as an 'other long-term employee benefit' in accordance with IAS 19. The amount recognised as a liability represents the estimated present value of the obligation at the reporting date.

The LTIP creates a reward pool over a five-year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the business has grown in value from its base valuation at the start of the period (this period was changed from four to five years in July 2009).

Base valuations are adjusted over the performance period:

i) To reflect additional capital notionally treated as borrowed by the business;

ii) To reflect capital notionally treated as returned by the business; and

iii) Increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded).

If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

Part of the reward pool was paid to participants up to the end of year three (31 March 2009), with a portion payable (less payments made at the end of year three) to participants at the end of year four (31 March 2010) and the balance in full at the end of year five (31 March 2011). Measurement of the size of the reward pool is carried out every six months to correspond with the Group's accounting reporting periods. However, apart from awards held by participants who ceased employment as 'good leavers', no awards vested until the end of year three. In the event of a potential payment to an individual in excess of £20 million (US$32 million), the deferral period would be extended until 31 March 2012 or for a period of up to one year following a vesting event, if earlier.

2.14 Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except where the difference arises from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction other than a business combination, affecting neither accounting nor taxable profit.

Deferred tax is calculated using tax rates that are expected to apply to the period when the temporary differences reverse, based on rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Provisions

Provisions are liabilities of uncertain timing or amount. They are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. The discount rate is the pre-tax rate reflecting the assessment of the settlement date. Provision charges and reversals are recognised in profit or loss. Discount unwinding is recognised as a finance expense.

Provisions are recognised for unavoidable lease payments in onerous contracts as the difference between the rentals due and any income expected to be derived from the vacant properties being sublet. Redundancy provisions, relating to both continuing and discontinued operations, comprise employee termination payments. Legal provisions comprise legal fees and, where appropriate, expected settlement costs.

2.16 Revenue recognition

Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services provided to customers. It includes sales to joint ventures but does not include sales by joint ventures or sales between Group companies. Revenue is recognised only when payment is probable.

Revenue from services is recognised as the services are provided. In respect of services invoiced in advance, amounts are deferred until provision of the service.

Amounts payable by and to other telecommunications operators are recognised as the services are provided. Charges are negotiated separately and are subject to continual review. Revenue generated through the provision of these services is accounted for gross of any amounts payable to other telecommunications operators for interconnect fees.

Revenue from mobile, broadband, TV and fixed line products comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, and the provision of other telecommunications services. This includes data services and information provision and revenue from the sale of equipment, including handsets.

Monthly access charges from mobile, broadband, TV and fixed line products are invoiced and recorded as part of a periodic billing cycle. Airtime, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid cards, is recorded in the period in which the customer uses the service. Unbilled revenue resulting from services provided to contract customers from the billing cycle date to the end of each period is accrued. Unearned monthly access charges relating to periods after each accounting period are deferred.

Contributions from a customer of property, plant and equipment (or cash to acquire such assets) are recognised in revenue immediately, except where such contributions are consideration for a future service, in which case they are recognised initially as deferred income in the statement of financial position with revenue subsequently recognised over the period in which the service is provided.

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

- Whether the Group holds itself out as an agent;
- Whether the Group has latitude for establishing the price, either directly or indirectly, for example by providing additional services;
- Provision of customer remedies;
- Whether the Group has the primary responsibility for providing the services to the customer or for fulfilling the order; and
- Assumption of credit risk.

Revenue from sales of telecommunications equipment is recognised upon delivery to the customer.

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecom equipment and ongoing service) is allocated to those components that are capable of operating independently, based on the estimated fair value of the components. The fair value of each component is determined by amounts charged when sold separately and by reference to sales of equivalent products and services by third parties.

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

Customer acquisition costs including dealer commissions and similar payments are expensed immediately.

2.17 Dividend income
Dividend income is recognised when the right to receive payment is established. Dividend income is included within finance income.

2.18 Interest income
Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

2.19 Exceptional items
Exceptional items are material items within profit or loss that derive from individual events that fall within the ordinary activities of the Group that are identified as exceptional items by virtue of their size, nature or incidence. Further detail on exceptional items is set out in note 7 and in the relevant note for each item.

2.20 Transactions with holders of non-controlling interests
Transactions to acquire or dispose of ownership interests in the Group's subsidiaries that do not result in a loss of control are accounted for as equity transactions. In these cases, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the Group's relative interest in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity attributable to the owners of the Parent Company.

2.21 Non-cash distributions to owners
Non-cash distributions to owners made prior to 1 April 2010 are accounted for at cost being the carrying amounts of assets and liabilities at the date of the distribution. Subsequent non-cash distributions are recognised at fair value in accordance with the requirements of IFRIC 17 *Distribution of non-cash assets to owners.*

3 Critical accounting estimates and judgements
In the preparation of the consolidated financial statements, a number of estimates and assumptions have been made relating to the reporting of results of operations and the financial condition of the Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Group's most critical accounting estimates, which are those that are most important to the presentation of its consolidated financial condition and results. These particular policies require subjective and complex assessments, often as a result of the need to make estimates about the effect of matters that are uncertain.

3.1 Valuation of assets for purchase accounting
Where the Group undertakes business combinations, the cost of acquisition is allocated to identifiable net assets and contingent liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. Any value assigned to the identifiable assets is determined by reference to an active market, independent appraisal or estimate by management based on cash flow projections. The latter situation includes estimates regarding expectations of the economic useful lives of the products and technology acquired.

3.2 Depreciation of property, plant and equipment
The Group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where the Group determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the Group's financial statements when the change in estimate is determined.

3.3 Impairment of property, plant and equipment and intangible assets
The Directors assess property, plant and equipment and intangible assets (excluding goodwill) for impairment whenever events or changes in circumstances indicate that the carrying value is less than its recoverable amount. Factors that are considered important and that could trigger an impairment review include the following:

- Obsolescence or physical damage;
- Significant changes in technology and regulatory environments;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the use of the assets or the strategy of the overall business;
- Significant negative industry or economic trends; and
- Significant decline in the market capitalisation relative to net book value for a sustained period.

In addition, the Directors test goodwill at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash-generating units requires significant consideration. Note 18 sets out the assumptions and estimates used during these assessments.

3.4 Receivables allowance
The impairment allowance for trade receivables reflects the Group's estimates of losses arising from the failure or inability of the Group's customers to make required payments. The allowance is based on the ageing of customer accounts, customer credit worthiness and the Group's historical write-off experience. Changes to the allowance may be required if the financial condition of the Group's customers improves or deteriorates. An improvement in financial condition may result in lower actual write-offs. Historically, changes to the estimate of losses have not been material to the Group's financial position and results.

3.5 Customer and supplier commitments
The nature of the telecommunications industry is such that estimates are often required to be made in relation to customer or supplier commitments, including where the Group interconnects with other telecommunications operators. The Group uses estimates of price or usage to determine the revenue and expense recognised in the period based on historical experience. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed. As issues arise or are resolved, accruals are created or released as appropriate. The net impact of this is included in operating profit within the relevant line item.

3.6 Tax
The calculation of the Group's total tax charge involves a degree of estimation in respect of certain items where the tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority or, if necessary, through a formal legal process. The final resolution of some of these items may give rise to material income statement and/or cash flow variances.

The resolution of issues is not always within the control of the Group and is often dependent on the efficiency of the administrative and legal processes in the relevant tax jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in profit or loss and tax payments made.

3.7 Recognition of deferred tax assets
The recognition of deferred tax assets is dependent on whether it is probable that sufficient suitable taxable profits will be available in the future, against which the reversal of the underlying temporary differences can be deducted. Recognition therefore involves estimates regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

3.8 Provisions
Provisions are determined by discounting the expected future cash outflows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. These provisions are estimates for which the amount and timing of actual cash flows are dependent on future events.

3.9 Pensions

The Group provides several defined benefit pension schemes for its employees. The asset (or liability) recognised in the statement of financial position in respect of defined benefit pension plans represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. The expected cost of providing these defined benefit pensions will depend on an assessment of such factors as:

- The life expectancy of the members;
- The length of service;
- The rate of salary progression;
- The rate of return earned on assets in the future;
- The rate used to discount future pension liabilities; and
- Future inflation rates.

The assumptions used by the Group are set out in note 33 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but have been comparable to the median estimates in this regard used by FTSE 100 companies. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in note 33.

3.10 Fair value estimation

The fair value of non-derivative financial instruments traded in active markets (such as publicly traded derivatives or trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for traded financial assets held by the Group is the current bid price. The appropriate quoted market price for traded financial liabilities is the current offer price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The fair value of non-derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models which reflect the specific instrument.

The nominal value of receivables (less estimated impairments) and payables are assumed to approximate to their fair values. The fair value of financial liabilities measured at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.

The fair value of derivative financial instruments such as forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

3.11 Revenue recognition

Judgement is required in assessing the application of revenue recognition principles and the specific guidance in respect of Group revenue. This includes the presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties. See note 2.16.

4 Exchange rates

The principal exchange rates used in the preparation of these accounts are as follows:

	2010/11	2009/10
£ : US$		
Average	**1.5465**	1.5904
Year end	**1.6012**	1.4884
€ : US$		
Average	**1.3177**	1.4131
Year end	**1.4106**	1.3343

5 Revenue

	2010/11 US$m	2009/10 US$m
Continuing operations		
Sales of telecommunication services and related operations	2,289	2,216
Sales of telecom equipment and accessories	151	130
Total revenue	2,440	2,346

6 Segment information

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies offering mobile, broadband, TV and fixed line services to residential and business customers. It has four principal operations which have been identified as the Group's reportable segments, being the Caribbean, Panama, Macau and Monaco & Islands.

The Group also has a London corporate centre (London) that does not meet the definition of an operating segment as it does not earn revenue from its activities. This function primarily acts as a portfolio manager and operational support provider for the reportable segments.

The operating segment results from continuing operations for the two years ended 31 March 2011 are presented below. The non-operating London corporate centre is also disclosed within 'Other and eliminations' in order to reconcile the reportable segment results to the Group results. The central operating costs of Cable and Wireless plc prior to demerger have also been incorporated into this category in the comparative table.

During the year, the Group considered the allocation of joint ventures to the different segments. Telecommunications Services of Trinidad and Tobago Limited and our South Pacific joint ventures (Fiji International Telecommunications Limited, Solomon Telekom Company Limited and Telecom Vanuatu Limited) are hereby allocated to 'other' as these are managed through the London corporate centre. Telecom Development Company Afghanistan Ltd remains allocated to Monaco & Islands. This revised allocation reflects management reporting to the Board.

Year ended 31 March 2011	Caribbean US$m	Panama US$m	Macau US$m	Monaco & Islands US$m	Other and eliminations[1] US$m	Total US$m
Revenue	850	623	377	605	(15)	2,440
Cost of sales	(236)	(202)	(171)	(180)	7	(782)
Gross margin	614	421	206	425	(8)	1,658
Pre-exceptional operating costs	(385)	(145)	(53)	(218)	15	(786)
EBITDA[2]	229	276	153	207	7	872
LTIP charge	–	–	–	–	(24)	(24)
Depreciation and amortisation	(125)	(78)	(33)	(78)	(7)	(321)
Net other operating income	(3)	–	–	1	(26)	(28)
Exceptional operating costs	(5)	–	–	(2)	13	6
Group operating profit/(loss)	96	198	120	128	(37)	505
Share of profit after tax of joint ventures	–	–	–	3	28	31
Total operating profit/(loss)	96	198	120	131	(9)	536
Net other non-operating income						34
Net finance expense						(108)
Profit before income tax						462
Income tax						(118)
Profit for the year from continuing operations						344

1 Other and eliminations includes London expenses and eliminations for inter-segment transactions. In the prior financial year, it also includes the Central operating costs of Cable and Wireless plc prior to demerger.
2 EBITDA is used in management reporting as it is considered by management to be a key financial metric. It is defined as earnings before interest, tax, depreciation and amortisation, LTIP credit/charge, net other operating and non-operating income/expense and exceptional items (note 44).

Year ended 31 March 2010	Caribbean US$m	Panama US$m	Macau US$m	Monaco & Islands US$m	Other and eliminations[1] US$m	Total US$m
Revenue	873	621	316	552	(16)	2,346
Cost of sales	(227)	(188)	(125)	(200)	11	(729)
Gross margin	646	433	191	352	(5)	1,617
Pre-exceptional operating costs	(376)	(150)	(49)	(178)	2	(751)
EBITDA[2]	270	283	142	174	(3)	866
LTIP charge	–	–	–	–	(1)	(1)
Depreciation and amortisation	(155)	(75)	(35)	(76)	(7)	(348)
Net other operating income	1	1	–	1	–	3
Exceptional operating costs	(31)	–	–	(4)	(47)	(82)
Group operating profit/(loss)	85	209	107	95	(58)	438
Share of profit after tax of joint ventures	–	–	–	10	20	30
Total operating profit/(loss)	85	209	107	105	(38)	468
Net other non-operating expense						(1)
Net finance expense						(96)
Non-operating exceptional items						12
Profit before income tax						383
Income tax						(120)
Profit for the year from continuing operations						263

1 Other and eliminations includes London expenses and eliminations for inter-segment transactions. It also includes the Central operating costs of Cable and Wireless plc prior to demerger.
2 EBITDA is used in management reporting as it is considered to be a key financial metric. It is defined as earnings before interest, tax, depreciation and amortisation, LTIP credit/charge, net other operating and non-operating income/expense and exceptional items (note 44).

There are no differences in the measurement of the reportable segments' results and the Group's results.

There is no significant trading between the segments. Transactions between the segments are on commercial terms similar to those offered to external customers.

There are no differences in the measurement of the reportable segments' assets and liabilities and the Group's assets and liabilities. Furthermore, there are no asymmetrical allocations to reportable segments.

Entity-wide disclosures for continuing operations

The revenue for continuing operations from external customers are analysed by product below. The allocations reflect the Group's latest product segments used in management accounts reported to the Board. Accordingly, comparative numbers have been represented to reflect this:

	2010/11 US$m	2009/10 US$m
Mobile	**1,027**	931
Broadband and TV	**262**	228
Fixed voice	**600**	647
Enterprise, data and other	**551**	540
Total	**2,440**	2,346

6 Segment information continued

Revenue for continuing operations from external customers can be classified by country as follows:

	2010/11 US$m	2009/10 US$m
United Kingdom (country of domicile)	–	–
Panama	623	621
Jamaica	239	248
Macau	377	316
Monaco	236	257
All other countries and eliminations	965	904
Total	**2,440**	2,346

Revenue has been allocated to a country based on the location in which the telecommunications services were provided.

The Cable & Wireless Communications Group does not have any customers from which revenue exceeds 10% of Group revenue.

Non-current assets in continuing operations (other than financial instruments, deferred tax assets and defined benefit pension assets) are classified by country as follows:

	At 31 March 2011 US$m	At 31 March 2010 US$m
United Kingdom (country of domicile)	15	17
Panama	483	455
Jamaica	306	264
Macau	103	111
Monaco	374	346
All other countries and eliminations[1]	1,200	1,219
Total	**2,481**	2,412

1 Other countries and eliminations includes non-operating assets and liabilities.

7 Operating costs

An analysis of the operating costs from continuing operations incurred by the Group is presented below, classified by the nature of the cost:

	2010/11			2009/10		
	Pre-exceptional US$m	**Exceptional items US$m**	**Total US$m**	Pre-exceptional US$m	Exceptional items US$m	Total US$m
Outpayments and direct costs	**782**	**–**	**782**	729	–	729
Employee and other staff expenses	**365**	**5**	**370**	344	16	360
Operating lease rentals:						
– Networks	**31**	**–**	**31**	27	–	27
– Property	**14**	**–**	**14**	27	–	27
– Plant and equipment	**–**	**–**	**–**	1	–	1
Other administrative expenses	**202**	**(11)**	**191**	171	33	204
Network costs	**116**	**–**	**116**	116	–	116
Property and utility costs	**82**	**–**	**82**	66	–	66
Operating costs before depreciation and amortisation	**1,592**	**(6)**	**1,586**	1,481	49	1,530
Depreciation of property, plant and equipment	**271**	**–**	**271**	295	–	295
Amortisation of intangible assets	**50**	**–**	**50**	53	–	53
Operating costs	**1,913**	**(6)**	**1,907**	1,829	49	1,878

Operating costs are stated net of credits or charges arising from the release or establishment of accruals.

Exceptional items

Exceptional items mainly relate to the One Caribbean programme (including redundancy, vacant property and onerous network costs) and the continuing programme to restructure the Group's operations following the demerger of the Cable & Wireless Worldwide business.

Exceptional items within operating costs are disclosed below while further information on other operating and non-operating exceptional items can be found in notes 9 and 13.

	Note	**2010/11 US$m**	2009/10 US$m
Exceptional items within operating costs			
Staff costs	(i)	**5**	16
Other (income)/costs	(ii)	**(11)**	33
Total exceptional operating (income)/costs		**(6)**	49

i) In 2010/11, exceptional staff costs were US$5 million arising from the restructuring of the Group's Caribbean operations.

In 2009/10, exceptional staff costs included US$10 million arising from the restructuring of the Group's operations, principally in the Caribbean, and US$6 million relating to the closure of the Central division of Cable and Wireless plc.

ii) In 2010/11, exceptional other costs included US$4 million professional fees as a result of the demerger, and US$2 million relating to the restructuring of our African operations within Monaco & Islands. In addition, US$17 million of exceptional income arose after successfully defending claims brought by a Caribbean competitor.

In 2009/10, exceptional other costs included US$24 million relating to the One Caribbean transformation programme and US$9 million relating to costs of defending claims brought by a Caribbean competitor. The One Caribbean costs primarily consisted of US$20 million related to consulting and contractor fees and US$4 million related to rebranding and other costs incurred on the reorganisation programme.

7 Operating costs continued

Auditor's remuneration

	2010/11 US$m	2009/10 US$m
Audit services:		
Statutory audit services – in respect of the Group's accounts	**2.2**	2.0
Audit of the Group's annual accounts	**2.2**	2.0
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	**1.2**	1.2
Audit related regulatory reporting	**0.4**	0.5
	3.8	3.7
Tax services	**0.3**	0.6
Services related to corporate finance activities	**0.7**	3.2
Other services	**0.7**	0.8
	5.5	8.3

Auditor's remuneration for audit and other services in respect of discontinued operations in 2009/10 was US$8 million. This amount is not included in the table above.

Fees paid to KPMG for audit and other services to the Company are included in the table above and are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis.

8 Other operating income

In 2010/11 and 2009/10, other operating income primarily related to gains on disposal of property, plant and equipment.

9 Other operating expense

In 2010/11, other operating expenses of US$33 million related to US$17 million of foreign exchange translation movements on our UK defined benefit pension schemes, US$5 million of costs incurred following Hurricane Tomas in the Caribbean and US$11 million of transaction costs incurred relating to acquisition and other corporate finance activity.

In 2009/10, other operating expenses of US$1 million related to losses on disposal of property, plant and equipment.

In 2009/10, exceptional other operating costs of US$33 million related to the Scheme of Arrangement and demerger. These costs primarily related to professional advisors fees.

10 Employee and other staff expenses

The pre-exceptional employee and other staff expenses for continuing operations are set out below:

	2010/11 US$m	2009/10 US$m
Wages and salaries	**327**	317
Social security costs	**7**	12
Share-based payments	**9**	19
Long-Term Incentive Plan	**24**	1
Pension costs:		
– defined benefit plans	**8**	–
– defined contribution plans	**7**	8
Temporary labour and recruitment	**18**	17
	400	374
Less: Staff costs capitalised	**(35)**	(30)
Staff costs	**365**	344
Exceptional employee and other staff expenses (note 7)	**5**	16
Total staff costs	**370**	360

The average number of persons, including Executive Directors, employed by the Group in continuing operations during the year was:

	2010/11	2009/10
London	**153**	199
Caribbean	**2,855**	2,831
Panama	**1,737**	1,765
Macau	**844**	862
Monaco & Islands	**1,624**	1,400
Total	**7,213**	7,057

There were 6,575 employees in discontinued operations during 2009/10.

Key management's remuneration

Key management are Directors and senior employees that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of the Cable & Wireless Communications Group.

Included in employee costs is key management remuneration relating to continuing operations as follows:

	2010/11 US$m	2009/10 US$m
Salaries and other short-term employment benefits	**5**	6
Post-employment benefits	**1**	–
Share-based payments	**2**	4
Long-Term Incentive Plan	**6**	–
Total	**14**	10

Included in the table above are aggregate Directors' emoluments of US$11 million (2009/10 – US$8 million). Please refer to the Directors' remuneration report on pages 48 to 60 for further information. Excluded from the table above are key management expenses of US$15 million relating to key management of Cable & Wireless Worldwide plc included within discontinued operations in 2009/10.

11 Gains on sale of businesses

During the year ended 31 March 2011 the Group disposed of Cable & Wireless (Bermuda) Holdings and its subsidiaries, which were classified within the Monaco & Islands reportable segment. The disposal took place on 10 March 2011 to The Bragg Group for total consideration of US$70 million (excluding transaction costs) resulting in a gain on disposal of US$36 million. Cable & Wireless (Bermuda) Holdings does not constitute a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* due to its size.

During the year ended 31 March 2010 there were no gains on the sale of businesses.

12 Gains and losses on termination of operations

The pre-exceptional loss of US$2 million (2009/10 – loss of US$1 million) was the result of the run off activities of the Group's former insurance operation, Pender Insurance Limited.

13 Finance income and expense

	2010/11			2009/10
	Total US$m	Pre-exceptional US$m	Exceptional items US$m	Total US$m
Finance income				
Interest on cash and deposits	**6**	10	–	10
Investment income	**1**	2	–	2
Foreign exchange gains on deposits	**3**	11	–	11
Gains on derivative foreign exchange contracts	**22**	–	19	19
Total finance income	**32**	23	19	42
Finance expense				
Interest on bank loans	**42**	36	–	36
Interest on bonds	**86**	60	–	60
Unwinding of discounts on provisions	**2**	5	–	5
Unwinding of discount on Monaco put option liability	**13**	21	–	21
Unwinding of discount on Monaco 6% put option liability	**1**	1	–	1
Capitalised finance transaction costs written off	**–**	–	7	7
	144	123	7	130
Less: Interest capitalised	**(4)**	(4)	–	(4)
Total finance expense	**140**	119	7	126

Tax relief of US$1 million is available on interest capitalised in the year ended 31 March 2011 (2009/10 – US$1 million). Interest has been capitalised within property, plant and equipment at a rate of 6% (2009/10 – 6%) on qualifying capital expenditure.

In 2009/10, movements in the fair value of remaining open foreign exchange contracts relating to repatriation from the prior year, resulted in an exceptional finance gain of US$19 million.

14 Income tax expense

	2010/11 US$m	2009/10 US$m
Current tax charge – continuing operations		
UK tax at 28%	6	16
Double tax relief	(6)	(16)
	–	–
Overseas tax	117	113
Adjustments relating to prior years	(8)	23
Total current tax charge – continuing operations	109	136
Deferred tax charge/(credit) – continuing operations		
Origination and reversal of temporary differences	30	(18)
Adjustments relating to prior years	(21)	2
Total deferred tax charge/(credit) – continuing operations	9	(16)
Total tax charge – continuing operations	118	120
Income tax credit relating to discontinued operations (note 15)	–	(97)
Total income tax charge	118	23

In 2010/11, the charge of US$118 million (2009/10 – US$120 million) is net of a US$1 million credit in respect of exceptional operating costs (2009/10 – US$6 million credit).

The Group's effective tax rate differs from the UK statutory tax rate as follows:

	2010/11 %	2009/10 %
UK statutory tax rate	28.0	28.0
Effect of overseas tax rates	(9.2)	(7.1)
Effect of accounting for joint ventures	(1.3)	(2.6)
Effect of withholding tax and intra-Group dividends	5.9	4.2
Net effect of income not taxable	(6.5)	(1.1)
Effect of changes in unrecognised deferred tax assets	14.9	3.4
Adjustments relating to prior years	(6.3)	6.5
Effective tax rate on continuing operations	25.5	31.3
Effect of discontinued operations (note 15)	–	(26.4)
Effective tax rate on profit	25.5	4.9

For the analysis of the Group's deferred tax assets and liabilities at the reporting date, including factors affecting the future tax rates see note 31.

15 Discontinued operations
There were no businesses classified as discontinued operations during 2010/11.

During 2009/10 the Cable & Wireless Worldwide Group was classified as a discontinued operation by virtue of the demerger, which was effected on 26 March 2010.

The results for discontinued operations were as follows:

	2009/10 US$m
Cable & Wireless Worldwide Group profit for the year (note 15 (i)(a))	195
Foreign currency translation reserve balance recycled through profit or loss on demerger	(19)
Profit of businesses disposed of in prior periods (note 15 (ii))	4
Total profit from discontinued operations	180

i) Year ended 31 March 2010
At a General Meeting on 25 February 2010, the shareholders of Cable and Wireless plc approved the demerger of the Cable & Wireless Worldwide business. On 26 March 2010 (the demerger date), the Cable & Wireless Worldwide business was transferred to an unrelated company, Cable & Wireless Worldwide plc, in return for the entire share capital of that company. The significant aspects of the demerger transaction were:

- Long-term intercompany debt owed to the Cable & Wireless Communications Group (formerly the Cable & Wireless Group) of US$1,386 million was capitalised prior to demerger without repayment being required;
- The convertible bond issued by Cable and Wireless plc (and subsequently transferred to Cable & Wireless Communications Plc) was transferred to Cable & Wireless Worldwide plc, along with the related cash of US$366 million (note 28);
- The Cable & Wireless Communications Group agreed to transfer cash of US$117 million to settle the Cable & Wireless Worldwide portion of the 2009/10 final dividend of the former Cable & Wireless Group on 1 April 2010; and
- Scheme assets and pension obligations of the Cable & Wireless Superannuation Fund with a net IAS 19 *Employee Benefits* value of US$211 million were transferred to the Cable & Wireless Worldwide Group (note 33).

a) The results of the Cable & Wireless Worldwide business before demerger were as follows:

	For the period from 1 April 2009 to 26 March 2010		
	Pre-exceptional items US$m	Exceptional items US$m	Total US$m
Revenue	3,543	–	3,543
Operating costs before depreciation and amortisation	(2,892)	(99)	(2,991)
Depreciation	(349)	–	(349)
Amortisation	(71)	–	(71)
Other operating expense	(1)	–	(1)
Total operating profit/(loss)	230	(99)	131
Losses on sale of non-current assets	(2)	–	(2)
Finance income	3	–	3
Finance expense	(30)	(4)	(34)
Profit/(loss) before income tax	201	(103)	98
Income tax credit	97	–	97
Profit/(loss) for the year from discontinued operations	298	(103)	195

b) The financial position of the Cable & Wireless Worldwide business at 26 March 2010 (the date of demerger) was as follows:

	26 March 2010 US$m
Non-current assets	
Intangible assets	1,387
Property, plant and equipment	1,455
Available-for-sale financial assets	2
Other receivables	34
Deferred tax asset	173
	3,051
Current assets	
Trade and other receivables	1,140
Inventories	25
Cash and cash equivalents	288
	1,453
Current liabilities	
Trade and other payables	1,582
Loans and borrowings	37
Provisions	58
Current tax liabilities	20
	1,697
Non-current liabilities	
Trade and other payables	1
Loans and borrowings	319
Provisions	229
Financial liabilities at fair value	2
Retirement benefit obligations	35
	586
Net assets	2,221

ii) Businesses classified as discontinued operations in prior periods

In 2009/10, the net profit of US$4 million related to cash received in respect of the Group's former US operations.

16 Earnings per share

Basic earnings per ordinary share is based on the profit for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

	2010/11 US$m	2009/10 US$m
Profit for the financial year attributable to equity shareholders of the Parent Company	197	304
Weighted average number of ordinary shares in issue (millions)	2,607	2,544
Dilutive effect of share options (millions)	22	24
Total weighted average number of ordinary shares in issue used to calculate diluted earnings per share (millions)	2,629	2,568
Basic earnings per share (cents per share)	7.6	11.9
Diluted earnings per share (cents per share)	7.5	11.8
Continuing operations		
Profit from continuing operations for the financial year attributable to shareholders	197	124
Basic earnings per share from continuing operations (cents per share)	7.6	4.9
Diluted earnings per share from continuing operations (cents per share)	7.5	4.8
Discontinued operations		
Profit from discontinued operations for the financial year attributable to shareholders	–	180
Basic earnings per share from discontinued operations (cents per share)	–	7.0
Diluted earnings per share from discontinued operations (cents per share)	–	7.0

As a result of the reorganisation of the Group's legal structure, Cable & Wireless Communications Plc became the new Parent Company of the Cable & Wireless Communications Group during the previous financial year. Therefore, the weighted average number of ordinary shares outstanding in 2009/10 was calculated using the number of ordinary shares issued by Cable & Wireless Communications Plc at the date of the reorganisation (19 March 2010) and adjusted for:

- Movements in the number of ordinary shares of Cable and Wireless plc from the beginning of each period prior to the reorganisation date; and
- Movements in the number of ordinary shares outstanding from the reorganisation date to 31 March 2010 using the actual number of ordinary shares of Cable & Wireless Communications Plc outstanding during that period.

17 Dividends declared and paid

	2010/11 US$m	2009/10 US$m
Final dividend in respect of the prior year	135	227
Interim dividend in respect of the current year	70	128
Total dividend paid	205	355

During the year ended 31 March 2011 the Group declared and paid a final dividend of 3.34 pence per share (US4.97 cents per share) in respect of the year ended 31 March 2010 (2009/10 – 5.67 pence per share (US9.02 cents per share) in respect of the year ended 31 March 2009). Beginning with the interim dividend in respect of 2010/11, the Group declares dividends in cents per share. The Group declared and paid an interim dividend of US2.67 cents per share in respect of the year ended 31 March 2011 (2009/10 – 3.16 pence per share (US5.03 cents per share) in respect of the year ended 31 March 2010).

In respect of the year ended 31 March 2011, the Directors have proposed a final dividend of US5.33 cents per share (2009/10 – final dividend totalling £86 million (US$135 million)), for approval by shareholders at the AGM to be held on 22 July 2011. These financial statements do not reflect the proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 March 2012.

The number of shareholders electing to take all or part of their dividends in shares varies from dividend to dividend. 13,443 shareholders (2009/10 – 12,015 shareholders) owning 701 million shares (2009/10 – 496 million shares) elected to take the 2009/10 final dividend (2009/10-2008/09 final dividend) wholly or partly in shares. Consequently, 41,039,703 total shares were issued with a value of US$37 million (2009/10 – a value of US$87 million). The Cable & Wireless Communications Share Ownership Trust (formerly the Cable & Wireless Employee Share Ownership Plan Trust) waived its right to dividends on the shares held in the Trust.

The Company will offer a dividend reinvestment plan for the final dividend and future dividends. The scrip dividend scheme will no longer be offered.

18 Impairment review

The Group reviews goodwill and indefinite life intangible assets for impairment annually. The Group assesses the carrying amount of property, plant and equipment and intangible assets (except goodwill) for indications of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable by sale or through use. Factors that are considered important, which could trigger an impairment review, are set out in note 3.3.

Goodwill

A review of the carrying value of goodwill has been performed as at 31 March 2011 and 31 March 2010. In performing this review, the recoverable amount of goodwill has been determined by reference to the higher of the fair value less costs to sell and the value in use of the continuing operations of the related businesses. The key assumptions used by the Group in the calculation of value in use for its goodwill balances are the discount rate (discussed separately below), revenue growth, operating cost margin and the level of capital expenditure required to maintain the network at its current level. The Group's significant goodwill balances are discussed below.

During the prior year the Group's goodwill allocated to certain cash-generating units (CGUs) were disposed of as part of the demerger of the Cable & Wireless Worldwide group.

Monaco Telecom

Goodwill of US$172 million was allocated to the Monaco Telecom group of CGUs at 31 March 2011 (31 March 2010 – US$153 million). Three relevant CGUs were identified for the purpose of assessing the carrying value of Monaco Telecom (domestic including the cable television business, international business and other services). Goodwill was allocated to this group of CGUs based on the fair value at the time of acquisition. The value in use was determined for each CGU by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of between 0% and 2% (2009/10 – 0% and 4%)) at pre-tax discount rates of between 9% and 22% (2009/10 – 7% and 15%) dependent on the risk-adjusted cost of capital of the different parts of the business. The value in use was higher than the fair value less costs to sell and no impairment was required in either period.

Monaco Telecom operates under an exclusive operating agreement in Monaco and management's forecasts were based on historical experience for the business.

The group of CGUs' value in use would not support the carrying value of the goodwill if revenue decreased or maintenance capital expenditure increased by more than US$17 million per year or the discount rate increased by more than 8 percentage points.

Dhiraagu (Dhivehi Raajjeyge Gulhun Private Ltd)

Goodwill of US$25 million was allocated to Dhiraagu at 31 March 2011 (31 March 2010 – US$25 million). One relevant CGU has been identified for the purpose of assessing the carrying value of the Dhiraagu business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of 2.5% (2009/10 – 0.0%)) at a pre-tax discount rate of 14.3% (2009/10 – 12.5%). The value in use was higher than the fair value less costs to sell and no impairment was required.

Afinis (formerly Connecteo)

Goodwill of US$9 million was recognised in relation to Afinis at 31 March 2011 (31 March 2010 – US$8 million). The goodwill initially recognised arose in 2007/08. In 2009/10, this goodwill was impaired by US$11 million. This was due to a decrease in its value in use, triggered by a change in the strategic direction of the operation.

Afinis has only one CGU that has been identified for the purpose of assessing the carrying value of the business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at a long-term growth rate of 1.5% (2009/10 – 5.0%)) at a pre-tax discount rate of 20% (2009/10 – 14%).

Property, plant and equipment and other intangibles

Dhiraagu (Dhivehi Raajjeyge Gulhun Private Ltd)

Trade mark assets of US$18 million, with an indefinite useful life, were allocated to Dhiraagu at 31 March 2011 (31 March 2010 – US$18 million). One relevant CGU has been identified for the purpose of assessing the carrying value of the Dhiraagu business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of 2.5% (2009/10 – 0.0%)) at a pre-tax discount rate of 14.3% (2009/10 – 12.5%). No impairment was required.

18 Impairment review continued

Cable & Wireless Jamaica Ltd

A review of the carrying value of the property, plant and equipment of Cable & Wireless Jamaica Ltd, a subsidiary of the Group, was conducted at year end in light of the trading performance during the year. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of 2% (2009/10 – 2%)) and at a pre-tax discount rate of 11.1% (2009/10 – 12.9%). The calculation is sensitive to changes in the discount rate, terminal growth rate and underlying trading. No impairment was required.

Other

There were no other events or changes in circumstances during the year to indicate that the carrying value of property, plant and equipment and other intangible assets had been impaired.

19 Intangible assets

	Goodwill US$m	Software US$m	Licences and operating agreements US$m	Customer contracts and relationships US$m	Other US$m	**Total US$m**
Cost						
At 1 April 2009	1,327	1,118	184	211	80	**2,920**
Business combinations	35	–	–	51	18	**104**
Additions	–	54	–	–	6	**60**
Disposals	–	–	–	–	(45)	**(45)**
Transfer between categories	–	–	(30)	–	30	**–**
Demerger of Cable & Wireless Worldwide business	(1,192)	(1,049)	(10)	(216)	–	**(2,467)**
Exchange differences	26	28	1	5	2	**62**
At 31 March 2010	196	151	145	51	91	**634**
Business combinations	11	–	–	–	–	**11**
Additions	–	36	–	–	6	**42**
Transfer between categories	–	(1)	29	–	(28)	**–**
Disposals	–	(3)	(1)	–	–	**(4)**
Exchange differences	11	4	8	–	3	**26**
At 31 March 2011	**218**	**187**	**181**	**51**	**72**	**709**
Amortisation and impairment						
At 1 April 2009	–	1,018	42	67	66	**1,193**
Charge for the year[1]	11	59	14	33	7	**124**
Disposals	–	–	–	–	(33)	**(33)**
Demerger of Cable & Wireless Worldwide business	–	(981)	(4)	(95)	–	**(1,080)**
Exchange differences	(1)	18	(4)	–	3	**16**
At 31 March 2010	10	114	48	5	43	**220**
Charge for the year	–	23	11	7	9	**50**
Disposals	–	(3)	–	–	–	**(3)**
Transfer between categories	–	–	6	–	(6)	**–**
Exchange differences	2	3	3	(2)	3	**9**
At 31 March 2011	**12**	**137**	**68**	**10**	**49**	**276**
Net book value						
At 31 March 2011	**206**	**50**	**113**	**41**	**23**	**433**
At 31 March 2010	186	37	97	46	48	**414**

1 The charge for the year includes US$71 million relating to discontinued operations.

Goodwill balances are allocated to the following cash-generating units:

	Energis[1] US$m	THUS[1] US$m	Apollo[1] US$m	Monaco Telecom[2] US$m	Afinis[2] (formerly Connecteo) US$m	Dhivehi Raajjeyge Gulhun Private Ltd (Dhiraagu)[2] US$m	**Total US$m**
At 1 April 2009	625	495	18	170	19	–	**1,327**
Business combinations (note 38)	–	27	–	(17)	–	25	**35**
Impairment	–	–	–	–	(11)	–	**(11)**
Demerger of Cable & Wireless Worldwide business (note 15)	(642)	(532)	(18)	–	–	–	**(1,192)**
Exchange differences	17	10	–	–	–	–	**27**
At 31 March 2010	–	–	–	153	8	25	**186**
Business combinations (note 38)	–	–	–	11	–	–	**11**
Exchange differences	–	–	–	8	1	–	**9**
At 31 March 2011	**–**	**–**	**–**	**172**	**9**	**25**	**206**

1 Reporting segment: Discontinued.
2 Reporting segment: Monaco & Islands.

20 Property, plant and equipment

	2010/11				2009/10			
	Land and buildings US$m	**Plant and equipment US$m**	**Assets under construction US$m**	**Total US$m**	Land and buildings US$m	Plant and equipment US$m	Assets under construction US$m	Total US$m
Cost								
At 1 April	**406**	**4,022**	**238**	**4,666**	841	11,349	268	12,458
Business combinations	**–**	**–**	**–**	**–**	8	105	38	151
Additions	**–**	**33**	**281**	**314**	2	28	663	693
Movements in asset retirement obligations	**(2)**	**2**	**–**	**–**	(6)	1	–	(5)
Disposals	**(27)**	**(165)**	**–**	**(192)**	(14)	(220)	–	(234)
Transfers between categories	**32**	**235**	**(267)**	**–**	46	583	(629)	–
Demerger of Cable & Wireless Worldwide business (note 15)	**–**	**–**	**–**	**–**	(479)	(8,002)	(103)	(8,584)
Exchange differences	**7**	**35**	**2**	**44**	8	178	1	187
At 31 March	**416**	**4,162**	**254**	**4,832**	406	4,022	238	4,666
Depreciation								
At 1 April	**177**	**2,764**	**–**	**2,941**	545	8,937	–	9,482
Charge for the year[1]	**15**	**256**	**–**	**271**	29	615	–	644
Disposals	**(18)**	**(146)**	**–**	**(164)**	(8)	(199)	–	(207)
Transfers between categories	**4**	**(4)**	**–**	**–**	2	(2)	–	–
Demerger of Cable & Wireless Worldwide business (note 15)	**–**	**–**	**–**	**–**	(399)	(6,730)	–	(7,129)
Exchange differences	**2**	**25**	**–**	**27**	8	143	–	151
At 31 March	**180**	**2,895**	**–**	**3,075**	177	2,764	–	2,941
Net book value at 31 March	**236**	**1,267**	**254**	**1,757**	229	1,258	238	1,725

1 The charge for the year ended 31 March 2010 includes US$349 million relating to discontinued operations.

20 Property, plant and equipment continued

The Group held no assets under finance leases at 31 March 2011 or 31 March 2010.

Additions during the year include interest and own work capitalised during the construction of certain assets of US$4 million (2009/10 – US$4 million) and US$35 million (2009/10 – US$130 million) respectively. Of the US$130 million of own work capitalised during the year ended 31 March 2010, US$100 million related to discontinued operations.

21 Investments in joint ventures

	2010/11 US$m	2009/10 US$m
Gross carrying amount		
At 1 April		
– Cost	78	89
– Share of post-acquisition reserves	212	301
	290	390
Share of profit after tax	31	30
Dividends paid to Group companies	(9)	(52)
Transfer to subsidiary undertaking	–	(79)
Demerger of Cable & Wireless Worldwide business	–	(4)
Loan from Group companies	1	3
Other movements	(11)	(2)
Exchange differences	–	4
At 31 March	302	290
Impairment allowance		
At 1 April	(59)	(63)
Demerger of Cable & Wireless Worldwide business	–	4
At 31 March	(59)	(59)
Net carrying amount at 31 March	243	231

The Group's total interest in its joint ventures is presented below:

	31 March 2011 US$m	31 March 2010 US$m
Non-current assets	343	338
Current assets	125	182
Current liabilities	(120)	(164)
Non-current liabilities	(105)	(125)
Share of net assets	243	231

	2010/11 US$m	2009/10 US$m
Revenue	381	384
Operating costs	(351)	(342)
Operating profit	30	42
Net financing costs	–	(4)
Share of profit before tax	30	38
Income tax credit/(expense)	1	(8)
Dividends paid to Group companies	(9)	(52)
Share of retained profit/(loss)	**22**	(22)

Investments in joint ventures are accounted for using the equity method. The carrying amount of the investments comprise the cost of the investment together with the Group's share of post-acquisition profit or loss less any impairment allowances.

There are no significant restrictions on joint ventures' ability to transfer funds to the Group. The joint ventures have no significant contingent liabilities to which the Group is exposed, nor has the Group any significant contingent liabilities in relation to its interests in joint ventures. The Group's joint ventures have not discontinued any operations during the year ended 31 March 2011 (2009/10 – none).

On 21 October 2009, the Group purchased a further 7% of the share capital of Dhiraagu from the Maldives Government for cash consideration of US$40 million. This transaction resulted in the Cable & Wireless Communications Group reclassifying its joint venture investment in this entity to a subsidiary investment. For more details of this acquisition see note 38.

22 Available-for-sale financial assets

	2010/11 US$m	2009/10 US$m
At 1 April	29	55
Fair value gain recorded in equity	2	2
Transferred on demerger of Cable & Wireless Worldwide business (note 15)	–	(2)
Released to cash and cash equivalents	(2)	(30)
Exchange differences	2	4
At 31 March	**31**	29

At 31 March 2011 available-for-sale financial assets consist of UK Government gilts (31 March 2010 – UK Government gilts and cash held as collateral). These assets were measured at fair value based on observable market data. The maximum exposure to credit risk for available-for-sale financial assets is equal to their carrying value.

During the year ended 31 March 2010 cash held as collateral of US$30 million was released by the beneficiaries as the collateral was no longer required. This amount was included in cash and cash equivalents.

23 Trade and other receivables

	31 March 2011 US$m	31 March 2010 US$m
Gross trade receivables	312	298
Impairment allowance	(67)	(62)
Net trade receivables	**245**	236
Other receivables	81	53
Prepayments and accrued income	263	189
Taxation and social security receivables	2	9
Amounts receivable from joint ventures	1	4
Other receivables – current	**592**	491
Other receivables	41	42
Prepayments and accrued income	7	–
Other receivables – non-current	**48**	42
Total trade and other receivables	**640**	533

The maximum exposure to credit risk for receivables is equal to their carrying value. There is no material difference between the carrying value and fair value of trade and other receivables presented.

Concentrations of credit risks with respect to trade receivables are small as the Group customer base is large and unrelated. Receivables predominantly relate to retail customers, Governments and corporate entities as well as other telecommunications operators.

Credit risk procedures vary depending on the size or type of customer. These procedures include such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that are neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Group that indicate this would change in the future. During the periods presented there was an economic downturn in markets in which the Group operated. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management assessed this risk and, after providing additional valuation allowance where necessary, continued to support the assessment of credit quality as low risk.

An ageing analysis of the current 'trade receivables' and current 'other receivables' that are not impaired is as follows (excludes prepayments and accrued income, taxation and social security and amounts receivable from joint ventures):

	31 March 2011 US$m	31 March 2010 US$m
Not yet due	165	124
Overdue 30 days or less	79	83
Overdue 31 to 60 days	30	29
Overdue 61 to 90 days	26	26
Overdue 91 days to 180 days	17	18
Overdue 181 days or more	9	9
Current 'trade receivables' and current 'other receivables'	**326**	289

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 30 days. Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods. Generally, interconnection agreements with major carriers result in receivables and payables balances with the same counterparty. Industry practice is that receivable and payable amounts relating to interconnection revenue and costs for a defined period are agreed between counterparties and settled on a net basis.

An analysis of movements in the trade receivables impairment allowance during the year is as follows:

	2010/11 US$m	2009/10 US$m
At 1 April	62	100
Bad debts written off	(20)	(51)
Increase in allowance	24	56
Demerger of the Cable & Wireless Worldwide business (note 15)	–	(48)
Exchange differences	1	5
At 31 March	**67**	62

There are no amounts held as collateral for trade and other receivables balances.

24 Inventories

Inventories represent equipment, cable capacity, consumables and accessories held-for-sale.

Inventories of US$84 million (31 March 2010 – US$49 million) are presented net of an allowance of US$5 million (31 March 2010 – US$4 million) made against slow moving or obsolete items.

The cost of equipment, cable capacity, consumables and accessories held-for-sale that were expensed within operating costs in 2010/11 was US$214 million (2009/10 – US$176 million). In the year ended 31 March 2010 US$18 million of this expense related to discontinued operations.

Inventories of the Group are not pledged as security or collateral against any of the Group's borrowings.

25 Cash and cash equivalents

	31 March 2011 US$m	31 March 2010 US$m
Cash at bank and in hand	230	140
Short-term bank deposits	149	433
Cash and cash equivalents	379	573

Cash and cash equivalents include cash at bank and in hand and short-term bank deposits.

Short-term bank deposits consist primarily of money market deposits, which can be readily converted to cash at short notice. The effective interest rate on short-term bank deposits at 31 March 2011 was 0.91% (31 March 2010 – 0.34%). At 31 March 2011, these deposits had an average maturity of 27 days (2009/10 – one day).

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value of those financial instruments.

26 Financial assets at fair value through profit or loss

			2010/11			2009/10
	CWW shares US$m	**Derivative financial instruments US$m**	**Total US$m**	CWW shares US$m	Derivative financial instruments US$m	Total US$m
Total at 1 April	**64**	**1**	**65**	–	–	–
Reclassification of shares in Cable & Wireless Worldwide plc retained on demerger	**–**	**–**	**–**	64	–	64
Delivery of shares to Cable & Wireless Worldwide plc	**(30)**	**–**	**(30)**	–	–	–
Delivery of shares to employees	**(2)**	**–**	**(2)**	–	–	–
Fair value movement	**(15)**	**–**	**(15)**	–	–	–
Exchange differences	**3**	**–**	**3**	–	–	–
Movement in derivative financial assets	**–**	**12**	**12**	–	1	1
Total at 31 March	**20**	**13**	**33**	64	1	65
Financial assets at fair value through profit or loss – current	**20**	**7**	**27**	64	1	65
Financial assets at fair value through profit or loss – non-current	**–**	**6**	**6**	–	–	–

On demerger, shares in the Cable & Wireless Communications Share Ownership Trust (formerly the Cable and Wireless Employee Share Ownership Plan Trust, (the Trust)) were converted from 43 million Cable and Wireless plc shares to 43 million Cable & Wireless Communications Plc shares and 43 million Cable & Wireless Worldwide plc shares. The Cable & Wireless Worldwide plc shares held by the Trust have been classified as financial assets at fair value through profit or loss as they represent shares in an unrelated listed company. During the year, 22 million Cable & Wireless Worldwide shares with a market value of US$30 million were delivered to Cable & Wireless Worldwide plc as part of the demerger agreement.

The remaining shares are held for use in satisfying employee share-based arrangements (note 35).

Derivative financial instruments

At 31 March 2011, the Group had foreign exchange swap contracts to sell US$260 million (31 March 2010 – US$40 million) in hedging future sterling obligations regarding the coupon and redemption of the 2012 and 2019 bonds and the repayment of other loan finance maturing in 2012. The Group did not apply hedge accounting to these contracts and as such they were revalued to fair value in profit or loss. At 31 March 2011, the fair value of these contracts was an asset of US$13 million (31 March 2010 – asset of US$1 million).

27 Trade and other payables

	31 March 2011 US$m	31 March 2010 US$m
Trade payables	**205**	168
Other taxation and social security costs	**21**	29
Accruals	**384**	313
Deferred income	**67**	53
Other payables	**76**	206
Trade and other payables – current	**753**	769
Accruals	**4**	3
Deferred income	**16**	–
Trade and other payables – non-current	**20**	3
Total trade and other payables	**773**	772

There is no material difference between the carrying value and fair value of trade and other payables presented. For liquidity risk exposure analysis purposes, the carrying amount of trade and other payables is the same as the contractual cash flows, with the contractual maturities of these financial liabilities all due in less than one year.

28 Loans and borrowings

	31 March 2011 US$m	31 March 2010 US$m
Loans		
Sterling secured loans repayable in 2012	**46**	43
US$500 million secured bonds due 2017	**490**	489
Sterling unsecured bonds repayable in 2012 and 2019	**552**	509
US dollar and currencies linked to the US dollar loans repayable at various dates up to 2038	**285**	196
	1,373	1,237
Loans – current	**116**	58
Loans – non-current	**1,257**	1,179

The agreements for the facilities entered into during the year contain financial and other covenants which are standard to these type of arrangements.

For liquidity risk exposure analysis purposes, the following are the contractual maturities of loans (including the expected interest payable at rates prevailing at the reporting date):

	31 March 2011 US$m	31 March 2010 US$m
Loans		
Due in less than one year	**220**	157
Due in more than one year but not more than two years	**497**	181
Due in more than two years but not more than five years	**304**	574
Due in more than five years	**874**	885
Total loans	**1,895**	1,797
Less future finance charges on loans	**(522)**	(560)
Total loans	**1,373**	1,237

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier or at significantly different amounts.

Sterling secured loan repayable in 2012

The Group has a US$46 million (£29 million) loan secured on the 2019 bonds that is repayable in February 2012. Interest is payable at 6%.

The carrying amount of this loan approximates to fair value.

US dollar secured bonds due 2017

During the year ended 31 March 2010, the Group arranged US$500 million of Senior Secured Notes (the Bonds) with a coupon of 7.75% due in 2017. These bonds had a fair value of US$527 million at 31 March 2011 (31 March 2010 – US$520 million). This value was determined by reference to market values obtained from third parties. The bonds are secured on share pledges over the Group assets.

Sterling unsecured bonds due 2012 and 2019

The Group has US$320 million (£200 million) listed bonds due in 2012 with a balance outstanding at 31 March 2011, net of costs, of US$317 million (31 March 2010 – US$290 million). Interest is payable at 8.75% per annum.

The Group also has US$320 million (£200 million) listed bonds due in 2019 with a balance outstanding at 31 March 2011, net of bonds repurchased, of US$235 million (31 March 2010 – US$219 million). Interest is payable at 8.625% per annum.

The sterling unsecured bonds had a fair value of US$582 million at 31 March 2011 (31 March 2010 – US$547 million). This value was determined by reference to market values obtained from third parties.

US dollar and US dollar linked loans

Various US dollar and US dollar linked loans of US$285 million (31 March 2010 – US$196 million) are held by subsidiaries across the Group, with the majority in Panama. Interest on these loans ranges between 0.0% and 12.8%. The loans are repayable over a period up to 2038.

The carrying amount of the US dollar and currencies linked to the US dollar loans approximates to fair value.

28 Loans and borrowings continued

US dollar revolving credit facility and term loan

During the year ended 31 March 2010, the Group entered into a US$500 million revolving credit facility with a maturity date of 2013 secured on share pledges over Group assets. Further, the Group arranged a US$100 million term loan facility. This was secured on share pledges over the Group assets.

This facility and the term loan were undrawn as at 31 March 2011 and 31 March 2010.

Convertible bonds demerged during the year ended 31 March 2010

On 24 November 2009, convertible bonds due in 2014 of £230 million were issued by Cable and Wireless plc. These bonds were subsequently transferred to Cable & Wireless Communications Plc on 19 March 2010 before being transferred to Cable & Wireless Worldwide plc on 26 March 2010 as part of the demerger. An amount of US$2 million in relation to accrued interest was transferred post demerger. The bonds were separated into their loan and equity components on inception, being US$329 million of loan and US$37 million of equity on initial recognition.

Interest rates

The weighted average interest rates at the reporting date were as follows:

			31 March 2011		31 March 2010
	Type	Currency	Interest rate %	Currency	Interest Rate %
US$500 million secured bonds due 2017	Fixed	**USD**	**7.8**	USD	7.8
US dollar and currencies linked to the US dollar loans and facilities repayable at various dates up to 2038	Fixed and floating	**USD**	**5.4**	USD	6.4
Sterling unsecured bonds repayable in 2012 and 2019 and sterling secured loans repayable in 2012	Fixed and floating	**GBP**	**8.5**	GBP	8.6

Interest was payable on loans and borrowings falling due after more than five years at rates of between 0.0% and 8.6%. In 2009/10 the rates were 0.0% and 8.6% respectively.

29 Financial liabilities at fair value

			At 31 March 2011			At 31 March 2010
	Current US$m	Non-current US$m	Total US$m	Current US$m	Non-current US$m	Total US$m
Put option relating to Monaco Telecom	**96**	**120**	**216**	–	189	189
Obligation to transfer Cable & Wireless Worldwide plc shares	**–**	**–**	**–**	30	–	30
Total financial liabilities at fair value	**96**	**120**	**216**	30	189	219

Monaco Telecom put option

A put option is held by the non-controlling shareholder of Monaco Telecom, the Principality of Monaco (the Principality). This put option is measured at fair value using inputs that are not based on publicly observable market data. The liability for the put option represents 45% of the market value of Monaco Telecom. This market value has been determined by taking an average of published broker valuations for the Monaco & Islands business unit apportioned using key financial measures. The brokers have valued the business unit using a combination of discounted cash flow analysis and EBITDA multiples factoring in the expected growth and risk of the business unit. A US$10 million movement in the value of the put would have a US$1 million impact on profit or loss and a US$10 million impact on liabilities.

The balance within financial liabilities held at fair value represents the fair value of the put option held by the non-controlling shareholders of Monaco Telecom. Although the Cable & Wireless Communications Group considers there to be only a remote likelihood of this put option being exercised, IAS 32 *Financial Instruments: Presentation* requires the present value of the amount payable to be recognised as a liability regardless of the probability of exercise, as this is not within the Cable & Wireless Communications Group's control. As this put option was issued as part of a business combination, accounted for in accordance with IFRS3 *Business Combinations (2004)*, any change in remeasuring the derivative to fair value is recorded as an adjustment to goodwill (note 38).

The put option held by the Principality is exercisable in two tranches. The first tranche enables the Principality to put 20% of the shares of Monaco Telecom to the Cable & Wireless Communications Group from six months post 18 June 2011, 2014 and 2017. The second tranche enables the Principality to put 25% of the shares of Monaco Telecom to the Cable & Wireless Communications Group three years after the first has been exercised.

A reconciliation of the movements in the value of the Monaco Telecom put option is as follows:

	2010/11 US$m	2009/10 US$m
At 1 April	189	201
Changes in fair value recognised as an adjustment to goodwill	4	(29)
Increase in fair value of put option due to discount unwinding recognised as a finance expense	13	21
Foreign exchange movements recognised in the foreign currency reserve in equity	10	(4)
At 31 March	**216**	189

Obligation to transfer Cable & Wireless Worldwide plc shares

Shares in Cable & Wireless Worldwide plc were reclassified in 2009/10 from equity to financial assets at fair value through profit or loss. Under the terms of the demerger, 22 million of the 43 million shares in Cable & Wireless Worldwide plc held by the Cable & Wireless Communications Share Ownership Trust (formerly the Cable & Wireless Employee Share Ownership Plan Trust) with a market value of US$30 million were transferred to a similar trust for the benefit of the Cable & Wireless Worldwide Group in June 2010 and this liability was extinguished.

30 Financial instruments at fair value

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

Level 1 – Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (from prices) or indirectly (derived from prices).

Level 3 – Fair values measured using inputs for the asset or liability that are not based on observable market data.

		At 31 March 2011			
	Note	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
UK Government Gilts	22	31	–	–	31
Cable & Wireless Worldwide plc shares at fair value through profit or loss	26	20	–	–	20
Derivative instruments	26	–	13	–	13
Total financial assets at fair value		**51**	**13**	**–**	**64**
Financial liabilities measured at fair value:					
Put option relating to Monaco Telecom	29	–	–	216	216
Total financial liabilities at fair value		**–**	**–**	**216**	**216**

30 Financial instruments at fair value continued

					At 31 March 2010
	Note	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
UK Government Gilts	22	27	–	–	27
Cash held as collateral	22	2	–	–	2
Cable & Wireless Worldwide plc shares at fair value through profit or loss	26	64	–	–	64
Derivative instruments	26	–	1	–	1
Total financial assets at fair value		93	1	–	94
Financial liabilities measured at fair value:					
Put option relating to Monaco Telecom	29	–	–	189	189
Obligation to transfer Cable & Wireless Worldwide plc shares	29	30	–	–	30
Total financial liabilities at fair value		30	–	189	219

31 Deferred tax

The movements in deferred tax assets and liabilities during the year are as follows:

	Capital allowances on non-current assets US$m	Tax losses US$m	Pensions US$m	Other US$m	Financial position offset US$m	Total US$m
Deferred tax assets	91	49	6	7	(60)	93
Deferred tax liabilities	(90)	–	(13)	(11)	60	(54)
At 1 April 2009	1	49	(7)	(4)	–	39
Credit to profit or loss[1]	101	18	(1)	(4)	–	114
Tax charged to equity	–	–	2	–	–	2
Demerger of Cable & Wireless Worldwide business (note 15)	(169)	(4)	–	–	–	(173)
Exchange differences	(4)	(1)	1	(1)	–	(5)
At 31 March 2010	(71)	62	(5)	(9)	–	(23)
Deferred tax assets	13	62	6	7	(69)	19
Deferred tax liabilities	(84)	–	(11)	(16)	69	(42)
At 1 April 2010	(71)	62	(5)	(9)	–	(23)
Charge to profit or loss	14	(22)	(1)	–	–	(9)
Tax charged to equity	–	–	(3)	–	–	(3)
Exchange differences	(2)	3	(1)	1	–	1
At 31 March 2011	**(59)**	**43**	**(10)**	**(8)**	**–**	**(34)**
Deferred tax assets	19	43	3	15	(76)	4
Deferred tax liabilities	(78)	–	(13)	(23)	76	(38)
At 31 March 2011	**(59)**	**43**	**(10)**	**(8)**	**–**	**(34)**

1 Comprises a US$98 million credit relating to discontinued operations and a US$16 million credit relating to continuing operations.

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Capital allowances available on non-current assets US$m	Tax losses US$m	Pensions US$m	Other US$m	Total US$m
As at 31 March 2011	**295**	**5,653**	**118**	**158**	**6,224**
As at 31 March 2010	269	5,041	199	98	5,607

Tax losses (recognised and unrecognised) expire as follows:

	31 March 2011 US$m	31 March 2010 US$m
Within 1 year	**–**	2
Within 3 years	**–**	–
Within 5 years	**–**	1
Within 10 years	**35**	18
After more than 10 years	**245**	173

Other tax losses are not subject to expiry.

The US$5,653 million (31 March 2010 – US$5,041 million) tax losses include UK capital losses of US$5,264 million (31 March 2010 – US$4,889 million).

Deferred tax is not provided on unremitted earnings of subsidiaries and joint ventures where the Group controls the timing of remittance and it is probable that the temporary difference will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, branches and joint ventures for which deferred tax liabilities have not been recognised is US$316 million (31 March 2010 – US$325 million). These temporary differences relate to unremitted earnings.

Following the change in the UK tax treatment of dividends on 1 July 2009, no tax is expected to arise on distributions from Group entities and no temporary difference exists, except where withholding tax or other foreign tax could arise on the remittance.

The Budget on 23 March 2011 announced a change to the UK corporation tax rate to 26%. This was substantively enacted on 29 March 2011 and is effective from 1 April 2011.

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes, which are expected to be enacted separately each year, will reduce the rate by 1% per annum, to 23% by 1 April 2014. The changes had not been substantively enacted by the balance sheet date and therefore are not recognised in these financial statements.

32 Provisions

	Property US$m	Redundancy costs US$m	Network and asset retirement obligations US$m	Demerger US$m	Legal and other US$m	Total US$m
At 1 April 2010	6	10	25	34	56	131
Additional provisions	–	5	1	4	7	17
Amounts used	–	(9)	–	(38)	(1)	(48)
Unused amounts reversed	–	–	–	–	(8)	(8)
Effect of discounting	–	–	2	–	–	2
Exchange differences	1	–	–	–	(1)	–
At 31 March 2011	**7**	**6**	**28**	**–**	**53**	**94**
Provisions – current	**7**	**6**	**4**	**–**	**45**	**62**
Provisions – non-current	**–**	**–**	**24**	**–**	**8**	**32**

	Property US$m	Redundancy costs US$m	Network and asset retirement obligations US$m	Demerger US$m	Legal and other US$m	Total US$m
At 1 April 2009	115	35	191	–	86	427
Additions from businesses acquired	11	–	–	–	–	11
Additional provisions	24	35	14	34	106	213
Amounts used	(29)	(48)	(17)	–	(95)	(189)
Unused amounts reversed[1]	(13)	(3)	(6)	–	(36)	(58)
Effect of discounting	6	–	8	–	–	14
Demerger of Cable & Wireless Worldwide business (note 15)	(110)	(9)	(164)	–	(4)	(287)
Disposals	–	–	(3)	–	–	(3)
Exchange differences	2	–	2	–	(1)	3
At 31 March 2010	6	10	25	34	56	131
Provisions – current	6	10	4	34	50	104
Provisions – non-current	–	–	21	–	6	27

1 Unused amounts reversed include US$30 million relating to continuing operations and US$28 million relating to discontinued operations.

The net expense recognised in profit or loss from movements in provisions relating to discontinued operations for the year ended 31 March 2010 was US$95 million.

Property
Provision has been made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sublet. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

Redundancy
Provision has been made for the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for and spent during the periods presented primarily relate to the restructuring programmes associated with the demerger and regional transformation activities. The provision is expected to be used within one year.

Network and asset retirement obligations

Provision has been made for the best estimate of the unavoidable costs associated with redundant leased network capacity. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

Provision has also been made for the best estimate of the asset retirement obligation associated with office sites, technical sites, domestic and subsea cabling. This provision is expected to be used at the end of the life of the related asset on which the obligation arises. Amounts utilised relate predominantly to cash expenditure against unavoidable costs associated with redundant network capacity.

Demerger

The provision comprised costs related to the demerger such as professional fees, redundancy costs and closure costs.

Legal and other

Legal and other provisions include amounts relating to specific legal claims against the Group together with amounts in respect of certain employee benefits and sales taxes.

The release of unused amounts reflected the reassessment of risks relating to litigation and indirect tax during the year.

33 Retirement benefits obligations

The Cable & Wireless Communications Group operates pension schemes for its current and former UK and overseas employees. These schemes include both defined benefit schemes, where retirement benefits are based on employees' remuneration and length of service, and defined contribution schemes, where retirement benefits reflect the accumulated value of agreed contributions paid by, and in respect of, employees. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the schemes.

Defined contribution schemes

The pension cost for the year for the defined contribution schemes of the Group was US$7 million (2009/10 – US$8 million). The pension cost of the defined contribution amounts in respect of the members of the Cable & Wireless Superannuation Fund (CWSF) was US$2 million (2009/10 – US$2 million related to Cable & Wireless Communications employees).

The defined contribution pension cost has been included in employee benefit expenses (note 10).

Defined benefit schemes

Cable & Wireless Communications operates the CWSF. This plan provides defined benefit and defined contribution arrangements for current and former employees of the Cable & Wireless Communications Group. These arrangements are provided on the same basis as when the plan was operated by the Cable & Wireless Group. The CWSF has been closed to new defined benefit members since 1998.

Additionally the Group operates unfunded defined benefit arrangements in the UK. These primarily relate to pension provisions for former directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap. The Group operates other defined benefit pension schemes in Macau, Jamaica, Barbados and Guernsey, with post-retirement medical benefits in Barbados. Further, until the demerger of the Cable & Wireless Worldwide business, the Group operated defined benefit arrangements in Hong Kong and Ireland, the THUS Group pension scheme, and other small defined benefit retirement plans in the UK.

Demerger

As part of the demerger which took place on 26 March 2010, a portion of the scheme assets and pension obligations of the CWSF was transferred to the Cable & Wireless Worldwide Retirement Plan (CWWRP), a new plan operated by the Cable & Wireless Worldwide Group. The pension obligations transferred to Cable & Wireless Worldwide were determined based on members' last known employer. The plan assets were determined by reference to the value of the obligations transferred. Under IAS 19 *Employee Benefits,* this resulted in defined benefit plan assets of US$1.8 billion and defined benefit pension obligations of US$2.0 billion being transferred to the Cable & Wireless Worldwide Group on 26 March 2010, and being derecognised from the Cable & Wireless Communications Group accounts.
Cable & Wireless Communications continues to operate the CWSF post demerger.

33 Retirement benefits obligations continued

Funding valuation – Cable & Wireless Superannuation Fund

The latest triennial actuarial valuation of the CWSF was carried out by independent actuaries Towers Watson Limited as at 31 March 2010. An agreement was reached between the Trustee of the CWSF and Cable & Wireless Communications to remove the deficit calculated by this valuation by 2016.

The assumptions regarding current mortality rates in retirement were set having regard to the actual experience of the CWSF's pensioners and dependants over the three years ended 31 March 2010. In addition, allowance was made for future mortality improvements in line with medium cohort projections of the 1992 mortality series tables published by the Institute and Faculty of Actuaries, subject to a minimum annual rate of improvement of 1.5%. These are the mortality rates used for calculating the statement of financial position for the year ended 31 March 2011.

The mortality rates used for the figure in the income statement for the year ended 31 March 2011 are the same as those which were used for calculating the statement of financial position for the year ended 31 March 2010.

Based on these assumptions, the life expectancies of pensioners aged 60 are as follows:

	On 31 March 2011 (years)	On 31 March 2021 (years)	On 31 March 2031 (years)
Male pensioners and dependants	27.7	29.3	30.9
Female pensioners	26.4	27.9	29.4
Female dependants	32.3	33.9	35.5

The March 2010 actuarial valuation showed that based on long-term financial assumptions the contribution rate required to meet the future benefit accrual was 38.4% of pensionable earnings (33.4% employer's and 5.0% employees'). This contribution rate will be reviewed when the next triennial valuation is carried out, as at 31 March 2013. The terms of the CWSF Trust Deed also allow the Trustee or the Company to call for a valuation at any time. The future service contribution rate includes an allowance of US$1.3 million per annum for administration expenses, excluding the Pension Protection Fund (PPF) levy. The PPF levy for 2010/11 was US$0.4 million (2009/10 – US$0.5 million of which US$0.4 million related to discontinued operations).

Cable & Wireless Communications paid a total contribution of US$157 million (£98 million) in 2010/11, comprising deficit funding of US$149 million and normal contributions of US$8 million, to the CWSF to meet the cost of future benefit accrual and expenses, to recover part of the deficit on the scheme funding basis, and to meet the cost of the agreed derisking of the CWSF's investment strategy. A deficit recovery funding plan was also agreed with the Trustees during the year which includes additional payments from 2014 to 2016 totalling US$102 million (£64 million). These contributions are based on best estimated investment returns and are subject to the outcome of the next full valuation due in March 2013.

A US$160 million contingent funding agreement (2009/10 – US$149 million) was agreed with the CWSF Trustee, under which the Trustee can call for a letter of credit or cash escrow in certain circumstances, such as material deterioration in the financial performance of the business.

Minimum pension indexation – Cable & Wireless Superannuation Fund and UK unfunded defined benefit arrangements

In July 2010, the Government announced its intention that future statutory minimum pension indexation would be measured by the Consumer Prices Index, rather than the Retail Prices Index.

The Group is currently taking external advice in respect of the Government's announcement on the determination of liabilities in the CWSF. Dependent upon the outcome, this may lead to a reduction in scheme liabilities, however it is presently too soon to determine the likelihood or value of the impact.

IAS 19 valuation – Cable & Wireless Superannuation Fund and other schemes

The IAS 19 valuations of the major defined benefit pension schemes and medical plans operated by Cable & Wireless Communications have been updated to 31 March 2011 by qualified independent actuaries. Lane, Clark & Peacock LLP prepared the valuation for the CWSF and the UK unfunded arrangements. Towers Watson Limited reviewed the IAS 19 valuations prepared for all remaining schemes.

The main financial assumptions applied in the valuations and an analysis of schemes' assets are as follows:

	31 March 2011				31 March 2010			
	CWSF		Other schemes		CWSF		Other schemes	
	Assets US$m	Assumption %	Assets US$m	Assumption %	Assets US$m	Assumption %	Assets US$m	Assumption %
RPI inflation assumption		**3.4**		**4.3**		3.6		4.6
Salary increases		**3.9**		**4.9**		4.1		5.1
Pension increases		**2.2-3.3**		**3.1**		2.3-3.5		3.2
Discount rate		**5.6**		**7.4**		5.5		7.4
Medical cost trends for post-retirement medical plans		**–**		**5.0**		–		5.0
Long-term expected rate of return on plan assets								
– Annuity policies	**1,093**	**5.6**	**74**	**8.0**	1,000	5.5	73	8.0
– Equities	**251**	**8.1**	**96**	**8.2**	163	8.3	89	8.3
– Bonds and gilts	**85**	**4.2**	**87**	**6.1**	37	5.4	78	6.7
– Property	**6**	**6.7**	**43**	**8.9**	22	6.8	40	9.8
– Cash and swaps	**163**	**4.3**	**28**	**5.7**	90	3.9	27	6.0
	1,598		**328**		1,312		307	

Assumptions used are best estimates from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The assumptions shown above for Other schemes represent a weighted average of the assumptions used for the individual schemes.

A one year increase in the life expectancy assumptions would have increased the CWSF liabilities by approximately US$34 million as at 31 March 2011. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$24 million. A 0.25% pa decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around US$60 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$32 million. A 0.25% pa change in the assumed rate of salary increases would have changed the liabilities by a negligible amount.

Excluding the annuities, which are measured at the value of the obligation to which they relate, the overall expected rate of return for each pension scheme is a weighted average of the expected asset return for each asset class. The expected asset return for each asset class has been set as a best estimate of the long-term return that will be achieved for the particular asset class in the country in question having regard to investment yields on the measurement date.

Using the projected unit method for the valuation of liabilities, the current service cost is expected to increase when expressed as a percentage of pensionable payroll as the members of the scheme approach retirement.

33 Retirement benefits obligations continued

The assets and liabilities of the defined benefit pension schemes and post-retirement medical plans operated by the Group were as follows:

	31 March 2011			31 March 2010		
	CWSF US$m	Other schemes US$m	Total US$m	CWSF* US$m	Other schemes US$m	Total US$m
Total fair value of plan assets	1,598	328	1,926	1,312	307	1,619
Present value of funded obligations	(1,619)	(281)	(1,900)	(1,477)	(275)	(1,752)
Excess of (liabilities)/assets of funded obligations	(21)	47	26	(165)	32	(133)
Present value of unfunded obligations	–	(41)	(41)	–	(42)	(42)
Impact of the minimum funding requirement	(57)	–	(57)	–	–	–
Effect of asset ceiling	–	(14)	(14)	–	(17)	(17)
Exchange differences	(3)	(1)	(4)	–	–	–
Net deficit	(81)	(9)	(90)	(165)	(27)	(192)
Liabilities						
Defined benefit pension plans in deficit	(81)	(49)	(130)	(165)	(54)	(219)
Unfunded post-retirement medical plans	–	(3)	(3)	–	(8)	(8)
Total	(81)	(52)	(133)	(165)	(62)	(227)
Assets						
Defined benefit pension plans in surplus	–	43	43	–	35	35

* Net of amounts attributable to the Cable & Wireless Worldwide business.

Included within these liabilities is an amount of US$26 million (2009/10 – US$24 million) to cover the cost of former Directors' pension entitlements.

The deficit recovery funding plan agreed with the Trustees of the CWSF during the year constitutes a minimal funding requirement. An adjustment to the deficit in the CWSF to account for the minimum funding requirement has been calculated in accordance with IFRIC 14 *The limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adjustment to the deficit, which is recorded directly in equity, was US$57 million as at 31 March 2011 (2009/10 – US$nil).

When defined benefit funds have an IAS 19 surplus, they are recorded at the lower of that surplus and the future economic benefits available in the form of a cash refund or a reduction in future contributions. Any adjustment to the surplus is recorded directly in equity. The effect of these adjustments, described as asset ceiling adjustments, were US$14 million as at 31 March 2011 (31 March 2010 – US$17 million).

The amounts recognised in the income statement were as follows:

	31 March 2011			31 March 2010		
	CWSF US$m	Other schemes US$m	Total US$m	CWSF US$m	Other schemes US$m	Total US$m
Continuing operations						
Current service cost	(2)	(6)	(8)	(1)	(5)	(6)
Interest cost	(82)	(20)	(102)	(35)	(18)	(53)
Expected return on plan assets	78	22	100	37	22	59
Gains on curtailment or settlement	–	2	2	–	4	4
Total net (charge)/credit – continuing operations	(6)	(2)	(8)	1	3	4
Charge related to discontinued operations	–	–	–	(5)	(5)	(10)
Total net charge	(6)	(2)	(8)	(4)	(2)	(6)

The pre-exceptional defined benefit charge for continuing operations has been included in employee benefit expenses (note 10). The exceptional defined benefit credit of US$nil (2009/10 – US$4 million) was recognised in exceptional staff costs (note 7).

The actual return on plan assets was a gain of US$120 million (2009/10 – gain of US$803 million).

The total amount recognised in the statement of comprehensive income in the current financial year and cumulatively to 31 March 2011 is a loss of US$36 million (2009/10 – loss of US$463 million) and a loss of US$595 million (2009/10 – loss of US$559 million) respectively.

In 2010/11, net actuarial gains amounting to US$16 million (2009/10 – losses of US$460 million) have been recognised directly in equity. Further gains were recognised in the statement of comprehensive income in respect of US$2 million contributions from Cable & Wireless Worldwide plc (2009/10 – US$nil) and US$3 million due to changes in asset ceilings (2009/10 – loss of US$4 million). A loss of US$57 million was recognised in respect of minimum funding requirements (2009/10 – US$nil).

Changes in the present value of the defined benefit pension and post-retirement medical plan obligations are as follows:

			2010/11			2009/10
	CWSF US$m	Other schemes US$m	Total US$m	CWSF US$m	Other schemes US$m	Total US$m
Obligations at 1 April	(1,477)	(317)	(1,794)	(2,453)	(428)	(2,881)
Current service cost	(2)	(6)	(8)	(12)	(12)	(24)
Interest cost	(82)	(20)	(102)	(177)	(33)	(210)
Actuarial (losses)/gains recognised in equity	(23)	18	(5)	(941)	(104)	(1,045)
Employee contributions	–	(5)	(5)	(3)	(5)	(8)
Obligations extinguished on demerger	–	–	–	1,983	239	2,222
Gains on curtailment or settlement	–	2	2	2	3	5
Benefits paid	78	17	95	127	20	147
Exchange differences	(113)	(11)	(124)	(3)	3	–
Obligations at 31 March	(1,619)	(322)	(1,941)	(1,477)	(317)	(1,794)

Changes in the fair value of defined benefit assets are as follows:

			2010/11			2009/10
	CWSF US$m	Other schemes US$m	Total US$m	CWSF US$m	Other schemes US$m	Total US$m
Fair value of assets as at 1 April	1,312	307	1,619	2,407	403	2,810
Expected return	78	22	100	182	36	218
Actuarial gains/(losses) recognised in equity	28	(7)	21	521	64	585
Contributions by employer	157	7	164	75	20	95
Employee contributions	–	5	5	3	5	8
Assets divested (including asset transfers upon demerger in 2009/10)	–	–	–	(1,772)	(197)	(1,969)
Assets acquired	2	–	2	–	–	–
Benefits paid	(78)	(17)	(95)	(127)	(20)	(147)
Exchange differences	99	11	110	23	(4)	19
Fair value of assets as at 31 March	1,598	328	1,926	1,312	307	1,619

33 Retirement benefits obligations continued

Experience gains on plan assets and liabilities at the end of the periods presented were as follows:

	31 March 2011		31 March 2010		31 March 2009	
	CWSF US$m	**Other schemes US$m**	CWSF US$m	Other schemes US$m	CWSF US$m	Other schemes US$m
Plan assets	**1,598**	**328**	1,312	307	2,407	403
Defined benefit and post-retirement medical plan obligations	**(1,619)**	**(322)**	(1,477)	(317)	(2,453)	(428)
Effect of minimum funding requirement	**(57)**	**–**	–	–	–	–
Exchange differences	**(3)**	**–**	–	–	–	–
(Deficit)/surplus excluding the effects of the asset ceiling	**(81)**	**6**	(165)	(10)	(46)	(25)
Experience gains/(losses) on plan assets	**27**	**(7)**	521	24	(946)	(81)
Experience (losses)/gains on plan liabilities	**(23)**	**5**	(27)	(4)	35	2

	31 March 2008		31 March 2007	
	CWSF US$m	Other schemes US$m	CWSF US$m	Other schemes US$m
Plan assets	4,229	454	4,081	412
Defined benefit and post-retirement medical plan obligations	(3,479)	(422)	(3,997)	(396)
Surplus excluding the effects of the asset ceiling	750	32	84	16
Experience (losses)/gains on plan assets	(126)	2	60	9
Experience gains/(losses) on plan liabilities	28	(16)	(13)	9

The best estimate of contributions to the defined benefit schemes for 2011/12 is:

	CWSF* US$m	Other schemes US$m	Total US$m
Employer contributions*	2	8	10
Employee contributions	–	4	4

* Based on an employer contribution rate of 33.4% of pensionable earnings plus contributions due under the agreed recovery plan and the estimated PPF levy payable in the year ended 31 March 2012.

The pension disclosures above include two post-retirement medical plans in Barbados. An increase in the assumed medical cost trend of 1% pa would have no material effect on the aggregate of current service costs and interest costs and would increase the accumulated defined benefit obligation by US$3 million (1% decrease will reduce the accumulated defined benefit obligation by US$3 million).

34 Equity

Share capital

	Number of shares (000)	US$m
Issued, called-up and fully paid shares of US5 cents each		
At 1 April 2009	2,571,466	129
Allotted under share options schemes	11,210	–
Allotted under scrip dividends	41,896	2
At 31 March 2010	**2,624,572**	**131**
Allotted under scrip dividends	41,040	2
At 31 March 2011	**2,665,612**	**133**

The aggregate nominal value of the shares allotted in the year was US$2 million (2009/10 – US$2 million).

Included within the number of shares disclosed in the table above are treasury shares and shares held by the The Cable & Wireless Communications Share Ownership Trust (formerly the Cable & Wireless Employee Share Ownership Plan Trust (the Trust)).

No treasury shares of Cable & Wireless Communications Plc were cancelled during the periods presented. On 24 June 2009 and 10 March 2010, Cable & Wireless plc transferred 3,000,000 and 28,259,496 treasury shares respectively to the Trust.

On 21 July 2010, the Group's shareholders approved a resolution at the AGM for the Group to purchase up to 262 million ordinary shares. This authority to buy-back these shares expires at the conclusion of the Company's AGM in 2011 or 30 September 2011, whichever is the earlier. Under the resolution, during the year ended 31 March 2011, the Company purchased 42,762,000 ordinary shares at an average price of 49 pence per share (US80 cents per share), with a nominal value of US$2 million, for consideration of US$34 million. Consideration included stamp duty and commission of US$0.2 million. At 31 March 2011 these are classified as treasury shares. This represented 2% of called-up share capital at the beginning of the year.

The nominal value and market value of treasury shares held at 31 March 2011 (excluding those held by the Trust) was US$2 million (2009/10 – US$nil) and US$31 million (2009/10 – US$nil) respectively. Disclosures in respect of the shares held by the Trust are included in note 35.

The Trust has waived its right to dividends.

In accordance with the Company's Articles of Association, each share (other than those held in treasury) entitles the holder to one vote at General Meetings of Cable & Wireless Communications Plc. The Company's shareholders can declare dividends by passing an ordinary resolution but the payment cannot exceed the amount recommended by the Directors. There are no restrictions on the repayment of capital other than those imposed by law. For further information refer to pages 38 to 41 of the Directors' report.

Allotments of ordinary shares of US5 cents each were made during the period as follows:

	31 March 2011		31 March 2010	
	Number of allotted shares (000)	Gross consideration received US$000	Number of allotted shares (000)	Gross consideration received US$000
Savings Related Share Option Scheme	–	–	929	814
Global Savings Related Share Option Scheme	–	–	118	187
Share Option Plan – Approved	–	–	131	213
Share Option Plan – Unapproved	–	–	10,032	17,331
Scrip dividends[1]	41,040	–	41,896	–
Total	41,040	–	53,106	18,545

1 Shares with a cash equivalent value of US$37 million (2009/10 – US$87 million) were issued during the year as payment for dividends by scrip. This was a non-cash transaction.

Equity attributable to the owners of the Parent Company

As discussed in note 2.1, in the prior period Cable & Wireless Communications Plc was interposed as the new Parent Company of the Cable & Wireless Group (subsequently the Cable & Wireless Communications Group). This transaction was accounted for using the principles of reverse acquisitions.

The main principles used in the presentation of equity for the Cable & Wireless Communications Group were as follows:

- The retained earnings and other equity balances of the Cable & Wireless Group (now Cable & Wireless Communications Group) were carried forward as the retained earnings and other equity balances of the Cable & Wireless Communications Group at the date of the Scheme of Arrangement, 19 March 2010;
- The equity instruments of Cable & Wireless Communications Plc were initially recognised at their fair value on the date of the Scheme of Arrangement;
- The movements in share capital prior to 19 March 2010 reflected the movements in the share capital of Cable and Wireless plc (now Cable & Wireless Limited). However, share capital for these prior year share issues was restated using the nominal value of Cable & Wireless Communications Plc shares at US5 cents each in order to present the movements as though Cable & Wireless Communications Group had been in existence in its current form since 1 April 2008. The difference arising on this restatement was included in the share premium; and
- Any difference between the fair value of these instruments on the date of the Scheme of Arrangement and the historical cost of the instruments on issue in Cable and Wireless plc (now Cable & Wireless Limited) were recorded in retained earnings.

See note 9 of the Parent Company accounts for information on the shares issued by Cable & Wireless Communications Plc.

34 Equity continued

Capital management

The Group defines capital as equity, loans and borrowings (note 28) and cash and cash equivalents (note 25). The Group does not have any externally imposed requirements for managing capital, other than those imposed by Company Law.

The Board's objective is to maintain a capital structure that supports the Group's strategic objectives, including but not limited to reshaping the portfolio through mergers and acquisitions. In doing so the Board seeks to:

- Manage funding and liquidity risk;
- Optimise shareholder return; and
- Maintain credit ratings.

This strategy is unchanged from the prior year.

The Group has taken initial steps to reshape the portfolio by the disposal of Cable & Wireless (Bermuda) Holdings and its subsidiaries during the period (note 11) and the acquisition of the Bahamas Telecommunications Company completed after the reporting period, on 6 April 2011 (note 45).

Funding and liquidity risk are reviewed regularly by the Board and managed in accordance with the policies described in note 43.

The Articles of Association of the Company permit borrowing up to the lower of three times the adjusted capital and reserves of the Group or US$3 billion.

The Group ensures that sufficient funds and distributable reserves are held to allow payments of projected dividends to shareholders and it intends to pursue a policy of dividend growth that reflects the underlying earnings and cash flow for the business. This process is managed through the Group's budget and longer-term forecasting process.

During the period the Group has maintained its credit rating on the US$500 million secured bonds due in 2017 with a Moody's credit rating of Ba2 and Standard and Poor's of BB. The sterling unsecured bonds repayable in 2012 and 2019 maintained a rating with Standard and Poor's of B+.

Foreign currency translation and hedging reserve

The foreign currency translation and hedging reserve contains exchange differences on the translation of subsidiaries with a functional currency different to the presentation currency of the Group. It also includes cumulative exchange differences arising on the translation of hedging instruments.

Capital and Other reserves

In 2010/11, other reserves included a capital redemption reserve of US$152 million (2009/10 – US$152 million), a revaluation reserve of US$30 million (2009/10 – US$30 million), a fair value reserve of US$11 million (2009/10 – US$9 million), a special reserve of US$2,137 million (2009/10 – US$2,137 million) and a capital reserve of US$1,187 million (2009/10 – US$1,931 million), less a reserve relating to transactions with non-controlling interests of US$1 million (2009/10 – US$4 million).

The special reserve relates to the cancellation of the share premium account of Cable & Wireless Limited (formerly Cable and Wireless plc) in February 2004. It will reduce from time to time by the amount of any increase in the paid-up share capital and share premium account of Cable & Wireless Limited after 20 February 2004 resulting from the issue of new shares for cash or other new consideration or upon a capitalisation of distributable reserves.

On 26 March 2010, a court-approved capital reduction became effective which had the effect of creating a capital reserve of US$1,931 million which may be released, in whole or in part, to distributable reserves of the Company at the discretion (and upon the resolution) of the Board of Directors or a duly constituted committee of the Board of Directors.

In 2010/11 the Board approved the release of US$742 million from the capital reserve to distributable reserves.

35 Share-based payments

Subsequent to the Scheme of Arrangement and demerger, the majority of Cable & Wireless Communications participants' outstanding Cable and Wireless plc share and option awards rolled over into Cable & Wireless Communications Plc equivalent awards. A limited number of participants retained their Cable and Wireless plc awards and had entitlement to one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share in lieu of each Cable and Wireless plc share.

The quantity of shares under award were converted in accordance with plan rules to adjust for the demerger of the Cable & Wireless Worldwide business.

Options, share prices and outstanding share awards of Cable & Wireless Communications Plc are shown in pence reflecting the currency in which the ordinary shares are quoted. Options and share awards granted in the prior year relating to Cable and Wireless plc are shown in pence being the currency in which the ordinary shares are quoted.

Share option schemes

The Group does not currently have any outstanding share option awards over its own shares (2009/10 – nil). There are 13,705,773 outstanding share option awards relating to options granted by Cable and Wireless plc to senior employees (2009/10 – 14,130,773 outstanding options). These options were originally granted over Cable and Wireless plc shares at exercise prices between 100 to 149 pence (12,364,356 options) and 150 to 199 pence (1,341,417 options). All options have vested in full. Subsequent to the Scheme of Arrangement and demerger, these options have been redesignated as an option over a stapled unit of one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc (an unrelated company). The share prices of the two companies at 31 March 2011 were such that the obligation for these stapled unit options was US$nil (at 31 March 2010 – US$18 million, classified as an Other payable).

During the year, 575,000 options were exercised at an average share price of 104 pence (2009/10 – 13,982,000 options at an average share price of 101 pence). 425,000 of these were exercised by senior employees of the Group. The remainder were exercised by senior employees of Cable & Wireless Worldwide plc.

Other equity instrument awards

Performance shares

Executive Directors and other senior executives can receive awards of performance shares at nil cost.

The vesting of outstanding performance shares is subject to Cable & Wireless Communications Plc absolute TSR performance conditions (see performance conditions for share-based award on pages 51 to 53). A dividend award supplement operates on these awards. Dividends that would have been paid on the performance shares which vest will be regarded as having been reinvested in additional shares at the notional date of distribution.

Prior to the Scheme of Arrangement and demerger, performance share awards made by Cable and Wireless plc were subject either to relative or to absolute TSR performance of Cable and Wireless plc or the Cable & Wireless Communications business.

Subsequent to the Scheme of Arrangement and demerger, some individuals' awards were adjusted into an award over shares in Cable & Wireless Communications Plc and some individuals retained their right to an award over one Cable & Wireless Communications Plc and one Cable & Wireless Worldwide plc share for every Cable and Wireless plc share they previously held.

Restricted Share Plan

Restricted shares are awarded to senior management and selected other employees, primarily as a retention or a recruitment tool. Generally, restricted shares vest over periods of one to three years from grant date.

Prior to the Scheme of Arrangement and demerger, restricted share awards made to Cable & Wireless Communications employees were made in respect of shares in Cable and Wireless plc. Subsequent to the Scheme of Arrangement and demerger, these awards have been adjusted to be an award over Cable & Wireless Communications Plc ordinary shares of an equivalent value.

Stock appreciation rights

Stock appreciation rights are used to replicate exactly the types of awards described above, but rewards are delivered as a cash equivalent. It is used in exceptional cases for countries in which tax or legal issues preclude the use of real shares or share options.

35 Share-based payments continued

Cable & Wireless Communications Share Purchase Plan

The Company also offers its employees, who are chargeable to income tax under Section 15 Income Tax (Earnings and Pensions) Act 2003, the opportunity to participate in the Cable & Wireless Communications Share Purchase Plan which is a HMRC-approved share incentive plan. Under the Share Purchase Plan, employees can contribute up to £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares in the Company, and the Company will offer a matching award of one share for each partnership share purchased.

The Cable & Wireless Communications Share Ownership Trust (formerly the Cable and Wireless Employee Share Ownership Trust)

The Cable & Wireless Communications Share Ownership Trust (the Trust) is a discretionary trust, which was funded by loans from Cable and Wireless plc (now Cable & Wireless Limited) to acquire shares in Cable and Wireless plc. Subsequent to the Scheme of Arrangement and demerger, the shares held by the Trust were converted into one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc for every share in Cable and Wireless plc held.

At 31 March 2011 the Trust held 40,054,310 shares in Cable & Wireless Communications Plc and 19,798,744 shares in Cable & Wireless Worldwide plc (2009/10 – 43,010,495 shares in Cable & Wireless Communications Plc, and 43,010,495 shares in Cable & Wireless Worldwide plc) with a market value of US$46 million (2009/10 – US$94 million).

Share awards

The equity instruments granted during the period can be summarised as follows:

Awards granted during 2010/11 and 2009/10

	Awards of Cable & Wireless Communications Plc shares granted during 2010/11			Awards of Cable and Wireless plc shares granted between 1 April 2009 and 19 March 2010		
Award	**Shares**	**Weighted average fair value (pence/share)**	**Features incorporated in schemes**	Shares	Weighted average fair value (pence/share)	Features incorporated in schemes
Restricted shares	**577,621**	**45**	**–**	717,236	130	–
Stock appreciation rights	**–**	**–**	**–**	589,039	142	–
Share purchase plan scheme (matching shares)	**147,264**	**57**	**–**	1,801,989	140	–
Performance shares	**7,645,106**	**30**	**TSR conditions**	17,596,285	71	TSR conditions

There were no Cable & Wireless Communications Plc share awards made between 19 March 2010 and 31 March 2010.

Only the performance share grants made during 2010/11 and 2009/10 have performance criteria attached. A fair value exercise was completed at 31 March 2011 for grants made during 2010/11 using the Monte Carlo method. The remaining awards had no performance conditions attached.

The Monte Carlo pricing model assumptions used in the pricing of the performance share grants in 2010/11 and 2009/10 were:

	2010/11	2009/10
Weighted average share price (pence per share)	**62.85**	140.00
Dividend yield	**6.0%**	6.2%
Expected volatility	**36.0%**	33.2%
Risk-free interest rates	**1.35%**	1.80%
Expected life in years	**3.0 years**	2.9 years

The total expense for continuing and discontinued operations relating to share-based payments which are equity settled transactions was US$3 million (2009/10 – US$27 million).

A summary of the outstanding share awards at 31 March 2011 and 31 March 2010 are as follows:

	31 March 2011		31 March 2010	
Award	**Number of shares outstanding**	**Weighted average remaining life (rounded to nearest year)**	Number of shares outstanding	Weighted average remaining life (rounded to nearest year)
Restricted shares	**1,964,956**	**1**	4,696,130	1
Restricted shares (TSR)	**5,500,000**	**–**	5,500,000	1
Share purchase plan scheme (matching shares)	**3,432,034**	**1**	3,749,609	2
Performance shares	**18,032,481**	**2**	10,387,375	2

36 Reconciliation of net funds

Funds are defined as cash at bank and in hand and short-term deposits. Debt is defined as loans and bonds.

A reconciliation of net cash flow to movement in net funds is as follows:

	2010/11 US$m	2009/10 US$m
(Decrease)/increase in cash during the year	**(196)**	41
Increase in debt financing	**(89)**	(268)
Cash outflow in net funds	**(285)**	(227)
Finance leases entered into during the year	**–**	(27)
Bond (amortisation)/net borrowing costs capitalised	**(5)**	8
Net debt of businesses acquired	**–**	(2)
Demerger of the Cable & Wireless Worldwide business (note 15)	**–**	68
Exchange differences	**(40)**	62
Movement in net funds in the year	**(330)**	(118)
Net debt at 1 April	**(664)**	(546)
Net funds at 31 March	**(994)**	(664)

Analysis of changes in net funds:

	At 1 April 2010 US$m	Cash flow US$m	Bond amortisation US$m	Transfers US$m	Exchange differences US$m	**At 31 March 2011 US$m**
Cash at bank and in hand	141	87	–	–	2	**230**
Short-term deposits	432	(283)	–	–	–	**149**
Total net funds/(debt)	573	(196)	–	–	2	**379**
Debt due within one year	(58)	37	–	(95)	–	**(116)**
Debt due after more than one year	(1,179)	(126)	(5)	95	(42)	**(1,257)**
Total debt	(1,237)	(89)	(5)	–	(42)	**(1,373)**
Total net debt	(664)	(285)	(5)	–	(40)	**(994)**

37 Commitments, guarantees and contingent liabilities

Commitments

The Group had capital commitments at the end of the financial year relating to the purchase of plant and equipment of US$64 million (2009/10 – US$34 million). No provision has been made for these commitments. US$12 million (31 March 2010 – US$30 million) of these commitments relate to the Group's share of the capital commitments of its joint ventures.

In addition, the Group has a number of operating commitments arising in the ordinary course of the Group's business. The most significant of these relate to network operating and maintenance costs. In the event of default of another party, the Group may be liable to additional contributions under the terms of the agreements.

The Group leases land and buildings and networks under various lease agreements. The leases have varying terms, escalations, clauses and renewal rights.

The operating lease expenditure related to the year ended 31 March 2011 is disclosed in note 7. The aggregate future minimum lease payments under operating leases are:

	31 March 2011 US$m	31 March 2010 US$m
No later than one year	41	39
Later than one year but not later than five years	88	98
Later than five years	37	45
Total minimum operating lease payments	**166**	182

Guarantees and contingent liabilities

Guarantees at the end of the financial year for which no provision has been made in the financial statements are as follows:

	31 March 2011 US$m	31 March 2010 US$m
Trading guarantees	38	10
Other guarantees	286	606
Total guarantees	**324**	616

Trading guarantees principally comprise performance bonds for contracts concluded in the normal course of business, guaranteeing that the Group will meet its obligations to complete projects in accordance with the contractual terms and conditions. The nature of contracts includes 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.

Other guarantees include guarantees for financial obligations principally in respect of borrowings, property and other leases and letters of credit, and include guarantees in respect of the demerged business of Cable & Wireless Worldwide.

Total guarantees at 31 March 2011 include US$17 million of other guarantees (2009/10 – US$563 million) relating to discontinued operations. The Cable & Wireless Communications Group has provided guarantees to third parties in respect of trading contracts between third parties and the Cable & Wireless Worldwide Group. The Cable & Wireless Worldwide Group has agreed a fee schedule with Cable & Wireless Communications Group for the benefit of these guarantees. To date, the Cable & Wireless Communications Group has not been required to make any payments in respect of its obligations under these trading guarantees.

Under the Separation Agreement, Cable & Wireless Communications and Cable & Wireless Worldwide agree to provide each other with certain customary indemnities on a reciprocal basis in respect of liabilities which the Cable & Wireless Communications Group may incur but which relate exclusively to the Cable & Wireless Worldwide Group and vice versa and in respect of an agreed proportion of liabilities which do not relate exclusively to one Group or the other.

Whilst Pender, the Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims. Details of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims.

In addition the Group, as is considered standard practice in such agreements, has given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Group also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

Whilst the Group has ceased participation in the Merchant Navy Officers Pension Fund, it may be liable for future contributions to fund a portion of any future funding deficits. Currently, the amount of these potential liabilities cannot be quantified.

38 Business combinations and acquisitions of non-controlling interests

Continuing operations

Dhivehi Raajjeyge Gulhun Private Ltd (Dhiraagu)

On 21 October 2009, the Group purchased a further 7% of the share capital of Dhiraagu from the Maldives Government for cash consideration of US$40 million. This transaction resulted in the Cable & Wireless Communications Group reclassifying its joint venture investment in this entity to a subsidiary investment. The goodwill recognised on acquisition was US$25 million and the net cash inflow on acquisition was US$36 million.

The Directors have made an assessment of the fair values of the assets and liabilities at the acquisition date. The fair values were as follows:

	Book value US$m	Fair value adjustments US$m	Final fair value at 30 September 2010 US$m
Property, plant and equipment	151	(3)	148
Customer contracts and relationships	–	51	51
Trademarks and other intangibles	–	18	18
Trade and other receivables	19	–	19
Inventories	3	(1)	2
Cash and cash equivalents	76	–	76
Trade and other payables	(91)	–	(91)
Total	158	65	223

The Directors made a provisional assessment of the fair values of the assets and liabilities at 31 March 2010. This assessment was updated at 30 September 2010 to adjust for new information regarding the previously assessed balances. This resulted in a decrease to the fair value of property, plant and equipment of US$3 million and a decrease to the fair value of inventories of US$1 million.

In 2009/10, from the date of its acquisition on 21 October 2009, Dhiraagu contributed US$69 million to Group revenue and US$28 million to Group profit. If the acquisition had occurred on 1 April 2009, the contribution to Group revenue for 2009/10 would have been US$148 million and the contribution to Group profit for 2009/10 would have been US$61 million.

Goodwill arising on the acquisition of Dhiraagu included the value of expected synergies resulting from the integration into the existing business, and the value of the workforce and other intangible assets that did not meet the recognition criteria set out in IAS 38 *Intangible Assets* as they were unable to be separately identified.

Monaco Telecom

Goodwill in connection with the Group's investment in Monaco Telecom SAM increased by US$19 million during the year (2009/10 – US$17 million decrease). The goodwill balance increased as a result of the payment of dividends to the Principality of Monaco, exchange movements and changes in the fair value of the put option.

38 Business combinations and acquisitions of non-controlling interests continued

As part of the acquisition of Monaco Telecom a put option was issued (note 29). Changes in the fair value of this put option are treated as contingent consideration and adjusted against goodwill. Cash dividends paid to the Principality of Monaco reflected an increase in the Cable & Wireless Communications Group's investment in Monaco Telecom and therefore an increase to goodwill.

	2010/11 US$m	2009/10 US$m
At 1 April	153	170
Increase/(decrease) as a result of changes in the fair value of Monaco put option	4	(29)
Dividends paid to the Principality	7	12
Increase due to exchange differences	8	–
At 31 March	**172**	153

Connecteo

During 2010/11, the Group increased its effective interest in Connecteo Holding SA by 35% to 100% for cash consideration of US$1 million. Connecteo was subsequently rebranded as Afinis Communications.

39 Related party transactions

Transactions with joint ventures

All trade transactions with joint ventures arise in the normal course of business and primarily relate to fees for use of the Group's products and services, network and access charges. There were no material trade transactions with joint ventures during the year.

The Group received dividends of US$9 million from joint ventures (2009/10 – US$52 million which included dividends from Dhiraagu before it became a subsidiary on 21 October 2010). At 31 March 2011, joint ventures owed US$1 million (31 March 2010 – US$4 million) in respect of trading balances.

Transactions with key management personnel

Two Directors of Cable & Wireless Communications Plc own unsecured bonds issued by Cable & Wireless Limited (formerly Cable and Wireless plc) and Cable & Wireless International Finance BV. These bonds had a nominal value at 31 March 2011 of US$4,211,156 (£2,630,000) (31 March 2010 – US$3,914,492 (£2,630,000)). The interest earned on these bonds during 2010/11 was US$354,033 of which US$154,103 remained unpaid at 31 March 2011 (2009/10 – US$364,082 of which US$143,247 remained unpaid at 31 March 2010).

Two Directors' spouses hold bonds issued by Cable & Wireless Limited (formerly Cable and Wireless plc) and Cable & Wireless International Finance BV. These bonds had a nominal value at 31 March 2011 of US$784,588 (£490,000) (31 March 2010 – US$729,316 (£490,000)). The interest earned on those bonds during 2010/11 was US$65,378 of which US$2,000 remained unpaid at 31 March 2011 (2009/10 – US$66,888 of which US$1,859 remained unpaid at 31 March 2010).

Transactions with other related parties

There are no controlling shareholders of the Group. There have been no material transactions with the shareholders of the Group.

Pensions contributions to Group schemes are disclosed in note 33.

Other than the parties disclosed above, the Group has no other material related parties.

40 Licences and operating agreements

In all countries in which it operates, the Group holds licences to operate or operating agreements. These licences and operating agreements take a variety of forms and their terms, rights and obligations vary significantly. The Group assumes that it will renew these licences and operating agreements as they expire. Previous history indicates this is the most likely outcome.

No licences or operating agreements were renewed during 2010/11.

During 2009/10, the Seychelles licence was renewed until 2024. No material changes were made to the terms of the licence, though it remains subject to review once amendments to the local broadcasting and telecommunications legislation are finalised.

Whilst the operating agreements between Monaco Telecom and the Principality of Monaco are not due to expire until 2023 they are currently undergoing consolidation into a single operating agreement. It is anticipated that this consolidation will be completed in the near future and that the consolidated licence terms will take effect from 1 April 2011. The Group does not anticipate that the consolidation will materially affect the terms under which Monaco Telecom operates its business.

The Group does not have any concession agreements with Governments that fall within the scope of IFRIC 12 *Service Concession Arrangements*.

On demerger of the Cable & Wireless Worldwide business, the Cable & Wireless brand was transferred to a joint venture entity owned by, and for the continuing use of, the Cable & Wireless Communications and Cable & Wireless Worldwide Groups. As part of this transfer, Cable & Wireless Communications received a royalty-free licence, granting rights to use the Cable & Wireless brand in all of the Group's jurisdictions with the exception of Macau and North and West Africa which are branded differently. Further, the Group retains a licence to use the Cable & Wireless logo globally.

There were no other significant changes to the terms of the licences held by the Group's subsidiaries or operating agreements with Governments during the periods presented.

41 Legal proceedings

In the ordinary course of business, the Group is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgement relating to provisions and contingent liabilities is required since the outcome of litigation is difficult to predict. The Group does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Group.

42 Subsidiaries and joint ventures

The Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affect the financial statements.

	Issued share capital (million)	Ownership %	Class of shares	Country of incorporation	Area of operation	Nature of business
Continuing operations						
Subsidiaries						
Cable & Wireless Jamaica Ltd	16,817	82	Ordinary	Jamaica	Jamaica	Telecommunications
Cable & Wireless Panama, SA[1]	316	49	Ordinary	Panama	Panama	Telecommunications
Companhia de Telecomunicacoes de Macau, SARL[2]	150	51	Ordinary	Macau	Macau and China	Telecommunications
Cable & Wireless (Barbados) Ltd	72	81	Ordinary	Barbados	Barbados	Telecommunications
Cable and Wireless (West Indies) Ltd	5	100	Ordinary	England	Caribbean	Holding Company
Dhivehi Raajjeyge Gulhun Private Ltd[3]	190	52	Ordinary	Maldives	Maldives	Telecommunications
Monaco Telecom SAM[5]	2	49	Ordinary	Monaco	Monaco	Telecommunications
Cable & Wireless Limited[6]	656	100	Ordinary	England	England	Holding Company
Sable International Finance Limited	–	100	Ordinary	Cayman	England	Finance Company
Cable & Wireless International Finance BV	1	100	Ordinary	Netherlands	England	Finance Company
Joint ventures						
Cable & Wireless Trademark Management Ltd	–	50	Ordinary	England	N/A	Owner of the Cable & Wireless brand
Telecommunications Services of Trinidad and Tobago Ltd[4]	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago	Telecommunications

1 The Cable & Wireless Communications Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.
2 This company has a financial year end of 31 December due to the requirements of the shareholders' agreement.
3 This company is referred to as Dhiraagu. From October 2009, this entity is a subsidiary (formerly a joint venture).
4 This company is audited by a firm other than KPMG and its international member firms.
5 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement. See below for further discussion.
6 Formerly Cable and Wireless plc.

On 18 June 2004 the Group acquired 55% of Monaco Telecom, a Monaco-based telecommunications service provider, from Vivendi Universal. Simultaneously with the acquisition, Cable & Wireless Communications transferred legal ownership of 6% of the shares of Monaco Telecom to an unrelated third party. The Group contractually retained voting and economic rights in the shares as part of the arrangement. In addition, the 6% interest is subject to certain put and call options that, together with the retained voting and economic rights, provide full management control of Monaco Telecom to the Group.

The Group has also entered into a shareholders' agreement with the Principality of Monaco (Principality) that contains, among other provisions, a prohibition on either the Group or the Principality (subject to certain limited exceptions) selling their shares in Monaco Telecom for five years, mutual pre-emption rights on transfer of shares and certain other limited rights in favour of the Principality. The Principality has a put option entitling it to put its 45% shareholding in Monaco Telecom to the Group at certain times after 1 January 2008. The exercise price under the put option is fair market value, taking into account the nature of the minority stake in Monaco Telecom (note 29).

Full details of all subsidiary undertakings, joint ventures and trade investments will be attached to the Company's next Annual Return, to be filed with the Registrar of Companies in England and Wales.

43 Financial risk management

Treasury policy

The Cable & Wireless Communications Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. Day to day management of treasury activities is delegated to the Group's treasury function (Treasury), within specified financial limits for each type of transaction and counterparty.

To the extent that subsidiaries undertake treasury transactions, these are governed by Group policies and delegated authorities. Material subsidiary positions are monitored by Treasury. Where appropriate, transactions are reported to the Board. All subsidiaries are required to report details of their cash and debt positions to Treasury on a monthly basis.

The key responsibilities of Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Group's cash resources (including facilities) and borrowings are managed centrally by Treasury.

The Cable & Wireless Communications Group may use derivatives including forward foreign exchange contracts, interest rate swaps, cross-currency swaps and options, where appropriate, in the management of its foreign currency and interest rate exposures. The use of these instruments is in accordance with strategies agreed from time to time by Treasury and subject to policies approved by the Board. Derivatives are not used for trading or speculative purposes and derivative transactions and positions are monitored and reported by Treasury on a regular basis and are subject to policies adopted by the Board.

Exchange rate risk

From the date of demerger on 26 March 2010, the Group's presentational currency became US dollars, as this is the predominant transaction currency of the Cable & Wireless Communications Group. The Group trades in many countries and a proportion of its revenue is generated in currencies other than US dollars, notably in euros, sterling and Jamaican dollars. The Group is exposed to movements in exchange rates in relation to non-US dollar currency payments (including external dividends, the London corporate centre costs, pension and share buy-back costs), dividend income from foreign currency denominated subsidiaries, reported profits of foreign currency denominated subsidiaries and the net asset carrying value of non-US dollar investments. Exchange risk is managed centrally by the London corporate centre on a matching cash flow basis including forecast foreign currency cash repatriation inflows from subsidiaries and forecast foreign currency payments. See note 4 for key exchange rates used.

Where appropriate, the Cable & Wireless Communications Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created where currencies do not naturally offset in the short term. The Group will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Group where appropriate. Where cost-effective and possible, foreign subsidiaries are financed in their domestic currency to minimise the impact of translation of foreign currency denominated borrowings.

As part of the overall policy of managing the exposure arising from foreign exchange movements relating to the net carrying value of overseas investments, the Group may, from time to time, elect to match certain foreign currency liabilities against the carrying value of foreign investments.

43 Financial risk management continued

The reported profits of the Group are translated at average rates of exchange prevailing during the year. Overseas earnings are predominately in US dollars or currencies linked to the US dollar. However the Group also has overseas earnings in other currencies of which sterling and euros are the most significant.

The Group is exposed to foreign currency risk in relation to financial instruments which are not in the functional currency of the entity that holds them. In broad terms, based on financial assets and liabilities as at 31 March 2011 the impact of a unilateral 10% weakening of the US dollar would have been to decrease profit by approximately US$23 million.

Interest rate risk

The Cable & Wireless Communications Group is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives in place as at 31 March 2011.

At 31 March 2011, 81% (31 March 2010 – 86%) of the Group's loans were at a fixed rate. A reduction in interest rates would have an unfavourable impact upon the fair value of the Group's fixed rate loans. However, no debt is held for trading purposes and it is intended that it will be kept in place until maturity. As a result, there is no exposure to fair value loss on fixed rate borrowings and, as such, its effect has not been modelled.

A one percentage point increase in interest rates will have a US$3 million impact on the income received from the surplus cash balances of the Group and a US$3 million impact on the floating rate loans of the Group. The impact on equity is limited to the impact on profit or loss.

Credit risk

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. The carrying amount of the financial assets of the Group represents the maximum credit exposure of the Group. Management seeks to reduce this credit risk by ensuring the counterparties to all but a small proportion of the Group's financial instruments are the core relationship banks, which are rated A1 short-term and/or AA long-term (or better) by Standard & Poor's (or equivalent by Moody's and/or Fitch). The credit rating of these counterparties is monitored on a continuing basis.

The types of instrument used for investment of funds are prescribed in Cable & Wireless Communications Group Treasury policies approved by the Board. These policies contain limits on exposure for the Group as a whole to any one counterparty of approximately US$100 million.

Credit risk on receivables is discussed in note 23.

Liquidity risk

The Group ensures that the operating units manage their own operational liquidity supported by the London corporate centre, which manages its own liquidity to meet its financial obligations of servicing and repaying external debt, external dividends, London costs and strategic initiatives. The principal source of liquidity for the London corporate centre is repatriation cash inflows from the operating units supported by bank finance, bond issuances and asset disposals.

At 31 March 2011, the Cable & Wireless Communications Group had cash and cash equivalents of US$379 million. These amounts are highly liquid and are a significant component of the Group's overall liquidity and capital resources, which also includes the undrawn revolving credit facility of US$500 million and an undrawn term loan facility of US$100 million. Of the undrawn facilities, an amount of US$160 million (2009/10 – US$149 million) is restricted as part of the contingent funding agreement in relation to the Cable & Wireless Superannuation Fund (note 33). After the reporting period, the Group utilised US$180 million of funding on the revolving credit facility to partly finance The Bahamas Telecommunications Company acquisition (note 45).

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Group.

Approximately 61% of the Group's cash is invested in short-term bank deposits and money market funds (2009/10 – 76%).

Certain foreign subsidiaries operate in jurisdictions which may restrict the ability to repatriate cash to the Group from time to time. Where restrictions are severe, local cash balances are excluded from cash and cash equivalents.

44 Reconciliation of GAAP to non-GAAP items

	2010/11 US$m	2009/10 US$m
Total operating profit	**536**	468
Depreciation and amortisation	**321**	348
LTIP charge	**24**	1
Net other operating expense/(income)	**28**	(3)
Share of profit after tax of joint ventures	**(31)**	(30)
Exceptional items	**(6)**	82
EBITDA	**872**	866

The Group uses EBITDA as a key performance measure as it reflects the underlying operational performance of the businesses. EBITDA is not a measure defined under IFRS. It is calculated as earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating and non-operating income and expense and exceptional items.

45 Events after the reporting period

Business combinations

Bahamas Telecommunications Company

On 6 April 2011, the Group acquired 51% of the share capital of the Bahamas Telecommunications Company (BTC) from the Government of the Commonwealth of The Bahamas for cash consideration of US$210 million. BTC is the exclusive mobile operator in The Bahamas as well as a leading provider of fixed-line and broadband services. It is complementary to the Group's Caribbean business, LIME, which is the leading full-service telecommunications provider in the region. The goodwill recognised of US$71 million on acquisition was based on a provisional assessment of the fair values of assets acquired and liabilities assumed. The net cash outflow on acquisition was US$151 million.

To partly finance the acquisition, the Group drew US$180 million of the US$500 million revolving credit facility (note 28).

The Directors have made a provisional assessment of the fair values of the assets and liabilities as at the acquisition date. The fair values were as follows:

	Book value US$m	Fair value adjustments US$m	Fair value at 6 April 2011 US$m
Property, plant and equipment	384	(125)	259
Customer contracts and relationships	–	31	31
Trademarks	–	1	1
Available-for-sale assets	20	–	20
Trade and other receivables	57	(10)	47
Inventories	13	(5)	8
Cash and cash equivalents	59	–	59
Trade and other payables	(96)	(10)	(106)
Financial liabilities at fair value through profit or loss	(2)	–	(2)
Provisions	–	(10)	(10)
Loans and borrowings	(34)	–	(34)
Total	401	(128)	273

Goodwill arising on the acquisition of BTC included the value of expected synergies resulting from the integration into the existing business and other intangible assets that did not meet the recognition criteria set out in IAS 38 *Intangible Assets* as they were unable to be separately identified. Acquisition-related costs of US$7 million were recorded in these financial statements as other operating expenses. Further acquisition-related costs are expected to be recorded in 2011/12 following completion. A non-controlling interest of US$134 million will be recognised in the 2011/12 accounts as at acquisition date measured at cost.

No revenue or profit related to BTC is included in these financial statements. For the statutory year ended 31 December 2010, BTC had total unaudited revenue of US$343 million and EBITDA of US$79 million.

Maldives currency partial flotation

On 11 April 2011, the Government of the Maldives announced a partial flotation of the Maldivian rufiyaa (MRF) within a range of 20% in either direction around the previously fixed rate of MRF 12.85 for USD 1.00.

The impact of the partial flotation is not reflected in these financial statements. However, a 20% devaluation of the Maldivian rufiyaa would have had the impact of reducing EBITDA by approximately US$14 million in 2010/11.

Accounts approval

These accounts were approved by the Board of Directors on 24 May 2011 and authorised for issue.

Independent auditor's report to the members of Cable & Wireless Communications Plc

We have audited the Parent Company financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2011 set out on pages 130 to 137. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 61, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2011.

Peter Meehan (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 May 2011

Company balance sheet
as at 31 March 2011

	Note	31 March 2011 US$m	31 March 2010 US$m
Fixed assets investments			
Investments in subsidiaries	7	**6,089**	6,086
Current liabilities			
Creditors: amounts falling due within one year	8	**4,035**	3,962
Net current liabilities		**(4,035)**	(3,962)
Net assets		**2,054**	2,124
Capital and reserves			
Called-up share capital	9	**133**	131
Share premium	10	**97**	62
Reserves	10	**1,824**	1,931
Equity shareholders' funds		**2,054**	2,124

The notes on pages 132 to 137 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 130 to 131 were approved by the Board of Directors on 24 May 2011 and signed on its behalf by:

Tony Rice Chief Executive

Tim Pennington Chief Financial Officer

Cable & Wireless Communications Plc Registered number – 07130199

Reconciliation of movements in equity shareholders' funds for the Company for the year ended 31 March 2011

	2010/11 US$m	Period from 19 January 2010 to 31 March 2010 US$m
Profit for the period	130	–
Issue of share capital	37	6,103
Share-based payment expenses	3	–
Capital reduction and demerger of the Cable & Wireless Worldwide business	–	(3,979)
Cash received in respect of employee share schemes	1	–
Own shares purchased	(34)	–
Equity element of the convertible bond	(2)	–
Dividends	(205)	–
(Decrease)/increase in equity shareholders' funds	**(70)**	2,124
Opening equity shareholders' funds	2,124	–
Closing equity shareholders' funds	**2,054**	2,124

The notes on pages 132 to 137 are an integral part of the financial statements of the Company.

1 Statement of accounting policies

Cable & Wireless Communications Plc (the Company) (formerly Cable & Wireless Communications Limited) was incorporated on 19 January 2010.

1.1 Basis of preparation

The Company's financial statements have been prepared in accordance with accounting standards applicable under generally accepted accounting principles in the United Kingdom and the provisions of the Companies Act 2006. They have been prepared on the historical cost basis where appropriate.

These financial statements set out the position of the Company and not the Cable & Wireless Communications Group (the Group) which it heads. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The Company is exempt under FRS 29 *Financial Instruments: Disclosures* from the requirement to provide its own financial instruments disclosures on the grounds that they are included in publicly available consolidated financial statements which include disclosures that comply with the IFRS equivalent standard.

The financial statements are presented in US dollars (US$), as this is the functional currency of the Company at 31 March 2011, and rounded to the nearest million. Until 26 March 2010, the functional currency of the Company was sterling. The functional currency was changed after the demerger of the Cable & Wireless Worldwide business as the Directors consider the US dollar to most faithfully represent the underlying transactions, events and conditions for the Company.

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 these estimates.

FRS 18 *Accounting Policies* requires that a description of the impact of any change in estimation techniques should be provided where the change has a material impact on the reported results for the period.

1.2 Investments in subsidiaries

Investments in subsidiaries are included in the balance sheet at historical cost less any impairments recognised. Impairment reviews are carried out whenever events or changes in circumstances indicate that the carrying amount of the investment may not be fully recoverable. Impairments are determined by comparing the carrying value of the investment in the subsidiary to its recoverable amount, being the higher of the subsidiary's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the subsidiary with reference to the Group's own projections using pre-tax discount rates which represent the estimated weighted average cost of capital for the Company. Impairments are recognised in profit or loss.

1.3 Financial instruments

Financial assets and liabilities

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Company currently does not hold or classify any financial assets under these categories. The basis of determining fair values is set out in note 1.4.

Management determines the classification of its financial assets at initial recognition in accordance with FRS 26 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through profit or loss.

Recognition and measurement

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

1.4 Fair value estimation

The nominal value (less estimated impairments) of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.

1.5 Tax
The charge for tax is based on the result for the period and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date.

1.6 Dividends
Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

1.7 Share-based compensation
The Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the subsidiary companies over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the profit and loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised. The Company recognises an additional investment in subsidiaries equivalent to the equity instruments granted, being a capital contribution to those subsidiaries.

2 Company's profit and loss account
The Company has taken advantage of the exemption contained in section 408(3) of the Companies Act 2006 and has not presented its own profit and loss account. The profit for the year ended 31 March 2011 amounted to US$130 million (2009/10 – US$0.2 million profit).

3 Remuneration of Directors
Information covering Directors' remuneration, interests in shares, share options and pension benefits is set out in the Directors' remuneration report on pages 48 to 60.

4 Scheme of arrangement and demerger
At a General Meeting on 25 February 2010, the shareholders of Cable and Wireless plc approved the demerger of the Cable & Wireless Worldwide business. On 19 March 2010, Cable & Wireless Communications Plc was inserted as a new holding company for the Cable & Wireless Group (now Cable & Wireless Communications Group) and on 22 March 2010 shares in Cable & Wireless Communications Plc were listed on the London Stock Exchange. On 26 March 2010 (the demerger date), the Cable & Wireless Worldwide businesses were transferred to an unrelated company, Cable & Wireless Worldwide plc, in exchange for the entire share capital of that company.

Refer to note 15 of the consolidated financial statements for further information.

5 Staff numbers and costs
The average monthly number of persons employed by the Company (including Directors) during the year was nil (2009/10 – five).
Their costs for the year ended 31 March 2011 were US$nil million (2009/10 – US$nil million).

6 Share-based payments
The details of share option schemes and other share-based plans are disclosed in note 35 to the consolidated financial statements.

The total additional investment in subsidiaries relating to equity settled share-based payments was US$3 million.

7 Fixed asset investments

	Subsidiary undertakings US$m
Cost	
At 1 April 2010	6,086
Capital contribution (note 6)	3
At 31 March 2011	**6,089**
Net book value	
At 31 March 2011	**6,089**
At 31 March 2010	6,086

8 Creditors

	31 March 2011 US$m	31 March 2010 US$m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	**4,031**	3,845
Other creditors	**4**	117
Total creditors	**4,035**	3,962

There is no material difference between the carrying amount and fair value of creditors at 31 March 2011.

9 Called-up share capital

The Company was incorporated on 19 January 2010. On incorporation, the Company's authorised share capital was US$2 consisting of two ordinary shares of US$1.

On 25 January 2010, the Company issued two redeemable preference shares of £25,000 each. The preference shares were allotted for cash and remained unpaid (by virtue of the holder giving an undertaking to pay up each share to such amount pursuant to section 583(2) and 583(3) of the Companies Act 2006 (the Act)). On the same date, the existing ordinary shares of US$2 were subdivided into 40 ordinary shares of US5 cents each.

On 19 March 2010, the authorised share capital of the Company was increased to US$131 million by the creation of 2,624,571,984 ordinary shares of US5 cents each. In addition, 2,624,571,984 B shares were created of 6.15 pence each with a total nominal value of £161 million (US$247 million).

On 19 March 2010, the Company issued 2,624,571,984 of ordinary shares of US5 cents (US$131 million) and the same number of B shares of 5 pence each (with a combined market value of 239 cents) to the public shareholders of Cable and Wireless plc in exchange for the entire share capital of Cable and Wireless plc as part of the Scheme of Arrangement. The ordinary shares and B shares were stapled to each other until demerger.

On 26 March 2010, the Company demerged the Cable & Wireless Worldwide business. This involved a court-approved capital reduction by cancelling the B shares in their entirety and the proportion of the share premium account attributable to the B shares. In consideration, Cable & Wireless Worldwide plc issued ordinary shares of 5 pence each to the shareholders of the Company on the basis of one new Cable & Wireless Worldwide plc share for every Cable & Wireless Communications Plc B share held. The total market value of Cable & Wireless Worldwide plc shares issued was US$3,979 million, being the market value of the Cable & Wireless Worldwide business at this date.

At the same time, the share premium relating to the ordinary shares of Cable & Wireless Communications Plc was reduced by US$1,931 million to US$62 million by way of a court-approved capital reduction scheme in accordance with section 641 of the Act. This had the effect of creating a capital reserve of US$1,931 million, which may be released, in whole or in part, to distributable reserves of the Company at the discretion (and upon the resolution) of the Board of Directors or a duly constituted committee of the Board of Directors.

Immediately following demerger on 26 March 2010, the preference shares were redeemed and pursuant to Article 8 of the Articles, the nominal amount of such redeemable preference shares comprised in the authorised share capital were subdivided and converted into ordinary shares of US5 cents each.

On 12 August 2010 the Company issued 41,039,703 ordinary shares of US5 cents each with a cash equivalent value of US$37 million as payment for dividends by scrip. This was a non-cash transaction.

In 2010/11 the Board of Directors approved the release of US$742 million from the capital reserve to distributable reserves.

	Number of shares (000)	US$m
At 1 April 2010	2,624,572	131
Allotted under scrip dividends	41,040	2
At 31 March 2011	**2,665,612**	**133**

10 Share capital and reserves

	Share capital US$m	Share premium US$m	Other reserve US$m	Profit and loss account US$m	**Total US$m**
At 1 April 2010	131	62	1,931	–	**2,124**
Shares issued	2	35	–	–	**37**
Profit for the period	–	–	–	130	**130**
Transfers to retained earnings	–	–	(742)	742	**–**
Equity element of the convertible bond	–	–	(2)	–	**(2)**
Cash received in respect of employee share schemes	–	–	–	1	**1**
Share-based payment expenses	–	–	–	3	**3**
Own shares purchased	–	–	–	(34)	**(34)**
Dividends	–	–	–	(205)	**(205)**
At 31 March 2011	**133**	**97**	**1,187**	**637**	**2,054**

The Company had 42,762,000 treasury shares at 31 March 2011 (31 March 2010 – nil).

The other reserve relates to the cancellation of the B shares and the capital reduction occurring on the demerger of the Cable & Wireless Worldwide business. The other reserve may be treated as realised profit, subject to the resolution of the Directors.

Share buy-back

On 21 July 2010, the Group's shareholders approved a resolution at the AGM for the Group to purchase up to 262 million ordinary shares. This authority to buy-back these shares expires at the conclusion of the Company's AGM in 2011 or 30 September 2011, whichever is the earlier. Under the resolution, during the year ended 31 March 2011, the Company purchased 42,762,000 ordinary shares at an average price of 49 pence per share (US80 cents per share), with a nominal value of US$2 million, for a consideration of US$34 million. Consideration included stamp duty and commission of US$0.2 million. At 31 March 2011 these are classified as treasury shares. This represented 2% of called-up share capital at the beginning of the year.

11 Related party transactions

Under FRS 8 *Related Party Disclosures*, the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless Communications Group, or investees of the Group qualifying as related parties, as all of the Company's voting rights are controlled within the Group.

Transactions with key management personnel

Two Directors of Cable & Wireless Communications Plc own unsecured bonds issued by Cable & Wireless Limited (formerly Cable and Wireless plc) and Cable & Wireless International Finance BV. These bonds had a nominal value at 31 March 2011 of US$4,211,156 (£2,630,000) (31 March 2010 – US$3,914,492 (£2,630,000)). The interest earned on these bonds during 2010/11 was US$354,033 of which US$154,103 remained unpaid at 31 March 2011 (2009/10 – US$364,082 of which US$143,247 remained unpaid at 31 March 2010).

Two Directors' spouses hold bonds issued by Cable & Wireless Limited (formerly Cable and Wireless plc) and Cable & Wireless International Finance BV. These bonds had a nominal value at 31 March 2011 of US$784,588 (£490,000) (31 March 2010 – US$729,316 (£490,000)). The interest earned on those bonds during 2010/11 was US$65,378 of which US$2,000 remained unpaid at 31 March 2011 (2009/10 – US$66,888 of which US$1,859 remained unpaid at 31 March 2010).

11 Related party transactions continued

Transactions with other related parties

There are no controlling shareholders of the Company (2009/10 – no controlling shareholders).

There have been no material transactions with the shareholders of the Company (2009/10 – no material transactions).

12 Subsidiaries and joint ventures

The Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affects the figures shown in the financial statements.

	Issued share capital (million)	Ownership %	Class of shares	Country of incorporation	Area of operation	Nature of business
Continuing operations						
Subsidiaries						
Cable & Wireless Jamaica Ltd	16,817	82	Ordinary	Jamaica	Jamaica	Telecommunications
Cable & Wireless Panama, SA[1]	316	49	Ordinary	Panama	Panama	Telecommunications
Companhia de Telecomunicacoes de Macau, SARL[2]	150	51	Ordinary	Macau	Macau and China	Telecommunications
Cable & Wireless (Barbados) Ltd	72	81	Ordinary	Barbados	Barbados	Telecommunications
Cable and Wireless (West Indies) Ltd	5	100	Ordinary	England	Caribbean	Holding Company
Dhivehi Raajjeyge Gulhun Private Ltd[3]	190	52	Ordinary	Maldives	Maldives	Telecommunications
Monaco Telecom SAM[5]	2	49	Ordinary	Monaco	Monaco	Telecommunications
Cable & Wireless Limited[6]	656	100	Ordinary	England	England	Holding Company
Sable International Finance Limited	–	100	Ordinary	Cayman	England	Finance Company
Cable & Wireless International Finance BV	1	100	Ordinary	Netherlands	England	Finance Company
Joint ventures						
Cable & Wireless Trademark Management Ltd	–	50	Ordinary	England	N/A	Owner of the Cable & Wireless brand
Telecommunications Services of Trinidad and Tobago Ltd[4]	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago	Telecommunications

1 The Cable & Wireless Communications Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.
2 This company has a financial year end of 31 December due to the requirements of the shareholders' agreement.
3 From October 2009, this entity is a subsidiary (formerly a joint venture).
4 This company is audited by a firm other than KPMG and its international member firms.
5 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement.
6 Formerly Cable and Wireless plc.

The Company does not have any direct investment in the above subsidiaries and joint ventures, with the exception of Cable & Wireless Limited.

Full details of all subsidiary undertakings, joint ventures and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies in England and Wales.

13 Dividends

	2010/11 US$m
Final dividend in respect of the prior year	135
Interim dividend in respect of the current year	70
Total dividend paid	205

During the year ended 31 March 2011 the Company declared and paid a final dividend of 3.34 pence per share (US4.97 cents per share) in respect of the year ended 31 March 2010. Beginning with the interim dividend in respect of 2010/11, the Group declares dividends in cents per share. The Group declared and paid an interim dividend of US2.67 cents per share in respect of the year ended 31 March 2011.

In respect of the year ended 31 March 2011, the Directors have proposed a final dividend of US5.33 cents per share, for approval by shareholders at the AGM to be held on 22 July 2011. These financial statements do not reflect the proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 March 2012.

The number of shareholders electing to take all or part of their dividends in shares varies from dividend to dividend. 13,443 shareholders owning 701 million shares elected to take the 2009/10 final dividend wholly or partly in shares. Consequently, 41,039,703 total shares were issued with a value of US$37 million. The Cable & Wireless Communications Share Ownership Trust (formerly the Cable & Wireless Employee Share Ownership Plan Trust) waived its right to dividends on the shares held in the Trust.

14 Commitments

The Company had no capital commitments at 31 March 2011 (31 March 2010 – no capital commitments).

15 Guarantees and contingent liabilities

Under the Separation Agreement, Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc agree to provide each other with certain customary indemnities on a reciprocal basis in respect of liabilities which Cable & Wireless Communications may incur but which relate exclusively to the Cable & Wireless Worldwide Group and vice versa and in respect of an agreed proportion of liabilities which do not relate exclusively to one group or the other.

Whilst Pender, the Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims. Details of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims.

In addition the Company, as is considered standard practice in such agreements, has given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Company also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

Whilst the Company has ceased participation in the Merchant Navy Officers Pension Fund, it may be liable for future contributions to fund a portion of any future funding deficits. Currently, the amount of these potential liabilities cannot be quantified.

16 Events after the reporting period

Events after the reporting period are detailed in note 45 to the consolidated financial statements.

Shareholder information

Registrar
If you have any queries regarding your shareholding in Cable & Wireless Communications Plc, please contact:

Equiniti
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
Telephone 0871 384 2104[1]
(UK shareholders)
+44 (0)121 415 7052
(overseas shareholders)

Shareholders can view up-to-date information about their shareholding at www.shareview.co.uk

ShareGift
If you have a small number of shares whose value makes them uneconomic to sell, you may wish to consider donating them to charity. ShareGift is a registered charity (no. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. Further information about ShareGift and the charities it supports is available at www.ShareGift.org or by contacting them at:

17 Carlton House Terrace
London SW1Y 5AH
Telephone +44 (0)20 7930 3737

Registered Office and Company Secretary
The Company's Registered Office and Head Office is:

3rd Floor, 26 Red Lion Square
London WC1R 4HQ
Telephone +44 (0)20 7315 4000

Clare Underwood is the Company Secretary.

Investor Relations
Enquiries may be directed to:

Director, Investor Relations
3rd Floor, 26 Red Lion Square
London WC1R 4HQ
Telephone +44 (0)20 7315 4000
Email: investor.relations@cwc.com

Financial calendar

Ex-dividend date	1 June 2011
Record date	3 June 2011
Last date for election to join dividend reinvestment plan	15 July 2011
Last date for election to receive dividend in US dollars	15 July 2011
Notification of sterling dividend payment amount	21 July 2011
AGM	22 July 2011
Payment of final dividend	12 August 2011
Announcement of interim results 2011/12	3 November 2011

Updates to the financial calendar will be available on the Company's website www.cwc.com when they become available.

Dividends
Dividends are declared by the Company in US dollars. The default payment currency for dividends is sterling and shareholders may elect to receive payment in US dollars. The actual sterling amount of any dividend payable by the Company from time to time will be based on the sterling/US dollar exchange rate in effect on a date chosen by the Directors nearer to the relevant payment date.

A Currency Mandate Form to receive dividends in US dollars may be requested from Equiniti or can be found on the Company's website www.cwc.com. Any election to receive dividends in US dollars will remain in force until cancelled.

The table below sets out the sterling amounts of the interim, final and total gross dividends paid per ordinary share.

			Pence per ordinary share
Year ended	Interim	Final	Total
31 March 2010	3.16*	3.34**	6.50

* Paid by Cable and Wireless plc
** Paid by Cable & Wireless Communications Plc

The table below sets out the US dollar amounts of the interim, final and total gross dividends paid or proposed per ordinary share.

			Cents per ordinary share
Year ended	Interim	Final	Total
31 March 2011	2.67	5.33	8.00

If your dividend is paid directly into your bank or building society, you will receive one consolidated tax voucher each year, which is sent to you in January at the time that the interim dividend is paid. If you would prefer to receive a tax voucher with each dividend, please contact our shareholder helpline on 0871 384 2104[1].

If your dividend is not currently paid direct to your bank or building society and you would like to benefit from this service, please contact our shareholder helpline on 0871 384 2104[1]. By receiving your dividends in this way you can avoid the risk of cheques getting lost in the post. It is also now possible for shareholders in over 30 countries worldwide to benefit from a similar service. Further information can be obtained from www.shareview.co.uk or by calling +44 (0)121 415 7052.

Cable & Wireless Communications Plc will offer a dividend reinvestment plan for the final dividend and subsequent dividends. Shareholders wishing to join the dividend reinvestment plan for the final dividend and

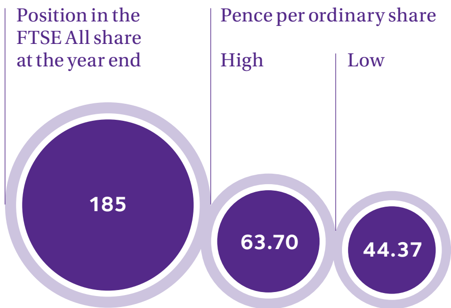
1 Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

future dividends should return a completed mandate form to the Registrar, Equiniti, by 15 July 2011. Copies of the dividend reinvestment plan brochure can be obtained either from Equiniti or from our website, www.cwc.com. The scrip dividend scheme will no longer be offered to shareholders.

Cable & Wireless Communications Plc trading market
The Company's shares are traded on the London Stock Exchange. The Company had a market capitalisation of approximately £1,195 million on 31 March 2011.

The table below details the position in the FTSE All Share and the high and low middle market quotations for the ordinary shares on the London Stock Exchange as reported on its Daily Official List.

31 March 2011



LSE ticker: CWC.
ISIN: GB00B5KKT968

Electronic communication
Together with Equiniti, Cable & Wireless Communications Plc is able to offer shareholders the option to manage their shareholding online. To make use of this facility, please register at www.shareview.co.uk following the onscreen instructions.

The Company also offers shareholders the option to receive communications from the Company electronically as an alternative to receiving documents through the post.

Unsolicited mail
Company law allows people unconnected with the Company to obtain a copy of our share register. As a consequence, shareholders may receive unsolicited mail, including mail from unauthorised investment firms. For more information on unauthorised investment firms targeting UK investors, you should visit the website of the Financial Services Authority (www.moneymadeclear.fsa.gov.uk/guides/staying_safe/staying_safe_against_scams).

If you wish to limit the amount of unsolicited mail you receive, please contact:

The Mailing Preference Service
DMA House
70 Margaret Street
London W1W 8SS
Telephone 0845 703 4599
Online www.mpsonline.org.uk

Documents on display
Shareholders can view the service contracts of Executive Directors, the letters of appointment of Non-executive Directors and a copy of the draft rules of The Cable & Wireless Communications 2011 Performance Share Plan and a copy of the draft deed of trust constituting The Cable & Wireless Communications 2011 Employee Share Ownership Trust at the Company's Registered Office. Shareholders may also obtain copies of the Company's Memorandum and Articles of Association at the Company's Registered Office or on the website (www.cwc.com).

Distribution and classification of Cable & Wireless Communications Plc shareholdings

Shares at 31 March 2011	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	65,329	67.96	27,526,001	1.03
1,001–10,000	28,206	29.34	73,043,561	2.74
10,001–100,000	2,107	2.19	49,243,952	1.85
100,001–1,000,000	298	0.31	110,786,751	4.16
1,000,001 and over	193	0.20	2,405,011,462	90.22
Total	93,133	100.00	2,665,611,727	100.00

At 24 May 2011, the Company had 92,257 shareholders on record.

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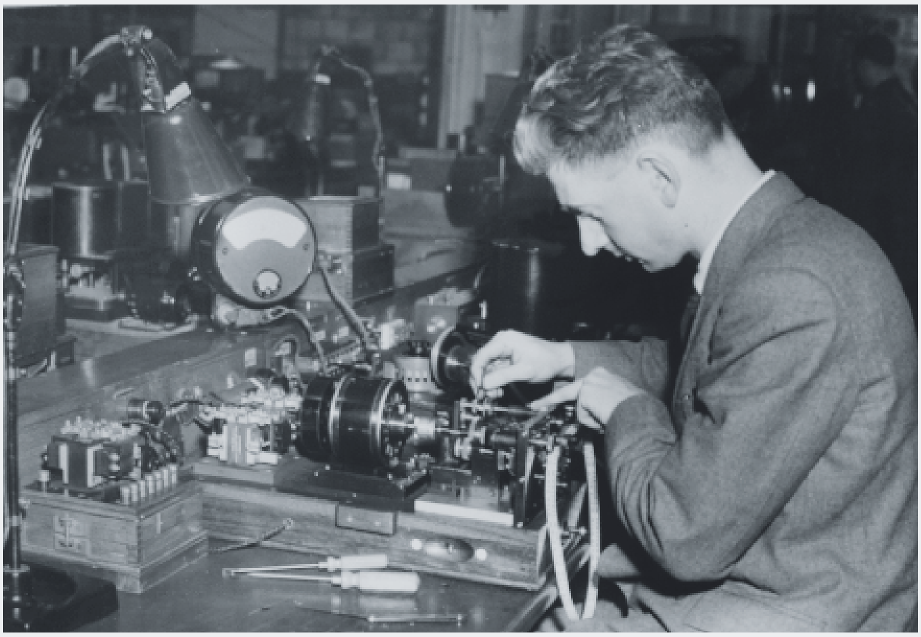
Past & present



The important role that telecommunications played in the past and its ongoing contribution to societies around the world today is captured in the exhibitions and archives of the Porthcurno Telegraph Museum in Cornwall.

World class Collection
Porthcurno Bay, in the far west of Cornwall, occupies an important position in history as one of the most strategically important communications sites in mainland Britain.

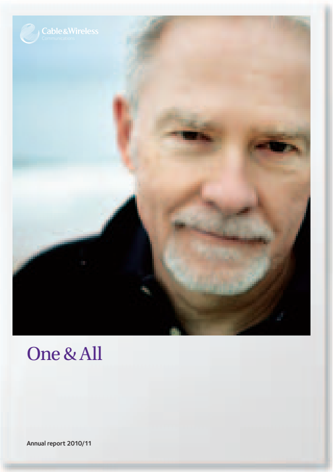
As the landing point of Britain's first undersea cable, laid in 1870 by the Eastern Telegraph Company (later to be renamed Cable & Wireless), Porthcurno grew to house the world's largest submarine telegraph station. Telegraph technology, the use of electrical pulses to send morse code messages, was a breakthrough in communications enabling people to communicate internationally for the first time. This communications hub became so strategically important to Britain that during World War II the telegraph station was moved into underground tunnels to hide it from enemy attack. Porthcurno later became home to the Cable & Wireless international training college, a leading training institution for telegraph technology.

Following the closure of the telegraph station in 1970 and the training school in 1993, the Porthcurno (PK) Trust was formed to run the Porthcurno Telegraph Museum, to preserve and promote the unique history of the site and collection.

History of the Company
Cable & Wireless Communications is proud to sponsor the Porthcurno Telegraph Museum and the PK Trust. The Trust maintains the historical archive of the old Cable & Wireless Group, from staff records to artefacts from the company and the places touched by the Cable & Wireless telegraph service. The museum is an educational charity, focused on the history of science and innovation.

It is housed in heritage listed buildings, including the secret underground tunnels built in 1941. The Porthcurno Telegraph Museum provides a great day out for young and old alike.

Tel: +44 (0) 1736 810 966
www.porthcurno.org.uk



For further information go to www.cwc.com