Company Registration No. 238525

Cable & Wireless Limited (previously Cable and Wireless plc)

Directors' report and financial statements

31 March 2010

Registered Office:

3rd Floor, 26 Red Lion Square

London WC1R 4HQ

Contents

DIRECTORS' REPORT

The directors present their directors' report and the audited financial statements for the year ended 31 March 2010.

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$344 million (*2009: US$133 million*).

Group reorganisation and demerger of the Cable & Wireless Worldwide business

At a general meeting on 25 February 2010, the shareholders of the Company approved the demerger of the Cable & Wireless Worldwide Group from the Group ("the demerger").

On 19 March 2010, the Cable & Wireless Group (now the Cable & Wireless Communications Group) ("the Group") effected a group reorganisation whereby Cable & Wireless Communications Plc ("CWC Plc") was inserted as the new holding company for the Group via a Scheme of Arrangement ("the Group reorganisation"). CWC Plc therefore replaced Cable and Wireless plc (now Cable & Wireless Limited) ("the Company") as the parent company of the Group as at this date.

On 19 March 2010, the entire ordinary share capital of Cable and Wireless plc was cancelled and 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. Upon the cancellation of listing of the ordinary shares of the Company on the Official List and removal from trading on the London Stock Exchange, the Company was re-registered as a private company limited by shares in accordance with the provisions of section 97 of the Companies Act 2006. At this time, the Cable & Wireless Group was renamed the Cable & Wireless Communications Group.

As part of the demerger, the Company transferred the entire share capital of a subsidiary of the Company, Cable & Wireless UK Holdings Limited (the parent entity of the Worldwide group of companies) and the Cable & Wireless Worldwide Brand, to CWC Plc, the ultimate parent company.

Demerger of the Cable & Wireless Worldwide pension scheme

In addition, as part of the Group reorganisation and demerger, the Group-wide UK pension scheme was restructured as follows:

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, was 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.

Cable & Wireless Limited continues to operate the CWSF on behalf of the Group post-demerger.

Key performance indicators

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

	2009/10 US$	2008/09 US$
Operating loss	(51)	(20)
Dividends received from group undertakings and joint ventures	27	5
Interest payable and similar charges	(129)	(76)

Operating loss has increased from the prior year due to legal and redundancy costs associated with the Scheme of Arrangement and demerger. Dividends received from group undertakings and joint ventures has increased due to dividends from operating subsidiary undertakings being passed up to the Company through intermediate group holding companies in the current year. The increase in interest payable and similar charges relates to additional interest costs on medium term financing arrangements and exchange losses on foreign currency denominated loans.

Following the Group reorganisation, the directors have determined the functional currency of the Company to be US dollars. Accordingly, the Company has elected to present these financial statements in US dollars. Further information can be found in note 1 to the financial statements.

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:

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.

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 18 to the financial statements) against forecast US dollar repatriation and Sterling obligations regarding the 2012 bond.

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. In addition, the major part of the Company's third party debt comprises of fixed coupon bonds (see note 19).

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.

Estimation techniques
When preparing the financial statements we make a number of estimates and assumptions relating to the reporting of our results and financial position. In particular, some accounting policies require subjective and complex judgements about the effect of matters that are often uncertain. We have outlined the Company's critical accounting policies in note 1 to the financial statements.

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
Subsequent to the year end, the directors have declared the payment of a second interim dividend in respect of 2009/10 of 3.4291 pence per share. This will be accounted for in the year ending 31 March 2011. 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). These dividends were paid by the Company.

Share capital and treasury shares
No treasury shares were acquired during the year. At 31 March 2010 there were no shares in treasury (31 March 2009 – 33.2 million ordinary shares). In March 2010, 28 million treasury shares were transferred to the Cable & Wireless Employee Share Ownership Plan Trust to fulfil the requirements of the outstanding employees' share awards.

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

TL Pennington	
NI Cooper	(appointed 26 March 2010)
C Underwood	(appointed director and Company Secretary 26 March 2010)
SP Ball	(resigned 26 March 2010)
RJO Barton	(resigned 26 March 2010)
GW Battersby	(resigned 26 March 2010)
AC Butler	(resigned 26 March 2010)
ME Francis	(appointed 1 July 2009, resigned 26 March 2010)
PL Hughes	(appointed 1 July 2009, resigned 26 March 2010)
RD Lapthorne	(resigned 26 March 2010)
J Marsh	(appointed 1 January 2010, resigned 26 March 2010)
KA Nealon	(resigned 26 March 2010)
J Pluthero	(resigned 26 March 2010)
WA Rice	(resigned 26 March 2010)
KB Rorsted	(resigned 26 March 2010)
A Touraine	(resigned 19 May 2009)

Directors benefited from qualifying third party indemnity provisions in place during the financial year. It is the Company's intention that indemnity provisions be provided for all directors going forward.

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:

C UNDERWOOD
Secretary

Registered Office:
3rd Floor
26 Red Lion Square
London WC1R 4HQ
United Kingdom

Dated: 5 August 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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.

Directors’ statement pursuant to the Disclosure and Transparency Rules

Each of the current directors, whose names are listed on page 3, confirms that, to the best of each person’s knowledge and belief:

- The financial statements, prepared in accordance with UK GAAP, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The management report contained within the directors’ report includes a fair review of the development and performance and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF CABLE & WIRELESS LIMITED

We have audited the financial statements of Cable & Wireless Limited (previously Cable and Wireless plc ("the Company")) for the year ended 31 March 2010 set out on pages 7 to 33. 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 auditors' 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 5, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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 2010 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.

John Edwards (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square, London, EC4Y 8BB
Dated: 5 August 2010

Profit and loss account

For the year ended 31 March 2010

		2009/10			2008/09		
	Note	**Pre-exceptional items US$m**	**Exceptional items US$m**	**Total US$m**	Pre-exceptional items US$m	Exceptional items US$m	Total US$m
Other operating income	3	**60**	**-**	**60**	58	-	58
Administrative expenses	4,5,6	**(63)**	**(48)**	**(111)**	(55)	(23)	(78)
Operating loss		**(3)**	**(48)**	**(51)**	3	(23)	(20)
Income from shares in group undertakings and joint ventures	7	**27**	**-**	**27**	5	-	5
Profit on disposal of group undertaking		**-**	**-**	**-**	2	-	2
Other non-operating income	8,11	**54**	**66**	**120**	-	19	19
Other non-operating expenses	8,11	**(33)**	**(281)**	**(314)**	(5)	(98)	(103)
Interest receivable and similar income	9	**8**	**-**	**8**	28	-	28
Interest payable and similar charges	10	**(129)**	**-**	**(129)**	(76)	-	(76)
Loss on ordinary activities before income tax		**(76)**	**(263)**	(339)	(43)	(102)	(145)
Tax (expense) / credit on loss on ordinary activities	12	**(5)**	**-**	**(5)**	12	-	12
Loss for the financial year		**(81)**	**(263)**	**(344)**	(31)	(102)	(133)

Statement of total recognised gains and losses

For the year ended 31 March 2010

	2009/10 US$m	2008/09 US$m
Loss for the financial year	**(344)**	(133)
Cash received in respect of employee share schemes	**6**	4
Share-based payment costs	**9**	21
Revaluation	**(129)**	-
Exchange differences on translation	**202**	(2,605)
Total recognised gains and losses for the financial year	**(256)**	(2,713)

Balance sheet

As at 31 March 2010

	Note	**31 March 2010 US$m**	31 March 2009 US$m
Fixed assets investments			
Shares in group undertakings	14	**12,370**	28,868
Shares in joint ventures	14	**6**	6
Investments			
Held to maturity investments	15	**79**	77
Available-for-sale investments	15	**30**	39
		12,485	28,990
Current assets			
Debtors: amounts falling due within one year	16	**3,860**	49
Available-for-sale investments	15	**364**	413
Cash at bank and in hand		**3**	7
Financial assets at fair value through the profit and loss	15	**104**	-
		4,331	469
Current liabilities			
Creditors: amounts falling due within one year	17	**(10,072)**	(22,302)
Liabilities at fair value through the profit and loss	18	**(30)**	(36)
		(10,102)	(22,338)
Net current liabilities		**(5,771)**	(21,869)
Total assets less current liabilities		**6,714**	7,121
Creditors: amounts falling due after one year	19	**(333)**	(325)
Provisions for liabilities and charges	20	**(55)**	(30)
Pensions and similar obligations	21	**(34)**	(28)
Net assets		**6,292**	6,738
Capital and reserves			
Called-up share capital	22	**976**	955
Share premium account	23	**374**	289
Profit and loss account	23	**2,534**	2,926
Other reserves	23	**2,408**	2,568
Shareholders' funds		**6,292**	6,738

The accompanying notes on pages 10 to 33 are an integral part of the financial statements of the Company.

The financial statements of the Company were approved by the directors on 5 August 2010 and signed on its behalf by:

Clare Underwood Director

Reconciliation of movements in shareholders' funds

For the year ended 31 March 2010

	2009/10 US$m	2008/09 US$m
Loss for the financial year	**(344)**	(133)
Dividends – interim in respect of the current year	**(128)**	(125)
– final in respect of the prior year	**(227)**	(216)
Cash received in respect of employee share schemes	**6**	4
Shares allotted under share option schemes	**19**	5
Shares allotted under scrip dividend scheme	**87**	83
Own shares purchased	**(2)**	(4)
Share-based payment costs	**9**	21
Equity component of convertible bond acquired	**36**	-
Equity component of convertible bond disposed of	**(34)**	-
Other recognised losses relating to the year	**-**	(2)
Reclassification of treasury shares	**59**	-
Revaluation of investments	**(129)**	-
Exchange difference on translation	**202**	(2,605)
Decrease in shareholders' funds	**(446)**	(2,972)
Opening shareholders' funds	**6,738**	9,710
Closing shareholders' funds	**6,292**	6,738

The accompanying notes on pages 10 to 33 are an integral part of the financial statements of the Company.

1 Statement of accounting policies

1.1 Accounting Policies

The following amendments to standards have been adopted in these financial statements for the first time:

The amendment to FRS 8 *Related Party Disclosures* (mandatory for periods beginning on/after 6 April 2008). The amendment has the effect that wholly-owned subsidiaries are no longer exempt from disclosure of intra-group transactions with companies that are not 100% owned within the Group and there is no longer a disclosure exemption available in parent company's own financial statements. The amendment did not have a material effect on the Company. The Company presents disclosures in line with the amendment to FRS 8 in note 26 of the financial statements.

The amendment to FRS 20 (IFRS 2) *Share-based Payment* - *Vesting Conditions and Cancellations* (mandatory for periods starting on/after 1 January 2009). The amendment clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and amends the accounting for cancellations and settlements by parties other then the entity. The amendment did not have a material effect on the Company.

The amendment to FRS 21 *Events after the Balance Sheet Date* (mandatory for periods starting on/after 1 January 2009) confirmed no obligation exists at the balance sheet date for dividends declared after that date. The amendment did not have an effect on the Company.

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 set out the position of the Company and not the Group which it headed until the Group reorganisation on 19 March 2010. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

As a result of the Group reorganisation, the functional currency of the new ultimate parent company, CWC Plc, and the majority of trading and financing companies of the Group, of which the Company is a member, changed to US Dollars. 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. For these financial statements, the Company has changed its presentation currency to US dollars. The principal exchange rates used in preparing the Group financial statements 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

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 valuation. This valuation has been performed using a discounted cash flow based valuation on a triennial basis. The directors believe this method is the most appropriate method of valuation for these assets. 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 the profit and 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 the profit and loss.

Financial assets at fair value through the profit and loss
This category has two sub-categories: financial assets held for trading and those designated at fair value through the profit and loss 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 in this category are classified as current assets if they are either held for trading or are expected to be realised within a year of the balance sheet date.

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 12 months of the reporting date. Purchases and sales of financial assets are recognised on trade-date (the date on which the Company commits to purchase or sell the asset).

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 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).

Receivables 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
Available-for-sale financial assets are recognised and are subsequently carried at fair value. Receivables are carried at amortised cost using the effective interest method. Financial assets not carried at fair value through the profit and loss 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 Company has transferred substantially all risks and rewards of ownership.

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 profit and loss.

The Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments 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 investments, the cumulative loss is removed from equity and recognised in the profit and loss. This loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss. Impairment losses recognised on these instruments are not reversed through the profit and loss if the fair value of the instrument increases in a later period.

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 the profit and loss over the period of the loans using the effective interest method.

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. 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.

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.

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 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 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 Share-based compensation

The Company 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 balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the profit and loss, and a corresponding adjustment to shareholders funds over the remaining vesting period. The expense recognised by the Company relates only to the Company employees.

Share-based expenses relating to grants of the Company's equity made to employees of subsidiary companies are recognised in the profit and loss of the subsidiary. The Company recognised these as increases in the investment in the group undertaking with a corresponding increase recognised in reserves.

Where new shares are issued, the proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Where continuing employees withdraw from share-based compensation plans the remaining charge is recognised immediately.

1.10 Cable & Wireless Employee Share Ownership Plan (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 Employee Share Ownership Plan Trust (the Trust), which holds shares for the Group's ESOP. Under the requirements of UITF 38 *Accounting for ESOP trusts*, the shares held by the Trust are stated at cost and deducted from shareholders' funds.

Shares purchased by the Company are held as treasury shares at cost and deducted from shareholders' funds until they are cancelled, sold for cash or transferred out of treasury pursuant to an employees' share scheme. Treasury shares do not carry voting rights and no dividends will be paid on these shares.

1.11 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 Company's cash flow statement

Under FRS 1 (Revised), 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 26.

3 Other operating income

	2009/10	2008/09
	US$m	US$m
Management fees	**60**	58

Other operating income relates to management fees payable by subsidiaries of the Company, for management of intercompany loans and for the provision of management and support services and branding fees.

4 Remuneration of directors

	2009/10	2008/09
	US$m	US$m
Directors' remuneration	**5**	7
Amounts paid or payable under long-term incentive schemes	**6**	14
Other pension costs	**1**	1
	12	22

Directors remuneration includes benefits in kind. Benefits in kind includes Company provided life assurance, professional advice, chauffeur travel and the reimbursement of costs associated with accommodation and relocation.

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was US$2,601,606 (2008/09 – US$15,551,928), and no Company pension contributions were made to a money purchase scheme on his behalf. During the year, the highest paid director received shares under a long term incentive scheme and exercised share options.

	Number of directors	
	2009/10	2008/09
The number of directors who exercised share options was:	**3**	-
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was:	**6**	5

Directors' rights to subscribe for shares in or debentures of the company and its subsidiaries are indicated below:

		Number of options	
	At start of year	**At end of year**	**Exercise price (pence)**
GW Battersby	642,068	-	108.00
GW Battersby	301,843	-	153.90
GW Battersby	4,148,148	-	101.25
NI Cooper	28,929	-	103.70
NI Cooper	405,015	-	102.20
NI Cooper	1,975,308	-	101.25
J Pluthero	1,163,873	-	107.40
WA Rice	5,452,067	-	110.50

Due to the Group reorganisation, from 19 March 2010 the directors' share options are over a stapled unit of one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc share. See note 13 for further information.

Directors benefited from qualifying third party indemnity provisions in place during the financial year. It is the Company's intention that indemnity provisions be provided for all directors going forward.

There were no directors' advances, credits and guarantees during the financial year or at the date of this report.

5 Information regarding employees and auditors

The average number of persons employed by the Company (including directors) during the year was:

	2009/10	2008/09
Average number of persons employed by the Company	**66**	76

The costs for the year were:

	2009/10	2008/09
	US$m	US$m
Wages and salaries	**16**	21
Equity-settled share-based payments	**9**	9
Social security costs	**2**	2
Other pension costs	**9**	4
	36	36

Auditor's remuneration for audit and other services was US$0.1 million (2008/09 – US$0.1 million), in respect of these financial statements. Amounts paid to the Company's auditors in respect of services to the Company, other than in the course of the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the accounts of the ultimate parent company, Cable & Wireless Communications Plc.

6 Exceptional administrative expenses

	2009/10	2008/09
	US$m	US$m
Property	**-**	13
Other administration expenses	**17**	10
Redundancy and other demerger costs	**31**	-
	48	23

Redundancy and other demerger costs included staff costs of US$6 million and legal fees of US$25 million relating to the demerger. Other administration expenses related to costs of defending the Digicel legal claim and other insurance and property costs. In the prior year, exceptional expenses related to provisions for vacant property and other restructuring costs.

7 Income from shares in group undertakings and joint ventures

	2009/10	2008/09
	US$m	US$m
Dividends from group undertakings	**25**	-
Dividends from joint ventures	**2**	5
	27	5

8 Other non-operating income / (expenses)

The following transactions arise in the normal course of the Company's operations as an investment holding company (see note 14).

	2009/10	2008/09
	US$m	US$m
Provisions against loans	**(33)**	(5)
Reversal of provision against loans	**54**	-
	21	(5)

9 Interest receivable and similar income

	2009/10	2008/09
	US$m	US$m
Amounts owed by group undertakings	**2**	4
Deposits and short-term loan interest	**6**	24
	8	28

10 Interest payable and similar charges

	2009/10	2008/09
	US$m	US$m
Amounts owed to group undertakings	**47**	39
Bank loans and overdrafts	**2**	9
Other medium term loans with third parties	**40**	28
Exchange losses on translation of foreign currency denominated loans	**40**	-
	129	76

11 Exceptional non-operating income / (expense)

	2009/10 US$m	2008/09 US$m
Gains / (losses) on derivatives	**19**	(98)
Releases relating to previously discontinued businesses	**3**	7
Releases relating to transaction risks	**-**	12
Gain on disposal of investment	**44**	-
Revaluation of investments	**(281)**	-
	(215)	(79)

As described in note 14, during the year the Company was affected by the demerger of the Cable & Wireless Worldwide business and restructured its investments in its subsidiaries.

The Company holds forward exchange contracts hedging US dollar exposures and future 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 the profit and loss. See note 18 for further information.

12 Income tax

Tax on loss on ordinary activities

	2009/10 US$m	2008/09 US$m
UK corporation tax at 28% (2009 – 28%)	**2**	2
Double taxation relief	**(2)**	(2)
	-	-
Overseas taxation	**2**	2
Adjustment in respect of prior years	**3**	(14)
Tax expense/(credit) on loss on ordinary activities	**5**	(12)

Factors affecting the current tax charge

The current tax charge for the year is US$5 million (2008/09 – US$12 million credit). The tax provision was higher than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2009/10 US$m	2008/09 US$m
Loss before taxation	**(339)**	(145)
Tax at UK statutory rate	**(95)**	(41)
Group dividends receivable	**(7)**	-
Expenditure not deductible for tax purposes	**100**	328
Capital allowances for the period in excess of depreciation	**-**	(2)
Other timing differences	**10**	-
Group relief claimed	**(6)**	(283)
	2	2
Adjustment in respect of prior periods	**3**	(14)
Current tax charge / (credit)	**5**	(12)

13 Employee share schemes

Subsequent to the Scheme of Arrangement and demerger, the majority of the Group's participants' outstanding Cable and Wireless plc share and option awards rolled over into Cable & Wireless Communications Plc equivalent awards. A limited number of participants obtained an entitlement to one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc (an unrelated company) 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.

Share option schemes

The Company does not currently have any outstanding share option awards over its own shares (2008/09 – 24,394,000). There are 14,130,773 outstanding share option awards relating to options granted by the Company 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 the Company's 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, 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.

The liability for these stapled unit options and the Cable & Wireless Worldwide plc shares due to Group employees is classified as an other creditor and amounts to US$18 million.

Other equity instrument awards

Performance Share Plan (PSP)

Under the PSP, executive directors and other senior executives can receive awards of performance shares at nil cost.

Prior to the Scheme of Arrangement and demerger, PSP awards by the Company were subject to relative TSR performance of Cable and Wireless plc. Subsequent to the Scheme of Arrangement and demerger, these have been adjusted to be an award over Cable & Wireless Communications Plc ordinary shares of an equivalent value. The vesting of performance shares is subject to absolute Cable & Wireless Communications Plc TSR performance conditions above a minimum threshold. Awards will have a three year performance period.

TSR is the main performance measure used in share plans where performance conditions apply as it provides an objective external measure of financial performance. The CWC Plc Remuneration Committee will also consider the underlying financial performance of the Company at the end of the performance period.

Restricted share plan (RSP)

The RSP provides for awards of restricted shares to executive directors and selected employees, primarily as a retention or a recruitment tool. Generally, restricted shares awarded under this plan vest over periods of one to three years.

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Prior to the Scheme of Arrangement and demerger, RSP awards made to Cable & Wireless Communications employees were made in respect of shares in the Company. 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 (SARs)
The SARs plan is used to replicate exactly the plans 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 (SPP)
Prior to the scheme of arrangement and demerger, the Company offered 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 an HMRC approved share incentive plan. Under the SPP, 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 and the Company offered a match of one share for each partnership share purchased. Subsequent to the scheme of arrangement and demerger the SPP has been adjusted to provide partnership shares in CWC Plc.

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 Company to acquire shares in the Company. Subsequent to the Scheme of Arrangement and demerger, the Cable & Wireless ESOP Trust continues to be used to satisfy existing options and awards under incentive plans.

On 24 June 2009, the Company transferred 3,000,000 treasury shares to the ESOP Trust. On 10 March 2010, the Company transferred 28,259,496 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 the Company) 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). Refer to note 15 for further information.

Other equity instrument awards

The Company equity instrument awards operating prior to the Scheme of Arrangement (as at 19 March 2010) or outstanding as at this date, are as follows:

	Awards of Company shares granted between 1 April 2009 and 19 March 2010			Awards of Company shares granted during 2008/09		
	Shares	**Weighted average fair value (pence / share)**	**Features incorporated in scheme**	Shares	Weighted average fair value (pence / share)	Features incorporated in scheme
RSP	**717,236**	**130**	**-**	4,534,692	132	-
SARs	**589,039**	**142**	**-**	5,030,930	136	-
SPP scheme	**1,801,989**	**140**	**-**	1,386,389	156	-
PSP	**17,596,285**	**71**	**TSR conditions**	1,187,295	71	TSR conditions

The PSP grants made during 2009/10 and 2008/09 have performance criteria attached. The remaining awards had no performance conditions attached.

A fair value exercise was completed at 31 March 2010 for grants made during 2009/10 using the Monte Carlo method. The Monte Carlo pricing model assumptions used in the pricing of the performance share plan grants in 2009/10 and 2008/09 were:

	2009/10	2008/09
Weighted average share price (pence)	**140**	142
Dividend yield	**6.2%**	5.5%
Expected volatility	**33.2%**	31.0%
Risk-free interest rate	**1.8%**	3.0%
Expected life in years	**2.9 years**	3 years

The cost of such options and awards is borne by participating businesses and the Company has borne its charge as set out in notes 4 and 5. Movements in the number of share options outstanding and their related weighted average exercise prices are presented below:

	31 March 2010		31 March 2009	
	Weighted average exercise price (pence/share)	**Number of options (000)**	Weighted average exercise price (pence/share)	Number of options (000)
Outstanding at 1 April	**110**	**24,394**	110	25,396
Forfeited in the period	**-**	**-**	-	-
Exercised in the period	**102**	**(8,948)**	112	(996)
Lapsed in the period	**150**	**(2,098)**	705	(6)
Converted to stapled options over CWC Plc and CWW plc shares during demerger	**(112)**	**(13,348)**	-	-
Outstanding at 31 March	**-**	**-**	110	24,394
Exercisable at 31 March	**-**	**-**	118	11,888

Subsequent to 19 March 2010, 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. The liability for these stapled unit options is classified as an other creditor and amounts to US$18 million.

The Company has applied the requirement of FRS 20 *Share-based Payment – Vesting Conditions and Cancellations* and has elected to adopt the exemption to apply FRS 20 only to awards made after 7 November 2002.

14 Fixed asset investments

	Joint ventures US$m	Group undertakings US$m	Total US$m
Cost/valuation			
At 1 April 2009	12	25,984	25,996
Additions	-	26,294	26,294
Revaluation	-	(410)	(410)
Disposals	-	(26,413)	(26,413)
Transfer of provisions	-	(13,811)	(13,811)
Exchange differences on translation	-	701	701
At 31 March 2010	**12**	**12,345**	**12,357**
Loans			
At 1 April 2009	-	16,464	16,464
Additions	-	33	33
Loans repaid and transferred	-	(18,034)	(18,034)
Exchange differences on translation	-	1,594	1,594
At 31 March 2010	**-**	**57**	**57**
Provisions and amounts written off			
At 1 April 2009	(6)	(13,580)	(13,586)
Additions	-	(33)	(33)
Releases	-	54	54
Disposals	-	79	79
Transfer of provisions	-	13,811	13,811
Exchange differences on translation	-	(363)	(363)
At 31 March 2010	**(6)**	**(32)**	**(38)**
Net book value			
At 31 March 2010	**6**	**12,370**	**12,376**
At 31 March 2009	6	28,868	28,874

The Company's investment in joint ventures comprised US$6 million of unlisted shares (2008/09 – US$6 million of unlisted shares).

During the year, the Company entered into a series of restructuring transactions with its subsidiaries:

On 9 November 2009:

- Sable Holding Limited transferred investments to the Company for a total of US$23,684 million relating to its investments in Cable & Wireless Hong Kong Finance (US$15,087 million), Cable & Wireless U.K. Finance (US$2,941 million), Cable & Wireless U.K. Finance No. 3 (US$1,635 million), Cable & Wireless U.K. Finance No. 1 (US$1,727 million) and Cable & Wireless Asia and Pacific Limited (US$2,294 million). The consideration was offset against an amount owed by Sable Holding Limited and the balance left outstanding as an amount payable at 31 March 2010.
- Following the transfer of the investments the group undertakings returned their share capital to the Company for the settlement of intercompany debt to the equivalent value.
- Cable & Wireless UK Finance made a final dividend payment of US$143 million to the Company, treated as a return of capital.

On 14 December 2009:

- the entire share capital of a Group company, Cable & Wireless International Finance B.V., was sold to the Company by its subsidiary, Sable Holding Limited, at market value for US$9 million. The consideration was satisfied by the assignment of an intercompany creditor due to Sable Holding Limited.
- Cable & Wireless (UK) Group Limited sold the entire share capital of its subsidiary, Cable & Wireless UK Holdings Limited, to the Company for market value of US$2,600 million. Consideration was satisfied by an intercompany creditor assigned to Sable Holding Limited.

On 19 March 2010, as part of the Group reorganisation and demerger, the entire share capital of Cable & Wireless UK Holdings Limited and the Cable & Wireless Worldwide Brand were transferred to Cable & Wireless Communications Plc, the ultimate parent company, for consideration of US$2,644 million. A profit of US$44 million was made on these disposals and is included in exceptional non-operating income. Consideration is an intercompany receivable from Cable & Wireless Communications Plc.

Other transactions between the Company and its subsidiaries during the year were:

- Pender Insurance Limited repaid part of its share capital of US$64 million. As a result, the Company reviewed the provision carried against Pender Insurance Limited loans, which was reduced by US$54 million.
- Cable & Wireless UK Finance No. 5 Limited was liquidated during the year. The investment of US$79 million had been fully provided for.
- The Company acquired loans from another group undertaking in relation to Delaware Inc and Petrel Communications SA with a book value of US$33 million. The loans were fully provided for by the Company during the year.

At 31 March 2010, the Company undertook a valuation of its investments in subsidiaries. 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 0.5% and 2.0% at pre-tax discount rates of between 7% and 12% dependent on the risk adjusted cost of capital of the different investments. The valuation was supported by independent external broker assessments.

The value of Sable Holding Limited has decreased by US$410 million. This decrease is due to restructuring transactions associated with the demerger of the Cable & Wireless Worldwide business, including the reallocation of central costs into a subsidiary of Sable Holding Limited and the transfer of financing arrangements with third parties into Sable Holding Limited and its remaining subsidiaries. The effects on the profit and loss account and revaluation reserve are described in note 11 and note 23 respectively.

15 Financial assets

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

	Eurobonds US$m	Cash collateral US$m	UK Government gilts US$m	Short-term deposits US$m	Total US$m
At 1 April 2009	2	14	25	411	452
Additions	-	-	2	-	2
Disposals	-	(14)	-	(65)	(79)
Foreign exchange	-	2	1	16	19
At 31 March 2010	**2**	**2**	**28**	**362**	**394**
Current portion	2	-	-	362	364
Non-current portion	-	2	28	-	30

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

	Held to maturity investments	Fair value through profit and loss		
	Listed bonds US$m	Derivative financial instruments US$m	ESOP shares US$m	Total US$m
At 1 April 2009	77	-	-	-
Additions	-	1	111	112
Foreign exchange	2	-	(8)	(8)
At 31 March 2010	**79**	**1**	**103**	**104**
Current portion	-	1	103	104
Non-current portion	79	-	-	-

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 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 the profit and loss as they represent shares that are not equity instruments of the 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. A corresponding financial liability at fair value has been recognised for this obligation (see note 18).

At 31 March 2010, the Company held forward exchange contracts with a fair value of US$1 million asset (2008/09 – US$36 million liability). They have been classified as financial assets at fair value through profit and loss (see note 18).

During the previous year, the Company acquired US$77 million of listed bonds from a subsidiary undertaking. The carrying amount of these bonds at 31 March 2010 was US$79 million. They have been classified as held to maturity investments.

16 Debtors

	2009/10 US$m	2008/09 US$m
Amounts falling due within one year		
Amounts owed by parent undertaking	**3,845**	-
Amounts owed by subsidiary undertakings	**5**	25
Taxation and social security	**7**	7
Other debtors	**2**	9
Prepayments and accrued income	**1**	8
Total debtors	**3,860**	49

There is no material difference between the carrying value and fair value of debtors at 31 March 2010.

17 Creditors: due within one year

	2009/10 US$m	2008/09 US$m
Amounts falling due within one year		
Trade and other creditors	**25**	5
Amounts owed to subsidiary undertakings	**9,871**	22,129
Taxation and social security	**140**	132
Accruals and deferred income	**36**	36
Total creditors	**10,072**	22,302

There is no material difference between the carrying value and fair value of creditors at 31 March 2010.

18 Financial liabilities at fair value through the profit and loss

The fair value of the Company's derivative financial liabilities at 31 March 2010 was US$30 million, representing Cable & Wireless Worldwide plc shares which will be delivered to the Cable & Wireless Worldwide Group as part of the demerger agreement (see note 15).

At 31 March 2010 the Company held forward exchange contracts to sell US$40 million (2008/09 - US$225 million (£155 million)) hedging US dollar exposures and future Sterling obligations regarding the 2012 bond. At 31 March 2010, the fair value of these contracts was an asset of US$1 million (see note 15) (2008/09 – US$36 million liability). The Company did not apply hedge accounting to these contracts and as such they were revalued to fair value through the profit and loss.

19 Creditors: due after one year

Non-current creditors are comprised of the following loans:

	2009/10 US$m	2008/09 US$m
Sterling secured loans repayable in 2012	**43**	42
Sterling unsecured bonds repayable in 2012	**290**	283
Total non-current loans	**333**	325

a) Sterling secured loans repayable in 2012

A $43 million loan facility due in 2012 is secured by bonds held by the Company with a carrying amount of US$79 million (see note 15). These bonds were issued by Cable and Wireless International Finance BV (a subsidiary).

b) Sterling unsecured bonds repayable in 2012

The Sterling bond is a £200 million listed bond due in 2012 with a balance at 31 March 2010, net of costs, of US$290 million (2008/09– US$283 million). Interest is 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 have been used to determine the fair value of the bond.

20 Provisions for liabilities and charges

	Note	At 31 March 2009 US$m	Additions US$m	Unused amounts reversed US$m	Amounts used US$m	Exchange differences US$m	**At 31 March 2010 US$m**
Redundancy	(i)	-	3	-	-	-	**3**
Property	(ii)	10	-	-	(5)	1	**6**
Other	(iii)	20	35	(3)	(5)	(1)	**46**
		30	38	(3)	(10)	-	**55**

i) Redundancy

In the current year, provision was made for the total employee related costs of redundancies announced prior to the reporting date. The provision is expected to be used within one year.

ii) 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.

iii) 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. The increase in other provisions of US$35 million includes restructuring and demerger costs. The reversal of US$3 million reflects the resolution of claims and other risks during the year.

21 Pension and similar 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 actuarial valuation was performed by Towers Watson and Co. as at 31 March 2007. The ordinary contribution for the year was US$35 million (2008/09 – US$18 million). In additional, a contribution of US$40 million was made 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. A further contribution of US$16 million was made in September 2008 as part of the UK pensioner buy-in transaction. In 2007/08, a contribution of US$33 million was made in order to fund the scheme fully on an actuarial basis based on the March 2007 valuation. It has been agreed that an employer contribution rate of 28.5% (2007/08 – 28.5%) of pensionable pay will be made from 1 April 2007. Further details of the Scheme are set out in note 33 of the consolidated financial statements of the Group.

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 this valuation at the end of the year were:

	2009/10	2008/09
	%	%
Inflation assumption	**3.6**	3.0
Rate of increase in salaries	**4.1**	3.5
Rate of increase in pensions in payment and deferred pensions*	**2.3 to 3.5**	2.2 to 3.0
Discount rate applied to scheme liabilities	**5.5**	6.7

* 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.

Scheme assets and liabilities

The fair value of the Scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	At 31 March 2010			At 31 March 2009		
	Unfunded schemes US$m	**Funded schemes US$m**	**Total US$m**	Unfunded schemes US$m	Funded schemes US$m	Total US$m
Equities	**-**	**163**	**163**	-	752	752
Bonds and gilts	**-**	**37**	**37**	-	74	74
Insurance policies	**-**	**1,000**	**1,000**	-	1,196	1,196
Property	**-**	**22**	**22**	-	110	110
Cash	**-**	**90**	**90**	-	275	275
Total fair value of plan assets	**-**	**1,312**	**1,312**	-	2,407	2,407
Present value of scheme liabilities	**(34)**	**(1,477)**	**(1,511)**	(28)	(2,453)	(2,481)
Effect of asset ceiling	**-**	**-**	**-**	-	-	-
Net pension liability	**(34)**	**(165)**	**(199)**	(28)	(46)	(74)

Long-term rates of return

	At 31 March 2010 %	At 31 March 2009 %
Equities	**8.3**	8.0
Bonds and gilts	**5.4**	5.6
Insurance policies	**5.5**	6.7
Property	**6.8**	6.5
Cash	**3.9**	3.3

Movements in fair value of plan assets

	At 31 March 2010			At 31 March 2009		
	Unfunded schemes US$m	**Funded schemes US$m**	**Total US$m**	Unfunded schemes US$m	Funded schemes US$m	Total US$m
Fair value of assets as at 1 April	**-**	**2,407**	**2,407**	-	4,229	4,229
Expected return	**-**	**182**	**182**	-	239	239
Actuarial gains/(losses) recognised in equity	**-**	**521**	**521**	-	(946)	(946)
Contributions by employer	**1**	**75**	**76**	1	35	36
Contributions by members	**-**	**3**	**3**	-	4	4
Benefits paid	**(1)**	**(127)**	**(128)**	(1)	(130)	(131)
Exchange differences on translation	**-**	**23**	**23**	-	(1,024)	(1,024)
Fair value of assets as at 31 March (excluding demerger)	**-**	**3,084**	**3,084**	-	2,407	2,407
Amounts attributable to the Cable & Wireless Worldwide Group	**-**	**(1,772)**	**(1,772)**	-	-	-
Fair value of assets as at 31 March	**-**	**1,312**	**1,312**	-	2,407	2,407

Movements in present value of defined benefit obligation

	At 31 March 2010			At 31 March 2009		
	Unfunded schemes US$m	**Funded schemes US$m**	**Total US$m**	Unfunded schemes US$m	Funded schemes US$m	Total US$m
Obligation at 1 April	**(28)**	**(2,453)**	**(2,481)**	(39)	(3,479)	(3,518)
Current service cost	**-**	**(12)**	**(12)**	-	(14)	(14)
Interest cost	**(2)**	**(177)**	**(179)**	(2)	(204)	(206)
Actuarial (losses)/gains recognised in equity	**(8)**	**(941)**	**(949)**	2	171	173
Contributions by members	**-**	**(3)**	**(3)**	-	(4)	(4)
Curtailments	**-**	**2**	**2**	-	4	4
Benefits paid	**1**	**127**	**128**	1	130	131
Exchange differences on translation	**-**	**(3)**	**(3)**	10	943	953
Obligation at 31 March (excluding demerger)	**(37)**	**(3,460)**	**(3,497)**	(28)	(2,453)	(2,481)
Amounts attributable to the Cable & Wireless Worldwide Group	**3**	**1,983**	**1,986**	-	-	-
Obligation at 31 March	**(34)**	**(1,477)**	**(1,511)**	(28)	(2,453)	(2,481)

22 Called-up share capital

	31 March 2010 US$m	31 March 2009 US$m
Allotted, called-up and fully paid		
2,624,571,985 ordinary shares of 25 pence each (2008/09 – 2,571,465,533 ordinary shares of 25 pence each)	**976**	955

Purchases and allotments of ordinary shares of 25 pence each were made during the year in respect of the following:

	Number of shares allotted (000)	Gross consideration received US$000
Savings Related Share Option Scheme	929	814
Global Savings Related Share Option Scheme	118	187
Share Option Plan – Approved	131	213
Share Option Plan – Unapproved	10,032	17,331
Scrip dividends[1]	41,896	–
Total	**53,106**	**18,545**

[1] Shares with a cash equivalent value of US$87 million (£56 million) (2008/09 – US$83 million (£23 million)) were issued during the year as payment for dividends by scrip. This represents a non-cash transaction.

23 Reserves

	Share capital US$m	Share premium US$m	Special reserve US$m	Revaluation reserve US$m	Other reserves US$m	Fair value reserve US$m	Profit and loss account US$m	Total US$m
At 1 April 2009	955	289	2,180	126	255	7	2,926	6,738
Loss for the year	-	-	-	-	-	-	(344)	(344)
Dividends	-	-	-	-	-	-	(355)	(355)
Cash received in respect of employee share schemes	-	-	-	-	-	-	6	6
Shares allotted under share option schemes	5	14	(19)	-	-	-	19	19
Share allotted under scrip dividend schemes	16	71	(87)	-	-	-	87	87
Own shares purchased	-	-	-	-	-	-	(2)	(2)
Share-based payment costs	-	-	-	-	-	-	9	9
Equity component of convertible bond acquired	-	-	-	-	-	-	36	36
Equity component of convertible bond disposed of	-	-	-	-	-	-	(34)	(34)
Reclassification of treasury shares	-	-	-	-	-	-	59	59
Revaluation of investments	-	-	-	(129)	-	-	-	(129)
Exchange differences on translation	-	-	65	3	7	-	127	202
At 31 March 2010	**976**	**374**	**2,139**	**-**	**262**	**7**	**2,534**	**6,292**

No treasury shares were cancelled during the periods presented. On 10 March 2010, the Company transferred 28,259,496 treasury shares to the ESOP Trust. In addition, on 24 June 2009, the Company transferred 3 million treasury shares to the ESOP Trust. 12 million treasury shares were transferred to the ESOP trust on 13 February 2009.

At 31 March 2010, there were no treasury shares held by the Company. For the year end 31 March 2010, the aggregate nominal value of shares allotted in the year was US$21 million (2008/09 – US$16 million). The nominal and market value of treasury shares at 31 March 2009 were US$22 million and US$125 million respectively. Included in treasury shares at 31 March 2009 were 28 million shares acquired by the Cable & Wireless ESOP Trust (the Trust) for consideration of US$86 million. The nominal value and market value of the Trust's shares held at 31 March 2009 were US$10 million and US$58 million respectively. All shares in the Trust were previously held to satisfy the Company's obligation in respect of share options granted.

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 (2008/09 – US$152 million), US$30 million (2008/09 – US$29 million) relating to unrealised gains on disposal of investments and US$76 million (2008/09 – US$74 million) relating to rights granted to equity instruments of the Company to the employees of subsidiaries of the Company.

During the year the company undertook a valuation of its investment in subsidiaries, and as a result has fully utilised its revaluation reserve. The effect on fixed asset investments is described in note 14.

24 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 2010, the Company had unrecognised deferred tax assets in the UK relating to capital allowances of US$3 million (2008/09 – US$3 million) and other timing differences of US$88 million (2008/09 – US$97 million).

25 Currency analysis

The carrying amounts of the Company's cash and cash equivalents, held to maturity investments, available-for-sale investments and borrowings are denominated in the following currencies:

	31 March 2010		31 March 2009	
	Financial investments US$m	**Borrowings US$m**	Financial investments US$m	Borrowings US$m
Sterling	**519**	**333**	524	325
US dollar	**60**	**-**	10	-
Euro	**1**	**-**	2	-
	580	**333**	536	325

26 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 these groups are available to the public and may be obtained from the 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

Material transactions with group undertakings that are not wholly owned by the Group are as follows:

	2009/10 US$000	2008/09 US$000
Management fees	**14,716**	11,969

	At 31 March 2010 US$000	At 31 March 2009 US$000
Debtors	**727**	1,106
Creditors	**146**	438

The companies related by virtue of common control or ownership with which the Group transacted during the year are as follows:

Cable & Wireless St. Kitts and Nevis Limited, Cable & Wireless Dominica Limited, Dhivehi Raajjeyge Gulhun Private Limited, Cable & Wireless Grenada Limited, Cable & Wireless Jamaica Limited, Cable & Wireless Barbados Limited, Cable & Wireless Panama SA and Monaco Telecom S.A.M

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 (2008/09 – US$5 million) for the year ended 31 March 2010.

The companies related by virtue of being joint ventures of the Group with which the Group transacted during the year are as follows:

Fintel Internet Services Ltd, Telecom Vanuatu Limited and Solomon Telekom Company Limited.

Transactions with other related parties

During 2008/09, two former directors of Cable & Wireless Limited 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 former director of Cable & Wireless Limited 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 former director of Cable & Wireless Limited 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 former director was appointed was US$1,045 of which US$846 remained unpaid at 31 March 2010.

27 Group undertakings and joint ventures

The principal operating undertakings of the Group are as follows:

	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]	Rufiya	190	52	Ordinary	Maldives	Maldives
Monaco Telecom SAM [3,4]	Euro	2	49	Ordinary	Monaco	Monaco
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 [3]	T$	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago

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

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

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

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

Cable and Wireless Limited does not have any direct investment in any of the above subsidiaries and joint ventures, with the exception of Cable & Wireless International Finance B.V. and Cable & Wireless Trademark 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.

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.

28 Dividends

The aggregate amount of dividends comprises:

	2009/10 US$m	2008/09 US$m
Interim dividends paid in respect of the current year	**128**	125
Final dividends paid in respect of prior year	**227**	216
Aggregate amount of dividends paid in the financial year	**355**	341

Subsequent to the year end, the directors have declared the payment of a second interim dividend in respect of 2009/10 of £90 million. This will be accounted for in the year ending 31 March 2011.

29 Legal proceedings

In July 2007, the Company and four Group subsidiaries along with Telecommunications Services of Trinidad and Tobago Limited (TSTT), in which the 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 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 the Company 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 the Group's 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. Since then Digicel have sought leave to appeal the judgment insofar as it relates to the claim against TSTT. This application for leave is currently before the Court of Appeal and no decision has yet been given.

30 Commitments

The Company had no capital commitments at the end of 2009/10 or 2008/09.

31 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:

	31 March 2010 US$m	31 March 2009 US$m
Trading guarantees	**41**	578
Other guarantees	**563**	581
Total guarantees	**604**	1,159

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.

Total guarantees at 31 March 2010 include US$563 million of other guarantees (2008/09 – US$581 million of trading and other guarantees) relating to the demerged Cable & Wireless Worldwide Group. The Company has provided guarantees to third parties in respect of trading contracts between third parties and the Cable & Wireless Worldwide Group. The Company has agreed a fee schedule with Cable & Wireless Communications Group for the benefit of these guarantees. To date, the Company has not been required to make any payments in respect of its obligations under these trading guarantees.

Under the Separation Agreement, Cable & Wireless Communications and Cable & Wireless Worldwide agree to provide each other with certain customary indemnities on a reciprocal basis in respect of liabilities which the Cable & Wireless Communications Group may incur but which relate exclusively to the Cable & Wireless Worldwide Group and vice versa and in respect of an agreed proportion of liabilities which do not relate exclusively to one Group or the other.

Whilst Pender, the Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims 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 has, as is considered standard practice in such agreements, 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 and general commercial agreements. Some of these agreements do not contain liability caps.

Under the terms of the Trust Deed governing the main UK Pension Fund, the Company guarantees the performance of the obligations of other Group companies which are participating employers in the Fund.

Whilst the Company 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.

32 Post balance sheet events

Subsequent to the year end, the directors have declared the payment of a second interim dividend in respect of 2009/10 of £90 million. This will be accounted for in the year ending 31 March 2011.