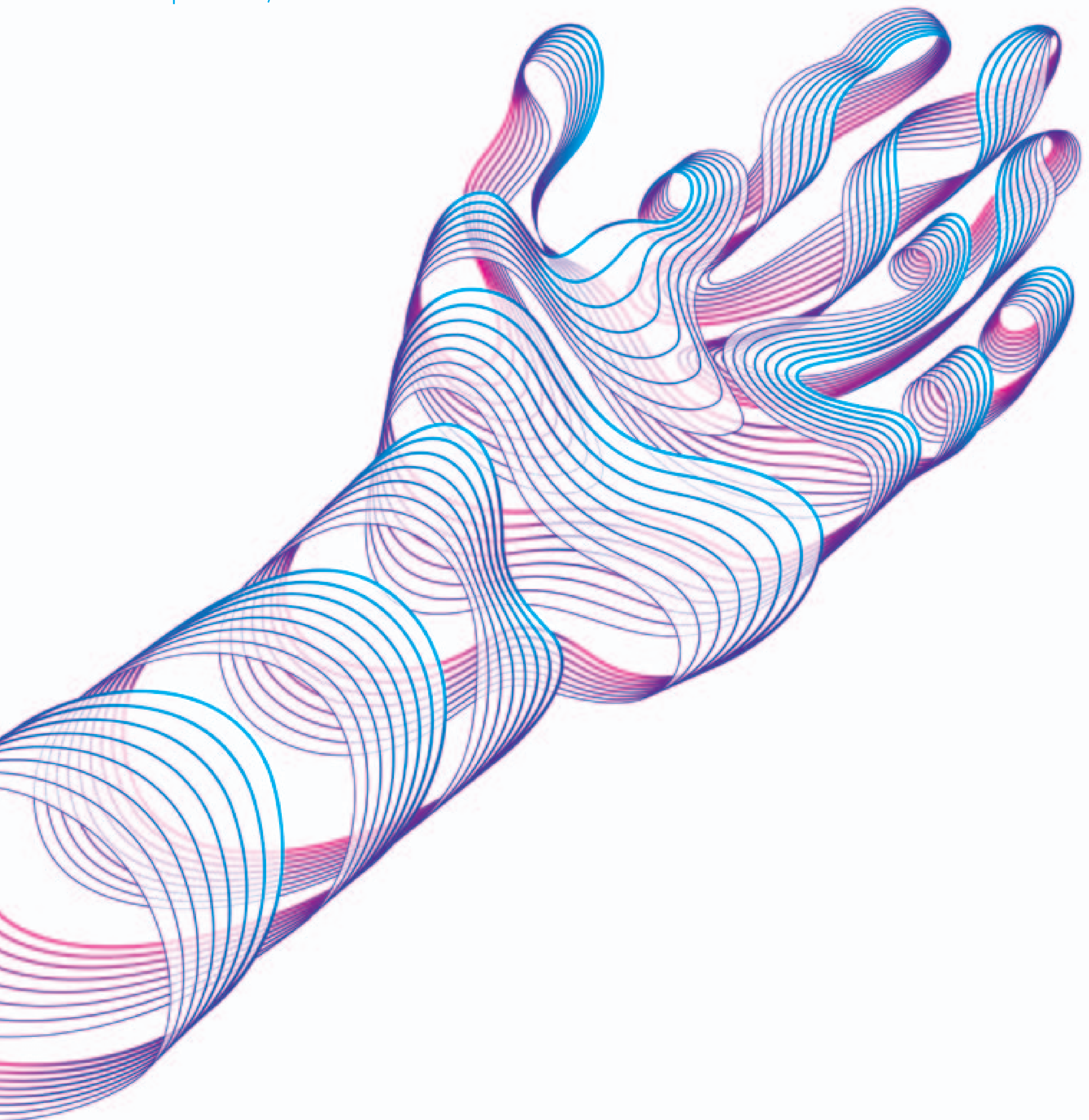
Cable&Wireless Communications

Today & Tomorrow

Annual report 2009/10



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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 2010 is published as a separate document.

Unless otherwise stated in this Annual Report, the terms 'Cable & Wireless Communications', the 'Group', 'Cable & Wireless Communications Group', 'it', 'we', 'us' and 'our' refer to Cable & Wireless Communications Plc and its subsidiaries collectively. The term 'Company' refers to Cable & Wireless Communications Plc. The terms 'Cable & Wireless' and 'Cable & Wireless Group' refer to the former Cable and Wireless plc and its subsidiaries collectively. The term 'Cable & Wireless Worldwide Group' refers to Cable & Wireless Worldwide plc and its subsidiaries collectively.

Unless otherwise indicated, any reference in this report to financial statements is to the consolidated financial statements of Cable & Wireless Communications on pages 61 to 122. References to a year in this report are, unless otherwise indicated, references to the year ended 31 March 2010 (the financial year).

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

In this report, financial and non-financial information is, unless otherwise indicated, stated on the basis of the Group's financial year. EBITDA is defined as earnings before interest, tax, depreciation and amortisation, Long-Term Incentive Plan (LTIP) charge and net other operating income and expense. Unless otherwise stated, EBITDA excludes exceptional items. Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Group that are identified as exceptional items by virtue of their size, nature or incidence. Operating cash flow is defined as pre-exceptional EBITDA less capital expenditure less cash exceptionals. A reconciliation of GAAP to non-GAAP measures is provided on page 122.

Information has been updated to the most practical date prior to the approval date of the document, being 26 May 2010.

Companies Act 2006

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

The remuneration of Directors has been presented for the entire financial year of the Group as well as of the period since incorporation (19 January 2010) as required by Schedule 8 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008.

English law

Pages 2 to 59 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.

Today & Tomorrow

Cable & Wireless Communications is one of the world's leading international communications companies. For more than 140 years we have provided telecommunications services around the world.

Our four regional business units – the Caribbean, Panama, Macau and Monaco & Islands – provide mobile, broadband, fixed line, enterprise and entertainment services to consumers, corporate customers and governments.

Putting communications at the heart of nations, we aim to bring people together today and develop new markets and offer new services tomorrow.

Today & Tomorrow
Chairman's review

Sir Richard Lapthorne

In a year of challenging and often unpredictable conditions, our business has performed resiliently, with operating cash flow rising 9% and three of our four business units improving EBITDA.

3 out of 4

Business units increased EBITDA

+9%

Increase in operating cash flow

"The history of Cable & Wireless goes back 140 years. Cable & Wireless Communications will build on its very valuable legacy."

It gives me great pleasure to be introducing the first Annual Report of Cable & Wireless Communications.

Our 'new' Company was created just before the financial year end in March, after the demerger of our sister business, Cable & Wireless Worldwide.

This Annual Report sets out the information we are required to present on Cable & Wireless Communications. However, in some cases to be helpful to shareholders we have shown the results and policies over the full year during which we operated as Cable and Wireless plc before becoming Cable & Wireless Communications.

The results of Cable & Wireless Worldwide are shown as a discontinued operation on pages 89 to 91 of this report. For more details on these results you should access the Annual Report of Cable & Wireless Worldwide via www.cw.com

The demerger was the culmination of a long journey for the Cable & Wireless Group, but one which has delivered outstanding value to shareholders.

At the beginning of 2003, the Company was in a steep decline. Our International business (now Cable & Wireless Communications) was unfocused and underperforming, and our UK business (now Cable & Wireless Worldwide) was draining the cash we were producing. The turnaround that has followed has been a victory for prudent management, occasionally unorthodox thinking and the commitment of a team of talented managers. It meant that at demerger we were able to launch two stand-alone businesses, producing sustainable profits and cash flows, with balance sheets properly financed to support their needs.

Cable & Wireless Communications has long been a business with high quality assets and a strong earnings and cash flow track record. Over the last four years the business has progressed its earnings and repatriated US$1.6 billion of cash. The results for 2009/10 stand up to this record. Against the backdrop of a sharp downturn in the Caribbean and economic fluctuations across many of our other markets, as well as new competitive pressures, we reported EBITDA of US$866 million and operating cash flow of US$484 million. Our resilient performance is testament to the skill and ingenuity of our employees in each market. I applaud them all.

Shareholders in the former Cable and Wireless plc, who retain their shares in both demerged businesses will receive a 9.50 pence per share dividend for 2009/10, a 12% rise on the prior year. As we announced before the demerger, both businesses are committed to paying attractive ongoing dividends on a sustainable basis – an important component of total shareholder returns. Cable & Wireless Communications is expected to recommend an US 8 cents per share dividend, or its equivalent in pence, for 2010/11.

The Cable & Wireless Communications Board will also continue the strong commitment to corporate governance of Cable and Wireless plc. Good behaviours within the framework of a sensible code deliver strong and effective governance. Our Senior Independent Director reports on these behaviours on page 42.

The history of Cable & Wireless reaches back more than 140 years. Cable & Wireless Communications will build on its very valuable legacy. We have well established, market-leading businesses, and significant opportunities to grow. As Chairman of the Company, I look forward with confidence.

Sir Richard Lapthorne, CBE

Here & Now
Chief Executive's review

Tony Rice

Our business is positioned in premium growth economies and we are the market leader in most. We offer the full-suite of services – fixed, mobile, broadband and enterprise – and aim to bring more new services, particularly data services, to our markets to drive revenue and margins.

Q
Can you describe the performance of the business last year? **TR:** 2009/10 was a very difficult year for all telecoms companies and we were not spared the effects of the economic shock-waves that started in larger economies and quickly spread to other countries and markets. I was pleased with our performance in a number of respects. Firstly, we delivered a high quality and improving level of service, products and value to our consumer and enterprise customers. Secondly, we met our commitment to partner governments to give them a world class telecommunications capability as a key driver of economic development. Lastly, I was pleased with our financial performance for shareholders. Despite the credit crunch and local factors, such as intensifying competition, three of our four business units grew EBITDA. We also completed our demerger, which was a significant achievement in opening the way to further shareholder value.

Q
When will performance in the Caribbean business turn around and how crucial is it to the overall performance of the business?
TR: Three of our business units – Panama, Macau and Monaco & Islands – operate in 'premium GDP' territories. The Caribbean, however, is exposed to tourism, and thus more affected by the global economy. Last year, both tourist numbers and tourist spend were weaker which had a knock-on impact on other sectors in the economy. Tourist numbers appear to be improving this year, but the evidence we see is that visitor spend is still down. But, we have a management team in place with a grip on the business – not just managing the cost line but also the development of the business.

Q
The Panama business performed strongly in the face of new mobile competition last year, what do you expect from it this year?
TR: Panama did well last year. Our market share held up through the year which was excellent, given the new competition. This year I'm looking for positives from Panama's enterprise business which we expect will improve as the new Government gets into its stride and starts to deliver the public sector projects, in which we're involved. We have also launched pay TV, which had a good start in the last three months of the year and we're looking for a good market share from this business by the end of this year. Lastly, we'll look to maintain our market share and financial performance in the mobile market.

Q
What are the competitive strengths of Cable & Wireless Communications? **TR:** The first competitive strength is the quality of our management. If you look at where we are successful, it's a function of local management delivering for the communities, customers, and governments of their markets as well as running the business effectively for financial performance.

Secondly, we are in smaller markets that aren't pioneer markets so we can phase in various new developments without being exposed to the cutting edge of technology, which can be painful as some operators in developed markets are finding.

Third is our market position. We're very strongly positioned as market leader in most of the country markets we're in, in fixed line, broadband and mobile.

Q
What are the future drivers for your business and how are you positioned to take advantage of them? **TR:** There will be four drivers – product innovation, mobile data, the triple play and the economy.

Product innovation is key. Our customers, whether they be consumers or enterprises, are looking for it and prepared to pay for innovative and efficient products that enable them to live their lives better and manage their businesses more efficiently. I am particularly proud of our Social Telecoms capability where we are developing a set of products in the areas of security, health, education and e-government. These deliver telecoms enabled, key public services and important projects for social change to the communities in which we operate.

Mobile data is an interesting situation. In our view the business model is still evolving between the handset providers, the applications houses, and the telcos but we're well placed as we cover the telecoms waterfront with sub-sea cables, backhaul, broadband, fixed and mobile. I'm confident that a lot of the value that attaches to mobile data as it grows will come to us.

The next is the triple play. We can bundle our offering and provide it to the consumer at an advantageous price and, in doing so, not just roll out pay TV as a new product but also consolidate our market position in fixed and broadband.

Finally, the economy. Consumer spend on telecoms is a function of disposable income and that's under pressure everywhere around the globe. But we are fortunate to be positioned in markets with premium GDP characteristics.

Q
What can we expect from Cable & Wireless Communications in 2010/11 and beyond?
TR: The aftershocks of the economic downturn are still impacting most economies and consumer and enterprise spend therein.

I'm really excited by the prospect of leading into the future what was the original Cable & Wireless business, now reinstated to a purely international focus.

I'm looking for Cable & Wireless Communications to progress in 2010/11 in terms of customer delivery but also financial performance. Of course, we have to cope with the headwinds of inflation and some additional costs transferred from our previous Central plc function but our job is to manage these and still deliver growth.

I'm also looking for greater portfolio momentum in terms of reshaping the portfolio and building on the key areas of growth.

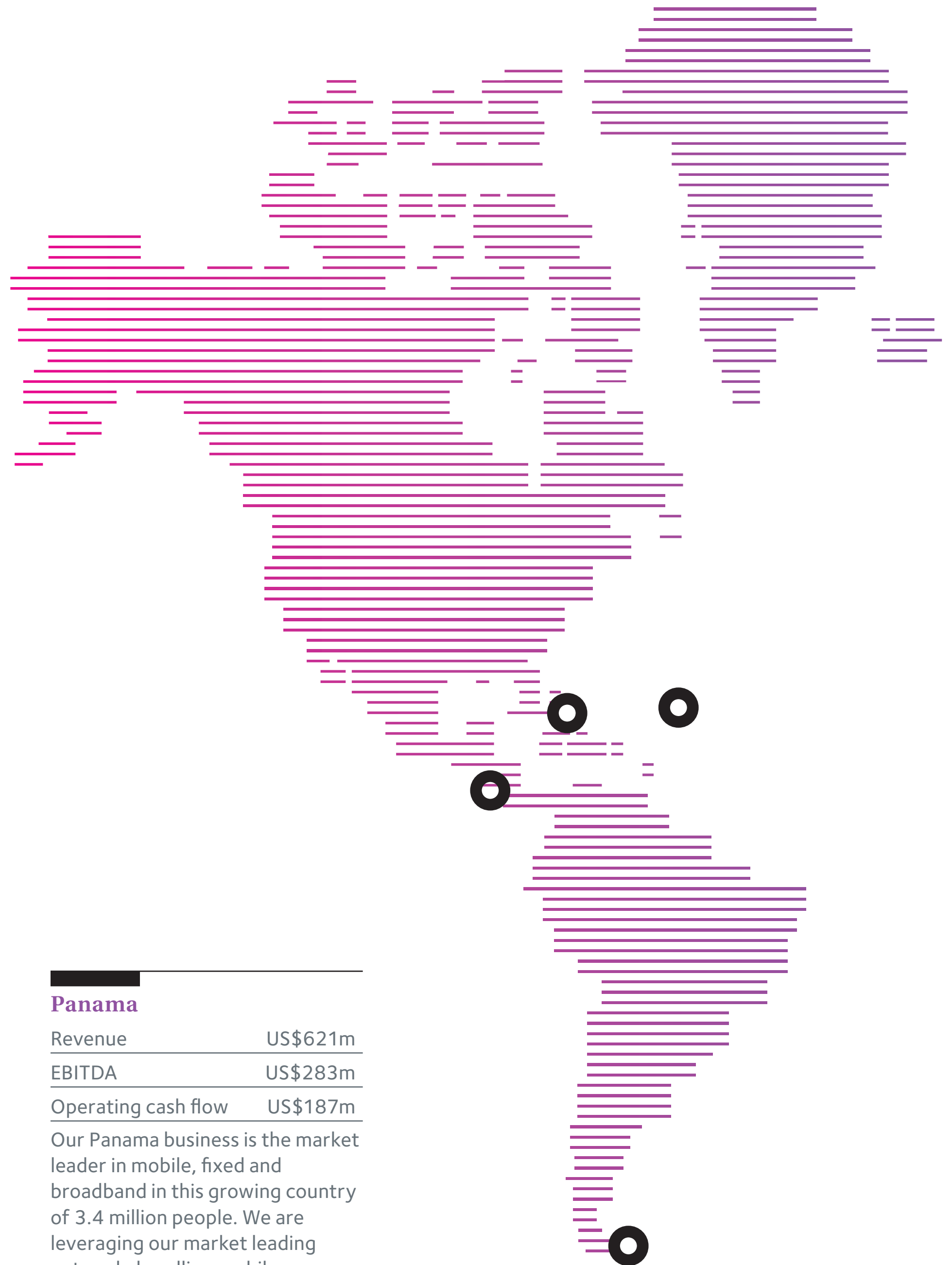
$2.3bn
Revenue

$866m
EBITDA

$484m
Operating cash flow

Today

Cable & Wireless Communications operates in a diverse range of markets across the globe – from high growth emerging economies to some of the world's most developed markets. We are the market leader in most of the products that we offer and most territories that we serve.



Caribbean

Revenue	US$873m
EBITDA	US$270m
Operating cash flow	US$110m

Trading under the LIME brand we serve communities across 13 Caribbean countries, leading the majority of mobile markets and 11 out of 13 broadband markets.

2.2m

Mobile customers[1]

Panama

Revenue	US$621m
EBITDA	US$283m
Operating cash flow	US$187m

Our Panama business is the market leader in mobile, fixed and broadband in this growing country of 3.4 million people. We are leveraging our market leading network, bundling mobile broadband and pay TV services for our customers.

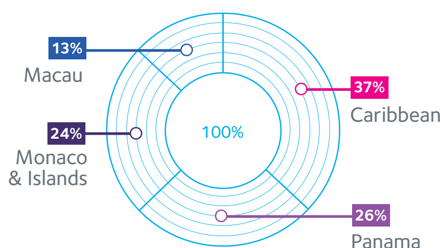
54%

Mobile market share

regional operations

Far & Wide

Revenue by region



19
Market leader in 19 of 27 mobile markets

25
Market leader in 25 of 27 fixed line markets

25
Market leader in 25 of 34 broadband markets

9.2m
Mobile customers[1]

1.8m
Fixed line customers

606,000
Broadband customers

Macau

Revenue	US$316m
EBITDA	US$142m
Operating cash flow	US$111m

Operating under the CTM brand, we are the market leader in mobile, fixed and broadband in one of the world's most popular tourist destinations. Our operating agreement has recently been extended to 2021.

22m
Visitors in 2009

Monaco & Islands

Revenue	US$552m
EBITDA	US$174m
Operating cash flow	US$106m

Offering mobile, fixed and broadband services in the core markets of Monaco, the Maldives and Guernsey, together with selected services in 19 other markets including our joint ventures.

4.2m
Mobile customers[1]

1 Including joint ventures

Tomorrow

Our industry and our markets will be characterised by changing customer demands, competition and new technology. We have a robust starting point and an effective strategy to meet these challenges, grow our business, and deliver returns to shareholders. We will do this by operating our existing business better, introducing new services as our customers demand them and developing our presence around our core regional hubs.

Our strategy in action

	What we're doing	How we're doing it
Do it better	○ Continuous improvement of customer service to attract and retain customers ○ Improve margins through operational efficiency and transform our economics	The mantra of 'do it better' applies to all areas of operation and across each of our business units. Providing the best service and best network coverage in a market will provide us with a competitive advantage and a strong customer proposition. A continuous focus on reducing operational spending and cost of sales and keeping capital expenditure in line with business needs will help improve margins. Embracing macro-level cost saving initiatives, like mobile tower sharing, will help transform the economics of our operations.
Service growth	**Pay TV** ○ Develop pay TV services to offer triple play proposition to customers ○ Triple play to bolster fixed line products and protect against competition from cable operators	Pay TV is the key element in a triple play bundle (fixed line, broadband and TV). Triple play offers will position our businesses as the core provider of 'digital home' services and enhance our existing advantage where we are the leading fixed line operator. We are already operating pay TV services in Panama, Monaco and St Lucia, with plans to expand across the Group, particularly through IPTV via our existing broadband networks.
	Mobile data ○ Develop mobile data services for customers on our 3G mobile networks ○ Driving subscriber numbers and average revenues per user (ARPU)	Mobile handset development and improved network speeds are creating increasing customer appetite for mobile internet access and value added services. We are well positioned to meet this demand, with existing 3G networks in many territories and extensive backhaul and cable capacity. This enables us to deliver high bandwidth mobile data services.

"As an independent business we have an excellent platform for growth, with full service capability and strong financial metrics to build upon."

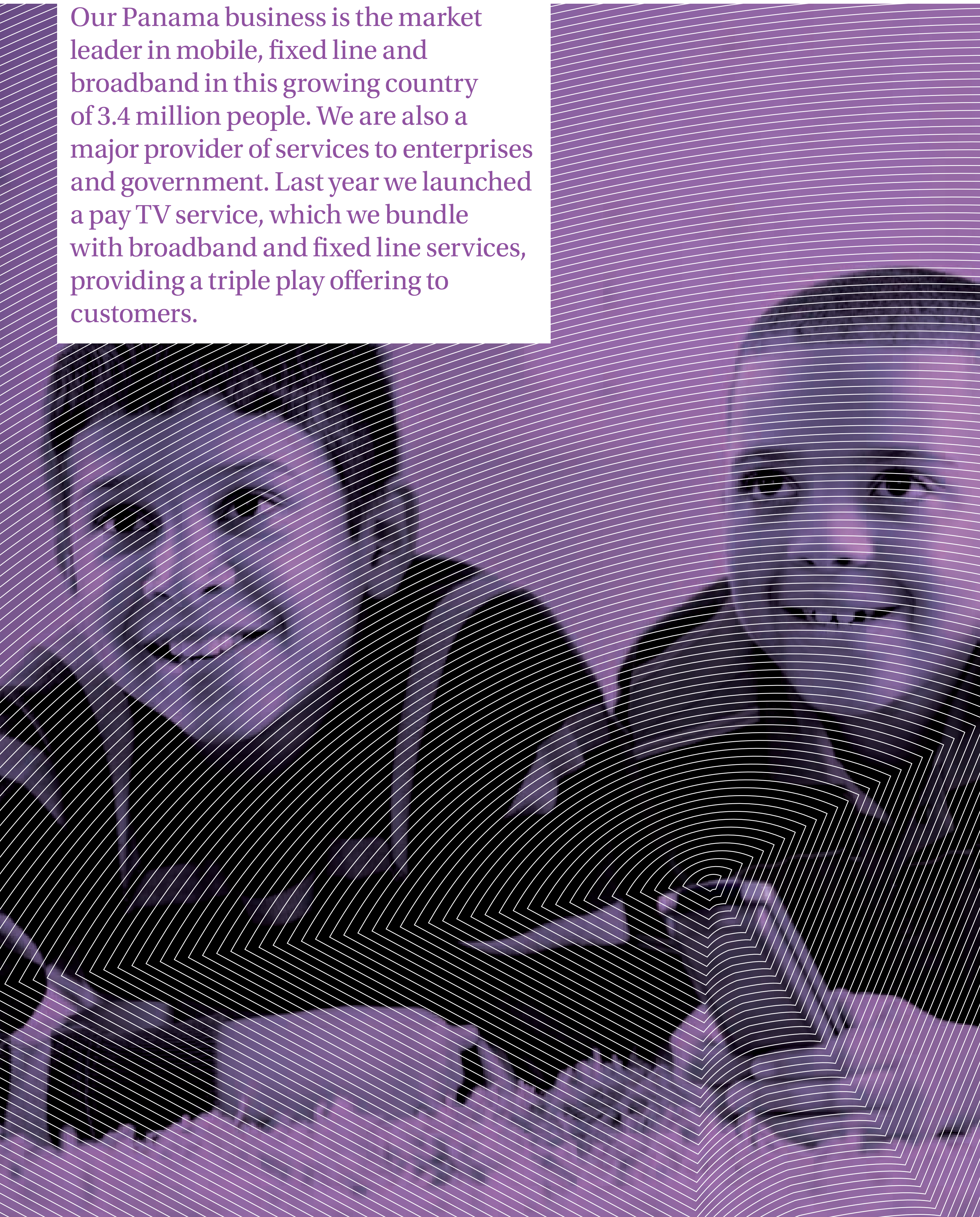
— **Tony Rice,** Chief Executive

Our strategy in action

	What we're doing	How we're doing it
Service growth continued	**Managed services** ○ Developing our service capability to serve the needs of enterprise and government customers ○ Offering higher value services to customers within, and outside of, existing markets	The managed services market is a significant opportunity for our business units as each has the required capability, connectivity and relationships to service high demand enterprise and government customers. Our Panama operation has developed a strong managed services business, providing government sponsored services including the operation of the 911 emergency services platform.
	Carrier services ○ Utilising our existing cable networks to offer wholesale services to other carriers ○ Capturing new revenues arising from the growing demand for bandwidth	The growing levels of internet traffic are driving global demand for cable capacity. In particular, traffic between North and South America – the world's fastest growing intercontinental cable route – is being driven by increasing broadband penetration in South and Central America. We have an extensive cable network in the Caribbean and Panama with sufficient capacity to meet this growing demand and capture new opportunities.
Develop regional hubs	○ Create scale by building our business units around regional hubs ○ Organic expansion through enterprise capability ○ Inorganic expansion where attractive economies of scale and synergies exist	In a geographically diverse business, we seek to exploit and develop our scale on a regional basis. We will develop business units around regional hubs. We are well placed to do this in the Caribbean, and the Latin American region through Panama, not least through managed and carrier services. Inorganic opportunities will also be considered but always within strict value criteria.

Business review
Panama

Our Panama business is the market leader in mobile, fixed line and broadband in this growing country of 3.4 million people. We are also a major provider of services to enterprises and government. Last year we launched a pay TV service, which we bundle with broadband and fixed line services, providing a triple play offering to customers.



Panama: 2009/10 at a glance

- Maintained leading mobile market share despite new competition
- Record EBITDA of US$283 million, up 3%
- Pay TV business launched – strong early take-up
- Broadband momentum building, revenues up 12%
- Cost control a core priority for 2010/11

46%

EBITDA margin – up from 41% in 2008/09

+5%

Total active mobile customers up 5% from 2.3 million to 2.5 million

+12%

Broadband revenues up 12% to $46 million. Total broadband customers also up 13% to 135k customers

Performance overview

	2009/10	2008/09
Revenue	**US$621m**	US$667m
Gross margin	**70%**	66%
EBITDA	**US$283m**	US$276m
Capital expenditure	**(US$94m)**	(US$83m)
Mobile customers	**2,460k**	2,337k
Mobile ARPU	**US$12**	US$14

Performance
The past year has been challenging for our Panama business, both in terms of the economy and increased competition. A change of Government led to delays in a number of planned public service projects, while two new mobile operators also entered the market. Revenue suffered as a result of the project delays, although activity began to pick up in the latter part of the year. Despite this, our EBITDA rose 3% to a record US$283 million, driven by good performances from our mobile, broadband and carrier segments. Meeting the challenge of tighter conditions, we conserved costs through headcount, marketing and utilities efficiencies. This boosted our EBITDA margins from 41% to 46%.

With a market share of 54%, we continue to lead the mobile market despite the entry of two new operators. We increased mobile revenue slightly over the period as well as gross margin, in the face of aggressive pricing and handset subsidies by the new competitors. The strength of our +Movil mobile brand was demonstrated by an increase in our total active mobile customers from 2.3 million to 2.5 million. Our strongest growth came from pre-paid subscribers with almost 100,000 new customers.

We also saw positive signs in the take up of mobile data applications in the year, with more customers choosing smartphone handsets. Thanks to our leading coverage, we are well positioned to benefit from any growth in this area.

Our most notable new development for the year came with the successful launch of our cable-based pay TV business, +TV Digital, in December 2009. +TV Digital already has 12,600 subscribers on a network that currently passes 95,000 homes and is extending rapidly.

Broadband continued to grow strongly, with revenues up 12%, but Panama remains an under-penetrated market, with only 22% of homes currently connected to high speed services – a great opportunity for the business.

In managed services we remain a leading supplier to government and enterprises. We are the leading provider of managed services in Panama, helping to improve public health, education and public safety through the implementation of new technologies and communication systems. We continue to expand our portfolio with innovative projects in healthcare and security.

"With a market share of 54%, we continue to lead the mobile market despite the entry of two new operators during the year. The strength of our +Movil mobile brand was demonstrated by an increase in our total active mobile customers to 2.5 million."

— **Jorge Nicolau** Chief Executive Officer, Panama

Our strong financial performance did not come at the expense of corporate responsibility. Our business was ranked in the top ten across a range of corporate responsibility measures in a study of Panama's leading companies by the research group Dichter & Neira. Our Panama team also received the Gallup Great Workplace Award in surveys of employee engagement by the research group Gallup, in both 2009 and 2010.

Market

Panama's economy was resilient to the global recession, posting GDP growth in 2009 of 2.4% although this was lower than the GDP growth of 10.7% in 2008. The main growth drivers were transportation, construction and telecoms, as well as large-scale infrastructure projects including the expansion of the Panama Canal – a multi-billion project due for completion in 2014.

In telecoms, new mobile operators invested heavily in marketing and promotional offers. Our mobile business, +Movil, responded positively with well conceived promotions and initiatives that resonated with our customer base, which was supported by +Movil having the best customer service metrics of any telecoms provider in Panama. The market remains heavily competitive but we continue to have the strongest brand and best network coverage of all four operators and are focused on maintaining our market leadership.

In fixed and broadband, we changed the competitive landscape through the launch of our pay TV business. We are now competing more effectively with triple play offers – bundling fixed line, broadband and TV services.

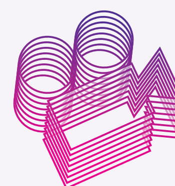
In the enterprise market, the new Government began tendering on a number of managed services contracts towards the end of the year, for which we are well positioned. In the wider region, we continued to gain traction with enterprises and governments throughout Latin America.

Outlook

Cost control remains a core strategic priority as we seek to improve efficiency and productivity in all areas of the Panama business.

We will continue to compete and defend our market share in mobile and grow our data business, as well as building our pay TV business through targeted customer acquisition and triple play sales. Although we are already market leaders, we remain committed to continuous improvement of our customer service.

We will continue to develop our managed services business domestically and continue establishing our presence through the Latin American market. We also aim to strengthen our carrier business to ensure we have a solid regional presence and capacity to expand further. With a low market penetration in broadband there is the opportunity to grow this segment and leverage our bundled offers more extensively with the rest of our product portfolio.



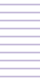
TV & Entertainment

In December 2009 we launched Panama's only 100% digital pay TV service, +TV Digital. +TV Digital is aimed at providing the latest TV programming on a two-way platform – which allows customers to get the programmes and services they want, when they want them.

The launch turned the market on its head as it enabled us to offer triple play and now has the potential for quadruple play with mobile added to the bundle. We are the only operator in the market with this capability. To date 12,600 customers have subscribed and we will continue to roll out our network over the coming year.

Business review
Macau

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



Macau: 2009/10 at a glance

- EBITDA increased 2% to a record US$142 million
- World class operating expenditure performance, at 16% of revenue
- New fixed line operating agreement signed for a further ten years
- Enterprise services revenue increased by 16%
- 22 million visitors to Macau in 2009, with higher run-rate in 2010

+5%

Revenue increased to US$316 million

$142m

EBITDA increased by 2%

50%

Mobile market share – market leadership

Performance overview

	2009/10	2008/09
Revenue	**US$316m**	US$302m
Gross margin	**60%**	64%
EBITDA	**US$142m**	US$139m
Capital expenditure	**(US$31m)**	(US$35m)
Mobile customers	**387k**	397k
Mobile ARPU	**US$17**	US$21

Performance

The early part of 2009/10 was characterised by lower tourist numbers and lower economic activity in Macau. Real GDP grew by just 1.3% in 2009 with negative growth in the first two quarters of the calendar year. Despite the challenging conditions, our Macau business grew revenue by 5% to US$316 million in the period. Tight cost control – our operational expenditure ratio reduced from 18% to 16% of revenue – and an ongoing focus on business performance across all service lines also allowed us to increase EBITDA by 2% to a record US$142 million. An outstanding performance in challenging conditions.

We have retained mobile market leadership with 50% market share. We have also successfully migrated the majority of our mobile subscriber base, with over 70% of mobile customers now on our 3G service. We have experienced strong demand for 3G mobile broadband, with our subscriber base growing significantly over the past 12 months.

As we announced in November 2009, we have also signed a new fixed line operating agreement with the Government of Macau. This extends our tenure for a further ten years to 2021 and shows the confidence that the Government has in our ability to meet the telecoms needs of Macau's residents.

With a new agreement in place, we can continue to invest in and develop the infrastructure and telecommunications capability of Macau – which will be fundamental to the territory's growing economic momentum. A prime example of this commitment was the Government's recent award to us of the contract to provide the infrastructure for a public, citywide wi-fi system.

Serving the needs of Macau's major businesses has been an area of increasing focus for us. Enterprise revenues grew by 16% in the year despite the slowdown of hotel development projects. This was driven by an increase in data services, including IP and leased lines, as well as an initial pick up in managed services, which bodes well for when the economic recovery gathers pace in 2010/11. We are now, more than ever, a trusted and important partner for businesses looking to expand in Macau. In the consumer space, we saw continued growth in broadband driven by the introduction of our home wi-fi service.

Market

Situated in the high economic growth region in the south east of China, Macau is the largest gaming market in the world with gaming revenues of US$15 billion during 2009. Tourism, particularly from China and Hong Kong, is a major driver of the economy. Although visa restrictions on Chinese

"Serving the needs of Macau's major businesses has been an area of increasing focus for us. We are now, more than ever, a trusted and important partner for businesses looking to expand in Macau."

— **Vandy Poon** Chief Executive Officer, Macau

tourists impacted visitor numbers in the early part of 2009, these have since been relaxed. Total visitor numbers for the 2009 calendar year were 22 million and in 2010 the run-rate for monthly visitors is already in excess of that.

Macau is a mature telecoms market with high mobile penetration of 192%. The mobile market is competitive, with three operators able to offer 3G services. We are currently the exclusive provider of both fixed line and broadband services, although we expect competition in these segments in coming years. We are confident of our competitive position. Both markets are well penetrated, with fixed line at more than 100%, and broadband at 74%. The market for internet services has been open for more than nine years but we remain the only active provider.

Our business is well positioned to take advantage of the economic upturn. We are the clear market leader in all three main services, and have a strong capability for serving enterprise customers in Macau, an area of business we expect to benefit from a growing economy. Whilst the market is set to become more competitive, we have a strong brand (CTM) and are highly integrated within local communities.

We have the most extensive and modern networks in Macau (ISO 9001 and ISO 27001 accredited) and continue to invest in cutting edge technology, in our fibre distribution networks and in our highly skilled local workforce. As well as our established partnership with the Macau Government, we are developing strong relationships with Greater China carriers and operators.

Outlook

The Macau economy has shown signs of economic improvement from the third quarter of 2009. Investment in Macau is expected to grow during 2010, and forecasts are for stronger GDP growth than last year.

Our focus is on strengthening our market leadership within the enterprise and data markets, providing a range of innovative solutions and managed services to capitalise on the opportunities provided by casino and hotel developments. We aim to develop our carrier services proposition, positioning ourselves as a regional hub. We will also focus on consolidating our position in the mobile space, including growing our mobile broadband customer base further. We are committed to improving our services and will seek to introduce new services, such as high speed fibre broadband to the home, which will be able to support high bandwidth content, including video and other entertainment services.

Overall, our business is striving to maintain our market leading financial, customer satisfaction and efficiency metrics to ensure 2010/11 builds on the strong foundations we laid in 2009/10.

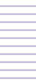
Speed & Delivery

Embracing our customers 'need for speed', we are installing a fibre-to-the-home broadband network in Macau, capable of delivering internet services at ultra high speeds of up to 100 megabits per second (Mbps). The fibre-optic network, which will be ready by mid-2010, will enable customers to replace their existing 'copper' connections, and receive content, including video, at up to ten times faster than previously.

The higher broadband speeds won't be limited to customers' homes, however. We are also upgrading our mobile network with HSPA+ technology, which will allow mobile broadband speeds of up to 21Mbps – ensuring Macau's telecom users remain among the best connected in the world.

Business review
Caribbean

Our business in the Caribbean is the leading full service telecoms provider in the region, serving communities across 13 islands. We operate under the brand LIME – Landline, Internet, Mobile, Entertainment – reflecting the services we provide to people, governments and businesses across the region.



Caribbean: 2009/10 at a glance

- Market leading positions sustained despite economic downturn
- Broadband subscriber numbers increase by 6%
- One Caribbean programme improving efficiency and service levels
- Senior management team strengthened under new CEO
- Economic conditions expected to remain challenging in 2010/11

Our Caribbean business unit includes operations in 13 islands including:

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

Our One Caribbean transformation programme was designed to bring together the 13 businesses under one management structure and brand.

Cable & Wireless Communications also holds a minority holding (49%) in Telecom Services of Trinidad and Tobago (TSTT), a full service operator in Trinidad and Tobago.

1.27m

Mobile customers up 1%

74%

Gross margin maintained

+6%

Broadband subscriber numbers grew by 6%

Performance overview

	2009/10	2008/09
Revenue	**US$873m**	US$975m
Gross margin	**74%**	74%
EBITDA	**US$270m**	US$337m
Capital expenditure	**(US$114m)**	(US$150m)
Mobile customers	**1,271k**	1,254k
Mobile ARPU	**US$21**	US$25

Performance

The Caribbean region suffered a deep economic recession in 2009/10 as tourist numbers and tourist spending fell sharply. This had an impact on all telecoms operators in the region and led to increased pricing pressures particularly in mobile. In this challenging environment, we have successfully maintained our market positions across the region. Fixed line operations were also affected by the recession, with both domestic and international voice revenues falling. Consequently, our earnings reflected the downturn, with EBITDA 20% weaker than the previous year.

During the year we continued our leadership in 9 of the 13 mobile markets in which we operate and in every fixed line market where we supply services. In broadband we lead in 11 of 13 markets. We performed well in broadband, increasing subscriber numbers by 6% while mobile subscriber numbers grew by 1%. We also maintained a healthy cash flow, once again demonstrating the long-term resilience of our business.

Our One Caribbean transformation programme, which is focused on improving the efficiency and service levels of the business, has made encouraging progress. During the year we completed many of the programme's initiatives. We have improved processes around our fault resolution, customer enquiry and point of sale service through these programmes and continue to address a number of other areas of service. We have also made good progress in developing a performance culture among employees.

During the year we also strengthened our senior team significantly, led by the appointment of David Shaw as CEO. We have added experience and local market knowledge with senior appointments in our operational, financial, marketing and commercial functions.

We have also progressed several community and social responsibility initiatives, such as our Go Green initiative, which encourages customers to reduce the amount of paper used to produce their bills.

"Despite the conditions, we are focused on continuing to improve our processes and positioning the business for the upturn in the region's economies. We want our Caribbean business to be known for its performance culture and customer focus – a goal we believe we can achieve this year."

— **David Shaw** Chief Executive Officer, Caribbean

Market

Trading conditions continued to be challenging throughout the year with tourist arrivals well down in most of the holiday destinations in which we operate. GDP has declined across the region and unemployment is increasing – our largest market, Jamaica, reported an unemployment rate of 11%. During the year the Jamaican Government agreed a US$1.27 billion financial aid package with the International Monetary Fund that is dependent on economic reforms. Governments are exploring wage freezes in several markets and seeking greater efficiencies.

Conditions in the tourism market improved slightly in the second half. However, we believe it is too early to predict an economic recovery across the region.

The competitive situation across our markets remained relatively stable, although price competition was heightened by the economic conditions. Promotions activity, particularly free on-net minute offers and new handset subsidies, were aggressive. We have at least one other competitor in each market other than our smallest market, Montserrat, where the Government has begun the process of issuing a new mobile licence which will introduce competition.

The business received some positive news immediately after the year end, winning a major victory in the UK High Court in a long-running case brought against us by our competitor Digicel. Digicel's claims that we had obstructed their entry in a number of markets were dismissed by the court with an award of costs on an indemnity basis.

Outlook

Overall, we expect the Caribbean economy to remain challenging in 2010 and possibly beyond. The region's recovery is expected to lag behind the US and UK economies by at least 12 months.

Despite the financial conditions, we are focused on continuing to improve our processes and positioning the business for the upturn in the region's economies. Our new 3G network in Jamaica provides us with the opportunity to offer mobile data services to customers for the first time. We have the advantage of the largest fixed line networks in the region. Broadband, with low penetration rates, also remains a strategic opportunity in all markets. In the enterprise and government sector, we will aim to work with governments on strategic projects in the security, health and education sectors. As governments focus on efficiencies, we expect our managed services will be able to provide new opportunities for growth.

We will invest in our networks to ensure customers receive the best available coverage. We will also invest in our brand – LIME is now well known in our markets and we will continue to develop and evolve it to connect with our customers, colleagues and communities. We want our Caribbean business to be known for its performance culture and customer focus – a goal we believe we can achieve this year. We have renewed optimism that we are on the right track.

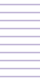
Track & Field

Supporting the Caribbean passion for sport, LIME was the presenting sponsor of the 2010 CARIFTA Games, one of the premier track and field events in the Caribbean. The Games, which were held in Cayman, are a showcase for the Caribbean's emerging talent, with previous competitors including Jamaica's Usain Bolt and Kim Collins of St Kitts & Nevis. Thanks to our sponsorship the Games were broadcast live to nearly 20 countries across the Caribbean and in addition 60,000 people logged on to watch the games via broadband, providing high exposure across the region for the LIME brand.

The sponsorship builds on LIME's existing support for Jamaica's Inter-Secondary Schools Boys and Girls Athletics Championship, as well as its support for athletes such as sprint champion Asafa Powell.

Business review
Monaco & Islands

Monaco & Islands is a portfolio business operating in 22 separate territories. The portfolio, which is divided into four 'clusters', is balanced between developed and emerging markets. We are the leader in most of our markets.



Monaco & Islands: 2009/10 at a glance

- Resilient performances across the portfolio
- Control of the Maldives achieved after purchase of 7% stake, boosting revenues and EBITDA
- Broadband revenue increased 27%, as penetration rises
- Monaco 3G network developed, driving data growth
- Continuing investment in enterprise services, including data centres

The Monaco & Islands business unit operates through four distinct clusters:

- **Monaco** – includes **Monaco Telecom**, and **Monaco Telecom International**, which invests in and provides services to telecoms operators in developing markets including Afghanistan, Kosovo and in North and West Africa (under the brands Connecteo and Divona).
- **CIIMB** – Channel Islands (Guernsey, Jersey), Isle of Man and Bermuda
- **Indian Ocean** – Maldives and Seychelles
- **South Atlantic & Diego Garcia** – the Falkland Islands, St Helena, Ascension and Diego Garcia.

In addition we have three joint ventures in the South Pacific – Vanuatu, Fiji and the Solomon Islands.

Within this portfolio, the Maldives, Monaco and Guernsey together account for 82% of the EBITDA of Monaco & Islands.

+9%

Revenue up 9% to US$552 million

+27%

EBITDA up 27% to US$174 million at a margin of 32%

52%

Controlling stake in Maldives achieved

Performance overview

	2009/10	2008/09
Revenue	**US$552m**	US$506m
Gross margin	**64%**	60%
EBITDA	**US$174m**	US$137m
Capital expenditure	**(US$64m)**	(US$59m)
Mobile customers	**476k**	153k
Mobile ARPU	**US$50**	US$66

Performance

Across the Monaco & Islands portfolio our business benefited from some resilient performances and the acquisition of a controlling stake in the Maldives operation.

Our mobile, broadband and domestic fixed line products all performed well. All business units grew mobile revenue except Guernsey, where average revenue per user (ARPU) declined due to competitive pricing pressure. Broadband revenue grew strongly, rising 27% and penetration is growing in a number of markets.

The portfolio expanded during 2009/10, with the acquisition of an additional 7% of the shares in our business in the Maldives. This increased our stake to 52% providing management control of the business and allowing us to consolidate the results. The consolidation provided a boost to Monaco & Islands profitability, with EBITDA rising by 27% to US$174 million, on an improved margin of 32%. The Maldives business posted a strong performance during the year, maintaining its market shares in both mobile and broadband, and growing customer numbers in both categories.

We have continued to invest in our mobile and broadband network infrastructure across the Maldives, launching a 3.5G mobile service, mobile broadband and 10Mbps ADSL broadband. Enterprise services in the Maldives achieved over 100% revenue growth, albeit from a low base, driven by some major contract wins with resort hotels.

In Monaco, our mobile business benefited from our new 3G network launched in March 2009, offering 100% outdoor coverage and underpinning the success of our unlimited voice, SMS and data bundled offers. Data usage has grown rapidly, boosting our data revenues, and we have improved our efficiency through a programme of process simplification across the business. We have worked actively to boost the Monaco Telecom brand during the year, and have improved brand loyalty and consumer confidence.

In November 2009 we extended our contract to supply mobile service platforms to PTK, Kosovo's leading mobile business, for a further two years.

In the CIIMB region, we achieved double digit growth in mobile subscribers in the Isle of Man following the introduction of mobile number portability, and in Jersey as a result of improvements to network quality, coverage and innovative pricing. In Guernsey we defended our market share in the face of intense competition from other mobile operators. Good progress was made in broadband services, particularly in Guernsey. Across our portfolio we made substantive investments in underlying network infrastructure, data centres and the CBUS subsea cable system linking Bermuda with the British Virgin Islands.

> "The global economic recession had an impact on trading conditions across the Monaco & Islands portfolio, but each of our businesses responded strongly. The portfolio expanded in 2009/10 with the acquisition of a further 7% of our business in the Maldives."
>
> — **Denis Martin** Chief Executive Officer, Monaco & Islands

In the Falkland Islands, we have also invested in our network, launching a new WIMAX network, which extended coverage to rural areas in the islands.

Market

The global economic recession had an impact on trading conditions across the Monaco & Islands portfolio, but each of our businesses responded strongly.

In the Maldives, tourist arrivals held up well during the 2009 calendar year. GDP declined 2.8% over the calendar year, but economic activity picked up in the final months of the year and the economy is forecast to return to growth in 2010. Hotel occupancy rates held above 70% during 2009, down slightly on 2008, but comparing favourably with other island tourist resort destinations. During the year, two new resorts opened increasing the capacity of the country to 97 resorts. Several more resorts are currently in development.

In Monaco, the effects of the global recession have been felt across the economy, particularly in tourism, international trading and real estate. Despite the more difficult environment, Monaco Telecom has increased market share in mobile and developed its enterprise offering.

The economies in the Channel Islands, particularly Jersey, slowed during the 2009 calendar year, but have shown signs of modest growth in 2010. The Bermudan economy was also affected by the slowdown in financial services and tourist activity.

Competition remains active across the CIIMB portfolio, particularly in Guernsey and Jersey, where there have been price pressure in mobile. The strength of our mobile brand in the markets, Sure, has positioned us well to compete.

Outlook

We expect the Monaco & Islands business to benefit from an economic recovery across the portfolio, particularly in tourism, and international financial services.

Several of our businesses have lower levels of broadband penetration than more developed markets, offering growth potential. Network improvement and marketing initiatives such as bundled services provide an opportunity to grow this segment in these less penetrated markets.

In Monaco we both aim to gain mobile market share through churn reduction and new customers. We will develop our product set through the introduction of VDSL (Very high bitrate Digital Subscriber Line) service and new entertainment services and will also continue to pursue managed services opportunities.

In the Maldives, our focus is on growing our broadband customer base as we roll out service to more of the islands whilst we continue to compete in mobile. We also see opportunities in providing enterprise and managed services to corporate and resort customers.

In the CIIMB cluster, we will make further investments across all islands with the development of an access network for enterprise customers in Jersey. In addition, we will further strengthen our product portfolio for the consumer, enterprise and government sectors by offering a diverse and differentiated range of services.

Sponsorship & Marketing

Over the 2009 Christmas period, Sure, together with Nokia Siemens Networks, launched Sure Skate, a series of outdoor ice rinks, in the Isle of Man, Jersey and Guernsey. Organised in conjunction with Kyran Bracken's Ice Party, it was the embodiment of our sponsorship strategy that aims to provide customers with new experiences, as well as bringing communities together.

With no permanent ice rinks on any of the islands, over 51,000 people visited Sure Skate to watch ice dancing shows and skate themselves, a community initiative we were proud to support.

Tim Pennington

Cable & Wireless Communications reported revenue and EBITDA of US$2,346 million and US$866 million respectively for the financial year 2009/10.

"Cable & Wireless Communications has now demerged the Worldwide business and as such my report will focus on the new Cable & Wireless Communications Group."

7.2c

Earnings per share from continuing operations before exceptional items

$453m

Profit before tax and exceptional items

Group financial performance summary

	Full year ended 31 March 2010[1]			Full year ended 31 March 2009		
	Pre-exceptional US$m	Exceptional US$m	Total US$m	Pre-exceptional US$m	Exceptional US$m	Total US$m
Continuing operations						
Revenue	2,346	–	2,346	2,447	–	2,447
Gross margin	1,617	–	1,617	1,656	–	1,656
Operating costs	(751)	(49)	(800)	(785)	(100)	(885)
EBITDA[2]	866	(49)	817	871	(100)	771
LTIP charge	(1)	–	(1)	–	–	–
Depreciation and amortisation	(348)	–	(348)	(294)	–	(294)
Net other operating income/(expense)	3	(33)	(30)	(3)	–	(3)
Results of joint ventures	30	–	30	60	–	60
Total operating profit	550	(82)	468	634	(100)	534
Finance income	23	19	42	46	–	46
Finance expense	(119)	(7)	(126)	(107)	(98)	(205)
Other non-operating (losses)/gains	(1)	–	(1)	19	–	19
Profit/(loss) before tax	453	(70)	383	592	(198)	394
Income tax	(126)	6	(120)	(100)	12	(88)
Profit/(loss) for the year from continuing operations	327	(64)	263	492	(186)	306
Discontinued operations	302	(122)	180	225	(134)	91
Profit/(loss) for the year	629	(186)	443	717	(320)	397
Attributable to:						
Owners of the parent	486	(182)	304	566	(315)	251
Non-controlling interests	143	(4)	139	151	(5)	146
Continuing operations						
Balance sheet capital expenditure			(310)			(337)
Cash exceptionals			(72)			(91)
Operating cash flow[3]			484			443
Earnings per share (cents)	7.2		4.9	13.7		6.4
Headcount (FTEs at period end)			7,280			7,047

1 2009/10 results include the consolidated results for the Maldives from October 2009 after control was obtained.
2 Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income (see note 44 of the consolidated financial statements).
3 Pre-exceptional EBITDA less capital expenditure less cash exceptionals.

Financial review

A number of events had an impact on our business this year, the most material from a Group perspective being the demerger of Cable & Wireless Worldwide business on 26 March 2010 and our transformation into Cable & Wireless Communications Plc. As a result of the demerger we have changed the reporting currency for the results of Cable & Wireless Communications to US dollars as this reflects the source currency of the majority of our income. The results for the Cable & Wireless Worldwide business up to the date of demerger have been presented as discontinued operations.

The effects of the global recession, especially in the Caribbean, have had a major impact on the results for Cable & Wireless Communications in the 2009/10 financial year. Many of our operations are in tourist dependent economies which saw much lower levels of activity especially during the first half of our financial year. This resulted in low or negative GDP growth in most of our markets and rising levels of unemployment. Action was taken to rein in costs but this was not sufficient to meet a 4% decline in revenue. During the second half of the financial year there were some signs of stabilisation although we remain cautious about the economic environment going into 2010/11 especially in the Caribbean countries in which we operate.

Unless specified, all discussion in this review is pre-exceptional items.

Cable & Wireless Communications reported revenue and EBITDA of US$2,346 million and US$866 million respectively for the financial year 2009/10 in line with the profit forecast contained within the demerger prospectus. From October 2009 we consolidated Dhiraagu, our Maldives business, which added US$69 million to revenue and US$45 million to EBITDA. Operating profit at US$550 million reflected lower revenues, higher levels of depreciation and lower joint venture income offset by lower operating costs. For these reasons and higher net finance expense, driven by higher levels of debt and lower interest income, profit for the year from continuing operations before exceptional items was US$327 million. This resulted in basic earnings per share from continuing operations before exceptional items of 7.2 US cents per share (4.9 US cents per share after exceptional items).

Review of regional operations

Panama

	Year ended 31 March 2010	Year ended 31 March 2009	Change %
Mobile (US$m)	**303**	301	1
Broadband (US$m)	**46**	41	12
Domestic voice (US$m)	**137**	160	(14)
International voice (US$m)	**34**	40	(15)
Enterprise, data and other (US$m)	**101**	125	(19)
Revenue (US$m)	**621**	667	(7)
EBITDA (US$m)	**283**	276	3
Margin %	**46**	41	

Our Panama business continues to be the market leader in mobile, broadband and fixed line services in its domestic market. Despite more intense competition, this is a year when we have delivered record EBITDA.

Total revenue at US$621 million decreased by 7% compared with last year.

The entrance of two new mobile operators resulted in a market characterised by high levels of promotional activity. This caused fluctuations in prepaid subscriber numbers as well as decreased ARPU. However, on average, subscriber numbers per month were 14% higher during the year and market leadership was maintained. Mobile revenue at US$303 million was marginally above the prior year.

Broadband revenue performed well at US$46 million, an increase of 12% from last year as we grew our subscribers by 13% and broadly maintained ARPU.

In December 2009, pay TV was successfully launched enabling our business in Panama to provide a triple play offer together with broadband and fixed voice. As at 31 March 2010, 12,600 subscribers had signed up to the service and the network had passed 95,000 homes. We continue to expand our network footprint.

International voice revenue declined by 15% to US$34 million and domestic voice by 14% to US$137 million, driven by a slowdown in the economy and substitution effects which especially affected payphones.

Earlier in the year some major Government projects were delayed, causing enterprise, data and other revenue to decrease by US$24 million, or 19%, to US$101 million. Of this decrease, US$18 million was in the first half of the year and US$6 million was in the second half. Contract wins included installing a WAN network for the customs department, internet access for schools in remote areas and CCTV for the national police in Panama.

A change in revenue mix combined with initiatives to reduce cost of sales limited the reduction in gross margin, which at US$433 million was 2% lower than last year. Gross margin as a percentage of revenue improved to 70% from 66% last year.

Operating costs decreased by 9% to US$150 million due to tight cost management, primarily in the areas of staff, utilities and professional fees and due to lower marketing costs as compared to the higher spend in 2008/09 in anticipation of new mobile competition.

EBITDA was 3% higher than last year at US$283 million and EBITDA margin improved by five percentage points to 46%, slightly higher than the six months to September 2009.

Macau

	Year ended 31 March 2010	Year ended 31 March 2009	Change %
Mobile (US$m)	**130**	117	11
Broadband (US$m)	**45**	43	5
Domestic voice (US$m)	**33**	34	(3)
International voice (US$m)	**49**	57	(14)
Enterprise, data and other (US$m)	**59**	51	16
Revenue (US$m)	**316**	302	5
EBITDA (US$m)	**142**	139	2
Margin %	**45**	46	

Our operation in Macau had its best ever year, increasing EBITDA by 2%, despite economic volatility.

Revenue increased by 5% to US$316 million.

Mobile revenue increased by 11% to US$130 million driven by an increase in mobile broadband and wholesale mobile equipment sales. However, subscribers were 3% lower and competition drove ARPU 19% lower to US$17.

Broadband revenue grew by 5% to US$45 million as subscribers continued to demand greater bandwidth.

International voice revenue declined 14% to US$49 million in the period reflecting the economic environment and outages to the SMW3 cable during the year. Domestic voice revenue at US$33 million was only marginally lower than last year. Voice subscribers were broadly flat in the year, but lower usage of international calls due to economic factors and substitution effects resulted in an 8% drop in ARPU.

Enterprise, data and other growth of 16% to US$59 million was driven by an increase in leased line services reflecting signs of recovery in the entertainment industry and government spending in managed services, as well as higher demand from carriers and the banking sector.

Gross margin at US$191 million was broadly flat with last year.

Operating costs were US$49 million, 8% lower than last year. Our continued cost control plus a reduction in royalty fees related to the fixed line operating agreement reduced operating costs as a percentage of revenue to 16%, from 18% in 2008/09.

The EBITDA increase of 2% to US$142 million represents improved operating cost control. The EBITDA margin was 45%.

Caribbean

	Year ended 31 March 2010	Year ended 31 March 2009	Change %
Mobile (US$m)	**321**	354	(9)
Broadband (US$m)	**92**	93	(1)
Domestic voice (US$m)	**230**	276	(17)
International voice (US$m)	**75**	107	(30)
Enterprise, data and other (US$m)	**155**	145	7
Revenue (US$m)	**873**	975	(10)
EBITDA (US$m)	**270**	337	(20)
Margin %	**31**	35	

Trading in our Caribbean operations proved challenging throughout the year with tourist arrivals down in most of the region resulting in declining GDP and increasing unemployment.

Revenue decreased 10%, or US$102 million, to US$873 million, with US$46 million of the decline due to currency depreciation in Jamaica.

We held our mobile market shares but ARPU fell by 16% as competition in a difficult economic environment led to increased bundled minutes, discounting and more on-net traffic. As a result, mobile revenue fell 9% or US$33 million to US$321 million with US$10 million of this due to depreciation of the Jamaican dollar.

Broadband revenue grew by 5% on a constant currency basis to US$92 million driven by a 6% increase in subscribers but the impact of currency depreciation transformed this into a 1% decline on a reported basis.

International voice revenue fell 30% to US$75 million due to reduced economic activity and continued substitution effects. Domestic voice revenue decreased by 17% or US$46 million to US$230 million, US$20 million of which was due to currency depreciation. Overall, subscribers reduced by 4% and ARPU decreased by 15% as a result of lower usage per subscriber.

Enterprise, data and other revenue increased by 7% to US$155 million.

Due to lower revenue, gross margin fell by 10% to US$646 million. We maintained gross margin as a percentage of revenue at 74% due to a change in fixed line traffic mix which was offset by a fall in mobile margin due to increased discounting.

Operating costs of US$376 million were 1% lower than 2008/09. Prior year results benefited from a number of one-off items such as pension credits from the Jamaica business.

The reduction in EBITDA of 20% to US$270 million reflects the revenue decline and an adverse foreign exchange impact of US$12 million. EBITDA margin remained stable at 31% throughout the year although this represented a decline from the prior year due to the downward pressure on revenue.

Our proportionate ownership of Caribbean EBITDA for the year to 31 March 2010 was 89%.

Monaco & Islands (M&I)

	Year ended 31 March 2010	Year ended 31 March 2009	Change %
Mobile (US$m)	**177**	134	32
Broadband (US$m)	**28**	22	27
Domestic voice (US$m)	**52**	49	6
International voice (US$m)	**39**	43	(9)
Enterprise, data and other (US$m)	**256**	258	(1)
Revenue (US$m)	**552**	506	9
EBITDA (US$m)	**174**	137	27
Margin %	**32**	27	

In October 2009, we increased our shareholding in our business in the Maldives, Dhiraagu, to 52%. The business has been consolidated since then. This has added US$69 million to revenue and US$45 million to EBITDA in 2009/10. Operations in the Maldives, Monaco and Guernsey represented approximately 76% of Monaco & Islands revenue and approximately 84% of EBITDA in H2 2009/10.

Revenue increased 9% to US$552 million primarily reflecting the contribution of the Maldives operations.

Mobile revenue increased by 32% or US$43 million to US$177 million. The Maldives contributed US$48 million of the increase and all business units grew as a result of higher subscribers, except Guernsey where we maintained our market leadership but suffered a decrease in ARPU due to the increasingly competitive environment. As a result of the relatively lower mobile ARPU in the Maldives, mobile ARPU for Monaco & Islands decreased by 38%.

Broadband revenue increased by 27% to US$28 million driven by growth in the Seychelles as the business continued to add subscribers and increase ARPU, and by the consolidation of the Maldives.

Fixed line domestic revenue at US$52 million increased by 6%, mainly due to the consolidation of the Maldives. International fixed line revenue at US$39 million decreased by 9%. The Maldives added an additional US$5 million but the remaining businesses declined, in part due to currency fluctuations and the global trend of substitution effects.

Enterprise, data and other revenues decreased by 1% to US$256 million. The Maldives added part of the increase whilst growth in the data centre business in Guernsey and enterprise sales in Bermuda also contributed. This was partially offset by the loss of international transit traffic from Roshan in Afghanistan and a negative currency impact of US$9 million.

Gross margin at US$352 million increased by 15% with the Maldives adding US$58 million and the effect of foreign exchange rates reducing this by US$17 million. Gross margin as a percentage of revenue improved by four percentage points to 64%, the addition of the Maldives contributing three percentage points and revenue mix improvements the remainder.

Operating costs at US$178 million increased by 6% with the Maldives adding US$13 million as well as additional one-off restructuring costs in Bermuda and our African broadband business, Connecteo, partially offset by a positive foreign exchange impact of US$10 million.

EBITDA at US$174 million is 27% higher than the prior year. Excluding the Maldives, EBITDA was US$129 million which was broadly in line with last year at constant currency. If the Maldives had been included for a full year in both 2008/09 and 2009/10, at constant currency, EBITDA would have been 3% higher. Our proportionate ownership of Monaco & Islands EBITDA for the six months to 31 March 2010 was 67%.

Joint ventures

Our share of profit after tax from joint ventures was US$30 million, down from US$60 million in 2008/09. This includes our share of the Maldives until October 2009, when Cable & Wireless Communications increased its ownership to 52% from 45%, and the Maldives business was accounted for as a subsidiary.

Our share of TSTT profits declined by US$11 million due to increased depreciation and the increased cost of delivering additional bandwidth to service demand and new services. Our share of losses in Roshan remains unchanged from the prior year due to equipment write-offs in both years although mobile revenue and customer growth continued and ARPUs were maintained. Fintel, in Fiji, was impacted by a decline in fixed voice services and increases to termination rates, resulting in our share of revenue and profit after tax declining by US$2 million and US$3 million respectively from last year.

Long-Term Incentive Plan (LTIP) charge

The LTIP charge for Cable & Wireless Communications for 2009/10 was US$1 million.

At 31 March 2010, Cable & Wireless Communications had an LTIP pool of US$32 million (£22 million) whilst total payments made over the life of the scheme to 31 March 2010 were £18 million. On 1 April 2010, a payment was made under the scheme to participants totalling US$10 million (£7 million) which compares to a payment of US$3 million (£2 million) made in April 2009.

Depreciation and amortisation

Depreciation and amortisation at US$348 million was US$54 million higher than 2008/09 driven by a goodwill impairment at Connecteo and additional charges in Jamaica.

A review of operations for the Connecteo business, a subsidiary of Monaco Telecom developing VSAT and WiMax operations in six African countries, resulted in lower expected future cash flows and a consequent US$11 million impairment of goodwill.

Additional depreciation and asset obsolescence charges of US$41 million were recorded during the year in Jamaica due to a review of useful economic lives of assets, reflecting the continuing transformation of the network.

Capital expenditure was US$310 million, an 8% reduction from the prior year and just over 13% of revenue. Our principal investments were customer driven increases in capacity and coverage footprint for our 2G/2.5G GSM mobile networks, our fixed broadband networks and our 3G/3.5G mobile broadband networks. In Panama, we have invested capital to introduce a digital pay TV network, complementing our existing lines of service.

Net finance expense

The US$96 million net finance expense for the Group is US$35 million higher than 2008/09 and consists of finance income of US$23 million (US$46 million in 2008/09) and finance expense of US$119 million (US$107 million in 2008/09). The decrease in finance income relates to reduced interest rates and lower average cash balances. Interest expense increased year-on-year due to a higher average level of borrowings and the replacement in February of floating rate debt with a fixed rate US dollar denominated bond.

CWI, which represents the business formerly known as Cable & Wireless International, had a finance charge of US$38 million primarily in respect of debt in Panama and interest on the put option in respect of our Monaco business, offset by interest income of US$11 million mainly from cash balances held in Macau and Monaco & Islands to give a net finance charge of US$27 million compared to a net finance charge of US$35 million in the previous year.

Exceptional Items

	P&L US$m	Cash US$m
One Caribbean programme	(31)	(46)
Legal fees	(9)	(15)
Other	(3)	(6)
Central/demerger	(39)	(5)
Total operating	(82)	(72)
Central (non-operating)	12	–
Total	(70)	(72)

Net exceptional charges relating to operating items of US$82 million and a non-operating credit of US$12 million were incurred during the year. In addition, a US$6 million tax credit related to our One Caribbean programme.

For CWI, net exceptional charges from operations were US$43 million with a cash impact of US$67 million. The CWI exceptional cost consists of restructuring programmes of US$34 million, predominantly related to the One Caribbean transformation, and US$9 million of legal fees incurred in successfully defending claims by a Caribbean competitor, Digicel, in the UK High Court. Cable & Wireless Communications has recently been awarded its costs and expects to recover the majority of the costs incurred to date.

A further US$39 million of exceptional costs related to the demerger. These included professional fees of US$26 million, redundancy costs of US$4 million and transition costs of US$5 million.

Income tax expense

The tax charge of US$120 million for continuing operations (US$88 million for 2008/09) is in respect of overseas taxes. The increase of US$32 million is principally due to a reduction in credits arising from the settlement and re-estimation of prior year tax items.

Profit for the year from continuing operations

Profit for the year from continuing operations has decreased from US$306 million to US$263 million, primarily driven by the difficult trading conditions experienced in some of our markets, as well as increased depreciation and tax charges together with lower joint venture income.

Discontinued operations

Subsequent to demerger, Cable & Wireless Worldwide is no longer part of the Cable & Wireless Communications Group. As such, the results for this business up to the date of demerger, 26 March 2010, have been presented as discontinued operations. Further details are provided in the consolidated financial statements.

Group cash flow[1]

	2009/10 US$m
CWI EBITDA[2]	908
Central	(42)
Group EBITDA[2]	866
Balance sheet capital expenditure	(310)
Operating cash flow before exceptionals	556
Movement in working capital and other provisions[3]	(50)
Investment income[4]	52
Operating free cash flow	558
Fixed charges:	
Income taxes paid	(110)
Interest paid	(105)
Dividends paid to non-controlling interests[5]	(156)
Dividends paid to shareholders	(268)
Net cash flow before one-off items and exceptionals	(81)
One-off items and exceptionals:	
Cash exceptionals	(72)
LTIP	(3)
Acquisitions and disposals	36
Pension funding	(43)
Net cash inflow after one-off items and exceptionals	(163)
Movement in share capital and treasury shares	23
Net proceeds from borrowings	51
Net cash flow	(89)

1 Based on our management accounts.
2 Earnings before interest, tax, depreciation and amortisation, LTIP, net other operating expense and exceptional items.
3 Includes movement in capital expenditure accruals.
4 Includes dividends received from joint ventures of US$30 million.
5 Includes Monaco Telecom dividend paid to minority interests of US$12 million, which for IFRS purposes is included in acquisitions and disposals.

Cable & Wireless Communications generated operating cash inflow before exceptionals of US$556 million in 2009/10 after investing US$310 million in capital expenditure. The outflow from movements in working capital and provisions of US$50 million included working capital outflows of US$24 million in the operating companies mostly due to the timing of receipts and payments. In London, there were US$17 million of legal provisions released during the year, including a US$9 million provision reported in the six months to September 2009. Investment income of US$52 million included US$30 million of dividends received from joint ventures and US$7 million of interest received from third parties with the remaining balance relating to the release of Central cash collateral for Cable & Wireless Worldwide trading contracts.

We paid US$110 million relating to income tax in 2009/10, interest of US$105 million on our external financing, dividends to non-controlling interests of US$156 million and dividends to shareholders of US$268 million.

The net cash flow included a US$72 million outflow for exceptional items, US$52 million of which related to restructuring charges associated with business transformation, primarily the 'One Caribbean' programme. A further US$5 million related to central restructuring costs and the balance mostly related to legal fees for the Digicel litigation. The inflow from acquisitions and disposals of US$36 million principally arose as cash consolidated from the Maldives business exceeded the purchase price paid for the additional shares. The LTIP payment in the year amounted to US$3 million and we made a contribution to the pension fund of US$43 million of which US$40 million was agreed with the pension Trustees prior to the demerger.

Group cash and debt

	As at 31 March 2010 US$m	As at 31 March 2009 US$m
Cash and cash equivalents	**573**	581
Sterling secured loans repayable in 2012	**(43)**	(42)
US$415 million secured loan repaid during 2009/10	**–**	(411)
US$500 million secured bonds due 2017	**(489)**	–
Sterling unsecured bonds repayable in 2012	**(290)**	(283)
Sterling unsecured bonds repayable in 2019	**(219)**	(213)
Other regional debt facilities	**(196)**	(203)
Total debt	**(1,237)**	(1,152)
Total net (debt)/cash	**(664)**	(571)

Cable & Wireless Communications has obtained new financings and facilities in 2009/10 totalling US$1.1 billion as follows:

- Three year bank facilities of US$600 million (comprising a US$500 million revolving credit facility and a US$100 million term loan) with margins of between 3.25% and 4.00% over LIBOR. These facilities were undrawn at 31 March 2010.
- A US$500 million seven year bond with a margin of 7.75% placed with investors in Europe and the United States.

In the year, Cable & Wireless Communications repaid its existing US$415 million facility.

Pensions

As at 31 March 2010, the defined benefit section of the Cable & Wireless Superannuation Fund ('CWSF') had an IAS 19 deficit of US$165 million (£111 million), compared to a deficit of US$46 million (£32 million) as at 31 March 2009. The movement in the scheme's deficit resulted primarily from a reduction in the discount rate used to value the scheme's liabilities. The AA corporate bond rate used in the IAS 19 valuation was 5.5% compared with 6.7% last year. The deficit of US$165 million is recorded after the transfer of obligations to Cable & Wireless Worldwide which reduced the IAS 19 deficit attributable to Cable & Wireless Communications by US$211 million.

At the time of the demerger, Cable & Wireless Communications agreed with the trustee of the scheme to provide:

- A US$40 million (£25 million) cash injection into the CWSF which was paid on 31 March 2010. This special contribution reflected the costs of de-risking the investment strategy, consistent with the reduction in average duration of the scheme's liabilities as a consequence of the split of membership on demerger. This amount is in addition to Cable & Wireless Communications' agreed share of the July 2009 interim funding agreement whereby Cable & Wireless Communications will pay £9 million into the existing scheme in October 2010 and a further £20 million in April 2011.
- A contingent funding agreement under which the trustee can call for a letter of credit or cash escrow of £100 million in certain circumstances, such as material deterioration in the financial performance of the business.

The next triennial valuation of the scheme is due as at 31 March 2010. Cable & Wireless Communications has agreed that the funding plan for any deficit arising from that valuation will end no later than April 2016.

The fund assets at 31 March 2010 were invested approximately 76% in the bulk annuity policy, 12% in equities, and 12% in bonds, property, swaps and cash.

There are unfunded pension liabilities in the UK of US$34 million (£23 million) (US$28 million (£19 million) at 31 March 2009).

Other schemes in the Cable & Wireless Communications Group have a net IAS 19 surplus of US$7 million (US$11 million deficit at 31 March 2009).

Dividend

At the time of the demerger, we announced that payment of the final dividend for Cable and Wireless plc of 6.34 pence per share would be allocated between Cable & Wireless Communications and Cable & Wireless Worldwide, with Cable & Wireless Communications proposing a dividend payment of 3.34 pence per share and Cable & Wireless Worldwide a dividend payment of 3.00 pence per share. The dividend of Cable & Wireless Communications Plc will be paid on 12 August 2010 to ordinary shareholders on the register at the close of business on 11 June 2010.

Corporate responsibility

This report focuses on some of the many corporate responsibility activities that Cable & Wireless Communications has undertaken during the year. Corporate responsibility is defined under four business principles against which our businesses define local priorities.

Seek continuous improvement in our environmental performance

Using the same methodology that was applied to 2008/09 report, we have made good progress on efforts to reduce our carbon footprint and business travel. We estimate our carbon footprint to be 116,000 tonnes of CO_{2e} based on our scope 1 and scope 2 greenhouse gas emissions compared with 122,000 tonnes last year. Our electricity consumption reduced from 200 million kWh last year to 170 million kWh this year and our fuel usage is down to 4.6 million litres from 5.4 million litres last year.

Last year Cable and Wireless plc reported that it intended to introduce high definition video conferencing and encourage colleagues to change their travel patterns. These initiatives have contributed to a reduction of 700 tonnes of CO_{2e} from last year's total of 3,200 tonnes of CO_{2e} down to 2,500 tonnes of CO_{2e} this year.

Our Panama business completed a project in July 2009 that uses solar and wind power to generate energy to operate radio base stations. The indigenous community of Piriati in Darién Province is the first to benefit. Its base station is the only one in the country that uses alternative energy all the time, saving an average of 5,000kW per month.

The Government of the Maldives is committed to becoming the first carbon neutral country in the world. This initiative was supported by our Maldives business as a main partner of the '350 campaign'. 50% of our network node sites outside Malé the capital city use renewable energy which accounts for 10% of power generated at these sites.

In 2008/09 our Macau business launched an online paperless billing service and now 33% of its customers have opted for online billing resulting in paper usage decreasing by 24% since June 2009.

A 'Go Green' billing initiative has been launched by our Caribbean business across the whole region, aimed at reducing the average bill from five pages to two through consolidated or electronic billing.

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

We have contributed US$1.7 million directly to community projects over the year. The issues addressed are as wide ranging as the businesses.

Across all our regions there is a growing awareness of the need to protect children online and we have undertaken a number of initiatives this year. Our Maldives business launched a parental control service for broadband ADSL users. The company has also joined the GSMA Mobile Alliance against Child Sexual Abuse. In the Seychelles, we organised a series of workshops in support of the country's celebration of World Telecom Day and its theme of 'Protecting Children through Cyberspace'.

We are involved in projects aimed at reducing crime. In Jamaica we now provide landline services at a reduced charge for 16 police stations in rural areas that were previously without a telephone service. We also sponsor the Private Sector Organisation of Jamaica's (PSOJ) Crime Stop programme.

A first in Macau is the 'Peng On Tung' calling service launched in partnership with the General Union of Macau Neighbourhood Associations (UGAMM). The service is for elderly people who live alone and connects them to a 24/7 support line.

Many of our business units have established programmes, including apprenticeships, for school children and school leavers.

The Sure Apprentice programme that began in our Isle of Man business has been extended to Jersey and Guernsey. The Dhiraagu Apprenticeship Programme in the Maldives, started in 2008, received another 20 students in January 2009. In Macau, we gave scholarships to 12 more students, the eighth consecutive year that we have been involved in this initiative.

In Antigua and Barbuda, we collaborate with the Ministry of Education to ensure that all students have access to advances in technology. Free internet access is provided to schools in Dominica and the LIME Jamaica Foundation has given away 1,090 computers to 110 schools since 2007, 10% of all the schools on the island.

Cable & Wireless Panama Foundation organised its Web Pages competition for the fourth consecutive year. This, along with the National Oratory Competition, is arranged jointly with the Ministry of Education.

In the Caribbean we have continued to invest in training with the launch of a new e-Learning portal on 1 July 2009. This provides access to more than 3,000 courses and is available 24/7 to all employees in the region. By the end of February 800 users had accessed more than 2,500 courses.

Respect cultures, values and human rights throughout our operations

We continue to develop our ethics programmes. Our new status has led to a full review of our policies and procedures. Over the coming year, our London corporate centre will be working to ensure that a risk-management structure, incorporating governance and ethics programmes, is operating properly in all regions.

In Panama, we have supported the Inter Collegiate Championship of Values. Students from different schools in Panama attended an event on the importance of ethical and moral values.

The LIME Jamaica Foundation ran a special summer project of a month's employment for 26 students who learnt the importance of developing good work ethics, teamwork and interpersonal skills as well as the development of competitive spirit. Each student was mentored by a member of our senior management team.

All of our regional businesses emphasise the training, development and employment of nationals rather than expatriates.

Nurture best practice in our activities

A sustainable procurement questionnaire was distributed to all of our strategic suppliers and sent out to the top five suppliers for each regional business to assess their sustainability practices. Of the environmental impacts identified by suppliers, energy efficiency, packaging and waste are listed as some of the highest, and are shared by many of our regional businesses.

We continued with our Gallup employee engagement survey programme with overall colleague participation at 83% compared to 78% last year.

In 2009, our Panama business was ranked first by the public as being the company that best fulfils the meaning of corporate social responsibility within society in Panama.

Cable & Wireless Communications is a member of the FTSE4Good Index.

Risk overview

At Cable & Wireless Communications Plc we realise that there are potential risks in operating our business. We recognise the risks involved, and we continually review all risk at an operating unit and Group level. Here we detail some key risks that could affect our future success. Investors should consider these factors along with other information in this Annual Report.

Economic conditions

The Group's business may be adversely affected by the current global economic downturn. Poor local, national and international economic conditions may have an adverse impact on our operations in the Caribbean, Panama, Macau and Monaco & Islands. This could affect growth, profitability, and our ability to finance the business and pay dividends. The Caribbean economy suffered from the recent global recession but its impact on other units has been less significant. The geographical spread of our business units helps to reduce our overall exposure. We monitor key recession indicators closely and are ready to take action to address any ongoing impact of the downturn.

Liquidity

Liquidity risk could arise where the Group does not have sufficient financial resources available to meet its obligations and commitments as they fall due, or can access funding only at excessive cost. Exceptional market events could impact any of the business units adversely, and affect their ability to meet obligations as they fall due. The Group seeks to mitigate these risks by ensuring that it has sufficient liquidity to fund the business units. We have raised sufficient credit lines to meet medium-term liquidity needs and continue to maintain good relationships with our core banks.

Funding

Our financing agreements are subject to certain covenants. If we were unable to meet these, we would have to repay facilities early, adversely affecting our cash position. We monitor covenant positions against our forecasts and budgets to ensure that we operate within the prescribed limits.

Competitive activity

We continue to respond to the competitive market in which we operate by putting in place initiatives to enhance customer experience and improve cost efficiency. Excessive competition could drive down margins through price and promotional activity which could have an effect on our profits and cash flow. To counter this, we invest in the quality of the network, customer relationship systems and quality of service supplemented by loyalty programmes and retention activity.

New entrants could adversely affect revenue and margins for example by taking market share and pushing prices down. We counter this competition by conducting marketing analysis, running marketing promotions and by focusing on achieving customer service and network coverage.

Investment

We run an active investment, merger and acquisition process to identify and analyse new opportunities and where appropriate, to execute them. There is a risk of incorrect decisions due to inadequate evaluation and approval processes. We manage this risk through due diligence, by employing knowledgeable, experienced individuals, obtaining specialist advice when necessary and by facilitating comprehensive discussion of potential opportunities at a Board and advisory level.

Business development

New revenue sources such as mobile value-added services and pay TV are crucial to our strategy. If these fail to develop as expected, our revenue may fall as other core services reach full market penetration. We continue to focus on our product development and marketing strategies, and cross-regional leveraging as well as the use of experts to monitor product development in external markets.

Licences and regulation

The Group's ability to provide telecommunications services depends in most countries on government licences, telecommunications regulations and applicable laws in the markets in which it operates. Whilst we actively engage with governments and regulators in advance of the expiry of these licences and operating agreements, there is a risk that they are not renewed, or are renewed on terms that are not commercially viable. Additionally licences may be revoked due to default, to promote public interest or in some cases due to change of control. These risks could cause the relevant business to cease operating, severely restrict its operations or affect the Group's strategic options. Future technology changes may require our business units to obtain additional licences in order to provide new product offerings and there is a risk that the businesses do not succeed in obtaining these licences. More generally, future changes to laws, regulations, political rule or a significant deterioration in the Group's relationship with regulators or governments in the jurisdictions in which the Group operates may have a material adverse effect on the Group.

We manage these risks by actively engaging with governments and regulators to promote an open dialogue and a positive working relationship, particularly with respect to licence renewals and proposed regulatory changes. We also research and monitor emerging technologies and developments in the regulatory environments of our business units.

Technology

New technologies in mobile and fixed line may increase our rate and level of investment and bring new entrants or changes to the competitive landscape which may affect our profits or cash flow. Cable & Wireless Communications keeps new technology developments under constant review and introduces new technologies as appropriate for the market.

Many of our business strategies rely on mobile telecommunications technology. From time to time concerns are expressed that mobile phones and transmitters may pose long-term health risks. If these claims are proven, we could lose a strategic revenue stream or be exposed to litigation. We continue to keep abreast of research in this field.

Shared brand

The rights to the Cable & Wireless trade marks are shared between Cable & Wireless Communications Plc and Cable & Wireless Worldwide Plc, pursuant to the terms of trade mark licences which took effect upon demerger. Both Cable & Wireless Communications and Cable & Wireless Worldwide are subject to severe restrictions in using the Cable & Wireless trade marks outside of their own allocated territories, except in relation to their respective carrier businesses, and for certain incidental and grandfathered use. Therefore, to the extent that Cable & Wireless Communications has activities outside of its allocated territories which are not part of its carrier business, it must operate under trade marks other than the Cable & Wireless trade marks, which raises a potential risk of being unable to fully exploit and enhance the value of the Cable & Wireless brand in those regions. Furthermore, the shared use of the trade marks could cause confusion among customers and potential customers.

Counterparty

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

Litigation

As with most large organisations, there is a risk of litigation against business units within the Group. Panama and the Caribbean are especially litigious regions. Unfavourable rulings in any proceedings could significantly affect our financial performance and reputation. When facing litigation, we defend our position vigorously using appropriate legal advice and support.

Foreign exchange and tax changes

Given our geographical spread, we generate the vast majority of Group profits outside the UK. These profits and associated investments are exposed to exchange rate fluctuations and tax alterations, as a result of changes in legislation, management assessment or the geographical allocation of our income and expenses. These factors create a potential risk of adverse financial impact to the business units. Short-term exchange rate fluctuations are often offset naturally. We use foreign exchange hedging contracts (see note 43 to our consolidated financial statements) and, where appropriate, we borrow locally (or in linked currencies) to match operating and financing cash flows. We also regularly monitor actual and proposed changes to tax legislation.

Service disruption

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

Network and data security

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

Estimation techniques

When preparing the consolidated financial statements we make a number of estimates and assumptions relating to the reporting of our operating results and financial conditions. In particular, some accounting policies require subjective and complex judgements about the effect of matters that are often uncertain. We have outlined the Group's critical accounting policies in note 3 to the consolidated financial statements.

People

We are dependent on our employees for our continued success. Key employees may be difficult to replace. We cannot be certain that the Group's succession planning, retention policies and incentive plans will be successful in attracting and retaining the right calibre of key employees and management. New incentives have been introduced for key management and succession plans are being updated to mitigate this risk.

Joint ventures

Our joint ventures continue to deliver results for our business and this year they have contributed US$30 million to our profit. However, without management control, we are often unable to influence their performance or ensure that they do not underperform. Where possible we seek to gain management control. To manage the risk in the interim, we seek to have some operational involvement and engagement with local management as well as regular interaction with major stakeholders.

Pensions

Our defined benefit pension scheme, based in the UK, is well managed and measures have been taken to reduce financial risk exposures. However the value of the scheme's assets and liabilities are affected by market movements and we may also have to make additional contributions to the scheme if the scheme's assumptions change. We manage this risk by maintaining regular dialogue with the scheme Trustees who manage the scheme's assets with appropriate external advice.

Board of Directors

All Directors were appointed on 25 January 2010.

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

1
Sir Richard Lapthorne, CBE NR
Chairman
Chairman of the Nominations Committee
Sir Richard Lapthorne is Chairman of the Company having been Chairman of Cable and Wireless plc since January 2003. Richard is also the Chairman of the Nominations Committee. Between June 2009 and April 2010, he was Chairman of the McLaren Group. From 1999 to May 2003 Richard was Chairman of Amersham plc (now GE Healthcare) having joined its Board as a Non-executive Director in 1988. 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 Non-executive Director of Tommy's The Baby Charity. 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, having served as Chief Executive for the Cable & Wireless Communications business since November 2008, moving from his role as Group Finance Director, a position he held from March 2006, and having been a Non-executive Director since January 2003. Tony was Chief Executive of Tunstall Holdings Ltd from March 2002 until its sale in September 2005 continuing as a Non-executive Director until April 2008. Tony was previously Group Treasurer and then Group MD, Commercial Aircraft, of British Aerospace plc. Tony is the Senior Independent Director of Punch Taverns plc and was appointed as Chairman of Alexander Mann Solutions on 28 July 2008, subsequently reverting to a non-executive role on 1 September 2009.

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

4
Simon Ball ANR
Deputy Chairman,
Senior Independent Director,
Chairman of the Audit Committee
Simon Ball is a Non-executive Director of the Company, having previously served as a Non-executive Director of Cable and Wireless plc since May 2006. Simon is also the Deputy Chairman, Senior Independent Director and the Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees. Simon was Group FD for 3i Group plc until November 2008, having served on its main board since April 2005. Prior to this, Simon held a series of senior finance and operational roles at Dresdner Kleinwort Benson, served as Group FD for the Robert Fleming Group and was Director General, Finance for the Department for Constitutional Affairs.

5
George Battersby
Executive Director
George Battersby is an Executive Director of the Company, having served as Executive Director, Human Resources for Cable and Wireless plc since July 2004. Prior to joining Cable and Wireless plc, George was an Executive Director of Amersham plc (now GE Healthcare). Previously he held senior HR positions in a number of FTSE 100 companies, including Group HR Director at Laporte plc and Fisons plc. George is a Non-executive Director and Chairman of the remuneration committee at Hogg Robinson Group plc and was appointed to the Board of Ofsted on 4 June 2008.

He was previously Senior Independent Director and Remuneration Committee Chairman of SHL plc. He will stand down from the Cable & Wireless Communications Board in July 2010.

6
Nick Cooper
Corporate Services Director
Nick Cooper is an Executive Director of the Company. He has 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 since January 2006. He also served as an Investor Director on the Cable & Wireless Worldwide Operating Board from April 2006 until December 2009. Nick qualified as a solicitor with London law firm Herbert Smith. He has held in-house positions as company solicitor with Asda and George Clothing and as General Counsel and Company Secretary of The Sage Group Plc and JD Wetherspoon Plc. In September 2002, Nick was appointed Company Secretary and was part of the Executive Management Board of Energis until its acquisition by Cable and Wireless plc.

7
Mary Francis ANR
Chair of the Remuneration Committee
Mary Francis is a Non-executive Director of the Company, having previously served as a Non-executive Director of Cable and Wireless plc since July 2009. Mary became the Chair of the Remuneration Committee in March 2010. Mary is also a member of the Audit and Nominations Committees. Mary is Senior Independent Director of Centrica plc and a Non-executive Director of Aviva plc. She has previously been a Non-executive Director of the Bank of England, of Alliance & Leicester plc and of St Modwen Properties plc. Mary has held a number of positions in the UK Civil Service including Financial Counsellor at the British Embassy in Washington DC, Private Secretary to the Prime Minister and Deputy Private Secretary to the Queen. From 1999 to 2005, Mary was Director General of the Association of British Insurers. Mary is a trustee of the Almeida Theatre and a senior adviser to Chatham House.

8
Kate Nealon ANR
Non-executive Director
Kate Nealon is a Non-executive Director of the Company, having previously served as a Non-executive Director of Cable and Wireless plc since January 2005. Kate is also a member of the Audit, Remuneration and Nominations Committees. Kate was Group Head of Legal and Compliance at Standard Chartered plc until 2004, having previously practised international banking and regulatory law in New York. Kate is a Non-executive Director of Shire plc, a senior associate of the Judge Business School at Cambridge University and a member of the advisory council of the Institute of Business Ethics. She was also a Non-executive Director of HBOS plc until 16 January 2009.

9
Kasper Rorsted ANR
Non-executive Director
Kasper Rorsted is a Non-executive Director of the Company, having previously served as a Non-executive Director of Cable and Wireless plc since May 2003. Kasper is a member of the Audit, Remuneration and Nominations Committees. Kasper is Chief Executive Officer of Henkel KGaA, Germany. Prior to joining Henkel in April 2005, Kasper was Senior Vice President and General Manager, EMEA for Hewlett-Packard and held various senior management positions with Compaq. Kasper was appointed as a Non-executive Director of Danfoss A/S, Denmark on 24 April 2009 and was a Non-executive Director of Ecolab, Inc. USA until July 2008.

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 March 2010.

The Companies Act 2006 requires information to be provided in the Directors report for Cable & Wireless Communications Plc (the Company) from the period since incorporation, 19 January 2010, to 31 March 2010. To be helpful to shareholders we have provided information over the full year to 31 March 2010 during which we operated as Cable and Wireless plc before becoming Cable & Wireless Communications Plc on 19 March 2010.

Principal activities, business review and results

The Group's principal activities are detailed on pages 6 to 7. Through this Annual Report, including the Chairman's statement and the Business review section (pages 2 to 35) that precede this report and the Corporate governance report that follows, the Board seeks to present a balanced and clear assessment of the Group's activities, position and prospects. Each of these sections is incorporated by reference into this Directors' report. The Group's results for the financial year are shown in the consolidated income statement on page 61. Shortly before the year end, the demerger of the Cable & Wireless Worldwide business was effected. Further detail on the demerger is included in note 2.1 of the Notes to the consolidated financial statements.

Directors

The names and biographical details of the Directors are set out on pages 36 and 37. All of these Directors were appointed to the Board of the Company on 25 January 2010, having previously been in office on the Board of Cable and Wireless plc throughout the year with the exception of Mary Francis who joined the Board of Cable and Wireless plc as a Non-executive Director on 1 July 2009 and Nick Cooper who joined the Company's Board on 25 January 2010 as an Executive Director.

At the 2010 Annual General Meeting (AGM), Sir Richard Lapthorne, Nick Cooper and Kate Nealon will each retire by rotation in accordance with Article 87 of the Company's Articles of Association and will offer themselves for re-election.

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 46 to 58.

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

The Company has granted indemnities in favour of its Directors against personal financial exposure that they may incur in the course of their professional duties as Directors of the Company and/or any subsidiaries (as applicable). These indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006 (the 2006 Act). They were granted on appointment of the Directors on 25 January 2010 and are still in force.

Dividends

The Directors recommend a final dividend of 3.34 pence per ordinary share payable on 12 August 2010 to ordinary shareholders on the register at the close of business on 11 June 2010. This final dividend, together with the final dividend of 3.00 pence per share recommended by Cable & Wireless Worldwide plc and the interim dividend of 3.16 pence per ordinary share paid on 22 January 2010 by Cable and Wireless plc makes a total dividend payment paid to shareholders of Cable and Wireless plc (assuming they have retained the shares in the Company and Cable & Wireless Worldwide plc they received persuant to the demerger) of 9.50 pence per ordinary share for the year ended 31 March 2010.

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. No treasury shares were acquired during the year. In March 2010, 28 million treasury shares were transferred to the Cable & Wireless Employee Share Ownership Trust to fulfil the requirements of the outstanding employees' share awards. At 31 March 2010, there were no shares in treasury (as at 31 March 2009 – 33.2 million ordinary shares were held in treasury by Cable and Wireless plc). The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The Board intends to seek shareholder approval at the forthcoming AGM on 21 July 2010 to make market purchases of up to 10% of its issued share capital. Details of the proposed resolution are included in the Notice of Meeting.

Further details on the share capital of the Company are set out in note 8 to the Company financial statements on pages 128 to 129 and are incorporated into this report by reference.

Company's shareholders

As at 26 May 2010, the Company has 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: Newton Investment Management Limited (12.42%); Franklin Mutual Advisers, LLC (9.24%); Orbis Holdings Limited (7.61%); Prudential Plc (group of companies) (6.52%); and Legal & General Group Plc (3.75%).

Ethics

Cable & Wireless Communications is committed to sound business conduct in all the relationships it has with key stakeholders (shareholders, employees, customers, business partners and suppliers), governments and regulators, communities and society, and the environment. The Group's ethics policy applies to all Cable & Wireless Communications companies and employees. Where Cable & Wireless Communications operates in conjunction with business partners, third parties or in joint venture arrangements where it does not have management control, it aims to promote the application of this policy. The Group seeks to conduct its operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. The Group respects the legitimate interests of all those with whom it has relationships.

Charitable and political donations

During the year ended 31 March 2010, the Group gave US$1.7 million (2008/09 – US$3.7 million) to charitable organisations including US$190,848 (£120,000) (2008/09 – US$210,972 (£120,000)) to the Porthcurno Trust, a charitable organisation in the United Kingdom. More information about the Group's support of the communities in which it operates is set out on page 33.

The Company does not make political donations and has no intention of making donations to what are generally regarded as political parties within the European Union. As a precautionary measure and in the light of the wide definitions of European Union political organisations for the purposes of the 2006 Act, a resolution was passed at the 2008 AGM permitting Cable and Wireless plc to make political donations and incur political expenditure. The Company

intends to propose a similar resolution at the 2010 AGM. The purpose of the resolution is to ensure that the Company does not unintentionally breach the Companies Act 2006. The proposed resolution would remain in force until 20 July 2014 or the 2014 AGM, whichever is the earlier.

Supplier payment policy
The Company did not enter into any purchase contracts with suppliers which required payment during the period from incorporation to 31 March 2010. It is the Company's policy to agree appropriate terms and conditions in advance with suppliers and to make payment in accordance with those terms and conditions, provided the supplier has complied with them.

Employee diversity
The Group's employment policies 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 involvement
The Group communicates with employees in many ways, including regular briefings by management, newsletters, intranet sites and consultation forums. These communications help to achieve a common awareness among employees of the financial and operational performance of the Group.

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

Exercise of rights of shares in employee share schemes
The trustees of the Cable & Wireless Employee Share Ownership Trust exercise the voting rights on shares held in the employee trust in accordance with their fiduciary duties as trustees, which include the duty to act in the best interests of the beneficiaries of the trust.

Annual General Meeting
The AGM will be held at 11.00am on Wednesday 21 July 2010 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. Details of the resolutions to be proposed at the AGM are given in the Notice of Meeting.

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

So far as the Directors are aware, there is no relevant audit information (as defined in Section 418(3) of the Companies Act 2006) 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.

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. The risk register is presented to the Audit Committee on a rolling 12 month basis. The principal risks identified by the Group are set out on pages 34 to 35.

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

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

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.

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

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

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

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

In the event of a change of control, these clauses may require consideration to determine their impact on the Group. At present, risks arising from a change of control are not considered to be significant. The Group will take appropriate action to mitigate any risks arising from these events should they occur. For change of control provisions in relation to the LTIP and Directors, refer to the Directors' remuneration report on pages 46 to 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.

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

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

Dividends: The Company's shareholders can declare dividends by passing an ordinary resolution, but the payment cannot exceed the amount recommended by the Directors. The Directors may also pay interim dividends without shareholder approval if they consider that the financial position of the Company justifies it. Subject to shareholder approval, the Directors may operate scrip or dividend reinvestment plans 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.

Distribution of assets: If the Company is wound up, the liquidator may divide the whole or any part of the assets of the Company among the shareholders (subject to the passing of a resolution by a 75% majority vote of the shareholders). No shareholder can be compelled to accept any shares or other property which carries a liability.

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 Companies Act 2006. Further, if a shareholder holding 0.25% or more of the issued shares of a class (excluding treasury shares) or interested person is in default of a section 793 notice, the Directors may also state in the notice that: (i) the payment of any dividend shall be withheld; (ii) the shareholder shall not be entitled to elect to receive shares in place of dividends withheld; and (iii) the transfer of the shares held by such shareholder shall be restricted.

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

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

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

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

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

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

Appointment and replacement of Directors

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

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

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

Powers of Directors

The powers of the Directors are determined by UK legislation and the Company's 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 10 to 25 and Financial review on pages 26 to 32. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 26 to 32. Further, note 43 to the Consolidated financial statements includes 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 exposures to credit and liquidity risk.

The Directors believe that the Group's wide geographic spread, robust monitoring and forecasting processes place it well to manage its business risks in the current uncertain economic conditions. In addition, the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, 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 and associated covenants can be found in note 28 to the consolidated financial statements.

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

By order of the Board

Clare Underwood
Company Secretary

26 May 2010

Independent Directors' report

On 26 March 2010 the Cable & Wireless Worldwide business was demerged from the Group, thereby creating two independent separately listed entities, Cable & Wireless Worldwide plc and Cable & Wireless Communications Plc. This report focuses on activities within Cable and Wireless plc over the financial year until demerger and on Cable & Wireless Communications Plc after that point until the year end.

The demerger was the culmination of four years work by the Central function led by the Chairman and overseen by the Board. From March 2006 until demerger, the governance of Cable and Wireless plc was managed by a Central function acting as portfolio manager of two separate businesses, now Worldwide and Communications. Each of these was headed by Executive Directors reporting to the Chairman with its own Operating Boards. Each Operating Board met on a monthly basis and was charged with overseeing the operations of its business. The Cable and Wireless plc Board sat above the Operating Boards to hold them to account for delivering their respective strategies and business plans whilst ensuring the highest standards of governance were maintained. The system was strengthened by the presence of Investor Directors who sat on the Operating Boards and offered additional insight for the plc Board into the workings of each of the Operating Boards. The Investor Directors consisted of Simon Ball, a Non-executive Director of Cable and Wireless plc and members of the Central team.

A number of significant events took place in the lead up to demerger. Mary Francis and Penny Hughes joined the plc Board on 1 July 2010. The addition of Mary and Penny with their breadth of experience ensured that the Group had a sufficient number of quality Non-executive Directors to fully equip both companies for their independent existences post demerger. Jim Marsh, Chief Executive of the Worldwide business joined the plc Board on 1 January 2010 to ensure that the Worldwide business was fully represented at plc Board level through the final stages of the demerger process. Throughout that time Simon Ball, Non-executive Director, continued in his role as an Investor Director on both Operating Boards ensuring that the appropriate standards of governance were maintained during this critical demerger period.

The Chairman, working together with the Nominations Committee, spent a significant part of the year creating two new Boards to take the new businesses forward post demerger whilst ensuring the cohesion of the Cable and Wireless plc Board as a whole and avoiding the possibility of disputes and conflicts of interest until the demerger was finalised. This process was finalised by the end of the 2009 calendar year to pave the way for the Non-executive Directors allocated to each business to sit on the Operating Boards of those businesses from January 2010 onwards to ensure that the new Boards would be ready to discharge their obligations on demerger day.

The period immediately prior to demerger involved the Chairman working with the Non-executive Directors to oversee the preparations for demerger including the refinancing for the new companies, the creation of new constitutions and governance arrangements and the approval of separate prospectuses. This period was challenging for all members of the Cable and Wireless plc Board who were required to maintain their focus on the performance of the Group as a whole whilst focusing on plans for the business they would be joining.

The governance system and the Long-Term Incentive Plan which supports it were critical to ensuring that both businesses were ready for independence, in reinforcing the behaviours and roles of the Cable and Wireless plc Board during this period and in maintaining visibility of all the affairs of the Group leading up to the separation.

Turning now to the four questions posed annually as part of Cable & Wireless' and now 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 had to undertake a number of structural changes to the Cable and Wireless plc Board during the year including the identification of Non-executive and Executive teams for each of the new Boards. He was also heavily involved in facilitating the transition of John Pluthero from Executive Chairman, Worldwide, to Chairman of Cable & Wireless Worldwide plc with Jim Marsh stepping up to be Chief Executive of a listed entity for the first time. Inevitably as demerger grew closer the attentions of both teams within each of the businesses became more focused on the affairs of their individual businesses. During this period the Chairman maintained his position of neutrality which was crucial when he was called upon to resolve a number of issues between the Executive Directors as part of the separation of the assets of the Group.

Notwithstanding the size of this challenge the relationship between the Chairman and the Executive Directors remained strong throughout the year and the demerger process.

2 How open are the Executive Directors with the Board?

The Executive Directors are very open with the Board. Pre-demerger the flow of information was reinforced by the presence of the Investor Directors on each of the Operating Boards and during the first three months of 2010 by the presence of the new Non-executive teams on those Boards in preparation for separation. The demerger process called for full and frank disclosure by each of the Executive teams within the businesses to facilitate the preparation of detailed prospectus documents to support the independent listings. Both teams carried out a full verification process under the supervision of the Cable and Wireless plc Board which required very detailed and frank disclosure throughout. The Non-executive Directors were reassured by the officers within the Company and by the Company's external advisors that this exercise had been properly carried out.

3 What is the visibility of checks and balances between the Executive Directors?

Visibility of checks and balances between the Executive Directors was significantly greater than in previous years as a result of the attendance of the Non-executives, together with the Investor Directors, at a number of the Operating Boards as well as the Cable and Wireless plc Board.

4 Have questions asked by the Independent Directors in Board and Committee meetings been appropriately addressed?

Questions asked by the Independent Directors have been properly addressed throughout the year. The Independent Directors also meet separately during the year to discuss any relevant governance matters. The Independent Directors are satisfied that the corporate governance controls of Cable and Wireless plc were effective until demerger and that the Company has established a constitution and controls to ensure it can oversee the Company's operations and meet its governance obligations in the future.

The Board of Cable & Wireless Communications Plc have confirmed that they will publish an Independent Directors' report for the year ended 31 March 2011.

Simon Ball
Senior Independent Director

26 May 2010

Corporate governance report

Our Board is responsible for the Group's system of corporate governance and is committed to maintaining high standards. Prior to the Scheme of Arrangement the system of corporate governance was ultimately the responsibility of the Board of Cable and Wireless plc. Subsequent to the Scheme of Arrangement it became the responsibility of the Board of Cable & Wireless Communications Plc. The Board confirms that the Group has complied with all provisions set out in Section One of the Combined Code (the Code) during the period under review.

In preparation for the Company's listing following the Scheme of Arrangement, and the demerger of the Cable & Wireless Worldwide business, a full review of corporate governance arrangements was undertaken. These arrangements were summarised in the prospectus relating to the Company's listing published on 2 February 2010 (the Prospectus).

Going forward, Cable & Wireless Communications intends to comply fully with the main and supporting principles of the Code except in relation to the following requirement.

- A.7.1 of the Code provides that all Directors should be subject to election by shareholders at the first Annual General Meeting after their appointment. The Articles provide that, at the first two Annual General Meetings following the demerger, one third of the Directors shall retire from office but shall be eligible for re-appointment. This provision was included in the Articles as a result of the demerger to provide an even spread of Director re-appointments and hence not all Directors are standing for re-appointment at the Annual General Meeting.

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

Our key policies and practices are set out in this governance report as well as in the reports of the Audit Committee on page 45 and Remuneration Committee on pages 46 to 58. Furthermore, our Independent Non-executive Directors have prepared a report describing the corporate governance and behaviours of the Board on page 42. Together, these reports provide shareholders with an insight into how our Board and senior management run the business to increase shareholder value.

Board composition and attendance

Our Board comprises the Chairman, four Executive Directors and four Non-executive Directors, including the Senior Independent Director. Biographies of the Directors, including details of their Committee memberships, are shown on pages 36 and 37.

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

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

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

Post demerger, the Board held one scheduled meeting. Details of Directors' attendance at scheduled Board and Committee meetings are shown in the following table.

Board meeting attendance

Cable & Wireless Communications Plc

Period covered: 19 March 2010 – 31 March 2010

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Chairman				
Sir Richard Lapthorne	1/1	–	–	0/0
Executive Directors				
George Battersby	1/1	–	–	–
Nick Cooper	1/1	–	–	–
Tim Pennington	1/1	–	–	–
Tony Rice	1/1	–	–	–
Non-executive Directors				
Simon Ball	1/1	1/1	1/1	0/0
Mary Francis	1/1	1/1	1/1	0/0
Kate Nealon	1/1	1/1	1/1	0/0
Kasper Rorsted	0/1	1/1	1/1	0/0

– Director is not a Committee member.

Role of the Board

The Board of Cable & Wireless Communications sets the strategic aims of the Group and is collectively responsible for matters of strategy, performance, resources, standards of conduct and accountability.

Matters reserved for the Board include: Group strategy; corporate governance; financial reporting and control; budgets and operating plans; acquisitions and disposals; appointments to the Board, Committees and some senior executive positions; Director and senior executive remuneration; delegation of authority; and customer contracts and expenditure over a certain financial limit. Other specific responsibilities are delegated to the Committees, each with clearly defined terms of reference.

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

The Chairman, in consultation with the Company Secretary and Executive Directors, sets the agenda for Board meetings and full and timely information is provided to all Board and Committee members prior to meetings. 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 from incorporation to 31 March 2010, as for previous years, there were no such objections. Similarly, in the period prior to demerger, there were no such objections to proposals put to the Cable and Wireless plc Board.

Separate schedules of reserved matters have been adopted by the Board.

Corporate governance report

The Senior Independent Director

Simon Ball is the Senior Independent Director of the Company. Prior to demerger Clive Butler was the Senior Independent Director for Cable and Wireless plc. 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.

As part of our ongoing commitment to regular dialogue with our investors, the Senior Independent Director prior to demerger, along with the Chairman, attended several meetings with investment and corporate governance managers. The Company intends to continue this practice.

Committees of the Board

Membership of the Audit and Remuneration Committees is composed entirely of Non-executive Directors. The reports of the Audit Committee and Remuneration Committee are set out on pages 45 and 46 to 58 respectively.

The Chair of the Nominations Committee is Sir Richard Lapthorne. This Committee did not meet in the period 19 March 2010 to 31 March 2010. The Nominations Committee is principally responsible for reviewing the composition of the Board, including the range and experience of its members, its structure and its size, as well as succession planning.

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

Formal procedures are in place for the nomination, selection, training and evaluation of Directors as well as succession planning. In accordance with these procedures, and with the advice of external recruitment consultants, the following changes to the Cable and Wireless plc Board were made at the recommendation of the Nominations Committee:

- Mary Francis and Penny Hughes were appointed as Non-executive Directors on 1 July 2009; and
- Jim Marsh was appointed as an Executive Director on 1 January 2010.

On 25 January 2010, Sir Richard Lapthorne, George Battersby, Nick Cooper, Tim Pennington, Tony Rice, Simon Ball, Mary Francis, Kate Nealon and Kasper Rorsted were appointed to the Board of Cable & Wireless Communications Plc.

Prior to demerger the Cable and Wireless plc Nominations Committee, chaired by Clive Butler (Senior Independent Director), met on four occasions during the year to review the composition of the Board, including the range and experience of its members, its structure and its size. In view of the demerger, the Nominations Committee of Cable and Wireless plc discussed and agreed the composition of the Company's Board.

Induction and professional development

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. It includes meetings with senior management and meetings with major shareholders may be arranged on request.

All Directors have access to the advice of the Company Secretary as well as appropriate training and briefings. Additionally, any Director may take independent professional advice on any matter at the Company's expense in the furtherance of their duties.

Performance Evaluation

The Chairman led an in-house performance evaluation of the Board of Cable and Wireless plc in the form of a detailed questionnaire in May 2009. The findings were collated by the Company Secretary and presented to the entire Board of Cable and Wireless plc for consideration. In the period to demerger, the Non-executive Directors again met privately, both with and without the Chairman present, to consider management performance and succession issues. The Non-executive Directors of Cable and Wireless plc 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 continued to promote the creation of shareholder value.

Cable and Wireless plc Board meeting attendance

Period covered: 1 April 2009 – 19 March 2010

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Chairman				
Sir Richard Lapthorne	9/9	–	–	4/4
Executive Directors				
George Battersby	9/9	–	–	–
Jim Marsh[1]	2/2	–	–	–
Tim Pennington	9/9	–	–	–
John Pluthero[2]	9/9	–	–	–
Tony Rice	9/9	–	–	–
Non-executive Directors				
Simon Ball	9/9	5/5	7/7	–
John Barton[2]	7/9	3/5	5/7	–
Clive Butler[2]	9/9	5/5	7/7	4/4
Mary Francis	7/7	2/3	5/5	–
Penny Hughes[2]	7/7	3/3	5/5	–
Kate Nealon	9/9	5/5	7/7	4/4
Kasper Rorsted	8/9	4/5	5/7	2/4
Agnès Touraine[3]	1/1	1/1	1/1	–

– Director is not a Committee member.
1 Jim Marsh was appointed on 1 January 2010 and resigned from the Board on 26 March 2010 as a consequence of demerger.
2 Resigned from the Board as a consequence of the demerger on 26 March 2010.
3 Resigned from the Board on 19 May 2009.

The Board held nine scheduled meetings of Cable and Wireless plc during 2009/10. In addition, other meetings were held at short notice to consider matters that could not be held over until the next scheduled Board meeting. Details of Directors' attendance at scheduled Board and Committee meetings are shown in the table above.

By order of the Board

Clare Underwood
Company Secretary

26 May 2010

Report of the Audit Committee

This report sets out the membership, purposes and activities of the Audit Committee of Cable & Wireless Communications Plc. This report should be read in conjunction with the Corporate governance report on pages 43 to 44. Prior to demerger, the Audit Committee appointed by Cable and Wireless plc was in place, the activities of which are covered at the end of the report.

Membership and terms of reference

The members of the Audit Committee (the Committee) consist solely of the Non-executive Directors: Simon Ball (Committee Chairman), Mary Francis, Kate Nealon and Kasper Rorsted.

The terms of reference of the Audit Committee cover such issues as monitoring the effectiveness of internal control, internal audit and risk management systems, providing accurate financial reporting and overseeing, reviewing and monitoring management's conduct and reporting of effective risk management. The terms of reference also set out the authority of the Committee to carry out its duties. The Committee undertook a review of its objectives and terms of reference during the period.

The Chief Executive Officer, Chief Financial Officer, Group Financial Controller and Head of Internal Audit are also invited to attend all Committee meetings. In May and November when the full year and half year results are considered, the Chairman and Executive Directors are invited to attend.

The Board has satisfied itself that at least one member of the Audit 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 agenda for meetings is prepared by the Committee Chairman in conjunction with the Chief Financial Officer, Group Financial Controller and the external auditor. At each scheduled meeting the Committee receives reports from the Chief Financial Officer, the external auditor and the Head of Internal Audit together with biannual litigation reports. One meeting was held during the period at which all Committee members were present. In 2010/11, the Committee expects to consider business consistent with that of the Audit Committee of Cable and Wireless plc (see section below).

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 senior management from finance, legal, company secretarial and external affairs.

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

Internal audit

The Internal Audit function, led by the Head of Internal Audit, is supported by a team of auditors based in the UK and Jamaica. The function has a formal charter approved by the Board that describes its purpose, authority and responsibility. Its audit plan is approved by the Audit Committee annually.

External audit

KPMG Audit Plc (KPMG) has been appointed as auditor of the Company during the year and has also acted as auditor of Cable and Wireless plc since 1991. The Committee will evaluate KPMG's tenure annually and is not restricted by any contractual obligations in its choice of auditors. The Board has accepted the Committee's recommendation that KPMG should be reappointed for 2010/11. This recommendation was based on a detailed review of the 2008/09 audit of Cable and Wireless plc which demonstrated overall satisfaction with the performance of KPMG as external auditor. The review included a survey of Committee members and key personnel involved in the audit, discussions with KPMG, senior management and Internal Audit, as well as an analysis of KPMG's capabilities and independence.

The audit engagement partner responsible for the 2009/10 audit was assigned on 19 March 2010.

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

For the year ended 31 March 2010 the Cable and Wireless plc Audit Committee approved fees for audit services of US$3.2 million together with fees for audit-related regulatory reporting of US$0.5 million and non-audit work of US$10.0 million. The nature of the services provided is set out in note 7 to the consolidated financial statements. There is no limitation of liability in the terms of appointment of KPMG as auditor to the Company.

Cable and Wireless plc Audit Committee

The members of the Cable and Wireless plc Audit Committee were: Kasper Rorsted (Committee Chairman), Simon Ball, John Barton, Clive Butler, Mary Francis (from 17 July 2009), Penny Hughes (from 17 July 2009), Kate Nealon and Agnès Touraine (until 19 May 2009).

During the period prior to demerger, the Committee considered the business set out below, making recommendations to the Board where appropriate:

- Preliminary results and press release for the year ended 31 March 2009; the 2008/09 Annual Report together with the Directors' statement on compliance with Turnbull guidance on internal controls and risk management;
- Interim results and press release for the six months ended 30 September 2009;
- Review of risk management within the Group;
- Review of the Group's insurance cover;
- Effectiveness review of the internal and external auditors;
- Self-evaluation of the effectiveness of the Committee;
- Review of the Group's accounting and tax policies; and
- Review of key corporate governance developments.

Meetings

The Audit Committees held six scheduled meetings during the year ended 31 March 2010. Details of the number of meetings of both Audit Committees and individual attendance at the meetings by members are shown in the tables on pages 43 and 44.

Simon Ball
Chairman, Audit Committee

26 May 2010

Directors' remuneration report

Introduction

This report provides information on the remuneration of the Directors of Cable & Wireless Communications Plc and will be subject to an advisory vote at the AGM on 21 July 2010.

Cable & Wireless Communications Plc was incorporated on 19 January 2010 and demerged the Cable & Wireless Worldwide business on 26 March 2010.

This report focuses on the philosophy and remuneration arrangements which the Remuneration Committee of Cable & Wireless Communications (the Committee) put in place after demerger, which will apply until 31 March 2011.

We are required by statute to provide details of Directors' remuneration for the period 19 January to 31 March 2010 (i.e. from incorporation to the year end). We have also provided information on Directors' remuneration for the full year ended 31 March 2010: although not required by statute, we believe this will be more helpful to shareholders.

Accordingly, our report is divided into the following sections:

I) Committee membership and terms of reference

II) Remuneration philosophy

III) Remuneration arrangements for Executive Directors post-demerger

IV) Summary of Executive Directors' remuneration for the year to 31 March 2010

V) Summary of statutory information for the period 19 January to 31 March 2010

I) Committee membership and terms of reference

The Committee comprises Mary Francis, CBE (Chair), Simon Ball, Kate Nealon (previously Chair of the Remuneration Committee of Cable and Wireless plc), Kasper Rorsted and Sir Richard Lapthorne, CBE. The Board considers that all of the members of the Committee are independent of the Group in both character and judgement. The composition of the Committee has not altered since its inception on 25 January 2010.

The Committee's aim is to provide a framework that incentivises the senior team of Cable & Wireless Communications to produce outstanding shareholder value as an independent entity.

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

The Board is responsible for approving recommendations from the Committee. In forming its recommendations the Committee receives input and advice from the Chief Executive, the Corporate Services Director and from independent consultants, Hewitt New Bridge Street (HNBS). HNBS provide advice on remuneration and share plans both for Executive Directors and the wider senior management population. In addition, HNBS provides measurement of our relative total shareholder return (TSR) performance. HNBS's terms of engagement are available on request from the Company Secretary.

The Chairman, Executive Directors and any executives attending a meeting abstain from any discussion on their own remuneration or contractual arrangements.

II) Remuneration philosophy

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

- The philosophy is focused on a lower risk and reward structure than the previous Cable and Wireless plc arrangements whilst maintaining an overall alignment with the interests of shareholders
- Executive Directors will be encouraged to maintain a significant investment in the shares of the Company to align their interests with shareholder value
- Incentives will be set with stretching targets and will provide for below market levels of reward for below median performance and levels of reward in the top quartile of the market for exceptional performance
- Remuneration packages will be regularly monitored by independent analysis against a comparator group of companies (ie. FTSE 51-150 companies)
- Base salaries and benefits will normally be set at the mid-market level, with some flexibility to reflect executives' experience and expertise
- An appropriate mix of short- and long-term incentives will be offered so that Directors are incentivised to maximise performance over both the short and medium to long-term
- All aspects of remuneration for the Directors and selected senior executives will be approved by the Committee
- The Committee will approve all Cash LTIP and share awards
- The Committee will review the levels, structure and philosophy of remuneration for the Company on an annual basis
- The Committee will consider the pay and employment conditions of other employees in the Group when determining the Executive Directors' remuneration, to ensure that the remuneration structure for Directors is consistent with that of other senior executives whilst also recognising their greater Group responsibilities
- The Committee will design remuneration structures and performance targets with regard to environmental, social and governance (ESG) matters. ESG key performance indicators are monitored to ensure that incentive structures do not give rise to any risks by inadvertently motivating irresponsible behaviour
- In 2010, the Committee will consider implementing specific recommendations of the Walker Review's recommendations on remuneration, focusing on risk and management controls. Further, the Committee will continue to review the remuneration of key individuals who have the largest direct impact on the business' risk profile

Overall the Committee is satisfied that the remuneration policy will promote the long-term success of the Group and that the incentive structure and objectives do not encourage excessive risk taking.

III) Remuneration arrangements for Executive Directors post-demerger

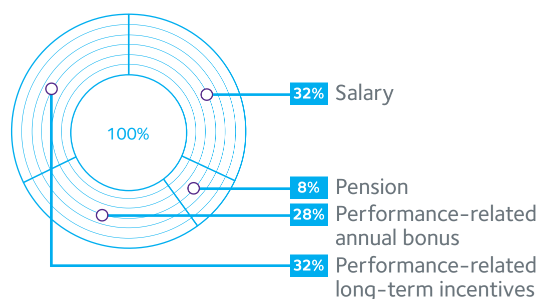
The remuneration structure for the Executive Directors came into effect on 26 March 2010 following the demerger of the Cable & Wireless Worldwide business and a thorough review by the Committee. The Committee believes this structure is appropriate given the changed nature of the mix of business in the Group and the need to retain and motivate key executives formerly employed by Cable and Wireless plc. The key features of this remuneration structure are as follows:

- Base salaries have been set by reference to the market, the Executive Directors' pre-existing remuneration, and their new responsibilities
- The annual bonus structure comprises a cash payment of up to 75% of base salary with an equal payment in shares which will be deferred for 12 months and may be clawed back during that period at the discretion of the Committee. This compares to an annual bonus opportunity of 100% of salary paid wholly in cash with no clawback for Directors of Cable and Wireless plc prior to demerger
- Executive Directors will receive annual awards of performance shares of between two and three times base salary. The first awards will be made in 2010 and awards will vest from 2013 onwards subject to achievement of stretching performance targets. This compares to grants of four times market salary in 2009 for Directors of Cable and Wireless plc, which will vest in 2012
- The Long-Term Incentive Plan (Cash LTIP) established by Cable and Wireless plc for Executive Directors and other senior management has been extended from four to five years until 31 March 2011. This will provide a seamless transition from the Cash LTIP into the new performance share plan incentive arrangements. The Committee may make further awards under the LTIP until the end of the plan in 2011, after which no further awards or payments will be made. The calculation period for the 2010 payments was the 30 day period ending on the day immediately prior to 26 March 2010 to avoid a discontinuity in the calculation process due to the demerger. There is no intention to make future Cash LTIP awards to the Directors
- Shareholding guidelines for Executive Directors have been set at a high level: four times base salary for the CEO, three times base salary for the CFO and two times base salary for the other Executive Directors

The chart below illustrates the average proportion of Executive Directors' potential remuneration for 2010/11 that will be performance related.

Figures reflect payment potential for a 'target' level of performance achieved for the annual bonus plan and the 'expected value' of performance shares to be granted in 2010/11.

Split of potential total remuneration 2010/11



Base salary

Executive Directors' salaries are denominated in Sterling as the Directors are based in the UK. The Executive Directors' annual base salaries for 2010/11 are set out in the next table. US dollar equivalents have been presented for reference purposes, however these reference amounts will fluctuate with changes in exchange rates.

	Base salary in Sterling	Base salary in US dollars*
George Battersby (until July 2010)	420,000	667,968
Nick Cooper	350,000	556,640
Tim Pennington	500,000	795,200
Tony Rice	700,000	1,113,280

*Based on a Sterling to USD exchange rate of 1.5904 which is the average exchange rate used by the Group for 2009/10.

Base salaries have been set at competitive levels from 1 April 2010 by reference to equivalent roles in companies selected on the basis of comparable size, geographic spread and business focus, and by the requirement to retain Directors who were previously employed by Cable and Wireless plc which was benchmarked against the FTSE 100. Individual salary decisions take into account the Executive Directors' new responsibilities in Cable & Wireless Communications, their personal contribution and business performance.

Pension and other benefits

Executive Directors receive a defined contribution pension allowance of 25% of their base salary or the Company will provide employer's pension contributions at the rate of 25% of base salary. The Executive is not required to pay any pension contributions.

The Executive Directors are eligible to participate in employee benefit programmes including life, disability and health insurance plans. The value of these benefits is included in the Directors' remuneration tables on pages 53 and 57.

Annual bonus

For Tim Pennington and Nick Cooper, individual awards under the annual bonus scheme for 2010/11 will be based 80% on the financial performance of the Group and 20% on personal targets. The bonus scheme for Tony Rice will be 100% based on the financial performance of the Group. The financial performance measures are operating profit and operating cash flow for 2010/11. Targets will be stretching with a threshold that exceeds the 2009/10 performance. As the Committee feels that these targets are commercially sensitive they are not being disclosed, but performance against the targets will be fully explained next year.

Up to 75% of salary will be payable in cash with an equal amount payable in shares which will be deferred for 12 months and subject to a clawback during that period at the discretion of the Committee.

George Battersby will not be participating in the annual bonus plan for 2010/11.

The measures and targets within the bonus plans are approved by the Committee.

Long-term incentive awards

As outlined above, in 2010/11 Executive Directors will receive awards of performance shares under the Cable & Wireless Communications Share Incentive Plan 2010 (IP2010). Executive Directors also hold other awards under the IP2001 issued prior to demerger. Grants under the Cash LTIP which was extended by one year to 2011 provide a transitional incentive arrangement for Directors until existing performance share awards vest in 2012. All Long-Term Incentive Plans have previously been approved by shareholders. Details of the long-term incentive arrangements are outlined on the following pages.

i) Performance share plan

Shares will be awarded under the Performance Share section of IP2010, and based on an annual Cable & Wireless Communications share award of between two and three times the Director's base salary with three year vesting and subject to the stretching performance targets detailed below. Grants in 2009 by Cable and Wireless plc were at the level of four times market salary.

The Committee has determined that the value of awards to Executive Directors in 2010/11 will be as follows:

	Value of shares at grant	
	Face value US$m	'Fair value'[1] US$m
Nick Cooper (2x base salary)	1,113,280	445,312
Tim Pennington (2.8x base salary)	2,226,560	890,624
Tony Rice (2.8x base salary)	3,117,184	1,246,874

1 Assumes 'fair value' of 40% of face value which is the estimated value of these awards at grant based on conditions prevailing at the date of this report.
2 Based on a Sterling to USD exchange rate of 1.5904 which is the average exchange rate used by the Group for 2009/10.
3 George Battersby will not be receiving share awards in 2010/11.

These awards will vest based on the achievement of absolute total shareholder return of the Group above a minimum threshold. Awards will have a three year performance period.

The vesting schedule for awards to be granted in 2010/11 will be as follows:

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%
Less than 8% compound p.a.	0%

The TSR of Cable & Wireless Communications is share price growth adjusted for dividends and capital actions. For the purpose of these awards, TSR will be calculated using a one month average share price at the beginning and end of the performance period in order to moderate the effect of short-term share price volatility.

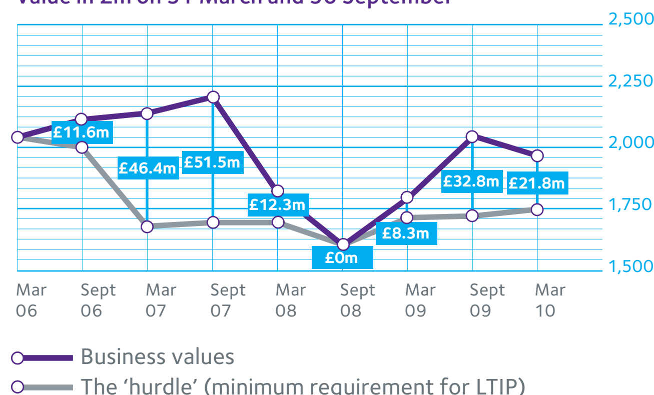
Irrespective of potential vesting arising from the above schedule, the Committee will during the 12 months following the end of the three year performance period, also consider whether underlying financial performance warrants release of the shares and will reduce the vesting percentage if appropriate.

ii) Cash LTIP (until 2011)

The Cash LTIP was introduced by Cable and Wireless plc and forms part of the transitional remuneration arrangements for the Directors. The Cash LTIP creates a reward pool for Executive Directors and senior management depending on the extent to which the business has grown in value from its adjusted base value at 1 April 2006. This plan directly aligns the senior team's incentives with shareholder interests. It only rewards participants if shareholder value has increased substantially.

The following graph shows the change in the value of the total Cash LTIP pool for Cable & Wireless Communications since 1 April 2006. At 31 March 2010, the total LTIP pool was US$32.4 million (£21.8 million).

LTIP value compared to business values
Value in £m on 31 March and 30 September



The base valuation at 1 April 2006 is adjusted over the performance period to create the Cash LTIP hurdle as follows: i) to reflect additional capital notionally treated as borrowed by the business; ii) to reflect capital notionally treated as returned by the business; and iii) increased by a hurdle rate being the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded).

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

Tony Rice holds units worth 10% of the reward pool for the Group which had no value at the date of his appointment on 11 November 2008. Tim Pennington holds units worth 5% of the reward pool for the Group, in exchange for which he surrendered US$2.5 million (£1.6 million) of Performance Shares granted by Cable and Wireless plc on 11 November 2008. Nick Cooper holds units worth 2.5% of the reward pool for the Group, in exchange for which he surrendered US$493,024 (£310,000) of Restricted Shares granted by Cable and Wireless plc on 11 November 2008.

In the event of a potential payment to an individual in excess of US$32 million (£20 million), the Committee will (other than in exceptional circumstances) defer any excess payment until 31 March 2012 and make the payment in the Company's shares rather than cash.

The Cash LTIP has a five year performance period until 31 March 2011 (or until a vesting event, like a takeover, if earlier) with part of the reward pool ordinarily having been paid to participants at the end of year three (31 March 2009), and at the end of year four (31 March 2010) and 100% payable (less payments already made) at the end of year five (31 March 2011). Tony Rice's award is structured with 85% vesting at the end of year four (31 March 2010) with 50% paid immediately and 35% deferred for a further year) and the balance vesting and payable in 2011. The awards to Tim Pennington and Nick Cooper are payable in 2011.

Irrespective of the above, payments to Tony Rice will be scaled back if the Committee is not satisfied that there has been an improvement in the underlying financial performance of the business or if the Group's TSR is not positive over the whole performance period.

iii) Share awards granted prior to demerger

During the period before demerger Executive Directors received various awards under the Share Options and Performance Share Plan sections of the Cable and Wireless plc Share Incentive Plan 2001 (IP2001).

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

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

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

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

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

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

Details of historic awards granted under these plans to Executive Directors are summarised in the tables on pages 55 to 56.

A summary of the treatment of the Executive Directors' 2009 Performance share awards on demerger is as follows:

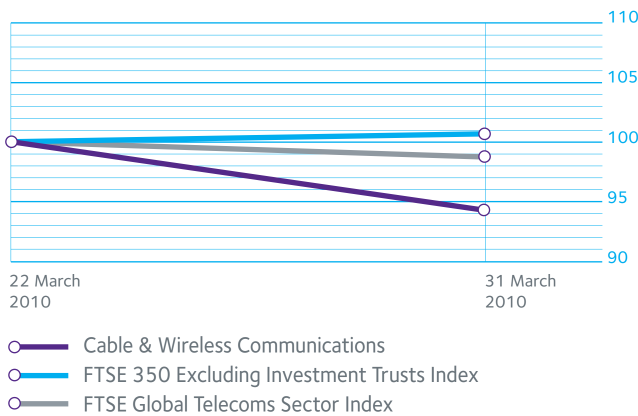
Name	Pre-demerger performance measure	Effect of demerger	Post-demerger performance measure
George Battersby	Absolute TSR performance of Cable and Wireless plc	Award was split into an award over one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share for each share under award.	Absolute TSR performance is measured against Cable and Wireless plc up to demerger and the combined Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc thereafter.
Nick Cooper	Absolute TSR performance of Cable and Wireless plc	Award was split into an award over one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share for each share under award.	Absolute TSR performance is measured against Cable and Wireless plc up to demerger and the combined Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc thereafter.
Tim Pennington[1]	Absolute TSR performance of Cable and Wireless plc	Award was split into an award over one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share for each share under award.	Absolute TSR performance is measured against Cable and Wireless plc up to demerger and the combined Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc thereafter.
	Absolute TSR performance of Cable & Wireless Communications	Award was adjusted[2] into an award over shares in Cable & Wireless Communications.	No change.
Tony Rice	Absolute TSR performance of Cable & Wireless Communications	Award was adjusted[2] into an award over shares in Cable & Wireless Communications.	No change.

1 Tim Pennington had one award split into two parts to recognise his dual role with Central and Cable & Wireless Communications.
2 Adjusted to be an award over Cable & Wireless Communications shares only having an equivalent value (determined by reference to the average closing price of Cable & Wireless Communications and Cable & Wireless Worldwide shares over the five dealing days commencing on the demerger effective date).

Performance graphs

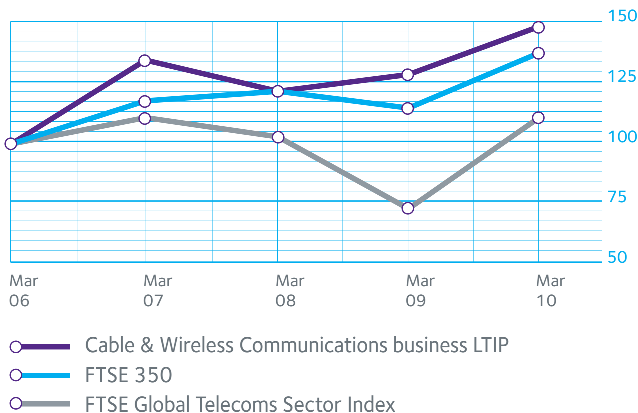
The following graph shows (as required by statute) the change in value of a £100 holding in Cable & Wireless Communications Plc ordinary shares over the period from 22 March 2010 to 31 March 2010 against the FTSE Global Telecoms Sector Index (FTSE GTSI) and against a broad equity market index. The Committee believes the FSTE 350 is the most appropriate index as the business is currently positioned at the middle point of this index.

Total shareholder return
Value in £ from 22 March 2010 to 31 March 2010



A similar graph over a four year period has also been presented as the Committee believes this is more meaningful and relevant to our incentive plans. In this case the total shareholder return for the Cable & Wireless Communications business has been based on the calculations made for the Cash LTIP.

Cable & Wireless Communications business value compared to FTSE 350 and FTSE GTSI



Dilution

The Committee ensures that at all times the number of new shares which may be issued under any share option or share-based plans, including all employee plans, does not exceed the dilution limit of 10% of the Company's issued share capital over any ten year rolling period. As at 31 March 2010, 8% of the issued shared capital was available for issue under our share-based plans. In calculating this figure, the Committee has taken into account historic awards of Cable and Wireless plc shares made to current or former employees of the Communications business and the adjustments to the award as a result of the demerger.

Awards under the various share plans are funded by a mix of purchased and newly issued shares, as determined by the Committee. Newly issued shares are subject to the dilution limit outlined above. Purchased shares are held by the Cable & Wireless Employee Share Ownership Trust which is subject to a holding limit of 5% of the issued ordinary share capital of the Company.

Executive Directors' service contracts

The Committee's policy is that Executive Directors' service contracts should include a maximum notice period of one year. However, a longer notice period may apply initially where this is required to secure the services of executives in exceptional circumstances, though in all cases the notice period will reduce to one year or less after two years. With the exception of George Battersby, Executive Directors' service contracts continue until their normal retirement date. George Battersby will step down from the Board in July 2010.

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

The Executive Directors' contracts provide that, in the event of a change of control of the Company and a Director's employment is adversely changed, then he will receive a payment equal to the base salary for the notice period and a time pro-rated annual bonus.

The Executive Directors' service contracts contain no other provisions for compensation payable on early termination. In the event of early termination, the Committee will, within legal constraints, determine the approach to be taken according to the circumstances of each individual case, taking full account of the departing Executive Director's obligation to mitigate loss. Except in cases of early termination for cause, the Committee will take into account the relevant Executive Director's current salary, notice period and contractual benefits when calculating any liability of the Company. The principal contractual benefits provided in addition to salary are pension and life insurance. Annual bonuses and long-term incentives are granted at the discretion of the Committee and therefore would 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.

Executive Directors' shareholdings

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

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

Chairman

The Chairman's contract is effective from 25 January 2010 with 12 months' notice on either side and the requirement to stand for annual re-election at the AGM. There are no contractual entitlements on early termination or following a change of control. His annual fee of £386,000 (US$613,894) is fixed until at least April 2011.

The Chairman was awarded 5.5 million Cable and Wireless plc shares in June 2007 with vesting of the award subject to demanding performance conditions. No shares vest if TSR at the specified date is at or below the mid point of the comparator group of companies in the FTSE GTSI, through to 100% vesting for performance in the top 10% of this comparator group, on a straight-line scale. The award was initially based on a three year performance period, starting from the date of the award on 6 June 2007 but in order to align the Chairman's award with the extension of the Cash LTIP, and following approval by shareholders at the AGM of Cable and Wireless plc in July 2009, the performance period was extended by one year from 6 June 2010 to 5 June 2011. Neither the quantum nor the performance conditions changed at that point.

As a result of demerger the performance conditions were adjusted so that they are measured against the TSR of Cable and Wireless plc for the period up to demerger and measured against the combined TSR of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc for the period after demerger to June 2011. The award will continue over 5.5 million shares in Cable & Wireless Communications Plc and 5.5 million shares in Cable & Wireless Worldwide plc. A takeover, reconstruction or winding up in relation to either Cable & Wireless Communications Plc or Cable & Wireless Worldwide plc would trigger early vesting of the award.

The award is also conditional upon the Chairman retaining a personal holding of at least 3.5 million Cable & Wireless Communications Plc shares and 3.5 million Cable & Wireless Worldwide plc shares for the duration of the performance period and a positive TSR over the performance period.

Non-executive Directors

The Non-executive Directors do not have service contracts with the Company, but instead have letters of appointment. Their fees are determined by the Board, within the limits set out in the Company's Articles of Association, with Non-executive Directors abstaining from any discussion or decision on their fees. Fee levels were last reviewed at the date of demerger to take into account the market in general and the roles of the Non-executive Directors at Cable & Wireless Communications Plc. No changes were made to base fee levels as a result of that review, but certain additional fees were allocated dependent on the Non-executive Directors' new roles. The Non-executive Directors do not receive any incentive payments or pension provision.

Annual fees (based in Sterling) payable to each Non-executive Director for 2010/11 are set out in the table below. US dollar equivalents have been presented for reference purposes. However these reference amounts will fluctuate with changes in exchange rates.

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

Three Directors from Allen & Overy, the demerger legal advisors, were appointed to the Board of Cable & Wireless Communications Plc (formerly Cable & Wireless Communications Limited) from incorporation to 25 January 2010. These Non-executive Directors did not receive any fees for their services to Cable & Wireless Communications Plc.

The annual fees (which are based in Sterling) payable to each Non-executive Director for 2010/11 are as follows:

	Base fee in Sterling	Base fee in US dollars	Additional fees* in Sterling	Additional fees* in US dollars
Simon Ball	65,000	103,376	20,000[1]	31,808[1]
Mary Francis	65,000	103,376	20,000[2]	31,808[2]
Kate Nealon	65,000	103,376	–	–
Kasper Rorsted	65,000	103,376	–	–

* Based on a Sterling to USD exchange rate of 1.5904 which is the average exchange rate used by the Group for 2009/10.

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

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

External directorships

The Company allows Executive Directors to hold external directorships and retain the fees received from those roles.

Details of directorships held and the annual fees received for the financial year 2009/10 are given below:

	Annual fees £	Annual fees US$
George Battersby		
Non-executive Director and Chairman of the Remuneration Committee of Hogg Robinson Group plc	35,000	55,664
Board of Ofsted	4,140	6,584
Tony Rice		
Non-executive Director of Punch Taverns plc	42,000	66,797
Non-executive Director of Alexander Mann Solutions	20,000	31,808

IV) Summary of Executive Directors' remuneration for the year to 31 March 2010

Cable & Wireless Communications Plc is required by statute to present the Directors' remuneration from 19 January 2010 (the date of incorporation) to 31 March 2010. This is in Section V.

In order to provide a helpful historical track record for shareholders, this section summarises the remuneration of the Company's Directors for the full year to 31 March 2010.

The remuneration of all the Directors was based on the remuneration policies of Cable and Wireless plc until 26 March 2010 and on the policies of Cable & Wireless Communications Plc thereafter.

Details of the remuneration policy for Cable and Wireless plc were set out in the 2008/09 Annual Report and the Cable & Wireless Communications prospectus issued on 2 February 2010. Both of these documents are available on our website.

The Directors' remuneration consisted of a base salary, pension and benefits; an annual cash bonus opportunity of up to 100% of salary; and an award of performance shares of up to 400% of base salary with a vesting date in 2012. (Tony Rice, Tim Pennington and Nick Cooper were all and remain participants in the Cash LTIP described on page 48, which will vest finally in 2011.)

The cash bonus payable for the year was based solely on financial performance (profitability and cash flow) for Tony Rice and George Battersby. As the stretching targets set at the start of the year were not met no payment has been made. Tim Pennington and Nick Cooper's bonus metrics were based on the same financial performance criteria but were partially altered in the year to include a personal element (as will be the policy going forward). This was felt appropriate to be able to incentivise and reward them for the demerger process and stock market listing of both companies, as they were deemed to be critical contributors to its success. Total bonus payments were made equal to 25% and 16% of their salaries respectively for this element.

Details of the Directors' remuneration are set out in the tables on pages 53 to 55.

Directors' remuneration

For the non-statutory period 1 April 2009 to 31 March 2010

	Salaries and fees US$	Bonuses US$	Benefits in kind[3] US$	Pension cash allowance[4] US$	**Total 2009/10 US$**	Total 2008/09 US$
Chairman						
Sir Richard Lapthorne, CBE	613,894	–	245,857	–	**859,751**	798,004
Executive Directors						
George Battersby	667,968	–	5,695	166,992	**840,655**	1,428,420
Nick Cooper (from 19 March 2010)[2]	17,593	79,520	133	–	**97,246**	–
Tim Pennington (from 11 November 2008)	636,160	159,040	6,692	159,040	**960,932**	629,507
Tony Rice	954,240	–	61,175	238,560	**1,253,975**	2,114,743
Non-executive Directors						
Simon Ball	262,416	–	2,110	–	**264,526**	188,743
Mary Francis (since 1 July 2009)	77,532	–	601	–	**78,133**	–
Kate Nealon	135,184	–	3,663	–	**138,847**	155,046
Kasper Rorsted	143,136	–	3,744	–	**146,880**	175,144
Total	3,508,123	238,560	329,670	564,592	**4,640,945**	5,489,607

1 The aggregate emoluments of the Directors which include employer pension contributions were US$4,640,945 (2008/09 – US$5,489,607). Continuing costs for salaries/fees for the Board in 2010/11 will be US$2,656,000 (salaries/fees for 2009/10 were US$3,508,123).
2 Nick Cooper was not a Director of Cable and Wireless plc. Therefore the remuneration presented relates only to his period of service to the Group as a Director of Cable & Wireless Communications Plc (from 19 March 2010). The bonus payment applies to the full year and was paid in March 2010.
3 'Benefits in kind' include Company provided life assurance, professional advice, chauffeur travel and the reimbursement of costs associated with accommodation and relocation.
4 Company pension contributions in 2009/10 have been paid to the Directors as an annual cash allowance. An amount of US$24 million (2008/09 – US$19 million) is included in the provisions to cover the cost of former Directors' pension entitlements.

Directors' shareholdings

On 19 March 2010, as part of the Scheme of Arrangement, Cable & Wireless Communications Limited changed its name to Cable & Wireless Communications Plc and was inserted as the new parent of the Cable and Wireless Group.

The beneficial interests of the Directors and their connected persons as notified to the Company in the ordinary shares of the Company were as follows.

For the non-statutory period 1 April 2009 to 31 March 2010

	Cable and Wireless plc shares held as at 1 April 2009 or date of appointment	Cable and Wireless plc shares acquired/ (disposed)	Cable and Wireless plc shares held as at 19 March 2010	Cable & Wireless Communications Plc shares held as at 19 March 2010	Cable & Wireless Communications Plc shares acquired/ (disposed)	Cable & Wireless Communications Plc shares held as at 31 March 2010
Chairman						
Sir Richard Lapthorne, CBE	3,612,786	1,086,083	4,698,869	4,698,869	2,300,000	**6,998,869**
Executive Directors[1]						
George Battersby[2]	446,724	843,827	1,290,551	1,290,551	–	**1,290,551**
Nick Cooper[2] (from 19 March 2010)	313,376	–	313,376	313,376	–	**313,376**
Tim Pennington[2]	1,011	1,015,344	1,016,355	1,016,355	–	**1,016,355**
Tony Rice[2]	3,502,018	107,841	3,609,859	3,609,859	3,390,141	**7,000,000**
Non-executive Directors						
Simon Ball	190,000	28,294	218,294	218,294	80,000	**298,294**
Mary Francis (since 1 July 2009)	2,000	–	2,000	2,000	18,000	**20,000**
Kate Nealon	34,960	–	34,960	34,960	–	**34,960**
Kasper Rorsted	190,000	–	190,000	190,000	–	**190,000**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Cable & Wireless Employee Share Ownership Trust (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 2010 amounted to nil shares.
2 Included in the shares acquired during the year are shares purchased under the Share Purchase Plan as well as any dividends received on the purchased shares which are converted into additional shares. Matching shares allocated under the Share Purchase Plan are not included; details are disclosed on pages 55 to 56.

Cash LTIP

The table below discloses the LTIP amounts receivable and the qualifying period end date under the Cash LTIP, as described on page 48.

For the non-statutory period 1 April 2009 to 31 March 2010

	LTIP interests at 1 April 2009 (units)	LTIP interests awarded during the period (units)	LTIP interests forfeited during the period (units)	LTIP interests at 31 March 2010 (units)	**LTIP receivable at 31 March 2010 US$**	Qualifying period end date
Nick Cooper[1]	–	250	–	250	**–**	31/03/11
Tim Pennington[2]	–	500	–	500	**–**	31/03/11
Tony Rice	1,000	–	–	1,000	**1,622,356**	31/03/11

1 Nick Cooper agreed to waive his restricted share award over 230,038 Cable and Wireless plc ordinary shares granted under the RSP 2005 that was due to vest in June 2011 in consideration for this award.
2 Tim Pennington agreed to waive his performance share award over 1,187,295 Cable and Wireless plc ordinary shares granted under the IP2001 in November 2008 in consideration for this award.

Directors' share options

Share options that were not exercised before 19 March 2010 were adjusted by the Cable & Wireless Remuneration Committee so that, following the demerger, they continued in respect of one Cable & Wireless Communications Plc ordinary share and one Cable & Wireless Worldwide plc ordinary share for each Cable and Wireless plc ordinary share that had vested under the original award. All of these options were granted and vested over Cable and Wireless plc shares prior to the demerger.

Information about these share options has not been shown for the statutory period from 19 January to 31 March 2010 as the share options are no longer statutory instruments of the Company. These share options are fully vested options over a stapled unit of one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share respectively, and are therefore not interests in the equity instruments of Cable & Wireless Communications Plc.

For the non-statutory period 1 April 2009 to 31 March 2010

	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2009	Granted between 1 April 2009 and 31 March 2010	Exercised[4]	Lapsed, cancelled or forfeited	**Shares under option at 31 March 2010**
George Battersby									
SOP Approved	3/8/04	3/8/07	2/8/11	108.00	21,991[1]	–	21,991	–	**–**
SOP Unapproved	3/8/04	3/8/07	2/8/11	108.00	620,077[1]	–	–	–	**620,077**
SOP Unapproved	25/8/05	25/8/08	24/8/12	153.90	301,843[2]	–	–	–	**301,843**
SOP Unapproved	2/6/06	2/6/09	1/6/13	101.25	4,148,148	–	–	–	**4,148,148**
					5,092,059	–	21,991	–	**5,070,068**
Nick Cooper									
SOP Approved	13/2/06	13/2/09	12/2/13	103.70	28,929	–	28,929	–	**–**
SOP Unapproved	13/2/06	13/2/09	12/2/13	102.20	405,015	–	405,015	–	**–**
SOP Unapproved	2/6/06	2/6/09	1/6/13	101.25	1,975,308	–	1,975,308	–	**–**
					2,409,252	–	2,409,252	–	**–**
Tony Rice									
SOP Approved	30/3/06	21/5/09[3]	29/3/13	110.50	27,260	–	27,260	–	**–**
SOP Unapproved	30/3/06	21/5/09[3]	29/3/13	110.50	5,424,807	–	–	–	**5,424,807**
					5,452,067	–	27,260	–	**5,424,807**

1 Award granted on 3 August 2004 partially vested on 3 August 2007. At the time, Cable and Wireless plc TSR was 76% which was a ranking of 9th out of 24. This equated to 79.17% of the award vesting.
2 Award granted on 25 August 2005 partially vested on 25 August 2008. At the time, Cable and Wireless plc TSR was 30.1%, which was a ranking of 12th out of 27. This equated to 53.09% of the award vesting.
3 Tony Rice agreed to delay the date on which options were to become first exercisable from March 2009 to 21 May 2009. This was to avoid options becoming exercisable during a prohibited period.
4 The closing mid-market price on 27 August 2009 when Nick Cooper exercised share options was 146.9 pence. In addition, the closing mid-market price on 15 March 2010 when George Battersby, Nick Cooper and Tony Rice exercised share options was 143.9 pence.

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

These are HM Revenue and Customs approved and unapproved grants made under the Cable & Wireless Share Option Plan 2001 (SOP).

No amounts were paid by Directors for the award of the options listed in the table above. The closing mid-market price of an ordinary share in Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc on 31 March 2010 was 55.35 and 92.00 pence respectively.

The highest closing mid-market price of an ordinary share in Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc during the period from 26 March 2010 to 31 March 2010 was 56.75 and 92.25 pence respectively and lowest closing mid-market price was 55.35 and 90.30 pence respectively.

Directors' share awards

For the non-statutory period 1 April 2009 to 19 March 2010

This table sets out awards of Cable and Wireless plc shares prior to demerger. These shares were converted into shares of Cable & Wireless Communications Plc on 19 March 2010 as a result of the Scheme of Arrangement (refer to Section V for movements in Directors' shares post- 19 March 2010). All of these awards were granted over shares in Cable and Wireless plc prior to demerger. The balance of awards as at 31 March 2010 refers to shares in Cable & Wireless Communications Plc. Please see the section 'Share awards granted prior to demerger' on page 49 for information on the treatment of individual Directors' awards.

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Cable and Wireless plc shares under award at 1 April 2009	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Cable and Wireless plc shares under award at 19 March 2010**
Chairman								
Sir Richard Lapthorne, CBE								
Restricted Shares	6/6/07	5/6/11	194.80	5,500,000[1]	–	–	–	**5,500,000**
				5,500,000	–	–	–	**5,500,000**
Executive Directors								
George Battersby								
Restricted Shares[MS]	30/3/06	21/5/09[3]	108.98	917,570[2]	–	917,570	–	**–**
Share Purchase Plan[MS]	8/5/07	8/5/10	189.43	792	–	–	–	**792**
Share Purchase Plan[MS]	6/5/08	6/5/11	151.95	987	–	–	–	**987**
Performance Shares	2/6/09	2/6/12	134.22	–	1,310,303	–	–	**1,310,303**
Performance Shares[DS]	7/8/09	2/6/12	128.30	–	57,906	–	–	**57,906**
Performance Shares [DS]	22/1/10	2/6/12	137.66	–	30,078	–	–	**30,078**
				919,349	1,398,287	917,570	–	**1,400,066**
Nick Cooper								
Restricted Shares	2/6/06	2/6/09	134.22	123,457	–	123,457	–	**–**
Restricted Shares	27/3/06	18/3/09	169.16	295,578	–	295,578	–	**–**
Share Purchase Plan[MS]	8/5/07	8/5/10	189.43	791	–	–	–	**791**
Share Purchase Plan[MS]	6/5/08	6/5/11	151.95	987	–	–	–	**987**
Restricted Shares	11/11/08	18/3/09	134.76	230,039	–	230,039		**–**
Restricted Shares	11/11/08	10/6/11	134.76	230,038	–	–	230,038[4]	**–**
Performance Shares	2/6/09	2/6/12	134.22	–	461,584	–	–	**461,584**
Performance Shares[DS]	7/8/09	2/6/12	128.30	–	20,398	–	–	**20,398**
Performance Shares[DS]	22/1/10	2/6/12	137.66	–	10,595	–	–	**10,595**
				880,890	492,577	649,074	230,038	**494,355**
Tim Pennington								
Restricted Shares[MS]	30/9/08	30/9/11	167.26	179,361	–	89,681[5]	–	**89,681**
Performance Shares	11/11/08	1/11/11	134.76	1,187,295	–	–	1,187,295[6]	**–**
Share Purchase Plan[MS]	7/10/08	7/10/11	153.75	975	–	–	–	**975**
Performance Shares	2/6/09	2/6/12	134.22	–	655,151[7]	–	–	**655,151**
Performance Shares	2/6/09	2/6/12	134.22	–	655,151[7]	–	–	**655,151**
Performance Shares[DS]	7/8/09	2/6/12	128.30	–	28,953	–	–	**28,953**
Performance Shares[DS]	7/8/09	2/6/12	128.30	–	28,953	–	–	**28,953**
Performance Shares[DS]	22/1/10	2/6/12	137.66	–	15,039	–	–	**15,039**
Performance Shares[DS]	22/1/10	2/6/12	137.66	–	15,039	–	–	**15,039**
				1,367,631	1,398,286	89,681	1,187,295	**1,488,942**
Tony Rice								
Restricted Shares[MS]	30/3/06	21/5/09[3]	108.98	1,000,000	–	1,000,000	–	**–**
Restricted Shares[MS]	30/3/06	21/5/09[3]	108.98	2,000,000[2]	–	2,000,000	–	**–**
Share Purchase Plan[MS]	8/5/07	8/5/10	189.43	792	–	–	–	**792**
Share Purchase Plan[MS]	6/5/08	6/5/11	151.95	987	–	–	–	**987**
Performance Shares	2/6/09	2/6/12	134.22	–	2,084,574	–	–	**2,084,574**
Performance Shares[DS]	7/8/09	2/6/12	128.30	–	92,124	–	–	**92,124**
Performance Shares[DS]	22/1/10	2/6/12	137.66	–	47,851	–	–	**47,851**
				3,001,779	2,224,549	3,000,000	–	**2,226,328**

DS Dividend Shares
MS Matching Shares

1 Full vesting of the Restricted Shares occurs only if the combined TSR performance of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc is in the top 10% when compared with the FTSE GTSI, on a straight-line scale. No shares vest for TSR at or below the mid point of the comparator group of companies.
2 These shares were delivered to the Director at the third anniversary of grant, as the Director remained an employee of the Group and retained beneficial ownership of the shares purchased. Performance conditions applied and vesting occurred as the TSR performance of the Cable & Wireless Group met the upper quartile measured against the constituents of the FTSE GTSI.
3 George Battersby and Tony Rice agreed to delay the vesting of awards which were due to vest during March 2009. This was to avoid shares vesting during a prohibited period.
4 Nick Cooper agreed to waive a portion of this award in consideration for his LTIP award.
5 One half of Tim Pennington's Restricted Shares vested on 30 September 2009 with the remaining half vesting on 30 September 2011.
6 Tim Pennington agreed to waive this award in consideration for his LTIP award.
7 The award of 1,310,302 Performance Shares granted to Tim Pennington on 2 June 2009 was split so that half the award was measured over TSR for Cable and Wireless plc and the remaining half was measured over TSR for Cable & Wireless Communications.

V) Summary of statutory information for the period 19 January to 31 March 2010

The following sections of the Directors’ remuneration report have been subject to audit.

Directors’ share awards

For the period 19 January 2010 to 31 March 2010

The table below sets out awards of Cable & Wireless Communications Plc shares during the statutory period, including the conversion of Cable and Wireless plc shares into Cable & Wireless Communications Plc shares on demerger (determined by reference to the average closing price of Cable & Wireless Communications and Cable & Wireless Worldwide shares over the five dealing days commencing on the demerger effective date). Please see the section ‘Share awards granted prior to demerger’ on page 49 for information on the treatment of individual Directors’ awards.

Name and scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communications Plc shares (pence)[3]	Cable & Wireless Communications Plc shares under award at 19 January 2010	Cable & Wireless Communications Plc shares allocated on Scheme of Arrangement (19 March 2010)	Conversion adjustment as a result of demerger	Awarded, (lapsed), (cancelled) or (forfeited) between 19 March 2010 and 31 March 2010	**Cable & Wireless Communications Plc shares under award at 31 March 2010[5]**
Chairman								
Sir Richard Lapthorne, CBE								
Restricted Shares	6/6/07	5/6/11	74.0	–	5,500,000[1]	–	–	**5,500,000**
					5,500,000	–	–	**5,500,000**
Executive Directors								
George Battersby								
Share Purchase Plan [MS]	8/5/07	8/5/10	71.9	–	792	–	–	**792**
Share Purchase Plan [MS]	6/5/08	6/5/11	57.7	–	987	–	–	**987**
Performance Shares	2/6/09	2/6/12	51.0	–	1,310,303	–	–	**1,310,303**
Performance Shares [DS]	7/8/09	2/6/12	48.7	–	57,906	–	–	**57,906**
Performance Shares [DS]	22/1/10	2/6/12	52.3	–	30,078	–	–	**30,078**
					1,400,066	–	–	**1,400,066**
Nick Cooper								
Share Purchase Plan [MS]	8/5/07	8/5/10	71.9	–	791	–	–	**791**
Share Purchase Plan [MS]	6/5/08	6/5/11	57.7	–	987	–	–	**987**
Performance Shares	2/6/09	2/6/12	51.0	–	461,584	–	–	**461,584**
Performance Shares [DS]	7/8/09	2/6/12	48.7	–	20,398	–	–	**20,398**
Performance Shares [DS]	22/1/10	2/6/12	52.3	–	10,595	–	–	**10,595**
					494,355	–	–	**494,355**
Tim Pennington								
Restricted Shares [MS]	30/9/08	30/9/11	63.5	–	89,681[2]	146,519	–	**236,200**
Share Purchase Plan [MS]	7/10/08	7/10/11	58.4	–	975	–	–	**975**
Performance Shares	2/6/09	2/6/12	51.0	–	655,151[4]	–	–	**655,151**
Performance Shares	2/6/09	2/6/12	51.0	–	655,151[4]	1,070,376	–	**1,725,527**
Performance Shares [DS]	7/8/09	2/6/12	48.7	–	28,953	47,302	–	**76,255**
Performance Shares [DS]	7/8/09	2/6/12	48.7	–	28,953	–	–	**28,953**
Performance Shares [DS]	22/1/10	2/6/12	52.3	–	15,039	24,570	–	**39,609**
Performance Shares [DS]	22/1/10	2/6/12	52.3	–	15,039	–	–	**15,039**
				–	1,488,942	1,288,767	–	**2,777,709**
Tony Rice								
Share Purchase Plan [MS]	8/5/07	8/5/10	71.9	–	792	–	–	**792**
Share Purchase Plan [MS]	6/5/08	6/5/11	57.7	–	987	–	–	**987**
Performance Shares	2/6/09	2/6/12	51.0	–	2,084,574	3,405,746	–	**5,490,320**
Performance Shares [DS]	7/8/09	2/6/12	48.7	–	92,124	150,510	–	**242,634**
Performance Shares [DS]	22/1/10	2/6/12	52.3	–	47,851	78,178	–	**126,029**
					2,226,328	3,634,434	–	**5,860,762**

DS Dividend Shares
MS Matching Shares

1 Full vesting of the restricted shares occurs only if the combined TSR performance of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc is in the top 10% when compared with the FTSE GTSI, on a straight-line scale. No shares vest for TSR at or below the mid point of the comparator group of companies.
2 One half of Tim Pennington’s Restricted Shares vested on 30 September 2009 with the remaining half vesting on 30 September 2011.
3 The market price on the date of award 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.
4 The award of 1,310,302 Performance Shares granted to Tim Pennington on 2 June 2009 was split so that half the award was measured over TSR for Cable and Wireless plc and the remaining half was measured over TSR for Cable & Wireless Communications.
5 The total number of shares comprised in each Performance Share award adjusted as a result of the demerger has been included in the table 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 ordinary shares and Cable & Wireless Worldwide ordinary shares over the five trading days commencing on the demerger effective date, being 26 March 2010, and concluding on 1 April 2010. The adjusted awards were granted by the Cable & Wireless Employee Share Ownership Trust on 13 May 2010.

Directors' remuneration

Directors' statutory remuneration has been calculated based on the 13 day period from the date of the Scheme of Arrangement on 19 March 2010 to 31 March 2010. Prior to 19 March 2010 the Directors were not paid for their services to Cable & Wireless Communications Plc.

For the statutory period 19 January 2010 to 31 March 2010

	Salaries and fees US$	Bonuses US$	Benefits in kind[3] US$	Pension cash allowance[4] US$	**Total for 19 January 2010 to 31 March 2010 US$**
Chairman					
Sir Richard Lapthorne, CBE (appointed on 25 January 2010)	21,865	–	8,757	–	**30,622**
Executive Directors					
George Battersby (appointed on 25 January 2010)	23,791	–	203	5,948	**29,942**
Nick Cooper (appointed on 25 January 2010)	17,593	79,520[2]	133	–	**97,246**
Tim Pennington (appointed on 25 January 2010)	22,658	159,040[2]	238	5,664	**187,600**
Tony Rice (appointed on 25 January 2010)	33,987	–	2,179	8,497	**44,663**
Non-executive Directors					
Simon Ball (appointed on 25 January 2010)	9,346	–	75	–	**9,421**
Mary Francis (appointed on 25 January 2010)	2,761	–	21	–	**2,782**
Kate Nealon (appointed on 25 January 2010)	4,815	–	130	–	**4,945**
Kasper Rorsted (appointed on 25 January 2010)	5,098	–	133	–	**5,231**
A & O Alnery Incorporations No. 1 Limited (19 January 2010 to 25 January 2010)	–	–	–	–	–
A & O Alnery Incorporations No. 2 Limited (19 January 2010 to 25 January 2010)	–	–	–	–	–
Craig Morris (19 January 2010 to 25 January 2010)[5]	–	–	–	–	–
Total	141,914	238,560	11,869	20,109	**412,452[1]**

1 The aggregate emoluments of the Directors for the statutory period which include employer pension contributions were US$412,452.
2 Bonus amounts shown apply to the full year and were paid in March 2010.
3 'Benefits in kind' include Company provided life assurance, professional advice and chauffeur travel and the reimbursement of costs associated with accommodation and relocation.
4 Company pension contributions in 2009/10 have been paid to the Directors as an annual cash allowance. An amount of US$24 million is included in the provisions to cover the cost of former Directors' pension entitlements.
5 Craig Morris was an employee of Allen & Overy LLP.

Directors' shareholdings

The beneficial interests of the Directors and their connected persons as notified to the Company in the ordinary shares of the Company were as follows.

For the statutory period 19 January 2010 to 31 March 2010

	Shares held as at 19 January 2010[3]	Shares acquired/ (disposed)[3]	Shares held prior to 19 March 2010[3]	Shares allotted following Scheme of Arrangement (19 March 2010)	Shares acquired/ (disposed)	Shares held as at 31 March 2010
Chairman						
Sir Richard Lapthorne, CBE (appointed on 25 January 2010)	–	–	–	4,698,869	2,300,000	**6,998,869**
Executive Directors[1]						
George Battersby (appointed on 25 January 2010)[2,4]	–	–	–	1,290,551	–	**1,290,551**
Nick Cooper(appointed on 25 January 2010)[2,4]	–	–	–	313,376	–	**313,376**
Tim Pennington (appointed on 25 January 2010)[2,4]	–	–	–	1,016,355	–	**1,016,355**
Tony Rice (appointed on 25 January 2010)[2,4]	–	–	–	3,609,859	3,390,141	**7,000,000**
Non-executive Directors						
Simon Ball (appointed on 25 January 2010)	–	–	–	218,294	80,000	**298,294**
Mary Francis (appointed on 25 January 2010)	–	–	–	2,000	18,000	**20,000**
Kate Nealon (appointed on 25 January 2010)	–	–	–	34,960	–	**34,960**
Kasper Rorsted (appointed on 25 January 2010)	–	–	–	190,000	–	**190,000**
A & O Alnery Incorporations No. 1 Limited (19 January 2010 to 25 January 2010)	20	(20)	–	–	–	**–**
A & O Alnery Incorporations No. 2 Limited (19 January 2010 to 25 January 2010)	20	(20)	–	–	–	**–**
Craig Morris (19 January 2010 to 25 January 2010)[5]	–	–	–	–	–	**–**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Cable & Wireless Employee Share Ownership Trust (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 2010 amounted to nil shares.
2 Included in the shares acquired during the year are shares purchased under the Share Purchase Plan as well as any dividends received on the purchased shares which are converted into additional shares. Matching shares allocated under the Share Purchase Plan are not included; details are disclosed on pages 55 to 56.
3 Shares in Cable & Wireless Communications Plc came into existence following the Scheme of Arrangement on 19 March 2010. These shares were subsequently listed on 22 March 2010.
4 As at 26 May 2010, there were the following increases to the interests of Directors and their connected persons due to partnership shares purchased under the Cable & Wireless Communications Plc Share Purchase Plan: Nick Cooper – 2,492 shares; Tim Pennington – 2,491 shares; Tony Rice – 2,492 shares. An equivalent number of matching shares were also allocated.
5 Craig Morris was an employee of Allen & Overy LLP.

Directors' remuneration report

Cash LTIP

The table below discloses the LTIP amounts receivable and the qualifying period end date under the Cash LTIP, as described on page 48.

For the statutory period 19 January 2009 to 31 March 2010

	LTIP interests at 19 January 2010 (units)	LTIP interests at 19 March 2010 (units)	LTIP interests allocated on Scheme of Arrangement (19 March 2010) (units)	LTIP interests at 31 March 2010 (units)	**LTIP receivable at 31 March 2010 US$**	Qualifying period end date
Nick Cooper[1]	–	–	250	250	**–**	31/03/11
Tim Pennington[2]	–	–	500	500	**–**	31/03/11
Tony Rice	–	–	1,000	1,000	**1,622,356**	31/03/11

1 Nick Cooper agreed to waive his restricted share award over 230,038 Cable and Wireless plc ordinary shares granted under the RSP 2005 that was due to vest in June 2011 in consideration for this award.
2 Tim Pennington agreed to waive his performance share award over 1,187,295 Cable and Wireless plc ordinary shares granted under the IP 2001 in November 2008 in consideration for this award.

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

Mary Francis CBE
Chair, Remuneration Committee

26 May 2010

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the Financial statements (Group and Company) in accordance with applicable laws and regulations.

English company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law. Further, they have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law (UK GAAP). The financial statements are required by law to give a true and fair view of the assets, liabilities and financial position of the Group and the Company and of the Group's income statement for that period.

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and 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; and
- For the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, with regard to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for the system of internal control for safeguarding the assets of the Company and the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

A copy of the financial statements of the Company is posted on the Cable & Wireless Communications Plc website (www.cwc.com). The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

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

- The 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 financial statements, prepared in accordance with UK GAAP give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, 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 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.

By order of the Board

Clare Underwood
Company Secretary

26 May 2010

Independent auditor's report

We have audited the Group financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2010 set out on pages 61 to 122. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 59, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the part of the Directors' remuneration report annotated as audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- if information specified by law regarding Directors' remuneration and other transactions is not disclosed; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 41, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 43 to 44 relating to the Group's compliance with the nine provisions of the June 2008 Combined Code specified for our review. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Other matter

We have reported separately on the information in the Directors' remuneration report that is described as having been audited.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

26 May 2010

Consolidated income statement

for the year ended 31 March 2010

	Note	2009/10 Pre-exceptional items US$m	2009/10 Exceptional items[1] US$m	2009/10 Total US$m	2008/09* Pre-exceptional items US$m	2008/09* Exceptional items[1] US$m	2008/09* Total US$m
Continuing operations							
Revenue	5	**2,346**	**–**	**2,346**	2,447	–	2,447
Operating costs before depreciation and amortisation	7	**(1,481)**	**(49)**	**(1,530)**	(1,576)	(100)	(1,676)
Depreciation	20	**(295)**	**–**	**(295)**	(250)	–	(250)
Amortisation	19	**(53)**	**–**	**(53)**	(44)	–	(44)
Other operating income	8	**4**	**–**	**4**	3	–	3
Other operating expense	9	**(1)**	**(33)**	**(34)**	(6)	–	(6)
Group operating profit/(loss)		**520**	**(82)**	**438**	574	(100)	474
Share of post-tax profit of joint ventures	21	**30**	**–**	**30**	60	–	60
Total operating profit/(loss)		**550**	**(82)**	**468**	634	(100)	534
Gains on the sale of non-current assets	11	**–**	**–**	**–**	14	–	14
Losses and gains on termination of operations	12	**(1)**	**–**	**(1)**	5	–	5
Finance income	13	**23**	**19**	**42**	46	–	46
Finance expense	13	**(119)**	**(7)**	**(126)**	(107)	(98)	(205)
Profit/(loss) before income tax		**453**	**(70)**	**383**	592	(198)	394
Income tax (expense)/credit	14	**(126)**	**6**	**(120)**	(100)	12	(88)
Profit/(loss) for the year from continuing operations		**327**	**(64)**	**263**	492	(186)	306
Discontinued operations							
Profit/(loss) for the year from discontinued operations	15	**302**	**(122)**	**180**	225	(134)	91
Profit/(loss) for the year		**629**	**(186)**	**443**	717	(320)	397
Profit/(loss) attributable to:							
Owners of the parent		**486**	**(182)**	**304**	566	(315)	251
Non-controlling interests		**143**	**(4)**	**139**	151	(5)	146
		629	**(186)**	**443**	717	(320)	397
Earnings per share attributable to the owners of the parent during the year (cents per share)	16						
– basic				**11.9c**			10.1c
– diluted				**11.8c**			10.0c
Earnings per share from continuing operations attributable to the owners of the parent during the year (cents per share)	16						
– basic				**4.9c**			6.4c
– diluted				**4.8c**			6.4c
Earnings per share from discontinued operations attributable to the owners of the parent during the year (cents per share)	16						
– basic				**7.0c**			3.7c
– diluted				**7.0c**			3.6c

*The results of the Cable & Wireless Worldwide business have been presented in discontinued operations (refer note 2.1 for further information).

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

The notes on pages 67 to 122 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2010

	Note	2009/10 US$m	2009/10 US$m	2008/09 US$m	2008/09 US$m
Profit for the year			**443**		397
Other comprehensive income for the year:					
Actuarial losses in the value of defined benefit retirement plans	33		**(463)**		(136)
Exchange differences on translation of foreign operations		**(14)**		565	
Less: Amounts recognised in the income statement on disposal of foreign operations		**19**		(12)	
			5		553
Exchange differences relating to hedging instrument			**3**		(79)
Fair value gain on available-for-sale assets			**2**		–
Other comprehensive income for the year			**(453)**		338
Income tax relating to components of other comprehensive income	14		**–**		–
Other comprehensive income for the year, net of tax			**(453)**		338
Total comprehensive income for the year			**(10)**		735
Total comprehensive income attributable to:					
Owners of the parent			**(148)**		473
Non-controlling interests			**138**		262

The notes on pages 67 to 122 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 March 2010

	Note	31 March 2010 US$m	31 March 2009 US$m
Assets			
Non-current assets			
Intangible assets	19	**414**	1,727
Property, plant and equipment	20	**1,725**	2,976
Investments in joint ventures	21	**231**	327
Available-for-sale financial assets	22	**29**	55
Other receivables	23	**42**	75
Deferred tax asset	31	**19**	93
Retirement benefit assets	33	**35**	39
		2,495	5,292
Current assets			
Trade and other receivables	23	**491**	1,411
Inventories	24	**49**	33
Cash and cash equivalents	25	**573**	790
Financial assets at fair value through the income statement	26	**65**	–
		1,178	2,234
Non-current assets held for sale		**3**	1
		1,181	2,235
Total assets		**3,676**	7,527
Liabilities			
Current liabilities			
Trade and other payables	27	**769**	2,188
Loans and obligations under finance leases	28	**58**	130
Financial liabilities at fair value	29	**30**	36
Provisions	32	**104**	157
Current tax liabilities		**187**	180
		1,148	2,691
Net current assets/(liabilities)		**33**	(456)
Non-current liabilities			
Trade and other payables	27	**3**	16
Loans and obligations under finance leases	28	**1,179**	1,206
Financial liabilities at fair value	29	**189**	202
Deferred tax liabilities	31	**42**	54
Provisions	32	**27**	270
Retirement benefit obligations	33	**227**	123
		1,667	1,871
Net assets		**861**	2,965
Equity			
Capital and reserves attributable to the owners of the parent			
Share capital	34	**131**	129
Share premium	34	**62**	1,889
Reserves	34	**221**	632
		414	2,650
Non-controlling interests		**447**	315
Total equity		**861**	2,965

The notes on pages 67 to 122 are an integral part of these financial statements. These financial statements on pages 61 to 66 were approved by the Board of Directors on 26 May 2010 and signed on its behalf by:

Sir Richard Lapthorne
Chairman

Tim Pennington
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2010

	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 2008	127	1,802	(245)	2,485	(795)	3,374	383	3,757
Profit for the year	–	–	–	–	251	251	146	397
Net actuarial losses recognised (net of taxation)	–	–	–	–	(134)	(134)	(2)	(136)
Exchange differences on translation of foreign operations	–	–	435	–	–	435	118	553
Exchange differences relating to hedging instrument	–	–	(79)	–	–	(79)	–	(79)
Total comprehensive income for the year	–	–	356	–	117	473	262	735
Cash received in respect of employee share schemes	–	–	–	–	4	4	–	4
Own shares purchased	–	–	–	–	(4)	(4)	–	(4)
Share-based payment expenses	–	–	–	–	21	21	–	21
Issue of share capital	2	87	–	(89)	89	89	–	89
Dividends	–	–	–	–	(341)	(341)	–	(341)
Foreign exchange	–	–	–	–	(968)	(968)	(112)	(1,080)
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	2	87	–	(89)	(1,199)	(1,199)	(112)	(1,311)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(216)	(216)
Purchase of non-controlling interest	–	–	–	2	–	2	(2)	–
Total dividends and other transactions with non-controlling interests	–	–	–	2	–	2	(218)	(216)
Balance at 31 March 2009	129	1,889	111	2,398	(1,877)	2,650	315	2,965
Profit for the year	–	–	–	–	304	304	139	443
Net actuarial losses recognised (net of taxation)	–	–	–	–	(462)	(462)	(1)	(463)
Exchange differences on translation of foreign operations	–	–	5	–	–	5	–	5
Exchange differences relating to hedging instrument	–	–	3	–	–	3	–	3
Fair value movements in available-for-sale assets	–	–	–	2	–	2	–	2
Total comprehensive income/(expense) for the year	**–**	**–**	**8**	**2**	**(158)**	**(148)**	**138**	**(10)**
Cash received in respect of employee share schemes	–	–	–	–	6	6	–	6
Own shares purchased	–	–	–	–	(1)	(1)	–	(1)
Share-based payment expenses	–	–	–	–	25	25	–	25
Issue of share capital	2	104	–	(106)	106	106	–	106
Equity element of the convertible bond	–	–	–	37	–	37	–	37
Dividends	–	–	–	–	(355)	(355)	–	(355)
Foreign exchange	–	–	–	–	867	867	–	867
Demerger of Cable & Wireless Worldwide business (note 2.1)	–	–	–	(37)	(2,749)	(2,786)	–	(2,786)
Court approved capital reduction scheme	–	(1,931)	–	1,931	–	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	**2**	**(1,827)**	**–**	**1,825**	**(2,101)**	**(2,101)**	**–**	**(2,101)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	(126)	(126)
Non-controlling interest reallocation	–	–	–	–	(11)	(11)	11	–
Purchase of non-controlling interest	–	–	–	30	(6)	24	109	133
Total dividends and other transactions with non-controlling interests	**–**	**–**	**–**	**30**	**(17)**	**13**	**(6)**	**7**
Balance at 31 March 2010	**131**	**62**	**119**	**4,255**	**(4,153)**	**414**	**447**	**861**

The notes on pages 67 to 122 are an integral part of these financial statements.

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. On 24 May 2010, a duly constituted committee of the Board of Directors approved the release of £90 million (US$134 million), being an amount sufficient to allow payment of the proposed dividend.

Consolidated statement of cash flows

for the year ended 31 March 2010

	Note	2009/10 US$m	2008/09* US$m
Cash flows from operating activities			
Cash generated from continuing operations (see page 66)		**676**	751
Cash generated from discontinued operations		**382**	426
Income taxes paid		**(110)**	(115)
Net cash from operating activities		**948**	1,062
Cash flows from investing activities			
Continuing operations			
Finance income		**7**	32
Other income/(expense)		**1**	(4)
Dividends received		**30**	30
Decrease in available-for-sale assets		**14**	–
Proceeds on disposal of property, plant and equipment		**5**	4
Purchase of property, plant and equipment		**(267)**	(329)
Purchase of intangible assets		**(21)**	(30)
Disposal of subsidiaries and non-controlling interests		**–**	11
Acquisition of subsidiaries (net of cash received) and non-controlling interests		**19**	(28)
Net cash used in continuing operations		**(212)**	(314)
Discontinued operations		**(394)**	(999)
Net cash used in investing activities		**(606)**	(1,313)
Net cash flow before financing		**342**	(251)
Cash flows from financing activities			
Continuing operations			
Dividends paid to the owners of the parent		**(268)**	(258)
Dividends paid to non-controlling interests		**(144)**	(135)
Finance expense		**(105)**	(131)
Demerger finance costs		**(27)**	–
Repayments of borrowings		**(620)**	(77)
Payment to Cable & Wireless Worldwide plc for transfer of convertible bond		**(366)**	–
Proceeds from borrowings		**1,064**	557
Proceeds on issue of shares on settlement of share options		**24**	9
Purchase of shares for share awards		**(1)**	(4)
Net cash used in continuing operations		**(443)**	(39)
Discontinued operations		**142**	(53)
Net cash used in financing activities		**(301)**	(92)
Net (decrease)/increase in cash and cash equivalents:			
From continuing operations		**(89)**	283
From discontinued operations		**130**	(626)
Less: cash held by the Cable & Wireless Worldwide business at demerger		**(288)**	–
Net decrease in cash and cash equivalents		**(247)**	(343)
Cash and cash equivalents at 1 April		**790**	1,398
Exchange gains/(losses) on cash and cash equivalents		**30**	(265)
Cash and cash equivalents at 31 March	25	**573**	790

*The operations of the Cable & Wireless Worldwide business have been presented in discontinued operations (refer note 2.1 for further information).

The notes on pages 67 to 122 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2010

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

	Note	**2009/10 US$m**	2008/09* US$m
Continuing operations			
Profit for the year		**263**	306
Adjustments for:			
Tax expense	14	**120**	88
Depreciation	20	**295**	250
Amortisation	19	**53**	44
Loss/(gain) on termination of operations	12	**1**	(5)
Gain on sale of non-current assets	11	**–**	(14)
(Gain)/loss on disposal of property, plant and equipment		**(4)**	3
Finance income	13	**(42)**	(46)
Finance expense	13	**126**	205
Decrease in provisions		**(16)**	(16)
Employee benefits		**16**	(18)
Defined benefit pension scheme buy-in contribution		**(43)**	(4)
Defined benefit pension scheme other contributions		**(11)**	(9)
Share of post-tax results of joint ventures	21	**(30)**	(60)
Operating cash flows before working capital changes		**728**	724
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
Increase in inventories		**(17)**	(10)
Decrease in trade and other receivables		**10**	79
Decrease in payables		**(45)**	(42)
Cash generated from continuing operations		**676**	751

*The operations of the Cable & Wireless Worldwide business have been represented in discontinued operations (refer note 2.1 for further information).

The notes on pages 67 to 122 are an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2010

1 General information

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

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Cable & Wireless Communications Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 March 2010.

Group reorganisation and demerger

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

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

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

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

These transactions resulted in the demerger of the Cable & Wireless Worldwide business from the Cable & Wireless Communications Group and the holders of shares in Cable & Wireless Communications Plc at 26 March 2010 receiving one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc for every share in Cable & Wireless Communications Plc held at that date. The results of the Cable & Wireless Worldwide business are shown as discontinued operations in these financial statements.

See note 15 for further information on other significant aspects and transactions of the demerger.

Change of functional and presentation currency

Following the demerger of the Worldwide business, the Group has changed its presentation currency from Sterling to US dollars, as this is the most representative currency of the remaining Group's operations. At the same time, the functional currency of the parent company and of the majority of holding and financing companies of the Group that previously had a Sterling functional currency was changed to US dollars. The Directors consider the US dollar to most faithfully represent the economic effects of the underlying transactions, events and conditions for these companies within the Cable & Wireless Communications Group. The consolidated financial statements of the Group for the year ended 31 March 2009 have been represented in US dollars. The principal exchange rates used in preparing the Group financial statements are set out in note 4.

2.1 Basis of preparation continued

These consolidated financial statements are presented in US dollars (US$) and rounded to the nearest million.

The comparative amounts for the income statement and statement of cash flows have been represented for the classification of the Cable & Wireless Worldwide business' results as discontinued. In addition, comparative reserves and share capital have been presented in accordance with the principles of reverse acquisitions. See note 34 for more information.

The consolidated accounts have been prepared on the historical cost basis except for certain financial instruments held at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

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

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

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

The accounting policies have been applied consistently by Group entities.

2.2 Application of recently issued International Financial Reporting Standards

The Group considered the implications, if any, of the following amendments to IFRS during the year ended 31 March 2010.

New and amended Standards and Interpretations endorsed by the European Union and effective for the Group at dates from 1 April 2009 adopted by the Group in 2009/10

Title	EU effective date	Description	Impact on the Group
Amendments to IAS 1 *Presentation of Financial Statements: A Revised Presentation*	Annual periods beginning on or after 1 January 2009.	The amendments affect the presentation of owner changes in equity and introduce the concept of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.	These are presentation amendments only and did not have a material impact on the Group.
Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*	Annual periods beginning on or after 1 January 2009.	The amendments require some puttable financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity.	These amendments did not have an effect on the Group.
IFRS 8 *Operating Segments*	Annual periods beginning on or after 1 January 2009.	The IFRS requires disclosures in respect of the operating segments of the Group. This standard requires segmental disclosures presented on the basis upon which management views the Group.	This is a presentation standard only and did not have a material impact on the Group.
Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	Annual periods beginning on or after 1 January 2009.	The amendment removes the concept of pre- and post-acquisition reserves from IFRS.	The amendments did not have a material impact on the Group.
Amendments to IFRS 7 *Improving Disclosures about Financial Instruments*	Annual periods beginning on or after 1 January 2009.	This amendment contains further disclosure requirements to enhance the information available to investors about fair value measurement and liquidity risk associated with an entity's financial instruments.	This is a disclosure standard only and did not have a material impact on the Group.
IFRIC 12 *Service Concession Arrangements*	Annual periods beginning on or after 29 March 2009.	The interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements.	The Group does not have any public-to-private service concession arrangements.
IFRIC 14 *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Annual periods beginning on or after 1 January 2009.	IFRIC 14 clarifies three issues: o how entities should determine the limit placed by IAS 19 *Employee Benefits* on the amount of a surplus in a pension plan they can recognise as an asset; o how a minimum funding requirement affects that limit; and o when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19.	This interpretation did not have a material impact on the Group.
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	Annual periods beginning on or after 1 October 2008.	This Interpretation provides guidance on the nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated, where in the group a hedging instrument can be held and which amounts should be reclassified from equity to the income statement as reclassification adjustments on disposal of the foreign operation.	This amendment did not have a material impact on the Group.
Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*	Annual periods ending on or after 30 June 2009.	These amendments allow the reassessment of embedded derivatives on reclassification of financial instruments out of the fair value through the income statement category.	The amendments did not have a material impact on the Group.
Improvements to IFRS 2008	Various dates, earliest is annual periods beginning on or after 1 January 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	These improvements did not have a material impact on the Group.

2.2 Application of recently issued International Financial Reporting Standards continued

New and amended Standards and Interpretations endorsed by the European Union and not adopted by the Group

Title	EU effective date	Description	Expected adoption date and impact on the Group
Revised IAS 27 *Consolidated and Separate Financial Statements*	Annual periods beginning on or after 1 July 2009.	The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions.	The Group will adopt for 2010/11. This amendment is consistent with current Group policy.
Amendments to IAS 32 *Classification of Rights Issues*	Annual periods beginning on or after 1 February 2010.	The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.	The Group will adopt for 2010/11. These amendments are not expected to have a material impact on the Group.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Annual periods beginning on or after 1 July 2009.	The amendment clarifies how existing hedge accounting principles should be applied to the designation of a one-sided risk in a hedged item and to inflation in a hedged item.	The Group will adopt for 2010/11. These amendments are not expected to have a material impact on the Group.
Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*	Annual periods beginning on or after 1 January 2010.	These amendments clarify the scope of IFRS 2 and its interaction with other standards. They also address how an entity should account for some share-based payments in its own financial statements if its parent or another entity in the Group will pay for goods or services that it has received.	The Group will adopt for 2010/11. The amendments are not expected to have a material impact on the Group.
Revised IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2009.	The main changes in the revised IFRS 3 include the separate accounting for acquisition related costs, changes to business combinations achieved in stages and changes to the accounting for business combinations where less than 100% of the equity is acquired.	These changes will be effective for businesses purchased by the Group after 31 March 2010. As such, no assessment can be determined of their impact.[1]
IFRIC 17 *Distribution of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009.	This interpretation applies to non-cash dividends excluding those controlled by the same party before and after the transaction. It clarifies the recognition and measurement of non-cash dividends payable.	The Group will adopt for 2010/11. This interpretation is not expected to have a material impact on the Group.
IFRIC 18 *Transfers of Assets from Customers*	Annual periods beginning on or after 1 November 2009.	The IFRIC clarifies how existing IFRS are applied to agreements in which an entity receives an asset from a customer which it then uses to connect the customer to a network or provide ongoing access to goods or services.	The Group will adopt for 2010/11. This interpretation is not expected to have a material impact on the Group.
Improvements to IFRS 2009	Various dates, earliest is annual periods beginning on or after 1 July 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	The Group will adopt for 2010/11. These improvements are not expected to have a material impact on the Group.[1]

1 IFRS 3 Revised contains provisions relating to contingent consideration which would result in all of the changes in the fair value of the Group's put option being recorded through the income statement. However, subsequent amendments contained in Improvements to IFRS 2009 have resulted in the requirements contained within the previous version of IFRS 3 being grandfathered.

New and amended Standards and Interpretations not yet adopted by the European Union and the Group

Title	IASB effective date	Description	Expected adoption date (subject to European Union endorsement) and impact on the Group
IFRS 9 *Financial Instruments*	Annual periods beginning on or after 1 January 2013.	This IFRS simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items.	The Group will adopt for 2013/14. This IFRS replaces parts of IAS 39 and is not expected to not have a material impact on the Group.
Revised IAS 24 *Related Party Disclosures*	Annual periods beginning on or after 1 January 2011.	The revisions provide an exemption from disclosure requirements for transactions between state-controlled entities and removes some inconsistencies.	The Group will adopt for 2011/12. These revisions are not expected to have a material impact on the Group.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	Annual periods beginning on or after 1 January 2011.	The amendments permit entities to treat an early payment of a contribution to cover minimum funding requirements as an asset.	The Group will adopt for 2011/12. These amendments are consistent with current Group policy.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after 1 July 2010.	This IFRIC provides guidance on accounting for 'debt to equity swaps' where a debtor extinguishes the liability fully or partially by issuing equity instruments to the creditor.	The Group will adopt for 2011/12. This interpretation is not expected to have material impact on the Group.
Improvements to IFRS 2010	Various dates, earliest is annual periods beginning on or after 1 January 2011.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	The Group will adopt for 2011/12. These improvements are not expected to have a material impact on the Group.

2.3 Basis of consolidation

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

Subsidiaries

Subsidiaries are entities controlled by and forming part of the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as 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.

The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

Joint ventures

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

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement. 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.

2.3 Basis of consolidation continued

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

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

2.4 Segmental reporting

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies in 38 countries offering mobile, broadband and domestic and international fixed line services to residential and business customers. It has four principal operations being the Caribbean, Panama, Macau and Monaco & Islands.

IFRS 8 *Operating Segments* requires disclosures in respect of the operating segments of the Group according to the 'management approach'. This approach reflects the type and extent of information presented to the chief operating decision-maker of the Group (the Cable & Wireless Communications Plc Board (the Board)).

The Group is organised into four principal operations being the Caribbean, Panama, Macau and Monaco & Islands. The Board considers the performance of each of these operations in assessing the performance of the Group and making decisions about the allocation of resources. Accordingly, these are the operating segments disclosed. There are no other operating segments identified by the Board. The operating segments are reported in a manner consistent with the internal reporting provided to the Board.

The Group's results also contain the results of the former Headquarters of the Cable & Wireless International (CWI) business and the Cable and Wireless plc Central function. These central functions primarily act as a portfolio manager and operational support provider. This operational support includes risk management, best practice sharing, facilitating the development and enhancement of Customer Relationship Management strategies and billing systems, as well as provision of specialist procurement, networks, technology, legal, finance, tax, communications and human resources services. These functions are not considered to be operating segments as they do not earn revenue from their activities. Their results are reported separately from the results of operations.

2.5 Foreign currency translation

a) Functional currency

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

b) Foreign currency translation

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

c) Foreign operations

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

i) assets and liabilities are translated at the closing rate at the reporting date;
ii) income and expenses are translated at rates closely approximating the rate at the date of the transactions; and
iii) resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

There are no Group entities operating in a hyperinflationary economy.

2.6 Property, plant and equipment

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

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

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

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

Depreciation is not recognised on freehold land or assets under construction. On other property, plant and equipment, depreciation is recognised on the difference between the cost of an item and its estimated residual value, on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

Gains and losses on the sale of property, plant and equipment are determined by reference to the proceeds and net book values. These gains and losses are recognised in the income statement.

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

2.7 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary or joint venture. It is not amortised. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures is included in the carrying value of those investments.

Goodwill 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.

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

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

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

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

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

2.8 Financial instruments

Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through the income statement, receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Group currently does not currently classify any assets as held-to-maturity investments. The basis of determining fair values is set out in note 2.9.

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

Financial assets at fair value through the income statement

This category has two sub-categories: financial assets held for trading and those designated at fair value through the income statement at inception. 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. Derivatives are also categorised as held for trading. Assets classified as financial assets at fair value through the income statement are presented as current assets if they are either held for trading or are expected to be realised within one year of the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category at inception 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 12 months of the reporting date. Purchases and sales of assets are recognised on the trade-date (the date on which the Group commits to purchase or sell the asset).

Receivables

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. Receivables are included in current assets, except for those with maturities greater than one year after the reporting date (where they are classified as non-current assets). Receivables are included in trade and other receivables in the statement of financial position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest method less valuation allowance if necessary. A valuation allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the effective interest rate). The allowance is initially recognised in the income statement.

Financial assets – recognition and measurement

Financial assets at fair value through the income statement are recognised and subsequently carried at fair value. Available-for-sale financial assets are recognised and subsequently carried at fair value. Receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets not revalued to fair value through the income statement are initially recognised at fair value plus directly attributable transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether it is impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss is removed from equity and recognised in the income statement. This loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised on these instruments are not reversed through the income statement if the fair value of the security increases in a later period.

Derivative financial instruments

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

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

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

Financial liabilities

Borrowings

Borrowings are recognised initially at fair value net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date (where they are classified as non-current assets).

Puttable instruments

Puttable instruments on non-controlling interests issued as part of a business combination are accounted for by the Group as a financial liability. The liability is based on the present value of the redemption amount as if the puttable instrument had been exercised at the reporting date. Movements in the value of the liability together with dividends paid to non-controlling interests are recognised as adjustments to goodwill with the unwind of the discount on the fair value calculation being recognised in the income statement.

2.9 Fair value estimation for financial instruments

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

The fair value of 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 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.

2.10 Impairment of assets (excluding financial instruments)

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

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

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

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

2.12 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 which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the statement of financial position at fair value. Bank overdrafts are included within loans in current liabilities on the statement of financial position.

2.13 Share capital
Incremental costs directly attributable to the issue of new shares or stand-alone options are recognised in equity as a deduction from the issue proceeds.

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

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

Leases of land and all other leases are classified as operating leases and are not recognised in the statement of financial position. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease.

2.15 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 classified as non-current assets held for sale. With the exception of deferred tax assets, assets arising from employee benefits and financial instruments, these assets are classified as current and 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.

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

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

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

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

The Group recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the statement of comprehensive income. Past service costs are recognised immediately in income, 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.

The IAS 19 surplus or deficit of defined benefit funds is adjusted to reflect the future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for minimum funding contributions in accordance with IFRIC 14. Any adjustment to the surplus is recorded directly in equity.

Other post-employment obligations

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

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 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 income statement, and a corresponding adjustment to equity over the remaining vesting period.

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

Termination benefits

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

Bonus plans

The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-Term Incentive Plan (LTIP)

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

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

Base valuations are adjusted over the performance period i) to reflect additional capital notionally treated as borrowed by the business, ii) to reflect capital notionally treated as returned by the business; and iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mobile monthly access charges 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 mobile 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. The Group assesses whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following factors:

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

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

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecom equipment and ongoing service) is allocated to those components that are capable of operating independently based on the estimated fair value of the components.

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

2.20 Dividend income

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

2.21 Interest income

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

2.22 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. Further detail on exceptional items is set out in note 7 and in the relevant note for each item.

2.23 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.

2.24 Non-cash distributions to owners

Non-cash distributions to owners are accounted for at cost being the carrying amounts of assets and liabilities at the date of the distribution.

3 Critical accounting estimates and judgements

In the preparation of the consolidated financial statements, a number of estimates and assumptions have been made relating to the reporting of results of operations and the financial condition of the Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Group's most critical accounting policies, which are those that are most important to the presentation of its consolidated financial condition and results. These particular policies require subjective and complex judgements, 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 and judgements regarding expectations for the economic useful lives of the products and technology acquired. In this situation, where appropriate, third party valuation specialists are involved.

3.2 Depreciation of property, plant and equipment

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

3.3 Impairment of property, plant and equipment and intangible assets

The Directors assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which 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 its assets or the strategy of the overall business;
- significant negative industry or economic trends; and
- significant decline in the market capitalisation relative to net book value for a sustained period.

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

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

3.4 Revenue recognition

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

3.5 Receivables allowance

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

3.6 Customer and supplier commitments

The nature of the telecommunications industry is such that estimates are often required to be made in relation to customer or supplier commitments, the final outcome of which may not be known for some time. The Group uses estimates of price or usage to determine the revenue and expense recognised in any period. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed. As issues arise or are resolved, accruals are created or released as appropriate – the net impact of this is included in operating profit within the relevant line item.

3.7 Interconnection with other operators

As part of the normal course of business, the Group interconnects with other telecommunications operators. In certain instances it uses estimates to determine the amount of revenue receivable from or expense payable to these other operators. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these adjustments.

Adjustments to interconnect estimates are taken to operating profit in the period in which the adjustments are made.

3.8 Taxation

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

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

3.9 Recognition of deferred tax assets

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

3.10 Provisions

A provision is recognised when there is a present (legal or constructive) obligation in respect of a past event as explained in the accounting policy in note 2.18. Judgement is required to quantify such amounts.

3.11 Pensions

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

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

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

3.12 Fair value estimation

The basis of determining fair values is set out in note 2.9. Where market values are not available, fair values are based on valuation methodologies which require inputs and forecasts to be made. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes 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.

3.13 Long-Term Incentive Plan (LTIP)

The charge calculated in accordance with IAS 19 *Employee Benefits* requires estimates of the valuation of the Group to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective. See page 48 of the Directors' remuneration report for further information.

4 Exchange rates

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

	Year ended 31 March 2010	Year ended 31 March 2009
£ : US$		
Average	**1.5904**	1.7581
Year end	**1.4884**	1.4498
Euro : US$		
Average	**1.4131**	1.4500
Year end	**1.3343**	1.3560

Notes to the consolidated financial statements

for the year ended 31 March 2010

5 Revenue

	2009/10 US$m	2008/09 US$m
Continuing operations		
Sales of telecommunications services and related operations	**2,216**	2,334
Sales of telecom equipment and accessories	**130**	113
Total revenue	**2,346**	2,447

6 Segment information

Operating segments for continuing operations

Cable & Wireless Communications Group is an international telecommunications service provider. It operates integrated telecommunications companies in 38 countries offering mobile, broadband and domestic and international fixed line services to residential and business customers. It has four principal operations which have been identified as the Group's reportable segments, being the Caribbean, Panama, Macau and Monaco & Islands.

The Group also had two functions that did not meet the definition of reportable segments. These functions primarily acted as a portfolio manager and operational support provider for the reportable segments and the Worldwide business (since demerged). These functions were not considered to be operating segments as they did not earn revenue from their activities.

The operating segment results from continuing operations for the two years ended 31 March 2010 are presented below. The non-operating central functions are also disclosed in order to reconcile the reportable segment results to the Group results. The central functions of the Group have been set out below according to their historical presentation. That is, the former CWI headquarters function has been included in 'CWI other and eliminations' and the former Cable and Wireless plc Group headquarters function has been included under 'Cable and Wireless plc'.

	CWI business						
Year ended 31 March 2010	Caribbean US$m	Panama US$m	Macau US$m	Monaco & Islands US$m	CWI other and eliminations[1] US$m	Cable and Wireless plc[2] US$m	Total Cable & Wireless Communi-cations US$m
Revenue	**873**	**621**	**316**	**552**	**(16)**	**–**	**2,346**
Cost of sales	**(227)**	**(188)**	**(125)**	**(200)**	**11**	**–**	**(729)**
Gross margin	**646**	**433**	**191**	**352**	**(5)**	**–**	**1,617**
Pre-exceptional operating costs	**(376)**	**(150)**	**(49)**	**(178)**	**44**	**(42)**	**(751)**
EBITDA[3]	**270**	**283**	**142**	**174**	**39**	**(42)**	**866**
LTIP charge	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Depreciation and amortisation	**(155)**	**(75)**	**(35)**	**(76)**	**(7)**	**–**	**(348)**
Net other operating income	**1**	**1**	**–**	**1**	**–**	**–**	**3**
Group operating profit/(loss)	**116**	**209**	**107**	**99**	**31**	**(42)**	**520**
Share of post-tax profit of joint ventures	**19**	**–**	**–**	**11**	**–**	**–**	**30**
Exceptional operating costs	**(31)**	**–**	**–**	**(4)**	**(8)**	**(39)**	**(82)**
Total operating profit/(loss)	**104**	**209**	**107**	**106**	**23**	**(81)**	**468**
Net other expense							**(1)**
Net finance expense							**(96)**
Non-operating exceptional items							**12**
Profit before income tax							**383**
Income tax							**(120)**
Profit for the year from continuing operations							**263**

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

Year ended 31 March 2009	Caribbean US$m	Panama US$m	Macau US$m	CWI business: Monaco & Islands US$m	CWI business: CWI other and eliminations[1] US$m	Cable and Wireless plc[2] US$m	Total Cable & Wireless Communi-cations US$m
Revenue	975	667	302	506	(3)	–	2,447
Cost of sales	(257)	(226)	(110)	(201)	3	–	(791)
Gross margin	718	441	192	305	–	–	1,656
Pre-exceptional operating costs	(381)	(165)	(53)	(168)	32	(50)	(785)
EBITDA[3]	337	276	139	137	32	(50)	871
LTIP charge	–	–	–	–	–	–	–
Depreciation and amortisation	(119)	(78)	(38)	(54)	(5)	–	(294)
Net other operating (expense)/income	(4)	1	–	–	–	–	(3)
Group operating profit/(loss)	214	199	101	83	27	(50)	574
Share of post-tax profit of joint ventures	30	–	–	30	–	–	60
Exceptional operating costs	(54)	(5)	–	(4)	(24)	(13)	(100)
Total operating profit/(loss)	190	194	101	109	3	(63)	534
Net other income/(expense)							19
Net finance expense							(61)
Non-operating exceptional items							(98)
Profit before income tax							394
Income tax							(88)
Profit for the year from continuing operations							306

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

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

Details of the segment assets and liabilities for the years ended 31 March 2010 and 31 March 2009 are:

At 31 March 2010	Caribbean US$m	Panama US$m	Macau US$m	Monaco & Islands US$m	Other and eliminations[1] US$m	Total US$m
Total assets	**1,318**	**673**	**215**	**1,000**	**470**	**3,676**
Total assets include:						
Investments in joint ventures	**213**	**–**	**–**	**18**	**–**	**231**
Additions to non-current assets during the year (excluding financial assets, deferred tax assets and defined benefit pension assets)	**114**	**95**	**31**	**83**	**6**	**329**
Total liabilities	**(259)**	**(298)**	**(67)**	**(397)**	**(1,794)**	**(2,815)**

1 Other and eliminations includes assets and liabilities of the Central operations of the Cable & Wireless Communications Group and non-operating assets and liabilities.

At 31 March 2009	Caribbean US$m	Panama US$m	Macau US$m	Monaco & Islands US$m	Other and eliminations[1] US$m	Total US$m
Total assets	1,397	647	207	786	476	3,513
Total assets include:						
Investments in joint ventures	212	–	–	115	–	327
Additions to non-current assets during the year (excluding financial assets, deferred tax assets and defined benefit pension assets)	150	83	35	72	9	349
Total liabilities	(316)	(284)	(67)	(361)	(1,393)	(2,421)

1 Other and eliminations includes assets and liabilities of the Central operations of the Cable & Wireless Communications Group and non-operating assets and liabilities.

6 Segment information continued

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 other than those shown in the Other and eliminations column. Further, there are no asymmetrical allocations to reportable segments.

Entity-wide disclosures for continuing operations

The revenue for continuing operations from external customers can be analysed by product as follows:

	2009/10 US$m	2008/09 US$m
Mobile	931	907
Broadband	211	199
Domestic voice	452	519
International voice	195	245
Enterprise, data and other	557	577
Total	**2,346**	2,447

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

	2009/10 US$m	2008/09 US$m
United Kingdom (country of domicile)	–	–
Panama	621	667
Jamaica	248	294
Macau	316	302
Monaco	257	287
All other countries and eliminations[1]	904	897
Total	**2,346**	2,447

1 Other includes the Central operations of the Group.

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

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

Non-current assets in continuing operations (other than financial instruments, deferred tax assets and defined benefit pension assets) are classified by country as follows:

	At 31 March 2010 US$m	At 31 March 2009 US$m
United Kingdom (country of domicile)	–	–
Panama	455	427
Jamaica	264	306
Macau	111	116
Monaco	346	391
All other countries and eliminations[1]	1,236	1,097
Total	**2,412**	2,337

1 Other includes the Central operations of the Group and non-operating assets and liabilities.

7 Operating costs

An analysis of the operating costs from continuing operations incurred by the Group is presented below, classified by the nature of the cost:

	2009/10			2008/09		
	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	729	–	729	791	–	791
Employee and other staff expenses	344	16	360	357	61	418
Operating lease rentals:						
– networks	27	–	27	23	–	23
– property	27	–	27	23	13	36
– plant and equipment	1	–	1	1	–	1
Other administrative expenses	171	33	204	187	26	213
Network costs	116	–	116	120	–	120
Property and utility costs	66	–	66	74	–	74
Operating costs before depreciation and amortisation	1,481	49	1,530	1,576	100	1,676
Depreciation of property, plant and equipment	295	–	295	250	–	250
Amortisation of intangible assets	53	–	53	44	–	44
Operating costs	1,829	49	1,878	1,870	100	1,970

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

Exceptional items

Exceptional items mainly relate to the continuing programme of restructuring the Group's operations including the demerger of the Cable & Wireless Worldwide business and the One Caribbean programme (including redundancy, vacant property and onerous network costs).

Exceptional items within operating costs are disclosed below while further information on other operating and non-operating exceptional items can be found in notes 9 and 13.

	Note	2009/10 US$m	2008/09 US$m
Exceptional items within operating costs			
Staff costs	(i)	16	61
Property costs	(ii)	–	13
Other costs	(iii)	33	26
Total exceptional operating costs		49	100

i) Exceptional staff costs include US$10 million arising from the restructuring of the Group's operations, principally in the Caribbean, and US$6 million relating to the closure of the Central division of Cable and Wireless plc. In 2008/09, these costs related to the restructuring of the Group's operations, principally in the Caribbean, and were net of US$14 million of gains from restructuring post-retirement plans in Jamaica and Barbados (see note 33).
ii) In 2008/09, exceptional property costs primarily related to provisions relating to vacant property.
iii) Exceptional other administrative expenses include US$24 million relating to the One Caribbean restructuring programme and US$9 million relating to costs of defending the Digicel legal claim. The One Caribbean costs primarily consist of consulting and contractor fees (US$20 million) and rebranding and other costs incurred on the reorganisation programme (US$4 million). In 2008/09, exceptional other costs mainly related to the One Caribbean restructuring programme. These costs primarily consisted of US$12 million related to rebranding costs and US$14 million related to restructuring and consultancy.

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7 Operating costs continued
Auditor's remuneration

	2009/10 US$m	2008/09 US$m
Audit services:		
Statutory audit services – in respect of the Group's accounts	2.0	2.6
Audit of the Group's annual accounts	2.0	2.6
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	1.2	1.4
Audit services in respect of prior years – in respect of other statutory accounts	–	0.2
Audit related regulatory reporting	0.5	0.5
	3.7	4.7
Tax services	0.6	0.2
Services related to corporate finance activities	3.2	6.9
Other services	0.8	0.3
	8.3	12.1

Auditor's remuneration for audit and other services in respect of discontinued operations was US$8 million (2008/09 – US$4 million). These amounts are not included in the table above.

Fees paid to KPMG for audit and other services to the Company are included in the table above and are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis.

8 Other operating income
In 2009/10 and 2008/09, other operating income primarily related to gains on disposal of property, plant and equipment.

9 Other operating expenses
In 2009/10, other operating expenses of US$1 million related to losses on disposal of property, plant and equipment. In 2008/09, other operating expenses of US$6 million related to US$3 million of losses on disposal of property, plant and equipment and US$3 million of costs relating to hurricane damage.

In 2009/10, exceptional other operating costs of US$33 million related to the Scheme of Arrangement and demerger. These costs primarily related to professional advisors fees.

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

	2009/10 US$m	2008/09 US$m
Wages and salaries	317	350
Social security costs	12	14
Share-based payments	19	12
Long-Term Incentive Plan	1	–
Pension (credit)/expense:		
– defined benefit schemes	–	(10)
– defined contribution plans	8	9
Temporary labour and recruitment	17	19
	374	394
Less: Staff costs capitalised	(30)	(37)
Staff costs	**344**	357
Exceptional employee and other staff expenses (note 7)	16	61
Total staff costs	**360**	418

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

	2009/10	2008/09
Headquarters	199	198
Caribbean	2,831	3,196
Panama	1,765	1,900
Macau	862	903
Monaco & Islands	1,400	1,106
Total	**7,057**	7,303

In 2009/10, there were 6,575 (2008/09 – 5,605) employees in discontinued operations.

Key management's remuneration

Key management are Directors and senior employees that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of the Cable & Wireless Communications Group.

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

	2009/10 US$m	2008/09 US$m
Salaries and other short-term employment benefits	6	7
Post-employment benefits	–	1
Termination benefits	–	2
Share-based payments	4	8
Long Term Incentive Plan	–	–
Total	**10**	18

Included in the table above are aggregate Directors' emoluments of US$nil million (2008/09 – US$nil million). Directors of Cable & Wireless Communications Plc were only remunerated for their services from 19 March 2010 to 31 March 2010. Please refer to the Directors' remuneration report on pages 46 to 58 for further information. Excluded from the table above are key management expenses of US$15 million (2008/09 – US$17 million) relating to key management in discontinued operations.

11 Gains on the sale of non-current assets

	2009/10			2008/09		
	Pre-exceptional US$m	Exceptional US$m	Total US$m	Pre-exceptional US$m	Exceptional US$m	Total US$m
Gains on the sale of non-current assets	–	–	–	14	–	14

In 2009/10, there were no gains on the sale of non-current assets.

In 2008/09 the gain on disposal of non-current assets principally arose on the recycling of foreign currency translation reserve balances on liquidation of subsidiaries.

12 Gains and losses on termination of operations

	2009/10			2008/09		
	Pre-exceptional US$m	Exceptional US$m	Total US$m	Pre-exceptional US$m	Exceptional US$m	Total US$m
Gain on termination of operations	–	–	–	5	–	5
Loss on termination of operations	(1)	–	(1)	–	–	–

The pre-exceptional loss of US$1 million (2008/09 – gain of US$5 million) was the result of the run off activities of the Group's former insurance operation, Pender Insurance Limited (Pender).

13 Finance income and expense

	2009/10			2008/09		
	Pre-exceptional US$m	Exceptional US$m	Total US$m	Pre-exceptional US$m	Exceptional US$m	Total US$m
Finance income						
Interest on cash and deposits	10	–	10	35	–	35
Investment income	2	–	2	–	–	–
Foreign exchange gains on deposits	11	–	11	11	–	11
Gains on derivative foreign exchange contracts	–	19	19	–	–	–
Total finance income	23	19	42	46	–	46
Finance expense						
Interest on bank loans	36	–	36	29	–	29
Interest on bonds	60	–	60	49	–	49
Unwinding of discounts on provisions	5	–	5	2	–	2
Unwinding of discount on Monaco put option liability	22	–	22	24	–	24
Impairment of financial asset	–	–	–	7	–	7
Losses on derivative foreign exchange contracts	–	–	–	–	98	98
Capitalised finance transaction costs written off	–	7	7	–	–	–
	123	7	130	111	98	209
Less: Interest capitalised	(4)	–	(4)	(4)	–	(4)
Total finance expense	119	7	126	107	98	205

Tax relief of US$1 million is available on interest capitalised in the year ended 31 March 2010 (2008/09 – US$1 million). Interest has been capitalised within property, plant and equipment at a rate of 6% (2008/09 – 5%) on qualifying capital expenditure.

In 2008/09, the Group entered into various foreign exchange contracts to lock in the Sterling cash value of the forecast cash repatriations from foreign operations as well as that of the draw downs on the Group's US$415 million bank facility (see note 28). In 2008/09, this resulted in an exceptional expense of US$98 million from settlement of those contracts and the remeasurement of open contracts to fair value at the year end. In 2009/10, movements in the fair value of these remaining open contracts relating to repatriation from the prior year resulted in an exceptional finance gain of US$19 million.

14 Income tax expense

	2009/10 US$m	2008/09 US$m
Current tax charge – continuing operations		
UK tax at 28%	16	42
Double tax relief	(16)	(42)
	–	–
Overseas tax	113	106
Adjustments relating to prior years	23	(24)
Total current tax charge – continuing operations	136	82
Deferred tax (credit)/charge – continuing operations		
Origination and reversal of temporary differences	(18)	7
Adjustments relating to prior years	2	(1)
Total deferred tax (credit)/charge – continuing operations	(16)	6
Total income tax charge – continuing operations	120	88
Income tax credit relating to discontinued operations (see note 15)	(97)	(58)
Total income tax charge	23	30

In 2009/10, the charge of US$120 million (2008/09 – US$88 million) is net of a US$6 million credit in respect of exceptional operating costs (2008/09 – US$12 million credit). See note 7 for further information.

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

	2009/10 %	2008/09 %
UK statutory tax rate	**28.0**	28.0
Effect of overseas tax rates	**(7.1)**	(4.1)
Effect of accounting for joint ventures	**(2.6)**	(4.6)
Effect of branches and intra-group dividends less double tax relief	**4.2**	11.4
Net effect of income not taxable	**(1.1)**	(1.5)
Effect of changes in unrecognised deferred tax assets	**3.4**	(0.5)
Adjustments relating to prior years	**6.5**	(6.4)
Effective tax rate on continuing operations	**31.3**	22.3
Effect of discontinued operations (see note 15)	**(26.4)**	(15.3)
Effective tax rate on profit	**4.9**	7.0

Income tax on items of other comprehensive income
There was no tax relating to other comprehensive income in the periods presented.

15 Discontinued operations

The results for discontinued operations were as follows:

	2009/10 US$m	2008/09 US$m
Cable & Wireless Worldwide Group (note 15(i))	**195**	73
Foreign currency translation reserve balance recycled through the income statement on demerger	**(19)**	–
Businesses disposed of in prior periods (note 15(ii))	**4**	18
Total discontinued operations	**180**	91

i) Year ended 31 March 2010
At a General Meeting on 25 February 2010, the shareholders of Cable and Wireless plc approved the demerger of the Cable & Wireless Worldwide business. On 26 March 2010 (the demerger date), the Cable & Wireless Worldwide business was transferred to an unrelated company, Cable & Wireless Worldwide plc, in return for the entire share capital of that company. The significant aspects of the demerger transaction were:

- long-term intercompany debt owed to the Cable & Wireless Communications Group (formerly the Cable & Wireless Group) of US$1,386 million was capitalised prior to demerger without repayment being required;
- the convertible bond issued by Cable and Wireless plc (and subsequently transferred to Cable & Wireless Communications Plc) was transferred to Cable & Wireless Worldwide plc, along with the related cash of US$366 million (see note 28);
- the Cable & Wireless Communications Group agreed to transfer cash of US$117 million to settle the Cable & Wireless Worldwide portion of the 2009/10 final dividend of the former Cable & Wireless Group on 1 April 2010. This is presented in Other payables (see note 27); and
- scheme assets and pension obligations of the Cable & Wireless Superannuation Fund with a net IAS 19 value of US$211 million were transferred to the Cable & Wireless Worldwide Group (see note 33).

15 Discontinued operations continued

a) The results of the Cable & Wireless Worldwide business before demerger were as follows:

	Note	For the period from 1 April 2009 to 26 March 2010			2008/09		
		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		**3,543**	**–**	**3,543**	3,963	–	3,963
Operating costs before depreciation and amortisation	(b)	**(2,892)**	**(99)**	**(2,991)**	(3,420)	(134)	(3,554)
Depreciation		**(349)**	**–**	**(349)**	(306)	–	(306)
Amortisation		**(71)**	**–**	**(71)**	(66)	–	(66)
Other operating income		**–**	**–**	**–**	2	–	2
Other operating expense		**(1)**	**–**	**(1)**	(2)	–	(2)
Total operating profit/(loss)		**230**	**(99)**	**131**	171	(134)	37
Gains and losses on sale of non-current assets		**(2)**	**–**	**(2)**	(2)	–	(2)
Finance income		**3**	**–**	**3**	5	–	5
Finance expense		**(30)**	**(4)**	**(34)**	(25)	–	(25)
Profit/(loss) before income tax		**201**	**(103)**	**98**	149	(134)	15
Income tax credit	(c)	**97**	**–**	**97**	58	–	58
Profit/(loss) for the year from discontinued operations		**298**	**(103)**	**195**	207	(134)	73

The results of discontinued operations were previously recorded in the Worldwide operating segment. This segment is no longer required to be disclosed.

b) An analysis of the operating costs incurred by the Cable & Wireless Worldwide business before demerger, classified by the nature of the cost, is as follows:

	For the period from 1 April 2009 to 26 March 2010 US$m	2008/09 US$m
Outpayments and direct costs	**1,861**	2,302
Employee and other staff expenses	**520**	592
Operating lease rentals	**171**	189
Other administrative expenses	**132**	111
Network costs	**229**	258
Property and utility costs	**78**	102
Total operating costs before depreciation and amortisation	**2,991**	3,554

Operating costs are stated net of credits or charges arising from the release or establishment of accruals. Included within the results of discontinued operations in 2009/10 were US$22 million (2008/09 – US$25 million) of revenue and cost of sales relating to trading transactions with the continuing business. These amounts have been eliminated against the results of discontinued operations in the consolidated income statement.

c) Income tax relating to the Cable & Wireless Worldwide business was as follows:

	For the period from 1 April 2009 to 26 March 2010 US$m	2008/09 US$m
Current tax charge	**1**	6
Deferred tax credit	**(98)**	(64)
Tax on exceptional items	**–**	–
Total tax on profit	**(97)**	(58)
UK statutory tax rate	**28%**	28%
Effective tax rate	**(99)%**	(387)%

d) The financial position of the Cable & Wireless Worldwide business at 26 March 2010 (the date of demerger) and 31 March 2009 was as follows:

	26 March 2010 US$m	31 March 2009 US$m
Non-current assets		
Intangible assets	**1,387**	1,356
Property, plant and equipment	**1,455**	1,374
Available-for-sale financial assets	**2**	16
Other receivables	**34**	38
Deferred tax asset	**173**	78
	3,051	2,862
Current assets		
Trade and other receivables	**1,140**	939
Inventories	**25**	4
Cash and cash equivalents	**288**	209
	1,453	1,152
Current liabilities		
Trade and other payables	**1,582**	1,593
Loans and obligations under finance leases	**37**	26
Provisions	**58**	48
Current tax liabilities	**20**	19
	1,697	1,686
Non-current liabilities		
Trade and other payables	**1**	9
Loans and obligations under finance leases	**319**	159
Provisions	**229**	229
Financial liabilities at fair value	**2**	1
Retirement benefit obligations	**35**	57
	586	455
Net assets	**2,221**	1,873

ii) Year ended 31 March 2010
In 2009/10, the net profit of US$4 million related to cash received in respect of the Group's former US operations.

Year ended 31 March 2009
There were no businesses discontinued during 2008/09.

In 2008/09, the net profit of US$18 million from discontinued operations related to the reversal of unutilised provisions (see note 32) relating to the Group's former US operations and businesses disposed of in prior periods.

16 Earnings per share

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

As a result of the reorganisation of the Group's legal structure, Cable & Wireless Communications Plc became the new parent of the Cable & Wireless Communications Group. Therefore, the weighted average number of ordinary shares outstanding has been calculated using the number of ordinary shares issued by Cable & Wireless Communications Plc at the date of the reorganisation (19 March 2010) and adjusted for:

- movements in the number of ordinary shares of Cable and Wireless plc from the beginning of each period prior to the reorganisation date; and
- movements in the number of ordinary shares outstanding from the reorganisation date to 31 March 2010 using the actual number of ordinary shares of Cable & Wireless Communications Plc outstanding during that period.

16 Earnings per share continued

	2009/10 US$m	2008/09 US$m
Profit for the financial year attributable to ordinary shareholders	304	251
Weighted average number of ordinary shares outstanding (millions)	2,544	2,486
Dilutive effect of share options (millions)	24	26
Number of ordinary shares used to calculate diluted earnings per share (millions)	2,568	2,512
Basic earnings per share (cents per share)	11.9c	10.1c
Diluted earnings per share (cents per share)	11.8c	10.0c
Continuing operations		
Profit (and adjusted profit) from continuing operations for the financial year attributable to shareholders	124	160
Basic earnings per share from continuing operations (cents per share)	4.9c	6.4c
Diluted earnings per share from continuing operations (cents per share)	4.8c	6.4c
Discontinued operations		
Profit (and adjusted profit) from discontinued operations for the financial year attributable to shareholders	180	91
Basic earnings per share from discontinued operations (cents per share)	7.0c	3.7c
Diluted earnings per share from discontinued operations (cents per share)	7.0c	3.6c

17 Dividends declared and paid

	2009/10 US$m	2008/09 US$m
Final dividend in respect of the prior year	227	216
Interim dividend in respect of the current year	128	125
Total dividend paid	355	341

During the year ended 31 March 2010 the Group declared and paid a final dividend of 5.67 pence per share (9.02 cents per share) in respect of the year ended 31 March 2009 (2008/09 – 5.00 pence per share (8.79 cents per share) in respect of the year ended 31 March 2008). The Group also declared and paid an interim dividend of 3.16 pence per share (5.03 cents per share) in respect of the year ended 31 March 2010 (2008/09 – 2.83 pence per share (4.98 cents per share) in respect of the year ended 31 March 2009).

In respect of the year ended 31 March 2010, the Directors have proposed a final dividend of 3.34 pence per share (4.97 cents per share), totalling £86 million (US$128 million) (2008/09 – £142 million (US$227 million)), for approval by shareholders at the AGM to be held on 21 July 2010. 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 2010.

The number of shareholders electing to take all or part of their dividends in shares varies from dividend to dividend. 11,778 shareholders (2008/09 – 12,057 shareholders) owning 871 million shares (2008/09 – 558 million shares) elected to take the interim dividend wholly or partly in shares. 12,015 shareholders (2008/09 – 12,138 shareholders) owning 496 million shares (2008/09 – 613 million shares) elected to take the 2008/09 final dividend wholly or partly in shares. Consequently, total shares were issued with a value of US$87 million (2008/09 – US$83 million). The Cable & Wireless Employee Share Ownership Plan Trust waived its right to dividends on the shares held in the trust.

18 Impairment review

The Group reviews goodwill and indefinite life intangible assets for impairment annually. The Group assesses the carrying amount of property, plant and equipment and intangible assets (except goodwill) for indications of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable by sale or through use. Factors that are considered important, which could trigger an impairment review, are set out in note 3.3.

Goodwill

Continuing operations

A review of the carrying value of goodwill has been performed as at 31 March 2010 and 31 March 2009. In performing this review, the recoverable amount of goodwill has been determined by reference to the higher of the fair value less costs to sell and the value in use of the continuing operations of the related businesses. The significant balances of goodwill and the Group's assessment are discussed below.

Goodwill of US$153 million was allocated to Monaco Telecom at 31 March 2010 (31 March 2009 – US$170 million). Three relevant cash generating units were identified for the purposes of assessing the carrying value of Monaco Telecom's network assets (domestic including the cable television business, international business and other services). Goodwill has been allocated to this group of cash generating units based on the fair value at the time of acquisition. The value in use was determined for each cash generating unit by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of between 0% and 4% (2008/09 – 0% and 5%)) at pre-tax discount rates of between 7% and 15% (2008/09 – 8% and 18%) dependent on the risk adjusted cost of capital of different parts of the business. The value in use was higher than the fair value less costs to sell and no impairment was required in either period.

The key assumptions in the calculation of value in use relate to revenue growth, operating cost margin and the level of maintenance capital expenditure required to maintain the network at its current level. Monaco Telecom operates under an exclusive operating agreement in Monaco and management's forecasts were based on historical experience for the business.

The group of cash generating units' value in use would not support the carrying value of the goodwill if revenue decreased or maintenance capital expenditure increased by more than US$21 million per year or the discount rate increased by more than 19 percentage points.

Connecteo has only one cash generating unit that has been identified for the purpose of assessing the carrying value of the business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at a long-term growth rate of 5% (2008/09 – 5%)) at a pre-tax discount rate of 14% (2008/09 – 16%).

In 2009/10, the goodwill recognised on the acquisition of Connecteo Holding and subsidiaries was impaired by $11 million. This was due to a decrease in the value in use, triggered by a change in the strategic direction of the operation.

Goodwill of US$25 million was allocated to Dhiraagu at 31 March 2010 (31 March 2009 – US$nil). One relevant cash generating unit has been identified for the purposes of assessing the carrying value of the Dhiraagu business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of 0%) at a pre-tax discount rate of 12.5%. The value in use was higher than the fair value less costs to sell and no impairment was required.

Discontinued operations

A review of the carrying value of the goodwill in Cable & Wireless Worldwide entities was performed at 31 March 2009. In performing this review, the recoverable amount of goodwill was determined by reference to the higher of the fair value less costs to sell and the value in use of the continuing operations of the related businesses. The value in use was the higher of these two measures and no impairment was required. The significant balances of goodwill within discontinued operations and the Group's assessment are discussed below.

The Worldwide business allocated goodwill to one group of cash generating units as this represented the lowest level within the entity at which goodwill was monitored. This is because it generated revenue through an integrated network for which the business was unable to identify relevant cash flows separately. Goodwill of US$1,138 million was allocated to the Worldwide business at 31 March 2009. A discounted cash flow analysis was performed using a five year business projection which was extended using a terminal value growth rate of 1% and a pre-tax discount rate of 10%. The terminal growth rate was determined using long-term historical growth rates of the group of CGUs, which were benchmarked to long-term average growth rates of the industry. The discount rate reflected the market assessment of the risk free rate and equity risk premium of the Group and were benchmarked against published industry data.

The other key assumptions on which the projected cash flows were based relate to EBITDA growth and the level of capital expenditure required to maintain the network at its current level. These assumptions were determined using a combination of long-term trends, industry forecasts and in-house estimates. The value in use would not have supported the carrying value of the goodwill if earnings decreased or maintenance capital expenditure increased by more than US$88 million per year; or the discount rate increased by more than six percentage points.

Property, plant and equipment and other intangibles

Year ended 31 March 2010 and year ended 31 March 2009

Trade mark assets of US$18 million were allocated to Dhiraagu at 31 March 2010 (31 March 2009 – US$nil). One relevant cash generating unit has been identified for the purposes of assessing the carrying value of the Dhiraagu business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of 0%) at a pre-tax discount rate of 12.5%. No impairment was required.

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 in both continuing and discontinued operations had been impaired.

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19 Intangible assets

	Goodwill US$m	Software US$m	Licences and operating agreements US$m	Customer contracts and relationships US$m	Other US$m	**Total US$m**
Cost						
At 1 April 2008	1,098	1,458	204	264	80	**3,104**
Business combinations	621	–	2	26	9	**658**
Additions	–	58	1	–	4	**63**
Disposals	–	(9)	–	–	(2)	**(11)**
Exchange differences	(392)	(389)	(23)	(79)	(11)	**(894)**
At 31 March 2009	1,327	1,118	184	211	80	**2,920**
Business combinations	35	–	–	51	18	**104**
Additions	–	54	–	–	6	**60**
Disposals	–	–	–	–	(45)	**(45)**
Transfer between categories	–	–	(30)	–	30	**–**
Demerger of Cable & Wireless Worldwide business	(1,192)	(1,049)	(10)	(216)	–	**(2,467)**
Exchange differences	26	28	1	5	2	**62**
At 31 March 2010	**196**	**151**	**145**	**51**	**91**	**634**
Amortisation and impairment						
At 1 April 2008	–	1,324	36	62	68	**1,490**
Charge for the year[1]	–	59	12	27	12	**110**
Disposals	–	(9)	–	–	(2)	**(11)**
Exchange differences	–	(356)	(6)	(22)	(12)	**(396)**
At 31 March 2009	–	1,018	42	67	66	**1,193**
Charge for the year[1]	11	59	14	33	7	**124**
Disposals	–	–	–	–	(33)	**(33)**
Demerger of Cable & Wireless Worldwide business	–	(981)	(4)	(95)	–	**(1,080)**
Exchange differences	(1)	18	(4)	–	3	**16**
At 31 March 2010	**10**	**114**	**48**	**5**	**43**	**220**
Net book value						
At 31 March 2010	**186**	**37**	**97**	**46**	**48**	**414**
At 31 March 2009	1,327	100	142	144	14	1,727

1 The charge for the year includes US$71 million (2008/09 – US$66 million) relating to discontinued operations.

Goodwill balances can be summarised as follows:

	Energis[1] US$m	THUS[1] US$m	Apollo[1] US$m	Monaco[2] Telecom US$m	Connecteo[2] US$m	Dhivehi Raajjeyge Gulhun Private Ltd (Dhiraagu)[2] US$m	**Total US$m**
At 1 April 2008	862	–	–	216	20	–	**1,098**
Business combinations (see note 38)	–	600	16	7	(2)	–	**621**
Foreign exchange movements	(237)	(105)	2	(53)	1	–	**(392)**
At 31 March 2009	625	495	18	170	19	–	**1,327**
Business combinations (see note 38)	–	27	–	(17)	–	25	**35**
Impairment	–	–	–	–	(11)	–	**(11)**
Demerger of Cable & Wireless Worldwide business (note 15)	(642)	(532)	(18)	–	–	–	**(1,192)**
Foreign exchange movements	17	10	–	–	–	–	**27**
At 31 March 2010	**–**	**–**	**–**	**153**	**8**	**25**	**186**

1 Reporting segment: Discontinued.
2 Reporting segment: Monaco & Islands.

20 Property, plant and equipment

	2009/10				2008/09			
	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	841	11,349	268	12,458	1,010	13,666	290	14,966
Business combinations	8	105	38	151	19	339	–	358
Additions	2	28	663	693	2	141	597	740
Movements in asset retirement obligations	(6)	1	–	(5)	11	9	–	20
Disposals	(14)	(220)	–	(234)	(58)	(531)	(5)	(594)
Transfers between categories	46	583	(629)	–	33	536	(569)	–
Demerger of Cable & Wireless Worldwide business (note 15)	(479)	(8,002)	(103)	(8,584)	–	–	–	–
Exchange differences	8	178	1	187	(176)	(2,811)	(45)	(3,032)
At 31 March	406	4,022	238	4,666	841	11,349	268	12,458
Depreciation								
At 1 April	545	8,937	–	9,482	678	11,312	–	11,990
Charge for the year[1]	29	615	–	644	47	509	–	556
Disposals	(8)	(199)	–	(207)	(56)	(527)	–	(583)
Transfer between categories	2	(2)	–	–	–	–	–	–
Demerger of Cable & Wireless Worldwide business (note 15)	(399)	(6,730)	–	(7,129)	–	–	–	–
Exchange differences	8	143	–	151	(124)	(2,357)	–	(2,481)
At 31 March	177	2,764	–	2,941	545	8,937	–	9,482
Net book value at 31 March	229	1,258	238	1,725	296	2,412	268	2,976

1 The charge for the year includes US$349 million (2008/09 – US$306 million) relating to discontinued operations.

Included in the net book value of property, plant and equipment at 31 March 2010 is US$nil (31 March 2009 – US$28 million) of assets held under finance leases.

Additions during the year include interest and own work capitalised during the construction of certain assets of US$4 million (2008/09 – US$3 million) and US$130 million (2008/09 – US$126 million) respectively. Of the US$130 million of own work capitalised during the year, US$100 million (2008/09 – US$89 million) related to discontinued operations.

Notes to the consolidated financial statements
for the year ended 31 March 2010

21 Investments in joint ventures

	2009/10 US$m	2008/09 US$m
Gross carrying amount		
At 1 April		
– Cost	89	126
– Share of post-acquisition reserves	301	250
	390	376
Share of post-tax profit	30	56
Dividends paid to Group companies	(52)	(30)
Transfer to subsidiary undertaking	(79)	14
Demerger of Cable & Wireless Worldwide business	(4)	–
Loan from Group companies	3	–
Other movements	(2)	–
Exchange differences	4	(26)
At 31 March	290	390
Impairment allowance		
At 1 April	(63)	(92)
Impairment allowance release	–	4
Demerger of Cable & Wireless Worldwide business	4	–
Exchange differences	–	25
At 31 March	(59)	(63)
Net carrying amount at 31 March	231	327

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

	31 March 2010 US$m	31 March 2009 US$m
Non-current assets	338	322
Current assets	182	211
Current liabilities	(164)	(139)
Non-current liabilities	(125)	(67)
Share of net assets	231	327

	2009/10 US$m	2008/09 US$m
Revenue	384	408
Operating costs	(342)	(336)
Operating profit	42	72
Net financing costs	(4)	–
Share of profit before tax	38	72
Income tax expense	(8)	(12)
Dividends paid to Group companies	(52)	(30)
Share of retained profit	(22)	30

Investments in joint ventures are accounted for using the equity method. The carrying amount of the investments comprise the cost of the investment together with the Group's share of post-acquisition profit or loss less any impairment allowances.

There are no significant restrictions on joint ventures' ability to transfer funds to the Group. The joint ventures have no significant contingent liabilities to which the Group is exposed, nor has the Group any significant contingent liabilities in relation to its interests in joint ventures. The Group's joint ventures have not discontinued any operations during the year ended 31 March 2010 (2008/09 – none).

On 21 October 2009, the Group purchased a further 7% of the share capital of Dhiraagu from the Maldives government for cash consideration of US$40 million. This transaction resulted in the Cable & Wireless Communications Group reclassifying its joint venture investment in this entity to a subsidiary investment. For more details of this acquisition see note 38.

Discontinued operations
On 1 April 2008 the Group gained full management control of Apollo Submarine Cable Systems Limited which was previously accounted for as a joint venture (see note 38). This resulted in US$14 million of post acquisition losses associated with this entity being transferred to subsidiary undertakings.

22 Available-for-sale financial assets

	2009/10 US$m	2008/09 US$m
At 1 April	55	54
Business combinations	–	18
Additions	–	2
Fair value gains recorded in equity	2	–
Transferred on demerger of Cable & Wireless Worldwide business (note 15)	(2)	–
Released to cash and cash equivalents	(30)	–
Exchange differences	4	(19)
At 31 March	**29**	55

At 31 March 2010 available-for-sale financial assets primarily comprised UK Government gilts and cash held as collateral (31 March 2009 – UK Government gilts and cash held as collateral). These assets were measured at fair value based on observable market data. The maximum exposure to credit risk for available-for-sale financial assets is equal to their carrying value.

During the year cash held as collateral of US$30 million was released by the beneficiaries as the collateral was no longer required. This amount was included in cash and cash equivalents.

23 Trade and other receivables

	31 March 2010 US$m	31 March 2009 US$m
Gross trade receivables	298	1,010
Valuation allowance	(62)	(100)
Net trade receivables	**236**	910
Other receivables	53	102
Prepayments and accrued income	189	380
Taxation and social security receivables	9	15
Amounts receivable from joint ventures	4	4
Trade and other receivables – current	**491**	1,411
Other receivables	42	43
Prepayments and accrued income	–	32
Trade and other receivables – non-current	**42**	75
Total trade and other receivables	**533**	1,486

The maximum exposure to credit risk for receivables is equal to their carrying value. There is no material difference between the carrying value and fair value of trade and other receivables presented.

Concentrations of credit risks with respect to trade receivables are small as the Group customer base is large and unrelated. Receivables predominantly relate to retail customers, Governments and corporate entities as well as other telecommunications operators.

Credit risk procedures vary depending on the size or type of customer. These procedures include such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that are neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Group that indicate this would change in the future. During the periods presented there was an economic downturn in markets in which the Group operated. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management assessed this risk and, after providing additional valuation allowance where necessary, continued to support the assessment of credit quality as low risk.

23 Trade and other receivables continued

An ageing analysis of the current net trade and other receivables that were not impaired is as follows:

	31 March 2010 US$m	31 March 2009 US$m
Not yet due	124	487
Overdue 30 days or less	83	170
Overdue 31 to 60 days	29	59
Overdue 61 to 90 days	26	42
Overdue 91 days to 180 days	18	84
Overdue 181 days or more	9	170
Current net trade and other receivables	289	1,012

Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods. Generally, interconnection agreements with major carriers result in receivables and payables balances with the same counterparty. Industry practice is that receivable and payable amounts relating to interconnection revenue and costs for a defined period are agreed between counterparties and settled on a net basis.

There are no amounts held as collateral for trade and other receivables balances.

An analysis of movements in the trade receivables valuation allowance for the year is as follows:

	2009/10 US$m	2008/09 US$m
At 1 April	100	144
Bad debts written off	(51)	(51)
Increase in allowance	56	30
Demerger of the Cable & Wireless Worldwide business (note 15)	(48)	–
Exchange differences	5	(23)
At 31 March	62	100

All trade transactions with joint ventures arose in the normal course of business and primarily relate to fees for use of the Group's products and services. There were no material transactions with joint ventures during the year.

24 Inventories

Inventories represent equipment, consumables and accessories held for sale.

Inventories of US$49 million (31 March 2009 – US$33 million) are presented net of an allowance of US$4 million (31 March 2009 – US$7 million) made against slow moving or obsolete items.

The cost of equipment, consumables and accessories held for sale that were expensed within operating costs in 2009/10 was US$155 million (2008/09 – US$152 million). US$18 million (2008/09 – US$10 million) of this expense related to discontinued operations.

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

25 Cash and cash equivalents

	31 March 2010 US$m	31 March 2009 US$m
Cash at bank and in hand	140	257
Short-term bank deposits	433	533
Cash and cash equivalents	573	790

Cash and cash equivalents include cash at bank and in hand and short-term bank deposits.

Short-term bank deposits consist primarily of money market deposits, which can be readily converted to cash at short notice. The effective interest rate on short-term bank deposits at 31 March 2010 was 0.34% (31 March 2009 – 0.45%). At 31 March 2010, these deposits had an average maturity of one day (31 March 2009 – five days).

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

26 Financial assets at fair value through the income statement

	2009/10 US$m	2008/09 US$m
At 1 April	–	–
Shares in Cable & Wireless Worldwide plc retained on demerger	64	–
Derivative financial instruments	1	–
At 31 March	**65**	–

On demerger, shares in the Cable & Wireless Employee Share Ownership Plan Trust (ESOP) 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 have been recognised as financial assets at fair value through the income statement as they represent shares in an unrelated listed company. A portion of these shares with a market value of US$30 million will be delivered to the Cable & Wireless Worldwide Group as part of the demerger agreement (see note 15).

27 Trade and other payables

	31 March 2010 US$m	31 March 2009 US$m
Trade payables	168	797
Other taxation and social security costs	29	74
Accruals	313	750
Deferred income	53	470
Other payables	206	97
Trade and other payables – current	**769**	2,188
Accruals	3	15
Other payables	–	1
Trade and other payables – non-current	**3**	16
Total trade and other payables	**772**	2,204

There is no material difference between the carrying value and fair value of trade and other payables presented.

28 Loans and obligations under finance leases continued

	31 March 2010 US$m	31 March 2009 US$m
Loans		
Sterling secured loans repayable in 2012	**43**	42
Sterling secured loans repaid during the year	**–**	138
US$415 million secured loan repaid during the year	**–**	411
US$500 million secured bonds due 2017	**489**	–
Sterling unsecured bonds repayable in 2012 and 2019	**509**	496
US dollar and currencies linked to the US dollar loans repayable at various dates up to 2038	**196**	214
Other currency loans repaid	**–**	4
	1,237	1,305
Loans – current	**58**	116
Loans – non-current	**1,179**	1,189
Finance leases		
Obligations under finance leases	**–**	31
Obligations under finance leases – current	**–**	14
Obligations under finance leases – non-current	**–**	17
Loans and obligations under finance leases – current	**58**	130
Loans and obligations under finance leases – non-current	**1,179**	1,206

The agreements for the facilities entered into during the year contain financial and other covenants which are standard to these type of arrangements.

Loans

The contractual maturities of loans (including the expected interest payable at rates prevailing at the reporting date) was as follows:

	31 March 2010 US$m	31 March 2009 US$m
Loans		
Due in less than one year	**157**	194
Due in more than one year but not more than two years	**181**	157
Due in more than two years but not more than five years	**574**	998
Due in more than five years	**885**	310
Total loans	**1,797**	1,659
Less future finance charges on loans	**(560)**	(354)
Total loans	**1,237**	1,305

During 2009/10, the US$415 million loan repayable at dates to 2011 was repaid and cancelled. This facility was secured over the Group's Panamanian and Caribbean subsidiaries.

The Group entered into a US$500 million revolving credit facility secured on share pledges over Group assets. This facility was undrawn at 31 March 2010. Further, the Group arranged a US$100 million term loan facility. This was secured on share pledges over the Group assets. This facility was undrawn at 31 March 2010.

US dollar secured bonds due 2017

During the year ended 31 March 2010, the Group arranged US$500 million of bonds with a coupon of 7.75% due 2017. These bonds had a fair value of US$520 million at 31 March 2010. This value was determined by reference to market values obtained from third parties. The bonds are secured on share pledges over the Group assets.

Sterling unsecured bonds due 2012 and 2019

The Group has US$298 million (£200 million) listed bonds due in 2012 with a balance outstanding at 31 March 2010, net of costs, of US$290 million (31 March 2009 – US$283 million). Interest is payable at 8.750% per annum. During the year ended 31 March 2009, bonds with a par value, net of costs, of US$52 million were re–issued by Cable and Wireless plc for US$49 million net proceeds.

The Group also has US$298 million (£200 million) listed bonds due in 2019 with a balance outstanding at 31 March 2010, net of costs, of US$219 million (31 March 2009 – US$213 million). Interest is payable at 8.625% per annum.

The Sterling unsecured bonds had a fair value of US$547 million at 31 March 2010 (31 March 2009 – US$462 million). This value was determined by reference to market values obtained from third parties.

US dollar and US dollar linked loans

Various US dollar and US dollar linked loans of approximately US$196 million (31 March 2009 – US$214 million) are held by various subsidiaries across the Group, with the majority in Panama. Interest on these loans ranges between 0% and 10.3%. The loans are repayable over a period up to 2038.

The carrying amount of the US dollar and currencies linked to the US dollar loans approximates to fair value.

Loans demerged during the period

During the year the Group repaid its Sterling £200 million facility repayable in 2012. During the year, the Group obtained a £300 million facility repayable in 2013. This facility, of which US$nil million was drawn down at 26 March 2010 (US$144 million drawn down at 31 March 2009) was derecognised on the demerger of the Cable & Wireless Worldwide business.

In addition, US$12 million of the dollar loans repayable in 2010 and US$4 million of the other currency loans repayable in 2010 were derecognised with the demerger of the Cable & Wireless Worldwide business.

On 24 November 2009, convertible bonds due in 2014 of £230 million were issued by Cable and Wireless plc. These bonds were subsequently transferred to Cable & Wireless Communications Plc on 19 March 2010 before being transferred to Cable & Wireless Worldwide plc on 26 March 2010 as part of the demerger. The bonds were separated into their loan and equity components on inception, being US$329 million of loan and US$37 million of equity on initial recognition.

Obligations under finance leases

The obligations under finance leases were derecognised on the demerger of the Cable & Wireless Worldwide business to which they related. The repayment profile of obligations under finance leases was as follows:

	Net finance lease liabilities		Minimum finance lease payments	
	31 March 2010 US$m	31 March 2009 US$m	**31 March 2010 US$m**	31 March 2009 US$m
Due in less than one year	–	14	–	16
Due in more than one year but not more than two years	–	10	–	10
Due in more than two years but not more than five years	–	4	–	4
Due in more than five years	–	3	–	3
Total	–	31	–	33
Less future finance charges on finance leases			–	(2)
Present value of finance lease liabilities			–	31

Interest rates

The weighted average interest rates at the reporting date were as follows:

		31 March 2010		31 March 2009	
	Type	**Currency**	**Interest rate %**	Currency	Interest rate %
US$500 million secured bonds due 2017	Fixed	**USD**	**7.8**	USD	–
US dollar and currencies linked to the US dollar loans and facilities repayable at various dates up to 2038	Fixed and floating	**USD**	**6.4**	USD	3.7
Sterling unsecured bonds repayable in 2012 and 2019 and Sterling secured facilities	Fixed	**GBP**	**8.6**	GBP	7.7
Other currency loans repaid during the period	Floating	**Other**	**–**	Other	5.7
Obligations under finance leases	Fixed	**GBP**	**–**	GBP	7.1

Interest was payable on loans and obligations under finance leases falling due after more than five years at rates of between 0.00% and 8.63%. In 2008/09 the rates were 0.00% and 10.03% respectively.

29 Financial liabilities at fair value

	At 31 March 2010			At 31 March 2009		
	Current US$m	Non-current US$m	Total US$m	Current US$m	Non-current US$m	Total US$m
Forward exchange contracts	–	–	–	36	–	36
Put option relating to Monaco Telecom	–	189	189	–	201	201
Other put option	–	–	–	–	1	1
Obligation to transfer Cable & Wireless Worldwide plc shares	30	–	30	–	–	–
Total financial liabilities at fair value	30	189	219	36	202	238

Derivative financial instruments
At 31 March 2010, the Group had foreign exchange swap contracts to sell US$40 million in 2012 hedging future Sterling obligations regarding the 2012 bond. The Group did not apply hedge accounting to these contracts and as such they were revalued to fair value through the income statement. At 31 March 2010, the fair value of these contracts was an asset of US$1 million (see note 26).

Monaco Telecom put option
A put option is held by the non-controlling shareholder of Monaco Telecom, the Principality of Monaco (the Principality). This put option is measured at fair value using inputs that are not based on publicly observable market data. The liability for the put option represents 45% of the market value of Monaco Telecom. This market value has been determined by taking an average of published broker valuations for the Monaco & Islands business unit apportioned using key financial measures and attributing 45% of that value to the put option. The brokers have valued the business unit using a combination of discounted cash flow analysis and EBITDA multiples factoring in the expected growth and risk of the business unit. A US$10 million movement in the value of the put would have a US$1 million impact on the income statement and a US$10 million impact on liabilities.

The balance within financial liabilities held at fair value represents the fair value of the put option held by the non-controlling shareholders of Monaco Telecom. Although the Cable & Wireless Communications Group considers there to be only a remote likelihood of this put option being exercised, IAS 32 *Financial Instruments: Presentation* requires the present value of the amount payable to be recognised as a liability regardless of the probability of exercise, as this is not within the Cable & Wireless Communications Group's control. As this put option was issued as part of a business combination, any change in re-measuring the derivative to fair value is recorded as an adjustment to goodwill (see note 38).

The put option held by the Principality is exercisable in two tranches. The first tranche enables the Principality to put 20% of the shares of Monaco Telecom to the Cable & Wireless Communications Group from six months post 18 June 2011, 2014 and 2017. The second tranche enables the Principality to put 25% of the shares of Monaco Telecom to the Cable & Wireless Communications Group three years after the first has been exercised.

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

	2009/10 US$m	2008/09 US$m
At 1 April	201	264
Change in fair value recognised as an adjustment to goodwill	(29)	(12)
Increase in value of put option due to discount unwinding recognised as finance expense	21	24
Decreases due to exchange movements recognised in foreign currency reserve	(4)	(75)
At 31 March	189	201

Obligation to transfer Cable & Wireless Worldwide plc shares
As part of the Scheme of Arrangement and demerger, Cable and Wireless plc shares held by the Cable & Wireless Employee Share Ownership Plan (ESOP) 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. The shares in Cable & Wireless Worldwide plc have been reclassified from equity to assets at fair value through the income statement (see note 26). The terms of the demerger require that 22 million of the shares in Cable & Wireless Worldwide plc held by the ESOP Trust with a market value of US$30 million will be transferred to a similar trust for the benefit of the Cable & Wireless Worldwide Group. This obligation, to be settled in May 2010, has been recorded as a liability.

30 Financial instruments

The fair value hierarchy for instruments measured at fair value is as follows:

	Note	At 31 March 2010 Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Financial assets measured at fair value:					
Cable & Wireless Worldwide plc shares at fair value through the income statement	26	**64**	**–**	**–**	**64**
UK Government Gilts	22	**27**	**–**	**–**	**27**
Cash held as collateral	22	**2**	**–**	**–**	**2**
Derivative instruments	26	**–**	**1**	**–**	**1**
Total financial assets at fair value		**93**	**1**	**–**	**94**
Financial liabilities measured at fair value:					
Put option relating to Monaco Telecom	29	**–**	**–**	**189**	**189**
Obligation to transfer Cable & Wireless Worldwide plc shares	29	**30**	**–**	**–**	**30**
Total financial liabilities at fair value		**30**	**–**	**189**	**219**

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 or indirectly.
Level 3 – Fair values measured using inputs for the asset or liability that are not based on observable market data.

A reconciliation of the fair value of the put option can be found in note 29.

31 Deferred tax

The movements in deferred tax assets and liabilities during the year are as follows:

	Capital allowances on non-current assets US$m	Tax losses US$m	Pensions US$m	Other US$m	Financial position offset US$m	Total US$m
Deferred tax assets	59	40	4	2	(52)	53
Deferred tax liabilities	(90)	–	(10)	(12)	52	(60)
At 1 April 2008	(31)	40	(6)	(10)	–	(7)
Credit to the income statement[1]	36	19	(1)	4	–	58
Tax charge to equity	–	–	(1)	–	–	(1)
Exchange differences	(4)	(10)	1	2	–	(11)
At 31 March 2009	1	49	(7)	(4)	–	39
Deferred tax assets	91	49	6	7	(60)	93
Deferred tax liabilities	(90)	–	(13)	(11)	60	(54)
At 31 March 2009	1	49	(7)	(4)	–	39
Credit to the income statement[1]	101	18	(1)	(4)	–	114
Tax credit to equity	–	–	2	–	–	2
Demerger of Cable & Wireless Worldwide business (note 15)	(169)	(4)	–	–	–	(173)
Exchange differences	(4)	(1)	1	(1)	–	(5)
At 31 March 2010	**(71)**	**62**	**(5)**	**(9)**	**–**	**(23)**
Deferred tax assets	13	62	6	7	(69)	19
Deferred tax liabilities	(84)	–	(11)	(16)	69	(42)
At 31 March 2010	**(71)**	**62**	**(5)**	**(9)**	**–**	**(23)**

1 The income statement credit comprises a US$98 million (2008/09 – US$64 million) credit relating to discontinued operations and a US$16 million credit (2008/09 – US$6 million charge) relating to continuing operations.

31 Deferred tax continued

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Capital allowances available on non-current assets US$m	Tax losses US$m	Pensions US$m	Other US$m	Total US$m
As at 31 March 2009	5,694	30,496	92	227	36,509
As at 31 March 2010	**269**	**5,041**	**199**	**98**	**5,607**

Tax losses (recognised and unrecognised) expire as follows:

	31 March 2010 US$m	31 March 2009 US$m
Within 1 year	**2**	19
Within 3 years	**–**	19
Within 5 years	**1**	27
Within 10 years	**18**	118
After more than 10 years	**173**	69

Other tax losses are not subject to expiry.

The US$5,041 million (31 March 2009 – US$30,496 million) tax losses include UK capital losses of US$4,889 million (31 March 2009 – US$11,638 million).

Deferred tax is not provided on unremitted earnings of subsidiaries and joint ventures where the Group controls the timing of remittance and it is probable that the temporary difference will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, branches and joint ventures for which deferred tax liabilities have not been recognised is US$325 million (31 March 2009 – US$1,007 million). These temporary differences relate to unremitted earnings.

Following the change in the UK tax treatment of dividends on 1 July 2009, no tax is expected to arise on distributions from Group entities and no temporary difference exists, except where withholding tax or other foreign tax could arise on the remittance.

32 Provisions

	2009/10					2008/09				
	Property US$m	**Redundancy costs US$m**	**Network and asset retirement obligations US$m**	**Legal and other US$m**	**Total US$m**	Property US$m	Redundancy costs US$m	Network and asset retirement obligations US$m	Legal and other US$m	Total US$m
At 1 April	**115**	**35**	**191**	**86**	**427**	138	24	162	130	454
Additions from businesses acquired	**11**	**–**	**–**	**–**	**11**	2	–	60	2	64
Additional provision	**24**	**35**	**14**	**140**	**213**	70	107	49	69	295
Amounts used	**(29)**	**(48)**	**(17)**	**(95)**	**(189)**	(33)	(88)	(19)	(74)	(214)
Unused amounts reversed[1]	**(13)**	**(3)**	**(6)**	**(36)**	**(58)**	(30)	(4)	(16)	(26)	(76)
Effect of discounting	**6**	**–**	**8**	**–**	**14**	6	–	12	–	18
Demerger of Cable & Wireless Worldwide business (note 15)	**(110)**	**(9)**	**(164)**	**(4)**	**(287)**	–	–	–	–	–
Disposals	**–**	**–**	**(3)**	**–**	**(3)**	–	–	–	–	–
Exchange differences	**2**	**–**	**2**	**(1)**	**3**	(38)	(4)	(57)	(15)	(114)
At 31 March	**6**	**10**	**25**	**90**	**131**	115	35	191	86	427
Provisions – current	**6**	**10**	**4**	**84**	**104**	29	35	20	73	157
Provisions – non-current	**–**	**–**	**21**	**6**	**27**	86	–	171	13	270

1 Unused amounts reversed include US$30 million (2008/09 – US$37 million) relating to continuing operations and US$28 million (2008/09 – US$39 million) relating to discontinued operations.

The net expense recognised in the income statement from movements in provisions relating to discontinued operations was US$95 million (2008/09 – US$122 million expense).

Property
Provision has been made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sublet. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

In 2009/10, US$13 million of property provisions were released in respect of the Cable & Wireless Worldwide business.

Redundancy
In the periods presented, provision was made for the total employee related costs of redundancies announced prior to the reporting dates. Amounts provided for and spent during the periods presented primarily relate to the restructuring. The provision is expected to be used within one year.

Network and asset retirement obligations
In the periods presented, provision was made for the best estimate of the unavoidable costs associated with redundant leased network capacity. These provisions were expected to be used over the shorter of the period to exit and the lease contract life.

Provision was also made for the best estimate of the asset retirement obligation associated with office sites, technical sites, domestic and sub-sea cabling. This provision was expected to be used at the end of the life of the related asset on which the obligation arose. Amounts utilised in the periods presented related predominantly to cash expenditure against unavoidable costs associated with redundant network capacity.

The release of unused amounts related to the reassessment of amounts in respect of exiting network sites and onerous network contracts.

Legal and other
At 31 March 2010, this provision primarily comprised costs relating to the demerger such as advisors fees and closure costs. It also included amounts in respect of certain employee benefits and taxes, sales taxes, specific legal claims and acquisitions. In the prior period, other provisions included amounts relating to specific legal claims against the Group, the disposal of previously discontinued US businesses, amounts relating to specific claims held against the Group's former insurance operation (Pender), amounts relating to restructuring and rebranding, and amounts relating to acquisitions and disposals of Group companies and investments.

The release of unused amounts reflected the resolution of claims and other risks during the year.

33 Retirement benefits obligations

The Cable & Wireless Communications Group operates pension schemes for its current and former UK and overseas employees. These schemes include both defined benefit schemes, where retirement benefits are based on employees' remuneration and length of service, and defined contribution schemes, where retirement benefits reflect the accumulated value of agreed contributions paid by, and in respect of, employees. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the schemes.

Demerger
As part of the demerger (see note 15), a portion of the scheme assets and pension obligations of the Cable & Wireless Superannuation Fund (CWSF), a plan operated by the former Cable & Wireless Group, were to be transferred to the Cable & Wireless Worldwide Retirement Plan (CWWRP), a new plan operated by the Cable & Wireless Worldwide Group. The pension obligations transferred to Cable & Wireless Worldwide were determined based on members' last known employer. The plan assets are determined by reference to the value of the obligations transferred. Under IAS 19, this results in defined benefit plan assets of US$1.8 billion and defined benefit pension obligations of US$2.0 billion being transferred to the Cable & Wireless Worldwide Group on 26 March 2010, and being derecognised from the Cable & Wireless Communications Group accounts. Cable & Wireless Communications continues to operate the CWSF post demerger.

Defined contribution schemes
The pension cost for the year for the defined contribution schemes of the Group was US$36 million (2008/09 – US$32 million). Of this amount, US$8 million (2008/09 – US$9 million) related to defined contributions made in respect of Cable & Wireless Communications employees. The pension cost of the defined contribution amounts in respect of the members of the CWSF was US$27 million (2008/09 – US$22 million). US$2 million (2008/09 – US$3 million) of this related to Cable & Wireless Communications employees.

The pre-exceptional defined contribution pension cost for continuing operations has been included in employee benefit expenses (note 10).

33 Retirement benefits obligations continued

Defined benefit schemes

Cable & Wireless Communications operates the CWSF. This plan provides defined benefit and defined contribution arrangements for current and former employees of the Cable & Wireless Communications Group. These arrangements are provided on the same basis as when the plan was operated by the Cable & Wireless Group. The CWSF has been closed to new defined benefit members since 1998.

Additionally the Group operates unfunded defined benefit arrangements in the UK. These primarily relate to pension provisions for former directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap. The Group operates other defined benefit pension schemes in Macau, Jamaica, Barbados and Guernsey, with post retirement medical benefits in Jamaica and Barbados. Further, until the demerger of the Cable & Wireless Worldwide business, the Group operated defined benefit arrangements in Hong Kong and Ireland, the THUS Group pension scheme, and other small defined benefit retirement plans in the UK.

Funding valuation – Cable & Wireless Superannuation Fund

The latest triennial actuarial valuation of the CWSF was carried out by independent actuaries Towers Watson & Co as at 31 March 2007. A US$28 million contribution (US$22 million relating to discontinued operations) was paid on 28 March 2008 to remove the deficit calculated by this valuation.

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 five years ended 31 March 2007. 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 figures in the income statement and the statement of financial position for the years ending 31 March 2009 and 31 March 2010.

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

	On 31 March 2010 (years)	On 31 March 2020 (years)	On 31 March 2030 (years)
Male	27.8	29.3	30.8
Female	29.1	30.7	32.3

The March 2007 actuarial valuation showed that based on long-term financial assumptions the contribution rate required to meet the future benefit accrual was 33.2% of pensionable earnings (28.5% employer's and 4.7% employees'). This contribution rate will be reviewed when the next triennial valuation is carried out, as at 31 March 2010. The terms of the CWSF Trust Deed also allow the Trustee or the Company to call for a valuation at any time. The future service contribution rate includes an allowance of 3% of pensionable earnings for administration expenses, excluding the Pension Protection Fund (PPF) levy. The PPF levy for 2009/10 was US$500,000 (2008/09 – US$552,043), of which US$400,000 (2008/09 – US$441,635) related to discontinued operations.

In July 2009, an interim funding agreement was reached with the CWSF Trustee whereby additional contributions were to be paid to the CWSF in anticipation of the 31 March 2010 actuarial valuation. On demerger, this agreement was replaced with two interim funding agreements, one for the CWSF and one for the CWWRP. As a result, Cable & Wireless Communications will pay US$13 million into the CWSF in October 2010 and a further US$30 million in April 2011. In addition, Cable & Wireless Communications made a US$40 million cash injection into the CWSF on 31 March 2010, to reflect an agreed de-risking of the investment strategy in view of the change in the scheme's liability profile as a consequence of the split of membership on demerger.

The Group paid a total contribution of US$75 million in 2009/10 to the CWSF to meet the cost of future benefit accrual and expenses, to recover part of the deficit on the scheme funding basis, and to meet the cost of the agreed derisking of the Fund's investment strategy.

A US$149 million contingent funding agreement was agreed with the CWSF Trustee in connection with the demerger, under which the Trustee can call for a letter of credit or cash escrow in certain circumstances, such as material deterioration in the financial performance of the business.

During 2008/09, the CWSF Trustee agreed a buy-in of the UK pensioner element of the scheme with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy by the scheme under which Prudential Insurance assumed responsibility for the benefits payable to the scheme's UK pensioners with effect from 1 August 2008. The pensioner liabilities and the matching annuity policy remain within the scheme. The premium for the annuity policy was approximately US$1.76 billion which the scheme settled with a combination of cash and assets including an additional Group contribution of US$18 million (of which US$14 million related to discontinued operations). Upon demerger, a share of the annuity policy was transferred to the CWWRP in proportion to the share of pensioner obligations transferred.

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

The IAS 19 valuations of the major defined benefit pension schemes and medical plans operated by the Group have been updated to 31 March 2010 by qualified independent actuaries. Lane, Clark & Peacock LLP prepared the valuation for the CWSF and the UK unfunded arrangements. Towers Watson & Co prepared the valuation for the THUS scheme and 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 2010				31 March 2009			
	CWSF		**Other schemes**		CWSF		Other schemes	
	Assets US$m	**Assumption %**	**Assets US$m**	**Assumption %**	Assets US$m	Assumption %	Assets US$m	Assumption %
Inflation assumption		**3.6**		**4.6**		3.0		4.3
Salary increases		**4.1**		**5.1**		3.5		5.5
Pension increases		**2.3-3.5**		**3.2**		2.2–3.0		4.5
Discount rate		**5.5**		**7.4**		6.7		7.9
Medical cost trends for post-retirement medical plans		**–**		**5.0**		–		9.7
Long-term expected rate of return on plan assets								
– Annuity policies	**1,000**	**5.5**	**73**	**8.0**	1,196	6.7	64	8.0
– Equities	**163**	**8.3**	**89**	**8.0**	752	8.0	145	8.1
– Bonds and gilts	**37**	**5.4**	**78**	**2.5**	74	5.6	139	5.6
– Property	**22**	**6.8**	**40**	**1.4**	110	6.5	55	8.5
– Cash and swaps	**90**	**3.9**	**27**	**1.3**	275	3.3	–	–
	1,312		**307**		2,407		403	

Assumptions used are best estimates from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The assumptions shown above for Other schemes represent a weighted average of the assumptions used for the individual schemes.

A one year increase in the life expectancy assumptions would have increased the CWSF liabilities by approximately US$45 million as at 31 March 2010. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$33 million. A 0.25% pa decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around US$55 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$30 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 credit method used 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.

During 2008/09, the defined benefit pension schemes and post-retirement medical plans of Cable & Wireless Jamaica were restructured in order to reduce financial risk materially. The restructure involved the purchase of annuities for all of the defined benefit obligations, a change in member benefits and the transfer of all of the retirement medical plan obligations to a third party insurer. The restructure resulted in a curtailment gain of US$18 million. The transfer of the retirement medical plan obligations resulted in a settlement loss of US$6 million. The curtailment gain and settlement loss have been recorded as a net exceptional gain of US$12 million. There was also an exceptional curtailment gain in Barbados of US$2 million in 2008/09. Refer to note 7 for further details.

33 Retirement benefits obligations continued

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

	31 March 2010			31 March 2009		
	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	1,312	307	1,619	2,407	403	2,810
Present value of funded obligations	(1,477)	(275)	(1,752)	(2,453)	(393)	(2,846)
Excess of (liabilities)/assets of funded obligations	(165)	32	(133)	(46)	10	(36)
Present value of unfunded obligations	–	(42)	(42)	–	(35)	(35)
Effect of asset ceiling	–	(17)	(17)	–	(13)	(13)
Net deficit	(165)	(27)	(192)	(46)	(38)	(84)
Liabilities						
Defined benefit pension plans in deficit	(165)	(54)	(219)	(46)	(70)	(116)
Unfunded post-retirement medical plans	–	(8)	(8)	–	(7)	(7)
Total	(165)	(62)	(227)	(46)	(77)	(123)
Assets						
Defined benefit pension plans in surplus	–	35	35	–	39	39

*Net of amounts attributable to the Cable & Wireless Worldwide business.

Included within these liabilities is an amount of US$24 million (2008/09 – US$21 million) to cover the cost of former Directors' pension entitlements.

When defined benefit funds have an IAS 19 surplus, they are recorded at the lower of that surplus and the future economic benefits available in the form of a cash refund or a reduction in future contributions. Any adjustment to the surplus is recorded directly in equity. The effect of these adjustments, described as asset ceiling adjustments, were US$17 million as at 31 March 2010 (31 March 2009 – US$13 million).

The amounts recognised in the income statement were as follows:

	31 March 2010			31 March 2009		
	CWSF US$m	Other US$m	Total US$m	CWSF US$m	Other US$m	Total US$m
Continuing operations						
Current service cost	(1)	(5)	(6)	(4)	(5)	(9)
Interest cost	(35)	(18)	(53)	(40)	(28)	(68)
Expected return on plan assets	37	22	59	47	40	87
Gains on curtailment or settlement	–	4	4	–	14	14
Total net credit – continuing operations	1	3	4	3	21	24
(Charge)/credit related to discontinued operations	(5)	(5)	(10)	21	(12)	9
Total net (charge)/credit	(4)	(2)	(6)	24	9	33

The pre-exceptional defined benefit credit for continuing operations has been included in employee benefit expenses (note 10). The exceptional defined benefit credit of US$4 million (2008/09 – US$14 million) has been recognised in exceptional staff costs (see note 7).

The actual return on plan assets was a gain of US$803 million (2008/09 – loss of US$610 million).

The total amount recognised in the statement of comprehensive income in the current financial year and cumulatively to 31 March 2010 is a loss of US$463 million (2008/09 – loss of US$136 million) and loss of US$559 million (2008/09 – loss of US$96 million) respectively.

In 2009/10, net actuarial losses amounting to US$460 million (2008/09 – losses of US$833 million) have been recognised directly in equity and are presented in the statement of comprehensive income. Further, a loss of US$4 million (2008/09 – gain of US$797 million) was recognised in the statement of comprehensive income due to the change in asset ceilings. In 2008/09, a US$4 million exchange gain on the Jamaica defined benefit pension asset ceiling amount was also recognised in the statement of comprehensive income. The amounts recognised in the statement of comprehensive income include exchange gains of US$1 million in 2009/10 (2008/09 – loss of US$104 million).

Changes in the present value of the defined benefit pension and post-retirement medical plan obligations are as follows:

	2009/10			2008/09		
	CWSF US$m	**Other US$m**	**Total US$m**	CWSF US$m	Other US$m	Total US$m
Obligations at 1 April	**(2,453)**	**(428)**	**(2,881)**	(3,479)	(422)	(3,901)
Current service cost	**(12)**	**(12)**	**(24)**	(14)	(9)	(23)
Interest cost	**(177)**	**(33)**	**(210)**	(204)	(35)	(239)
Actuarial (losses)/gains recognised in equity	**(941)**	**(104)**	**(1,045)**	171	23	194
Employee contributions	**(3)**	**(5)**	**(8)**	(4)	(5)	(9)
Obligations extinguished (excluding obligations demerged)	**–**	**–**	**–**	–	35	35
Obligations acquired	**–**	**–**	**–**	–	(109)	(109)
Settlement losses	**–**	**–**	**–**	–	(18)	(18)
Curtailment gains	**2**	**3**	**5**	4	21	25
Benefits paid	**127**	**20**	**147**	130	16	146
Exchange differences on translation	**(3)**	**3**	**–**	943	75	1,018
Obligations at 31 March (excluding demerger)	**(3,460)**	**(556)**	**(4,016)**	(2,453)	(428)	(2,881)
Amounts attributable to the Cable & Wireless Worldwide business (note 15)	**1,983**	**239**	**2,222**	–	–	–
Obligations at 31 March	**(1,477)**	**(317)**	**(1,794)**	(2,453)	(428)	(2,881)

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

	2009/10			2008/09		
	CWSF US$m	**Other US$m**	**Total US$m**	CWSF US$m	Other US$m	Total US$m
Fair value of assets as at 1 April	**2,407**	**403**	**2,810**	4,229	454	4,683
Expected return	**182**	**36**	**218**	239	47	286
Actuarial gains/(losses) recognised in equity	**521**	**64**	**585**	(946)	(81)	(1,027)
Contributions by employer	**75**	**20**	**95**	35	14	49
Employee contributions	**3**	**5**	**8**	4	5	9
Assets divested (excluding assets demerged)	**–**	**(3)**	**(3)**	–	(56)	(56)
Assets acquired	**–**	**–**	**–**	–	111	111
Benefits paid	**(127)**	**(20)**	**(147)**	(130)	(16)	(146)
Exchange differences on translation	**23**	**(4)**	**19**	(1,024)	(75)	(1,099)
Fair value of assets as at 31 March (excluding demerger)	**3,084**	**501**	**3,585**	2,407	403	2,810
Amounts attributable to the Cable & Wireless Worldwide business (note 15)	**(1,772)**	**(194)**	**(1,966)**	–	–	–
Fair value of assets as at 31 March	**1,312**	**307**	**1,619**	**2,407**	**403**	**2,810**

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

	31 March 2010		31 March 2009		31 March 2008	
	CWSF US$m	**Other US$m**	CWSF US$m	Other US$m	CWSF US$m	Other US$m
Plan assets	**1,312**	**307**	2,407	403	4,229	454
Defined benefit and post-retirement medical plan obligations	**(1,477)**	**(317)**	(2,453)	(428)	(3,479)	(422)
(Deficit)/surplus excluding the effects of the asset ceiling	**(165)**	**(10)**	(46)	(25)	750	32
Experience gains/(losses) on plan assets	**521**	**24**	(946)	(81)	(126)	2
Experience (losses)/gains on plan liabilities	**(27)**	**(4)**	35	2	28	(16)

33 Retirement benefits obligations continued

	31 March 2007		31 March 2006	
	CWSF US$m	Other US$m	CWSF US$m	Other US$m
Plan assets	4,081	412	3,443	411
Defined benefit and post-retirement medical plan obligations	(3,997)	(396)	(3,598)	(414)
Surplus/(deficit) excluding the effects of the asset ceiling	84	16	(155)	(3)
Experience gains on plan assets	60	9	370	–
Experience (losses)/gains on plan liabilities	(13)	9	(27)	(25)

The best estimate of contributions to the defined benefit schemes for 2010/11 is:

	CWSF US$m	Other US$m	Total US$m
Employer contributions	14*	16	30
Employee contributions	–	5	5

*Based on an employer contribution rate of 28.5% of pensionable earnings plus contributions due under the interim funding agreement and the estimated PPF levy payable in the year ended 31 March 2011.

The pension disclosures above include two post-retirement medical plans in Barbados. An increase in the assumed medical cost trend of 1% pa would have no material effect on the aggregate of current service costs and interest costs and would increase the accumulated defined benefit obligation by US$9 million (1% decrease will reduce the accumulated defined benefit obligation by US$7 million).

34 Equity

Equity attributable to the owners of the parent

As discussed in note 2, during the period Cable & Wireless Communications Plc was interposed as the new parent entity of the Cable & Wireless Group (now Cable & Wireless Communications Group). This transaction has been accounted for using the principles of reverse acquisitions.

The main principles used in the presentation of equity for the Cable & Wireless Communications Group were as follows:

- The retained earnings and other equity balances of the Cable & Wireless Group (now Cable & Wireless Communications Group) were carried forward as the retained earnings and other equity balances of the Cable & Wireless Communications Group at the date of the Scheme of Arrangement, 19 March 2010.
- The equity instruments of Cable & Wireless Communications Plc were initially recognised at their fair value on the date of the Scheme of Arrangement.
- The movements in share capital prior to 19 March 2010 reflect the movements in the share capital of Cable and Wireless plc (now Cable & Wireless Limited). However, share capital for these prior year share issues has been restated using the nominal value of Cable & Wireless Communications Plc shares at 5 cents each in order to present the movements as though Cable & Wireless Communications Group had been in existence in its current form since 1 April 2008. The difference arising on this restatement has been included in the share premium.
- Any difference between the fair value of these instruments on the date of the Scheme of Arrangement and the historical cost of the instruments on issue in Cable and Wireless plc (now Cable & Wireless Limited) were recorded in retained earnings.

See note 8 of the Company accounts for information on the shares issued by Cable & Wireless Communications Plc since its incorporation.

Share capital

	Number of shares (000)	US$m
Issued, called-up and fully paid shares of 5 cents each		
At 1 April 2008	2,536,623	127
Allotted under share options schemes	4,186	–
Allotted under scrip dividends	30,657	2
At 31 March 2009	2,571,466	129
Allotted under share options schemes	11,210	–
Allotted under scrip dividends	41,896	2
At 31 March 2010	**2,624,572**	**131**

The aggregate nominal value of the shares allotted in the year was US$2 million (2008/09 – US$2 million).

No treasury shares of Cable & Wireless Communications Plc were cancelled during the periods presented. On 10 March 2010, Cable and Wireless plc transferred 28,259,496 Treasury shares to the ESOP Trust. In addition, on 24 June 2009, Cable and Wireless plc transferred 3,000,000 Treasury shares to the ESOP Trust. 12 million treasury shares were transferred to the ESOP trust on 13 February 2009.

The nominal value and market value of treasury shares held at 31 March 2010 (excluding those held by the ESOP trust) was US$nil (2008/09 – US$12 million) and US$nil (2008/09 – US$67 million) respectively. The ESOP Trust has waived its right to dividends.

In accordance with the Company's Articles of Association, each share (other than those held in treasury) entitles the holder to one vote at General Meetings of Cable & Wireless Communications Plc. The Company's shareholders can declare dividends by passing an ordinary resolution but the payment cannot exceed the amount recommended by the Directors. There are no restrictions on the repayment of capital other than those imposed by law. For further information refer to pages 38 to 41 of the Directors' report.

Allotments of ordinary shares of 5 cents each were made during the period as follows:

	31 March 2010		31 March 2009	
	Number of allotted shares (000)	**Gross consideration received US$000**	Number of allotted shares (000)	Gross consideration received US$000
Savings Related Share Option Scheme	**929**	**814**	1,730	2,201
Global Savings Related Share Option Scheme	**118**	**187**	1,274	1,358
Share Option Plan – Approved	**131**	**213**	51	99
Share Option Plan – Unapproved	**10,032**	**17,331**	1,131	2,132
Scrip dividends[1]	**41,896**	**–**	30,657	–
Total	**53,106**	**18,545**	34,843	5,790

1 Shares with a cash equivalent value of US$87 million (2008/09 – US$83 million) were issued during the year as payment for dividends by scrip. This was a non-cash transaction.

The Group defines capital as share capital, share premium, special reserve, other reserves (including capital reserve, non-controlling interest transaction reserve, fair value reserve, foreign currency translation reserve and hedging reserve), non-controlling interest and retained earnings. It does not have any externally imposed requirements for managing capital, other than those imposed by Company Law.

The Group manages its net assets in such a way as to optimise the weighted average cost of debt and equity taking into account:

a) the liquidity required in the light of the projected funding requirements of the Group's operating businesses with an appropriate level of contingency;
b) the level of financial strength required to maintain the Group's terms of trade taking account of its operational cash generation;
c) the relative post-tax cost of debt and equity; and
d) the extent to which external debt finance is, or is likely to be, available to the Group on acceptable terms.

This strategy is unchanged from the prior year as applied by the Cable & Wireless Group.

The Articles of Association of the Company permit borrowing up to 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. This process is managed through the Group's budget and longer-term forecasting process.

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 2009/10, other reserves included a capital redemption reserve of US$152 million (2008/09 – US$152 million), a revaluation reserve of US$30 million (2008/09 – US$nil), a fair value reserve of US$9 million (2008/09 – US$7 million), a special reserve of US$2,137 million (2008/09 – US$2,243 million) and a capital reserve of US$1,931 million (2008/09 – US$nil), less a reserve relating to transactions with non-controlling interests of US$4 million (2008/09 – US$4 million). The capital reserve may be released, in whole or in part, to distributable reserves of the Company at the discretion of (and upon the resolution of) the Board of Directors or a duly constituted committee of the Board of Directors.

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.

35 Share-based payments

Subsequent to the Scheme of Arrangement and demerger, the majority of Cable & Wireless Communications participants' outstanding Cable and Wireless plc share and option awards rolled over into Cable & Wireless Communications equivalent awards. A limited number of participants retained their Cable and Wireless plc awards and had entitlement to one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share in lieu of each Cable and Wireless plc share.

The quantity of shares under awards were converted in accordance with plan rules to adjust for the demerger of the Cable & Wireless Worldwide business.

Option and share prices granted during the year are disclosed in Sterling reflecting the currency in which the ordinary shares of Cable and Wireless plc were quoted. Outstanding shares of Cable & Wireless Communications Plc are shown in cents.

Share option schemes

The Group does not currently have any outstanding share option awards over its own shares (2008/09 – nil). There are 14,130,773 outstanding share option awards relating to options granted by Cable and Wireless plc to senior employees (2008/09 – 31,833,674 outstanding options of which 25,708,841 related to Cable & Wireless Communications employees). These options were originally issued over Cable and Wireless plc shares at exercise prices between 100-149 pence (12,789,356 options) and 150-199 pence (1,341,417 options). All options have vested in full. Subsequent to the Scheme of Arrangement and demerger, these options have been redesignated as an option over a stapled unit of one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc (an unrelated company). The liability for these stapled unit options is classified as an Other payable and amounts to US$18 million.

Prior to the Scheme of Arrangement and demerger, 13,982,000 options were exercised at an average share price of 101 pence (2008/09 – 6,157 options at an average price of 89 pence).

Other equity instrument awards

Performance shares

Executive Directors and other senior executives can receive awards of performance shares at nil cost.

The vesting of performance shares is subject to Cable & Wireless Communications Plc absolute TSR performance conditions (see performance conditions for share-based awards on pages 48 to 50). A dividend award supplement operates on these awards. Dividends that would have been paid on the performance shares which vest will be regarded as having been re-invested in additional shares.

Prior to the Scheme of Arrangement and demerger, performance share awards by Cable and Wireless plc were subject to relative TSR performance of Cable and Wireless plc or the Cable & Wireless Communications business.

Subsequent to the Scheme of Arrangement and demerger, performance share awards have been adjusted to be an award over Cable & Wireless Communications Plc ordinary shares of an equivalent value.

Restricted share plan

Restricted shares are awarded to Executive Directors and selected employees, primarily as a retention or a recruitment tool. Generally, restricted shares vest over periods of one to three years.

Prior to the Scheme of Arrangement and demerger, restricted share awards made to Cable & Wireless Communications employees were made in respect of shares in Cable and Wireless plc. Subsequent to the Scheme of Arrangement and demerger, these awards have been adjusted to be an award over Cable & Wireless Communications Plc ordinary shares of an equivalent value.

Stock appreciation rights plan

Stock appreciation rights are used to replicate exactly the types of awards described above, but rewards are delivered as a cash equivalent. It is used in exceptional cases for countries in which tax or legal issues preclude the use of real shares or share options.

Cable & Wireless Communications Share purchase plan

The Company also offers its employees, who are chargeable to income tax under Section 15 Income Tax (Earnings and Pensions) Act 2003, the Cable & Wireless Communications Share Purchase Plan which is a Revenue approved share incentive plan. Under the Share Purchase Plan, employees can contribute up to a value of £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares in the Company, and the Company will offer a match of one share for each partnership share purchased.

The Cable & Wireless Employee Share Ownership Plan (ESOP) Trust

The Cable & Wireless ESOP Trust is a discretionary trust, which was funded by loans from the Cable and Wireless plc to acquire shares in Cable and Wireless plc. Subsequent to the Scheme of Arrangement and demerger, the shares held by the Cable & Wireless ESOP Trust were converted into one share of Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc for every share in Cable and Wireless plc held.

On 10 March 2010, Cable and Wireless plc transferred 28,259,496 Treasury shares to the ESOP Trust. In addition, on 24 June 2009, Cable and Wireless plc transferred 3,000,000 Treasury shares to the ESOP Trust.

At 31 March 2010 the Trust held 43,010,495 shares in Cable & Wireless Communications Plc and 43,010,495 shares in Cable & Wireless Worldwide plc (2008/09 – 28,322,351 shares in Cable and Wireless plc) with an aggregate cost of US$96 million (2008/09 – US$85 million) and a market value of US$94 million (2008/09 – US$57 million).

Share awards
The equity instruments granted during the period can be summarised as follows:

Awards granted during 2009/10 and 2008/09

	Awards of Cable and Wireless plc shares granted between 1 April 2009 and 19 March 2010			Awards of Cable and Wireless plc shares granted during 2008/09		
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	**717,236**	**130**	**–**	4,534,692	132	–
Stock appreciation rights	**589,039**	**142**	**–**	5,030,930	136	–
Share purchase plan scheme (matching shares)	**1,801,989**	**140**	**–**	1,386,389	156	–
Performance shares	**17,596,285**	**71**	**TSR conditions**	1,187,295	71	TSR conditions

There were no share awards made between 19 March 2010 and 31 March 2010.

Only the performance share grants made during 2009/10 and 2008/09 have performance criteria attached. A fair value exercise was completed at 31 March 2010 for grants made during 2009/10 using the Monte Carlo method. The remaining awards had no performance conditions attached.

The Monte Carlo pricing model assumptions used in the pricing of the performance share grants in 2009/10 and 2008/09 were:

	2009/10	2008/09
Weighted average share price (pence per share)	**140**	142
Dividend yield	**6.2%**	5.5%
Expected volatility	**33.2%**	31.0%
Risk-free interest rates	**1.8%**	3.0%
Expected life in years	**2.9 years**	3 years

The total expense for continuing and discontinued operations relating to share-based payments which are equity settled transactions was US$27 million (2008/09 – US$23 million).

A summary of the outstanding share awards at 31 March 2010 are as follows:

	31 March 2010		
Award	Number of shares outstanding	Weighted average fair value (cents/share)[1]	Weighted average remaining life (rounded to nearest year)
Restricted shares	**4,696,130**	**74**	**1**
Restricted shares (TSR)	**5,550,000**	**57**	**1**
Share purchase plan scheme (matching shares)	**3,749,609**	**53**	**2**
Performance shares	**10,387,375**	**42**	**2**

1 The fair value of share awards made in respect of shares in Cable and Wireless plc has been adjusted in line with the conversion of share awards into Cable & Wireless Communications Plc awards. This adjustment was based on the proportion of value of Cable & Wireless Communications Plc to the combined value of Cable & Wireless Worldwide plc and Cable & Wireless Communications Plc for the five trading days post-demerger.

36 Reconciliation of net funds

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

A reconciliation of net cash flow to movement in net funds is as follows:

	2009/10 US$m	2008/09 US$m
Increase/(decrease) in cash during the year	**41**	(343)
Decrease in debt and lease financing	**(268)**	(436)
Cash outflow in net funds	**(227)**	(779)
Finance leases entered into during the year	**(27)**	(21)
Net borrowing costs capitalised	**8**	–
Net debt of businesses acquired	**(2)**	(210)
Demerger of the Cable & Wireless Worldwide business (note 15)	**68**	–
Exchange differences	**62**	(23)
Movement in net funds in the year	**(118)**	(1,033)
Net (debt)/funds at 1 April	**(546)**	487
Net debt at 31 March	**(664)**	(546)

Analysis of changes in net funds:

	At 1 April 2009 US$m	Cash flow US$m	Finance leases entered into during the year US$m	Net borrowing costs capitalised US$m	Acquisitions US$m	Demerger of the Cable & Wireless Worldwide business US$m	Exchange movements US$m	**At 31 March 2010 US$m**
Cash at bank and in hand	257	(102)	–	–	–	(27)	13	**141**
Short-term deposits	533	143	–	–	–	(261)	17	**432**
Total net funds	790	41	–	–	–	(288)	30	**573**
Debt due within one year	(130)	54	(17)	–	(2)	37	–	**(58)**
Debt due after one year	(1,206)	(322)	(10)	8	–	319	32	**(1,179)**
Total debt	(1,336)	(268)	(27)	8	(2)	356	32	**(1,237)**
Total net (debt)/funds	(546)	(227)	(27)	8	(2)	68	62	**(664)**

37 Commitments, guarantees and contingent liabilities

Commitments

The Group had capital commitments at the end of the financial year relating to the purchase of plant and equipment of US$34 million (2008/09 – US$165 million). No provision has been made for these commitments. US$30 million (31 March 2009 – US$29 million) of these commitments relate to the Group's share of the capital commitments of its joint ventures. Of the capital commitments at 31 March 2009, US$128 million related to 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 2010 is disclosed in note 7. The aggregate future minimum lease payments under operating leases are:

	31 March 2010 US$m	31 March 2009 US$m
No later than one year	**39**	202
Later than one year but not later than five years	**98**	427
Later than five years	**45**	352
Total minimum operating lease payments	**182**	981

At 31 March 2009, US$802 million of these operating lease commitments related to discontinued operations.

Guarantees and contingent liabilities

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

	31 March 2010 US$m	31 March 2009 US$m
Trading guarantees	**10**	580
Other guarantees	**606**	141
Total guarantees	**616**	721

Trading guarantees principally comprise performance bonds for contracts concluded in the normal course of business, guaranteeing that the Group will meet its obligations to complete projects in accordance with the contractual terms and conditions. The nature of contracts includes projects, service level agreements, installation of equipment, surveys, purchase of equipment and transportation of materials. The guarantees contain a clause that they will be terminated on final acceptance of work to be done under the contract.

Other guarantees include guarantees for financial obligations principally in respect of borrowings, property and other leases and letters of credit, and include guarantees in respect of the demerged business of Cable & Wireless Worldwide.

Total guarantees at 31 March 2010 include US$563 million of other guarantees (2008/09 – US$670 million of trading and other guarantees) relating to discontinued operations. The Cable & Wireless Communications Group has provided guarantees to third parties in respect of trading contracts between third parties and the Cable & Wireless Worldwide Group. The Cable & Wireless Worldwide Group has agreed a fee schedule with Cable & Wireless Communications Group for the benefit of these guarantees. To date, the Cable & Wireless Communications Group has not been required to make any payments in respect of its obligations under these trading guarantees.

In addition to the amounts included in the table above, the Group has guaranteed available credit facilities of US$600 million. At 31 March 2010, none of these facilities had been drawn down.

Under the Separation Agreement, Cable & Wireless Communications and Cable & Wireless Worldwide agree to provide each other with certain customary indemnities on a reciprocal basis in respect of liabilities which the Cable & Wireless Communications Group may incur but which relate exclusively to the Cable & Wireless Worldwide Group and vice versa and in respect of an agreed proportion of liabilities which do not relate exclusively to one Group or the other.

Whilst Pender, the Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims. Detail of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims.

In addition the Group, as is considered standard practice in such agreements, has given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Group also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

Whilst the Group has ceased participation in the Merchant Navy Officers Pension Fund, it may be liable for future contributions to fund a portion of any future funding deficits. Currently, the amount of these potential liabilities cannot be quantified.

38 Business combinations and acquisitions of non-controlling interests

Continuing operations

Dhivehi Raajjeyge Gulhun Private Ltd (Dhiraagu)

On 21 October 2009, the Group purchased a further 7% of the share capital of Dhiraagu from the Maldives government for cash consideration of US$40 million. This transaction resulted in the Cable & Wireless Communications Group reclassifying its joint venture investment in this entity to a subsidiary investment. The goodwill recognised on acquisition was US$25 million and the net cash inflow on acquisition was US$36 million.

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

	Book value US$m	Fair value adjustments US$m	**Fair value at 31 March 2010 US$m**
Property, plant and equipment	151	–	**151**
Customer contracts and relationships	–	51	**51**
Trade marks and other intangibles	–	18	**18**
Trade and other receivables	19	–	**19**
Inventories	3	–	**3**
Cash and cash equivalents	76	–	**76**
Trade and other payables	(91)	–	**(91)**
Total	158	69	**227**

From the date of its acquisition on 21 October 2009, Dhiraagu contributed US$69 million to Group revenue and US$28 million to Group profit. If the acquisition had occurred on 1 April 2009, the contribution to Group revenue for 2009/10 would have been US$148 million and the contribution to Group profit for 2009/10 would have been US$61 million.

Goodwill arising on the acquisition of Dhiraagu included the value of expected synergies resulting from the integration into the existing business, and the value of the workforce and other intangible assets that did not meet the recognition criteria set out in IAS 38 *Intangible Assets* as they were unable to be separately identified.

Connecteo Group

In January 2008, the Group purchased a 49% stake in the Connecteo Group for cash consideration of US$14 million and gained management control of the holding company. The Connecteo Group provides satellite, data and internet services in Benin, Burkina Faso, Cameroon, Guinea, Niger and Senegal. On acquisition, the Directors performed a preliminary assessment of the fair values of the assets and liabilities acquired as property, plant and equipment (US$4 million) and net working capital liabilities (US$2 million). The excess of consideration over the fair value of the acquired assets and liabilities was allocated to goodwill. In 2008/09, subsequent to this preliminary valuation of goodwill and intangibles, an exercise was conducted to identify and value any further intangibles at the date of acquisition. This resulted in the recognition of an additional US$2 million of licence intangible assets and a corresponding reduction in goodwill. In January 2009, the Group paid US$7 million for a further 16% interest in the Connecteo Group.

During 2008/09, the Connecteo Group increased its effective interest in its subsidiaries. This transaction resulted in a decrease of US$2 million of non-controlling interests and a US$2 million increase in other reserves.

Monaco Telecom

Goodwill in connection with the Group's investment in Monaco Telecom SAM decreased by US$17 million during the year (2008/09 – US$46 million decrease). The goodwill balance decreased as a result of the payment of dividends to the non-controlling interest (the Principality of Monaco), exchange movements and changes in the fair value of the put option.

As part of the acquisition of Monaco Telecom a put option was issued (see note 29). Changes in the fair value of this put option are treated as contingent consideration and adjusted against goodwill. Cash dividends paid to the Principality of Monaco reflected an increase in the Cable & Wireless Communications Group's investment in Monaco Telecom and therefore an increase to goodwill. The goodwill balance also changed as a result of exchange movements.

	2009/10 US$m	2008/09 US$m
At 1 April	**170**	216
Decrease as a result of changes in the fair value of put option	**(29)**	(12)
Dividends paid to the Principality	**12**	19
Decreases due to exchange movements	**–**	(53)
At 31 March	**153**	170

Discontinued operations

THUS

On 1 October 2008, Cable & Wireless obtained control of THUS Group Plc (THUS) for a total consideration of US$603 million. The consideration comprised US$591 million to acquire the entire share capital of THUS and US$12 million of direct costs.

The acquisition is summarised as follows:

	Provisional amounts at 31 March 2009 US$m	**Final amounts at 30 September 2009 US$m**
Consideration paid	603	**603**
Goodwill arising on acquisition	600	**627**
Fair value of net assets acquired	3	**(24)**
Cash outflows on acquisition	603	**603**
Less: cash acquired	(23)	**(23)**
Net cash outflow on acquisition	580	**580**

In 2008/09, from the date of its acquisition on 1 October 2008, THUS contributed US$417 million to Group revenue and a loss of US$30 million to Group profit. If the acquisition had occurred on 1 April 2008 the contribution to Group revenue for 2008/09 (now recorded in discontinued operations) would have been US$911 million and the contribution to Group profit for 2008/09 would have been a loss of US$60 million.

The Directors made a provisional assessment of the fair values of the assets and liabilities at 31 March 2009. This assessment was updated at 30 September 2009 to adjust for new information regarding the previously assessed balances. The fair values, both provisional and final, were as follows:

	Book value US$m	Alignment of accounting policy US$m	Fair value adjustments US$m	Provisional fair value at 31 March 2009 US$m	Adjustments US$m	Exchange differences US$m	Adjusted fair value at 30 September 2009 US$m
Property, plant and equipment	496	–	(141)	355	–	(34)	321
Purchased goodwill	88	–	(88)	–	–	–	–
Customer contracts and relationships	–	–	26	26	–	(2)	24
Trade marks and other intangibles	14	–	(5)	9	–	(1)	8
Trade and other receivables	228	9	(51)	186	(6)	(18)	162
Inventories	12	–	(12)	–	–	–	–
Deferred tax	98	(98)	–	–	–	–	–
Defined benefit pension scheme	7	(7)	–	–	–	–	–
Cash and cash equivalents	23	–	–	23	–	(2)	21
Available-for-sale financial assets	18	–	–	18	–	(2)	16
Trade and other payables	(195)	(113)	(49)	(357)	(10)	35	(332)
Loans and other borrowings	(199)	–	–	(199)	–	19	(180)
Provisions	–	(58)	–	(58)	(11)	5	(64)
Total	590	(267)	(320)	3	(27)	–	(24)

The acquiree's carrying amounts were previously recorded in accordance with IFRS.

Goodwill arising on the acquisition of THUS included the value of expected synergies resulting from the integration into the existing Worldwide business, and the value of the workforce and other intangible assets that did not meet the recognition criteria set out in IAS 38 *Intangible Assets* as they were unable to be separately identified.

Apollo

On 1 April 2008 the Group gained full management control of Apollo Cable Submarine Systems Limited ('Apollo') which was previously accounted for as a joint venture. Goodwill arising on this business combination amounted to US$16 million. The net liabilities acquired were US$16 million (including US$7 million of cash and cash equivalents). In 2008/09, Apollo contributed US$12 million to revenue and US$nil to profit after tax. On 13 November 2008, the Group increased its effective interest in Apollo from 55% to 60% for consideration of US$nil. This transaction resulted in US$nil of minority interest transferred to retained earnings and a US$nil increase in other reserves.

39 Related party transactions

Transactions with joint ventures

All trade transactions with joint ventures arise in the normal course of business and primarily relate to fees for use of the Group's products and services, network and access charges. There were no material trade transactions with joint ventures during the year.

The Group received dividends of US$52 million from joint ventures (2008/09 – US$30 million) during the year ended 31 March 2010. This includes dividends from Dhiraagu (our Maldives joint venture) until it became a subsidiary on 21 October 2010 (see notes 21 and 38). At 31 March 2010, joint ventures owed US$4 million (31 March 2009 – US$4 million) in respect of trading balances.

Transactions with the Cable & Wireless Worldwide Group post-demerger

On 26 March 2010, the Cable & Wireless Worldwide business was demerged from the Cable & Wireless Communications Group. The results of this business until 26 March 2010 have been classified as discontinued operations and are summarised in note 15.

At 31 March 2010, balances outstanding with the Cable & Wireless Worldwide Group were as follows:

	31 March 2010 US$m
Trade receivables from Cable & Wireless Worldwide Group companies	3
Other payables to Cable & Wireless Worldwide Group companies	(117)
Obligation to transfer Cable & Wireless Worldwide shares	(30)
Total	**(144)**

Other payables relates to an amount of US$117 million that will be paid to the Cable & Wireless Worldwide Group on 1 April 2010 to settle the Cable & Wireless Worldwide portion of the 2009/10 final dividend of the former Cable & Wireless Group.

In accordance with the demerger terms, Cable & Wireless Communications Group has agreed to transfer 22 million shares in Cable & Wireless Worldwide plc held by the Cable & Wireless Employee Share Ownership Trust to similar trust for the benefit of the Cable & Wireless Worldwide Group. This obligation is included in financial liabilities at fair value (see note 29).

On demerger, the Cable & Wireless brand was transferred to a joint venture entity owned by and for the continuing use of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group (see note 40).

Transactions with key management personnel

During 2008/09, two Directors of Cable & Wireless Communications Plc purchased unsecured bonds issued by Cable & Wireless Limited (formerly Cable and Wireless plc) and Cable & Wireless International Finance B.V. These bonds were purchased for US$4,169,670 (£2,371,691) on the open market (including US$209,179 (£118,980) of accrued interest) and had a nominal value at 31 March 2010 of US$3,914,492 (£2,630,000) (31 March 2009 – US$3,812,974 (£2,630,000)). The interest earned on those bonds during 2009/10 was US$364,082 of which US$143,247 remained unpaid at 31 March 2010 (2008/09 – US$109,184 of which US$79,163 remained unpaid at 31 March 2009).

During 2008/09, the spouse of a Director of Cable & Wireless Communications Plc purchased unsecured bonds issued by Cable & Wireless International Finance B.V. These bonds were purchased for US$768,602 (£437,178) on the open market (including US$67,124 (£38,180) of accrued interest) and had a nominal value at 31 March 2010 of US$714,432 (£480,000) (31 March 2009 – US$695,904 (£480,000)). The interest earned on those bonds during 2009/10 was US$65,843 of which US$1,013 remained unpaid at 31 March 2010 (2008/09 – US$7,778 of which US$987 remained unpaid at 31 March 2009). During 2009/10, interest was earned by the spouse of a Director of Cable & Wireless Communications Plc on unsecured bonds issued by Cable & Wireless Limited (formerly Cable and Wireless plc), purchased prior to their appointment as a Director. These bonds had a nominal value at 31 March 2010 of US$14,884 (£10,000). The interest earned on those bonds since the Director was appointed was US$1,045 of which US$846 remained unpaid at 31 March 2010.

There were no other material transactions with key management personnel except for those relating to remuneration (see notes 10 and 35) and shareholdings.

Transactions with other related parties

There are no controlling shareholders of the Company. There have been no material transactions with the shareholders of the Company.

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

40 Licences and operating agreements

In all countries in which it operates, the Group holds licences to operate or operating agreements. These licences and operating agreements take a variety of forms and their terms, rights and obligations vary significantly. The Group assumes that it will renew these licences and operating agreements as they expire. Previous history indicates this is the most likely outcome.

During 2009/10, the Seychelles licence was renewed until 2024. No material changes were made to the terms of the licence, though it remains subject to review once amendments to the local broadcasting and telecommunications legislation are finalised.

In 2008/09, the licence held by Dhiraagu was extended until 2023 and the Group agreed an extension to its operating agreement in Macau to 2016, with an automatic extension until 2021.

Whilst the operating agreements between Monaco Telecom and the Principality of Monaco are not due to expire until 2023 they are currently undergoing consolidation into a single operating agreement. The Group does not anticipate that the consolidation will materially affect the terms under which Monaco Telecom operates its business.

The Group does not have any concession agreements with Governments that fall within the scope of IFRIC 12 *Service Concession Arrangements*.

On demerger of the Cable & Wireless Worldwide business, the Cable & Wireless brand was transferred to a joint venture entity owned by and for the continuing use of the Cable & Wireless Communications and Cable & Wireless Worldwide Groups. As part of this transfer, Cable & Wireless Communications received a royalty free licence, granting rights to use the Cable & Wireless brand in all of the Group's jurisdictions with the exception of Macau and North and West Africa which are branded differently. Further, the Group retains a licence to use the Cable & Wireless logo globally.

There were no other significant changes to the terms of the licences held by the Group's subsidiaries or operating agreements with Governments during the periods presented.

41 Legal proceedings

In the ordinary course of business, the Group is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgement relating to provisions and contingent liabilities is required since the outcome of litigation is difficult to predict. The Group does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Group.

In July 2007, Cable and Wireless plc and four Cable & Wireless Communications Group subsidiaries along with Telecommunications Services of Trinidad and Tobago Limited (TSTT), in which the Cable & Wireless Communications Group holds a 49% interest, were served with proceedings in the English High Court by a Caribbean competitor, Digicel. The claim alleged that the relevant Cable & Wireless Communications Group subsidiaries delayed Digicel's entry into six Caribbean markets (St. Lucia, St. Vincent & the Grenadines, Grenada, Barbados, the Cayman Islands and Turks & Caicos) in breach of applicable statutory and contractual obligations concerning interconnection. A similar allegation was made against TSTT. In addition, it was alleged that Cable and Wireless plc and its four subsidiaries (but not TSTT) conspired to cause delay to Digicel. Trial in the English High Court began in May 2009 and closed in November 2009.

On 15 April 2010, the UK High Court dismissed all of the claims in the seven markets and the overarching conspiracy claim with the exception of a minor breach of a short letter agreement with Digicel in Turks & Caicos. The Court ruled that this breach caused no delay to Digicel and thus no loss. The Court has ordered Digicel to pay Cable & Wireless Communications' costs incurred in defending the claim on an enhanced indemnity basis; and to pay 87.5% of TSTT's costs assessed on a standard basis.

Notes to the consolidated financial statements
for the year ended 31 March 2010

42 Subsidiaries and joint ventures
The Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affect the financial statements.

	Local currency	Issued share capital (million)	Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Continuing operations						
Subsidiaries						
Cable & Wireless Jamaica Ltd	J$	16,817	82	Ordinary	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	Balboa	316	49	Ordinary	Panama	Panama
Companhia de Telecomunicacoes de Macau, SARL[2]	Pataca	150	51	Ordinary	Macau	Macau and China
Cable & Wireless (Barbados) Ltd	B$	72	81	Ordinary	Barbados	Barbados
Cable and Wireless (West Indies) Ltd	GBP	5	100	Ordinary	England	Caribbean
Dhivehi Raajjeyge Gulhun Private Ltd [2,3]	Rufiyaa	190	52	Ordinary	Maldives	Maldives
Monaco Telecom SAM[4,5]	Euro	2	49	Ordinary	Monaco	Monaco
Cable & Wireless Limited[6]	GBP	656	100	Ordinary	England	England
Sable International Finance Limited	GBP	–	100	Ordinary	Cayman	England
Cable & Wireless International Finance BV	GBP	1	100	Ordinary	Netherlands	England
Joint ventures						
Cable & Wireless Trademark Management Ltd	GBP	–	50	Ordinary	England	N/A
Telecommunications Services of Trinidad and Tobago Ltd [4]	T$	283	49	Ordinary	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 has a financial year end of 31 December due to the requirements of the shareholders' agreement.
3 From October 2009, this entity is a subsidiary (formerly a joint venture).
4 This company is audited by a firm other than KPMG and its international member firms.
5 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement.
6 Formerly Cable and Wireless plc.

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, which contains, among other provisions, a prohibition on either the Group or the Principality (subject to certain limited exceptions) selling their shares in Monaco Telecom for five years, mutual pre-emption rights on transfer of shares and certain other limited rights in favour of the Principality. The Principality has a put option entitling it to put its 45% shareholding in Monaco Telecom to the Group at certain times after 1 January 2008. The exercise price under the put option is fair market value, taking into account the nature of the minority stake in Monaco Telecom.

Full details of all subsidiary undertakings, joint ventures and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies in England and Wales.

43 Financial risk management
Treasury policy
The Cable & Wireless Communications Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. Day to day management of treasury activities is delegated to 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 and borrowings are managed centrally by Treasury.

The Cable & Wireless Communications Group may use derivatives including forward foreign exchange contracts, interest rate swaps, cross-currency swaps and options, where appropriate, in the management of its foreign currency and interest rate exposures. The use of these instruments is in accordance with strategies agreed from time to time by Treasury and subject to policies approved by the Cable & Wireless Communications Group 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

When the Cable & Wireless Worldwide business was part of the Cable & Wireless Communications Group, the Cable & Wireless Communications Group's transactions were reported in Sterling and all non–Sterling cash flows were subject to foreign exchange risk. As a result, at 31 March 2009, the Cable & Wireless Communications Group had in place forward exchange contracts to sell US$225 million. The Cable & Wireless Communications Group did not apply hedge accounting to these contracts and as such they were revalued to fair value through the income statement. During 2008/09, the US dollar strengthened significantly, outside the Group's planning range and below its recent historical trading range. As a result, the Group increased its forward cover compared with prior periods to lock in the Sterling proceeds from US dollar repatriation and the draw down of a new $415 million bank facility. As the US dollar continued to strengthen, this resulted in exceptional losses of US$98 million as the contracts were exercised during 2008/09 or marked to market at 31 March 2009. In 2009/10, movements in the fair value of open contracts relating to repatriation from the prior year resulted in an exceptional finance gain of US$19 million.

From demerger, the Group is reporting in US dollars, as this is the predominant transaction currency of the Cable & Wireless Communications Group. The Group trades in many countries and a proportion of its revenue is generated in currencies other than US dollars, notably the Euro, Sterling and Jamaican dollar. The Group is exposed to movements in exchange rates in relation to non-US dollar currency payments, dividend income from foreign currency subsidiaries, reported profits of foreign currency subsidiaries and the net asset carrying value of non-US dollar investments. Exchange risk is managed centrally by the Central operations on a matching cash flow basis including forecast foreign currency cash repatriation inflows from subsidiaries and forecast foreign currency payments.

Where appropriate the Cable & Wireless Communications Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created where currencies do not naturally offset in the short term. The Group will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Group where appropriate. Where cost-effective and possible, foreign subsidiaries are financed in their domestic currency to minimise the impact of translation of foreign currency denominated borrowings.

As part of the overall policy of managing the exposure arising from foreign exchange movements relating to the net carrying value of overseas investments, the Group may, from time to time, elect to match certain foreign currency liabilities against the carrying value of foreign investments.

The carrying amounts of the Group's cash and cash equivalents, financial assets at fair value through the income statement, available-for-sale financial assets and borrowings are denominated in the following currencies:

	31 March 2010		31 March 2009	
	Financial assets US$m	**Loans US$m**	Financial assets US$m	Loans US$m
Sterling	**408**	**552**	657	676
US dollar and currencies linked to the US dollar	**164**	**685**	132	625
Euro	**16**	**–**	32	–
Other currencies	**79**	**–**	24	4
	667	**1,237**	845	1,305

Interest rate risk

The Cable & Wireless Communications Group is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives in place as at 31 March 2010.

At 31 March 2010 86% of the Group's loans were at a fixed rate. A reduction in interest rates would have an unfavourable impact upon the fair value of the Group's fixed rate loans. However, no debt is held for trading purposes and it is intended that it will be kept in place until maturity. As a result, there is no exposure to fair value loss on fixed rate borrowings and, as such, its effect has not been modelled.

A one percentage point increase in interest rates will have a US$6 million impact on the income received from the surplus cash balances of the Group and a US$2 million impact on the floating rate loans of the Group. The impact on equity is limited to the impact on the income statement.

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. Management seeks to reduce this risk by ensuring the counterparties to all but a small proportion of the Group's financial instruments are the core relationship banks, which are rated A1 short-term and/or AA-long-term (or better) by Standard & Poor's (or equivalent by Moody's and/or Fitch). The credit rating of these counterparties is monitored on a continuing basis.

The types of instrument used for investment of funds are prescribed in Cable & Wireless Communications Group Treasury policies approved by the Board. These policies contain limits on exposure for the Group as a whole to any one counterparty of approximately US$100 million.

Credit risk on receivables is discussed in note 23.

43 Financial risk management continued

Liquidity risk

At 31 March 2010, the Cable & Wireless Communications Group had cash and cash equivalents of US$573 million. These amounts are highly liquid and are a significant component of the Group's overall liquidity and capital resources. An analysis of the maturity of the Group's receivables and loans is contained in notes 23 and 28.

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 76% of the Group's cash is invested in short-term bank deposits.

Certain foreign subsidiaries operate in jurisdictions which may restrict the ability to repatriate cash to the Group from time to time. Where restrictions are severe, local cash balances are excluded from cash and cash equivalents.

44 Reconciliation of GAAP to non-GAAP items

	2009/10 US$m	2008/09 US$m
Total operating profit	**468**	534
Depreciation and amortisation	**348**	294
LTIP charge	**1**	–
Net other operating (income)/expense	**(3)**	3
Share of post-tax profit of joint ventures	**(30)**	(60)
Exceptional items	**82**	100
EBITDA	**866**	871

Independent auditor's report to the members of Cable & Wireless Communications Plc[1]

We have audited the Company financial statements of Cable & Wireless Communications Plc for the period ended 31 March 2010 set out on pages 124 to 131. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) as applied in accordance with the provisions of the Companies Act 2006.

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 auditors

As explained more fully in the Directors' responsibilities statement set out on page 59, the Directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP

Opinion on financial statements

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Company financial statements; and
- the part of the Directors' remuneration report annotated as audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Cable & Wireless Communications Plc for the period ended 31 March 2010.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

26 May 2010

1 (formerly Cable & Wireless Communications Limited)

Company balance sheet

as at 31 March 2010

	Note	31 March 2010 US$m
Fixed assets investments		
Investments in subsidiaries	6	**6,086**
Current liabilities		
Creditors: amounts falling due within one year	7	**3,962**
Net current liabilities		**(3,962)**
Net assets		**2,124**
Capital and reserves		
Called-up share capital	8	**131**
Share premium account	9	**62**
Reserves	9	**1,931**
Equity shareholders' funds		**2,124**

The accompanying notes on pages 126 to 131 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 124 to 125 were approved by the Board of Directors on 26 May 2010 and signed on its behalf by:

Sir Richard Lapthorne
Chairman

Tim Pennington
Chief Financial Officer

Reconciliation of movements in equity shareholders' funds for the Company

for the period 19 January 2010 to 31 March 2010

	Period from 19 January 2010 to 31 March 2010 US$m
Profit for the period	–
New share capital issued	6,103
Capital reduction and demerger of the Cable & Wireless Worldwide business	(3,979)
Increase in equity shareholders' funds	**2,124**
Opening equity shareholders' funds	–
Closing equity shareholders' funds	**2,124**

The accompanying notes on pages 126 to 131 are an integral part of the financial statements of the Company.

Notes to the financial statements

for the period 19 January 2010 to 31 March 2010

1 Statement of accounting policies

Cable & Wireless Communications Plc (the Company) (formerly Cable & Wireless Communications Limited) was incorporated on 19 January 2010. These accounts represent the period from the date of incorporation to 31 March 2010 and as such no comparatives have been presented.

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 2010, and rounded to the nearest million. Until 26 March 2010, the functional currency of the Company was Sterling. The functional currency was changed after the demerger of the Cable & Wireless Worldwide business as the Directors consider the US dollar to most faithfully represent the underlying transactions, events and conditions for the Company.

1.2 Use of estimates

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

FRS 18 *Accounting Policies* requires that a description of the impact of any change in estimation techniques should be provided where the change has a material impact on the reported results for the period.

1.3 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 subsidiary may not be fully recoverable. Impairments are determined by comparing the carrying value of 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 and loss.

1.4 Financial instruments

Financial assets and liabilities

The Company classifies its financial assets into the following categories: financial assets at fair value through the income statement, 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 classify any financial assets as fair value through profit and loss, held-to-maturity investments or available-for-sale assets. The basis of determining fair values is set out in note 1.5.

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 the profit and loss.

Debtors

Debtors are non-derivative financial assets with fixed or determinable receipts that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a third party with no intention of trading the debtor. They are included in current assets, except for those with maturities greater than one year after the balance sheet date (these are classified as non-current assets).

Debtors are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest method less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the original effective interest rate). The amount of the allowance is recognised in the profit and 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.

Loans
Loans are recognised initially at fair value net of directly attributable transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the loans using the effective interest method.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Convertible bonds issued by the Company were initially recognised at fair value. The bond was separated into a liability and equity component. The liability component was recognised at amortised cost using the effective interest method. The equity component represented the residual of the fair value of the bond less the liability component. The liability component was subsequently measured on an amortised cost basis.

1.5 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.

1.6 Tax
The charge for tax is based on the result for the period and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date.

1.7 Dividends
Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

1.8 Pensions
Costs in respect of the Company's contributions to the Group defined contribution pension scheme are charged to the profit and loss on an accruals basis as contributions become payable.

2 Company's profit and loss account
The Company has taken advantage of the exemption contained in section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The profit for the period of the Company from incorporation to 31 March 2010 amounted to US$0.2 million.

3 Remuneration of Directors
Information covering Directors' remuneration, interests in shares, share options and pension benefits is set out in the Directors' remuneration report on pages 46 to 58 of the Directors' remuneration report.

Notes to the financial statements
for the period 19 January 2010 to 31 March 2010

4 Scheme of arrangement and demerger

At a General Meeting on 25 February 2010, the shareholders of Cable and Wireless plc approved the demerger of the Cable & Wireless Worldwide business. On 19 March 2010, Cable & Wireless Communications Plc was interposed as the new parent entity of the Cable & Wireless Group (now Cable & Wireless Communications Group) and on 22 March 2010 shares in Cable & Wireless Communications Plc were listed on the London Stock Exchange. On 26 March 2010 (the demerger date), the Cable & Wireless Worldwide businesses was transferred to an unrelated company, Cable & Wireless Worldwide plc, in exchange for the entire share capital of that company.

Refer to note 15 of the consolidated financial statements for further information.

5 Staff numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the period since incorporation was five. Their costs for the period since incorporation were US$nil million.

6 Fixed asset investments

	Subsidiary undertakings US$m
Cost	
At 19 January 2010	–
Additions	6,086
At 31 March 2010	**6,086**
Net book value	
At 31 March 2010	**6,086**

7 Creditors

	31 March 2010 US$m
Amounts falling due within one year	
Amounts owed to subsidiary undertakings	**3,845**
Other creditors	**117**
Total creditors	**3,962**

There is no material difference between the carrying amount and fair value of creditors at 31 March 2010.

8 Called-up share capital

The Company was incorporated on 19 January 2010. On incorporation, the Company's authorised share capital was US$2 consisting of two ordinary shares of US$1.

On 25 January 2010, the Company issued two redeemable preference shares of £25,000 each. The preference shares were allotted for cash and remained unpaid (by virtue of the holder giving an undertaking to pay up each share to such amount pursuant to section 583(2) and 583(3) of the Companies Act 2006 (the 'Act')). On the same date, the existing ordinary shares of US$2 were subdivided into 40 ordinary shares of 5 cents each.

On 19 March 2010, the authorised share capital of the Company was increased to US$131 million by the creation of 2,624,571,984 ordinary shares of 5 cents each. In addition, 2,624,571,984 B shares were created of 6.15 pence each with a total nominal value of £161 million (US$247 million).

On 19 March 2010, the Company issued 2,624,571,984 of ordinary shares of 5 cents (US$131 million) and the same number of B shares of 5 pence each (with a combined market value of 239 cents) to the public shareholders of Cable and Wireless plc in exchange for the entire share capital of Cable and Wireless plc as part of the Scheme of Arrangement. The ordinary shares and B shares were stapled to each other until demerger.

On 26 March 2010, the Company demerged the Cable & Wireless Worldwide business. This involved a court approved capital reduction by cancelling the B shares in their entirety and the proportion of the share premium account attributable to the B shares. In consideration, Cable & Wireless Worldwide plc issued ordinary shares of 5 pence each to the shareholders of the Company on the basis of one new Cable & Wireless Worldwide plc share for every Cable & Wireless Communications Plc B share held. The total market value of Cable & Wireless Worldwide plc shares issued was US$3,979 million, being the market value of the Cable & Wireless Worldwide business at this date.

At the same time, the share premium relating to the ordinary shares of Cable & Wireless Communications Plc was reduced by US$1,931 million to US$62 million by way of a court-approved capital reduction scheme in accordance with section 641 of the Act. This had the effect of creating a capital reserve of US$1,931 million, which may be released, in whole or in part, to distributable reserves of the Company at the discretion (and upon the resolution) of the Board of Directors or a duly constituted committee of the Board of Directors.

On 24 May 2010, a duly constituted committee of the Board of Directors approved the release of £90 million (US$134 million), being an amount sufficient to allow payment of the proposed dividend.

Immediately following demerger on 26 March 2010, the preference shares were redeemed and pursuant to Article 8 of the Articles, the nominal amount of such redeemable preference shares comprised in the authorised share capital were sub-divided and converted into ordinary shares of 5 cents each.

	31 March 2010 US$m
Allotted, called-up and fully paid	
2,624,572,024 ordinary shares of 5 cents each	**131**

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 incorporation on 19 January 2010	–	–	–	–	**–**
Ordinary shares of 5 cents allotted during the period	131	1,987	–	–	**2,118**
B shares of 6.15 pence allotted during the period	247	3,738	–	–	**3,985**
Profit for the period	–	–	–	–	**–**
Demerger of the Cable & Wireless Worldwide business and court approved capital reduction	(247)	(5,663)	1,931	–	**(3,979)**
At 31 March 2010	**131**	**62**	**1,931**	**–**	**2,124**

The Company did not have any treasury shares at 31 March 2010.

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.

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.

Transactions with key management personnel

During 2008/09, two Directors of Cable & Wireless Communications Plc purchased unsecured bonds issued by Cable & Wireless Limited and Cable & Wireless International Finance B.V. These bonds were purchased for US$4,169,670 (£2,371,691) on the open market (including US$209,179 (£118,980) of accrued interest) and had a nominal value at 31 March 2010 of US$3,914,492 (£2,630,000) (31 March 2009 – US$3,812,974 (£2,630,000)). The interest earned on those bonds during 2009/10 was US$364,082 of which US$143,247 remained unpaid at 31 March 2010 (2008/09 – US$109,184 of which US$79,163 remained unpaid at 31 March 2009).

During 2008/09, the spouse of a Director of Cable & Wireless Communications Plc purchased unsecured bonds issued by Cable & Wireless International Finance B.V. These bonds were purchased for US$768,602 (£437,178) on the open market (including US$67,124 (£38,180) of accrued interest) and had a nominal value at 31 March 2010 of US$714,432 (£480,000) (31 March 2009 – US$695,904 (£480,000)). The interest earned on those bonds during 2009/10 was US$65,843 of which US$1,013 remained unpaid at 31 March 2010 (2008/09 – US$7,778 of which US$987 remained unpaid at 31 March 2009). During 2009/10, interest was earned by the spouse of a Director of Cable & Wireless Communications Plc on unsecured bonds issued by Cable & Wireless Limited, purchased prior to their appointment as a Director. These bonds had a nominal value at 31 March 2010 of US$14,884 (£10,000). The interest earned on those bonds since the Director was appointed was US$1,045 of which US$846 remained unpaid at 31 March 2010.

There were no other material transactions with key management personnel except for those relating to remuneration (see notes 10 and 35 of the Consolidated financial statements) and shareholdings.

10 Related party transactions continued

Transactions with the Cable & Wireless Worldwide Group post-demerger

On 26 March 2010, the Cable & Wireless Worldwide business was demerged from the Cable & Wireless Communications Group.

At 31 March 2010, US$117 million of other creditors relates to an amount that will be paid to the Cable & Wireless Worldwide Group on 1 April 2010 to settle the Cable & Wireless Worldwide portion of the 2009/10 final dividend of the former Cable & Wireless Group.

On demerger, the Cable & Wireless brand was transferred to a joint venture entity owned by and for the continuing use of the Cable & Wireless Communications Group and the Cable & Wireless Worldwide Group (see note 40 of the consolidated financial statements).

Transactions with other related parties

There are no controlling shareholders of the Company.

There have been no material transactions with the shareholders of the Company.

11 Subsidiaries and joint ventures

The Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affects the figures shown in the financial statements.

	Local currency	Issued share capital (million)	Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Subsidiaries						
Cable & Wireless Jamaica Ltd	J$	16,817	82	Ordinary	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	Balboa	316	49	Ordinary	Panama	Panama
Companhia de Telecomunicacoes de Macau, SARL[2]	Pataca	150	51	Ordinary	Macau	Macau and China
Cable & Wireless (Barbados) Ltd	B$	72	81	Ordinary	Barbados	Barbados
Cable and Wireless (West Indies) Ltd	GBP	5	100	Ordinary	England	Caribbean
Dhivehi Raajjeyge Gulhun Private Ltd[2,3]	Rufiyaa	190	52	Ordinary	Maldives	Maldives
Monaco Telecom SAM[4,5]	Euro	2	49	Ordinary	Monaco	Monaco
Cable & Wireless Limited[6]	GBP	656	100	Ordinary	England	England
Sable International Finance Limited	GBP	–	100	Ordinary	Cayman	England
Cable & Wireless International Finance BV	GBP	1	100	Ordinary	Netherlands	England
Joint ventures						
Cable & Wireless Trademark Management Ltd	GBP	–	50	Ordinary	England	N/A
Telecommunications Services of Trinidad and Tobago Ltd[4]	T$	283	49	Ordinary	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 has a financial year end of 31 December due to the requirements of the shareholders' agreement.
3 From October 2009, this entity is a subsidiary (formerly a joint venture).
4 This company is audited by a firm other than KPMG and its international member firms.
5 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement.
6 Formerly Cable and Wireless plc

The Company does not have any direct investment in the above subsidiaries and joint ventures, with the exception of Cable & Wireless Limited.

Full details of all subsidiary undertakings, joint ventures and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies in England and Wales.

12 Dividends

In respect of the period ended 31 March 2010, the Directors have proposed a dividend of 3.34 pence per share, totalling £86 million (US$128 million) for approval by shareholders at the AGM to be held on 21 July 2010. 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 2011.

The Cable & Wireless Employee Share Ownership Plan Trust waived its right to dividends on the shares held in the trust.

13 Commitments

The Company had no capital commitments at 31 March 2010.

14 Guarantees and contingent liabilities

The Company has guaranteed available credit facilities of US$600 million. At 31 March 2010, none of these facilities had been drawn down.

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 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. Detail of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims.

In addition the Company, as is considered standard practice in such agreements, has given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Company also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

Whilst the Company has ceased participation in the Merchant Navy Officers Pension Fund, it may be liable for future contributions to fund a portion of any future funding deficits. Currently, the amount of these potential liabilities cannot be quantified.

Extracts from the Cable & Wireless Communications Plc Prospectus (UNAUDITED)

The following information was included in the Cable & Wireless Communications Plc prospectus issued on 2 February 2010, and is repeated here in accordance with Listing Rule 9.2.18. This information has been extracted without amendment from pages 103 to 104 and 211 to 213 of the Cable & Wireless Communications Plc prospectus. For a full understanding, it should only be read in conjunction with that document. This prospectus can be obtained from the Company Secretary or from www.cwc.com

Capitalisation and indebtedness

The following table sets out the unaudited consolidated capitalisation and indebtedness of the Cable & Wireless Communications Group. The financial information in this table as at 30 November 2009 has been extracted without material adjustment from the unaudited accounting records of the Cable & Wireless Communications Group.

	As at 30 November 2009 US$m
Current debt	
Current debt (secured)	**(67)**
Current debt (unguaranteed and unsecured)	**(111)**
Total current debt	**(178)**
Non-current debt	
Non-current debt (secured)	**(674)**
Non-current debt (unguaranteed and unsecured)	**(729)**
Total non-current debt	**(1,403)**
Total debt	**(1,581)**

	As at 30 November 2009 US$m
Liquidity	
Cash and cash equivalents	**868**
Current debt	**(178)**
Net current cash	**690**
Non-current debt	**(1,403)**
Net debt	**(713)**

At 31 December 2009, the Cable & Wireless Communications Group has cash and cash equivalents of US$748 million, debt of US$1,435 million (of which US$340 million was drawn down under its bank facilities) and undrawn facilities of US$256 million.

Maturity Analysis

	As at 30 November 2009 US$m
Loans and bonds	
Due in less than one year	**178**
Due in more than one year but not more than two years	**388**
Due in more than two years but not more than five years	**767**
Due in more than five years	**248**
Total loans and bonds	**1,581**

Profit forecasts for Cable and Wireless plc, the Cable & Wireless Communications Group and the Central operations of the Cable and Wireless Group for the year ending 31 March 2010

On 5 November 2009, Cable and Wireless plc published its Interim Results for the six months ended 30 September 2009. The Interim Results contained the following statements in respect of the Cable & Wireless Group:

"We have updated our Group outlook for the poor economic environment in the Caribbean as well as the consolidation of Dhiraagu, our business in the Maldives, in the second half.

In May 2009, the Cable & Wireless Communications Group* set guidance at approximately US$935 million based on our planning exchange rates and the view then prevailing of the economic backdrop. Since the summer we've seen further deterioration in Caribbean trading conditions with no immediate signs of improvement and the IMF has recently forecast GDP will decline across the region for this year and next. Within our other markets, despite a more difficult first quarter for Panama and Macau, the second quarter showed more promise and we remain on track in Panama, Macau and Monaco & Islands. As a consequence, we are now expecting the Cable & Wireless Communications Group EBITDA for the second half to be around the same level as the first, excluding the consolidation of the Maldives, and we are revising our Cable & Wireless Communications Group 2009/10 EBITDA guidance to a range of US$880 million – US$900 million, including the Maldives."

*Note that the Interim Results referred to CWI rather than the Cable & Wireless Communications Group. CWI was the holding company of the Cable & Wireless Communications Group at the date of the Interim Results.

Accordingly, on the basis of preparation and based on the principal assumptions set out below, the Cable & Wireless Communications Directors forecast that for the year ending 31 March 2010, the post-exceptional EBITDA (as defined below) for each of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and the Cable & Wireless Group will be as stated below:

Post-exceptional EBITDA profit forecast[1]	Pre-exceptional EBITDA (approximate)	P&L exceptional EBITDA (approximate)	Post-exceptional EBITDA (approximate)
	US$m	US$m	US$m
Cable & Wireless Communications Group	880-990	(40)	840-860
	£m	£m	£m
Cable & Wireless Communications Group	587-600	(27)	560-573
Cable & Wireless Worldwide Group	430	(55)	375
Central operations	(28)	–	(28)
Cable & Wireless Group	989-1,002	(82)	907-920

1 Based on an exchange rate of US$1.50:£1.00.

The statements above regarding post-exceptional EBITDA (and excluding demerger costs) in 2009/2010 for each of Cable & Wireless Communications Group, Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and Cable & Wireless Group represent profit forecasts under the Prospectus Rules. The Directors have considered the above statements and continue to believe that they are valid based on the assumptions below.

The Directors do not expect the full year tax profile for each of Cable & Wireless Communications Group, Cable & Wireless Worldwide Group and the Cable & Wireless Group to be materially different from that set out in the income statements for each of Cable & Wireless Communications Group, Cable & Wireless Worldwide Group and the Cable & Wireless Group for the six months ended 30 September 2009.

Basis of Preparation

The Directors confirm that the profit forecasts described above (the Profit Forecasts) have been properly compiled on the basis of the assumptions stated below and using accounting policies which are in accordance with IFRS as adopted in the EU and consistent with those adopted by Cable & Wireless Communications and Cable & Wireless in the preparation of the accounts.

The Profit Forecasts for Cable & Wireless Communications Group and the Central operations of the Cable & Wireless Group are based upon the unaudited consolidated results for the six months ended 30 September 2009, the results shown by unaudited management accounts for the three months ended 31 December 2009 and the Cable & Wireless Communications Directors' forecast of the results for the three month period ending 31 March 2010.

The Profit Forecast for the Cable & Wireless Group is based upon the unaudited consolidated results for the six months ended 30 September 2009, the results shown by unaudited management accounts for the three months ended 31 December 2009 and the Cable & Wireless Communications and Cable & Wireless Worldwide directors' forecast of the results for the three month period ending 31 March 2010.

Extracts from the Cable & Wireless Communications Plc Prospectus (UNAUDITED)

The Profit Forecast for the Cable & Wireless Group has been prepared on the basis that the Cable & Wireless Group comprises the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group and Central operations for the full 12 month period ending 31 March 2010. However, the demerger is expected to complete on or about 26 March 2010. If the demerger completes before 31 March 2010, the annual reported results of the Cable & Wireless Communications Group for the year ending 31 March 2010 will not include the trading of the Cable & Wireless Worldwide Group for the period following completion of the demerger and Cable & Wireless Worldwide Group will be treated as a discontinued operation. The Directors have not restated the Cable & Wireless Group Profit Forecast for the exclusion of the trading of the Cable & Wireless Worldwide Group for the 5 day period between the expected completion of the demerger and 31 March 2010 as they do not consider that this is material to the Cable & Wireless Worldwide Group Profit Forecast.

Post-exceptional EBITDA represents earnings before interest, tax, depreciation and amortisation, LTIP credit/charge and net other operating income/expense.

The Profit Forecasts do not include any costs related to the demerger.

The Profit Forecasts are stated on the basis of the EBITDA after exceptional items rather than profit before tax due to the extent of existing guidance which has been provided to the market by Cable and Wireless plc on both EBITDA and exceptional items. Guidance on the EBITDA performance of each of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and the Cable & Wireless Group has been provided for a number of years as it represents the measure on which management consistently assess the performance of the business and it is also the measure on which both shareholders and analysts attach greatest significance. During the course of 2009, Cable and Wireless plc also provided guidance on the level of exceptional items in each of the Cable & Wireless Communications Group, the Cable & Wireless Worldwide Group, the Central operations of the Cable & Wireless Group and the Cable & Wireless Group. Accordingly, the Directors consider EBITDA after exceptional items to be the most appropriate basis to present the Profit Forecasts.

The Cable & Wireless Communications Group's Profit Forecast has been prepared using the Cable & Wireless Communications Group's 2009/10 planning exchange rates, the principal rates used are:

US dollar : sterling	1.5000
Sterling : US dollar	0.6667
Seychelles Rupee : US dollar	16.67
Jamaican dollar : US dollar	93.33
Euro : US dollar	0.8000

Principal assumptions

The Profit Forecasts have been prepared on the basis of the following principal assumptions:

Assumptions within the control or influence of the Directors

There will be no material acquisitions and disposals during the financial year ending 31 March 2010 other than those already reported.

Assumptions outside the control or influence of the Directors

The main assumptions outside the control of the Directors are:

- there will be no material changes to the general trading and economic conditions in each of the markets or jurisdictions in which the relevant business operates from that which is currently prevailing and/or anticipated by the Directors which would cause a material change in levels of demand;
- there will be no material litigation or customer dispute that may arise in the period other than those that are currently prevailing and/or anticipated by the Directors;
- there will be no change to legislation or regulatory environments in which the business operates that would materially impact on the relevant business's operations, or its accounting policies;
- there will be no major disruption to the relevant business, its suppliers or customers due to natural disasters, terrorism, extreme weather conditions, industrial disruption, civil disturbance or government action;
- there will be no material changes in interest, inflation or exchange rates;
- there will be no material change in the present management or control of the relevant business or its existing operational strategy; and
- each relevant business will continue to enjoy the goodwill and confidence of present and potential customers, and of its strategic partners.

Useful 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 7047 (overseas shareholders)

Shareholders can view up-to-date information about their shareholding at www.shareview.co.uk

ShareGift

If you have a small number of shares whose value makes them uneconomic to sell, you may wish to consider donating them to charity. ShareGift is a registered charity (no. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. Further information about ShareGift and the charities it supports is available at www.ShareGift.org or by contacting them at:

17 Carlton House Terrace
London SW1Y 5AH
Telephone +44 (0)20 7930 3737

Registered Office and Company Secretary

The Company's Registered Office and Head Office is:

3rd Floor, 26 Red Lion Square
London WC1R 4HQ
Telephone +44 (0)20 7315 4000

Clare Underwood is the Company Secretary.

Investor Relations

Enquiries may be directed to:

Director, Investor Relations
3rd Floor, 26 Red Lion Square
London WC1R 4HQ
Telephone +44 (0)20 7315 4000
Email: investor.relations@cwc.com

Financial calendar

Ex-dividend date	9 June 2010
Record date	11 June 2010
Last date for election to join scrip dividend	19 July 2010
AGM	21 July 2010
Payment of final dividend	12 August 2010
Announcement of interim results 2009/10	4 November 2010

Updates to the financial calendar will be available on the Company's website www.cwc.com when they become available.

Dividends

The table below sets out the Sterling amounts of the interim, final and total gross dividends paid per ordinary share in respect of Cable and Wireless plc and Cable & Wireless Communications Plc.

	Pence per ordinary share		
Year ended	Interim	Final	Total
31 March 2009	2.83*	5.67*	8.50*
31 March 2010	3.16*	3.34**	6.50

	Cents per ordinary share		
Year ended	Interim	Final	Total
31 March 2009	4.98*	9.02*	14.0*
31 March 2010	5.03*	4.97**	10.0

*Paid by Cable and Wireless plc
**Payable by Cable & Wireless Communications Plc

Cable & Wireless Communications Plc proposes to offer a scrip dividend scheme in respect of the final dividend and future dividends subject to shareholder approval at the Annual General Meeting on 21 July 2010. Shareholders who hold shares in certificated form and who had elected to join the Cable and Wireless plc scrip dividend scheme will automatically be transferred to the Company scheme (if approved) and have their final dividend sent to them in this form. Shareholders who hold their shares through CREST will need to submit a new CREST Election Dividend Input Message. Shareholders wishing to join the Company scrip final dividend scheme for the final dividend, and all future dividends, should return a completed mandate form to the Registrar, Equiniti, by 19 July 2010. Copies of the mandate form, and the scrip dividend brochure, can be obtained either from Equiniti or from our website (www.cwc.com).

If your dividend is paid directly into your bank or building society, you will receive one consolidated tax voucher each year, which is sent to you in January at the time that the interim dividend is paid. If you would prefer to receive a tax voucher with each dividend, please contact our shareholder helpline on 0871 384 2104[1].

If your dividend is not currently paid direct to your bank or building society and you would like to benefit from this service, please contact our shareholder helpline on 0871 384 2104[1]. By receiving your dividends in this way you can avoid the risk of cheques getting lost in the post. It is also now possible for shareholders in over 30 countries worldwide to benefit from a similar service. Further information can be obtained from www.shareview.co.uk or by calling +44 (0)121 415 7047.

1 Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

Useful shareholder information

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 £1,453 million on 31 March 2010.

The table below details the position in the FTSE All Share and the high and low middle market quotations for the ordinary shares on the London Stock Exchange as reported on its Daily Official List.

Year ended	Position in the FTSE All Share at the year end	Pence per ordinary share	
		High	Low
31 March 2010	140	59	53

LSE ticker: CWC.
ISIN: GB00B5KKT968

Distribution and classification of Cable & Wireless Communications Plc shareholdings

Shares at 31 March 2010	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	68,958	67.51	29,270,942	1.12
1,001–10,000	30,456	29.82	78,145,772	2.98
10,001–100,000	2,070	2.02	48,034,521	1.83
100,001–1,000,000	400	0.39	148,264,289	5.65
1,000,001 and over	262	0.26	2,320,856,500	88.43
Total	102,146	100.00	2,624,572,024	100.00

At 26 May 2010, the Company had 100,827 shareholders on record.

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 is also proposing to offer shareholdings the option to receive communications from the Company electronically as an alternative to receiving documents through the post.

Unsolicited mail

Company law allows people unconnected with the Company to obtain a copy of our share register. As a consequence, shareholders may receive unsolicited mail, including mail from unauthorised investment firms. For more information on unauthorised investment firms targeting UK investors, you should visit the website of the Financial Services Authority (www.moneymadeclear.fsa.gov.uk/guides/staying_safe/staying_safe_against_scams).

If you wish to limit the amount of unsolicited mail you receive, please contact:

The Mailing Preference Service
DMA House
70 Margaret Street
London W1W 8SS
Telephone 0845 703 4599
Online www.mpsonline.org.uk

Documents on display

Shareholders can view the service contracts of Executive Directors and letters of appointment of Non-executive Directors at the Company's Registered Office. Shareholders may also obtain copies of the Company's Memorandum and Articles of Association at the Company's Registered Office or on the website (www.cwc.com).

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 34 to 35.

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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