Transforming our business

Annual report 2012/13

Cable&Wireless Communications

This has been a transformational year for Cable & Wireless Communications (CWC). There has been continued demand for mobile data, and we have reduced our operating costs, particularly in the Caribbean. The sale of our Islands and Macau divisions has focused our business on Panama and the Caribbean – a region we call pan-America. These continuing operations are therefore the focus of this report. The reshaping of our business positions us for future growth.

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During the period, CWC announced that it entered into two significant disposal transactions. In this Annual Report and Accounts, Panama, the Caribbean and Monaco are classified as continuing operations. Our businesses in the Maldives, Channel Islands and Isle of Man, the Seychelles, South Atlantic, Diego Garcia and Macau have been treated as discontinued operations within CWC's reported results. A full list of definitions for terms included in this report appear on page 136.

Pages 1 to 67 inclusive (together with the information incorporated by reference) consist of a Directors' report, prepared in accordance with and in reliance on English company law.

Highlights

Highlights below are detailed for the Group, with reported numbers for our continuing business in italics.

	Group	*Continuing business*
Revenue The income from sales of our products and services.	US$2.9bn 0%	*US$1.9bn* *(4%)*
EBITDA This measure of trading profit provides a guide to our ongoing performance.	US$905m 0%	*US$589m* *0%*
Capital expenditure Our spending on the plant and equipment for our business.	US$347m (15%)	*US$263m* *(16%)*
Operating cash flow A measure of cash collected to fund our ongoing operations.	US$558m 13%	*US$326m* *18%*
Adjusted earnings per share The amount we earn for each share in our Company.	US6.6c 2%	*US1.9c* *12%*
Full year dividend The amount paid out for each share in our Company.	US4c	

Percentages represent change on 2011/12 results

Our business is based in pan-America, a region consisting of the countries which lie in and around the Caribbean basin.

Where we operate

We can trace our involvement in the region back to the 1870s and have been supporting the development of its telecoms infrastructure since that time.

We control 14 businesses within the Caribbean, with the largest markets being Jamaica, The Bahamas and Barbados. We also hold a minority stake in TSTT in Trinidad and Tobago. In Central America we are the leading operator in Panama.

Across the region we have an extensive grid of sub-sea cable networks and sell carrier services in 40 countries.

We are also the majority shareholder in Monaco Telecom, Monaco's leading telecoms operator.

Our brands

Panama

cwmovil.com

mastvdigital.com

Cable&WirelessPanamá

cwpanama.com

Caribbean

lime.com

btcbahamas.com

Key facts

3.5m*
Population of Panama

2.9m*
Population of Jamaica

319,000*
Population of The Bahamas

*Source: CIA World Factbook

Our network connects the lives of our customers.

At home
Triple play and quad play
In several locations we enable customers to purchase good value combinations of our pay TV, broadband, fixed line and mobile services.

In the community
Social telecoms
We help governments to improve the efficiency and cost of delivering public services in areas such as healthcare, emergency services, law and order and online education.

At work
Managed services and data centres
We manage major projects to upgrade and install telecoms services for businesses. We also store data securely on behalf of businesses and governments.

Our services

Our networks
Mobile
Our mobile networks enable customers to make calls, send messages and access the internet. We have 3.4 million mobile customers.

Broadband
We provide high speed fixed broadband to homes and workplaces. Increasing broadband speed and reliability is important to our customers as the amount of services, applications and internet-enabled devices increases. We have 366,000 broadband customers.

Fixed line
We own fixed line networks enabling us to provide landline and other services to customers, from residential subscribers through to large-scale enterprises and governments. Fixed line is the backbone which supports our other networks. We have 1.1 million fixed line customers.

Between nations
Carrier
Our extensive sub-sea cable network grid carries voice and data traffic internationally on behalf of consumers, enterprises and other telecoms operators.

Key facts

25%
Mobile data penetration for CWC in 2012/13

85,000
People in 2012 who were helped by calling the 911 emergency services platform that we provide in Panama City

26
Sub-sea and terrestrial cable systems

Chairman's review

"We will now run our businesses, in the Caribbean and Panama, as a unified operation."

Sir Richard Lapthorne, CBE
Chairman

2012/13 Highlights

- Dividend of US4 cents
- Agreed sale of majority of Monaco & Islands division for US$680 million
- Agreed sale of Macau division for a total consideration of US$750 million

2012/13 has been a milestone year for our Company.

It has been a year in which we executed several key strategic initiatives, most notably selling our Macau and Islands businesses to focus the Group on one region – pan-America.

Cable & Wireless Communications' historic operating model has been as a telecoms 'finance house', owning and managing a portfolio of assets. The strategic shift we have undertaken during the year has converted the Group to being a telecoms operator.

We will now run our businesses, in the Caribbean and Panama, as a unified operation. This will involve establishing a totally different structure for managing the Group and its operations, with the Group's central function and operational control co-located in a new facility in the region.

With this structure we will be able to reduce the layers of management, bring our best talent to exercise management control across the region and reinforce the accountability of our front line managers.

It is a clear break from the traditional approach of CWC, and Cable & Wireless Group before that, but it is the organisational approach that best captures the opportunity for our business and hence for establishing sustainable value for the firm.

The fundamental drivers of our business remain strong. In the pan-America region demand for the mobile and fixed data services we provide is growing. Our business posted a 34% increase in mobile data service revenues in 2012/13 and the penetration of data services in the region is still below developed markets such as the US and Europe.

Positive value

"The fundamental drivers of our business remain strong. In the pan-America region demand for the mobile and fixed data services we provide is growing."

A focus on governance

The Board remains committed to the high standards of corporate governance that we have developed over several years.

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Key Performance Indicators

We track a range of measures to monitor our operations and services.

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Ahead of full implementation of the changed approach we are also improving the productivity of the business, by tackling our cost base, particularly in the Caribbean. This will improve our margins as well as the services we provide to customers.

The new approach will, however, not affect our business practices or corporate standards. The growth and development of this Group over its history has been based on strong ethical principles, which will remain firmly embedded in our organisation.

We have always been a vital part of the communities we serve – from providing the technology and networks that our customers use to connect with each other, to our support for the key institutions of the societies we operate in.

For example, we take a firm public stance against corruption and unethical business practice. Corruption damages business, discourages investment, stifles innovation and ultimately costs consumers. CWC already has rigorous procedures in place to attempt to prevent improper activities in our business, and we have set several further priorities to improve our practices, as well as setting an example to our industry. We have set out further detail on our position in the CSR report on pages 20 to 23.

With all the activity during the year devoted to progressing complex portfolio changes we were constantly aware of the risk of distraction from our usual attention to operational supervision. However, amid a very active year for the business, we have also achieved a strong operating performance, delivering the results we forecast at the start of the year.

Group revenue of US$1.9 billion and EBITDA of US$589 million represented a solid performance, and our cash generation was strong. For a full commentary on the results, please see the Finance review on pages 24 to 30.

As we continue the process of change we remain committed to maintaining returns to our shareholders via our dividend. The Board has recommended a dividend of US4 cents for the 2012/13 year, and committed to maintaining the US4 cents payment in 2013/14. We aim to progressively grow our dividend in line with future performance.

Finally, these results and the transformation of the business would not have been possible without the efforts of our committed colleagues. Those who will leave the Group with the disposals, and those who remain, have done an excellent job in meeting the needs of our customers. On behalf of the Board, I thank them all for their efforts.

Sir Richard Lapthorne, CBE

Chief Executive's review

"We have set a target of US$100 million of annual cost savings to be achieved over the next two years."

Tony Rice
Chief Executive

2012/13 has been a successful year for Cable & Wireless Communications, and brought our business to a key inflection point.

As a Group we achieved 'structural coherence' following our announced divestments of the Macau and Islands operations – a strategy we have pursued since our demerger from Cable & Wireless Group in 2010. We are now a business focused entirely on one region, pan-America, where we have a great platform from which to build.

This structural clarity allows us to review our operating model and management approach and make changes to create a more unified, effective and cost-efficient business. The streamlined business will also help us to adapt in the new age of telecoms where data rather than voice is the primary product and customer priority.

We have established a strong foundation from which to grow the business, our challenge is now to deliver.

2012/13 Performance

The business performance in 2012/13 was solid, but highlighted the unequivocal shift to a data-centric marketplace.

Mobile data revenue grew by 34% during the year as our customers continued to rapidly migrate on to smartphones. In contrast our voice revenue declined, particularly in fixed line services.

In Panama the growth of mobile data drove a 3% increase in mobile revenue, despite continued intense competition in the market.

Mobile data made a similar contribution to strong financial performance in The Bahamas, as our 4G network came online. We also continued to improve efficiency and customer experience in this market.

Our Jamaica business has struggled in the face of mobile competition in recent years, but following positive

2012/13 Highlights

— US$210 million mobile data revenue in Panama and the Caribbean

— 17% increase in Panama mobile average revenue per user

— 75,000 new mobile customers in Jamaica

regulatory changes our team launched a terrific fight-back campaign and increased customers by 16%.

Trading conditions in the rest of the Caribbean were challenging, but we continued to enhance the services we deliver in markets with higher GDP and announced plans to build fibre broadband networks in the Cayman Islands and Barbados.

We also demonstrated our ability to tackle costs during the year, with the outsourcing of our retail operations in Barbados and our network management in Jamaica contributing to a reduced cost base in the Caribbean.

Performance in our other divisions, Macau and Monaco & Islands, was positive, with Monaco Telecom having benefited from the elimination of loss-making activities to post EBITDA 27% higher.

New operating model

Having unified our business we can now bring our management teams together, including moving our senior management closer to our operations, and most importantly, closer to our customers. We have announced plans to establish a new corporate headquarters in southern Florida, USA. The Group will remain listed on the London Stock Exchange, but our key corporate functions will be based in the new HQ and our management team will take a more operational approach.

This fundamental change to our operating model will enable us to drive significant cost out of the business. We have set a target of US$100 million of annual cost savings to be achieved over the next two years. The savings will come through productivity improvement and the realisation of synergies as we unify the business.

This will improve our cash flow and margins, particularly in our Caribbean business. Our operating margin in the Caribbean is currently 24% and we have set a target of raising it to above 30% in the medium term.

Investment

Proceeds from the disposals will also give us the financial flexibility to invest in the future of CWC.

Such investment will be focused on:

— Organic – Quality network infrastructure and systems to deliver the best possible customer experience

— Inorganic – Acquisitions that we can develop into full service businesses within our target footprint

Having introduced high speed mobile data networks in our key markets the next frontier is 'Long Term Evolution' technology which will enable our customers to easily stream video on their smartphones. We are in the early stages of introducing this in The Bahamas and expect to launch a commercial proposition in 2013/14.

Customer service remains a cornerstone of what we do and so we will continue to invest in facilities that help us to improve the experience we deliver.

We have strict criteria for making investments and Return on Invested Capital, which we have broadly maintained at the same level as in 2012/13, is an important management measure. We are targeting improvements in future and key to that will be the pricing and bundling of the mobile data bandwidth we supply. We have made progress on introducing tiered pricing for mobile data services across our business and will continue to develop our customer information and billing systems in support of that.

While we are saying goodbye to many valued colleagues through our disposals, these are exciting times for CWC. We have a unified business, clear strategy and strong sense of determination to enact the changes which will transform our Group and deliver long-term growth.

Tony Rice

Mobile data

"Having introduced high speed mobile data networks in our key markets the next frontier is 'Long Term Evolution' technology which will enable our customers to easily stream video on their smartphones. We are in the early stages of introducing this in The Bahamas and expect to launch a commercial proposition in 2013/14."

Our pan-America opportunity

We have positioned our business to grow in a region with increasing demand for mobile data and broadband.

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Our strategic priorities

Our strategic priorities include pursuing organic and inorganic growth opportunities whilst improving the productivity of our business.

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Our pan-America opportunity

We want to be the leading full service telecoms provider in the pan-America region. Our rationale for concentrating on pan-America is five-fold:

1 There is a growing demand for data

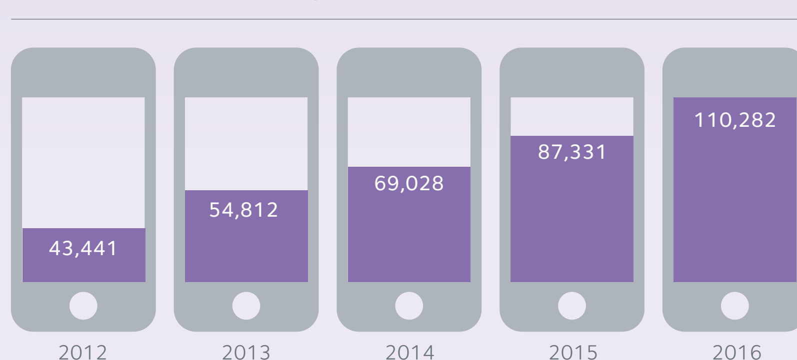
Around the world telecoms customer behaviour is changing. Customers are buying smartphones and tablets and using applications with increasingly enriched forms of entertainment and information. Network speeds and capacities are increasing, enabling customers to download richer content like pay TV and streamed video.

As a result of these trends, the appetite for data services, particularly mobile data, will continue to increase.

Worldwide data traffic is growing strongly…

Petabytes/month

+26% Compound Annual Growth Rate (CAGR)

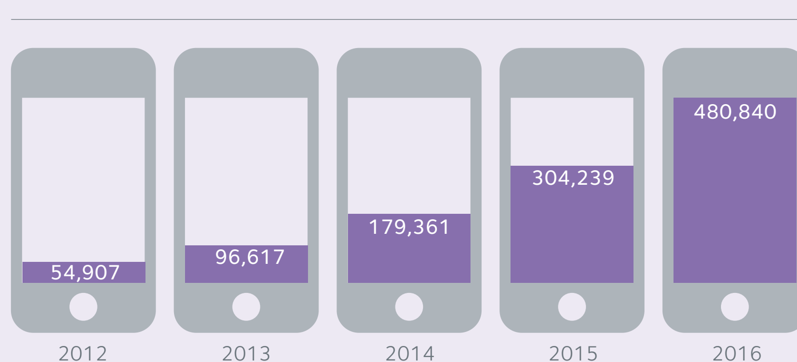


Source: Cisco Visual Networking Index: Forecast and Methodology

…especially mobile data in Latin America

Terrabytes/month

+72% CAGR



Source: Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update

2 Full service operators are best placed to meet the demands of customers and operators

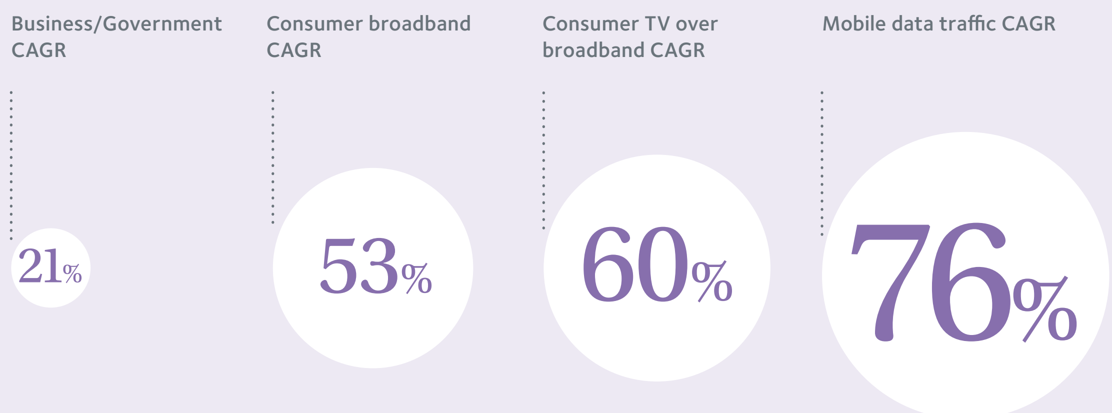
CWC operates networks which provide a full set of telecoms services – fixed line, mobile, broadband, pay TV, enterprise, social telecoms and carrier.

Full service operators are well placed to provide customers with the best mobile data experience and coverage, as we are able to utilise a combination of mobile, fixed and sub-sea cable networks.

Our fibre broadband networks are a platform to reach other customers, and provide new services – pay TV for consumers, managed services for enterprises and social telecoms for governments.

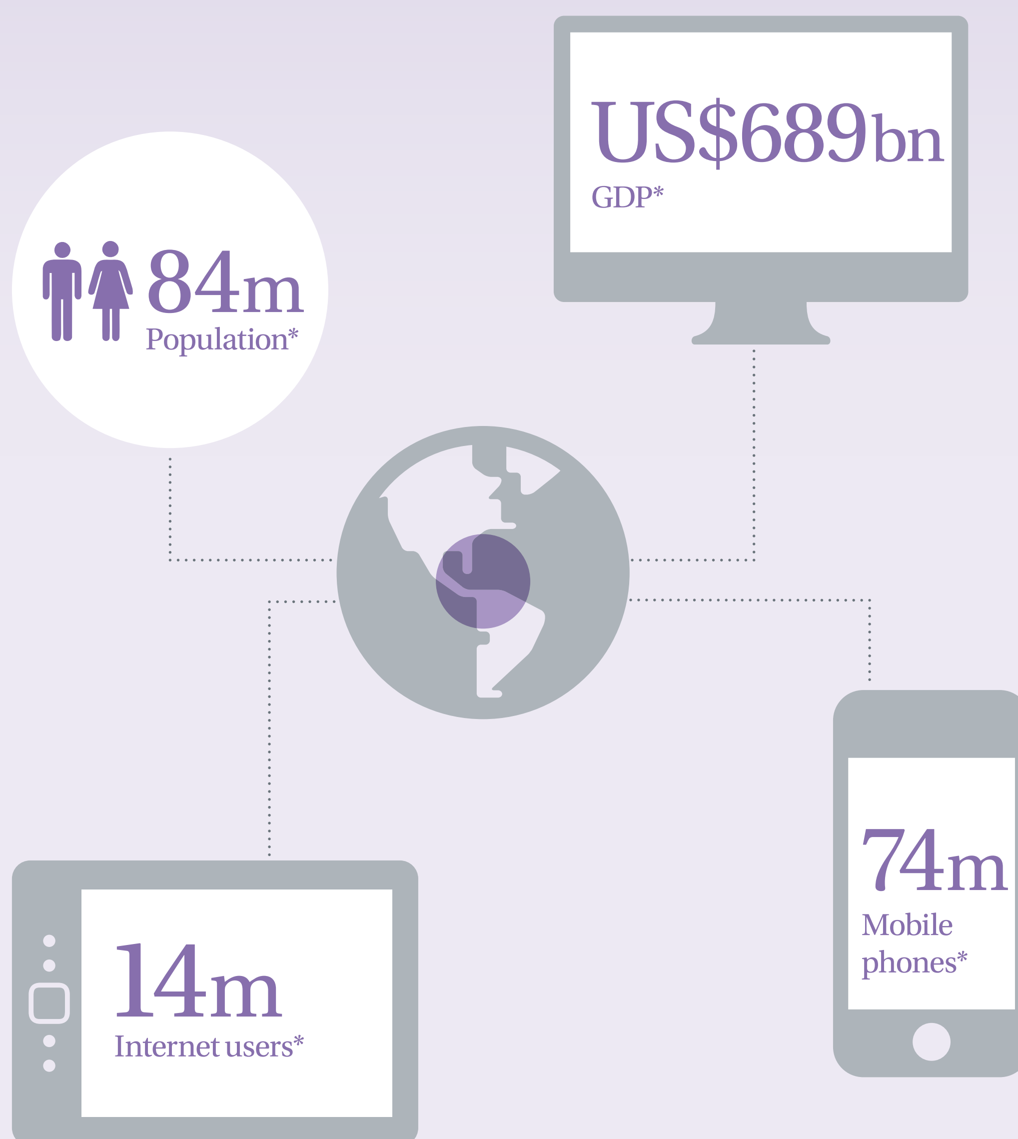
Forecasts indicate that there will be strong growth in demand for data products across all our customer segments.

Forecast global demand increases 2012-2016*



* Source: Cisco Visual Networking Index: Forecast and Methodology

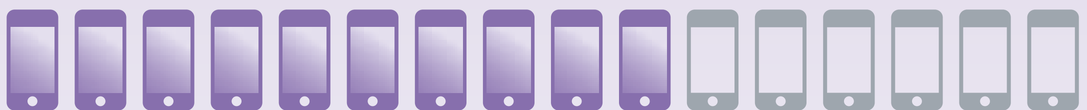
3 The pan-America region has significant growth potential



* Source: CIA World Factbook. Countries included: Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Costa Rica, Cuba, Curaçau, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Nicaragua, Panama, Puerto Rico, St. Kitts and Nevis, St. Lucia, St. Martin, St. Vincent and the Grenadines, Sint Maarten, Trinidad and Tobago, Turks & Caicos, US Virgin Islands

4 We are well positioned to be the provider of choice in pan-America

We are the leading operator in 10 out of 16 mobile markets



15 out of 16 broadband markets

and all 15 fixed line markets we serve.

We are investing in high capacity, reliable networks.

High speed mobile data services are available in six markets and we have upgraded our core networks in The Bahamas and St. Vincent and the Grenadines.

Our network of 22 sub-sea and four overland cable systems carry data traffic from the internet to our customers.

5 With strong potential synergies

Having focused our business on a single region we are now improving our productivity by creating a unified operating structure, simplifying the way we deliver services and reducing network costs. We have set ourselves a target of reducing our cost base by US$100 million over the next two years.

We plan to establish a new headquarters within the region in which key corporate and operational functions will be co-located.

Pan-America
Potential to realise significant value

- US$100m two year cost saving target
- New operating model
- Lower headcount
- Network efficiencies
- Property rationalisation
- Administrative savings

Our strategic priorities

The core elements of our strategy to become the leading full service telecoms provider in the pan-America region are:

1 Develop data-based products and services in existing markets

— Mobile data, broadband and pay TV – for consumers

— Social telecoms – for governments

— Managed services, data centres and hosting – for enterprises

— Carrier services – for other operators

2 Enhance customer experience

— Services and support

— Consistent, reliable networks

— Triple play

— Fair, usage-based pricing

3 Identify new markets

— Identify opportunities for organic expansion into new markets, for example utilising our experience in social telecoms

— Pursue acquisitions of established operators in stable economies, with a strict investment criteria

4 Change operating model

— De-layer management

— Create new headquarters in southern Florida

— Increase speed of decision making

5 Improve operational synergy

— Reduce duplication

— Drive for a lower cost base than our competitors

— Improve delivery of services

— Better leverage our regional position with suppliers

— Share costs across our regional business

We manage our business and monitor progress using a range of key performance indicators.

Our financial performance is tracked on a regular basis through metrics such as those set out on our Highlights page. We also track a range of measures to monitor our operations and services. These include:

Customer numbers

We monitor the number of customers for each of our services: mobile, fixed line, broadband and pay TV services.

37,000

Pay TV customers in Panama increased by 5%.

1.5m

Caribbean mobile customers were in line with the prior year.

Customer spending

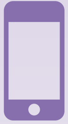
We measure how much customers spend on each of our services and report it as Average Revenue Per User, per month (ARPU).

US$15.70

2011/12 – US$13.40
Panama mobile ARPU

US$28.50

2011/12 – US$27.30
Panama broadband ARPU



New service growth

We monitor revenue from new product areas, like mobile data.

US$97m
2011/12 – US$66m
Mobile data revenue in Panama

US$113m
2011/12 – US$89m
Mobile data revenue in Caribbean

31%
2011/12 – 22%
Proportion of mobile service revenue from non-voice in Panama

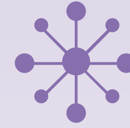
23%
2011/12 – 18%
Proportion of mobile service revenue from non-voice in the Caribbean

Costs and efficiency

We closely monitor spending on our operations with particular attention given to our largest costs such as staff and networks.

US$578m
2011/12 – US$611m
Caribbean operating expenditure

34%
2011/12 – 37%
Caribbean staff costs as a percentage of operating expenditure



Markets*

We also monitor customer demand for key services in the countries in which we operate.

196%
2011/12 – 185%
Mobile penetration in Panama

118%
2011/12 – 111%
Mobile penetration in the Caribbean

11%
2011/12 – 9%
Mobile data penetration in Panama

14%
2011/12 – 9%
Mobile data penetration in the Caribbean

36%
2011/12 – 33%
Household internet penetration in Panama

40%
2011/12 – 35%
Household internet penetration in the Caribbean

*Source: Pyramid research

We want to be the leading full service telecoms provider in pan-America

Business review

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Our businesses delivered a stable performance during the year, amid the significant changes to the Group.

Overview

Mobile data was the stand-out service across our business. Approximately 32% of total handsets sold in Panama and the Caribbean were smartphones which has supported this growth. Mobile data revenue increased 34%, with 47% growth in Panama and 28% in the Caribbean. This was a strong return on the investment we made in mobile data networks in 2011/12. Following that significant investment in the prior year, capital expenditure was lower across the Group.

While our mobile data activity increased, customers continued to turn away from fixed voice usage, switching instead to use mobiles and voice over internet protocol services utilising fixed broadband.

Broadband is a significant growth opportunity for our business, with penetration rates in pan-America lower than in developed nations. We plan to invest in the roll-out of fibre broadband next year.

We also plan further launches of our 'LIME TV', TV over broadband service in the Caribbean following a positive reception in Barbados and Cayman.

Group operating expenditure was US$798 million for our continuing operations, an improvement of 6% on the prior year.

We expect further cost reductions as we move to a unified business structure and drive to improve operational synergy and target US$100 million of savings over the next two years.

Caribbean	2012/2013	2011/2012
Revenue	US$1.120bn	US$1.172bn
EBITDA	US$274m	US$284m
Operating cash flow	US$124m	US$120m

Our Caribbean business saw good performances in The Bahamas and Jamaica, but faced difficult economic conditions in the Eastern Caribbean.

The successful transformation of our Bahamas business continued as we completed the roll out of a new high speed mobile data network. There has been a significant increase in mobile data network traffic and an extra 500,000 calls per day since we started the project in 2011/12.

Across the region we enjoyed better management of costs, with operating expenditure improved by 5% as we benefited from efficiency improvements in The Bahamas and a region-wide cost reduction programme.

Our Jamaica mobile customer base increased by 16% by year end as regulatory changes created a level playing field.

However, changes to regulations in Jamaica and the imposition of a special telecoms tax contributed to a 10% fall in Caribbean fixed line revenue.

Trading conditions in the rest of the Caribbean were difficult, but we continued to invest in growth services within higher GDP per capita markets. Our new Barbados pay TV network had over 3,000 customers by year end and we launched in a second market, the Cayman Islands, in April 2013. We have also announced plans to roll out new high speed fibre broadband networks in both Barbados and Cayman.

The economic outlook for the region is stable. The International Monetary Fund predicts that whilst growth will continue to be constrained, the Caribbean's recovery from recession will continue, with a gradual pick up in tourist flows.

Panama	2012/2013	2011/2012
Revenue	US$586m	US$601m
EBITDA	US$239m	US$256m
Operating cash flow	US$154m	US$131m

In Panama we improved EBITDA by 8% in the second half of the year. Our mobile business again performed strongly, leading to a 3% increase in mobile revenue.

The business is in one of the most competitive mobile markets in Central America with four operators and mobile number portability giving customers the opportunity to freely move between networks. Despite this we retained a majority of market share by gaining an additional 18,000 postpaid customers. We plan to build on this positive momentum by launching a mobile payments service in 2013/14.

Pay TV is a core component of our triple play (pay TV, broadband, fixed line) offering. Our pay TV customer base increased by 5%, with more than three quarters of customers choosing to take multiple services.

The delayed launch of some Government programmes caused a decline in enterprise revenue, but we won several social telecoms contracts. These included contracts to: put the country's 'National Registry' online (making it easier to buy and sell property in Panama); create an IT system for public hospitals; and to install a software system to help the health service monitor, maintain and manage the assets it owns.

Our business continues to benefit from Panama's strong GDP growth (over 10% in 2012). Growth has been boosted by construction related to the project to widen the Panama Canal, a major boost to future trade which will be completed in 2014.

Monaco	2012/2013	2011/2012
Revenue	US$236m	US$267m
EBITDA	US$75m	US$59m
Operating cash flow	US$60m	US$34m

Monaco continued to perform strongly in 2012/13, with the sale of its loss-making Afinis operations during the year helping to boost EBITDA by 27%. There was continued demand for mobile data services from residents and roamers, creating a positive platform for the introduction of Long Term Evolution services in 2013/14.

CWC Wholesale Solutions

Last year we combined our sub-sea cable assets into a new business, CWC Wholesale Solutions.

In May 2013 we announced that we have entered into a strategic partnership with Columbus Networks Limited to further develop our international wholesale capacity business. The joint venture contains more than 42,000 km of sub-sea cables with connectivity to 42 countries.

The alliance positions us strongly to meet the data capacity demands of our retail operations in the future, as well as optimising our capital expenditure on sub-sea cable networks in the future.

We will further extend our capability next year as a founder member of the Pacific Caribbean Cable System, a 6,000 km cable linking Florida and Ecuador, building work for which will begin in 2013/14.

Islands and Macau

We agreed the sale of both our Islands and Macau businesses, to Batelco Group and CITIC Telecom International Holdings Limited respectively.

The agreed sale price of US$750 million for Macau reflected the company's strong growth in recent years and its development since CWC became a founding shareholder in 1981. The disposal of our Islands business also achieved an excellent price, with an agreed sale price of US$580 million. We also agreed the sale of 25% of our shareholding in CMC, the business which holds our shares in Monaco Telecom, for US$100 million to Batelco. We have an option in place to sell Batelco the rest of our shares in CMC, subject to gaining regulatory and Government approval by April 2014.

Talks with our partner in that business, the Government of Monaco, have taken place regarding the sale of our remaining 75% in CMC. Feedback has not been as positive as expected and so we are also working with Batelco to consider the alternative options available.

Win back Jamaica

Garry Sinclair, CEO, Jamaica

"We campaigned for a change in the regulation governing mobile operators to give Jamaicans real choice. When the Government made those changes last summer we immediately launched Talk EZ for our prepaid and postpaid customers, reducing call prices by over two-thirds and reasserting LIME as Jamaica's value leader. Talk EZ was supported by our highly successful marketing campaign based around the Olympic Games which really excited consumers. We are still in a dog fight, but for the first time in a long time the momentum is with us."

Mobile data leadership

Jorge Nicolau, CEO, Panama

"Our four operator mobile market is one of the most fiercely contested in Central America. We have maintained our market share above 50%, because we have been innovative in delivering affordable access to mobile data services for our customers, for example with pricing plans that enable customers to buy data allowances for short time periods."

New networks in The Bahamas

Geoff Houston, CEO, Bahamas

"The completion of our high speed mobile data network in The Bahamas was a clear statement of our intent, considering that the legacy network was more than 15 years old in some places. The value of this work has been clear and we've released pent up demand for quality telecom services. We have spectrum to introduce even faster mobile data services and plan to do so in 2013/14, ensuring we are strongly positioned for the introduction of mobile competition in 2014."

Corporate social responsibility

We take corporate social responsibility seriously. CWC (and prior to 2010 Cable & Wireless Plc) has been a continuing member of the FTSE4Good corporate responsibility index since its inception in 2001.

Below are some examples of how our business units deliver corporate social responsibility programmes meeting our four responsibility principles:

1

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

Our services directly contribute to the economy of the countries in which we operate. We also invest in the social development of the communities where our employees and customers live.

We sponsor sporting activities and athletes across pan-America.

In the Caribbean we sponsored several individual athletes in the 2012 Olympic Games including Grenada's Olympic 400m champion, Kirani James and sprinter, Yohan Blake from Jamaica who won one gold and two silver medals in London.

Our Bahamas business sponsored its national team at the Olympics, and the 2013 CARIFTA Games, a major platform for the region's young athletes. It is the third year in a row that our Caribbean business has sponsored the CARIFTA Games.

In Panama +Movil, our mobile brand, is synonymous with soccer as sponsor of the National Football League, the +Movil Cup and the Panamanian Football Federation. Our sponsorship of the national team last year included the friendly 'Red vs Red' clash between Panama and World and European Champions, Spain.

We are also a strong supporter of education, and in Jamaica our annual 'Skool Aid' event attracted 30,000 people and helped local children prepare for the new school year by providing free school supplies, haircuts and medical, dental and eye checks.

In Panama we teamed up with renowned painter Olga Sinclair to provide a painting workshop for thousands of children.

We also work to develop the economies in which we operate. In 2012, our Panama business sponsored Connect Americas, a major telecoms conference which discussed ways to close the digital divide in the region. Later in the year the business sponsored the Britain in Panama conference which celebrated the links between the two countries and encouraged more inward investment of the type made by CWC.

1. Cable & Wireless Panama supports the Olga Sinclair Foundation's art workshops for children to inspire a new generation of artists in Panama

2

Seek continuous improvement in our environmental performance

Our environmental commitment focuses on energy conservation, recycling, waste management, responsible water usage and reducing our carbon footprint.

Our online system to report on energy use and carbon emissions ensures consistent reporting and provides us with a useful reference point against which to measure reductions in energy usage and carbon emissions.

We estimate our carbon footprint to be 171,398 tonnes of CO_2e based on our Scope 1, 2 & 3 greenhouse gas emissions. Our electricity consumption was 248,992 megawatt hours this year and our fuel usage was 5.87 million litres.

The Group's total emissions have increased by 17,540 tonnes of CO_2 from the prior year. This is due to a 32% increase in the emissions associated with electricity consumption despite only a 12% increase in usage. This disproportionate increase in electricity-associated emissions is principally caused by changes in the methodology employed by the Carbon Neutral Protocol and changes in the International Energy Agency calculated emissions factors for electricity consumption in the relevant regions, particularly Jamaica.

We continue to use video conferencing facilities to reduce business travel, although travel is still necessary due to our geographical spread, and we estimate that created 6,136 tonnes of CO_2e usage.

The recycling programmes in our Panama business, started in 2011/12, continued successfully. This year we ran seminars for colleagues to emphasise the importance of recycling paper and ink products. We also formalised agreements with recycling enterprises Recicla Panama and Recitec to dispose of obsolete IT equipment, as we do in several other businesses. Panama has recycled more than 50,000 pounds of equipment so far.

The Caribbean region continued to generate the largest proportion of carbon emissions, representing 50% of the Group's total emissions for the 2012/13 year. Management have initiated a programme with energy optimisation consultants that is focused on identifying and executing projects to reduce energy usage and carbon emissions, as well as procuring energy more efficiently in the Caribbean. These projects will typically take three or more years to realise significant benefits, however we expect to see some reduction in energy usage in the 2013/14 year.

We also work to support the local ecosystems of the countries in which we operate. Grenada, for example, is known as the 'island of spice' due to its production of nutmeg and mace crops. Our business has been promoting the importance of the nutmeg plant and in 2012 provided over 1,000 plants to farmers, and sponsored the Grenada Nutmeg Festival in November.

2

2. Children are entertained at LIME's Skool Aid event

3

Respect cultures, values and human rights throughout our operations

We conduct business with honesty, integrity, openness and with respect for the human rights and interests of our employees and the communities in which we operate.

Our Panama business joined the Social Enterprise Alliance for the Prevention and Eradication of Child Labour in Panama. As part of the Alliance we will defend and promote the rights of children and teenagers in Panama so that they acquire training, education and life skills.

Carnival is an important part of cultural activities across pan-America, and our businesses get involved in many locations.

In The Bahamas, for example, we agreed a US$850,000 sponsorship to support the Christmas season Junkanoo parades, which have been a part of Bahamian life for several centuries.

In Panama we had +Movil floats in annual carnival parades across the country, and maintained local tradition by spraying the crowds with water as they thronged in the streets dancing to their favourite tunes.

Since 2005, our Panama business has also sponsored and organised the National Oratory Contest, a public speaking competition which started in the 1970s. The Oratory contest encourages young people to research and then discuss topical issues about Panama. The 2012 National Oratory Contest winner, Suellen Ayala, won a scholarship to university and will be able to study towards her dream of becoming a doctor.

As well as celebrating national culture the business also recognises minority groups within Panama. For example, we celebrated the Chinese year of the snake by supporting celebrations for the Chinese community in Panama.

“CWC always take a proactive approach to addressing the threat of corrupt activities in the markets in which we operate.”

3. Sergio Busquets and Sergio Ramos – Panama vs Spain friendly

4. LIME sponsors CARIFTA Games 2012

4

Nurture best practice in our activities

Our businesses share best practice across the Group, developing further what is good and removing what isn't.

Our success has been built on an honest and transparent approach. We have recently strengthened our procedures in line with the requirements of the UK's Anti-Bribery law, but the principles behind this legislation are not new to our business. Our commitment to ethical business behaviour is long-standing and starts at the top of the organisation.

CWC always takes a proactive approach to addressing the threat of corrupt activities in the markets in which we operate.

Externally, we are taking a more public stand against corruption by increasing the transparency of our dealings with Government and urging our competitors to do the same.

We also take very seriously our duty to protect our employees from corruption. This commitment has enabled us to attract some of the brightest and best talent everywhere we do business.

To address all these challenges, we have developed an internal programme which set outs our values and our policies and procedures to prevent bribery and corrupt practices from occurring in our business activities. This includes:

- A company-wide code of conduct policy – updated annually
- An annual Board review of the Company's compliance with the UK Anti-Bribery legislation
- A register of political or charitable contributions, sponsorships, gifts and corporate hospitality
- Company-wide annual training for staff
- Thorough due diligence on the many other businesses and organisations with which we have business relationships

This comprehensive programme has been tailored to minimise the damaging effects of bribery in all jurisdictions in which we operate. We take a zero tolerance approach to corruption.

Financial review

"It was a dynamic and busy year and I am pleased with our performance."

Tim Pennington
Chief Financial Officer

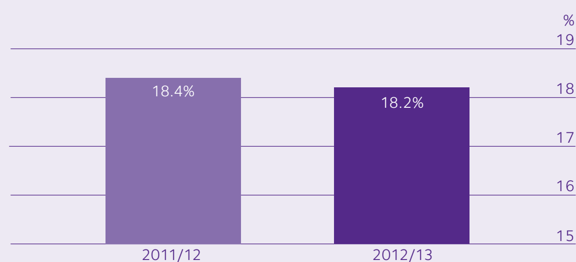
2012/13 Highlights

— Total Group EBITDA of US$905 million – ahead of prior year and outlook

— Continuing Group EBITDA of US$589 million – Panama up 8% in H2 versus H1

— Underlying equity free cash flow up 11%

Return on invested capital (ROIC)



We define ROIC as total operating profit before exceptional items divided by average adjusted invested capital.

Risk

We have updated our risk register, as we do every 12 months.

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Financial statements

Full details on financial performance are available in the Group financial statements.

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Group financial performance summary

	Continuing Year ended 31 March 2013			Continuing Year ended 31 March 2012		
	Pre-exceptional items US$m	Exceptional items US$m	Total US$m	Pre-exceptional items US$m	Exceptional items US$m	Total US$m
Revenue	1,942	–	1,942	2,032	–	2,032
Cost of sales	(555)	–	(555)	(592)	–	(592)
Gross margin	1,387	–	1,387	1,440	–	1,440
Operating costs	(798)	(50)	(848)	(850)	(66)	(916)
EBITDA[1]	589	(50)	539	590	(66)	524
Depreciation, amortisation and impairment	(275)	(86)	(361)	(277)	(244)	(521)
Net other operating income/(expense)	4	–	4	(11)	–	(11)
Operating profit/(loss)	318	(136)	182	302	(310)	(8)
Share of post-tax profit of associates and joint ventures	10	–	10	26	–	26
Total operating profit/(loss)	328	(136)	192	328	(310)	18
Net finance expense	(141)	–	(141)	(148)	–	(148)
(Loss)/gain on termination of operations	(16)	–	(16)	13	–	13
Profit/(loss) before income tax	171	(136)	35	193	(310)	(117)
Income tax (expense)/credit	(61)	20	(41)	(59)	10	(49)
Profit/(loss) for the year from continuing operations	110	(116)	(6)	134	(300)	(166)
Discontinued operations						
Profit for the year from discontinued operations	184	–	184	192	–	192
Profit/(loss) for the year	294	(116)	178	326	(300)	26
Attributable to:						
Equity holders of the Company	127	(108)	19	158	(235)	(77)
Non-controlling interests	167	(8)	159	168	(65)	103
Balance sheet capital expenditure[2]			(263)			(313)
Cash exceptionals			(26)			(69)
Operating cash flow[3]			326			277
Earnings per share (including discontinued operations) (cents)			0.8			(3.1)
Adjusted earnings per share (EPS) (including discontinued operations) (cents)[4]			6.6			6.5
Headcount (full time employees at period end)			5,349			5,923

1 EBITDA is defined as earnings before interest, tax, depreciation and amortisation, net other operating and non-operating income/(expense) and exceptional items.
2 Balance sheet capital expenditure excludes transfer of cable assets from inventory.
3 Operating cash flow is defined as EBITDA less balance sheet capital expenditure.
4 Adjusted EPS is before exceptional items, gains/(losses) on disposals, amortisation of acquired intangibles and transaction costs.

During the period, CWC announced that it entered into two significant disposal agreements. As a result, the businesses in the Maldives, the Channel Islands and Isle of Man, the Seychelles, South Atlantic, Diego Garcia and Macau have been treated as discontinued operations within the Group's reported results.

Revenue from continuing operations fell by 4% to US$1,942 million. Mobile revenue for the Group was flat on the prior year as strong mobile data growth of 34%, following increased penetration and usage, was offset by declining voice revenue. Our fixed voice and enterprise, data and other revenues were adversely impacted by declining voice traffic, lower activity levels and a difficult macroeconomic environment.

Group EBITDA was in line with the prior year at US$589 million as improved performance in Monaco following the disposal of Afinis in the first half was offset by declines in Panama and in the Caribbean, where EBITDA also reduced despite efficiency gains.

Operating profit before exceptional items was the same as the prior period at US$328 million. During the year we took an exceptional restructuring charge of US$50 million related to efficiency initiatives including the initial steps towards the transformation of engineering operations across the Caribbean. In addition, we took an exceptional non-cash impairment charge of US$86 million in the Eastern Caribbean reflecting the more difficult economic climate we face in those markets.

Profit for the period increased to US$178 million following lower exceptional charges. Adjusted earnings per share for the year were 2% higher than the prior year at US6.6 cents. The Board has recommended a full year dividend of US4 cents per share.

On a constant currency basis, revenue for the Group was 3% lower and EBITDA was 1% higher than the prior year.

Panama

(US$m)	Year ended 31 March 2013	Year ended 31 March 2012	Change %
Mobile	323	315	3
Broadband	60	60	0
Fixed voice	122	136	(10)
Enterprise, data and other	81	90	(10)
Revenue	586	601	(2)
EBITDA	239	256	(7)
Margin %	41	43	

Revenue at US$586 million was 2% lower than the same period last year as strong mobile growth was offset by lower fixed voice and enterprise, data and other revenues.

Mobile revenue was up 3% to US$323 million. The business maintained market leadership and data penetration of the subscriber base increased to 31%. High data usage, particularly in the prepaid segment due to the availability of short-term flexible plans, resulted in non-voice revenue growth of 47% which more than offset the decline in voice revenue. ARPU grew by 17% as postpaid subscribers were 9% higher and we retained high value prepaid customers whilst promotional activity caused the total number of prepaid subscribers to fluctuate.

Broadband & TV revenue at US$60 million was in line with the same period last year. Our focus remained on the higher ARPU broadband segment and pay TV subscribers grew by 5% on the prior year. The number of pay TV subscribers taking an additional triple play service increased to 77%.

Fixed voice revenue declined by 10% to US$122 million as mobile competition continued to impact usage and rates.

Enterprise, data and other revenue fell by 10% as a result of delayed Government programmes in Panama. During the year we were awarded a Government contract to supply, install and support new systems to share documents electronically and a contract to introduce a Hospital Information System to improve administration and patient care in state funded hospitals.

Gross margin as a percentage of revenue was 1% higher than last year as growth in higher margin mobile offset reduced enterprise, data and other revenue which is typically lower margin.

Operating costs at US$158 million were 8% higher than the prior year reflecting higher network costs following the expansion of our mobile network and greater utility costs.

As a result of higher operating costs, EBITDA of US$239 million was 7% lower compared to the prior year, however we saw an increase of 8% in second half performance compared to the first half. EBITDA as a percentage of revenue was 41%.

Our proportionate ownership of Panama EBITDA for the year ended 31 March 2013 was 49%.

Caribbean

(US$m)	Year ended 31 March 2013	Year ended 31 March 2012	Change %
Mobile	**527**	531	(1)
Broadband	**120**	122	(2)
Fixed voice	**290**	323	(10)
Enterprise, data and other	**183**	196	(7)
Revenue	**1,120**	1,172	(4)
EBITDA	**274**	284	(4)
Margin %	**24**	24	

Revenue in our Caribbean business at US$1.120 billion was down 4% on the prior year, consistent with the decline in the first half of the year.

Mobile revenue of US$527 million was 1% down on the prior year driven principally by lower ARPU. Subscriber numbers were broadly flat on the prior period with growth in Jamaica following regulatory changes which enabled us to improve our competitive positioning, stimulating subscriber and usage growth offset by churn in the Eastern Caribbean. We have seen sustained growth in mobile data usage following the launch of high speed networks in a number of islands during the year and plan to expand on this where commercially viable.

Broadband & TV revenue was down 2% at US$120 million. We launched LIME TV in Barbados during the year and have signed up over 3,000 subscribers to date with plans to roll out TV over broadband services to a number of islands in the coming year.

Fixed voice revenue at US$290 million was 10% down compared to the prior year. Voice substitution continued across the region, although the ARPU and revenue decline this year was mainly influenced by Jamaica where regulatory changes and the introduction of a special telecommunications tax led to lower revenues.

Enterprise, data and other revenue at US$183 million was down 7% on last year due principally to a lower level of cable capacity sales in the period.

Gross margin as a percentage of revenue remained stable.

Operating costs were 5% down compared to the prior year at US$578 million. Across the Caribbean business we have embarked on targeted cost reduction programmes to improve efficiency and build a sustainable operating base. During this year our headcount has reduced by 12% to 3,421 and we have further outsourced our field force technician services in Jamaica. Much of the improvement has come from our Bahamas business which has seen a full year's benefit from the restructuring we undertook following acquisition of the company in 2011.

EBITDA for the Caribbean was US$274 million representing a 4% reduction from the prior year.

Our proportionate ownership of Caribbean EBITDA for the year ended 31 March 2013 was 72%.

Monaco[1]

(US$m)	Year ended 31 March 2013	Year ended 31 March 2012	Change %
Mobile	**61**	59	3
Broadband	**16**	15	7
Fixed voice	**25**	26	(4)
Enterprise, data and other	**134**	149	(10)
Revenue	**236**	249	(5)
EBITDA	**75**	54	39
Margin %	**32**	22	

1 At constant currency.

Revenue at US$236 million was 5% lower than the prior year on a constant currency basis driven primarily by a reduction in transit traffic volumes. Despite the introduction of competition, our mobile customer base grew by 9% as we launched new tariffs and focused on non-voice revenue. This more than offset declining voice revenue and resulted in overall mobile revenue growth of 3% at constant currency. Subscriber growth led to a 7% increase in broadband & TV revenue on a constant currency basis.

Gross margin at US$139 million was 2% higher than the prior year on a constant currency basis as improved mobile gross margin, driven by lower outpayments, offset lower total revenue.

Operating costs of US$64 million were 22% lower at constant currency primarily due to the disposal of Afinis in August 2012.

EBITDA at US$75 million was 39% higher than the prior year at constant currency and 27% higher on a reported basis reflecting lower operating costs.

Exceptional restructuring costs

Net exceptional items (excluding impairments) of US$50 million related to redundancy and restructuring programmes in the Caribbean. The prior year charge of US$66 million was primarily in respect of restructuring activities in The Bahamas and Panama.

Depreciation, amortisation and impairment

Depreciation and amortisation at US$275 million remained in line with the pre-exceptional charge in the prior year.

We recognised a non-cash impairment charge of US$86 million in the year ended 31 March 2013. This was mainly due to the difficult macro environment in the Eastern Caribbean indicated in our Q3 results. The prior year charge consisted of a non-cash impairment and accelerated depreciation charge of US$244 million primarily due to poor financial performance in Jamaica.

Net other operating income/(expense)

The US$4 million net other operating income received in the year comprised a foreign exchange translation gain of US$8 million related to UK pension schemes partially offset by US$4 million of hurricane related costs in the Caribbean.

Joint ventures and associates
Our share of profit after tax from joint ventures was US$10 million, US$16 million lower than the same period last year primarily due to customer migration costs in TSTT following the introduction of a 4G/HSPA+ high speed mobile data network and the impact of increased competition on Roshan.

Net finance expense
The US$141 million net finance expense for the Group included finance income of US$11 million (US$10 million in 2011/12) and finance expense of US$152 million (US$158 million in 2011/12). The reduction in finance expense compared to the prior period mainly reflected the absence of the non-cash Monaco put option interest partially offset by foreign exchange losses.

(Loss)/gain on termination of operations
The US$16 million charge reflected the loss on the disposal of Afinis. In the prior year, the income of US$13 million was in respect of gains on disposals.

Income tax expense
The income tax charge for the continuing Group of US$41 million (US$49 million in 2011/12) was in respect of overseas taxes. This charge represented an effective tax rate of 36% pre-exceptional items. Removing the impact of non-deductible interest charged on the Group's central borrowing facilities this charge represented an effective tax rate of 24% pre-exceptional items.

We expect the Group effective tax rate in 2013/14, pre-exceptional items and excluding non-deductible interest charged on the Group's central borrowing facilities, to be around 25%.

Discontinued operations
Our Islands businesses comprising operations in the Maldives, the Seychelles, the Channel Islands and Isle of Man, South Atlantic and Diego Garcia had a good year with revenue and gross margin up 1% compared to the prior year driven by strong mobile and broadband & TV growth.

Macau achieved another record year of EBITDA performance driven by increased mobile data usage where revenue was up 43% on the prior year and higher mobile roaming revenue.

Capital expenditure
Capital expenditure was US$263 million, excluding cable assets transferred from inventory, 16% lower than last year and representing 14% of revenue. Including discontinued operations, Group capital expenditure was US$347 million and in line with guidance.

Our principal customer facing investments continued to be in 4G/HSPA+ mobile data networks supporting smartphone sales in Panama, The Bahamas, Barbados, British Virgin Islands, St. Lucia and Cayman, selective pay TV investments, and improvements to our fixed broadband network. These fixed broadband investments have included continuing our fibre roll outs in the Caribbean and completing a Next Generation Network in The Bahamas. We have also pursued strategic investments in transmission capacity and cable systems to support both retail and carrier sales. Finally, we continue to advance our billing and customer relationship management systems.

We have now completed our second year of investment in The Bahamas having invested around US$100 million in capital projects during that period. We continue to focus on providing an improved service to our customers and preparing for future market competition.

Group cash flow[1]

	2012/13 US$m Total	2011/12 US$m Total
EBITDA[2]	**589**	590
Balance sheet capital expenditure[3]	**(263)**	(313)
Operating cash flow before exceptional items	**326**	277
Movement in working capital and other provisions[4]	**(10)**	(4)
Net investment income[5]	**23**	11
Underlying free cash flow	**339**	284
Fixed charges		
Income taxes paid[6]	**(74)**	(70)
Interest paid[7]	**(129)**	(119)
Dividends paid to non-controlling interests[8]	**(106)**	(93)
Underlying equity free cash flow from discontinued operations	**111**	125
Underlying equity free cash flow	**141**	127
Underlying equity free cash flow per share	**5.6c**	5.1c
Dividends paid to shareholders	**(166)**	(204)
Net cash flow before one-off items and exceptional items	**(25)**	(77)
Non-recurring items and exceptionals		
Cash exceptionals	**(26)**	(69)
Coupon for sterling unsecured bond redeemed August 2012[7]	**(27)**	–
Panama tax brought forward[6]	**(37)**	–
Share buyback	**–**	(70)
LTIP	**–**	(9)
Acquisitions and disposals[8]	**(4)**	(117)
Discontinued operations	**(6)**	(7)
Net cash flow after one-off items and exceptional items	**(125)**	(349)
Net proceeds from borrowings	**113**	299
Net cash flow	**(12)**	(50)

1 Based on our management accounts.
2 Earnings before interest, tax, depreciation and amortisation, net other operating and non-operating income and exceptional items.
3 Balance sheet capital expenditure excludes transfer of cable assets from inventory.
4 Includes movement in capital expenditure accruals.
5 Includes dividends received from joint ventures of US$6 million in 2012/13 (US$4 million in 2011/12).
6 Excludes US$37 million impact on timing of payments following change in Panama tax legislation.
7 Excludes US$27 million coupon in H1 2012/13 on sterling unsecured bond of £200 million redeemed in August 2012.
8 Monaco Telecom dividend paid to minority interest of US$33 million in 2012/13 (US$17 million in 2011/12) has been reallocated to dividends paid to non-controlling interests, but for IFRS purposes is included in acquisitions and disposals.

The Group generated operating cash flow before exceptional items of US$326 million for the year ended 31 March 2013, 18% higher than the prior year as capital expenditure reduced following previous heavy investments in mobile data networks within key markets. There was a net outflow in working capital and provisions whilst investment income of US$23 million included proceeds from the sale of investments, interest received on cash balances and dividends received from joint ventures.

Fixed charges

We paid US$74 million relating to underlying income tax in 2012/13, US$4 million higher than the prior year. Interest of US$129 million was paid on our external borrowings. We paid dividends to non-controlling interests of US$106 million in the period, which was US$13 million higher than the prior year due to increased distributions from Monaco prior to closing of the Islands transaction.

Underlying equity free cash flow of US$141 million, or US5.6 cents per share, was up 11% relative to the prior year driven by reduced capital expenditure. On the current dividend of US4 cents per share this represented underlying cash dividend cover of 1.4 times.

Non-recurring items and exceptionals

The net cash outflow included US$26 million for exceptional items related to redundancy and restructuring programmes in the Caribbean. We also incurred additional borrowing costs of US$27 million due to the timing of refinancing our 2012 sterling unsecured bond. A tax legislation change during 2012/13 in Panama led to the timing of payments being brought forward and as a result there were US$37 million of additional cash tax payments in the year.

Group cash and debt

	As at 31 March 2013 US$m	As at 31 March 2012 US$m
Cash and cash equivalents	**152**	312
Sterling unsecured bonds repayable in 2012	**–**	(317)
Sterling unsecured bonds repayable in 2019	**(224)**	(234)
US$500 million secured bonds due 2017	**(493)**	(492)
US$400 million secured bonds due 2020	**(391)**	(390)
US$600 million Revolving Credit Facility (RCF)	**(360)**	–
Other central	**(37)**	–
Other regional debt facilities	**(298)**	(274)
Total debt	**(1,803)**	(1,707)
Total reported net (debt)	**(1,651)**	(1,395)
Net cash within assets held for sale		
Attributable to CWC	**81**	
Attributable to minorities	**62**	
Restated net (debt)	**(1,508)**	
Islands disposal proceeds	**680**	
Macau disposal proceeds	**750**	
Cash within assets held for sale attributable to minorities	**(62)**	
Pro forma net (debt)	**(140)**	

During the year the sterling unsecured bonds repayable in August 2012 were redeemed at par using cash balances and drawings on the US$600 million revolving credit facility. The revolving credit facility has a margin of 2.50% over LIBOR and a maturity date of October 2016. As at 31 March 2013, US$360 million of this facility was drawn. Following closing of the Islands transaction on 3 April 2013, all outstanding drawings on the revolving credit facility and US$25 million of other borrowings were repaid.

Pro forma net debt as at 31 March 2013 after receipt of the disposal proceeds for the Islands (including the Seychelles) and Macau businesses was US$140 million. This figure includes an adjustment for net cash attributable to minority interests in the disposed businesses.

Pensions

As at 31 March 2013, the defined benefit section of the Cable & Wireless Superannuation Fund (CWSF) had an IAS 19 deficit of £86 million, compared to a deficit of £81 million as at 31 March 2012.

Cash contributions have been agreed with the Trustees in order to eliminate the actuarial deficit, however these payments are subject to the outcome of the actuarial valuation as at March 2013. This future deficit funding constitutes a minimum funding agreement and, in accordance with accounting standards, we are required to account for this within our IAS 19 deficit. The IAS 19 deficit recorded at 31 March 2013 represents the present value of the maximum amount committed under the minimum funding agreement.

The increase in the deficit in the year is mainly due to a fall in the corporate bond rate used to discount liabilities. The AA corporate bond rate used in calculating the pension deficit was 4.5% compared with 4.9% at 31 March 2012.

The fund assets at 31 March 2013 were approximately invested 73% in the bulk annuity policy, 18% in equities, and 9% in bonds, property, swaps and cash.

There are other unfunded pension liabilities in the UK of £30 million (£26 million at 31 March 2012). The Group holds investments in gilts of £24 million to partially back the UK unfunded pension liabilities. Other schemes in Cable & Wireless Communications have a net IAS 19 surplus of US$19 million (US$30 million surplus at 31 March 2012).

Dividend

For the financial year 2012/13 the Board is recommending a final dividend of US2.67 cents per share. This represents two-thirds of our previously announced intention to pay a full year dividend of US4 cents per share.

The Board is targeting progressive dividend growth that reflects the underlying cash generation and growth outlook of the business.

We recognise that there are risks in operating our businesses, influenced by both internal and external factors, some of which are outside our control. The Group has a risk management framework which our business units and headquarters utilise to review their risks.

We set out a description of the principal risks and uncertainties that could have a materially adverse effect on the Group and how they are managed. However, there may be other risks that are currently unknown or regarded as immaterial which could turn out to be material. We update the Group risk register on a rolling 12 month basis and since the last year end a number of risks have been removed as they are no longer considered to be material to the Group overall.

Investors should consider these risks along with other information provided in this Annual report.

Risk and impact	Mitigation
Business change Business change strategies fail to be executed quickly enough or fail to achieve the anticipated efficiency and cost savings. In particular, the Group's strategic focus is on the Central America and Caribbean region and we have begun to develop a unified business structure and revised operating model to better exploit opportunities available and realise synergies. If such business change programmes do not achieve their objectives this could affect the Group's profitability and cash flow	▸ Regular reviews are held by Group senior management to monitor project status, risks and mitigating actions ▸ We employ high calibre individuals with proven experience and expertise of working on business turnaround/change projects
Investment Following the disposal of the majority of the Islands and Macau businesses the Group's strategy is to focus investment in the Caribbean and Central American region where we have a critical mass of operations and the ability to realise operational efficiencies. There is a risk that investments, acquisitions and partnership arrangements are not successful or that suitable investment opportunities are not available in the region. This could adversely affect the Group's return on investment and ultimately shareholder returns	▸ We undertake detailed due diligence, employ experienced and knowledgeable individuals, obtain external specialist advice and ensure thorough debate at Board level ▸ Integration plans are considered as part of our due diligence to ensure any new acquisitions can be successfully integrated into our Group ▸ We set rigorous investment hurdles internally against which we measure potential opportunities ▸ Group Board approval is required for material transactions
Business development The development of mobile data, pay TV and value added services together with other sources of revenue growth fail to perform as anticipated. The Group therefore fails to mobilise into new business lines in sufficient time to offset the structural decline in traditional voice revenues being experienced across the telecoms industry. Failure to achieve profitable revenue growth may lead to a decline in revenue and a reduction in future profitability and cash flow	▸ We ensure focused attention on marketing and product development activities and encourage cross-regional leveraging ▸ We engage with experts to look at external product developments ▸ We focus closely on the pricing of new services to ensure the Group achieves the required return ▸ Post-implementation reviews of business cases are conducted as part of business unit performance reviews

Risk and impact	Mitigation
Competitive activity Competitor activity and new market entrants could, through a combination of aggressive pricing and promotional activity, reduce our market share and margins. As a consequence of disposals, the Group is also more concentrated in terms of geographical spread and therefore may be more restricted in its ability to compete effectively in the event of further consolidation and new market entrants. Failure by the Group to compete effectively could have a significant adverse effect on revenues, profitability and cash flow	▶ We undertake continued investment in our networks to improve our customer experience, for example we are focusing on selective investments in high speed networks in a number of territories ▶ We engineer our customer propositions based on our strengths relative to our competitors ▶ There is focus on our retention activity and loyalty programmes and how to enhance our customer relationship management capabilities
Economic conditions The effect of an economic downturn may adversely affect our operations and trading. The challenging economic environment in some of our major territories and the importance of overseas tourism to the economies of some countries could continue to suppress government and consumer spending impacting our profitability and cash flow	▶ We continue to monitor key recession indicators and remain prepared to take action to address any ongoing impact of the downturn ▶ We continuously seek to improve efficiency and reduce costs in order to best meet customer price expectations
Regulatory risk We need to comply with a large range of regulations and licence terms which govern our operations across the multiple legal jurisdictions in which we operate. Changes in the regulatory environment could impact the granting and renewal of licences, spectrum and operating agreements or significant terms attached to them. We are also impacted by key regulatory decisions relating to pricing such as the determination of termination rates. Failure to comply with regulations or adverse regulatory decisions could impact the value of our investments, limit the Group's financial returns or restrict the ability to operate or provide new services to our customers	▶ We actively liaise with regulators to encourage a positive working relationship based upon open dialogue ▶ We continuously monitor developments in the regulatory environment for all our businesses. Regular reports are made to the executive team on regulatory risks ▶ We employ local colleagues in each country who are experienced in local laws and regulations
Political risk A change in the political environment could lead to changes in law, government policy or attitudes towards foreign investment. This could have an adverse impact on our business operations, investment decisions and profitability	▶ We monitor political developments in both existing and potential markets closely ▶ We actively liaise with governments and opposition parties to encourage a positive working relationship with open communication at senior levels ▶ We aim to contribute positively to the social and economic development of the communities where we operate

Risk and impact	Mitigation
Service disruption Our networks form part of a country's critical national infrastructure and therefore we are relied upon on a daily basis to deliver a high quality, resilient service. Disruption to our network and IT systems from events such as hurricanes and other natural disasters, fire, security breaches, system failures or human error could damage our reputation and also result in a loss of customers or financial claims	▶ All our businesses have business continuity policies and major incident management plans in place which we continue to review to ensure that they remain up to date ▶ We also have insurance cover and employ network resilience to mitigate the effects of these risks ▶ We plan network upgrades and have a programme of ongoing maintenance
Network and data security We carry and store large volumes of confidential personal and corporate voice traffic and data. Unauthorised access to sensitive data by third parties or employees could have an adverse effect on the Group's business, its reputation and expose us to litigation	▶ The Group has information security procedures and controls in place which are regularly reviewed ▶ Remedial action plans are implemented where necessary ▶ We conduct third party data security reviews as required
People Our people are one of our most important assets and problems recruiting and retaining skilled colleagues could harm our business. We also face the risk of disruption and lost productivity in the event of industrial action	▶ Incentive, succession and retention plans are in place to limit the risk of losing key employees ▶ We actively engage with unions and undertake colleague engagement surveys to keep abreast of and monitor any employee issues ▶ We have business continuity plans in place to deal with industrial action
Technology New technology developments may render our existing products, services and supporting infrastructure obsolete or non-competitive. As a result this may require the Group to increase its rate and level of investment in new technologies which affect cash flow and profit. Concerns are occasionally expressed that mobile phones and transmitters may pose long term health risks which, if proven, may result in the Group being exposed to litigation	▶ New technology developments are under constant review and new technologies are introduced when appropriate ▶ We continue to keep abreast of the latest research on the potential health risks of mobile phones and transmitters
Joint ventures We have a number of operations where we do not have management control. Our ability to manage the performance of these operations is therefore more limited which could impact the value of our investments	▶ We endeavour to have some operational involvement and we engage with local management in line with the applicable shareholder agreements ▶ We have regular interaction with our local joint venture partners
Pensions The Group has significant pension scheme obligations. The value of the Group's pension schemes' assets and liabilities may be adversely affected by a decline in investment returns, longer life expectancy and regulations. An increase in pension deficits may necessitate additional contributions to the schemes with an adverse impact on future cash resources	▶ We have previously undertaken actions to de-risk our exposure through the purchase of insurance policies for certain scheme liabilities in the UK and Jamaica ▶ We continue to examine additional strategies to further mitigate the risk of increased deficits ▶ The Company maintains regular dialogue with the pension Trustees who manage the scheme's assets with appropriate external advice along with independent advisers

Our customers are embracing mobile data across the Caribbean

Governance

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Board of Directors

1. Sir Richard Lapthorne, CBE N

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 Chairman of the Nomination Committee. In March 2012 he was appointed Chairman of the Foresight Group on UK Manufacturing, and is Chairman of the PwC Public Interest Body and a Non-executive Director of Sherritt International, based in Toronto.

Between June 2009 and April 2010, he was Chairman of the McLaren Group. From 1996 to May 2003 Richard was Chairman of Amersham International 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 Non-executive Director of Spirit Pub Company plc which listed on the London Stock Exchange in 2011. He is also Chairman of Alexander Mann Solutions, and Tony was recently appointed as a Trustee for Shelter, the housing and homelessness charity.

3. Tim Pennington

Chief Financial Officer

Tim Pennington is Chief Financial Officer (CFO) of the Company. He previously served as the Group Finance Director for Cable and Wireless plc. 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 from January 2006 to demerger. He has Board level responsibility for Human Resources, Brand, PR & Communications, Legal & Regulatory Affairs, Insurance, Corporate Social Responsibility, Procurement and IT. 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 Remuneration 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 Remuneration Committee and a member of the Audit and Nomination Committees. Simon became Chairman of the Remuneration Committee on 1 June 2012 having previously been the Chairman of the Audit Committee. Simon is a Non-executive Director of Tribal Group plc and of Allied Irish Banks plc. Previously, Simon was Group Finance Director for 3i Group plc until November 2008 and also 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. Mark Hamlin ANR

Non-executive Director

Mark Hamlin has been a Non-executive Director of the Company since his appointment on 1 January 2012, and is a member of the Audit, Nomination and Remuneration Committees. Mark is a Chartered Clinical Psychologist, and is the Chairman of the Organisation Resource Group of Companies. He is a senior adviser to the boards of global businesses in many areas including strategy, culture and corporate change programmes in international markets. Born in Johannesburg, he is involved with a number of charities in Africa, some aimed at creating additional income for subsistence farmers and their families, and others establishing life skills education centres for young people. Mark is the President of Wedmore Opera, a community based music performance charity in Somerset.

7. Alison Platt ANR

Non-executive Director

Alison Platt was appointed a Non-executive Director of the Company on 1 June 2012, and is a member of the Audit, Nomination and Remuneration Committees. Alison is a Managing Director at Bupa, responsible for International Development Markets. She took up this post in October 2012 having previously held a number of senior posts across Bupa including Chief Operating Officer of its UK private hospitals business, Deputy Managing Director in its UK insurance business and latterly Managing Director for its businesses in the UK, Europe and North America. Before joining Bupa, Alison held a number of key positions in British Airways.

Alison Platt was chair of 'Opportunity Now', which seeks to accelerate change for women in the workplace, from May 2009 until April 2013. She was also a Non-executive Director of the Foreign & Commonwealth Office between 2005 and 2010, and in the 2011 New Year Honours she was appointed a CMG for her services to the Board of the FCO.

8. Ian Tyler ANR

Non-executive Director, Chairman of the Audit Committee

Ian Tyler has been a Non-executive Director of the Company since his appointment on 1 January 2011. On 1 June 2012, Ian was appointed Chairman of the Audit Committee. Ian is also a member of the Remuneration and Nomination Committees. Ian is a chartered accountant and was Chief Executive of Balfour Beatty plc from January 2005 to March 2013, having joined the company in 1996 as Finance Director and having become Chief Operating Officer in 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 a Non-executive Director of BAE Systems plc and also President of CRASH, the charity for homeless people around the UK.

A Denotes membership of Audit Committee.
N Denotes membership of Nomination Committee.
R Denotes membership of Remuneration Committee.
Committee membership shown as at 31 March 2013.

"Good corporate governance is critical to ensuring our long-term success."

Sir Richard Lapthorne, CBE
Chairman

Dear Shareholder

Cable & Wireless Communications has complied in full with the UK Corporate Governance Code throughout the year.

Corporate governance is about delegating safely and it is the responsibility of the Board to ensure that the Group is governed properly and responsibly. By its very nature effective corporate governance is fundamental to the Board's duty to maintain control and line of sight across a geographically dispersed Group such as Cable & Wireless Communications.

This year has been an active year for the Board. The disposals of the Islands and Macau business units required an increased time commitment for the Board of Directors during the year to ensure that there was sufficient time for robust and challenging debate in relation to the disposals and also to ensure that the balance of time for Board discussions focused on strategy, the review of financial and operational performance and oversight of internal controls to ensure the right checks and balances remained in place during a period of transformational change.

Alison Platt, Managing Director at Bupa responsible for International Development Markets, joined the Board in June 2012. Alison brings skills, knowledge and experience gained from her executive career across international markets.

This section describes the way that corporate governance works in Cable & Wireless Communications. Our governance focuses not only on the boardroom but right across the business. We believe that good governance supports long-term performance.

Our commitment to ethical business behaviour is long-standing and starts at the top of the organisation and we believe that our success has been built on an honest and transparent approach. A values-led culture, high behavioural standards and robust procedures are fundamental to a strong corporate governance framework. We have updated our Code of Conduct during the year which sits alongside our Anti-Bribery policy and procedures which were strengthened in 2011. We have a comprehensive internal programme which ensures that everyone who is part of our Group understands our approach and values via a communications and training programme.

Sir Richard Lapthorne, CBE
Chairman

21 May 2013

Compliance with the UK Corporate Governance Code

Throughout the year the Group has complied with all relevant provisions set out in the 2010 UK Corporate Governance Code (the Code) and applied the main principles of the Code as described in pages 37 to 67. Reporting under the UK Corporate Governance Code dated September 2012 will take effect for our 2013/14 financial year.

The Code is available on the Financial Reporting Council's website www.frc.org.uk.

Board membership

Biographies of the current Directors, including details of their Committee memberships, are shown on page 37.

Details of Directors' attendance at scheduled Board meetings are shown in the table below:

Membership and attendance at meetings		
Sir Richard Lapthorne	●●●●●●●●●	9/9
Nick Cooper	●●●●●●●●●	9/9
Tim Pennington	●●●●●●●●●	9/9
Tony Rice	●●●●●●●●●	9/9
Simon Ball	●●●●●●●●●	9/9
Mary Francis[1]	○○	0/2
Mark Hamlin	●●●●●●●●●	9/9
Alison Platt[2]	●●●●●●●●	8/8
Ian Tyler	●●●●●●●●●	9/9

1 Mary Francis retired with effect from 30 June 2012.
2 Alison Platt was appointed to the Board with effect from 1 June 2012.

Alison Platt was appointed to the Board as a Non-executive Director with effect from 1 June 2012, and Mary Francis retired as a Non-executive Director with effect from the end of her term on 30 June 2012.

The Board meets regularly and there were nine meetings during the year, including an annual strategy meeting. One Board meeting took place in a regional business unit location. Such visits provide an insight into the business unit operations, the local teams and the culture and environment in which they operate.

There are a number of informal meetings held throughout the year and as part of the annual corporate governance programme the Independent Directors meet once a year to discuss any relevant governance matters. They also met twice with the Chairman present and once with the Chairman and Chief Executive present. This balance of formal and informal meetings throughout the year creates an environment that encourages challenge, the sharing of information, innovative thinking and open communication.

The Chairman is responsible for the overall operation and governance of the Board. The Chairman provides the leadership of the Board to ensure that the Board satisfies its duties and responsibilities. The Chairman sets the agenda for the Board, ensuring that the Board receives clear, timely and accurate information. The Chairman is also responsible for facilitating the contribution of the Directors.

The Chairman, together with the Senior Independent Director, is also responsible for ensuring that the Company maintains effective communication with shareholders and other stakeholders.

The commitment of the Chairman as a Non-executive Director of Sherritt International, a company listed on the Toronto Stock Exchange, as Chairman of the PwC Public Interest Body and as Chairman of the Foresight Group on UK Manufacturing are noted on page 37, and the Board considers that these appointments are not a constraint on his agreed time commitment to the Company.

The Chief Executive has responsibility for developing the strategy for recommendation to the Board. He is also responsible for the leadership of the business and managing it within the authorities delegated by the Board.

Role of the Board

The Board is responsible for the Group's corporate governance system and is committed to maintaining high governance standards. In order to progress the objectives of the Group the Board meets on a regular basis and is responsible for organising and directing the Company and the Group in a manner that promotes the success of the Company and is consistent with good corporate governance practice. To enable the Board to function effectively, full and timely access is given to all relevant information.

The key policies and practices of the Company and the Group are set out in this report as well as in the reports of the Audit Committee on pages 48 to 50 and the Remuneration Committee on pages 51 to 66. Furthermore, our independent Non-executive Directors have prepared a report describing corporate governance and behaviours of the Board on page 47 and details of significant shareholdings and rights, obligations, powers and procedures under the Company's Articles of Association are set out in the statutory information on pages 42 to 46. Together, these reports provide shareholders with an insight into how our Board and senior management seek to manage the business to create and deliver long-term success for the Group.

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 there were no such objections.

Directors' and corporate governance report continued

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

- Strategy and management:
  Approval of long-term objectives and strategy, extension of Group activities into new business or geographic areas, any decision to cease to operate any material part of the Group's business, review of Group performance and the approval of annual budget
- Corporate governance:
  Annual formal reviews of its own performance, a review of Group corporate governance arrangements, receiving reports on the views of shareholders and determining the independence of Non-executive Directors
- Financial reporting and controls:
  Approval of announcements of interim and final results, annual report and accounts, approval of dividend policy and approval of significant changes in accounting policies and practices
- Board membership and other appointments:
  Changes to the structure, size and composition of the Board, membership and chairmanship of Board Committees, ensuring adequate succession planning, appointment of the Senior Independent Director and the appointment or removal of the Company Secretary
- Remuneration:
  Determining the remuneration policy for the Directors and other senior executives and the introduction of new share incentive plans or major changes to existing plans to be put to shareholders for approval
- Delegation of authority:
  The division of responsibilities between the Chairman and the Chief Executive and receiving reports from Board Committees on their activities
- Contracts/expenditure:
  Approval of all significant contracts and expenditure and all investments or disposals in shares in which the Group holds an interest
- Internal controls:
  Receiving reports on and reviewing the effectiveness of the Group's risk and control processes to support its strategy and objectives and assessing these annually.

Other specific responsibilities are delegated to the Audit, Nomination and Remuneration Committees, each with clearly defined terms of reference. Each Committee reviews their terms of reference annually to ensure that they remain appropriate and effective.

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 currently comprises the Chairman, three Executive Directors and four Non-executive Directors. The Board considers all the Company's Non-executive Directors to be independent in character and judgement. Collectively the Non-executive Directors contribute to an effective Board with a strong mix of skills and business experience, including recent financial, strategic, operations and retail experience, gained in a variety of geographic areas. As they all occupy or have occupied senior positions 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, which sets out the time commitment expected of them, and service contracts for Executive Directors, are available for inspection by shareholders at our registered office during normal business hours and at our Annual General Meeting (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, ethics, 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 their 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 offered ongoing dialogue and meetings with shareholders to discuss any issues they wish to raise, and held meetings where appropriate or requested. The Company intends to continue this practice.

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 31 to 33.

The Executive Directors report to the Board, on behalf of management, significant changes in the Group's businesses 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, detailed appraisal processes and post-implementation reviews 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 and non–financial controls: the Group has dedicated resource to embed processes and controls across the businesses. It operates a number of self-assessment exercises, which include monthly and quarterly processes to certify compliance with key financial and non-financial controls via the Business Assurance Checklist (BAC). The BAC requires management to assess and certify the effectiveness of its fundamental controls over all aspects of its operations. The results of this exercise are utilised by Internal Audit in planning its work for the forthcoming year
- Whistle blowing: the Group operates an Ethics Helpline which is administered by an independent third party and is available to all employees
- In addition to the regular updates and reports during the year, the Board was also updated on cyber-security threats and the controls in place to protect against them.

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 where possible.

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 key advisers, with meetings with major shareholders arranged on request.

The ongoing training and development programme for the Directors includes:

- Regular visits to the overseas business units to meet the local teams. During the year, this included a Board visit to the Caribbean enabling enhanced knowledge of the business operations and to meet local external stakeholders
- The Board also received presentations from an external provider on the economics, political environment, challenges and opportunities of the Central American telecommunications markets
- Technology briefing papers to enhance understanding of the Group's products and services which, during the year, included a briefing on customer relationship management and billing systems and processes
- Governance updates from external advisers or via the Company Secretary's report
- Additional presentations to provide an external stakeholder or market perspective which, during the year, included a presentation to the Board regarding governance from an institutional shareholder's perspective

In addition, individual training requirements are agreed and arranged with Directors as required.

Board Committees

The reports of the Audit Committee and Remuneration Committee are set out on pages 48 to 50 and 51 to 66 respectively.

Nomination Committee

Nomination Committee membership

Membership and attendance at meetings		
Sir Richard Lapthorne	●	1/1
Simon Ball	●	1/1
Mary Francis[1]	○	0/1
Mark Hamlin	●	1/1
Alison Platt[2]		0/0
Ian Tyler	●	1/1

1 Mary Francis retired from the Committee with effect from 30 June 2012.
2 Alison Platt was appointed to the Committee with effect from 1 June 2012.

The Nomination Committee (the Committee) was chaired by Sir Richard Lapthorne throughout the year. Alison Platt became a member of the Committee upon her appointment to the Board as a Non-executive Director on 1 June 2012, and Mary Francis retired with effect from 30 June 2012. All members of the Committee, apart from the Chairman, are independent Non-executive Directors.

Terms of reference

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

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

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

- To review the structure, size and composition of the Board and make recommendations with regard to any changes
- To give full consideration to succession planning for key roles
- To identify and nominate candidates for the approval of the Board, having evaluated the balance of skills, knowledge and experience on the Board
- To review the time commitment required from Non-executive Directors
- To ensure that the balance of the Board and its Committees is consistent with good corporate governance and complies with the minimum requirements of the Code

Directors' and corporate governance report continued

In accordance with the terms of reference, the Committee has reviewed succession planning requirements and the need to ensure planned and progressive refreshing of the Board as and when required.

Meetings
The Nomination Committee met on one occasion in the period 1 April 2012 to 31 March 2013.

During the period under review, the Committee considered and recommended to the Board the appointment of Alison Platt as a Non-executive Director, and as a member of the Audit, Nomination and Remuneration Committees. Alison Platt, as a Managing Director at Bupa responsible for driving retail growth in international markets, was identified as a candidate who would complement the existing balance of skills and knowledge of the Board, with sufficient time to dedicate to the role. JCA Group, an independent boardroom consultancy firm, was appointed to undertake the search and was briefed with the criteria required for the role, including consideration for gender diversity. The suitability of her knowledge and skills was independently verified by JCA Group.

In addition, in May 2013 the Committee considered and recommended the re-appointment of Non-executive Director Simon Ball for a further one year period. Simon Ball has been on the Board of the Company since demerger in March 2010, and prior to this served as a Non-executive Director of Cable and Wireless plc from 1 May 2006. The re-appointment of Simon Ball was considered in the light of the Code requirements for his continued independence and the need to ensure progressive refreshing of the Board. The Committee reviewed his contribution over the previous year and considered that his skills and breadth of experience would be valuable in retaining a well-balanced Board.

The Board remains supportive of Lord Davies' recommendations. The Board understands the importance of diversity and recognises the importance of women having greater representation in senior roles. The search for Board candidates will continue to be conducted, and appointments made, with due regard to the benefits of diversity on the Board and where appropriate specialist search consultants engaged to assist in the search for suitable candidates. However, all appointments to the Board are ultimately based on merit, measured against objective criteria, and the skills and experience the individual can bring to the Board taking into account a number of factors including the existing size of the Board, the balance of Executive and Non-executive Directors as well as the existing skills, knowledge, experience and diversity already represented and the likely future requirements.

The composition of the Board, including the balance of skills, independence, knowledge and diversity on the Board is reviewed annually as part of the Board evaluation process.

Performance evaluation
In accordance with the Code, an external evaluation of the Board takes place at least every three years. The last external evaluation was undertaken in 2011 by Independent Audit Limited, which evaluated the performance of the Board as a whole. Independent Audit Limited has no other connection with the Company or Group.

An internal Board evaluation was conducted in 2012 using a structured questionnaire, which covered the operations of the Board and its principal Committees. Questionnaires were also issued, in the case of each of the Board Committees, to those participants who regularly attend these meetings.

The report on the findings of the review was discussed by the Board at its meeting in June 2012. The evaluation concluded that the Board and its Committees operate effectively. A number of recommendations were made following the review and the key themes included further consideration of the size of the Board in light of the strategic direction of the Group and augmenting the Board's induction and training programme, with an increased focus on matters specific to the telecommunications industry. 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 long-term success of the Group.

The Board evaluation for 2013 will also be conducted using a structured questionnaire covering the operation of both the Board and its principal Committees and the results and recommendations will subsequently be discussed by the Board.

Other statutory information
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 1 to 33) that precede this report and this corporate governance section (pages 38 to 67), the Board seeks to present a balanced and clear assessment of the Group's activities, position and prospects. Each of those sections is incorporated by reference into the Directors' report, which is comprised of those sections, the information set out below and the other information which is incorporated by reference. The Group's results for the financial year are shown in the consolidated income statement on page 71.

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

In compliance with the Code which specifies that all directors of FTSE 350 companies should be subject to annual election by shareholders, all Directors will stand for re-election at the 2013 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 51 to 66.

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 32 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 US2.67 cents per ordinary share payable on 9 August 2013 to ordinary shareholders on the register at the close of business on 31 May 2013. This final dividend, together with the interim dividend of US1.33 cents per share paid by the Company on 11 January 2013, makes a total dividend payment to shareholders of the Company of US4 cents per ordinary share for the year ended 31 March 2013.

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 8 to the Company financial statements. At the 2012 AGM, the Company was authorised by shareholders to purchase up to 252 million of its own ordinary shares, representing approximately 10% of its issued share capital (excluding shares held in treasury) as at 11 June 2012. Under the authority granted by shareholders at the 2010 AGM to purchase up to 262 million of its own ordinary shares, on 23 February 2011 the Company announced a share buyback programme up to a value of US$100 million in order to return capital to shareholders. During the period 1 April 2011 to 20 July 2011, the Company purchased 94,726,873 shares with a nominal value of US$0.05 each for an aggregate consideration of US$66 million, and these are held as treasury shares. The total number of shares held in treasury as at 31 March 2013 is 137,488,873.

The Board intends to seek shareholder approval at the forthcoming AGM on 25 July 2013 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. The Directors have no present intention of exercising this authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account other investment opportunities. The authority would only be exercised if and when, in the light of market conditions prevailing at the time, the Directors believe that the effect of such purchases will be in the best interests of shareholders generally.

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.

Further details on the share capital of the Company are set out in note 8 to the Company financial statements on page 132 and are incorporated into this report by reference.

Company's shareholders

As at 31 March 2013 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 2013			As at 21 May 2013		
	No. of ordinary shares	% of voting rights	Nature of holding	No. of ordinary shares	% of voting rights	Nature of holding
Orbis Holdings Limited	**370,326,609**	**14.65**	Indirect	**370,326,609**	**14.65**	Indirect
Newton Investment Management Limited	**252,784,845**	**9.99**	As a discretionary fund manager	**252,784,845**	**9.99**	As a discretionary fund manager

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.

During the year a review of the Group's ethics policies was undertaken. A new Code of Conduct policy was approved by the Board which sits alongside the Group's Anti-Bribery Policy and 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 these policies. Responsibility for the compliance with the policy remains with the Board and the regional Chief Executives are responsible for the communication, implementation and monitoring of their region.

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. The Group's employees are required to complete an annual online training programme in relation to these policies.

Charitable and political donations

During the year ended 31 March 2013, the Group gave US$1.42 million (2011/12 – US$3 million) to charitable organisations including US$91,436 (£60,000) (2011/12 – US$144,312 (£90,000)) 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 20 to 23.

The Company 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. During the year, the Company did not exercise its authority granted to it at the 2010 AGM to make political donations within the European Union. In aggregate, the sum of US$91,126 (US$233,167 – 2011/12) was made to non-EU political parties by non-EU subsidiary companies during the year.

Supplier payment policy

The Company did not enter into any purchase contracts with suppliers which required payment during the year to 31 March 2013. 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.

Directors' and corporate governance report continued

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.

Exercise of rights of shares in employee share schemes

The Trustees of The Cable & Wireless Communications Share Ownership Trust (the 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 Thursday 25 July 2013 at the Grange Tower Bridge Hotel, 45 Prescot Street, London E1 8GP. Details of the resolutions to be proposed at the AGM are given in the Notice of Meeting.

Auditor

Our auditor, KPMG Audit Plc, has instigated an orderly wind down of its business as a result of an internal reorganisation and KPMG LLP (an intermediate parent) is proposed as statutory auditor of the Company for the next financial year. Resolutions to appoint KPMG LLP as our external auditor in place of KPMG Audit Plc 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, licences and operating agreements.

Under the Group's US$500 million and US$100 million revolving credit facility agreements, 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 10 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 and the US$400 million 8.75% 2020 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 all or a controlling stake in 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 Directors' service contracts are explained in the Directors' remuneration report on page 58.

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. Proxy appointment and voting instructions must be received by the registrars at least 48 hours before the time appointed for the holding of a general meeting or 24 hours before a poll if not taken on the same day as the meeting (in each case subject to the Directors' discretion to specify that the time periods exclude any part of a day that is not a working day).

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 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 and stands for election at the first AGM following his appointment.

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 legislation or are removed from office under the Articles.

Directors' and corporate governance report continued

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 1 to 33 including the Financial review on pages 24 to 30. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 24 to 30. Further, notes 24, 28 and 36 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 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 22 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

21 May 2013

Independent Directors' report

The strategic portfolio considerations leading up to the disposal of the Islands and Macau business units has required a different focus from the Board during the year.

Additional time was added to the eight scheduled Board meetings and a further Board meeting was also held. Significant attention was given to the move from a diverse international portfolio of assets, to a focused, unified regional telecoms operator. The Board has discussed evolving strategy throughout the year with robust and challenging debate on the organic and inorganic opportunities in the pan-America region as well as the cultural and organisation demands of the move to a regional telecoms operator. External participants were invited to the strategy meeting in December to discuss the economic and political environment of the region which provided a valuable insight for the Independent Directors as well as a further basis for rigorous debate in subsequent discussions.

During the year, it was important that despite the substantive focus on the changing business, close attention remained on delivering a strong operating performance. The annual meeting plan included a number of recurring items particularly in relation to financial and operational performance to inform a structured debate. In addition, a number of unstructured debates took place during the year covering a number of matters including strategy and remuneration. These discussions enabled the Board to freely discuss and challenge the Company's behaviour and approach to such matters without the constraints of predetermined opinions.

In the past three years, at least two Board meetings a year have taken place in the regional business unit locations. These visits give the Independent Directors a valuable insight into the business unit operations, the local teams and the culture and environment within which they operate. The number of overseas visits was reduced in the year ended 31 March 2013 due to the time commitment required in relation to the disposal of the two business units. During the year, the Board visited the Cayman Islands and met with the Caribbean management team as well as external stakeholders including Government Ministers and enterprise customers.

As part of the annual corporate governance programme, the Independent Directors met separately during the year to discuss any relevant governance matters. They also met twice with the Chairman present and once with the Chairman and Chief Executive present.

Alison Platt, Managing Director at Bupa responsible for International Development Markets joined the Board as an Independent Director in June 2012. Alison's breadth of experience gained during her successful career at Bupa has augmented the Board's focus on behavioural, organisational, market facing and cultural matters all of which are key considerations in this period of transformational change.

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 Chairman and the Executive Directors have been working together as a team since 2008 and the relationship between them has remained strong. This provided a stable background to plan and execute two major corporate transactions and facilitate the decision to move towards a unified regional telecoms operator.

There is a clear understanding of the roles of each of the Chairman and the Chief Executive with the Chairman being responsible for the leadership of the Board and the Chief Executive being responsible for running the business.

2. How open are the Executive Directors with the Board?
The Board receives detailed reports and presentations from the three Executive Directors in advance of Board meetings, as well as updates at the meetings. This is supplemented by unstructured debates on key strategic areas. There were also three informal meetings held during the course of the year.

The Board also meets with members of the London and Regional Senior Management teams who are invited to attend Board and Committee meetings to present and discuss a number of matters including remuneration, risk and operational performance enabling an open forum for discussion and debate.

3. What is the visibility of the checks and balances between the Executive Directors?
The visibility of checks and balances between the Executive Directors has remained high. This was particularly important for the execution of the disposal of the two business units as well as the preparation and approval of the two circulars which were sent to shareholders.

The Executive Directors have openly shared and debated different perspectives in Board meetings enabling the Non-executive Directors to obtain a rounded view of the Executive Directors' views.

4. Have questions asked by the Independent Directors in Board and Committee meetings been appropriately addressed?
The Independent Directors are comfortable that questions have been answered in a considered and effective manner throughout the year ended 31 March 2013 and are satisfied that the corporate governance controls of Cable & Wireless Communications Plc are effective.

As we look ahead to the transformation process with the consequent strategic and executive challenges that will present to the Executive Directors and the Board, as a whole, it will be critical that the beneficial behavioural practices established are continuously applied. The Chairman, the Executive Directors and the Independent Directors need to pay particular attention to this aspect of Board management and behaviours in the period ahead.

Simon Ball
Senior Independent Director

21 May 2013

"This report sets out the membership, purposes and activities of the Audit Committee. During the year, the Committee has undertaken a number of key activities, including considering the effects of the disposal of the Monaco & Islands and Macau business units, reviews of judgemental accounting and disclosure issues such as exceptional items, revenue recognition, the risk management framework and the effectiveness of the Group's external audit arrangements."

Ian Tyler
Chairman of the Audit Committee

2012/13 Key activities

- Reviewing the annual report and accounts, preliminary results and press release for the year ended 31 March 2012
- Reviewing the composition and balance of trade receivables and accrued income during the year to assess the level of exposure within the Group
- Reviewing the nature and disclosure of exceptional items
- Reviewing the Group's revenue recognition policies and their application
- Reviewing the internal control and risk management framework processes and how they are implemented by the regional business units
- Reviewing the effectiveness of the in-house audit team and the co-source arrangements as well as the internal audit plan, taking into consideration the transformational activity during the year
- The appointment of a new head of internal audit
- Reviewing the status of Group litigation
- Assessing the external auditor's independence and undertaking an evaluation of the external auditor
- Reviewing external audit strategy and fees, including the impact of the disposals on the scope of the audit
- Review of tax risk and treasury, accounting and tax policies
- Reviewing the interim results and press release for the six months ended 30 September 2012
- Monitoring Group insurance cover
- Reviewing the accounting impact of the disposal of the Monaco & Islands and Macau business units

This report should be read in conjunction with the Directors' and corporate governance report on pages 38 to 47.

Audit Committee membership

The Audit Committee (the Committee) is comprised solely of independent Non-executive Directors.

Membership and attendance at meetings		
Simon Ball	●●●●	4/4
Mary Francis[1]	○	0/1
Mark Hamlin	●●●●	4/4
Alison Platt[2]	●●●	3/3
Ian Tyler	●●●●	4/4

1 Mary Francis retired from the Committee with effect from 30 June 2012.
2 Alison Platt was appointed as a member of the Committee with effect from 1 June 2012.

With effect from 1 June 2012, Ian Tyler was appointed Chairman of the Committee and Alison Platt a member of the Committee.

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 outcomes of Committee meetings are reported to the Board.

Terms of reference

The terms of reference 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 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
- 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

Meetings

The Committee held four scheduled meetings during the year ended 31 March 2013. Details of Committee membership and individual attendance at the meetings by members are given in the table on this page.

The Chief Executive, Chief Financial Officer, Group Financial Controller, Head of Internal Audit and representatives from KPMG Audit Plc (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.

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.

Whistle blowing

The Company provides an Ethics Helpline which is administered by an independent third party and is available to all Group employees via a web-portal or by telephone. This provides a mechanism for employees to raise concerns where they either do not feel comfortable raising the matter with local management or they are not satisfied with the local management response.

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 internal audit plan is approved by the Committee annually.

Audit Committee report continued

External audit
The Board has accepted the Committee's recommendation that KPMG should be retained for 2013/14. This recommendation was based on a detailed review of the 2011/12 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 external auditor is required to rotate the audit partner responsible for the Group audit every five years. The audit engagement partner responsible for the 2012/13 audit will rotate following the completion of the Group's 2013/14 audit cycle.

KPMG was appointed as auditor of the Company during the financial year 2009/10 and also acted as auditor of Cable and Wireless plc from 1991. There are no contractual obligations restricting the Company's choice of external auditors. A revised version of the UK Corporate Governance Code was issued by the Financial Reporting Council in September 2012 which provides that FTSE 350 companies should put the external audit contract out to tender at least every 10 years. The Committee will consider these provisions and developing guidance in relation to audit tendering and rotation in light of emerging practice during the course of the financial year ending 31 March 2014.

KPMG has instigated an orderly wind down of KPMG Audit Plc as a result of an internal reorganisation and requested that going forward the audit is instead undertaken by KPMG LLP (an intermediate parent of KPMG Audit Plc). KPMG Audit Plc will not therefore be seeking re-appointment as auditor of the Company and in accordance with the Companies Act 2006, a resolution proposing the appointment of KPMG LLP as our auditor will be put to the 2013 AGM.

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 Committee, and to be reported to the Committee.

For the year ended 31 March 2013 the Committee approved fees for audit services of US$4.3 million, together with fees for audit-related regulatory reporting of US$0.8 million and non-audit work of US$1.2 million. The nature of the services provided is set out in note 6e to the consolidated financial statements. There is no limitation of liability in the terms of appointment of KPMG as auditor to the Company.

Ian Tyler
Chairman, Audit Committee

21 May 2013

"This year our incentive arrangements take into account the changing shape of our portfolio"

Simon Ball
Chairman of the Remuneration Committee

I am pleased to present, on behalf of the Board, the Remuneration Committee's report providing details of the remuneration of the Directors for the financial year 2012/13 and our policy for 2013/14.

As you may be aware, the UK Government's Department for Business, Innovation & Skills (BIS) has produced draft regulations reforming the way in which the remuneration of Directors is approved and reported upon. The new regulations expected to come into effect in October 2013 will impact the content and presentation of the Directors' remuneration report. Accordingly, we have decided to adopt some of the draft regulations early, including the splitting of the report into two sections: a Policy report, setting out our policy for the year ahead, and an Implementation report, setting out how we implemented our policy over the year to 31 March 2013, which we hope will make the overall report more accessible for shareholders.

Remuneration policy for 2013/14

Over the past 12 months there have been significant changes within our organisation. We have divested of the Islands part of our Monaco & Islands business (specifically the Channel Islands, the Maldives, the Seychelles and South Atlantic territories) and are in the process of finalising the sale of our 51% shareholding in CTM, our Macau operation. These changes in our portfolio will allow us to create a more focused pan-America business around our existing Caribbean and Panamanian businesses and will enable us to explore potential acquisition opportunities in this region alongside organic growth initiatives. As a result, we are proposing some changes to how our bonus and Long Term Incentive Plan (LTIP) schemes are structured for 2013/14 to ensure that our incentive arrangements are aligned appropriately with the new organisational structure.

As we wish to incentivise our Executive Directors to focus on the continuing operations of the business, 70% of the bonus will remain subject to EBITDA and cash flow targets. The performance of Macau will be excluded from the bonus targets and will not count towards performance. In the event that Monaco Telecom is sold in the year, the outcome of the sale will form part of the consideration of bonus outcome. 30% of the bonus will be measured on specific personal objectives, with the focus based on measures relating to the portfolio reshaping.

Last year we made a number of changes to our LTIP arrangements, specifically a reduction in quantum of LTIP awards and a change in performance conditions from absolute Total Shareholder Return (TSR) to a combination of relative TSR and Earnings Per Share (EPS). Since that review, in light of the significant organisational changes that have taken and will take place in the short to medium term, the Committee has agreed that for the 2013/14 LTIP awards, the use of relative TSR as a single metric is more appropriate given the difficulties in setting a robust and appropriate EPS range during a period of significant organisational change. There will be no change to the policy on overall quantum for the bonus and LTIP.

No salary increases are being proposed for the Executive Directors and so fixed pay levels have been maintained at current levels.

Full details of our bonus and LTIP arrangements for the forthcoming year are described in the report.

Performance and reward for 2012/13

Bonuses for 2013 are paying out at the level of 56% of maximum opportunity for Tony Rice, and 61% of maximum opportunity for Tim Pennington and Nick Cooper. The bonus payments represent a combination of strong EBITDA performance for Macau and Monaco & Islands which has flowed through to robust Net Cash Flow before Financing (NCFbF) results, and solid performance against personal objectives. Further details on the bonus outturn is provided on page 61.

No LTIP awards vested in the year to 31 March 2013, as the absolute TSR performance target was not achieved. In addition, the LTIP award with performance conditions measured over the three years to 3 June 2013 is forecast to also not reach the absolute TSR performance target.

A single resolution for the advisory approval of this report will be put to shareholders at the Annual General Meeting (AGM) on 25 July 2013. On behalf of the Remuneration Committee, I hope that we can again rely on the continued support of our shareholders in 2013/14.

Simon Ball
Chairman, Remuneration Committee

2012/13 Key activities

- Finalising executive remuneration arrangements for 2012/13, on the basis described in last year's Annual report. This included implementing the structural changes to the LTIP arrangements made last year, approving the annual bonus payments and deferred bonus awards relating to performance in 2011/12
- Reviewing annual bonus arrangements for the forthcoming year, 2013/14, and aligning with the strategic direction of the Group
- Reviewing our shareholding guidelines which are at the upper decile for all FTSE companies thus creating effective claw back and alignment between Executive Directors and shareholders
- Undertaking a risk audit of executive remuneration policies
- Consultation with shareholders on remuneration approach for 2012/13
- Reviewing the BIS developments and recommendations and scheduling work towards their implementation, including implementing some of the proposed recommendations into this year's remuneration report
- Reviewing the Remuneration Committee's Terms of Reference to ensure that they are up to date and remain appropriate

This report provides information on the remuneration of the Directors of Cable & Wireless Communications Plc for the year ended 31 March 2013 and the arrangements that will apply until 31 March 2014. It will be subject to an advisory vote at the AGM on 25 July 2013.

The report is split into two primary sections: a Policy report and an Implementation report. The following topics are covered in each section:

Policy report

- An overview of our remuneration policy
- Remuneration arrangements for 2013/14 and how these align with Board strategy

Implementation report

- Remuneration Committee governance
- Remuneration outcomes in 2012/13
- Audited information

Policy report

Overview of our remuneration policy
The structure of remuneration for Executive Directors was initially adopted on demerger in March 2010. The Remuneration Committee (the Committee) recognised that the circumstances for managing Cable & Wireless Communications Plc were materially different from those affecting the former Cable and Wireless plc and over the last three years has significantly amended its policy to a more standard arrangement, while critically retaining linkage to the Company's evolving strategy.

Our policy

Overview

The overall aim is to establish remuneration structures which encourage, reinforce and reward the delivery of outstanding business performance. This is underpinned by the following guiding principles:

— The risk and reward structure must maintain an overall alignment with the interests of shareholders

— Executive Directors are encouraged to maintain a very significant personal investment in the shares of the Company

— There is a strong focus on performance-related pay

— Targets should be appropriately stretching and provide for median levels of reward for median performance against the targets, and median to top quartile rewards for exceptional performance

How do we do this?

— By setting fixed pay levels by reference to mid-market comparators and recruitment/retention considerations, while retaining some flexibility to reflect executives' experience and expertise

— By carefully balancing the variable pay opportunities provided through our performance-related short and long term incentive plans such that executives are incentivised to maximise performance over both the short and longer term

— By providing for a significant proportion of the package to be delivered and retained in shares and therefore subject to claw back

— By requiring Executive Directors to build up and maintain a substantial holding of ordinary shares at upper decile level of market practice

— By ensuring that all aspects of remuneration for the Executive Directors and selected senior employees are approved by the Committee and by reviewing the levels, structure and philosophy of remuneration on an annual basis

— By taking account of the pay and employment conditions of other employees in the Group when determining the Executive Directors' remuneration

— By considering the impact of remuneration on the risk profile of the Company

What key changes have we made for 2013/14?

Fixed pay
No salary increases are being proposed for the Executive Directors and so fixed pay levels have been maintained at current levels.

Annual bonus
70% will be based on financial targets and 30% on personal performance objectives.

The majority of the bonus will continue to be subject to financial targets based on Group EBITDA and Group NCFbF (apportioned two thirds EBITDA and one third NCFbF). As we wish to incentivise our Executive Directors to focus on the continuing operations of the business, the performance of Macau will be excluded from the bonus targets and will not count towards performance. In addition, in the event that Monaco Telecom is sold in the year, the outcome of the sale will form part of the consideration of bonus outcome (at a level of one seventh of the element measured on financial performance).

The proportion of bonus based on specific personal objectives will increase from 20% to 30% of total bonus opportunity, with the focus on driving greater synergies and growth opportunities both organic and inorganic in the pan-America region.

Long-term incentives
The degree of portfolio change which we have had and expect to continue to experience for the foreseeable future, makes it difficult to define a robust EPS range at this point in time. Therefore the Committee has decided that the awards to be granted in 2013/14 will be entirely based on relative TSR. The Committee will additionally assess whether it is satisfied with the financial performance of the Group before determining the extent to which (if at all) awards should vest.

There will be no change to the policy on overall quantum for the bonus and LTIP.

Set out in this next section are the following:

— A policy table summarising remuneration arrangements for 2013/14

— How the remuneration arrangements for 2013/14 align with Group strategy

— Charts showing how remuneration packages for 2013/14 are split at target and maximum performance levels

— Remuneration policy for the financial year 2013/14 in detail

Directors' remuneration report continued

Policy table for Executive Directors' remuneration from April 2013

Element and maximum	Purpose and link to strategy	Operation
Base salary	— Reflect the value of the individual and role — Reflect experience and expertise — Provide an appropriate level of fixed basic income	— Reviewed annually, effective 1 April — Periodic account of practice in comparable companies taken — Targeted at or around mid-market, with some flexibility to reflect experience and expertise — Pay of other UK based employees taken into account
Annual bonus	— Incentivise annual delivery of increase in shareholder value by maximising EBITDA and cash generation and through specific personal targets — Stretching targets provide for below market rewards for below target performance and top quartile rewards for exceptional performance	— Half of gross bonus paid in shares deferred for 12 months[1] — Claw back provisions apply — Not pensionable
Long Term Incentive Plan	— Intended to align Executives' performance closely with key strategic objectives over the longer-term, particularly increasing shareholder value, promoting profitable growth and reinforcing a progressive dividend policy — Stretching targets provide for median levels of reward for median performance against the targets, and median to top quartile rewards for exceptional performance	— Annual grant of performance shares
Pension	— Provide a mid-market level of retirement benefits — Contribute to the provision of an appropriate balance in the overall package between fixed and variable income	— Executive Directors may choose to receive an employer's pension contribution or pension cash allowance
Other benefits	— Provide employee benefit programme including life, disability and health insurance to provide support in the event of ill health or death	— Benefits provided through third-party providers — Car provision provided as applicable
Share ownership guidelines	— Upper decile shareholding requirements create close alignment between Executives and shareholders and reduce the potential for behaviours which are detrimental to the long-term health of the Company	— Where holding not already attained it is required to be achieved through retention of shares or the vesting of awards (on a net of tax basis) from share plans

1 In accordance with the rules of The Cable & Wireless Communications 2011 Deferred Bonus Plan (the Deferred Bonus Plan), half of each gross bonus awarded will be converted into shares which are deferred for 12 months and subject to forfeiture during that period. During the deferral period the shares carry cash dividend rights and any dividends awarded are also deferred during the deferral period. Deferred shares count toward each participant's personal shareholding. The Committee may exercise its discretion as to whether claw back is applicable at any time prior to the date in the following year, when the shares are due to be released. Claw back allows for all or a portion of shares to be reduced in the event that there is a restatement of the Company's accounts resulting from fraud, error or misrepresentation, or any issues of a nature which have a significant effect on the performance of the business.
2 TSR is defined as share price growth adjusted for dividends and capital actions. For the purposes of 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 volatility.

Maximum	Performance targets	Changes for 2013/14
— Annual increases generally linked to those of the wider workforce although the Committee retains discretion to award increases to individuals above this level where appropriate	N/A	— No change to policy — Salaries of Executive Directors will not be increased for 2013/14 and will remain at: — CEO: £700,000 — CFO: £500,000 — Corporate Services Director: £375,000
— 0% to 150% of salary for all Executive Directors, dependent on performance	— 70% based on financial targets and 30% based on personal performance — Financial targets for 2013/14 are two-thirds based on Group EBITDA and one-third on Group NCFbF (in the event that Monaco Telecom is sold in the year then one seventh of this part of the bonus will be based on the outcome of the sale) — Personal performance focused on driving synergies and growth opportunities related to the portfolio reshaping	— Exclusion of Macau from Group targets, to maintain focus on continuing operations — Inclusion of measure relating to sale of Monaco Telecom — Increase in proportion based on personal performance (from 20% to 30%) to drive focus on operational synergy
— Maximum of 400% of salary per annum — Award policy currently set at: — CEO: 200% of salary — CFO: 200% of salary — Corporate Services Director: 150% of salary	— Performance measured over a fixed three year period — Based on TSR relative to a bespoke group of sector-based companies[2] — 25% vests at threshold (median ranking) rising on a straight line basis to full vesting at upper quartile ranking — The Committee will assess whether it is satisfied with the financial performance of the Group before determining the extent to which (if at all) awards vest	— Change to single relative TSR performance measure for 2013/14 awards from awards based 50% on relative TSR and 50% on EPS
— Employer's defined contribution and/or pension cash supplement of 25% of salary	N/A	N/A
N/A	N/A	N/A
— CEO: 400% of salary — CFO: 300% of salary — Corporate Services Director: 200% of salary	N/A	N/A•

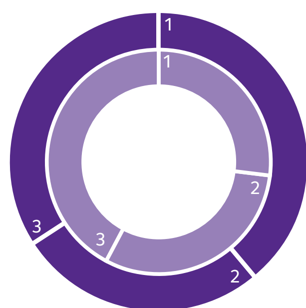
How do the remuneration arrangements for 2013/14 align with Group strategy?
The performance targets set for the Executive Directors and their regional management teams have been carefully aligned with the Group's strategy. This is illustrated in the following table:

Strategic objective	Annual bonus scheme metric	Long Term Incentive metric
Growth of our pan-America operations	Focus on EBITDA and cash metrics encourages focus on opportunities for synergies and economies of scale across the two regions	Well executed M&A activity will flow through to TSR improvements over time
Improving operational synergy	The blend of earnings and cash targets in the annual bonus plan creates a focus on improving gross margin, reducing operating costs and strong cash management through tight working capital discipline, operational expenditure reduction and capital expenditure control. All these aspects combined, help to drive share price performance and generate cash to reinvest for future expansion and to distribute via dividends to shareholders	Use of relative TSR to ensure our management team are focused on improving market share and gross margin and reducing the cost base, which in combination will improve operational synergy/performance and share price performance
Optimising shareholder value through portfolio reshaping	Specific non-financial objectives around portfolio reshaping, and alignment of incentive arrangements in realising synergies and economies of scale	Actual and potential organic growth will be reflected in our TSR performance
Maintaining our leading market position (where applicable) and growing market share through developing data based products and services in existing markets	Specific non-financial objectives on shaping regulatory change, embedding the use of growth metrics in the business units and progressing mobile data	Maintaining our leading market position should flow through to our annual performance and be reflected in improvements in TSR
Identification of new markets in which to expand our services through value added products, e.g. social telecoms and mobile data	Stretching annual bonus targets require the exploration of organic growth opportunities to supplement revenue streams Non-financial objectives supporting the expansion of our services beyond existing geographical boundaries	
Balancing risk and reward	Deferral of 50% of any annual bonus award into shares for a year. This reduces the risk of large payments where an event occurs which has a significant effect on the performance of the Group's business for the financial year in respect of the award or requires a restatement of the Company's accounts Claw back arrangements operate whereby the deferred bonus will be subject to claw back during the deferral period in the event of any fraud, error or misrepresentation by any person which gives rise to a restatement of the Company's financial accounts, or in certain other circumstances at the discretion of the Committee	High personal (at upper decile level) shareholding requirements create greater alignment with the shareholders and reduce the potential for behaviours and actions which are not beneficial for the long term health of the organisation Payment in shares is an additional claw back where share price performance is negative

Proportionate split of total remuneration at target level versus maximum level of performance

The balance between fixed and variable elements of remuneration at a target level and a maximum level are shown in the charts below. The packages for all our Executive Directors are weighted in favour of performance related remuneration at both the target and maximum performance levels. Based on a target level of performance it is intended that around 60% of the package is performance related. Based on maximum performance the weighting of performance-related remuneration increases to around 70% to 75% of the remuneration package.

Split of potential total target and maximum remuneration 2013/14
Tony Rice



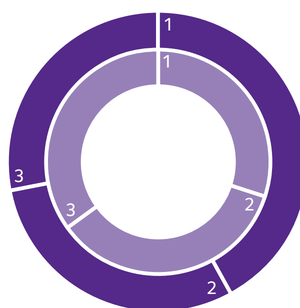
		Target (outer)	Max (inner)
1	Fixed pay	39%	27%
2	Performance-related annual bonus	27%	31%
3	Performance-related long-term incentives	34%	42%

Fixed
— Consists of base salary (£700k), benefits (£27.6k) and pension (25% of salary)

Target
— For the annual bonus, target is defined as 60% of maximum
— For the LTIP, target is defined as 55% of the face value of LTIP (equivalent to fair value estimate)

Maximum
— Full payout of annual bonus, i.e.150% of salary
— Full vesting of long-term incentive awards, i.e. 200% of salary

Split of potential total target and maximum remuneration 2013/14
Nick Cooper



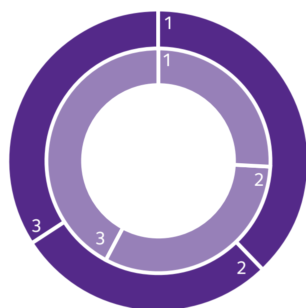
		Target (outer)	Max (inner)
1	Fixed pay	42%	30%
2	Performance-related annual bonus	30%	35%
3	Performance-related long-term incentives	28%	35%

Fixed
— Consists of base salary (£375k), benefits (£2.3k) and pension (25% of salary)

Target
— For the annual bonus, target is defined as 60% of maximum
— For the LTIP, target is defined as 55% of the face value of LTIP (equivalent to fair value estimate)

Maximum
— Full payout of annual bonus, i.e.150% of salary
— Full vesting of long-term incentive awards, i.e. 150% of salary

Split of potential total target and maximum remuneration 2013/14
Tim Pennington



		Target (outer)	Max (inner)
1	Fixed pay	38%	26%
2	Performance-related annual bonus	28%	32%
3	Performance-related long-term incentives	34%	42%

Fixed
— Consists of base salary (£500k), benefits (£1.9k) and pension (25% of salary)

Target
— For the annual bonus, target is defined as 60% of maximum
— For the LTIP, target is defined as 55% of the face value of LTIP (equivalent to fair value estimate)

Maximum
— Full payout of annual bonus, i.e.150% of salary
— Full vesting of long-term incentive awards, i.e. 200% of salary

Directors' remuneration report continued

Considerations taken into account in determining the Executive Directors' remuneration

Impact of remuneration on risk

The Committee understands that an appropriate balance is required between reward and risk and is committed to keeping this balance under review to ensure the remuneration policy dovetails with the risk profile of the Company. The Committee commissions an annual independent assessment of risk in relation to the remuneration arrangements of senior executives to ensure fully informed decisions can be made in this context. Following an assessment in 2012, the Committee remains satisfied that the current remuneration policy is appropriately aligned with the risk profile of the Company and that the remuneration arrangements do not encourage excessive risk taking.

Pay of other employees

Pay and employment conditions of other employees elsewhere in the Group (in particular in the UK) are taken into account when setting the remuneration policy for Executive Directors. The Committee is provided with periodic updates on employee remuneration practices and trends across the Group.

Shareholder views

The Committee actively seeks to engage with shareholders and values highly the contribution their views can make in the process of formulating remuneration policy decisions. The Committee sought and considered feedback from shareholders prior to the 2012 AGM on remuneration policy generally and, in particular, on a review of the performance conditions in the LTIP. Likewise, the Committee has also sought feedback from shareholders prior to this year's AGM on, in particular, changes to the annual bonus and LTIP and their alignment to Group strategy.

Service contracts and letters of appointment

Executive Directors' service contracts

The Committee's policy is that Executive Directors' service contracts should include a maximum notice period of one year. Executive Directors' service contracts continue until their normal retirement date.

	Date of appointment	Notice period
Nick Cooper	25 January 2010	One year
Tim Pennington	25 January 2010	One year
Tony Rice	25 January 2010	One year

The Executive Directors' service 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, healthcare 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's service contract

The Chairman's contract is effective from 25 January 2010 with 12 months' notice on either side or the requirement to stand for annual re-election at the AGM. There are no other contractual entitlements on early termination or following a change of control.

Non-executive Directors' letters of appointment

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. The Non-executive Directors do not receive any incentive payments or pension provision.

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 on recommendation of the Nomination Committee. 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 UK Corporate Governance Code.

Annual fees payable to each Non-executive Director are disclosed on page 66.

Implementation report

Committee governance
The principal duties of the Committee are detailed below:

— To recommend to the Board the policy for the remuneration of the Chairman, Executive Directors and other senior executive management

— To review the remuneration policy and consider its alignment with strategy on an ongoing basis

— To review the design of all new share incentive plans, policy on share incentive awards and performance conditions

— To determine whether performance measures for incentive plans have been satisfied

— To approve any amendments to the service contracts of the Chairman and Executive Directors

— To monitor the Group's pension plan

In forming its recommendations, the Committee receives input and advice from the Executive Directors, the HR Director and New Bridge Street who are the Committee's independent adviser. The outcomes of Committee meetings are reported to the Board.

Terms of reference
The terms of reference 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 can be found on our website at www.cwc.com

Advisers to the Committee
New Bridge Street (NBS) provide advice on remuneration and share plans both for Executive Directors and the wider senior management population, and were appointed by the Committee. In addition, NBS provide measurement of the Company's relative and absolute TSR performance and benchmark Non-executive Directors' and the Chairman's fee levels.

NBS are signatories to the Remuneration Consultants Group Code of Conduct and any advice provided by them is governed by that code. NBS's terms of engagement are available on request from the Company Secretary. NBS is a trading name of Aon Hewitt Limited (an Aon plc company) which, other than acting as independent consultant to the Committee, provided no further services to the Company during the year.

Remuneration Committee membership
Since 1 April 2012, there have been a number of changes to the membership of the Committee as reported in the table below. Simon Ball was appointed Chairman of the Committee effective 1 June 2012. With effect from the same date, Sir Richard Lapthorne ceased to serve as a member of the Committee, and Alison Platt became a member of the Committee on her appointment to the Board as a Non-executive Director effective 1 June 2012.

Membership and attendance at meetings		
Simon Ball	●●●●●	5/5
Mary Francis[1]	○○○	0/3
Mark Hamlin	●●●●●	5/5
Sir Richard Lapthorne	●●●	3/3
Alison Platt[2]	●○	1/2
Ian Tyler	●●●●●	5/5

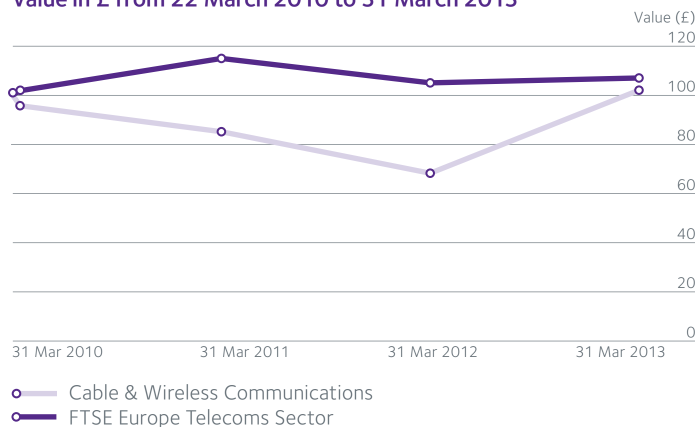
1 Mary Francis retired as Chair of the Committee on 1 June 2012 and then retired as a member of the Committee and of the Board on 30 June 2012.
2 Alison Platt was appointed to the Committee with effect from 1 June 2012.

Meetings
The Committee held five scheduled meetings during the year ended 31 March 2013. Details of Committee membership and individual attendance at the meetings by members are given in the table above.

No person is present during any discussion relating to their own remuneration.

Performance graphs
The graph below shows the total shareholder return by 31 March 2013 for a £100 holding in the Company's shares for the period from 22 March 2010 (the date shares in the Company were admitted to the Official List), compared with £100 invested in the FTSE Europe Telecoms Sector.

Total shareholder return (TSR)
Value in £ from 22 March 2010 to 31 March 2013



Cable & Wireless Communications
FTSE Europe Telecoms Sector

Directors' remuneration report continued

Directors' emoluments

The table below shows the aggregate emoluments earned by the Directors of Cable & Wireless Communications Plc during the period 1 April 2012 to 31 March 2013.

	Salaries and fees £	Total cash bonuses[4] £	Value of LTIP[1] £	Benefits in kind[2] £	Pension/ cash allowance[3] £	**Total 2012/13 statutory period 1 April 2012 to 31 March 2013 £**	Total 2011/12 statutory period 1 April 2011 to 31 March 2012 £
Chairman							
Sir Richard Lapthorne	386,000	–	–	10,674	60,500[5]	**457,174**	481,527
Executive Directors							
Nick Cooper	375,000	171,656	–	2,304	43,750	**592,710**	592,290
Tim Pennington	500,000	228,875	–	1,868	75,000	**805,743**	883,128
Tony Rice	700,000	294,175	–	27,640	175,000	**1,196,815**	1,306,651
Non-executive Directors							
Simon Ball	85,000	–	–	542	–	**85,542**	85,443
Ian Tyler[6]	81,666	–	–	490	–	**82,156**	65,621
Mary Francis (from 1 April 2012 to 30 June 2012)	21,250	–	–	–	–	**21,250**	85,785
Mark Hamlin	65,000	–	–	490	–	**65,490**	16,517
Alison Platt (from 1 June 2012 to 31 March 2013)	54,166	–	–	490	–	**54,656**	–
Past Directors' emoluments (for comparative purposes)	–	–	–	–	–	**–**	20,583
Total	2,268,082	694,706	–	44,498	354,250	**3,361,536**	3,537,545

1 This column denotes the cash equivalent value of any LTIP awards vesting in 2012/13. The values are nil as no awards vested in 2012/13.
2 'Benefits in kind' include Company provided life assurance, professional advice, car and chauffeur provision and reimbursement of costs associated with travel, accommodation and relocation (as applicable).
3 Company pension contributions in 2012/13 have been paid to the Directors as either annual cash allowance and/or employer's pension contributions. In addition to the pension cash allowance listed above, in 2012/13 Nick Cooper and Tim Pennington waived £50,000 of their pension/ cash allowance as an equivalent amount was paid into the pension plan by the Company on their behalf. An amount of £20 million (2011/12 – £18 million) is included in the net pensions deficit figure in note 27 to cover the cost of former Directors' pension entitlements.
4 For 2012/13, Tony Rice, Tim Pennington and Nick Cooper received bonuses of £588,350, £457,750 and £343,312 respectively. Half of the bonus is paid in cash (as shown in the table under 'total cash bonuses') and the other half is deferred into shares for one year and subject to claw back at the discretion of the Committee. These shares will count towards each Director's shareholding requirement.
5 Sir Richard Lapthorne received a cash allowance of £60,500 from 1 May 2012, in the financial year 2012/13, in lieu of a company car, which was previously under 'benefits in kind'.
6 Ian Tyler received additional fees for his role as Chairman of the Audit Committee from 1 June 2012.
7 The emoluments table is presented in sterling as salaries, benefits and bonuses are paid in sterling.

Details of salary increases in 2012/13 and 2013/14

	2012/13 Base salary in sterling	2013/14 Base salary in sterling	% increase
Nick Cooper	375,000	375,000	No increase
Tim Pennington	500,000	500,000	No increase
Tony Rice	700,000	700,000	No increase

The salaries of Tony Rice and Tim Pennington will not be increased from their 2010/11 levels for 2013/14 (and will remain the same for the third year running). The salary of Nick Cooper will remain unchanged from his 2012/13 level. The next salary review will be 1 April 2014.

Details of pension and other benefits in 2012/13

Executive Directors choose to receive one of the following: a cash allowance of 25% of their base salary, an employer's pension contribution at the rate of 25% of base salary or a combination of a cash allowance and employer's pension contribution with a combined value of 25% of base salary. The Director is not required to pay any pension contributions. The Company made contributions to the pension plan on behalf of two Executive Directors, Nick Cooper and Tim Pennington, totalling £100,000 in 2012/13.

The Executive Directors participated in employee benefit programmes including life, disability and health insurance plans. The value of these benefits for 2012/13 is included in the Directors' emoluments table above.

Details of variable pay earned in 2012/13

Annual bonus payments

Bonuses in 2012/13 for the Executive Directors were based 80% on financial and 20% on personal performance targets. 65% of the financial performance was based on EBITDA and 35% on NCFbF. The EBITDA element was based on EBITDA targets for the four regional businesses. There was also a minimum EBITDA underpin for both the EBITDA and NCFbF elements.

An overview of our EBITDA performance and Group NCFbF performance relative to the bonus targets is summarised in the table below.

	EBITDA performance relative to bonus targets	NCFbF performance relative to bonus targets
Caribbean	Below threshold	–
Panama	Below threshold	–
M&I	Mid range	–
Macau	Maximum of range	–
CWC Group	–	Maximum of range
EBITDA underpin	EBITDA underpin achieved	

Tony Rice's personal targets for last year included delivery of a premium disposal and progressing the Jamaica turnaround plan in reaction to changes in the regulatory environment. Tim Pennington's personal targets for the last year included managing and delivering one major portfolio disposal within the 2012/13 financial year and embedding the use of return on investment metrics within the business. Nick Cooper's personal targets included developing a plan for dual sourcing of exchange equipment and delivery of customer relationship management and mobile data billing initiatives. These objectives, the Executives' overall personal performance and the achievements delivered in the year were assessed by the Committee with input from the Chairman and for Tim Pennington and Nick Cooper, with input from the Chief Executive.

Bonuses for 2012/13 are paying out at the level of 56% of maximum opportunity for Tony Rice and 61% of maximum opportunity for Tim Pennington and Nick Cooper. The bonus payments represent a combination of strong EBITDA performance for Macau and Monaco & Islands which has flowed through to robust NCFbF results, and solid performance against personal objectives. The Committee assessed these bonus levels in the context of the overall performance of the individuals and the business in the year, the value created from the disposals, and concluded that they fairly reflected performance.

In accordance with the rules of the Deferred Bonus Plan, as summarised in footnote 1 to the Policy table on page 54, half of each gross bonus award for 2012/13 has been converted into shares which are deferred for 12 months and subject to forfeiture during that period.

Vesting of deferred bonus in the year

On 31 May 2011 the first deferral of 50% of the bonus (into Cable & Wireless Communications Plc shares) was made under the Company's Deferred Bonus Plan. The shares were potentially subject to claw back as described in footnote 1 to the Policy table on page 54.

For the awards granted in May 2011, the deferral period ended on 30 May 2012 and the shares vested in full on 30 May 2012.

Vesting of long term incentive awards in the year

No awards were subject to performance measurement periods ending in the 2012/13 financial year.

The performance period for the June 2009 LTIP awards granted under the Cable and Wireless Incentive Plan 2001 was aligned with the financial year, with the performance period beginning on the first day of the financial year in which the awards were made (i.e. performance period ending 31 March 2012). The performance conditions were not met for these awards and therefore the awards lapsed in June 2012.

The performance targets and levels of vesting for the 2009 awards were:

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%

Prior year long term incentive awards not vesting in year

In June 2010 and 2011, performance share awards equal to 2.8 times base salary for Tony Rice and Tim Pennington and 2.0 times base salary for Nick Cooper were granted (under the previous performance share plan) which vest on the third anniversary of grant in June 2013 and June 2014 respectively.

The June 2010 award is measured over the period 4 June 2010 to 3 June 2013. The minimum performance targets have not thus far been met and therefore the awards are forecast to lapse in full.

The performance targets and levels of vesting for these awards 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%

For the purposes of these awards, TSR is defined consistently with the definition as described in the footnote to the Policy table on page 54.

In addition to reviewing performance against the targets set out in the above two tables, the Committee will, within 12 months following the end of each three year performance period, also consider whether the underlying performance of the Group warrants release of the shares. It 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.

Details of historic awards granted to Executive Directors under the LTIP are summarised in the tables on pages 63 to 64.

Long term incentive awards granted in the year

Details of awards made to Executive Directors under the Performance Share Plan 2011 (PSP 2011) in the year ended 31 March 2013 are as follows:

	Scheme	Award level	Face value	Vesting period	Performance conditions
Chief Executive	PSP2011	200% of salary	£1,400,000	Three year performance period commencing on 1 April 2012	50%: compound annual growth in EPS of 5% (25% of shares measured against EPS) to 10% (100% of the shares measured against EPS vest) 50%: cumulative growth in TSR against a comparator group comprising companies predominately from the European Telecoms sector, median ranking (25% of the shares measured against TSR vest) to upper quartile ranking (100% of the shares measured against TSR vest) Awards will vest on a straight line basis between the above limits
Chief Financial Officer		200% of salary	£1,000,000		
Corporate Services Director		150% of salary	£562,500		

The comparator group for the 2012/13 award is France Telecom, BT Group, Telecom Italia, KPN Kon, Deutsche Telekom, Telefonica, Belgacom, Swisscom 'R', Telekom Austria, AT&T and Portugal Telecom.
The number of shares awarded was calculated based on the average share price for the period 24 to 30 May 2012 (inclusive) which is the period immediately after the 2011/12 full year results and would ordinarily have been used to calculate the award price had the Company not been in an extended close period until January 2013.

Directors' shareholdings

	Shares held at 1 April 2012 or date of appointment	Shares acquired	Shares disposed	**Shares held at 31 March 2013 or date of leaving**
Chairman				
Sir Richard Lapthorne	8,500,000	–	–	**8,500,000**
Executive Directors[1,2,3,4]				
Nick Cooper[5]	624,496	642,666	162,191	**1,104,971**
Tim Pennington	2,449,543	883,251	–	**3,332,794**
Tony Rice	20,501,928	4,259,333	–	**24,761,261**
Non-executive Directors				
Simon Ball	362,029	44,751	–	**406,780**
Mary Francis (retired 30 June 2012)	35,123	–	–	**35,123**
Mark Hamlin	32,000	33,000	–	**65,000**
Alison Platt (appointed 1 June 2012)	–	23,764	–	**23,764**
Ian Tyler	4,000	–	–	**4,000**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Trust, the Executive Directors are deemed to have an interest in all of the ordinary shares held by the Trust, which at 31 March 2013 amounted to 34,598,177 shares.
2 Included in the shares acquired during the year are shares purchased under the Share Purchase Plan (as described on page 66). Matching Shares allocated under the Share Purchase Plan are included if they have vested. All unvested Matching Shares as at 31 March 2013 are not included. Details are disclosed on page 65. As at 21 May 2013, there were the following increases in the interests of Directors and their connected persons: as a result of the vesting of Matching Shares awarded under the Share Purchase Plan, Nick Cooper 2,492, Tim Pennington 2,491 and Tony Rice 2,492 shares.
3 Included in the shares acquired during the year are shares awarded under the Deferred Bonus Plan under which 50% of gross bonus awarded to Executive Directors is paid in shares deferred for one year. These amounts are: Nick Cooper 642,666 shares, Tim Pennington 878,412 shares, Tony Rice 1,259,333 shares. A proportion of these deferred shares may be sold at the end of the deferral period to meet tax obligations relating to their acquisition/vesting.
4 Each of the Executive Directors will receive 50% of their total gross bonus payment for 2012/13 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 requirements. A proportion of these deferred shares may be sold at the end of the deferral period to meet tax obligations relating to their acquisition/vesting.
5 Shares disposed of by Nick Cooper were to cover tax obligations which arose as a result of shares vesting under the Deferred Bonus Plan.

Name and scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communi-cations Plc shares (pence)[1]	Shares under award at 1 April 2012[2]	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2013**
Executive Directors								
Nick Cooper								
Performance Shares[3]	02/06/09	02/06/12	51.00	461,584	–	–	(461,584)	**–**
Performance Shares[DS]	07/08/09	02/06/12	48.70	20,398	–	–	(20,398)	**–**
Performance Shares[DS]	22/01/10	02/06/12	52.30	10,595	–	–	(10,595)	**–**
Performance Shares[DS]	12/08/10	02/06/12	60.70	27,023	–	–	(27,023)	**–**
Performance Shares[DS]	13/01/11	02/06/12	49.95	15,794	–	–	(15,794)	**–**
Performance Shares[DS]	12/08/11	02/06/12	33.88	44,706	–	–	(44,706)	**–**
Performance Shares[DS]	12/01/12	02/06/12	37.99	20,861	–	–	(20,861)	**–**
Performance Shares	04/06/10	04/06/13	60.30	1,160,862	–	–	–	**1,160,862**
Performance Shares[DS]	12/08/10	04/06/13	60.70	67,962	–	–	–	**67,962**
Performance Shares[DS]	13/01/11	04/06/13	49.95	39,722	–	–	–	**39,722**
Performance Shares[DS]	12/08/11	04/06/13	33.88	112,433	–	–	–	**112,433**
Performance Shares[DS]	12/01/12	04/06/13	37.99	52,466	–	–	–	**52,466**
Performance Shares[DS]	10/08/12	01/06/14	32.54	–	121,045	–	–	**121,045**
Performance Shares[DS]	11/01/13	04/06/13	39.40	–	24,192	–	–	**24,192**
Performance Shares	02/06/11	01/06/14	43.29	1,592,718	–	–	–	**1,592,718**
Performance Shares[DS]	12/08/11	01/06/14	33.88	154,260	–	–	–	**154,260**
Performance Shares[DS]	12/01/12	01/06/14	37.99	71,984	–	–	–	**71,984**
Performance Shares[DS]	10/08/12	01/06/14	32.54	–	166,075	–	–	**166,075**
Performance Shares[DS]	11/01/13	01/06/14	39.40	–	33,192	–	–	**33,192**
Performance Shares[5]	14/01/13	14/01/16	37.72	–	1,812,761	–	–	**1,812,761**
				3,853,368	2,157,265	–	(600,961)	**5,409,672**
Tim Pennington								
Performance Shares[4]	02/06/09	02/06/12	51.00	655,151	–	–	(655,151)	**–**
Performance Shares[DS]	07/08/09	02/06/12	48.70	28,953	–	–	(28,953)	**–**
Performance Shares[DS]	22/01/10	02/06/12	52.30	15,039	–	–	(15,039)	**–**
Performance Shares[DS]	12/08/10	02/06/12	60.70	38,355	–	–	(38,355)	**–**
Performance Shares[DS]	13/01/11	02/06/12	49.95	22,418	–	–	(22,418)	**–**
Performance Shares[DS]	12/08/11	02/06/12	33.88	63,453	–	–	(63,453)	**–**
Performance Shares[DS]	12/01/12	02/06/12	37.99	29,610	–	–	(29,610)	**–**
Performance Shares[4]	02/06/09	02/06/12	51.00	1,725,527	–	–	(1,725,527)	**–**
Performance Shares[DS]	07/08/09	02/06/12	48.70	76,255	–	–	(76,255)	**–**
Performance Shares[DS]	22/01/10	02/06/12	52.30	39,609	–	–	(39,609)	**–**
Performance Shares[DS]	12/08/10	02/06/12	60.70	101,021	–	–	(101,021)	**–**
Performance Shares[DS]	13/01/11	02/06/12	49.95	59,044	–	–	(59,044)	**–**
Performance Shares[DS]	12/08/11	02/06/12	33.88	167,123	–	–	(167,123)	**–**
Performance Shares[DS]	12/01/12	02/06/12	37.99	77,987	–	–	(77,987)	**–**
Performance Shares	04/06/10	04/06/13	62.85	2,321,724	–	–	–	**2,321,724**
Performance Shares[DS]	12/08/10	04/06/13	60.70	135,925	–	–	–	**135,925**
Performance Shares[DS]	13/01/11	04/06/13	49.95	79,445	–	–	–	**79,445**
Performance Shares[DS]	12/08/11	04/06/13	33.88	224,867	–	–	–	**224,867**
Performance Shares[DS]	12/01/12	04/06/13	37.99	104,932	–	–	–	**104,932**
Performance Shares[DS]	10/08/12	04/06/13	32.54	–	242,090	–	–	**242,090**
Performance Shares[DS]	11/01/13	04/06/13	39.40	–	48,384	–	–	**48,384**
Performance Shares	02/06/11	01/06/14	43.29	3,185,437	–	–	–	**3,185,437**
Performance Shares[DS]	12/08/11	02/06/14	33.88	308,521	–	–	–	**308,521**
Performance Shares[DS]	12/01/12	02/06/14	37.99	143,969	–	–	–	**143,969**
Performance Shares[DS]	10/08/12	01/06/14	32.54	–	332,150	–	–	**332,150**
Performance Shares[DS]	11/01/13	01/06/14	39.40	–	66,384	–	–	**66,384**
Performance Shares[5]	14/01/13	14/01/16	37.72	–	3,222,687	–	–	**3,222,687**
				9,604,365	3,911,695	–	(3,099,545)	**10,416,515**

Directors' remuneration report continued

Directors' share awards continued

Name and Scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communi-cations Plc shares (pence)[1]	Shares under award at 1 April 2012[2]	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2013**
Tony Rice								
Performance Shares	02/06/09	02/06/12	51.00	5,490,320	–	–	(5,490,320)	**–**
Performance Shares[DS]	07/08/09	02/06/12	48.70	242,634	–	–	(242,634)	**–**
Performance Shares[DS]	22/01/10	02/06/12	52.30	126,029	–	–	(126,029)	**–**
Performance Shares[DS]	12/08/10	02/06/12	60.70	321,431	–	–	(321,431)	**–**
Performance Shares[DS]	13/01/11	02/06/12	49.95	187,868	–	–	(187,868)	**–**
Performance Shares[DS]	12/08/11	02/06/12	33.88	531,757	–	–	(531,757)	**–**
Performance Shares[DS]	12/01/12	02/06/12	37.99	248,141	–	–	(248,141)	**–**
Performance Shares	04/06/10	04/06/13	62.85	3,250,414	–	–	–	**3,250,414**
Performance Shares[DS]	12/08/10	04/06/13	60.70	190,295	–	–	–	**190,295**
Performance Shares[DS]	13/01/11	04/06/13	49.95	111,223	–	–	–	**111,223**
Performance Shares[DS]	12/08/11	04/06/13	33.88	314,814	–	–	–	**314,814**
Performance Shares[DS]	12/01/12	04/06/13	37.99	146,906	–	–	–	**146,906**
Performance Shares[DS]	10/08/13	04/06/13	32.54	–	338,926	–	–	**338,926**
Performance Shares[DS]	11/01/13	04/06/13	39.40	–	67,738	–	–	**67,738**
Performance Shares	02/06/11	01/06/14	43.29	4,459,613	–	–	–	**4,459,613**
Performance Shares[DS]	12/08/11	01/06/14	33.88	431,929	–	–	–	**431,929**
Performance Shares[DS]	12/01/12	01/06/14	37.99	201,557	–	–	–	**201,557**
Performance Shares[DS]	10/08/12	01/06/14	32.54	–	465,011	–	–	**465,011**
Performance Shares[DS]	11/01/13	01/06/14	39.40	–	92,938	–	–	**92,938**
Performance Shares[5]	14/01/13	14/01/16	37.72	–	4,511,762	–	–	**4,511,762**
				16,254,931	5,476,375	–	(7,148,180)	**14,583,126**

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 Trust on 13 May 2010.

3 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.

4 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.

5 The number of shares awarded under the PSP 2011 set out on pages 63 to 64 was calculated based on the average share price for the period 24 to 30 May 2012 (inclusive) which is the period immediately after the 2011/12 full year results and would ordinarily have been used to calculate the award price had the Company not been in an extended close period until January 2013.

Share Purchase Plan awards

For the period 1 April 2012 to 31 March 2013

Name and scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communications Plc shares (pence)	Market price on date of vesting (pence)	Shares under award at 1 April 2012	Shares awarded	Shares vested/ released	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2013**
Executive Directors									
Nick Cooper									
Share Purchase Plan[MS]	12/5/10	12/5/13	60.20	–	2,492	–	–	–	**2,492**
					2,492	–	–	–	**2,492**
Tim Pennington									
Share Purchase Plan[MS]	12/5/10	12/5/13	60.20	–	2,491	–	–	–	**2,491**
Share Purchase Plan[MS]	9/6/10	9/6/13	57.34	–	2	–	–	–	**2**
Share Purchase Plan[MS]	12/4/12	12/4/15	31.00	–	–	4,839	–	–	**4,839**
				–	2,493	4,839	–	–	**7,332**
Tony Rice									
Share Purchase Plan[MS]	12/5/10	12/5/13	60.20	–	2,492	–	–	–	**2,492**
				–	2,492	–	–	–	**2,492**

MS Matching Shares

As at 21 May 2013, the Matching Shares awarded under the Share Purchase Plan on 12 May 2010 vested on 12 May 2013, therefore there was an increase in the interests of Directors and their connected persons by a corresponding number of shares.

Directors' share options

	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2012	Granted between 1 April 2012 and 31 March 2013	Exercised	Lapsed, cancelled or forfeited	**Shares under option at 31 March 2013**
Tony Rice									
Unapproved Share Option Plan[1]	30/03/06	21/05/09	29/03/13	110.50	5,424,807	–	–	5,424,807	**–**
					5,424,807	–	–	5,424,807	**–**

1 Tony Rice agreed to delay the date on which options were to become first exercisable from March 2009 to 21 May 2009. This was to avoid options becoming exercisable during a prohibited period.

Notes:

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

Following the demerger, these shares under option, were linked to an equal number of Cable & Wireless Worldwide plc shares and cannot be exercised separately. The exercise price is the combined value of a Cable & Wireless Worldwide plc share and a Cable & Wireless Communications Plc share.

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 on 29 March 2013 was 41.94 pence, and subsequent to the acquisition of Cable & Wireless Worldwide plc shares by Vodafone Group Plc on 27 July 2012, the value of the linked Cable & Wireless Communications Plc share was 38 pence.

The highest closing mid-market price of an ordinary share in Cable & Wireless Communications Plc during the period from 1 April 2012 to 31 March 2013 was 42.63 pence, and the lowest closing mid-market price was 27.28 pence.

Directors' remuneration report continued

Share Purchase Plan
Prior to 5 April 2012, Executive Directors were eligible to participate in the all-employee Cable & Wireless Communications Share Purchase Plan (the Share Purchase Plan) on the same terms as other employees. With effect from 13 April 2012 no further shares were available for award under the Cable & Wireless Communications Share Purchase Plan.

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 10 year rolling period. As at 31 March 2013, 7% of the issued share 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 Trust, which is subject to a holding limit of no more than 5% of the issued ordinary share capital of the Company.

Non-executive Directors' Fees
The Chairman's annual fee of £386,000, effective from his appointment as Chairman of Cable and Wireless plc in January 2003, was reviewed by the Committee in March 2013 and will remain unchanged for 2013/14. The Chairman receives a cash allowance of £5,500 per month in lieu of the provision of a car. The Chairman exercised his option in 2012/13 to purchase his company car, details of which are listed in the related party transaction note on page 122.

The fee levels of the other Non-executive Directors were last reviewed in March 2013 and no increases were approved for the coming year.

The annual fees (which are based in sterling) payable to each Non-executive Director for 2013/14 are shown in the table below.

	Appointment date[3]	Base fee in sterling	Additional fees in sterling
Simon Ball	1 May 2006	65,000	20,000[1]
Ian Tyler	1 January 2011	65,000	20,000[2]
Mark Hamlin	1 January 2012	65,000	–
Alison Platt	1 June 2012	65,000	–

1 Additional fee for role of Senior Independent Director, Deputy Chairman, and Chairman of the Remuneration Committee from 1 June 2012.
2 Additional fee for role as Chairman of the Audit Committee from 1 June 2012.
3 Appointment dates include any term as a Non-executive Director of Cable and Wireless plc.

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.

	Annual fees in sterling
Tony Rice	
Non-executive Director of Spirit Pub Company plc	55,000
Chairman of Alexander Mann Solutions	15,000

Audited information
The Group's auditor, KPMG, has audited the information contained in the tables headed Directors' emoluments, Directors' shareholdings, Directors' share awards, Share Purchase Plan awards and Directors' share options.

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

Simon Ball
Chairman, Remuneration Committee

21 May 2013

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, they are required to prepare 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 or loss for that period.

In preparing each of 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
- 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 page 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 or loss of the Company
- 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

21 May 2013

We are Panama's market leader in mobile, fixed line and broadband services

Financial report

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

We have audited the financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2013 set out on pages 71 to 133. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements 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 67, the Directors are responsible for the preparation of the 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

— The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;

— The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

— The Parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;

— The financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 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:

— 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.

Under the Listing Rules we are required to review:

— The Directors' statement, set out on page 46, in relation to going concern;

— The part of the corporate governance statement in the Directors' report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

— Certain elements of the report to shareholders by the Board on Directors' remuneration.

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

21 May 2013

Consolidated income statement
for the year ended 31 March 2013

Continuing operations	Note	2012/13 Pre-exceptional items US$m	2012/13 Exceptional items[1] US$m	2012/13 Total US$m	2011/12* Pre-exceptional items US$m	2011/12* Exceptional items[1] US$m	2011/12* Total US$m
Revenue	4	**1,942**	**–**	**1,942**	2,032	–	2,032
Operating costs before depreciation and amortisation	6	**(1,353)**	**(50)**	**(1,403)**	(1,442)	(66)	(1,508)
Depreciation	14	**(221)**	**(86)**	**(307)**	(228)	(232)	(460)
Amortisation	13	**(54)**	**–**	**(54)**	(49)	(12)	(61)
Other operating income	6	**11**	**–**	**11**	2	–	2
Other operating expense	6	**(7)**	**–**	**(7)**	(13)	–	(13)
Group operating profit/(loss)		**318**	**(136)**	**182**	302	(310)	(8)
Share of profits of joint ventures and associates	15	**10**	**–**	**10**	26	–	26
Total operating profit/(loss)		**328**	**(136)**	**192**	328	(310)	18
(Loss)/gain on sale of businesses	7	**(16)**	**–**	**(16)**	13	–	13
Finance income	7	**11**	**–**	**11**	10	–	10
Finance expense	7	**(152)**	**–**	**(152)**	(158)	–	(158)
Profit/(loss) before income tax		**171**	**(136)**	**35**	193	(310)	(117)
Income tax (expense)/credit	8	**(61)**	**20**	**(41)**	(59)	10	(49)
Profit/(loss) for the year from continuing operations		**110**	**(116)**	**(6)**	134	(300)	(166)
Discontinued operations							
Profit for the year from discontinued operations	9	**184**	**–**	**184**	192	–	192
Profit/(loss) for the year		**294**	**(116)**	**178**	326	(300)	26
Profit/(loss) attributable to:							
Owners of the Parent Company		**127**	**(108)**	**19**	158	(235)	(77)
Non-controlling interests		**167**	**(8)**	**159**	168	(65)	103
Profit/(loss) for the year		**294**	**(116)**	**178**	326	(300)	26
Earnings/(loss) per share attributable to the owners of the Parent Company during the year (cents per share)[2]	10						
– basic				**0.8**			(3.1)
– diluted				**0.8**			(3.1)
Loss per share from continuing operations attributable to the owners of the Parent Company during the year (cents per share)	10						
– basic				**(3.4)**			(7.8)
– diluted				**(3.4)**			(7.8)
Earnings per share from discontinued operations attributable to the owners of the Parent Company during the year (cents per share)	10						
– basic				**4.2**			4.7
– diluted				**4.2**			4.7

*The results of Islands sub-group and Macau has been presented in discontinued operations (note 9).
1 Further detail on exceptional items is set out in note 6b and in the relevant note for each item.
2 Includes discontinued operations.

The notes on pages 77 to 127 are an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March 2013

	Note	2012/13 US$m	2011/12 US$m
Profit for the year		**178**	26
Other comprehensive (expense)/income for the year:			
Actuarial losses in the value of defined benefit retirement plans	27	**(38)**	(72)
Exchange differences on translation of foreign operations		**5**	(68)
Fair value gain on available-for-sale financial assets	16	**4**	5
Other comprehensive expense for the year		**(29)**	(135)
Income tax relating to components of other comprehensive income		**1**	2
Other comprehensive expense for the year, net of tax		**(28)**	(133)
Total comprehensive income/(expense) for the year		**150**	(107)
Total comprehensive (expense)/income attributable to:			
Owners of the Parent Company		**(10)**	(186)
Non-controlling interests		**160**	79

The notes on pages 77 to 127 are an integral part of these financial statements.

Consolidated statement of financial position
as at 31 March 2013

	Note	**31 March 2013 US$m**	31 March 2012 US$m
Assets			
Non-current assets			
Intangible assets	13	**485**	528
Property, plant and equipment	14	**1,367**	1,786
Investments in joint ventures and associates	15	**253**	253
Available-for-sale financial assets	16	**58**	55
Other receivables	17	**66**	55
Deferred tax assets	25	**30**	5
Retirement benefit assets	27	**28**	40
		2,287	2,722
Current assets			
Trade and other receivables	17	**484**	602
Inventories	18	**31**	103
Cash and cash equivalents	19	**152**	312
Financial assets at fair value through profit or loss	20	**–**	18
		667	1,035
Assets held for sale	9	**716**	–
		1,383	1,035
Total assets		**3,670**	3,757
Liabilities			
Current liabilities			
Trade and other payables	21	**622**	832
Borrowings	22	**86**	460
Financial liabilities at fair value	23	**258**	251
Provisions	26	**85**	61
Current tax liabilities		**142**	203
		1,193	1,807
Liabilities held for sale	9	**235**	–
		1,428	1,807
Net current liabilities		**(45)**	(772)
Non-current liabilities			
Trade and other payables	21	**27**	31
Borrowings	22	**1,717**	1,247
Deferred tax liabilities	25	**29**	30
Provisions	26	**32**	37
Retirement benefit obligations	27	**185**	189
		1,990	1,534
Net assets		**252**	416
Equity			
Capital and reserves attributable to the owners of the Parent Company			
Share capital	28	**133**	133
Share premium		**97**	97
Reserves		**(479)**	(307)
		(249)	(77)
Non-controlling interests		**501**	493
Total equity		**252**	416

The notes on pages 77 to 127 are an integral part of these financial statements. These financial statements on pages 71 to 127 were approved by the Board of Directors on 21 May 2013 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 2013

	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 2011	133	97	108	3,516	(3,488)	366	445	811
(Loss)/profit for the year	–	–	–	–	(77)	(77)	103	26
Net actuarial losses recognised (net of tax)	–	–	–	–	(67)	(67)	(3)	(70)
Exchange differences on translation of foreign operations	–	–	(47)	–	–	(47)	(21)	(68)
Fair value movements in available-for-sale financial assets	–	–	–	5	–	5	–	5
Total comprehensive (expense)/income for the year	–	–	(47)	5	(144)	(186)	79	(107)
Own shares purchased	–	–	–	–	(66)	(66)	–	(66)
Equity share-based payments	–	–	–	–	11	11	–	11
Dividends	–	–	–	–	(202)	(202)	–	(202)
Transfers to retained earnings	–	–	–	(200)	200	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	–	–	–	(200)	(57)	(257)	–	(257)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(166)	(166)
Purchase of non-controlling interest	–	–	–	–	–	–	135	135
Total dividends and other transactions with non-controlling interests	–	–	–	–	–	–	(31)	(31)
Balance at 31 March 2012	133	97	61	3,321	(3,689)	(77)	493	416
Profit for the year	–	–	–	–	19	19	159	178
Net actuarial losses recognised (net of tax)	–	–	–	–	(34)	(34)	(3)	(37)
Exchange differences on translation of foreign operations	–	–	1	–	–	1	4	5
Fair value movements in available-for-sale financial assets	–	–	–	4	–	4	–	4
Total comprehensive income/(expense) for the year	**–**	**–**	**1**	**4**	**(15)**	**(10)**	**160**	**150**
Equity share-based payments	–	–	–	–	4	4	–	4
Dividends	–	–	–	–	(166)	(166)	–	(166)
Transfers to retained earnings	–	–	(30)	(4)	34	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	**–**	**–**	**(30)**	**(4)**	**(128)**	**(162)**	**–**	**(162)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	(152)	(152)
Total dividends and other transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(152)**	**(152)**
Balance at 31 March 2013	**133**	**97**	**32**	**3,321**	**(3,832)**	**(249)**	**501**	**252**

The notes on pages 77 to 127 are an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2013

	Note	2012/13 US$m	2011/12* US$m
Cash flows from operating activities			
Cash generated – continuing operations (page 76)		**540**	483
Cash generated – discontinued operations		**302**	332
Income taxes paid – continuing operations		**(111)**	(70)
Income taxes paid – discontinued operations		**(28)**	(20)
Net cash from operating activities		**703**	725
Cash flows from investing activities			
Finance income		**7**	7
Other income		**–**	1
Dividends received		**6**	4
Decrease in available-for-sale financial assets		**10**	–
Proceeds on disposal of property, plant and equipment		**4**	3
Purchase of property, plant and equipment		**(236)**	(231)
Purchase of intangible assets		**(16)**	(53)
Proceeds on disposal of subsidiaries and joint ventures (net of cash disposed)		**(6)**	27
Acquisition of subsidiaries (net of cash received)		**(33)**	(165)
Net cash used in continuing operations		**(264)**	(407)
Discontinued operations		**(85)**	(102)
Net cash used in investing activities		**(349)**	(509)
Net cash flow before financing activities		**354**	216
Cash flows from financing activities			
Dividends paid to the owners of the Parent Company		**(166)**	(204)
Dividends paid to non-controlling interests		**(73)**	(76)
Repayments of borrowings		**(760)**	(583)
Finance costs		**(156)**	(119)
Proceeds from borrowings		**882**	895
Purchase of own shares		**–**	(70)
Net cash used in continuing operations		**(273)**	(157)
Discontinued operations		**(93)**	(109)
Net cash used in financing activities		**(366)**	(266)
Net decrease in cash and cash equivalents – continuing operations		**(108)**	(151)
Net increase in cash and cash equivalents – discontinued operations		**96**	101
Cash and cash equivalents at 1 April	19	**312**	379
Exchange losses on cash and cash equivalents		**(3)**	(17)
Cash and cash equivalents at 31 March	9, 19	**297**	312

*The results of Islands sub-group and Macau has been presented in discontinued operations (note 9).

The notes on pages 77 to 127 are an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2013

The reconciliation of loss for the year to net cash generated was as follows:

Continuing operations	Note	2012/13 US$m	2011/12* US$m
Loss for the year		**(6)**	(166)
Adjustments for:			
Tax expense	8	**41**	49
Depreciation	14	**221**	228
Amortisation	13	**54**	49
Impairment and accelerated depreciation	13, 14	**86**	244
Loss/(gain) on sale of businesses	7	**16**	(13)
Loss on disposal of property, plant and equipment		**–**	1
Finance income	7	**(11)**	(10)
Finance expense	7	**152**	158
Other income and expenses		**(10)**	6
Increase/(decrease) in provisions		**21**	(1)
Employee benefits		**(5)**	(1)
Defined benefit pension scheme other contributions		**(7)**	(7)
Share of post-tax results of joint ventures and associates	15	**(10)**	(26)
Operating cash flows before working capital changes		**542**	511
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
Decrease/(increase) in inventories		**2**	(12)
Decrease in trade and other receivables		**16**	18
Decrease in payables		**(20)**	(34)
Cash generated from continuing operations		**540**	483

*The results of Islands sub-group and Macau has been presented in discontinued operations (note 9).

The notes on pages 77 to 127 are an integral part of these financial statements.

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. Following the agreement to dispose of interests in Macau and the sale of its Islands businesses, the Group operates through three business units being the Caribbean, Panama and Monaco.

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 2013.

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 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 46 of the Directors' and corporate governance 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 year 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.

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 and associates. The results of the Group's main trading subsidiaries, joint ventures and associates 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 and associates

Joint ventures are entities over which the Group exercises joint control. Associates are entities over which the Group has significant influence. Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised through 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 and/or associate 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.

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

The Group considered the implications of the following amendments to IFRS during the year ended 31 March 2013:

— Amendments to IFRS 7 *Financial Instruments: Disclosures*

— Amendment to IFRS 1 *First Time Adoption*

— Amendment to IAS 12 *Income Taxes*

The above were first effective for the Group in the year beginning 1 April 2012 and have been adopted by the Group for 2012/13. They did not have a material impact on the Group.

New and amended standards and interpretations endorsed by the EU, adopted by the Group for 2013/14:

Title	Effective date	Description and impact on the Group
Amendment to IAS 19 *Employee benefits*	Annual periods beginning on or after 1 January 2013	There will be an impact on the Group results due to the change in calculating the income statement charge. Interest cost and expected return on plan assets will be replaced with a net amount calculated by applying the discount rate to the net defined benefit liability. Had the Group applied the new standard from 1 April 2012, Group profit before tax from continuing operations would have been US$8 million lower.

There are no other new or amended standards that are considered to have a material impact on the Group.

New and amended standards and interpretations, not yet effective and not adopted by the Group:

Title	Effective date	Description and impact on the Group
IFRS 9 *Financial instruments*	Annual periods beginning on or after 1 January 2015, however the standard has yet to be endorsed by the EU which is likely to delay implementation	IFRS 9 replaces parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. There will be an impact on the Group results due to revised classification categories although further changes to the standard are likely. The Group will consider the effect of the revised standard once it has been endorsed by the EU.

In addition, a number of new standards have been released but are not yet effective. The Group is currently considering the effect of these revised standards but they are not expected to have a material impact.

2.3 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 through profit or loss.

c) Foreign operations

The results and financial position of all the Group entities that have a functional currency different from the 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 shareholders' 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.

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

	2012/13	2011/12
£ : US$		
Average	**0.6330**	0.6260
Year end	**0.6562**	0.6263
€ : US$		
Average	**0.7786**	0.7225
Year end	**0.7694**	0.7506

2.4 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. Plant and equipment represents the Group's network infrastructure assets.

The estimated costs of dismantling and removing assets, typically cell sites and network equipment, and restoring land 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.

Depreciation is not recognised on freehold land or assets under construction. Depreciation is provided to write-off the cost of property, plant and equipment, 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 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.

2.5 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 in accordance with IFRS 3 *Business Combinations Revised*. 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.

2.5 Intangible assets continued

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.

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 programs beyond their original specifications and lives are recognised as a capital improvement and added to the original cost of the software.

Intangible assets relating to customer contracts, customer relationships and licences 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 on a straight line basis over their respective lives which are usually based on contractual terms. Other intangible assets are stated at cost less amortisation.

	Lives
Software	3 to 5 years
Licences	25 years or less if the licence term is shorter
Customer contracts and relationships	4 to 10 years

2.6 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 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 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. Trade and other receivables are presented in current assets in the statement of financial position, except for those with maturities greater than one year after the reporting date.

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. These financial assets are recognised initially at fair value. Subsequent changes in fair value are recognised through 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 through profit or loss.

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 and Bahamian Government gilts. 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 through profit or loss.

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

Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date for financial liabilities other than those held at fair value.

Borrowings
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 through profit or loss over the period of the borrowings 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 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.

Financial liabilities at fair value
This category includes a puttable instrument on non-controlling interests relating to the acquisition of Monaco Telecom (the Monaco Telecom put option), together with derivative financial instruments. These financial liabilities are recognised initially at fair value. Subsequent changes in fair value are recognised through 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, calculated using discounted cash flow techniques, as if the puttable instrument had been exercised at the reporting date. Movements in the fair value of the liability 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 through profit or loss in finance expenses.

2.7 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.

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 the cash-generating unit 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.

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

2.8 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. Provision is made for obsolete and slow-moving inventories as required.

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

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

2.11 Non-current assets and disposal groups held for sale
When the value of non-current assets is expected to be recovered principally through sale rather than through continuing usage, they are available for immediate sale in their present condition and a sale is highly probable, they are classified as assets held for sale. With the exception of deferred tax assets, assets arising from employee benefits and financial instruments, the assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities on the statement of financial position. Any amortisation and depreciation ceases when classified as held for sale.

Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

The Islands sub-group and the Macau segment have been classified at year end as disposal groups held for sale. See note 9 for details.

2.12 Discontinued operations
A discontinued operation is a component of the Group where the operations and cash flows are clearly distinguished from the rest of the Group and which:

— Represents a separate major line of business or geographical area of operations;

— Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

— Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement and cash flow statement are re-presented as if the operation had been discontinued from the start of the comparative year.

The Islands sub-group and the Macau segment have been classified as discontinued operations. See note 9 for details.

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 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.

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.

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.

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 cash flow 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.

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.

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.

2.14 Tax

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

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 and associates, 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. Provision charges and reversals are recognised through profit or loss. Discount unwinding is recognised as a finance expense.

2.16 Revenue recognition

Group revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services and goods provided to customers. It includes sales to joint ventures and associates but does not include sales by joint ventures and associates 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.

2.16 Revenue recognition continued

Revenue from mobile, broadband, TV and fixed line products comprises amounts charged to customers in respect of monthly access charges, airtime and usage, messaging and 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.

The Group earns revenue from the transmission of content and traffic on its network originated by third-party providers. Third-party dealers and partners are also used to facilitate the sale and provision of some services and equipment sold by the Group. We assess 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 telecoms 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 as incurred.

2.17 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.

2.18 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.

3 Critical accounting estimates and judgements

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. 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 (for example from one generation of mobile technology to the next), prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives differing from initial estimates. Where the Group determines that the useful life of property, plant and equipment should be shortened, 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 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 and other intangible assets with an indefinite life 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 12 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 creditworthiness 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 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 through profit or loss and tax payments made.

3.6 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.

3.7 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 27 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but are comparable to the median estimates in this regard used by FTSE 250 companies. Changes to these assumptions could materially affect the defined benefit schemes' liabilities and assets.

3.8 Fair value estimation

The fair value of non-derivative financial instruments traded in active markets (such as 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.

3.9 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 allocation of revenue between multiple deliverables, such as the sale value of telecommunications equipment and ongoing service, where such items are sold as part of a bundled package. See note 2.16.

4 Revenue

Accounting policy detailed in note 2.16. ►

Continuing operations	2012/13 US$m	2011/12 US$m
Sales of telecommunications services and related operations	**1,875**	1,974
Sales of telecommunications equipment and accessories	**67**	58
Total revenue	**1,942**	2,032

5 Segment information

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies offering mobile, broadband, TV, fixed line and enterprise services to residential and business customers. It had three principal operations which have been identified as the Group's reportable segments, being the Caribbean, Panama and Monaco. During the year ended 31 March 2013, the Group announced that agreements had been reached for the sale of the Monaco & Islands and the Macau segments. The Islands sub-group and Macau segment have been classified as discontinued operations. Monaco does not meet the criteria for discontinued operations and remains an operating segment of the Group. See note 9 for more information.

The Group also has a London corporate centre 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 result from continuing operations for the two years ended 31 March 2013 are presented below and the prior year results have been re-presented for the Islands sub-group and Macau disposals. 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 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.

Continuing operations Year ended 31 March 2013	Caribbean US$m	Panama US$m	Monaco US$m	Other and eliminations[1] US$m	Total US$m
Revenue	1,120	586	236	–	1,942
Cost of sales	(268)	(189)	(97)	(1)	(555)
Gross margin	852	397	139	(1)	1,387
Pre-exceptional operating costs	(578)	(158)	(64)	2	(798)
EBITDA[2]	274	239	75	1	589
Depreciation and amortisation	(155)	(85)	(27)	(8)	(275)
Net other operating (expense)/income	(2)	–	–	6	4
Exceptional operating costs	(136)	–	–	–	(136)
Group operating (loss)/profit	(19)	154	48	(1)	182
Share of profit after tax of joint ventures and associates	–	–	–	10	10
Total operating (loss)/profit	(19)	154	48	9	192
Net other non-operating expense	–	–	(12)	(4)	(16)
Net finance expense	29	(9)	1	(162)	(141)
Profit before income tax	10	145	37	(157)	35
Income tax	1	(42)	3	(3)	(41)
Profit for the year from continuing operations	11	103	40	(160)	(6)
Income taxes paid[3]	*(23)*	*(81)*	*(1)*	*(6)*	*(111)*

1 'Other and eliminations' includes London corporate centre expenses, eliminations for inter-segment transactions and the results of our joint ventures and associates (with the exception of our joint venture in Afghanistan, which is managed and reported within Monaco).
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, net other operating and non-operating income/(expense) and exceptional items (note 37).
3 Income taxes paid represents cash tax paid during the year by consolidated subsidiaries.

5 Segment information continued

Continuing operations Year ended 31 March 2012	Caribbean US$m	Panama US$m	Monaco US$m	Other and eliminations[1] US$m	Total US$m
Revenue	1,172	601	267	(8)	2,032
Cost of sales	(277)	(199)	(120)	4	(592)
Gross margin	895	402	147	(4)	1,440
Pre-exceptional operating costs	(611)	(146)	(88)	(5)	(850)
EBITDA[2]	284	256	59	(9)	590
Depreciation and amortisation	(170)	(71)	(28)	(8)	(277)
Net other operating expense	(11)	–	–	–	(11)
Exceptional operating costs	(283)	(9)	(18)	–	(310)
Group operating (loss)/profit	(180)	176	13	(17)	(8)
Share of profit after tax of joint ventures and associates	–	–	8	18	26
Total operating (loss)/profit	(180)	176	21	1	18
Net other non-operating income	–	–	–	13	13
Net finance expense	(21)	(7)	(15)	(105)	(148)
(Loss)/profit before income tax	(201)	169	6	(91)	(117)
Income tax	(16)	(50)	4	13	(49)
(Loss)/profit for the year from continuing operations	(217)	119	10	(78)	(166)
Income taxes paid[3]	*(25)*	*(32)*	*(4)*	*(9)*	*(70)*

1 'Other and eliminations' includes London expenses, eliminations for inter-segment transactions and the results of our joint ventures and associates (with the exception of our joint venture in Afghanistan, which is managed and reported within Monaco).
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, net other operating and non-operating income/expense and exceptional items (note 37).
3 Income taxes paid represents cash tax paid during the year by consolidated subsidiaries.

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 from external customers are analysed by product below.

	2012/13 US$m	2011/12 US$m
Mobile	**911**	910
Broadband and TV	**196**	198
Fixed voice	**437**	483
Enterprise, data and other	**398**	441
Total	**1,942**	2,032

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

	2012/13 US$m	2011/12 US$m
United Kingdom (country of domicile)	–	–
Bahamas	362	352
Jamaica	211	236
Panama	586	601
Monaco	236	268
All other countries and eliminations	547	575
Total	**1,942**	2,032

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

The 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 2013 US$m	At 31 March 2012 US$m
United Kingdom (country of domicile)	17	16
Bahamas	371	361
Jamaica	121	111
Panama	554	539
Monaco	410	382
All other countries and eliminations (includes non-operating assets and liabilities)	698	772
Total	**2,171**	2,181

6 Operating costs and other operating income and expenses

6a 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:

			2012/13			2011/12
Continuing operations	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	555	–	555	592	–	592
Employee and other staff expenses	312	50	362	365	66	431
Operating lease rentals:						
– Networks	17	–	17	16	–	16
– Property	23	–	23	24	–	24
Other administrative expenses	234	–	234	240	–	240
Network costs	127	–	127	126	–	126
Property and utility costs	85	–	85	79	–	79
Operating costs before depreciation and amortisation	**1,353**	**50**	**1,403**	1,442	66	1,508
Depreciation of property, plant and equipment	221	86	307	228	232	460
Amortisation of intangible assets	54	–	54	49	12	61
Operating costs	**1,628**	**136**	**1,764**	1,719	310	2,029

Operating costs are stated net of credits or charges arising from the release or establishment of accruals.

6b Exceptional items

Accounting policy detailed in note 2.17. ►

Exceptional losses totalled US$136 million comprising restructuring costs and asset impairment charges in the Caribbean (2011/12 – US$310 million).

Exceptional items within operating costs before depreciation and amortisation are disclosed below while further information in respect of exceptional impairment charges can be found in note 12.

In 2012/13, exceptional staff costs of US$50 million comprise redundancy and restructuring costs in the Caribbean. In 2011/12, exceptional staff costs of US$66 million include US$9 million in relation to a restructuring programme in Panama and US$57 million in the Caribbean which predominantly relates to the post acquisition restructuring plan in the Bahamas Telecommunications Company (BTC).

6c Employee and other staff expenses

Accounting policy detailed in note 2.13. ►

The pre-exceptional employee and other staff expenses for continuing operations are set out below:

	2012/13 US$m	2011/12 US$m
Wages and salaries	299	353
Social security costs	22	11
Share-based payments	2	4
Pension costs:		
– defined benefit plans	(7)	–
– defined contribution plans	11	10
Temporary labour and recruitment	17	29
	344	407
Less: Staff costs capitalised	(32)	(42)
Staff costs	312	365
Exceptional employee and other staff expenses (note 6b)	50	66
Total staff costs for continuing operations	362	431

Total staff costs in respect of discontinued operations in 2012/13 was US$76 million (2011/12 – US$72 million).

The average number of persons, including Executive Directors, employed by the Group during the year was:

	2012/13	2011/12
London	130	146
Caribbean	3,618	3,948
Panama	1,478	1,598
Monaco	323	412
Total	5,549	6,104

The average number of employees in discontinued operations in 2012/13 was 2,180 (2011/12 – 2,111).

Directors' and key management remuneration

Key management are represented by Directors only as those that have authority and responsibility for managerial decisions affecting the future development and business prospects of the Cable & Wireless Communications Group.

Included within employee costs is key management remuneration relating to continuing operations as follows:

	2012/13 US$m	2011/12 US$m
Salaries and other short-term employment benefits	5.8	6.5
Post-employment benefits	0.6	0.5
Total Directors' remuneration[1]	6.4	7.0
Share-based payments	3.0	1.0
Total key management remuneration	9.4	8.0

1 Please refer to the Directors' remuneration report on pages 51 to 66 for further information on aggregate Directors' emoluments of US$6.4 million (£4.1 million) (2011/12 – US$7 million (£4.4 million)). The Directors' remuneration report is presented in sterling as salaries, benefits and bonuses are paid in sterling.

6d Other operating income and expense

In 2012/13, other operating income of US$11 million includes US$8 million of foreign exchange translation gains on our UK defined benefit pension schemes, US$1 million of gains on disposal of property, plant and equipment and US$2 million of compensation received from a supplier.

In 2011/12, other operating income primarily included gains on disposal of property, plant and equipment.

In 2012/13, other operating expenses of US$7 million includes US$2 million of transaction costs relating to the proposed disposal of Monaco Telecom (note 9), US$4 million of hurricane rectification costs and US$1 million of losses on disposal of property, plant and equipment.

In 2011/12, other operating expenses of US$13 million included US$7 million of stamp duty on the Bahamas acquisition, US$5 million of costs incurred following Hurricane Irene and US$1 million of losses on disposal of property, plant and equipment.

6e Auditor's remuneration

	2012/13 US$m	2011/12 US$m
Audit services:		
Statutory audit services – in respect of the Group's accounts	2.5	2.4
Audit of the Group's annual accounts	2.5	2.4
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	1.8	1.5
Audit related regulatory reporting	0.8	0.6
	5.1	4.5
Tax services – compliance	0.1	0.1
Tax services – advisory	0.2	–
Services related to corporate finance activities	0.9	0.2
Other services (including other assurance services)	–	0.2
	6.3	5.0

Auditor's remuneration for audit and other services in respect of discontinued operations in 2012/13 was US$1.6 million (2011/12 – US$0.8 million). This amount is included in the table above.

Fees paid to KPMG Audit plc 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.

7 Finance income/expense and other non-operating expenses

7a Gains and losses on sale of businesses

During the year, the Group disposed of its African enterprise subsidiary, Afinis Communications SA. The disposal took place on 3 August 2012 for consideration of US$3 million resulting in a loss of US$16 million on disposal. Afinis Communications SA was classified within the Monaco reportable segment.

During the year ended 31 March 2012, the Group disposed of its 50% interest in Telecom Vanuatu Limited, which was classified within the 'other' reportable segment. The disposal took place on 12 October 2011 for total consideration of US$5 million (excluding transaction costs) resulting in a gain on disposal of US$3 million.

The Group also disposed of its 49% interest in Fiji International Telecoms Limited, which was classified within the 'other' reportable segment. The disposal took place on 15 March 2012 for total consideration of US$10 million (excluding transaction costs) resulting in a gain on disposal of US$3 million.

A further gain of US$7 million was recognised in the year ended 31 March 2012 in relation to adjustments to working capital and additional contingent consideration on the sale of Cable & Wireless (Bermuda) Holdings and its subsidiaries. The sale of Cable & Wireless (Bermuda) Holdings had completed during the year ended 31 March 2011.

None of the businesses disposed constitute a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* due to their size.

7b Finance income and expense

Accounting policy detailed in note 2.6. ►

Continuing operations	2012/13 US$m	2011/12 US$m
Finance income		
Interest on cash and deposits	**6**	6
Investment income	**1**	1
Foreign exchange gains	**3**	–
Gains on derivative contracts	**1**	3
Total finance income	**11**	10
Finance expense		
Interest on bank loans	**37**	40
Interest on bonds	**103**	93
Unwinding of discounts on provisions	**2**	1
Unwinding of discount on Monaco put option liability	**–**	19
Foreign exchange losses	**–**	4
Losses on derivative contracts	**12**	–
Capitalised finance transaction costs written off	**–**	6
	154	163
Less: Interest capitalised	**(2)**	(5)
Total finance expense	**152**	158

Tax relief of US$1 million is available on interest capitalised in the year ended 31 March 2013 (2011/12 – US$2 million). Interest has been capitalised within property, plant and equipment at a rate of 3.7% (2011/12 – 4.0%) on qualifying capital expenditure.

8 Income tax expense

Accounting policy detailed in note 2.14. ▶

	2012/13 US$m	2011/12 US$m
Current tax charge for continuing operations		
UK tax at 24% (2011/12 – 26%)	3	6
Double tax relief	(3)	(6)
	–	–
Overseas tax	62	80
Adjustments relating to prior years	3	(23)
Total current tax charge for continuing operations	65	57
Deferred tax (credit)/charge for continuing operations		
Origination and reversal of temporary differences	(25)	(6)
Adjustments relating to prior years	1	(2)
Total deferred tax credit for continuing operations	(24)	(8)
Total tax charge for continuing operations	41	49
Income tax charge relating to discontinued operations (note 9)	31	29
Total income tax charge	72	78

The Group's effective tax rate differs from the UK statutory tax rate as follows:

			2012/13			2011/12
	Continuing US$m	Discontinued US$m	Total US$m	Continuing US$m	Discontinued US$m	Total US$m
Profit before income tax before exceptional items	171	215	386	193	221	414
Exceptional charges	(136)	–	(136)	(310)	–	(310)
Profit before income tax	35	215	250	(117)	221	104
Income tax charge/(credit) at UK statutory tax rate: 24% (2011/12 – 26%)	8	52	60	(30)	57	27
Effect of overseas tax rates	(13)	(19)	(32)	(13)	(21)	(34)
Effect of accounting for joint ventures and associates	(2)	–	(2)	–	–	–
Effect of withholding tax and intra-Group dividends	18	–	18	27	–	27
Net effect of income not taxable	(24)	2	(22)	(39)	(3)	(42)
Effect of changes in unrecognised deferred tax assets	50	(4)	46	129	(3)	126
Adjustments relating to prior years	4	–	4	(25)	(1)	(26)
Total income tax charge	41	31	72	49	29	78
Income tax credit on exceptional items	(20)	–	(20)	(10)	–	(10)
Pre-exceptional income tax charge	61	31	92	59	29	88
Pre-exceptional effective tax rate on profit	35.7%		23.8%	30.6%		21.3%
Effective tax rate on profit	117.1%		28.8%	(41.9)%		75.0%

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 25.

9 Discontinued operations

Accounting policy detailed in note 2.11 and 2.12 ►

Year ended 31 March 2013

i) Monaco & Islands
At a general meeting on 9 January 2013, shareholders of the Group approved the sale of the Monaco & Islands operating segment to Batelco International Group Holding Limited (Batelco). The significant aspects of this transaction are described below:

- We entered into an agreement to sell the Islands sub-group, (including the Group's interests in operations in the Maldives, the Channel Islands and Isle of Man, South Atlantic, Diego Garcia and the Seychelles), for US$580 million on a cash and debt-free basis. The sale of the Islands sub-group, with the exception of the Seychelles for which regulatory approval has not yet been obtained, was completed post-year end on 3 April 2013 (note 38);
- We also agreed to sell a 25% interest in Compagnie Monegasque de Communication SAM (CMC), the holding company of the Group's interests in Monaco Telecom, for US$100 million. The sale was completed on 3 April 2013;
- As part of the transaction we have an option to sell the remaining 75% of CMC shares to Batelco for US$345 million subject to regulatory approval from the Principality of Monaco; and
- On 3 April 2013, we issued Batelco with a put option over the 25% of CMC shares (the CMC put option). The CMC put option enables Batelco to require the Group to repurchase the 25% CMC shareholding for US$100 million in the event that the regulatory approval from the Principality of Monaco is not granted within 12 months of 3 April 2013. Batelco can exercise this put option between 18 and 19 months from 3 April 2013.

The approval required from the Principality of Monaco means that Monaco does not meet the definition of a disposal group held for sale and does not meet the criteria to be classified as a discontinued operation as at 31 March 2013. The results of Monaco Telecom are now disclosed separately in their own operating segment.

The Islands sub-group has been classified as a disposal group held for sale and also as a discontinued operation as at 31 March 2013, as it represents a separate major geographical area of operations. The comparative consolidated income statement and cash flow statement have been restated. The results of the Islands sub-group were previously recorded in the Monaco & Islands operating segment.

ii) Macau
At a general meeting on 28 February 2013, shareholders of the Group approved the sale of the Macau operating segment for US$750 million to CITIC Telecom International Holdings Limited. This sale is expected to take place following receipt of the necessary legal and regulatory approvals.

The Macau operating segment has been classified as a disposal group held for sale and also as a discontinued operation as at 31 March 2013, as it represents a separate major geographical area of operations. The comparative consolidated income statement and cash flow statement have been restated. The results of Macau were previously recorded in the Macau operating segment.

The results of all discontinued operations are shown below:

Year ended 31 March 2013	Islands sub-group US$m	Macau US$m	Total discontinued operations US$m
Revenue	321	624	945
Expenses	(243)	(479)	(722)
Profit before tax	78	145	223
Tax	(14)	(17)	(31)
Profit after tax	64	128	192
Gain/(loss) recognised on the remeasurement of the assets less costs to sell	–	–	–
Profit for the year	64	128	192
Disposal costs			(8)
			184

Year ended 31 March 2012	Islands sub-group US$m	Macau US$m	Total discontinued operations US$m
Revenue	319	524	843
Expenses	(231)	(391)	(622)
Profit before tax	88	133	221
Tax	(13)	(16)	(29)
Profit for the year	75	117	192

The financial position of the Islands sub-group and of Macau as at 31 March 2013 were as follows:

As at 31 March 2013	**Islands sub-group US$m**	**Macau US$m**	**Disposal groups held for sale US$m**
Assets			
Intangible assets	**64**	**1**	**65**
Property, plant and equipment	**259**	**113**	**372**
Investments in joint ventures and associates	**5**	**–**	**5**
Deferred tax assets	**1**	**1**	**2**
Retirement benefit assets	**1**	**–**	**1**
Trade and other receivables	**57**	**47**	**104**
Inventories	**8**	**14**	**22**
Cash and cash equivalents	**57**	**88**	**145**
Assets held for sale	**452**	**264**	**716**
Liabilities			
Trade and other payables	**80**	**94**	**174**
Borrowings	**2**	**–**	**2**
Provisions	**9**	**1**	**10**
Current tax liabilities	**12**	**22**	**34**
Deferred tax liabilities	**4**	**–**	**4**
Retirement benefit obligations	**–**	**11**	**11**
Liabilities held for sale	**107**	**128**	**235**

10 Earnings per share

Basic earnings per ordinary share is based on the profit/(loss) for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

	2012/13 US$m	2011/12 US$m
Profit/(loss) for the financial year attributable to equity shareholders of the Parent Company	19	(77)
Weighted average number of ordinary shares in issue (millions)	2,494	2,506
Dilutive effect of share options (millions)	–	–
Total weighted average number of ordinary shares in issue used to calculate diluted earnings per share (millions)	2,494	2,506
Basic earnings/(loss) per share (cents per share)	0.8	(3.1)
Diluted earnings/(loss) per share (cents per share)	0.8	(3.1)
Basic loss per share (cents per share) for continuing operations	(3.4)	(7.8)
Diluted loss per share (cents per share) for continuing operations	(3.4)	(7.8)
Basic earnings per share (cents per share) for discontinued operations	4.2	4.7
Diluted earnings per share (cents per share) for discontinued operations	4.2	4.7

11 Dividends declared and paid

	2012/13 US$m	2011/12 US$m
Final dividend in respect of the prior year	133	136
Interim dividend in respect of the current year	33	66
Total dividend paid	166	202

During the year ended 31 March 2013, the Group declared and paid a final dividend of US5.33 cents per share in respect of the year ended 31 March 2012 (2011/12 – US5.33 cents per share in respect of the year ended 31 March 2011). The Group declared and paid an interim dividend of US1.33 cents per share in respect of the year ended 31 March 2013 (2011/12 – US2.67 cents per share in respect of the year ended 31 March 2012).

In respect of the year ended 31 March 2013, the Directors have proposed a final dividend of US2.67 cents per share (US$67 million) (2011/12 – US5.33 cents per share), for approval by shareholders at the AGM to be held on 25 July 2013. 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 2014.

The Cable & Wireless Communications Share Ownership Trust (the Trust) waived its right to dividends on the shares held in the Trust, with the exception of those shares held for Directors under the deferred annual bonus plan.

12 Impairment review

Accounting policy detailed in note 2.7. ▶

Goodwill

A review of the carrying value of goodwill has been performed as at 31 March 2013 and 31 March 2012. In performing this review, the recoverable amount has been determined by reference to the higher of the fair value less costs to sell and the value in use of related businesses. The key assumptions used by the Group in the calculation of value in use for its goodwill balances are the discount rate, 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:

Continuing operations Year ended 31 March 2013	Reporting segment	Carrying value at 31 March 2013 US$m	Growth rate	Pre-tax discount rate	Impairment required
Monaco Telecom group[1]	Monaco	246	Between 0% and 2.5%	Between 8.0% and 23.0%	–
The Bahamas Telecommunications Company[2]	Caribbean	63	0%	9.3%	–

Continuing operations Year ended 31 March 2012	Reporting segment	Carrying value at 31 March 2012 US$m	Growth rate	Pre-tax discount rate	Impairment required
Monaco Telecom group[1]	Monaco	205	Between 0% and 2.5%	Between 9.0% and 24.0%	–
The Bahamas Telecommunications Company[2]	Caribbean	63	0%	9.4%	–
Afinis[3]	Monaco	–	0%	17.1%	US$9m

1 Monaco Telecom group:
Three relevant cash-generating units (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).

2 The Bahamas Telecommunications Company – BTC:
One relevant CGU has been identified for the purpose of assessing the carrying value of the BTC business.

3 Afinis:
The Group's interests in Afinis were disposed during 2012/13. One relevant CGU was identified for the purpose of assessing the carrying value of the business. At 31 March 2012, the goodwill was fully impaired resulting in a charge of US$9 million. This was due to a decrease in the value in use, triggered by a change in the strategic direction of the business.

The value in use was determined for each CGU by discounting management forecasts of future cash flows (based on the approved five year business plan extrapolated at long-term growth rates) at pre-tax discount rates dependent on the risk-adjusted cost of capital of the different parts of the business. Management forecasts take account of the historical trading experience of the relevant business.

Sensitivity

The value in use is sensitive to a number of input assumptions, in particular relating to net cash flow and discount rate. While the Group does not consider these scenarios to be reasonably possible, the value in use of the various CGUs in aggregate would not support the carrying value of the goodwill if:

— Monaco Telecom group – net cash flows decreased by more than US$22 million per year or the discount rate increased by more than 8% above the pre-tax discount rate.

— The Bahamas Telecommunications Company – net cash flows decreased by more than US$31 million per year or the discount rate increased by more than 9% above the pre-tax discount rate.

Property, plant and equipment and other intangibles

Following a difficult year of trading and in the midst of challenging economic conditions, the Directors considered the performance of a number of our smaller island markets in the Eastern Caribbean region and the impact on the carrying value of property, plant and equipment. As a result of the review an impairment charge of US$86 million has been recorded across the islands noted below. Included within the charge of US$86 million was a further charge in respect of the Group's business in Turks & Caicos as the performance of this business did not improve as anticipated.

The recoverable amount was assessed based upon value in use which was determined by discounting future cash flows (based on the approved five year business plan at a pre-tax discount rate). The calculation is sensitive to changes in the discount rate, terminal growth rate and underlying trading.

12 Impairment review continued

Continuing operations Year ended 31 March 2013	Reporting segment	CGUs identified	Pre-tax discount rate	Impairment 2012/13 US$m
Anguilla	Caribbean	One	10.6%	
Land and buildings				4
Plant and equipment				8
				12
British Virgin Islands	Caribbean	One	9.3%	
Plant and equipment				10
				10
Dominica	Caribbean	One	14.4%	
Plant and equipment				7
				7
Montserrat	Caribbean	One	15.6%	
Land and buildings				1
Plant and equipment				2
				3
St. Lucia	Caribbean	One	14.4%	
Plant and equipment				22
				22
St. Vincent	Caribbean	One	14.9%	
Plant and equipment				15
				15
Turks & Caicos	Caribbean	One	10.6%	
Land and buildings				5
Plant and equipment				12
				17
Total				**86**

There were a number of risks for our Jamaica business during 2011/12, including the need for change in the regulatory environment and the importance of business improvement strategies such as our Jamaica 'win back' activity. As at 31 March 2012, progress in these areas had not been as anticipated. In light of this, a review of the carrying value of fixed assets was conducted and an impairment charge of US$184 million recorded.

Business performance in Turks & Caicos was below expectations coinciding with a period of economic downturn in the Islands. Having considered the carrying value of plant and equipment an impairment charge of US$12 million was recorded as at 31 March 2012.

At 31 March 2012, in addition to the Afinis goodwill impairment disclosed above, other intangible assets of US$2 million and plant and equipment of US$7 million were impaired.

Continuing operations Year ended 31 March 2012	Reporting segment	CGUs identified	Pre-tax discount rate	Impairment 2011/12 US$m
Cable & Wireless Jamaica	Caribbean	One	11.0%	
Land and buildings				32
Plant and equipment				151
Intangible assets				1
				184
Turks & Caicos	Caribbean	One	11.4%	
Plant and equipment				12
				12
Afinis	Monaco	One	17.1%	
Plant and equipment				7
Intangible assets				2
				9
Total				**205**

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.

13 Intangible assets

Accounting policy detailed in note 2.5. ►

	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 2011	218	187	181	51	72	709
Business combinations	107	–	–	31	1	139
Additions	–	49	1	–	3	53
Transfer between categories	–	1	(1)	–	–	–
Disposals	–	(1)	–	(3)	(3)	(7)
Exchange differences	(17)	4	(8)	(8)	(6)	(35)
At 31 March 2012	308	240	173	71	67	859
Additions	47	11	–	–	7	65
Transfer from tangible assets	–	27	–	–	–	27
Transfer between categories	–	(6)	(1)	(1)	8	–
Disposals	(18)	(1)	(3)	(6)	(2)	(30)
Exchange differences	(7)	(5)	(4)	–	(2)	(18)
Transfer to assets held for sale	(21)	(29)	(5)	(33)	(17)	(105)
At 31 March 2013	**309**	**237**	**160**	**31**	**61**	**798**
Amortisation and impairment						
At 1 April 2011	12	137	68	10	49	276
Charge for the year[1]	–	32	11	6	9	58
Impairment	9	1	1	–	1	12
Disposals	–	(1)	–	(3)	(3)	(7)
Transfer between categories	–	2	(2)	–	–	–
Exchange differences	(2)	–	(3)	(2)	(1)	(8)
At 31 March 2012	19	171	75	11	55	331
Charge for the year[1]	–	36	10	10	7	63
Disposals	(18)	(1)	(3)	(6)	(2)	(30)
Transfer between categories	–	5	(1)	4	(8)	–
Exchange differences	(1)	(4)	(2)	(1)	(3)	(11)
Transfer to assets held for sale	–	(25)	(4)	(11)	–	(40)
At 31 March 2013	**–**	**182**	**75**	**7**	**49**	**313**
Net book value						
At 31 March 2013	**309**	**55**	**85**	**24**	**12**	**485**
At 31 March 2012	289	69	98	60	12	528

1 The charge for the year includes US$9 million (2011/12 – US$9 million) in relation to discontinued operations.

13 Intangible assets continued

Goodwill balances are allocated to the following cash-generating units:

	BTC[1] US$m	Monaco Telecom[2] US$m	Afinis[2] US$m	Dhivehi Raajjeyge Gulhun PLC (Dhiraagu)[3] US$m	Total US$m
At 1 April 2011	–	172	9	25	206
Business combinations (note 31)	63	44	–	–	107
Exchange differences	–	(11)	–	(4)	(15)
Impairment	–	–	(9)	–	(9)
At 31 March 2012	63	205	–	21	289
Business combinations (note 31)	–	47	–	–	47
Exchange differences	–	(6)	–	–	(6)
Transfer to assets held for sale	–	–	–	(21)	(21)
At 31 March 2013	**63**	**246**	**–**	**–**	**309**

1 Reporting segment: Caribbean.
2 Reporting segment: Monaco.
3 Reporting segment: Discontinued operations.

14 Property, plant and equipment

Accounting policy detailed in note 2.4. ►

	2012/13				2011/12			
	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	**501**	**4,471**	**320**	**5,292**	416	4,162	254	4,832
Business combinations	**–**	**–**	**–**	**–**	40	142	70	252
Additions	**1**	**43**	**332**	**376**	–	1	355	356
Movements in asset retirement obligations	**2**	**1**	**–**	**3**	(2)	1	–	(1)
Disposals	**(3)**	**(44)**	**(1)**	**(48)**	–	(65)	–	(65)
Transfers to intangible assets	**–**	**(4)**	**(23)**	**(27)**	–	–	–	–
Transfers between categories	**29**	**375**	**(404)**	**–**	52	298	(350)	–
Exchange differences	**(17)**	**(73)**	**(1)**	**(91)**	(5)	(68)	(9)	(82)
Transfers to assets held for sale	**(86)**	**(917)**	**(35)**	**(1,038)**	–	–	–	–
At 31 March	**427**	**3,852**	**188**	**4,467**	501	4,471	320	5,292
Depreciation								
At 1 April	**234**	**3,272**	**–**	**3,506**	180	2,895	–	3,075
Charge for the year[1]	**18**	**278**	**–**	**296**	16	314	–	330
Impairment	**10**	**76**	**–**	**86**	32	170	–	202
Disposals	**–**	**(41)**	**–**	**(41)**	–	(60)	–	(60)
Transfers between categories	**–**	**–**	**–**	**–**	8	(8)	–	–
Exchange differences	**(13)**	**(68)**	**–**	**(81)**	(2)	(39)	–	(41)
Transfers to assets held for sale	**(46)**	**(620)**	**–**	**(666)**	–	–	–	–
At 31 March	**203**	**2,897**	**–**	**3,100**	234	3,272	–	3,506
Net book value at 31 March	**224**	**955**	**188**	**1,367**	267	1,199	320	1,786

1 Includes exceptional accelerated depreciation of US$nil (2011/12 – US$30 million). Refer to note 6b for further information. The charge includes US$75 million relating to discontinued operations (2011/12 – US$72 million). Refer to note 9 for more information.

The Group held no assets under finance leases at 31 March 2013 or 31 March 2012.

Additions during the year include interest and own work capitalised during the construction of certain assets of US$2 million (2011/12 – US$5 million) and US$38 million (2011/12 – US$48 million) respectively. Of these amounts US$nil (2011/12 – US$nil) and US$6 million (2011/12 – US$6 million) respectively, relate to discontinued operations (note 9).

15 Investments in joint ventures and associates

Accounting policy detailed in note 2.1. ►

	2012/13 US$m	2011/12 US$m
Gross carrying amount		
At 1 April		
– Cost	**78**	78
– Share of post-acquisition reserves	**223**	224
	301	302
Share of profit after tax	**10**	26
Dividends paid to Group companies	**(6)**	(4)
Additions	**–**	5
Disposals	**–**	(22)
Loan from Group companies	**–**	(4)
Other movements	**1**	(2)
Transfers to assets held for sale	**(5)**	–
At 31 March	**301**	301
Impairment allowance		
At 1 April	**(48)**	(59)
Disposals	**–**	11
At 31 March	**(48)**	(48)
Net carrying amount at 31 March	**253**	253

The Group's total interest in its joint ventures and associates is presented below:

	31 March 2013 US$m	31 March 2012 US$m
Non-current assets	**423**	309
Current assets	**103**	120
Current liabilities	**(152)**	(79)
Non-current liabilities	**(121)**	(97)
Share of net assets	**253**	253

15 Investments in joint ventures and associates continued

	2012/13 US$m	2011/12 US$m
Revenue	347	370
Operating costs	(326)	(338)
Operating profit	21	32
Net financing costs	(5)	(3)
Share of profit before tax	16	29
Income tax	(6)	(3)
Dividends paid to Group companies	(6)	(4)
Share of retained profit	4	22

There are no significant restrictions on joint ventures' and associates' ability to transfer funds to the Group. The joint ventures and associates 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 and associates. The Group's joint ventures and associates have not discontinued any operations during the year ended 31 March 2013 (2011/12 – none).

16 Available-for-sale financial assets

Accounting policy detailed in note 2.6. ►

	2012/13 US$m	2011/12 US$m
At 1 April	55	31
Business combinations	–	20
Fair value gain recorded in other comprehensive income	4	5
Exchange differences	(1)	(1)
At 31 March	58	55

Available-for-sale financial assets consist of UK and Bahamian Government bonds. 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.

17 Trade and other receivables

Accounting policy detailed in note 2.6. ►

	31 March 2013 US$m	31 March 2012 US$m
Gross trade receivables	320	387
Impairment allowance	(78)	(91)
Net trade receivables	242	296
Other receivables	67	66
Prepayments and accrued income	156	236
Taxation and social security receivables	17	2
Amounts receivable from joint ventures and associates	2	2
Trade and other receivables – current	484	602
Other receivables	46	34
Prepayments and accrued income	20	21
Other receivables – non-current	66	55
Total trade and other receivables	550	657

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 a continued economic weakness in many of the 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 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 and associates):

	31 March 2013 US$m	31 March 2012 US$m
Not yet due	42	145
Overdue 30 days or less	118	100
Overdue 31 to 60 days	43	40
Overdue 61 to 90 days	21	32
Overdue 91 days to 180 days	28	27
Overdue 181 days or more	57	18
Current 'trade receivables' and current 'other receivables'	309	362

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 both 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.

17 Trade and other receivables continued

An analysis of movements in the trade receivables impairment allowance during the year is as follows:

	2012/13 US$m	2011/12 US$m
At 1 April	91	67
Bad debts written off	(34)	(32)
Increase in allowance	29	39
Business combinations	–	20
Exchange differences	–	(3)
Transfers to assets held for sale	(8)	–
At 31 March	**78**	91

In a small number of the Group's operations it is customary and practice to collect security deposits from customers as collateral. These are recorded as liabilities within other payables.

18 Inventories

Accounting policy detailed in note 2.8. ►

Inventories represent equipment, cable capacity, consumables and accessories held for sale.

Inventories of US$31 million (31 March 2012 – US$103 million) are presented net, after recording an allowance of US$9 million (31 March 2012 – US$14 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 2012/13 was US$126 million (2011/12 – US$119 million). Cable capacity previously held within inventory was capitalised during the year following a reassessment of how the Group intends to utilise that capacity in future periods.

Inventories of the Group are not pledged as security or collateral against any of the Group's borrowings.

19 Cash and cash equivalents

Accounting policy detailed in note 2.6. ►

	31 March 2013 US$m	31 March 2012 US$m
Cash at bank and in hand	130	188
Short-term bank deposits	22	124
Cash and cash equivalents	**152**	312

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 2013 was 2.41% (31 March 2012 – 1.39%). At 31 March 2013, these deposits had an average maturity of 25 days (31 March 2012 – nine days).

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value of those financial instruments.

20 Financial assets at fair value through profit or loss

Accounting policy detailed in note 2.6. ►

	2012/13			2011/12		
	CWW shares US$m	Derivative financial instruments US$m	Total US$m	CWW shares US$m	Derivative financial instruments US$m	Total US$m
At 1 April	**10**	**8**	**18**	20	13	33
Delivery of shares to employees	**–**	**–**	**–**	(1)	–	(1)
Shares sold	**(11)**	**–**	**(11)**	(2)	–	(2)
Fair value movement	**1**	**–**	**1**	(7)	–	(7)
Movement in derivative financial assets	**–**	**(8)**	**(8)**	–	(5)	(5)
At 31 March	**–**	**–**	**–**	10	8	18
Financial assets at fair value through profit or loss – current	**–**	**–**	**–**	10	8	18

On demerger, shares in the Cable & Wireless Communications Share Ownership 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 were reclassified at demerger as financial assets at fair value through profit or loss as they represent shares in an unrelated listed company. All remaining shares were disposed during the year.

Derivative financial instruments

At 31 March 2012, the Group had foreign exchange swap contracts to sell US$324 million in hedging future sterling obligations regarding the coupon and redemption of the £200 million bond which matured in August 2012. The Group did not apply hedge accounting to these contracts and as such they were revalued to fair value through profit or loss. At 31 March 2012, the fair value of these contracts was an asset of US$8 million.

21 Trade and other payables

	31 March 2013 US$m	31 March 2012 US$m
Trade payables	**160**	190
Other tax and social security costs	**21**	21
Accruals	**330**	428
Deferred income	**39**	88
Other payables	**72**	105
Trade and other payables – current	**622**	832
Accruals	**–**	4
Deferred income	**24**	26
Other payables	**3**	1
Trade and other payables – non-current	**27**	31
Total trade and other payables	**649**	863

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.

22 Borrowings

Accounting policy detailed in note 2.6. ►

			31 March 2013			31 March 2012		
	Type	Security	Interest rate %	Carrying value US$m	Fair value US$m	Interest rate %	Carrying value US$m	Fair value US$m
2020 US$400 million secured bond	Fixed	Share pledges over Group assets	**8.750**	**391**	**453**[1]	8.750	390	425[1]
2019 £200 million bond	Fixed	Unsecured	**8.625**	**224**	**255**[1]	8.625	234	234[1]
2017 US$500 million secured bond	Fixed	Share pledges over Group assets	**7.750**	**493**	**533**[1]	7.750	492	523[1]
2016 US$600 million facility	Floating	Unsecured	**2.550**	**360**[3]	**360**[2]	–	–	–
2012 £200 million bond	Fixed	Unsecured	**–**	**–**	**–**	8.750	317	325[1]
US dollar and currencies linked to the US dollar loans and facilities (various dates to 2038)	Fixed and floating	Unsecured	**3.929**	**296**	**296**[1]	3.898	269	269[2]
US dollar loan notes	Floating	Unsecured	**8.060**	**37**	**37**[2]	–	–	–
Overdrafts	Floating	Unsecured	**–**	**2**	**2**[2]	–	5	5[2]
Total borrowings				**1,803**			1,707	
Borrowings – current				**86**			460	
Borrowings – non-current				**1,717**			1,247	

1 This value was determined by reference to market values obtained from third parties.
2 The carrying amount approximates to fair value.
3 On 19 October 2011, the Group entered into five-year borrowing arrangements for US$600 million of revolving credit facilities with a maturity date of October 2016. As at 31 March 2013, the Group had US$240 million undrawn facilities available (31 March 2012 – US$600 million undrawn). These facilities incur commitment fees at market rates prevailing when the facilities were arranged.

The agreements for the facilities entered into during the year contain financial and other covenants which are standard to these types 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 2013 US$m	31 March 2012 US$m
Borrowings		
Due in less than one year	**199**	593
Due in more than one year but not more than two years	**196**	140
Due in more than two years but not more than five years	**1,254**	872
Due in more than five years	**749**	787
	2,398	2,392
Less: future finance charges on loans	**(595)**	(685)
Total borrowings	**1,803**	1,707

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier or at significantly different amounts.

Interest was payable on borrowings falling due after more than five years at rates of between 0.0% and 8.8%. (2011/12 – 0.0% and 8.8% respectively).

Reconciliation of net funds

Funds are defined as cash at bank and in hand and short-term deposits. Debt is defined as bonds, loans and overdrafts.

Analysis of changes in net funds:

	At 1 April 2012 US$m	Cash flow US$m	Bond amortisation US$m	Transfers US$m	Exchange differences US$m	Discontinued operations US$m	Transferred to held for sale US$m	**At 31 March 2013 US$m**
Cash at bank and in hand	188	(5)	–	–	–	(8)	(45)	**130**
Short-term deposits	124	(8)	–	–	(3)	9	(100)	**22**
Total funds	312	(13)	–	–	(3)	1	(145)	**152**
Debt due within one year	(460)	399	(2)	(43)	9	9	2	**(86)**
Debt due after more than one year	(1,247)	(521)	(2)	43	10	–	–	**(1,717)**
Total debt	(1,707)	(122)	(4)	–	19	9	2	**(1,803)**
Total net (debt)/funds	(1,395)	(135)	(4)	–	16	10	(143)	**(1,651)**

23 Financial liabilities at fair value

Accounting policy detailed in note 2.6. ►

	At 31 March 2013		At 31 March 2012	
	Current US$m	**Total US$m**	Current US$m	Total US$m
Monaco Telecom put option – i	**258**	**258**	250	250
Interest rate swap – ii	**–**	**–**	1	1
Total financial liabilities at fair value	**258**	**258**	251	251

i. 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 and is calculated using discounted cash flow techniques, 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. The key assumptions used in valuing the put option liability are the Monaco Telecom five year operating plan (in particular revenue performance) and discount rates of between 8% and 23% for the distinct operating businesses with Monaco Telecom (2011/12 – 9% and 24%). A movement in the discount rate of 1% would result in an increase or decrease in the liability of US$28 million (2011/12 – US$25 million). In determining the fair value of the liability, consideration has been given to the terms of the proposed disposal to Batelco Group as outlined in note 9.

Although the Group considers there to be only a remote likelihood of the Monaco Telecom 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 Group's control. As this put option was issued as part of a business combination, accounted for in accordance with IFRS 3 *Business Combinations (2004)*, any change in remeasuring the derivative to fair value is recorded as an adjustment to goodwill (note 31).

23 Financial liabilities at fair value continued

A reconciliation of the movements in the value of the Monaco Telecom put option is as follows:

	2012/13 US$m	2011/12 US$m
At 1 April	**250**	216
Decrease as a result of dividends paid to the Principality	**(33)**	(17)
Changes in fair value recognised as an adjustment to goodwill	**47**	44
Increase in fair value of put option due to discount unwinding recognised as a finance expense	**–**	19
Foreign exchange movements recognised in the foreign currency reserve in equity	**(6)**	(12)
At 31 March	**258**	250

ii. Interest rate swap

At acquisition on 6 April 2011, the Bahamas Telecommunications Company held an interest rate swap to economically hedge the interest rate risks associated with a loan from a consortium of banks led by Citibank N.A. The effect of the swap is to convert the floating rate loan at US three months LIBOR plus 1.35% into a fixed rate loan at 4.59% per annum.

As at 31 March 2012, the interest rate swap had a negative fair value of US$1 million. The hedge did not qualify for hedge accounting, therefore the decrease in fair value of US$1 million was recognised in the consolidated income statement. The interest rate swap matured on 15 February 2013. The increase in fair value of US$1 million is recognised in the consolidated income statement.

24 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 2013
	Note	**Level 1 US$m**	**Level 2 US$m**	**Level 3 US$m**	**Total US$m**
Financial assets measured at fair value:					
UK and Bahamian Government bonds	16	**58**	**–**	**–**	**58**
Total financial assets at fair value		**58**	**–**	**–**	**58**
Financial liabilities measured at fair value:					
Monaco Telecom put option	23	**–**	**–**	**258**	**258**
Total financial liabilities at fair value		**–**	**–**	**258**	**258**

					At 31 March 2012
	Note	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Financial assets measured at fair value:					
UK and Bahamian Government bonds	16	55	–	–	55
Cable & Wireless Worldwide plc shares at fair value through profit or loss	20	10	–	–	10
Derivative instruments	20	–	8	–	8
Total financial assets at fair value		65	8	–	73
Financial liabilities measured at fair value:					
Interest rate swap	23	–	1	–	1
Put option relating to Monaco Telecom	23	–	–	250	250
Total financial liabilities at fair value		–	1	250	251

25 Deferred tax

Accounting policy detailed in note 2.14. ▶

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	19	43	3	15	(76)	4
Deferred tax liabilities	(78)	–	(13)	(23)	76	(38)
At 1 April 2011	(59)	43	(10)	(8)	–	(34)
Credit/(charge) to profit or loss[1]	65	(41)	(2)	(14)	–	8
Tax charged to other comprehensive income	–	–	2	–	–	2
Exchange differences	1	(2)	1	(1)	–	(1)
At 31 March 2012	7	–	(9)	(23)	–	(25)
Deferred tax assets	33	–	4	2	(34)	5
Deferred tax liabilities	(26)	–	(13)	(25)	34	(30)
At 1 April 2012	7	–	(9)	(23)	–	(25)
(Charge)/credit to profit or loss[1]	(33)	21	2	35	–	25
Transfers to assets held for sale	5	(1)	(1)	(1)	–	2
Exchange differences	(1)	(1)	2	(1)	–	(1)
At 31 March 2013	**(22)**	**19**	**(6)**	**10**	**–**	**1**
Deferred tax assets	15	19	3	10	(17)	30
Deferred tax liabilities	(37)	–	(9)	–	17	(29)
At 31 March 2013	**(22)**	**19**	**(6)**	**10**	**–**	**1**

1 Including US$1 million credit in relation to discontinued operations (2011/12 – US$nil).

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**
At 31 March 2013	**184**	**5,983**	**175**	**46**	**6,388**
At 31 March 2012	207	6,169	171	83	6,630

Tax losses (recognised and unrecognised) expire as follows:

	31 March 2013 US$m	31 March 2012 US$m
Within 1 year	**–**	–
Within 3 years	**7**	–
Within 5 years	**7**	–
Within 10 years	**41**	38
After more than 10 years	**–**	–

25 Deferred tax continued
Other tax losses are not subject to expiry.

The US$5,983 million (31 March 2012 – US$6,169 million) tax losses include UK capital losses of US$5,006 million (31 March 2012 – US$5,248 million).

Deferred tax is not provided on unremitted earnings of subsidiaries and joint ventures and associates 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 and associates for which deferred tax liabilities have not been recognised is US$198 million (31 March 2012 – US$296 million). These temporary differences relate to unremitted earnings.

The Budget on 20 March 2013 announced a further reduction to the UK corporation tax rate to 20% from 1 April 2015. This change had not been substantively enacted by the balance sheet date and therefore is not recognised in these financial statements.

26 Provisions

Accounting policy detailed in note 2.15. ►

	Property US$m	Redundancy costs US$m	Network and asset retirement obligations US$m	Legal and other US$m	Total US$m
At 1 April 2012	5	7	35	51	98
Additional provisions	–	53	3	5	61
Amounts used	(3)	(24)	–	(1)	(28)
Unused amounts released	–	(1)	(2)	(2)	(5)
Effect of discounting	–	–	1	2	3
Exchange differences	–	(1)	(1)	–	(2)
Transfers to assets held for sale	–	–	(8)	(2)	(10)
At 31 March 2013	**2**	**34**	**28**	**53**	**117**
Provisions – current	**2**	**34**	**5**	**44**	**85**
Provisions – non-current	**–**	**–**	**23**	**9**	**32**

	Property US$m	Redundancy costs US$m	Network and asset retirement obligations US$m	Legal and other US$m	Total US$m
At 1 April 2011	7	6	28	53	94
Business combinations	–	–	10	–	10
Additional provisions	–	56	1	14	71
Amounts used	(2)	(55)	(3)	(12)	(72)
Unused amounts released	–	–	(1)	(3)	(4)
Effect of discounting	–	–	2	–	2
Exchange differences	–	–	(2)	(1)	(3)
At 31 March 2012	5	7	35	51	98
Provisions – current	5	7	5	44	61
Provisions – non-current	–	–	30	7	37

The net expense recognised through profit or loss from movements in provisions relating to discontinued operations at 31 March 2013 was US$nil (31 March 2012 – net release of US$2 million).

Property

Provision has been made for dilapidation costs and 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 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, mobile cell sites, domestic and sub-sea cabling. This provision is expected to be used at the end of the life of the related asset on which the obligation arises.

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. Legal proceedings are further discussed in note 34.

27 Retirement benefits obligations

Accounting policy detailed in note 2.13. ►

The 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 benefit schemes

Cable & Wireless Communications operates the Cable & Wireless Superannuation Fund (CWSF). This plan provides defined benefit and defined contribution arrangements for current and former employees of the 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.

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.

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% employee's). This contribution rate will be reviewed when the next triennial valuation is carried out, 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.

Cable & Wireless Communications paid a total contribution of US$2 million in 2012/13 (2011/12 – US$2 million), to the CWSF. A deficit recovery funding plan was also agreed with the Trustees during March 2011 as part of the March 2010 actuarial valuation with the aim that the deficit would be eliminated by April 2016. The payments under this agreement will fall within the following ranges: July 2014 – £20.5 million to £30.4 million (US$31.2 million to US$46.3 million); July 2015 – £21.1 million to £31.3 million (US$32.2 million to US$47.7 million); and April 2016 – £21.9 million to £32.5 million (US$33.4 million to US$49.5 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.

During 2008, the CWSF Trustee agreed an insurance buy-in of the UK pensioner liabilities with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy by the CWSF under which Prudential Insurance assumed responsibility for the benefits payable to the CWSF's UK pensioners. These pensioner liabilities and the matching annuity policy remain within the CWSF. On 19 December 2011, a further 233 pensioners, those having commenced with pensions in payment since the original annuity, were brought within the bulk annuity policy for a net cost of £57 million (US$88 million), which was funded from gilts held by the CWSF.

27 Retirement benefits obligations continued

Contingent funding agreement

The Group is party to a contingent funding agreement with the CWSF Trustee, under which the Trustee can call for a letter of credit or cash escrow in certain circumstances, such as the breach by the Group of certain financial covenants, the incurrence by the Group of secured debt above an agreed level or the failure to maintain available commitments under the revolving credit facilities of at least US$150 million.

Following the Group's issue of the 2020 bonds in January 2012 (note 22), and the consequential increase in the Group's available secured borrowings, letters of credit totalling £100 million (US$152 million) (2011/12 – US$160 million) as of 31 March 2013 have been issued in favour of the CWSF Trustee under the Contingent Funding Agreement. The letters of credit will remain in place pursuant to the terms of the Contingent Funding Agreement (which may be until the deficit of the CWSF is fully funded).

IAS 19 *Employee Benefits* valuation – Cable & Wireless Superannuation Fund and other schemes

The IAS 19 valuations of the major defined benefit pension schemes and medical plans operated by the Group have been updated to 31 March 2013 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 2013				31 March 2012			
	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		**3.3**		**4.7**		3.2		4.3
CPI inflation assumption		**2.3**		**–**		2.2		–
Salary increases		**3.8**		**5.3**		3.7		4.9
Pension increases		**2.1-3.2**		**2.7**		2.0-3.1		3.2
Discount rate – CWSF		**4.2**		**–**		4.9		–
Discount rate – CWSF uninsured liability		**4.5**		**–**		4.9		–
Discount rate – other schemes		**–**		**8.0**		–		7.2
Long-term expected rate of return on plan assets								
– Annuity policies	**1,297**	**4.0**	**–**	**–**	1,225	4.9	–	–
– Equities	**320**	**7.9**	**32**	**8.5**	323	7.8	98	7.9
– Bonds and gilts	**141**	**2.9**	**120**	**6.1**	101	3.2	166	5.0
– Property	**3**	**6.4**	**37**	**8.1**	–	–	40	7.6
– Cash and swaps	**10**	**3.0**	**33**	**6.0**	14	3.3	36	5.3
	1,771		**222**		1,663		340	

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.

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 2013.

The mortality rates used for the figure in the income statement for the year ended 31 March 2013 are the same as those which were used for calculating the statement of financial position for the year ended 31 March 2012.

Based on these assumptions, the life expectancies of pensioners aged 60 are as follows:

	On 31 March 2013 (years)	On 31 March 2023 (years)	On 31 March 2033 (years)
Male pensioners and dependants	28.0	29.6	31.2
Female pensioners	26.7	28.2	29.7
Female dependants	32.6	34.2	35.8

A one year increase in the life expectancy assumptions would have increased the CWSF liabilities by approximately US$51 million as at 31 March 2013. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$39 million. A 0.25% pa decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around US$77 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$43 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.

The assets and liabilities of the defined benefit pension schemes and post-retirement medical plans operated by the Group were as follows:

	31 March 2013			31 March 2012		
	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	**1,771**	**222**	**1,993**	1,663	340	2,003
Present value of funded obligations	**(1,872)**	**(188)**	**(2,060)**	(1,766)	(306)	(2,072)
Excess of (liabilities)/assets of funded obligations	**(101)**	**34**	**(67)**	(103)	34	(69)
Present value of unfunded obligations	**–**	**(46)**	**(46)**	–	(45)	(45)
Impact of the minimum funding requirement	**(30)**	**–**	**(30)**	(26)	–	(26)
Effect of asset ceiling	**–**	**(16)**	**(16)**	–	(9)	(9)
Exchange differences	**1**	**1**	**2**	–	–	–
Net deficit	**(130)**	**(27)**	**(157)**	(129)	(20)	(149)
Defined benefit pension plans in deficit	**(130)**	**(55)**	**(185)**	(129)	(60)	(189)
Defined benefit pension plans in surplus	**–**	**28**	**28**	–	40	40
Net deficit	**(130)**	**(27)**	**(157)**	(129)	(20)	(149)

Included within these liabilities is an amount of US$30 million (2011/12 – US$29 million) to cover the cost of former Directors' pension entitlements.

The deficit recovery funding plan agreed with the Trustees of the CWSF during 2010/11 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 in other comprehensive income, was US$30 million as at 31 March 2013 (2011/12 – US$26 million).

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 in other comprehensive income. The effect of these adjustments, described as asset ceiling adjustments, were US$16 million as at 31 March 2013 (31 March 2012 – US$9 million).

27 Retirement benefits obligations continued

The amounts recognised in the income statement were as follows:

	2012/13			2011/12		
	CWSF US$m	**Other schemes US$m**	**Total US$m**	CWSF US$m	Other schemes US$m	Total US$m
Current service cost	**(2)**	**(3)**	**(5)**	(2)	(8)	(10)
Past service credit	**10**	**–**	**10**	4	–	4
Interest cost	**(83)**	**(15)**	**(98)**	(88)	(20)	(108)
Expected return on plan assets	**86**	**14**	**100**	92	22	114
Gains on curtailment	**–**	**2**	**2**	–	–	–
Total net credit/(charge)	**11**	**(2)**	**9**	6	(6)	–
Charge related to discontinued operations	**–**	**(3)**	**(3)**	–	–	–
Total net credit/(charge)	**11**	**(5)**	**6**	6	(6)	–

The actual return on plan assets was a gain of US$297 million (2011/12 – gain of US$162 million).

The total amount recognised in other comprehensive income cumulatively to 31 March 2013 is a loss of US$705 million (2011/12 – loss of US$667 million).

In 2012/13, net actuarial losses amounting to US$27 million (2011/12 – losses of US$113 million) have been recognised in other comprehensive income. A loss of US$7 million was recognised due to changes in the asset ceiling (2011/12 – gain of US$7 million). A loss of US$4 million was recognised in other comprehensive income in respect of minimum funding requirements (2011/12 – gain of US$34 million).

Changes in the present value of the defined benefit pension obligations are as follows:

	2012/13			2011/12		
	CWSF US$m	**Other schemes US$m**	**Total US$m**	CWSF US$m	Other schemes US$m	Total US$m
At 1 April	**(1,766)**	**(351)**	**(2,117)**	(1,619)	(322)	(1,941)
Current service cost	**(2)**	**(7)**	**(9)**	(2)	(8)	(10)
Past service credit	**10**	**–**	**10**	4	–	4
Interest cost	**(83)**	**(20)**	**(103)**	(88)	(20)	(108)
Actuarial losses recognised in other comprehensive income	**(204)**	**(23)**	**(227)**	(148)	(13)	(161)
Employee contributions	**–**	**(4)**	**(4)**	–	(5)	(5)
Gains on curtailment	**–**	**2**	**2**	–	–	–
Benefits paid	**86**	**11**	**97**	84	13	97
Exchange differences	**87**	**18**	**105**	3	4	7
Transfers to assets held for sale	**–**	**140**	**140**	–	–	–
At 31 March	**(1,872)**	**(234)**	**(2,106)**	(1,766)	(351)	(2,117)

Changes in the fair value of defined benefit assets are as follows:

	2012/13			2011/12		
	CWSF US$m	**Other schemes US$m**	**Total US$m**	CWSF US$m	Other schemes US$m	Total US$m
At 1 April	**1,663**	**340**	**2,003**	1,598	328	1,926
Expected return	**86**	**20**	**106**	92	22	114
Actuarial gains/(losses) recognised in other comprehensive income	**188**	**12**	**200**	58	(10)	48
Contributions by employer	**2**	**10**	**12**	2	12	14
Employee contributions	**–**	**4**	**4**	–	5	5
Benefits paid	**(86)**	**(11)**	**(97)**	(84)	(13)	(97)
Exchange differences	**(82)**	**(23)**	**(105)**	(3)	(4)	(7)
Transfers to assets held for sale	**–**	**(130)**	**(130)**	–	–	–
At 31 March	**1,771**	**222**	**1,993**	1,663	340	2,003

Experience gains on plan assets and liabilities at the end of the periods presented were as follows:

	31 March 2013		31 March 2012		31 March 2011	
	CWSF US$m	**Other schemes US$m**	CWSF US$m	Other schemes US$m	CWSF US$m	Other schemes US$m
Plan assets	**1,771**	**222**	1,663	340	1,598	328
Defined benefit obligations	**(1,872)**	**(234)**	(1,766)	(351)	(1,619)	(322)
Effect of minimum funding requirement	**(30)**	**–**	(26)	–	(57)	–
Exchange differences	**1**	**–**	–	–	(3)	–
(Deficit)/surplus excluding the effects of the asset ceiling	**(130)**	**(12)**	(129)	(11)	(81)	6
Experience gains/(losses) on plan assets	**188**	**8**	58	10	27	(7)
Experience (losses)/gains on plan liabilities	**–**	**(7)**	(22)	(4)	(23)	5

	31 March 2010		31 March 2009	
	CWSF US$m	Other schemes US$m	CWSF US$m	Other schemes US$m
Plan assets	1,312	307	2,407	403
Defined benefit obligations	(1,477)	(317)	(2,453)	(428)
Deficit excluding the effects of the asset ceiling	(165)	(10)	(46)	(25)
Experience gains/(losses) on plan assets	521	24	(946)	(81)
Experience (losses)/gains on plan liabilities	(27)	(4)	35	2

The best estimate of contributions to the defined benefit schemes for 2013/14 is:

	CWSF* US$m	Other schemes US$m	**Total US$m**
Employer contributions*	2	4	**6**
Employee contributions	–	3	**3**

* 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 2013.

28 Equity

Accounting policy detailed in note 2.9. ►

Share capital

Issued, called-up and fully paid shares of US5 cents each	Number of shares (000)	US$m
At 1 April 2011, 31 March 2012 and 31 March 2013	**2,665,612**	**133**

The aggregate nominal value of the shares allotted in the year was US$nil (2011/12 – US$nil).

Included within the number of shares disclosed in the table above are treasury shares and shares held by The Cable & Wireless Communications Share Ownership Trust (the Trust).

No treasury shares of Cable & Wireless Communications Plc were cancelled during the periods presented.

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 expired at the conclusion of the Company's AGM on 22 July 2011. Under the resolution, during the year ended 31 March 2012, the Company purchased 94,726,873 ordinary shares at an average price of 43 pence per share (US70 cents per share), with a nominal value of US$5 million, for consideration of US$66 million. Consideration included stamp duty and commission of US$0.4 million.

At 31 March 2013 a total of 137,488,873 shares were classified as treasury shares (31 March 2012 – 137,488,873). This represented 5% of called-up share capital at the beginning of the year (2011/12 – 5%).

The nominal value and market value of treasury shares held at 31 March 2013 was US$7 million (2011/12 – US$7 million) and US$88 million (2011/12 – US$71 million) respectively. Disclosures in respect of the shares held by the Trust are included in note 29.

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 44 to 45 of the Directors' and corporate governance report.

There were no allotments of ordinary shares of US5 cents made during the year (2011/12 – no allotments).

Capital management

The Group defines capital as equity, borrowings (note 22) and cash and cash equivalents (note 19). The Group does not have any externally imposed requirements for managing capital, other than those imposed by Company Law.

The Group is currently undertaking a change in its geographical focus with steps taken during 2012/13 through the agreement to sell the majority of the Monaco & Islands operating segment and the Macau operating segment.

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.

Funding and liquidity risk are reviewed regularly by the Board and managed in accordance with the policies described in note 36.

The Articles of Association of the Company permit aggregate borrowing up to the higher 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 target a sustainable and progressive dividend that reflects the underlying cash generation and growth outlook of the business. This process is managed through the Group's budget and longer-term forecasting process.

Subsequent to year end the Group received total cash proceeds of US$601 million in respect of the Islands sub-group disposal (note 38) representing consideration of US$570 million plus US$31 million of the proportionate share of net cash in the disposed businesses attributable to Cable & Wireless Communications. Proceeds have been used to repay drawn bank facilities, including the revolving credit facility of US$360 million (note 22) and other facilities of US$25 million. In line with the Board's objectives, remaining proceeds will be used for investment opportunities. In the absence of suitable investment opportunities, the remaining proceeds will be used to de-leverage the balance sheet.

Both the US dollar secured bonds of US$400 million and US$500 million maturing respectively in 2020 and 2017 maintained a credit rating of Ba2 with Moody's and BB with Standard and Poor's. The unsecured sterling bond repayable in 2019 also maintained its credit 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 2012/13, Other reserves included a capital redemption reserve of US$152 million (2011/12 – US$152 million), a revaluation reserve of US$30 million (2011/12 – US$30 million), a fair value reserve of US$20 million (2011/12 – US$16 million), a special reserve of US$2,137 million (2011/12 – US$2,137 million) and a capital reserve of US$987 million (2011/12 – US$987 million), less a reserve relating to transactions with non-controlling interests of US$5 million (2011/12 – US$1 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.

During 2011/12, the Board approved the release of US$200 million from the capital reserve to distributable reserves.

29 Share-based payments

Accounting policy detailed in note 2.13. ►

Share option schemes

The Group does not currently have any outstanding share option awards over its own shares (2011/12 – nil). There are 1,246,303 outstanding share option awards relating to options granted by Cable and Wireless plc to senior employees (2011/12 – 7,710,684 outstanding options). These options were originally granted over Cable and Wireless plc shares at exercise prices between 101 to 154 pence. All options have vested in full. Subsequent to the 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 price of Cable & Wireless Communications Plc at 31 March 2013 and the final share price of Cable & Wireless Worldwide plc prior to its takeover by Vodafone Group were such that the obligation for these stapled unit options was US$nil (at 31 March 2012 – US$nil).

During the year, no options were exercised (2011/12 – no options were exercised). 6,464,381 options lapsed during the year (2011/12 – 5,995,089).

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 granted in June 2010 and 2011 are subject to Cable & Wireless Communications Plc absolute TSR performance conditions (see performance conditions for share-based award on page 59). For the performance shares granted in January 2013, performance is based on a combination of relative TSR against a bespoke comparator group and Earnings per Share (EPS) performance measures. A dividend award supplement operates on all 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.

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.

29 Share-based payments continued

Cable & Wireless Communications Share Purchase Plan

The Company also offered 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 could 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 offered a matching award of one share for each partnership share purchased. From 13 April 2012, the Share Purchase Plan is no longer offered. The existing shares will remain in the plan until such time as they would ordinarily vest in accordance with plan rules.

The Cable & Wireless Communications 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 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 2013, the Trust held 34,598,177 shares in Cable & Wireless Communications Plc (of which 2,780,411 are shares awarded to the Executive Directors under the Deferred Bonus Plan and which carry dividend rights) with a market value of US$22 million. The remaining shares in Cable & Wireless Worldwide plc were sold during the year (2011/12 – 37,524,230 shares in Cable & Wireless Communications Plc and 15,398,747 shares in Cable & Wireless Worldwide plc with a market value of US$28 million).

Share awards

The equity instruments granted during the year can be summarised as follows:

	Awards of Cable & Wireless Communications Plc shares granted during 2012/13			Awards of Cable & Wireless Communications Plc shares granted during 2011/12		
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	**260,400**	**42**	**–**	–	–	–
Restricted shares (LTIP)[1]	**–**	**–**	**–**	9,108,032	44	–
Share purchase plan scheme (matching shares)	**24,095**	**31**	**–**	129,822	41	–
Performance shares	**13,706,646**	**27**	**TSR conditions and EPS performance measures**	9,237,768	17	TSR conditions

1 Restricted shares (LTIP) represents the cash LTIP amount, recognised through profit or loss in prior periods which have been converted into restricted shares during the year in respect of senior employees and reclassified to equity.

Only the performance share grants made during 2012/13 and 2011/12 have performance criteria attached. A fair value exercise was completed at 31 March 2013 for grants made during 2012/13 using the Monte Carlo method.

The Monte Carlo pricing model assumptions used in the pricing of the performance share grants in 2012/13 and 2011/12 were:

	2012/13	2011/12
Weighted average share price (pence per share)	**37.70**	43.29
Dividend yield	**0.0%**	5.0%
Expected volatility	**34.7%**	34.0%
Risk-free interest rates	**0.45%**	1.26%
Expected life in years	**3.0**	3.0

The total expense during the year related to equity settled share-based payments was US$4 million (2011/12 – US$4 million).

A summary of the outstanding share awards at 31 March 2013 and 31 March 2012 are as follows:

Award	31 March 2013 Number of shares outstanding	31 March 2013 Weighted average remaining life (rounded to nearest year)	31 March 2012 Number of shares outstanding	31 March 2012 Weighted average remaining life (rounded to nearest year)
Restricted shares	471,297	2	739,176	1
Restricted shares (LTIP)	6,909,542	1	8,165,822	1
Share purchase plan scheme (matching shares)	278,446	–	3,385,093	–
Performance shares	29,677,414	2	24,901,564	1

30 Commitments, guarantees and contingent liabilities

Commitments

Capital commitments at the end of the financial year for the continuing Group relating to the purchase of plant and equipment of US$59 million (2011/12 – US$93 million). No provision has been made for these commitments. US$11 million (31 March 2012 – US$9 million) of these commitments relate to the Group's share of the capital commitments of its joint ventures and associates. Capital commitments at 31 March 2012 included US$21 million in respect of discontinued operations.

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 2013 is disclosed in note 6a. The aggregate future minimum lease payments under operating leases are:

	31 March 2013 US$m	31 March 2012 US$m
No later than one year	39	39
Later than one year but not later than five years	84	92
Later than five years	18	39
Total minimum operating lease payments	**141**	170

The aggregate future minimum lease payments under operating leases at 31 March 2012 contained US$49 million in respect of discontinued operations.

Guarantees and contingent liabilities

Guarantees at the end of the year for which no provision has been made in the financial statements are as follows:

	31 March 2013 US$m	31 March 2012 US$m
Trading guarantees	57	47
Other guarantees	475	199
Total guarantees	**532**	246

Trading guarantees

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.

30 Commitments, guarantees and contingent liabilities continued

Other guarantees

Other guarantees include guarantees for financial obligations principally in respect of property, other leases and letters of credit, and includes guarantees in respect of the demerged business of Cable & Wireless Worldwide. The Group is party to a contingent funding agreement with the Cable & Wireless Superannuation Fund (CWSF) Trustee, under which the Trustee can call for a letter of credit or cash escrow in certain circumstances, such as the breach by the Group of certain financial covenants, the incurrence by the Group of secured debt above an agreed level or the failure to maintain available commitments under the revolving credit facilities of at least US$150 million.

Following the Group's issue of the 2020 bonds in January 2012 (note 22), and the consequential increase in the Group's available secured borrowings, letters of credit totalling £100 million (US$152 million) (2011/12 – US$160 million) as of 31 March 2013 have been issued in favour of the CWSF Trustee under the Contingent Funding Agreement. The letters of credit will remain in place pursuant to the terms of the Contingent Funding Agreement (which may be until the deficit of the CWSF is fully funded).

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. Consistent with this practice, the Group has given guarantees and indemnities in respect of its disposal of the majority of the Monaco & Islands business. 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.

The Group has provided guarantees of US$1 million (2011/12 – US$2 million) to third parties in respect of trading contracts between third parties and the Cable & Wireless Worldwide Group. The Cable & Wireless Worldwide Group (a wholly owned subsidiary of Vodafone Group Plc) has agreed a fee schedule for the benefit of these guarantees. To date, the Group has not been required to make any payments in respect of its obligations under these trading guarantees.

Contingent liabilities

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 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 (note 34).

Whilst the Group has ceased participation in the Merchant Navy Officers Pension Fund (MNOPF), it may be liable for contributions to fund a portion of any funding deficits which may occur in the future. The Group has made arrangements with MNOPF to pay invoices totalling £1.7 million, plus interest, relating to the actuarial valuations made by the MNOPF trustee as at 31 March 2003, 2006 and 2009, by instalments over the next seven years. It is possible that the MNOPF trustee may invoice us in the future for additional amounts to the extent that there is an actuarially determined funding deficit. It is not possible to quantify the amount of any potential additional funding liability at this time.

31 Business combinations and acquisitions of non-controlling interests

Accounting policy detailed in note 2.1. ►

Continuing operations

The 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. 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 cash consideration paid by the Group was US$204 million. Goodwill of US$63 million was recognised on acquisition. The net cash outflow on acquisition was US$148 million.

The Directors have made an assessment of the fair values of the assets and liabilities as at the acquisition date:

	Book value US$m	Fair value adjustments US$m	Provisional fair value at 30 September 2011 US$m	Adjustments US$m	**Final fair value at 31 March 2012 US$m**
Property, plant and equipment	384	(129)	255	(3)	**252**
Customer contracts and relationships	–	31	31	–	**31**
Trademarks	–	1	1	–	**1**
Available-for-sale financial assets	20	–	20	–	**20**
Trade and other receivables	56	(9)	47	10	**57**
Inventories	13	(5)	8	–	**8**
Cash and cash equivalents	59	–	59	(3)	**56**
Trade and other payables	(93)	(10)	(103)	–	**(103)**
Financial liabilities at fair value through profit or loss	(2)	–	(2)	–	**(2)**
Provisions	–	(5)	(5)	(5)	**(10)**
Borrowings	(34)	–	(34)	–	**(34)**
Total	**403**	**(126)**	**277**	**(1)**	**276**

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 costs related to BTC of US$7 million were recorded in other operating expenses in 2011/12. A non-controlling interest of US$135 million has been recognised in the 2011/12 accounts as at acquisition date measured at cost.

In 2011/12, from the date of its acquisition on 6 April 2011, BTC contributed US$352 million to Group revenue, US$91 million to Group EBITDA and US$13 million to Group profit after tax. There is no material difference in the results of BTC included in these accounts since acquisition on 6 April 2011 and the results of BTC for the full year from 1 April 2011.

Monaco Telecom

Goodwill in connection with the Group's investment in Monaco Telecom SAM increased by US$41 million during the year (2011/12 – US$33 million). The goodwill balance increased as a result of exchange differences and changes in the fair value of the Monaco Telecom put option.

As part of the acquisition of Monaco Telecom a put option was issued (note 23). Changes in the fair value of this put option are treated as contingent consideration and adjusted against goodwill. The cash outflow in respect of contingent consideration, being the dividend paid to the Principality as the non-controlling shareholder of Monaco Telecom, was US$33 million (2011/12 – US$17 million).

Goodwill	**2012/13 US$m**	2011/12 US$m
At 1 April	**205**	172
Increase as a result of changes in the fair value of Monaco put option	**47**	44
Exchange differences	**(6)**	(11)
At 31 March	**246**	205

32 Related party transactions

Transactions with joint ventures and associates

All trade transactions with joint ventures and associates 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. Group subsidiaries had transactions with Telecommunications Services of Trinidad and Tobago Ltd during the year. The transactions were in relation to the sale and purchase of mobile services. In respect of these transactions, US$3 million has been reported within revenue and US$2 million in cost of sales (2011/12 – US$3 million and US$1 million respectively).

During 2011/12 the Group invested US$5 million in Seychelles Cable System Limited which is classified as an associate within discontinued operations (note 9).

The Group received dividends of US$6 million from joint ventures and associates (2011/12 – US$4 million) . At 31 March 2013, joint ventures and associates owed US$2 million (31 March 2012 – US$2 million) in respect of trading balances.

There were no other material trade transactions with joint ventures and associates during the year.

Transactions with key management personnel

At 31 March 2011, two Directors held bonds issued by Cable & Wireless Limited and Cable and Wireless International Finance B.V. with a nominal value of US$4,211,156 (£2,630,000) (purchased in prior periods). Both Directors sold their entire holding during the year ended 31 March 2012. The interest earned on these bonds prior to disposal during the year ended 31 March 2012 was US$55,426 which was fully settled. A profit of US$790,719 was realised upon the sale of the bonds.

A Director's spouse held bonds issued by Cable and Wireless International Finance BV. These bonds had a nominal value at 31 March 2013 of US$731,472 (£480,000) (31 March 2012 – US$766,416 (£480,000)). The interest earned on those bonds during the year was US$65,404 of which US$1,037 remained unpaid at 31 March 2013 (2011/12 – US$66,132 of which US$903 remained unpaid at 31 March 2012).

A Director's spouse held bonds issued by Cable & Wireless Limited. The Director retired during the year. These bonds had a nominal value at 31 March 2012 of US$15,967 (£10,000). The interest earned on those bonds during the year until retirement was US$344 which has been paid in full (2011/12 – US$1,398 of which US$901 remained unpaid at 31 March 2012).

During the prior year, two children of a Director purchased bonds issued by Cable and Wireless International Finance BV. These bonds had a nominal value at 31 March 2013 of US$761,950 (£500,000) (31 March 2012 – US$798,350 (£500,000)). The interest earned on those bonds during the year was US$68,128 of which US$1,080 remained unpaid at 31 March 2013 (2011/12 – US$25,410 of which US$940 remained unpaid at 31 March 2012).

During the year a Director purchased a car from the Company for market value.

Director and key management remuneration is disclosed in note 6c.

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 27.

Other than the parties disclosed above, the Group has no other material related parties.

33 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.

The Group is currently in the process of renewing its licences and operating agreements in Antigua & Barbuda and Montserrat.

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. These licence arrangements remain in force despite Vodafone Group Plc's acquisition of Cable & Wireless Worldwide Group in July 2012.

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.

34 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.

35 Subsidiaries and joint ventures and associates

Accounting policy detailed in note 2.1. ►

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.

Continuing operations	Ownership of ordinary shares %	Country of incorporation	Area of operation
Subsidiaries			
The Bahamas Telecommunications Company Ltd[4]	51	The Bahamas	The Bahamas
Cable & Wireless Jamaica Ltd	82	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	49	Panama	Panama
Cable & Wireless (Barbados) Ltd	81	Barbados	Barbados
Cable and Wireless (West Indies) Ltd	100	England	Caribbean
Monaco Telecom SAM[3]	49	Monaco	Monaco
Cable & Wireless Ltd	100	England	England
Sable International Finance Ltd	100	Cayman	England
Cable and Wireless International Finance BV	100	Netherlands	England
Joint ventures and associates			
Cable & Wireless Trade Mark Management Ltd	50	England	N/A
Telecommunications Services of Trinidad and Tobago Ltd[2]	49	Trinidad and Tobago	Trinidad and Tobago

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 is audited by a firm other than KPMG Audit plc and its international member firms.
3 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement. See below for further discussion.
4 From 6 April 2011.

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, 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 in one or several instalments until 30 April 2019. The exercise price under the put option is fair market value, taking into account the nature of the minority stake in Monaco Telecom (note 23).

Full details of all subsidiary undertakings, joint ventures and associates 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.

36 Financial risk management

Treasury policy

The 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 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

The Group trades in many countries and a proportion of its revenue is generated in currencies other than US dollars. The Group is exposed to movements in exchange rates in relation to non-dollar currency payments (including external dividends, the London corporate centre costs and pensions), 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 2.3 for key exchange rates used.

Where appropriate, the 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.

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.

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 2013 the impact of a unilateral 10% weakening of the US dollar would have been to decrease profit from continuing operations by approximately US$36 million (at 31 March 2012 – US$30 million).

Interest rate risk

The 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.

At 31 March 2013, 64% (31 March 2012 – 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$2 million (2011/12 – US$3 million) impact on the income received from the surplus cash balances of the Group and a US$6 million (2011/12 – US$2 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. These banks are awarded a maximum credit limit based on ratings by Standard & Poor's and Moody's, the level of the banks' credit default swap (CDS) and its associated level of tier one capital. The credit limit assigned to counterparties is monitored on a continuing basis. These limits reflect exposure for the Group as a whole to any one counterparty in a range of US$25 million to US$100 million.

The Group Treasury policy approved by the Board contain limits on exposure and prescribes the types of instrument used for investment of funds. Credit risk on receivables is discussed in note 17.

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 2013, the Group had cash and cash equivalents of US$152 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 facilities of US$240 million.

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 15% of the Group's cash is invested in short-term bank deposits and money market funds (2011/12 – 40%).

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.

37 Reconciliation of non-GAAP measures

Reconciliation of operating profit to EBITDA

Continuing operations	**2012/13 US$m**	2011/12 US$m
Total operating profit	**192**	18
Depreciation and amortisation	**275**	277
Net other operating (income)/expense	**(4)**	11
Share of profit after tax of joint ventures and associates	**(10)**	(26)
Exceptional items	**136**	310
EBITDA	**589**	590

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, net other operating and non-operating income and expense and exceptional items.

37 Reconciliation of non-GAAP measures continued

Reconciliation of basic Earnings Per Share (EPS) to Adjusted EPS

	Continuing Group		Total Group	
	2012/13 US cents	2011/12 US cents	2012/13 US cents	2011/12 US cents
Loss per share attributable to owners of the Parent Company	**(3.4)**	(7.8)	**0.8**	(3.1)
Exceptional items[1]	**4.3**	9.4	**4.3**	9.4
Amortisation of acquired intangibles[1]	**0.3**	0.4	**0.4**	0.5
Transaction costs and loss/(gain) on disposal of businesses	**0.7**	(0.3)	**1.1**	(0.3)
Adjusted EPS attributable to owners of the Parent Company	**1.9c**	1.7c	**6.6c**	6.5c
Weighted average number of shares (million)	**2,494**	2,506	**2,494**	2,506

1 Excluding amounts attributable to non-controlling interests.

Adjusted EPS is before exceptional items, transaction costs, loss/gain on disposal of businesses and amortisation of acquired intangibles.

Reconciliation of Return on Invested Capital (ROIC)

Continuing operations	2012/13 US$m	2011/12 US$m
Total pre-exceptional operating profit	**328**	328
Average total assets	**3,714**	3,702
Average current liabilities	**(1,618)**	(1,522)
Average invested capital	**2,096**	2,180
Average adjusted invested capital[1]	**1,801**	1,779
Return on Invested Capital	**18.2%**	18.4%

1 Average adjusted invested capital for continuing operations is after deducting deferred tax assets; retirement benefit assets; the goodwill balance attributable to the Monaco Telecom put option (less the current portion of the related put option financial liability); interest bearing assets; total assets and current liabilities for discontinued operations; and adding back interest bearing current liabilities.

The Group uses ROIC to measure the effectiveness of our capital investments.

ROIC is not a measure defined under IFRS. We define ROIC as total operating profit before exceptional items divided by average adjusted invested capital.

ROIC is calculated on the basis of continuing operations. During the period, the Group has continued to refine its use of ROIC and we now calculate it on the basis of average, rather than opening, invested capital and on a pre-tax basis. Prior year figures have been re-presented on the same basis.

38 Events after the reporting period

Accounts approval

These accounts were approved by the Board of Directors on 21 May 2013 and authorised for issue.

Monaco & Islands disposal

On 3 April 2013, the Group completed the sale of the majority of the Islands sub-group to Batelco Group (Batelco) as part of a transaction described in note 9.

Following receipt of the required consents and approvals the Group completed the sale of its businesses in the Maldives, the Channel Islands, Isle of Man, South Atlantic and Diego Garcia. Regulatory approval for the transfer of CWC's business in the Seychelles has not yet been obtained.

Batelco also acquired a 25% shareholding in Compagnie Monegasque de Communication SAM (CMC), the holding company of the Group's interest in Monaco Telecom. As described in note 9, a put option over the 25% shareholding in CMC was also issued to Batelco on 3 April 2013. The CMC put option enables Batelco to require the Group to repurchase the 25% CMC shareholding for US$100 million in the event that the regulatory approval from the Principality of Monaco is not granted within 12 months of 3 April 2013. Batelco can exercise this put option between 18 and 19 months from 3 April 2013. The Group will account for the put option as a financial liability using the anticipated acquisition method, as if it had been exercised.

On 3 April 2013, the Group received total cash proceeds of US$601 million in respect of these transactions. This represents consideration of $470 million for the Islands sub-group plus $31 million of net cash in the disposed businesses attributable to CWC, together with US$100 million in respect of the 25% shareholdings in CMC.

In April 2013, the cash proceeds were used by the Group to repay US$360 million of the revolving credit facility (note 22) and US$25 million of other borrowings.

Strategic alliance with Columbus Networks

On 13 May 2013, the Group announced it had entered into a strategic alliance with Columbus Networks Ltd ('Columbus') to develop its international wholesale capacity business.

The alliance will initially operate by providing joint sales and marketing services for each of CWC's and Columbus' international wholesale capacity services. Columbus has a 72.5% majority share in, and management control of, the formal arrangement and CWC has a 27.5% share.

The alliance will be broadened within the next two years with Columbus and CWC contributing their sub-sea and related assets into a new company with the same respective shareholdings, subject to obtaining regulatory approvals and certain other conditions being met. Until then, Columbus and CWC will retain complete ownership and control of their respective existing networks.

The transaction is not expected to have a material impact on the Group's earnings. Group assets subject to the joint venture arrangement had a book value of US$108 million, and recorded a loss before tax of US$1 million in the year to 31 March 2013.

Company balance sheet
as at 31 March 2013

	Note	31 March 2013 US$m	31 March 2012 US$m
Fixed assets investments			
Investments in subsidiaries	6	**6,097**	6,093
Current liabilities			
Creditors: amounts falling due within one year	7	**4,470**	4,305
Net current liabilities		**(4,470)**	(4,305)
Net assets		**1,627**	1,788
Capital and reserves			
Called-up share capital	8	**133**	133
Share premium	9	**97**	97
Reserves	9	**1,397**	1,558
Equity shareholders' funds		**1,627**	1,788

The notes on pages 130 to 133 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 128 to 133 were approved by the Board of Directors on 21 May 2013 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 2013

	2012/13 US$m	2011/12 US$m
Profit/(loss) for the year	1	(2)
Equity share-based payments	4	4
Own shares purchased	–	(66)
Dividends	(166)	(202)
Decrease in equity shareholders' funds	(161)	(266)
Opening equity shareholders' funds	1,788	2,054
Closing equity shareholders' funds	1,627	1,788

The notes on pages 130 to 133 are an integral part of the financial statements of the Company.

Notes to the financial statements
for the year ended 31 March 2013

1 Statement of accounting policies

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 2013, and rounded to the nearest million.

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 year.

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 year 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 2013 amounted to US$1 million (2011/12 – US$2 million loss).

3 Remuneration of Directors

Information covering Directors' remuneration is disclosed in note 6c to the consolidated financial statements. Interests in shares, share options and pension benefits are set out in the Directors' remuneration report on pages 51 to 66 and have been borne by a subsidiary company.

4 Staff numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the year was nil (2011/12 – nil). Their costs for the year ended 31 March 2013 were US$nil (2011/12 – US$nil).

5 Share-based payments

Accounting policy detailed in note 1.7. ►

The details of share option schemes and other share-based plans are disclosed in note 29 to the consolidated financial statements.

The total additional investment in subsidiaries relating to equity settled share-based payments was US$4 million (2011/12 – US$4 million).

6 Fixed asset investments

Accounting policy detailed in note 1.2. ►

	Subsidiary undertakings US$m
Cost	
At 1 April 2011	6,089
Capital contribution (note 5)	4
At 1 April 2012	6,093
Capital contribution (note 5)	4
At 31 March 2013	**6,097**
Net book value	
At 31 March 2013	**6,097**
At 31 March 2012	6,093

7 Creditors

	31 March 2013 US$m	31 March 2012 US$m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	**4,470**	4,305
Total creditors	**4,470**	4,305

There is no material difference between the carrying amount and fair value of creditors at 31 March 2013.

8 Called-up share capital

Issued, called-up and fully paid shares of US5 cents each	Number of shares (000)	US$m
At 1 April 2011, 31 March 2012 and 31 March 2013	**2,665,612**	**133**

9 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 2012	133	97	987	571	1,788
Profit for the year	–	–	–	1	1
Equity share-based payments	–	–	–	4	4
Dividends	–	–	–	(166)	(166)
At 31 March 2013	**133**	**97**	**987**	**410**	**1,627**

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

Share buy-back information is detailed in note 28 to the consolidated financial statements.

At 31 March 2013, a total of 137,488,873 shares were classified as treasury shares (31 March 2012 – 137,488,873). This represented 5% of called-up share capital at the beginning of the year (2011/12 – 5%).

10 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.

Related party transactions are detailed in note 32 to the consolidated financial statements.

11 Subsidiaries and joint ventures and associates

Principal subsidiaries and joint ventures and associates are detailed in note 35 to the consolidated financial statements.

The Group comprises a large number of companies and it is not practical to include all of them. 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.

The Company does not have any direct investment in the subsidiaries and joint ventures and associates listed in note 35 to the consolidated financial statements, with the exception of Cable & Wireless Limited.

Full details of all subsidiary undertakings, joint ventures and associates and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies in England and Wales.

12 Dividends

Accounting policy detailed in note 1.6. ►

Dividend information is detailed in note 11 to the consolidated financial statements.

13 Commitments

The Company had no capital commitments at 31 March 2013 (31 March 2012 – no capital commitments).

14 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.

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 and answers to frequently asked questions can be found at https://help.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 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:

Head of 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	29 May 2013
Record date	31 May 2013
Last date for election to join dividend reinvestment plan for August 2013 dividend	12 July 2013
Last date for election to receive dividend in US dollars	12 July 2013
Notification of sterling dividend payment amount	18 July 2013
AGM	25 July 2013
Payment of final dividend	9 August 2013
Announcement of interim results 2013/14	7 November 2013

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 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
31 March 2012	2.67	5.33	8.00
31 March 2013	1.33	2.67	4.00

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 90 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.

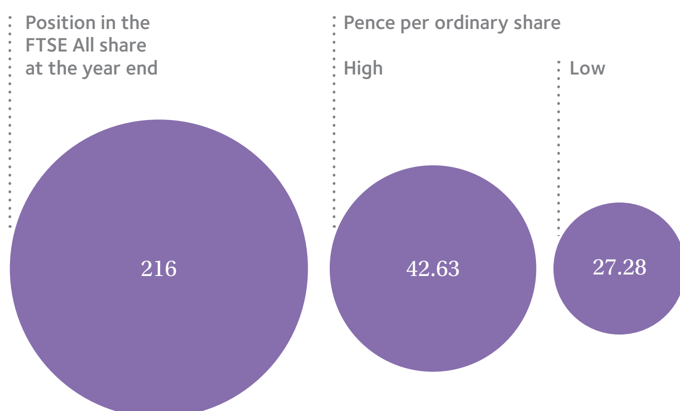
1 Calls to this number are charged at 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

Cable & Wireless Communications Plc offer a dividend reinvestment plan. Shareholders wishing to join the dividend reinvestment plan should return a completed mandate form to the Registrar, Equiniti. Copies of the dividend reinvestment plan brochure can be obtained either from Equiniti or from our website, www.cwc.com.

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 £1,060 million on 31 March 2013.

The diagram 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.



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 Conduct Authority (www.fca.org.uk/consumers/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 +44 (0)20 7291 3310
www.mpsonline.org.uk

Documents on display

Shareholders can view the service contracts of Executive Directors and the letters of appointment of Non-executive Directors at the Company's Registered Office. Shareholders may also obtain copies of the Company's 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 2013	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	55,707	66.82	23,582,404	0.88
1,001–10,000	25,120	30.12	66,445,437	2.50
10,001–100,000	2,104	2.52	50,116,314	1.88
100,001–1,000,000	277	0.33	99,560,467	3.73
1,000,001 and over	178	0.21	2,425,907,105	91.01
Total	83,386	100	2,665,611,727	100

At 21 May 2013, the Company had 82,956 shareholders on record.

Shareholder information continued

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 2013 is published as a separate document.

Unless otherwise stated in this Annual report, the terms 'Cable & Wireless Communications', the 'Group', 'CWC', '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' refer 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, and since July 2012 has been a wholly owned subsidiary of Vodafone Group Plc.

Unless otherwise indicated, any reference in this report to financial statements is to the consolidated financial statements of Cable & Wireless Communications on pages 71 to 127. References to a year in this report are, unless otherwise indicated, references to the year ended 31 March 2013 (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 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 balance sheet capital expenditure. Adjusted earnings per share (adjusted EPS) is before exceptional items, transaction costs, gain/(loss) on disposals and amortisation of acquired intangibles. Return on Invested Capital is defined as total operating profit before exceptional items divided by average adjusted invested capital. Average adjusted invested capital for continuing operations is after deducting deferred tax assets; retirement benefit assets; the goodwill balance attributable to the Monaco Telecom put option (less the current portion of the related put option financial liability); interest bearing assets; total assets and current liabilities for discontinued operations; and adding back interest bearing current liabilities. A reconciliation of GAAP to non-GAAP measures is provided on pages 125 to 126.

Where appropriate to aid understanding of our results compared to the prior year, we refer to financial performance on a total Group and/or constant currency basis. Constant currency figures are calculated by retranslating prior year figures at the exchange rates used during 2012/13 to eliminate the impact of movements in exchange rates.

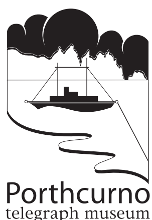
Information has been updated to the most practical date prior to the approval date of the document, being 21 May 2013.

Companies Act 2006

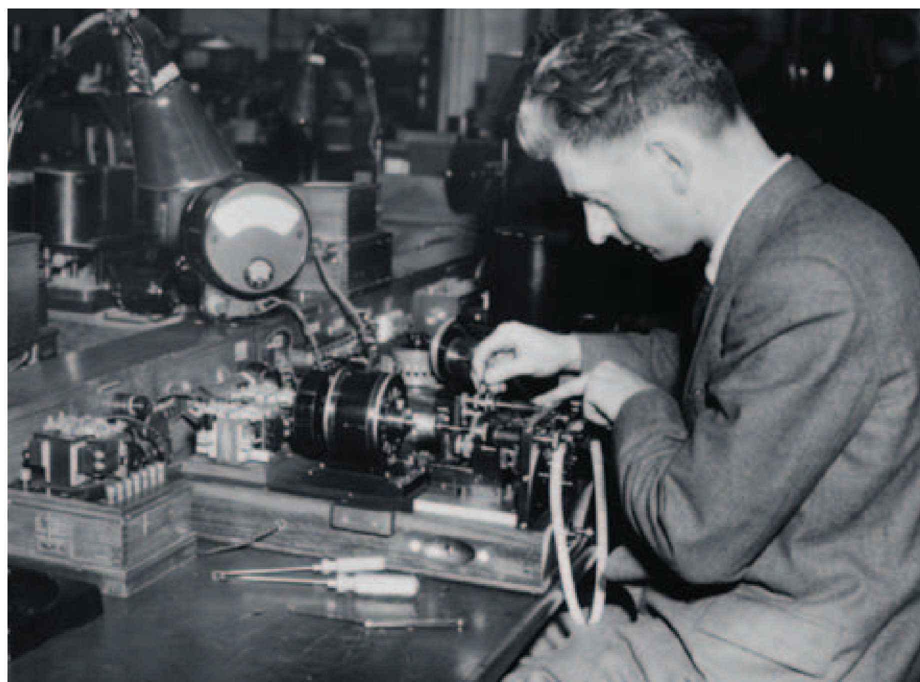
Pages 1 to 33 constitute the Chairman's statement and Business review of Cable & Wireless Communications Plc and, for the purposes of section 463 of the Companies Act 2006, are incorporated by reference into the Directors' report set out on pages 37 to 50 and shall be deemed to form part of that report.

English law

Pages 1 to 67 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.



Porthcurno, a picturesque valley on the south-westerly tip of Cornwall, occupies a significant position in history as one of the most strategically important communication sites in the world.



Cornwall's Victorian Silicon Valley
Laid by the Eastern Telegraph Company (later to become Cable and Wireless), the first undersea cable to land on Porthcurno's sandy beach forged a link between Britain and Bombay. Porthcurno grew to become the largest and busiest telegraph cable station in the world; by the late 1920s a network of 14 undersea cables made it one of the most connected places on Earth.

Previously the fastest means of international communication was by packet ship. Sub-sea telegraph technology, the use of electrical pulses to send Morse code messages via cable, was a world-shaping breakthrough in communications technology.

Porthcurno was also an important centre for education. The Cable & Wireless international college was a leading training institution for the telecommunications industry.

The communications hub became so strategically important during World War II that the telegraph station was moved into fortified underground tunnels. For many visitors today, these impressive tunnels, and the working telegraph instruments within, form a memorable highlight of their experience.

Two major tourism industry awards received in late 2012 and early 2013 have reinforced the museum's reputation as a unique heritage attraction.

Cable & Wireless Communications
The PK Trust, the charity that runs Porthcurno Telegraph Museum, houses the historical archive of our Group. From staff records and photographs, to artefacts and film footage, the archive is the embodiment of our heritage, a rich record of people and places.

We are proud to sponsor the PK Trust and Porthcurno Telegraph Museum, which is an educational charity, focused on the history, science and innovation of telegraph and wireless communications. Through our work with the Museum, we help to underpin and raise awareness of the important role that telecommunications has played in Britain's past.

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Addressees of the Annual report
This Annual report is addressed solely to the members of Cable & Wireless Communications Plc as a body, to assist them in assessing the strategies adopted by the Company and the potential for those strategies to succeed. Neither the Company nor its Directors accept or assume responsibility to any person for this Annual report or any responsibility to update any statements in this Annual report, save as required by applicable laws or regulation.

Cautionary statement regarding forward looking statements
This Annual report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable & Wireless Communications' plans and objectives, to differ materially from those expressed or implied in the forward looking statements. Furthermore, nothing in this Annual report should be construed as a profit forecast. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Summaries of the potential risks faced by Cable & Wireless Communications are set out on pages 31 to 33.

Cable & Wireless Communications cannot guarantee future results, levels of activity, performance or achievements. Cable & Wireless Communications undertakes no obligation to revise or update any forward looking statement contained within this Annual report, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by applicable laws or regulation.

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The paper used in this Annual report is produced from pulps sourced from fully sustainable forests and has been made without the use of elemental chlorine (ECF).

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Printed in the UK by Pureprint using the *pure***print**® and *alco***free**® environmental printing technology.

For further information go to www.cwc.com