

**Cable & Wireless Limited**

**Directors' report and financial statements**

**31 March 2013**

**Registered Office:**

**3<sup>rd</sup> Floor, 26 Red Lion Square**

**London WC1R 4HQ**

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## DIRECTORS' REPORT

The Directors present their Directors' report and the audited financial statements for the year ended 31 March 2013.

### Principal activities and business review

The principal activity of the Company is that of a Group holding company.

The Company's loss for the year after taxation amounted to US\$144 million (2011/12 - US\$117 million).

### Key performance indicators

Taking into account the principal activities of the Company, the following key performance indicators have been identified:

|   | 2012/13<br>US\$m | 2011/12<br>US\$m |
|---|------------------|------------------|
| Operating loss  | (21)             | (18)             |
| Dividends received from Group undertakings and joint ventures | 3                | 2                |
| Interest receivable and similar income                        | 32               | 5                |
| Interest payable and similar charges                          | (158)            | (133)            |

Net interest payable and similar charges is at a similar level to the prior year. Interest payable on bonds has decreased due to the fact that the Sterling secured bonds due in August 2012 have been repaid. This is offset by increased interest payable on higher balances owed to subsidiary undertakings. Net exchange gains were recognised on foreign currency denominated loans

### **Principal risks and uncertainties**

As a holding company, the results of the Company are subject to a number of risks. The principal risks and uncertainties affecting the Company are as follows:

#### *Investments*

The Company is exposed to the risk of deterioration in business performance in its Group undertakings which may have an adverse effect on the carrying value of the Company's investments.

#### *Foreign exchange*

Given the Group's geographical spread, a portion of the Company's income from Group undertakings originates outside US dollar economies. This income and associated investments are exposed to exchange rate fluctuations as a result of the geographical allocation of the Group's income and expenses. The Company is also exposed to foreign exchange fluctuations on its loans denominated in foreign currencies. This factor creates a potential risk of adverse financial impact to the Company. Short-term exchange rate fluctuations are often offset naturally. We also manage this risk by using foreign exchange hedging contracts (see note 11 to the financial statements) against forecast US dollar repatriation and sterling obligations regarding the 2012 bond.

#### *Pensions*

The Group-wide 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 the Company may also have to make additional contributions to the scheme if the scheme's assumptions change. The Company manages this risk by maintaining regular dialogue with the scheme Trustees who manage the scheme's assets with appropriate external advice.

#### *Interest costs*

The Company holds a number of loans with third parties and Group undertakings on which it is exposed to interest rate fluctuations. This risk is actively managed by the Group Treasury function.

#### *Litigation*

As with most large organisations, there is a risk of litigation against business units within the Group. As the former ultimate Parent Company of the Group, the Company may be exposed to risks associated with litigation brought against it in that capacity. When facing litigation, the Company defends its position vigorously using appropriate legal advice and support.

### **Dividends**

The Company did not pay a dividend during the year (2011/12 - nil).

### **Share capital and treasury shares**

No treasury shares were acquired during the year. At 31 March 2013 and 31 March 2012 there were no shares in treasury.

### **Directors**

The Directors who held office during the year and subsequent to the year end were as follows:

TL Pennington  
NI Cooper  
CP Underwood

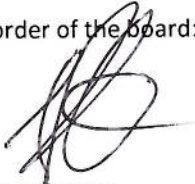
**Disclosure of information to auditors**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board:



**TL Pennington**  
**Director**

Dated: 13 September 2013

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **Independent Auditor's Report To The Members Of Cable & Wireless Limited**

We have audited the financial statements of Cable & Wireless Limited for the year ended 31 March 2013 set out on pages 6 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

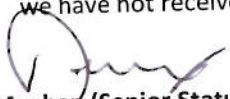
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

  
**Peter Meehan (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants  
15 Canada Square,  
London,  
E14 5GL

Dated: 13 September 2013





**Profit and loss account**  
*For the year ended 31 March 2013*

|   | Note | 2012/13                     |                         |              | 2011/12                     |                         |              |
|---|------|-----------------------------|-------------------------|--------------|-----------------------------|-------------------------|--------------|
|   |      | Pre-exceptional items US\$m | Exceptional items US\$m | Total US\$m  | Pre-exceptional items US\$m | Exceptional items US\$m | Total US\$m  |
| Administrative expenses                                     | 3    | (21)                        | -                       | (21)         | (18)                        | -                       | (18)         |
| <b>Operating loss</b>                                       |      | <b>(21)</b>                 | <b>-</b>                | <b>(21)</b>  | <b>(18)</b>                 | <b>-</b>                | <b>(18)</b>  |
| Income from shares in Group undertakings and joint ventures | 4    | 3                           | -                       | 3            | 2                           | -                       | 2            |
| Other non-operating income                                  | 7    | -                           | -                       | -            | 6                           | 3                       | 9            |
| Interest receivable and similar income                      | 5    | 32                          | -                       | 32           | 5                           | -                       | 5            |
| Interest payable and similar charges                        | 6    | (158)                       | -                       | (158)        | (133)                       | -                       | (133)        |
| <b>Loss on ordinary activities before income tax</b>        |      | <b>(144)</b>                | <b>-</b>                | <b>(144)</b> | <b>(138)</b>                | <b>3</b>                | <b>(135)</b> |
| Tax credit on loss on ordinary activities                   | 8    | -                           | -                       | -            | 18                          | -                       | 18           |
| <b>Loss for the financial year</b>                          |      | <b>(144)</b>                | <b>-</b>                | <b>(144)</b> | <b>(120)</b>                | <b>3</b>                | <b>(117)</b> |

The accompanying notes on pages 9 to 25 are an integral part of the financial statements of the Company.

**Statement of total recognised gains and losses**  
*For the year ended 31 March 2013*

|   | 2012/13 US\$m | 2011/12 US\$m |
|---|---------------|---------------|
| Loss for the financial year                                     | (144)         | (117)         |
| Actuarial losses on pension schemes                             | (5)           | (3)           |
| Shares allotted under share schemes                             | (3)           | (2)           |
| Fair value gains on assets held-for-sale                        | 4             | 5             |
| <b>Total recognised gains and losses for the financial year</b> | <b>(148)</b>  | <b>(117)</b>  |

The accompanying notes on pages 9 to 25 are an integral part of the financial statements of the Company.

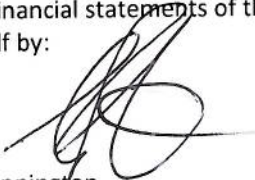


**Balance sheet**  
As at 31 March 2013

|   | Note | 2013<br>US\$m   | 2012<br>US\$m |
|---|------|-----------------|---------------|
| <b>Fixed assets investments</b>                       |      |                 |               |
| Shares in Group undertakings                          | 10   | 12,412          | 12,412        |
| Shares in joint ventures                              | 10   | 2               | 2             |
| <b>Investments</b>                                    |      |                 |               |
| Held to maturity investments                          | 11   | 81              | 85            |
| Available-for-sale investments                        | 11   | 37              | 36            |
|   |      | <b>12,532</b>   | 12,535        |
| <b>Current assets</b>                                 |      |                 |               |
| Debtors: amounts falling due within one year          | 12   | 4,470           | 4,305         |
| Financial assets at fair value through profit or loss | 11   | 22              | 39            |
|   |      | <b>4,492</b>    | 4,344         |
| <b>Current liabilities</b>                            |      |                 |               |
| Creditors: amounts falling due within one year        | 13   | (11,225)        | (10,962)      |
| Provisions for liabilities and charges                | 16   | (4)             | (5)           |
|   |      | <b>(11,229)</b> | (10,967)      |
| <b>Net current liabilities</b>                        |      | <b>(6,737)</b>  | (6,623)       |
| <b>Total assets less current liabilities</b>          |      | <b>5,795</b>    | 5,912         |
| Creditors: amounts falling due after one year         | 14   | (37)            | -             |
| Liabilities at fair value through profit or loss      | 15   | -               | (6)           |
| Provisions for liabilities and charges                | 16   | -               | (4)           |
| Pensions obligations                                  | 17   | (46)            | (42)          |
| <b>Net assets</b>                                     |      | <b>5,712</b>    | 5,860         |
| <b>Capital and reserves</b>                           |      |                 |               |
| Called-up share capital                               | 18   | 976             | 976           |
| Share premium account                                 | 19   | 374             | 374           |
| Profit and loss account                               | 19   | 1,943           | 2,095         |
| Other reserves  | 19   | 2,419           | 2,415         |
| <b>Shareholder's funds</b>                            |      | <b>5,712</b>    | 5,860         |

The accompanying notes on pages 9 to 25 are an integral part of the financial statements of the Company.

The financial statements of the Company were approved by the Directors on 13 September 2013 and signed on its behalf by:

  
 TL Pennington  
 Director  
 Cable & Wireless Limited  
 Registered Number: 00238525

**Reconciliation of movements in shareholders' funds**

For the year ended 31 March 2013

|  | Note | <b>2013</b><br>US\$m | 2012<br>US\$m |
|--|------|----------------------|---------------|
| Loss for the financial year              |      | (144)                | (117)         |
| Actuarial losses on pension schemes      |      | (5)                  | (3)           |
| Shares allotted under share schemes      |      | (3)                  | (2)           |
| Fair value gains on assets held for sale |      | 4                    | 5             |
| <b>Decrease in shareholders' funds</b>   |      | <b>(148)</b>         | <b>(117)</b>  |
| Opening shareholders' funds              |      | 5,860                | 5,977         |
| <b>Closing shareholders' funds</b>       |      | <b>5,712</b>         | <b>5,860</b>  |

The accompanying notes on pages 9 to 25 are an integral part of the financial statements of the Company.

**Notes to the financial statements**

**1 Statement of accounting policies**

**1.1 Accounting Policies**

No amendments to standards have been adopted in these financial statements for the first time.

**1.2 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.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A consolidated cash flow statement is included in the financial statements of Cable & Wireless Communications Plc in which the Company is consolidated and which are publicly available from the address in note 21. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

In respect of the Company, the Directors consider the US dollar to be the functional currency reflecting the economic effects of the underlying transactions, events and conditions for the Company. The Company has therefore presented its financial statements in US dollars. The principal exchange rates used in preparing the Group financial statements are as follows:

|                 | Year<br>ended<br>31<br>March<br>2013 | Year<br>ended<br>31<br>March<br>2012 |
|-----------------|--------------------------------------|--------------------------------------|
| <b>US\$ : £</b> |                                      |                                      |
| Average         | <b>1.5798</b>                        | 1.5974                               |
| Year end        | <b>1.5239</b>                        | 1.5967                               |



## Notes to the financial statements

The financial statements have been prepared on a going concern basis. The Directors have reviewed the financial position of the Company, including the arrangements with Group undertakings, and believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

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.

### 1.3 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.

### 1.4 Investments in Group undertakings and joint ventures

Investments in Group undertakings are included in the balance sheet at historic cost less amounts written off in respect of any impairment. Investments in joint ventures are included in the balance sheet at cost.

### 1.5 Financial instruments

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The basis of determining fair values is set out in note 1.6. Management determines the classification of its financial assets at initial recognition in accordance with FRS 26 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through profit or loss.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets that are either held for trading or those designated upon initial recognition. Derivatives are also categorised as held for trading.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within one year of the reporting date.

#### *Receivables*

Receivables 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 or Group undertakings with no intention of trading the receivable. They are presented in current assets, except for those with maturities greater than one year after the balance sheet date (these are classified as non-current assets). Receivables are recognised initially at fair value and subsequently measured at the amounts considered receivable (amortised cost).

#### *Loans and borrowings*

Loans and borrowings are recognised initially at fair value net of directly attributable transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognised in the profit and loss account 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 one year after the reporting date.



## Notes to the financial statements

### *Recognition and measurement*

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

### **1.6 Fair value estimation**

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for investments held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

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

The nominal value (less estimated impairments) of debtors 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.

### **1.7 Pensions**

The Company is a member of the Group's defined benefit pension scheme ("the Scheme") but is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by FRS 17 *Retirement Benefits*, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Company's profit and loss account represents the contributions payable to the Scheme in respect of the accounting period.

The Company also operates an unfunded pension plan to cover the costs of former Directors' and other senior employees' pension entitlements. Provision is made in accordance with FRS 17 *Retirement Benefits* in the Company's financial statements for the expected costs of meeting the associated liabilities. These costs are recorded in administrative expenses.

Costs in respect of the Company's defined contribution pension schemes are charged to the profit and loss account on an accruals basis as contributions become payable.

### **1.8 Tax**

The charge or credit for tax is based on the result for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date.

### **1.9 The Cable & Wireless Communications Share Ownership Trust (ESOP) and purchase of own shares by the Company**

The financial statements of the Company include the assets and related liabilities of The Cable & Wireless Communications Share Ownership Trust.

During the year, the ESOP held shares in both Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc (an unrelated company). As the shares are not those of the Company, the assets and liabilities have been recognised on balance sheet and recorded at fair value.

**Notes to the financial statements**

**1.10 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 profit and loss account.

**2 Information regarding auditors, directors and employees**

No remuneration was paid to the Directors for services to this company.

The Company had an average of 11 employees during the year (2012- 17) whose costs were borne by a fellow Group undertaking.

In the current year the auditors remuneration of US\$65,000 (2012- US\$75,000) for the audit of these financial statements has been borne by another group company.

**3 Administrative expenses**

|  | 2012/13<br>US\$m | 2011/12<br>US\$m |
|--|------------------|------------------|
| Pension costs                                      | 2                | 2                |
| Share based payment (income) / costs               | (7)              | 15               |
| Management fees                                    | 25               | 12               |
| Foreign exchange income                            | (2)              | -                |
| Write-back of amounts due to other group companies | -                | (12)             |
| Other administration expenses                      | 3                | 1                |
| Pre-exceptional administrative expenses            | 21               | 18               |

No exceptional costs were incurred during the year (2011/12 – nil).

**4 Income from shares in Group undertakings and joint ventures**

|                               | 2012/13<br>US\$m | 2011/12<br>US\$m |
|-------------------------------|------------------|------------------|
| Dividends from joint ventures | 3                | 2                |

**5 Interest receivable and similar income**

|   | 2012/13<br>US\$m | 2011/12<br>US\$m |
|---|------------------|------------------|
| Amounts owed by Group undertakings                                  | -                | 4                |
| Other investment income   | -                | 1                |
| Exchange gains on translation of foreign currency denominated loans | 23               | -                |
| Exchange gains on other financial liabilities                       | 9                | -                |
| Interest receivable and similar income                              | 32               | 5                |

**6 Interest payable and similar charges**

|  | 2012/13<br>US\$m | 2011/12<br>US\$m |
|--|------------------|------------------|
| Amounts owed to Group undertakings                                   | 111              | 94               |
| Bank loans and overdrafts  | 1                | -                |
| Bonds  | 13               | 32               |
| Exchange losses on translation of foreign currency denominated loans | -                | 7                |
| Exchange losses on translation of derivative financial instruments   | 25               | -                |
| Exchange losses on other financial assets                            | 8                | -                |
| Interest payable and similar charges                                 | 158              | 133              |



Notes to the financial statements

**7 Exceptional non-operating income**

|                                  | 2012/13<br>US\$m | 2011/12<br>US\$m |
|----------------------------------|------------------|------------------|
| Gains on derivatives             | -                | 3                |
| Exceptional non-operating income | -                | 3                |

The Company held certain forward exchange contracts hedging sterling exposures and sterling obligations regarding the 2012 bond. The Company did not apply hedge accounting to these contracts and as such they were revalued to fair value through profit or loss. See note 11 for further information.

**8 Income tax**

**Tax on loss on ordinary activities**

|   | 2012/13<br>US\$m | 2011/12<br>US\$m |
|---|------------------|------------------|
| UK corporation tax at 24% (2012 – 26%)          | -                | -                |
| Double taxation relief                          | -                | -                |
| UK corporation tax after double taxation relief | -                | -                |
| Overseas taxation                               | -                | -                |
| Adjustment in respect of prior years            | -                | (18)             |
| Tax credit on loss on ordinary activities       | -                | (18)             |

**Factors affecting the current tax charge**

The current tax credit for the year is US\$ million (2011/12 - US\$18 million). The tax provision was higher than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

|   | 2012/13<br>US\$m | 2011/12<br>US\$m |
|---|------------------|------------------|
| Loss before taxation                        | (144)            | (135)            |
| Tax at UK statutory rate                    | (35)             | (35)             |
| Expenditure not deductible for tax purposes | (4)              | (3)              |
| Other timing differences                    | (8)              | (8)              |
| Group relief surrendered                    | 47               | 46               |
| Current tax charge for the current period   | -                | -                |
| Adjustment in respect of prior periods      | -                | (18)             |
| Current tax credit                          | -                | (18)             |

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

**9 Employee share schemes**

***The Cable & Wireless Communications Share Ownership Trust (ESOP)***

The Cable & Wireless Communications Share Ownership Trust (the trust), is a discretionary trust which was funded by loans from the Company to acquire shares in the Company. Subsequent to the demerger of Cable & Wireless Worldwide plc in March 2010, the ESOP continues to be used to satisfy existing options and awards under incentive plans.

At 31 March 2013, the Trust held 34,598,177 shares in Cable & Wireless Communications Plc (2011/12 – 37,524,230 shares in Cable & Wireless Communications Plc and 15,398,747 shares in Cable & Wireless Worldwide plc) with a market value of US\$22 million (2011/12 - US\$28 million). Refer to note 11 for further information.

Notes to the financial statements

**10 Fixed asset investments**

|   | Joint<br>ventures<br>US\$m | Group<br>undertakings<br>US\$m | Total<br>US\$m |
|---|----------------------------|--------------------------------|----------------|
| <b>Cost</b>                               |                            |                                |                |
| At 1 April 2012                           | 8                          | 12,687                         | 12,695         |
| <b>At 31 March 2013</b>                   | <b>8</b>                   | <b>12,687</b>                  | <b>12,695</b>  |
| <b>Loans</b>                              |                            |                                |                |
| At 1 April 2012                           | -                          | 43                             | 43             |
| <b>At 31 March 2013</b>                   | <b>-</b>                   | <b>43</b>                      | <b>43</b>      |
| <b>Provisions and amounts written off</b> |                            |                                |                |
| At 1 April 2012                           | (6)                        | (318)                          | (324)          |
| <b>At 31 March 2013</b>                   | <b>(6)</b>                 | <b>(318)</b>                   | <b>(324)</b>   |
| <b>Net book value</b>                     |                            |                                |                |
| <b>At 31 March 2013</b>                   | <b>2</b>                   | <b>12,412</b>                  | <b>12,414</b>  |
| At 31 March 2012                          | 2                          | 12,412                         | 12,414         |

The Company's investment in joint ventures comprised US\$2 million of unlisted shares (2011/12 - US\$2 million of unlisted shares).

During the year, Cable and Wireless (Employee Shareholdings) Limited, a subsidiary of the Company was deregistered. The total investment had previously been fully provided for.

During 2011/12, the Company sold its joint venture operations in Fiji and Vanuatu. A gain of US\$6 million was recognised on the disposal of Fiji International Telecommunications Limited and its subsidiary. No gain or loss was made on the sale of Telecom Vanuatu Limited.

The Company has carried out a review to determine whether there has been impairment in the carrying values of its fixed asset investments in line with FRS 11 *Impairment of fixed assets and goodwill*. The review was based on a combination of discounted cash flow analysis, using the Group's approved five year business plan, and net asset values. No impairments were recorded.

The valuation was determined by discounting future cash flows based on the approved five year business plan extrapolated at long term growth rates of between nil and 2.0% (2011/12 - nil and 2.0%) at pre-tax discount rates of between 8% and 16% (2011/12 - 8% and 17%) dependent on the risk adjusted cost of capital of the different investments.

Notes to the financial statements

**11 Financial assets**

Movements in available-for-sale financial assets for the year are as follows:

|                         | UK<br>Government<br>gilts<br>US\$m |
|-------------------------|------------------------------------|
| At 1 April 2012         | 36                                 |
| Fair value gains        | 4                                  |
| Foreign exchange        | (3)                                |
| <b>At 31 March 2013</b> | <b>37</b>                          |
| Current                 | -                                  |
| Non-current             | 37                                 |

Movements in other financial assets for the year are as follows:

|                         | Held to maturity investments |                                    | Fair value through profit or loss |                |  |
|-------------------------|------------------------------|------------------------------------|-----------------------------------|----------------|--|
|                         | Listed<br>bonds<br>US\$m     | Derivative<br>instruments<br>US\$m | ESOP<br>shares<br>US\$m           | Total<br>US\$m |  |
| At 1 April 2012         | 85                           | 8                                  | 31                                | 39             |  |
| Movements               | -                            | (8)                                | 7                                 | (1)            |  |
| Disposals               | -                            | -                                  | (14)                              | (14)           |  |
| Foreign exchange        | (4)                          | -                                  | (2)                               | (2)            |  |
| <b>At 31 March 2013</b> | <b>81</b>                    | <b>-</b>                           | <b>22</b>                         | <b>22</b>      |  |
| Current                 | -                            | -                                  | 22                                | 22             |  |
| Non-current             | 81                           | -                                  | -                                 | -              |  |

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

**Level 1** – Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (from prices) or indirectly (derived from prices).

**Level 3** – Fair values measured using inputs for the asset or liability that are not based on observable market data.

|   | At 31 March 2012 |                  |                  |                |
|---|------------------|------------------|------------------|----------------|
|   | Level 1<br>US\$m | Level 2<br>US\$m | Level 3<br>US\$m | Total<br>US\$m |
| UK Government Gilts   | 36               | -                | -                | 36             |
| Cable & Wireless Worldwide plc shares at fair value through the profit or loss      | 10               | -                | -                | 10             |
| Cable & Wireless Communications Plc shares at fair value through the profit or loss | 21               | -                | -                | 21             |
| Derivative instruments  | -                | 8                | -                | 8              |
| <b>Total financial assets at fair value</b>   | <b>67</b>        | <b>8</b>         | <b>-</b>         | <b>75</b>      |
|   | At 31 March 2013 |                  |                  |                |
|   | Level 1<br>US\$m | Level 2<br>US\$m | Level 3<br>US\$m | Total<br>US\$m |
| UK Government Gilts   | 37               | -                | -                | 37             |
| Cable & Wireless Communications Plc shares at fair value through the profit or loss | 22               | -                | -                | 22             |
| <b>Total financial assets at fair value</b>   | <b>59</b>        | <b>-</b>         | <b>-</b>         | <b>59</b>      |



**Notes to the financial statements**

On demerger, shares in The Cable & Wireless Communications Share Ownership Trust, formerly the Cable and 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 Communications Plc shares (a related listed company) and the Cable & Wireless Worldwide plc shares (an unrelated listed company) have been recognised as investments at fair value through profit or loss as they represent shares that are not equity instruments of the Company. The Cable & Wireless Worldwide shares were disposed of during the year.

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

**12 Debtors**

|  | <b>2012/13</b> | 2011/12 |
|--|----------------|---------|
|  | <b>US\$m</b>   | US\$m   |
| <b>Amounts falling due within one year</b> |                |         |
| Amounts owed by parent undertaking         | <b>4,470</b>   | 4,305   |
| <b>Total debtors</b>                       | <b>4,470</b>   | 4,305   |

There is no material difference between the carrying value and fair value of debtors at 31 March 2012.

**13 Creditors: due within one year**

|  | <b>2012/13</b> | 2011/12 |
|--|----------------|---------|
|  | <b>US\$m</b>   | US\$m   |
| <b>Amounts falling due within one year</b> |                |         |
| Trade and other creditors                  | -              | 2       |
| Amounts owed to subsidiary undertakings    | <b>11,104</b>  | 10,506  |
| Taxation and social security               | <b>114</b>     | 115     |
| Accruals and deferred income               | <b>7</b>       | 22      |
| Sterling secured bonds repayable in 2012   | -              | 317     |
| <b>Total creditors</b>                     | <b>11,225</b>  | 10,962  |

Current creditors are comprised of the following loans:

**Sterling unsecured bonds repayable in 2012**

The sterling bond was a £200 million listed bond repaid in August 2012 which had a carrying value at 31 March 2012, net of costs, of US\$317 million. Interest was payable at 8.75% per annum.

The fair value of the bond was not materially different from its carrying amount. Market values obtained from third parties were used to determine the fair value of the bond.



Notes to the financial statements

**14 Creditors: due after one year**

|                                | 2012/13<br>US\$m | 2011/12<br>US\$m |
|--------------------------------|------------------|------------------|
| US dollar loan notes           | 37               | -                |
| <b>Total non-current loans</b> | <b>37</b>        | <b>-</b>         |

During the year, the Company entered into short term loan notes with various maturity dates up until November 2013. These notes can be renewed beyond their initial maturity dates.

**15 Financial liabilities at fair value through profit or loss**

|   | 2012/13<br>US\$m | 2011/12<br>US\$m |
|---|------------------|------------------|
| Derivative instruments  | -                | 6                |
| <b>Total financial liabilities at fair value through profit or loss</b> | <b>-</b>         | <b>6</b>         |

At 31 March 2012, the Company held a forward foreign exchange contract with another Group company. The contract allows the Company to sell US\$330 million, mitigating US dollar exposures arising on future sterling obligations falling due to subsidiary companies. The Company did not apply hedge accounting to this contract and as such it was revalued to fair value through the income statement. This contract was settled during the year.

**16 Provisions for liabilities and charges**

| Note                    | Property<br>US\$m<br>(i) | Other<br>US\$m<br>(ii) | Total<br>US\$m |
|-------------------------|--------------------------|------------------------|----------------|
| At 1 April 2012         | 5                        | 4                      | 9              |
| Amounts used            | (3)                      | -                      | (3)            |
| Unused amounts reversed | -                        | (2)                    | (2)            |
| <b>At 31 March 2013</b> | <b>2</b>                 | <b>2</b>               | <b>4</b>       |
| Current                 | 2                        | 2                      | 4              |
| Non-current             | -                        | -                      | -              |

**i) 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 sub-let. The provision is expected to be utilised over the lease contract life.

**ii) Other**

Other provisions include amounts relating to specific legal claims against the Company and amounts relating to acquisitions and disposals of Group companies and investments.

**17 Pension obligations**

The Company is a member of a Group-wide pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 *Retirement Benefits*, the scheme has been accounted for, in these financial statements, as if the scheme was a defined contribution scheme.

The latest triennial valuation was carried out by Towers Watson Limited as at 31 March 2010. An agreement was reached between the Trustees of the Group's pension scheme and the Group to remove the deficit calculated by this valuation by 2016.

**Notes to the financial statements**

The Group paid a total contribution of US\$2 million (2011/12 - US\$2 million) in 2012/13, all being normal contributions 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 de-risking of the scheme's investment strategy. A deficit recovery funding plan was also agreed with the Trustees during March 2011 with the aim that the deficit would be eliminated by April 2016. The payments under this agreement will fall within the following ranges (July 2014 - £20.5 million to £30.4 million; July 2015 - £21.1 million to £31.3 million; and April 2016 - £21.9 million to £32.5 million). These contributions are based on best estimated investment returns and are subject to the outcome of the next full valuation due in March 2013. The Company did not contribute to the scheme (2011/12 - nil).

The Company is not able to separate the performance of the Group-wide scheme to give the element that relates solely to the Company's employees. As an indication, however, the Cable & Wireless Communications Group-wide scheme had a deficit at 31 March 2013, after the impact of minimum funding requirements in respect of contributions due from 2014 to 2016, of US\$130 million, compared with a US\$129 million deficit at 31 March 2012.

More details are included in the financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2013. These accounts can be obtained from the Company Secretary, Cable & Wireless Communications Plc, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ.

The Company also operates unfunded pension plans to cover the costs of former Directors' and other senior employees' pension entitlements. Provision is made in the Company's financial statements for the expected costs of meeting the associated liabilities and is disclosed as the retirement benefit obligation on the Company's balance sheet.

The major assumptions used in the valuation of the Group-wide scheme and unfunded schemes at the end of the year were:

|  | 2012/13<br>% | 2011/12<br>% |
|--|--------------|--------------|
| Inflation assumption   | 3.3          | 3.2          |
| Rate of increase in salaries <sup>1</sup>                                  | 3.8          | 3.7          |
| Rate of increase in pensions in payment and deferred pensions <sup>2</sup> | 2.1 to 3.2   | 2.2 to 3.3   |
| Discount rate applied to secured scheme liabilities <sup>1</sup>           | 4.2          | 4.9          |
| Discount rate applied to unsecured scheme liabilities                      | 4.5          | 4.9          |

<sup>1</sup> Not applicable to unfunded schemes

<sup>2</sup> In excess of any Guaranteed Minimum Pension element.

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

**Movements in present value of defined benefit obligation**

|                                       | Unfunded schemes<br>31 March<br>2013<br>US\$m | 31 March<br>2012<br>US\$m |
|---------------------------------------|---|---------------------------|
| Obligation at 1 April                 | (42)  | (38)                      |
| Interest cost                         | (2)   | (2)                       |
| Actuarial losses recognised in equity | (5)   | (3)                       |
| Benefits paid                         | 1   | 1                         |
| Exchange differences on translation   | 2   | -                         |
| <b>Obligation at 31 March</b>         | <b>(46)</b>                                   | <b>(42)</b>               |

**18 Called-up share capital**

|  | 31 March<br>2013<br>US\$m | 31 March<br>2012<br>US\$m |
|--|---------------------------|---------------------------|
| <b>Allotted, called-up and fully paid</b>                  |                           |                           |
| 2,624,571,985 ordinary shares of 25 pence each             |                           |                           |
| (2011/12 - 2,624,571,985 ordinary shares of 25 pence each) | 976                       | 976                       |



Notes to the financial statements

**19 Reserves**

|   | Share<br>capital<br>US\$m | Share<br>premium<br>US\$m | Special<br>reserve<br>US\$m | Other<br>reserves<br>US\$m | Fair value<br>reserve<br>US\$m | Profit<br>and loss<br>account<br>US\$m | Total<br>US\$m |
|---|---------------------------|---------------------------|-----------------------------|----------------------------|--------------------------------|--|----------------|
| At 1 April 2012                             | 976                       | 374                       | 2,139                       | 262                        | 14                             | 2,095                                  | 5,860          |
| Loss for the year                           | -                         | -                         | -                           | -                          | -                              | (144)                                  | (144)          |
| Actuarial losses on pension<br>schemes      | -                         | -                         | -                           | -                          | -                              | (5)                                    | (5)            |
| Fair value gains on assets held for<br>sale | -                         | -                         | -                           | -                          | 4                              | -                                      | 4              |
| Shares allotted under share<br>schemes      | -                         | -                         | -                           | -                          | -                              | (3)                                    | (3)            |
| <b>At 31 March 2013</b>                     | <b>976</b>                | <b>374</b>                | <b>2,139</b>                | <b>262</b>                 | <b>18</b>                      | <b>1,943</b>                           | <b>5,712</b>   |

At 31 March 2013, there were no treasury shares held by the Company (2011/12 - nil). For the year ended 31 March 2013, the aggregate nominal value of shares allotted was nil.

The special reserve relates to the cancellation of the share premium account approved at the 2003 Annual General Meeting and confirmed by the Court in February 2004. It will be reduced from time to time by the amount of any increase in the paid-up share capital and share premium account after 20 February 2004 resulting from the issue of new shares for cash or other new consideration. The special reserve will not be treated as realised profits until any debt or claim outstanding as at 20 February 2004 has been repaid or remedied.

Other reserves include a capital redemption reserve of US\$156 million (2011/12 - US\$156 million), US\$30 million (2011/12 - US\$30 million) relating to unrealised gains on disposal of investments and US\$76 million (2011/12 - US\$76 million) relating to rights granted to equity instruments of the Company to the employees of subsidiaries of the Company.

**20 Deferred taxation**

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. Due to the availability of losses and other relief, no tax is expected to be payable on them in the foreseeable future.

As at 31 March 2013, the Company had unrecognised deferred tax assets in the UK relating to capital allowances of US\$3 million (2011/12 - US\$3 million) and other timing differences of US\$144 million (2011/12 - US\$165 million).

## Notes to the financial statements

### 21 Related party transactions

The Company's immediate parent and ultimate parent company is Cable & Wireless Communications Plc, incorporated in England.

The largest and smallest group in which the results of the Company are consolidated is that headed by Cable & Wireless Communications Plc, incorporated in England. The consolidated financial statements of the Group are available to the public and may be obtained from the Company Secretary, Cable & Wireless Communications Plc, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ. No other group accounts include the results of the Company.

#### Transactions with companies related by virtue of common control or ownership

The Company did not have any transactions with Group undertakings that are not wholly owned by the Group.

#### 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 Cable & Wireless' products and services. There were no material trade transactions with joint ventures during the year.

The Company received dividends of US\$2 million from joint ventures (2011/12 - US\$2 million) for the year ended 31 March 2013.

The only company related by virtue of being a joint venture of the Group with which the Group transacted during the year was Solomon Telekom Company Limited.

#### Transactions with other related parties

At 31 March 2011, a Director of another Group company held bonds issued by the Company with a nominal value of US\$2,666,489 (£1,670,000) (purchased in prior periods). The Director sold the entire holding during the year ended 31 March 2012. The interest earned on these bonds prior to disposal during the year ended 31 March 2012 was US\$23,022 of which US\$ nil remained unpaid at 31 March 2012. A profit of US\$493,932 was realised upon the sale of the bonds.

The spouse of a Director of another Group company held bonds issued by the Company. The Director retired during the year. These bonds had a nominal value at 31 March 2012 of US\$15,967 (£10,000). The interest earned on those bonds during the year until retirement was US\$344 which has been paid in full (2011/12 - US\$1,398 of which US\$901 remained unpaid at 31 March 2012).

Notes to the financial statements

**22 Group undertakings and joint ventures**

The principal operating undertakings of the Group are as follows:

|  | Issued<br>share<br>capital<br>(million) | Ownership<br>percentage<br>% | Class of<br>shares | Country of<br>incorporation | Nature of business                     |
|--|---|------------------------------|--------------------|-----------------------------|--|
| <b>Subsidiaries</b>  |   |                              |                    |                             |  |
| Cable & Wireless Jamaica Ltd   | 16,817                                  | 82                           | Ordinary           | Jamaica                     | Telecommunications                     |
| The Bahamas Telecommunications Company Ltd                             | 255                                     | 51                           | Ordinary           | Bahamas                     | Telecommunications                     |
| Cable & Wireless Panama, SA <sup>1</sup>                               | 316                                     | 49                           | Ordinary           | Panama                      | Telecommunications                     |
| Cable & Wireless (Barbados) Ltd  | 72                                      | 81                           | Ordinary           | Barbados                    | Telecommunications                     |
| Cable and Wireless (West Indies) Ltd                                   | 5                                       | 100                          | Ordinary           | England                     | Holding Company                        |
| Monaco Telecom SAM <sup>3</sup>  | 2                                       | 49                           | Ordinary           | Monaco                      | Telecommunications                     |
| Sable Holding Limited  | 16                                      | 100                          | Ordinary           | England                     | Holding Company                        |
| Cable & Wireless International Finance BV                              | 1                                       | 100                          | Ordinary           | Netherlands                 | Finance Company                        |
| <b>Joint ventures</b>  |   |                              |                    |                             |  |
| Cable & Wireless Trade mark Management Ltd                             | –                                       | 50                           | Ordinary           | England                     | Owner of the Cable &<br>Wireless brand |
| Telecommunications Services of Trinidad and<br>Tobago Ltd <sup>2</sup> | 283                                     | 49                           | Ordinary           | Trinidad<br>and<br>Tobago   | Telecommunications                     |

<sup>1</sup> The Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.

<sup>2</sup> This company is audited by a firm other than KPMG and its international member firms.

<sup>3</sup> The Group holds an economic interest of 55% in Monaco Telecom SAM via an agreement.

Cable & Wireless Limited does not have any direct investment in any of the above subsidiaries and joint ventures, with the exception of Sable Holding Ltd, Cable & Wireless International Finance B.V. and Cable & Wireless Trade mark Management Ltd.

The list above only includes those companies whose results or financial position, in the opinion of the Directors, principally affect the figures shown in the financial statements.



**Notes to the financial statements**

Full details of all subsidiary undertakings and joint ventures are as follows:

| Subsidiaries  | Effective<br>Ownership<br>percentage<br>% | Class of<br>shares | Country of<br>incorporation |
|---|---|--------------------|-----------------------------|
| Cable & Wireless DI Holdings Ltd                            | 100                                       | Ordinary           | England                     |
| Cable & Wireless Central Holding Ltd                        | 100                                       | Ordinary           | England                     |
| The Western Telegraph Company Ltd                           | 100                                       | Ordinary           | England                     |
| The Eastern Telegraph Company Ltd                           | 100                                       | Ordinary           | England                     |
| Cable & Wireless (UK) Group Ltd                             | 100                                       | Ordinary           | England                     |
| Cable & Wireless (Malaysia) Sdn Bhd <sup>6</sup>            | 100                                       | Ordinary           | Malaysia                    |
| Cable and Wireless (Investments) Ltd                        | 100                                       | Ordinary           | England                     |
| Cable & Wireless (Singapore) Pte Ltd                        | 100                                       | Ordinary           | Singapore                   |
| PT Mitracipta Saranana                                      | 100                                       | Ordinary           | Indonesia                   |
| Cable & Wireless Services UK Ltd                            | 100                                       | Ordinary           | England                     |
| Cable & Wireless URBS Trustee Ltd <sup>6</sup>              | 100                                       | Ordinary           | England                     |
| Cable & Wireless Pension Trustee Ltd                        | 100                                       | Ordinary           | England                     |
| CWC WS Holdings Cayman Ltd                                  | 100                                       | Ordinary           | Cayman Islands              |
| CWC WS Holdings Panama SA                                   | 100                                       | Ordinary           | Panama                      |
| CWC Wholesale Solutions (Costa Rica) SA                     | 100                                       | Ordinary           | Costa Rica                  |
| CWC WS (Panama) SA  | 100                                       | Ordinary           | Panama                      |
| Cable & Wireless Delaware 1, Inc                            | 100                                       | Ordinary           | U.S.A                       |
| Cable and Wireless International Finance BV                 | 100                                       | Ordinary           | Netherlands                 |
| Pender Insurance Ltd  | 100                                       | Ordinary           | Isle of Man                 |
| Petrel Communications Corporation                           | 100                                       | Ordinary           | U.S.A                       |
| Petrel Communications SA                                    | 100                                       | Ordinary           | Switzerland                 |
| Sable Holding Ltd   | 100                                       | Ordinary           | England                     |
| Companhia de Telecomunicações de Macau, SARL <sup>2 6</sup> | 51  | Ordinary           | Macau                       |
| Teleone China (Zuhai) Company Ltd <sup>6</sup>              | 51  | Ordinary           | China                       |
| Canton Holdings Ltd <sup>6</sup>                            | 51  | Ordinary           | Cayman Islands              |
| CTM (HK) Ltd <sup>6</sup>                                   | 51  | Ordinary           | Hong Kong                   |
| TeleOne (Singapore) Pte Ltd <sup>6</sup>                    | 51  | Ordinary           | Singapore                   |
| Sable International Finance Ltd                             | 100                                       | Ordinary           | Cayman Islands              |
| CWC Costa Rica Holdings Ltd                                 | 100                                       | Ordinary           | Cayman Islands              |
| CWC (Costa Rica) SA   | 100                                       | Ordinary           | Costa Rica                  |
| Cable & Wireless (Costa Rica) SA                            | 100                                       | Ordinary           | Costa Rica                  |
| Cable & Wireless Carrier Ltd                                | 100                                       | Ordinary           | England                     |
| CWC Communications Ltd                                      | 100                                       | Ordinary           | England                     |
| CWC Islands Ltd <sup>6</sup>                                | 100                                       | Ordinary           | England                     |
| CWC Holdco Ltd <sup>6</sup>                                 | 100                                       | Ordinary           | England                     |
| Cable & Wireless (Diego Garcia) Ltd <sup>6</sup>            | 100                                       | Ordinary           | Bermuda                     |
| Cable & Wireless Network Services Ltd                       | 100                                       | Ordinary           | Bermuda                     |
| Cable & Wireless South Atlantic Ltd <sup>6</sup>            | 100                                       | Ordinary           | Falklands                   |
| Cable & Wireless Jersey Ltd <sup>6</sup>                    | 100                                       | Ordinary           | Jersey                      |
| Cable & Wireless Guernsey Ltd <sup>6</sup>                  | 100                                       | Ordinary           | Guernsey                    |
| Cable & Wireless Isle of Man Ltd <sup>6</sup>               | 100                                       | Ordinary           | Isle of Man                 |
| Dhivehi Raajjeyge Gulhun Plc <sup>6</sup>                   | 52  | Ordinary           | Maldives                    |
| CWIG Ltd  | 100                                       | Ordinary           | England                     |
| Cable & Wireless (Seychelles) Ltd                           | 100                                       | Ordinary           | Seychelles                  |
| Atlas (Seychelles) Ltd                                      | 100                                       | Ordinary           | Seychelles                  |
| Seychelles Cable System Ltd                                 | 33  | Ordinary           | Seychelles                  |
| Le Chantier Property Ltd                                    | 100                                       | Ordinary           | Seychelles                  |
| CWC Macau Holdings Ltd                                      | 100                                       | Ordinary           | Cayman Islands              |
| CWIGroup Ltd  | 100                                       | Ordinary           | Cayman Islands              |
| CWC Overseas Holdco Ltd                                     | 100                                       | Ordinary           | Cayman Islands              |
| Compagnie Monegasque de Communication SAM <sup>6</sup>      | 100                                       | Ordinary           | Monaco                      |
| Monaco Telecom SAM <sup>4</sup>                             | 49  | Ordinary           | Monaco                      |
| Monaco Telecom Holdings (Cyprus) Ltd <sup>5</sup>           | 49  | Ordinary           | Cyprus                      |
| Divona Algerie SPA <sup>5</sup>                             | 49  | Ordinary           | Algeria                     |
| Monaco Telecom International SAM <sup>5</sup>               | 49  | Ordinary           | Monaco                      |
| Connecteo Cameroun <sup>5</sup>                             | 49  | Ordinary           | Cameroon                    |
| Connecteo Niger <sup>5</sup>                                | 38  | Ordinary           | Niger                       |



Notes to the financial statements

|   | Effective<br>Ownership<br>percentage<br>% | Class of<br>shares | Country of<br>incorporation      |
|---|---|--------------------|----------------------------------|
| CWIGroup Ltd  | 100                                       | Ordinary           | England                          |
| Cable & Wireless International HQ Ltd                               | 100                                       | Ordinary           | England                          |
| Cable & Wireless Communications Insurance Ltd                       | 100                                       | Ordinary           | Cayman Islands                   |
| CWI Group M&I HQ SAM  | 100                                       | Ordinary           | Monaco                           |
| Cable and Wireless (West Indies) Ltd                                | 100                                       | Ordinary           | England                          |
| Cable & Wireless (EWC) Ltd  | 100                                       | Ordinary           | BVI                              |
| Cable & Wireless (Barbados) Ltd                                     | 81  | Ordinary           | Barbados                         |
| Cable & Wireless Antigua & Barbuda Ltd                              | 100                                       | Ordinary           | Antigua & Barbuda                |
| Cable & Wireless Grenada Ltd  | 70  | Ordinary           | Grenada                          |
| Cable & Wireless Jamaica Finance (Cayman) Ltd                       | 100                                       | Ordinary           | Cayman Islands                   |
| Cable & Wireless St Vincent and the Grenadines Ltd                  | 100                                       | Ordinary           | St Vincent and the<br>Grenadines |
| Cable and Wireless (BVI) Ltd  | 100                                       | Ordinary           | BVI                              |
| Cable and Wireless (CALA Management Services) Ltd                   | 100                                       | Ordinary           | England                          |
| Cable and Wireless (TCI) Ltd  | 100                                       | Ordinary           | Turks & Caicos                   |
| CWI Caribbean Ltd   | 100                                       | Ordinary           | Barbados                         |
| CWC Cable & Wireless Communications Dominican Republic SA           | 100                                       | Ordinary           | Dominican Republic               |
| CWC Bahamas Holdings Ltd  | 100                                       | Ordinary           | The Bahamas                      |
| The Bahamas Telecommunications Company Ltd                          | 51  | Ordinary           | The Bahamas                      |
| Cable & Wireless (St Lucia) Ltd                                     | 100                                       | Ordinary           | St Lucia                         |
| Cable & Wireless Dominica Ltd                                       | 80  | Ordinary           | Dominica                         |
| Cable & Wireless Holdings Inc                                       | 100                                       | Ordinary           | Barbados                         |
| Cable & Wireless St Kitts & Nevis Ltd                               | 77  | Ordinary           | St Kitts & Nevis                 |
| Cable and Wireless (Anguilla) Ltd                                   | 100                                       | Ordinary           | Anguilla                         |
| Cable and Wireless (Far East) Ltd                                   | 100                                       | Ordinary           | Hong Kong                        |
| CWC CALA Holdings Ltd   | 100                                       | Ordinary           | Barbados                         |
| Cable and Wireless (Cayman Islands) Ltd                             | 100                                       | Ordinary           | Cayman Islands                   |
| Kelfenora Ltd   | 100                                       | Ordinary           | Cayman Islands                   |
| Cable & Wireless Jamaica Ltd  | 82  | Ordinary           | Jamaica                          |
| Cable & Wireless Jamaica Foundation Ltd                             | 82  | Ordinary           | Jamaica                          |
| Caribbean Landing Company Ltd                                       | 82  | Ordinary           | Jamaica                          |
| Digital Media & Entertainment Ltd                                   | 82  | Ordinary           | Jamaica                          |
| Jamaica Digiport International Ltd                                  | 82  | Ordinary           | Jamaica                          |
| Jamaica International Telecommunications Ltd                        | 82  | Ordinary           | Jamaica                          |
| The Jamaica Telephone Company Ltd                                   | 82  | Ordinary           | Jamaica                          |
| Cable & Wireless Panama, SA <sup>1</sup>                            | 49  | Ordinary           | Panama                           |
| Des Vieux Telecom, Inc <sup>1</sup>                                 | 49  | Ordinary           | U.S.A                            |
| International Contact Center SA <sup>1</sup>                        | 49  | Ordinary           | Panama                           |
| IPD Corp. <sup>1</sup>  | 49  | Ordinary           | Panama                           |
| Cable & Wireless Panama (Guatemala) SA <sup>1</sup>                 | 49  | Ordinary           | Guatemala                        |
| <b>Joint ventures</b>   |   |                    |                                  |
| Solomon Telekom Company Ltd   | 33  | Ordinary           | Solomon Islands                  |
| Telekom Television Ltd  | 33  | Ordinary           | Solomon Islands                  |
| Telecom Development Company Afghanistan BV                          | 18  | Ordinary           | Netherlands                      |
| Telecom Development Company Afghanistan Ltd                         | 18  | Ordinary           | Afghanistan                      |
| Cable & Wireless Trade mark Management Ltd                          | 50  | Ordinary           | England                          |
| Telecommunications Services of Trinidad and Tobago Ltd <sup>3</sup> | 49  | Ordinary           | Trinidad<br>and<br>Tobago        |

<sup>1</sup> The Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.

<sup>2</sup> This company has a financial year end of 31 December due to the requirements of the shareholders' agreement.

<sup>3</sup> This company is audited by a firm other than KPMG and its international member firms.

<sup>4</sup> The Group holds an economic interest of 55% in Monaco Telecom SAM via an agreement.

<sup>5</sup> These companies are controlled through a direct majority shareholding held via Monaco Telecom SAM.

<sup>6</sup> The ownership status of these subsidiaries changes after the balance sheet date (note 25).

The company has no trade investments.

**Notes to the financial statements**

**23 Commitments**

The Company had no capital commitments at the end of 2012/13 or 2011/12.

**24 Guarantees and contingent liabilities**

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

|                         | <b>31 March<br/>2013<br/>US\$m</b> | 31 March<br>2012<br>US\$m |
|-------------------------|------------------------------------|---------------------------|
| Trading guarantees      | -                                  | -                         |
| Other guarantees        | 2,176                              | 1,889                     |
| <b>Total guarantees</b> | <b>2,176</b>                       | <b>1,889</b>              |

Trading guarantees principally comprise performance bonds for contracts concluded in the normal course of business, guaranteeing that the Group companies will meet their 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, leases and letters of credit. Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee.

Along with other Group companies the Company is joint and several guarantor of the obligations of Sable International Finance Limited in its capacity as borrower under a US\$600 million revolving credit facility.

Along with other Group companies, the Company is joint and several guarantor of the obligations of Sable International Finance Limited in its capacity as issuer under a US\$500 million secured notes issue. The bonds were arranged with a coupon of 7.75% and are due to be repaid in 2017.

Along with other Group companies, the Company is joint and several guarantor of the obligations of Sable International Finance Limited in its capacity as issuer under a US\$400 million secured notes issue. The bonds were arranged with a coupon of 8.75% and are due to be repaid in 2020.

The Company is a guarantor of £200 million 8.625% Guaranteed Bonds issued by Cable & Wireless International Finance B.V. due 2019.

Under the Share Purchase Agreement for the sale of the CWC Group's Islands sub-group, the Company guaranteed obligations Sable Holding Limited may incur in respect of claims made under warranties included in the agreement. The potential obligation of Sable Holding Limited is capped at the total of sale and option proceeds, currently \$570 million. This clause expires on 3 December 2019 for tax obligations and 3 December 2014 for all other obligations.

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 in the year. 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.



## Notes to the financial statements

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

### 25 Events after the Balance Sheet date

#### Islands Sale

On 3 April 2013, Sable Holding Limited, a wholly owned subsidiary, completed the sale of the majority of the CWC Group's Islands sub-group to Batelco Group ("Batelco").

Following receipt of the required consents and approvals, the Group completed the sale of its businesses in the Maldives, the Channel Islands, Isle of Man, South Atlantic and Diego Garcia. Please refer to note 22 for details of the specific subsidiaries that were included in this transaction.

Batelco has also acquired a 25% shareholding in Compagnie Monegasque de Communication SAM ("CMC"), which holds a 55% interest in Monaco Telecom.

The Group has received total cash proceeds of US\$601 million representing consideration of US\$570 million (on a cash and debt free basis) plus US\$31 million in respect of the estimated proportionate share of net cash in the disposed businesses.

#### Macau Sale

On 20 June 2013, Sable Holding Limited, a wholly owned subsidiary, completed the sale of its 51% stake in Companhia de Telecomunicações de Macau ("CTM") to CITIC Telecom International Holdings. Please refer to note 22 for details of the specific subsidiaries that were included in this transaction.

The Group received total cash proceeds of US\$806.8 million comprising consideration of US\$750 million (on a cash and debt free basis) plus US\$57 million in respect of the estimated proportionate share of net cash in CTM.

#### Subsidiaries dissolved

On 7 May 2013, Cable & Wireless (Investments) Ltd was dissolved.

On 11 July 2013, Cable & Wireless (Malaysia) Sdn Bhd was dissolved.

