We have built strong foundations and, as demand for our data services grows, we are well placed for the future.

Annual report 2011/12

Cable&Wireless Communications

Our revenue and EBITDA increased last year with great performances in Macau and The Bahamas and resilient efforts in other businesses. Our mobile data and enterprise services are in increasing demand. And we are reshaping our portfolio of businesses. We believe we are well placed for growth.

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For more about our business go to www.cwc.com ►

Definitions
This Annual Report of Cable & Wireless Communications Plc has been prepared in accordance with English legal and UK Listing Rules requirements. The Annual Review for the year ended 31 March 2012 is published as a separate document.

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

Unless otherwise indicated, any reference in this report to financial statements is to the consolidated financial statements of Cable & Wireless Communications on pages 60 to 111. References to a year in this report are, unless otherwise indicated, references to the year ended 31 March 2012 (the financial year).

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

In this report, financial and non-financial information is, unless otherwise indicated, stated on the basis of the Group's financial year. EBITDA is defined as earnings before interest, tax, depreciation and amortisation, Long-Term Incentive Plan (LTIP) charge and net other operating and non-operating income and expense. Unless otherwise stated, EBITDA excludes exceptional items.

Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Group that are identified as exceptional items by virtue of their size, nature or incidence. Operating cash flow is defined as pre-exceptional EBITDA less balance sheet capital expenditure. Adjusted earnings per share (adjusted EPS) is before exceptional items, LTIP charge, transaction costs, gain/(loss) on disposals and amortisation of acquired intangibles. A reconciliation of GAAP to non-GAAP measures is provided on page 111.

Where appropriate to aid understanding of our results compared to the prior year, we refer to financial performance on a like-for-like and/or constant currency basis. Like-for-like for the year ended 31 March 2012 is calculated by adjusting the prior year's results by removing Bermuda, a business we sold in March 2011, and including The Bahamas, a business we acquired in April 2011. Constant currency figures are calculated by retranslating prior year figures at the exchange rates used during 2011/12 to eliminate the impact of movements in exchange rates.

Information has been updated to the most practical date prior to the approval date of the document, being 23 May 2012.

Companies Act 2006
Pages 1 to 31 constitute the Chairman's statement and Business review of Cable & Wireless Communications Plc and, for the purposes of section 463 of the Companies Act 2006, are incorporated by reference into the Directors' report set out on pages 34 to 41 and shall be deemed to form part of that report.

English law
Pages 1 to 58 inclusive consist of a Directors' report that has been drawn up and presented in accordance with and in reliance upon English company law. The liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Highlights

US$2.9bn

Revenue (2010/11 US$2.4bn)

US$901m

EBITDA (2010/11 US$872m)

US$492m

Operating cash flow (2010/11 US$518m)

US6.5c

Adjusted earnings per share (2010/11 US7.2c)

US8c

Dividend (2010/11 US8c)

A Group of world class businesses

We have over 140 years of telecoms experience and are the leader in a spread of global markets.

Key facts and figures

11.8m

Mobile customers*

667k

Broadband customers*

1.7m

Fixed line customers*

82%

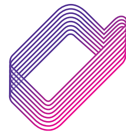
Growth in mobile data revenue

19

Capacity on 19 subsea cable systems in the pan-American region

*Includes joint ventures

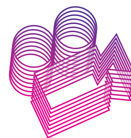
Our services



Mobile
We are the market leader in 21 out of the 27 jurisdictions in which we provide mobile services. We are investing in faster and higher capacity mobile networks to support new mobile data services, which are growing rapidly.

Broadband
We provide high speed broadband to homes and workplaces and are investing to meet ever increasing demands for speed and reliability. We are the market leader in 25 out of 28 jurisdictions in which we supply broadband.

Fixed line
We are the leading provider of fixed line (voice) telephony in 25 of the 27 markets we serve. We provide fixed line services to many different customer groups, from residential subscribers through to large scale enterprises and governments.



Entertainment
We offer pay TV services in Monaco, Panama, Barbados and St. Lucia, and mobile TV in Jamaica. Pay TV services allow us to offer customers convenient and good value 'bundles' of products like triple play (TV, fixed line and broadband) and quad play (TV, fixed line, broadband and mobile).

Managed Services/Social Telecoms
We manage, as well as install and operate, telecommunications services for businesses and governments. Our social telecoms projects are helping governments revolutionise the way they provide public services.

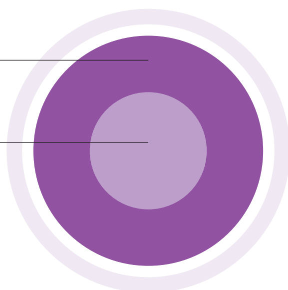
Carrier/Data Centres
Our extensive subsea cable network carries large amounts of voice and data traffic on behalf of consumers, enterprises and other carriers. In a number of jurisdictions we also store data on behalf of major enterprises.

Our markets

Panama

EBITDA
US$256m

Operating cash flow
US$131m



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

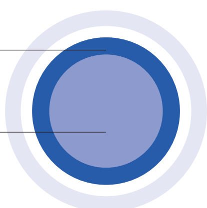
www.cwpanama.com

For more information see page 10 ►

Macau

EBITDA
US$165m

Operating cash flow
US$127m



Operating under the CTM brand, we are the market leader in mobile, fixed and broadband in one of the world's most popular tourist destinations. 2011 was the 30th anniversary of our business in Macau.

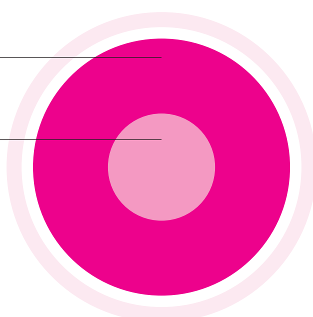
www.ctm.net

For more information see page 12 ►

Caribbean

EBITDA
US$284m

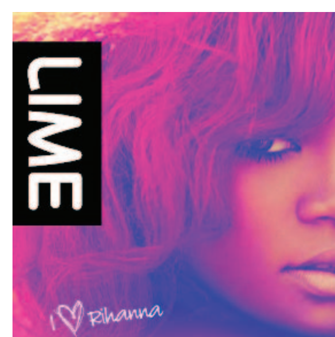
Operating cash flow
US$120m



We are the leading full service telecoms provider in the Caribbean. In April 2011 we expanded to The Bahamas, our 14th market in the region.

www.lime.com

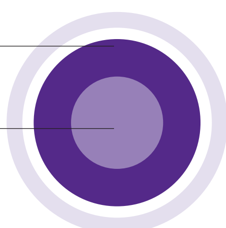
For more information see page 14 ►



Monaco & Islands

EBITDA
US$186m

Operating cash flow
US$103m



Our Monaco & Islands business is a portfolio in small and emerging markets with interests in Europe, Asia, Africa and the Indian and Atlantic oceans. Its largest markets are in Monaco, Guernsey and the Maldives.

www.cwc.com/mi

For more information see page 16 ►

An introduction from the Chairman

It gives me pleasure to introduce the 2011/12 Cable & Wireless Communications Annual report.

Progress

We have made steady progress during the year. At Group level we posted a strong, 18% increase in revenue, and delivered EBITDA of US$901 million, with our outlook met or exceeded in four business units. We also generated a healthy rate of cash flow.

There have been some excellent results from our businesses, particularly in Macau and The Bahamas, as well as some resilient performances from our other businesses in more competitive and economically difficult conditions.

Each market we operate in has its own economic background, its own political agenda and its own industry regulator. Our job is to manage our business within those frameworks. For example, in Macau and the Maldives we benefited from strong growth in visitor numbers and consequent favourable economic activity. However, we also had to deal with the impact of currency devaluation in the Maldives and Seychelles, an unbalanced regulatory regime in Jamaica and an unexpected acceleration in a regulatory change affecting mobile number portability in Panama which prompted unbudgeted promotional spending in order to successfully defend our market share. Despite these issues we have delivered strong results.

Strong financial management

Revenue, EBITDA and operating profit before exceptionals all increased in the 2011/12 financial year.

For more information see page 20

“The communications services we provide have always been vital to our customers, but with the increasing versatility and availability of mobile services, the demand for what we provide will strengthen.”

Sir Richard Lapthorne, CBE
Chairman

In most of our territories we operate fixed line telecoms infrastructure which underpins all mobile services and is fundamental to the communications systems of each country. The profitability of our fixed line business has continued to decline, partly as a result of the growing popularity of mobile services, but also because regulatory regimes designed to facilitate new entrants have not been brought into line with new market shares. Frequently, these regulations prevent us pricing our services sufficiently in order to make an adequate return.

Our business, however, is seeing robust growth in a number of newly emerging products. Mobile data services are a once in a generation opportunity for our industry, and our investment in them is increasingly bearing results. Mobile data revenue rose strongly across our business during 2011/12, as more of our customers switched to smartphones and began using mobile internet applications. We expect this growth to accelerate.

We have continued to deliver high-end managed services to governments and enterprises. We are particularly proud of the services we provide to governments, which we call social telecoms. During the year our businesses have been involved in introducing telemedicine services in the Maldives, an e-learning network in the Caribbean and a 911 emergency services calling platform for El Salvador’s police force.

Dividend

The Board of Directors has recommended a full year dividend of US8 cents for the 2011/12 year, maintaining the commitment we made when we demerged the business in 2010. US2.67 cents per share was paid in January following our interim results, with a further US5.33 cents payable in August 2012, subject to the approval of shareholders.

With the payment of this dividend we will have returned more than US$500 million to shareholders since our demerger in 2010. In the past two years we have faced global economic uncertainty which has impacted our business especially in the Caribbean. Having reassessed the financial outlook for the Group, as well as our opportunities to invest and achieve attractive returns, the Board has decided to reset the dividend in 2012/13 to a level we believe is both sustainable and capable of progressive future growth.

The majority of our businesses are jointly owned with local partners, often with the host government. Our economic ownership varies with averages of around 50% for Panama, Macau and The Bahamas, 65% for Monaco & Islands, and around 90% for the Caribbean, excluding The Bahamas. Equally, corporation tax rates vary from zero to 35%. Consequently, headline changes in EBITDA do not flow evenly into Group earnings. This is why the performance of the Caribbean has become so arithmetically important in determining Group dividend policy.

Board changes

There have been changes to the Board, with Kate Nealon and Mary Francis retiring as Non-executive Directors and Mark Hamlin and Alison Platt being appointed.

Both Kate and Mary helped steer the Company through demerger and its early stage as an independent business. I thank them both for their distinguished contributions.

We have strong replacements in Mark and Alison. Mark has consulted to global businesses for more than 25 years, advising in areas including strategy, culture and corporate change, while Alison is the Managing Director for Bupa, the healthcare group, in North America and Europe.

Outlook

The communications services we provide have always been vital to our customers, but with the increasing versatility and availability of mobile services, the demand for what we provide will strengthen.

Anticipating and exploiting these new opportunities will not be possible without a capable and talented team. Our progress in the past year is a credit to the 8,000 people we employ. I thank them all for their efforts, and am confident that they can continue to take our business forward.

We are confident in the outlook for our business, and will remain focused on delivering income and returns to our shareholders.

Sir Richard Lapthorne, CBE

A focus on governance

Driving good behaviours remains at the core of our approach to corporate governance. Our Independent Directors’ report outlines this approach.

For more information see page 41

Chief Executive's review

The 2011/12 year was about managing the continuing and accelerating migration of our business model from voice to data and establishing strong foundations for the future success of that model whilst maintaining good performance during that transition.

Performance

Despite being faced with some challenging markets, and operating in a sector which has shown little or no growth for the past two to three years, our business increased both revenue and EBITDA.

Mobile data was the fastest growing segment of our services. Mobile data revenue rose 82% across the Group, and now accounts for 21% of mobile service revenues.

Across the Group two of our businesses exceeded their targets (Macau, The Bahamas), two businesses met their targets (Caribbean, Monaco & Islands) and one finished below (Panama). Overall, it was a resilient performance.

Macau recorded its ninth straight year of record profits, on the strength of our market leading position and continuing rapid growth in the local economy.

The Bahamas, which we acquired at the beginning of the year, was another solid performer. We made good strides in restructuring and improving the business. It has made a stronger than expected early contribution to our performance, and we expect further progress in the current year.

After several difficult years, the rest of our Caribbean region performed in line with the outlook we set out at the start of the year. Trading conditions remained difficult, but the business now has a solid platform on which to build.

Our Monaco & Islands business was also on target, delivering good underlying results despite some currency headwinds and a loss in Afinis, our fledgling African enterprise business.

In Panama we maintained mobile market share despite exceptional levels of competition. Mobile revenue increased by 3%, but our margins were affected by intense price competition following the introduction of mobile number portability. The largest impact on performance was in our enterprise business which had a slower year.

Five year vision

Looking forward, we are putting in place the foundations for the evolution of our business over the next five years. The main focus of our investment is in data services, on both our mobile and fixed networks.

As a full service operator we have the significant competitive advantage of being able to deliver services to customers on any device, in any location. We can provide consumers with bundles of telecoms services (mobile, fixed, broadband and pay TV) which meet growing demand for internet-based services, social telecoms services to governments and managed services to enterprises.

Our investment in new data services will, however, be subject to the same demanding return on capital tests as all of our capital expenditure. We believe that return on invested capital (ROIC) is one of the most important metrics to help manage our business, and for this reason we will be setting progressive internal targets and reporting on it to shareholders each year.

We will also look to develop geographically, with particular focus on the pan-American region. Our approach in the past year has reflected this – expanding into The Bahamas, and selling our minority investments in Vanuatu and Fiji.

Next year

In 2012/13 we expect to see a further acceleration in data services, which will balance the continuing decline in voice services.

We are focused on improving our ROIC, currently 17%, as we continue to increase penetration of smartphones and the take up of mobile data services. We will also look to step up the pace of reshaping the Group, and will consider acquisitions and disposals if, and when, suitable opportunities arise at the right values.

Clear strategic approach

Our strategy is focused on delivering world class service to our customers, competing in our markets and generating increasing financial returns.

For more information see page 8

"Mobile data was the fastest growing segment of our services. Mobile data revenue rose 82% across the Group, and now accounts for 21% of mobile service revenues."

Tony Rice
Chief Executive

We are looking for progress in our most difficult Caribbean market, Jamaica. In May 2012, we were very pleased to see new telecoms legislation, which should improve the regulation of the industry and our ability to compete. We have the opportunity to fight on a level playing field and regain mobile market share for the first time in over a decade. Elsewhere in the Caribbean we will continue to focus on improving our cost base and building on the successful restructuring we have done in The Bahamas. The Panama market will remain competitive, particularly in mobile, but we will work hard to maintain our market leading position. Our Macau business will have to adapt to the introduction of fixed line competition, but we expect continued growth there while our Monaco & Islands business should also continue its steady progress.

With a clear strategy and strong foundations in place, I feel confident that we are well placed to make progress over the foreseeable future, as always with the caveat that economic conditions around the world do not deteriorate further.

Tony Rice

Corporate social responsibility

Our businesses operate responsibly and make an active and positive contribution to the communities in which we are present.

For more information see page 18

Our industry and our strategic approach

The shift in the way people communicate, with data services becoming more important, is driving a fundamental change in our business and industry.

Key industry trends impacting our business

Proliferation of smart devices – smartphones, tablets, ebooks, game consoles, laptops and PCs – creating a huge base of connected customers

New services rapidly being developed via the internet, application 'stores' and online developers – bringing further competition to telecoms operators' traditional voice and messaging services

Faster, more widely available mobile and fixed networks allowing customers to do 'anything everywhere'

Huge traffic growth on telecoms networks, as new devices and richer and faster services allow greater customer consumption of data

The challenge of 'monetising' the data growth through new pricing and services – as well as facing new internet-enabled competition

Why we are well placed for the future

We are the leader in most of our markets
— Mobile: 21 out of 27 markets
— Fixed: 25 out of 27
— Broadband: 25 out of 28

We are a full service provider in most of our markets – providing mobile, fixed, broadband and TV to consumers, managed services to enterprises and governments and carrier services to other operators. With this full suite of services we are able to give customers 'anything everywhere'

We have invested in 'next generation' networks, including mobile data networks to meet future demand

Our markets have sustainable competitive environments, with pro-investment regulatory frameworks in most territories

Several of our markets have strong economic growth rates, while others are set for a rebound

Our strategic approach

What we provide, how we charge for it and who we compete with are all evolving, prompting new approaches and investment in each of our markets.

Our strategy aims to ensure we deliver a world class service to customers; improve our ability to compete in our markets; and generate increasing financial returns, through EBITDA, cash flow and return on invested capital.

The core elements of the strategy

Maintaining market leadership
Panama

Jorge Nicolau
Chief Executive Officer
Panama

Our brands

Highlights

— Maintained mobile market share above 50% despite intense competition

— Introduced high speed mobile data services and the iPhone

— Panama's economy posted 10% GDP growth in 2011

— Installed 911 emergency call service and established a presence in El Salvador

Performance
Our Panama business, Cable & Wireless Panama, endured a challenging year but delivered revenue of US$601 million, EBITDA of US$256 million and operating cash flow of US$131 million.

We maintained over 50% mobile market share and increased mobile revenue by 3%, although significant pricing pressure following the introduction of mobile number portability impacted margins.

Our enterprise, data and other operations had a slower year, with revenues falling 18%, but we are confident the business retains a healthy future potential.

Mobile data
Mobile data usage continued to increase as customers embraced new high speed mobile data services and upgraded to smartphones like the BlackBerry, iPhone and Samsung Galaxy S2.

More than three-quarters of our postpaid mobile customers are now using mobile data services.

Social Telecoms
We have been a pioneer of managed services and social telecoms in Panama. We are now seeing opportunities across the pan-American region. In El Salvador, we have successfully implemented a 911 emergency services calling platform for the national police force.

Within Panama we delivered further social telecoms projects including moving the country's civil administration onto digital platforms as part of the Government's 'Panama without Paper' initiative.

We began the 2012/13 year by winning a contract to modernise Panama's national registry by creating digital storage for official documents and licences, and a new online customer interface.

Outlook and priorities
Our business will benefit from Panama's growing economy and our market leadership. Panama's economy posted GDP growth of 10% in 2011, and is forecast to have another strong year in 2012. Work is continuing on the project to widen the Panama Canal and double its capacity – the project is due to complete in 2014 and should provide a significant economic boost to the region. Panama also signed a Free Trade Agreement with the United States in 2011.

Panama's mobile market will remain highly competitive with four operators vying for customers, but we expect continued growth in demand for mobile data.

Our Panama business is well positioned to compete effectively in its domestic market and is seeking opportunities to introduce social telecoms and enterprise services throughout Central America.

Improving security in El Salvador

We have installed a 911 emergency services call platform in El Salvador, our first social telecoms contract outside Panama.

The project will help El Salvador's national police force to optimise response times to emergency calls.

By enabling police to quickly react when there is a crime or traffic accident the project is supporting the Government's efforts to tackle delinquency and violent crime.

3%	Increase in mobile revenue
105%	Increase in mobile data revenue
US$2.40	Increase in average revenue from each mobile customer
US$11m	Value of 'Panama without Paper' social telecoms contract

Mobile data growth
Macau

Vandy Poon
Chief Executive Officer
Macau

Our brand

Highlights

- Ninth straight year of record profits
- Exceptional growth of smartphone sales and mobile data
- Increased broadband download speed to world-leading 250 mbps
- Continued economic growth: Macau GDP +21% in 2011

Performance
Our Macau business, CTM, which celebrated its 30th anniversary in 2011, is a market leader in a strong economy. The business delivered its ninth straight year of record profits in 2011/12 and revenue of US$524 million, EBITDA of US$165 million and operating cash flow of US$127 million.

Mobile data and broadband
Mobile data services continued to grow rapidly in Macau and now account for 32% of mobile services revenue. This followed continued strong demand for smartphones, led by exceptional sales of the iPhone and other devices. Mobile revenue grew by 81% and we maintained a leading mobile market share of nearly 50% despite competition from three other operators.

Broadband subscribers and revenue also increased as our fibre broadband network, with an increased download speed of up to 250 megabits per second, was extended to reach every business in Macau and more residential households.

Enterprise
Our Macau business is a supplier of enterprise services to the major casinos in Macau, many of its banks and the Government. We completed a large scale installation of front and back of house communication services for the Galaxy casino, which opened in 2011, and continue to manage the service. We also provided services for the latest stage of another major casino, the Venetian. Both projects helped increase enterprise, data and other revenue by 9%.

Outlook and priorities
The territory attracted 28 million visitors in 2011 who increased their spending (excluding gaming) by 20% year on year to over US$5 billion, helping to grow Macau's GDP by 21%. Macau's economy is forecast to grow strongly again next year. Visitor numbers are also expected to be strong with the opening of further new casinos, including the Sands Cotai Central resort in April 2012. The economic growth will underpin the progress of our business.

The growth in mobile revenue is expected to continue with a further strong contribution from mobile data, and continuing demand for new smartphones from consumers.

In fixed line, we expect to see a competitor enter the market following the issue of a new licence by the Macau Government. CTM is well prepared for this new competition.

In partnership with Cisco, we plan to launch cloud-based services for our enterprise customers. Cloud services use the internet to improve the delivery of telecoms and IT services.

Macau's strong economy and the willingness of our customers to embrace the new telecoms technology that CTM is introducing has created a positive environment for continuing growth.

Promoting technology in schools

In 2012, CTM created the 'Digital Campus' project, providing schools with superfast broadband connections at preferential prices to encourage use of the internet.

The Digital Campus will enable students to submit assignments and complete assessments online, and have access to databases containing resources such as past exam papers and teaching notes. Teachers will maintain an electronic register and incorporate more multimedia elements into lessons.

52000	Additional mobile customers
50%	Of customers subscribing to mobile data plans
28m	Visitors to Macau in 2011
90%	Customer satisfaction rating according to CTM survey

Good start in The Bahamas
Caribbean

David Shaw
Chief Executive Officer
Caribbean

Our brands

Highlights

- Strong first year in The Bahamas
- High speed mobile data networks introduced in key markets
- New telecoms legislation in Jamaica should improve regulatory environment
- Rolled out Caribbean e-learning network

Performance
Our Bahamas business had a good first year while the rest of the Caribbean performed in line with our expectations. Revenue was US$1.2 billion including a contribution from The Bahamas of US$352 million. EBITDA was US$284 million and operating cash flow was US$120 million. Following a review of assets and past investment, we took a US$184 million non-cash write down of our Jamaican assets.

Mobile data and Social Telecoms
Mobile data usage in the Caribbean accelerated following the roll out of high speed mobile data networks in Barbados, The Bahamas, and the Cayman Islands. We also exclusively launched the iPhone during the year.

We delivered several social telecoms projects in the region including a public internet capability for schools, libraries, post offices and other locations across Jamaica and a region-wide e-learning network.

Developing our Caribbean hub
In April 2011, we purchased a controlling shareholding in the Bahamas Telecommunications Company (BTC) and began a restructuring process to improve the business.

We have made a number of changes to BTC, including introducing a reduced, single rate for mobile calls across The Bahamas, improving customer service facilities and launching several refurbished retail outlets. We also undertook a voluntary separation programme, which reduced the employee base to a level in line with our other businesses.

In addition, we established a presence in the Dominican Republic providing wholesale broadband capacity to local internet service providers via our East-West cable, which has tripled the amount of bandwidth available in the country.

Outlook and priorities
The Caribbean has suffered a deep economic recession and conditions are unlikely to recover substantially in 2012/13, although some modest improvements are expected in visitor arrivals and tourist income. The business will continue to focus on reducing its cost base against a backdrop of rising inflation in the region.

The turnaround of our Jamaica business remains a key priority, and this will be helped by the introduction of a new Telecommunications Act. The new legislation will substantially improve the competitive conditions for us, providing a real possibility to improve our mobile market share.

We will also continue to introduce mobile data services in more Caribbean markets where we see demand and a strong take up of smartphones by customers.

We have recently launched pay TV in Barbados and intend to extend services to other Caribbean markets in future.

Our Caribbean operating unit has been boosted by The Bahamas and across the region we have a strong platform to build on.

Introducing e-learning in the Caribbean

We worked with the Caribbean Knowledge and Learning Network to create a broadband network connecting Caribbean universities and colleges regionally and internationally. It is the region's first research network, effectively an 'academic internet'.

The network provides students with the ability to access courses and educational resources remotely. Lecturers and researchers can share work easily and securely and create new online academic communities which will collaborate on new ideas and initiatives to tackle regional issues.

12%	Growth in mobile data revenue in the Caribbean (excluding The Bahamas)
7	BTC retail outlets refurbished and relaunched in The Bahamas
US$6.5m	Contract to create 'academic internet' for the Caribbean
130	Channels available on new Barbados TV service

Data drives mobile growth
Monaco & Islands

Denis Martin
Chief Executive Officer
Monaco & Islands

Our brands

Highlights

- Completed telemedicine contract in Maldives
- Renewal of operating licence in Monaco
- Strong penetration of smartphones and take up of mobile data plans in Guernsey
- Growth in mobile data revenue across the portfolio

Performance
Our Monaco & Islands businesses performed well in 2011/12, delivering revenue of US$586 million, EBITDA of US$186 million and operating cash flow of US$103 million.

Our businesses in Monaco and the Maldives delivered strong underlying results, although the latter was affected by a currency devaluation in the Maldives. Afinis, our start-up African enterprise business, suffered a higher than anticipated start-up loss, necessitating a US$18 million non-cash write down.

Mobile data
Mobile data usage grew across the portolio.

In the Maldives our mobile broadband network was extended and now covers nearly 80% of the population. On an underlying basis revenue increased by 3%, largely driven by mobile data and more roaming activity by tourists.

Monaco Telecom, which renewed its operating licence in the Principality in 2011, grew its domestic mobile customer base by 9%, aided by smartphone sales, and demand for 'quad play' bundles (mobile, broadband, fixed line and pay TV). Pay TV subscribers grew by 8% in the year, with many households taking up quad play. Monaco's mobile data revenue grew by 38%.

In Guernsey competition in mobile saw total revenue reduce by 3%, but we maintained strong market share and saw increased take up of smartphones and mobile data services.

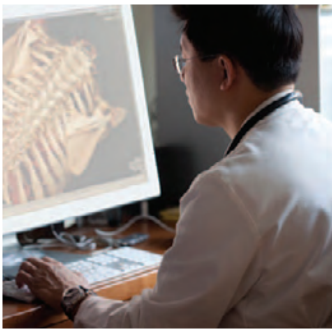
Enterprise
Enterprise revenue also made a significant contribution to Monaco & Islands' performance. Monaco Telecom extended its mobile services contract with Post & Telecommunications of Kosovo (PTK) during the year, continuing a long-standing relationship.

Enterprise services also made a strong contribution to underlying performance in the Maldives where we completed a contract for the Government to implement telemedicine services in 36 remote islands.

Outlook and priorities
Macroeconomic conditions remain positive in our key territories of Monaco, the Maldives and Guernsey. We expect to continue accelerating the introduction of data services in key markets next year. The launch of an undersea cable network in the Maldives will deliver high speed fixed broadband between the islands and facilitate the extension of social telecoms services.

We also have an interest in a cable linking the Seychelles to East Africa which will enable us to launch cable TV services. This is set to be operational later this year.

We continue to invest across the portfolio to drive growth and deliver world class services to our customers.



Improving medical care in remote communities

Telemedicine is an ideal solution for the Maldives where the population is spread across 200 islands.

Last year we completed a Government contract to connect medical centres across the Maldives, enabling patients to consult over video link with specialist doctors in the capital Malé.

The introduction of telemedicine has led to faster diagnosis of conditions, vital earlier treatment and has reduced the cost of delivering medical care in the country.

90% Of Monaco & Islands EBITDA is from Monaco, the Maldives and Guernsey

26% Of mobile customers in the Maldives have a smartphone

43% Of Guernsey customers use mobile data

30% Mobile data revenue accounts for 30% of Monaco Telecom mobile revenue

Corporate social responsibility
Our priorities

We are committed to making a positive contribution to the countries in which we operate.

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

1

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

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

Across the globe we sponsor sporting activities and athletes. In the Caribbean we sponsored the 2011 and 2012 CARIFTA Games, a major platform for the region's young athletes, many of whom go on to become World and Olympic champions.

We are also a strong supporter of education, and in Jamaica and St. Kitts and Nevis our 'Skool Aid' event helped thousands of children prepare for the new school year by providing free school supplies, haircuts and medical, dental and eye checks.

In Panama, the Cable & Wireless Panama Foundation donated school supplies, backpacks and shoes to a school in Coclé province and partnered with the UK embassy to create a new computer room for a school in Colón province.

We also work to support vulnerable groups, such as in Macau where 20 colleagues from our volunteer team organised and participated in a Christmas Gathering for The Macau Association for the Mentally Handicapped.

Following an increase in youth drug abuse in the Maldives, we assisted the Ministry of Health & Family in establishing a toll free 24/7 confidential National Helpline providing support and information on substance misuse and treatment options.

2

Respect cultures, values and human rights throughout our operations

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

Our business in the Cayman Islands has been the sponsor for Cayman Carnival Batabano since 2003. This colourful celebration of life has a street parade as its main event.

In Dominica we contributed to Domfesta, a two-week celebration of local culture and heritage where playwrights, poets, artists, singers, musicians and many others come together to show Dominica's rich arts heritage.

In Panama thousands of high school students from across the country entered our annual National Oratory Contest, a public speaking competition. The winner was Santiago Gallardo from the Guna Yala Indian Reservation, an island community just off Panama's Caribbean coast, who spoke about his desire to use the university scholarship prize to become a doctor and provide better healthcare for his community.

We also sponsored the festival of St. John the Baptist in the Panamanian towns of Chitré and Aguadulce. The celebrations combine the religious and folk traditions of Panama.

Our Panama Foundation participated in the IX Ibero-American Congress of Information Technology and Special Education which is for former Spanish colonies in Latin America. The event's theme was 'Towards a Better Inclusive Society'.

3

Nurture best practice in our activities

Our businesses share best practice across the Group, benefitting from the in-depth experiences gained in each other's markets.

In Macau our Future Communications Leader Training Program gave four university students the opportunity to work in our Company. The programme provided an opportunity for the students to apply what they learned in school to a real life work environment, and to share their views and ideas on the telecoms industry.

In Panama we hosted a 'Small Business and Enterprise Workshop' to highlight the latest trends in technology and management, helping local employers to improve their businesses.

Our social telecoms services help governments to improve delivery of public services. In Panama we welcomed delegations from the governments of El Salvador and the Cayman Islands to learn about such services, including the 911 emergency services call platform, telemedicine, teleradiology and CCTV surveillance.

We also provided training to Panamanian English teachers using a system for Computer Assisted Language Learning which provides a wide range of online lessons, support materials, teacher guides, lesson plans, and homework and lab assignments for students.

In Barbados we partnered with the Queen Elizabeth Hospital to enhance the delivery of patient care through telemedicine. In a significant change to the way radiology is delivered, the hospital now has digital CT scans, x-rays and ultrasound images which doctors can view at the hospital or remotely.

4

Seek continuous improvement in our environmental performance

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

We have introduced an online system to report on our energy use and carbon emissions. The system ensures consistent reporting and provides us with a useful reference point against which to measure reductions in energy usage and carbon emissions.

We estimate our carbon footprint to be 153,858 tonnes of CO_2 equivalent based on our Scope 1,2 & 3 greenhouse gas emissions. Our energy consumption has reduced from 351,530 megawatt hours last year to 288,288 megawatt hours this year.

We continue to use video conferencing facilities to reduce business travel, although travel is still necessary due to our geographical spread, and we estimate that created 4,599 tonnes of CO_2 usage in 2011/12.

In Panama we started to recycle paper and obsolete IT equipment, as we do in several other businesses.

Our Panama team also took part in 'Earth Hour', joining people across the globe in turning off lights and any electrical devices for an hour.

Our Macau colleagues and their families took part in the United Nations 'Plant for the Planet: Billion Tree Campaign' to create a greener territory while educating young people about caring for the environment.

Beach cleaning programmes take place in many of our business units. In the Maldives, colleagues cleaned beaches in Addu, the largest chain of islands in the south of the country.

Financial review

US$500m

Returned to shareholders since demerger

US$1bn

Invested in business since demerger

Our 2011/12 financial performance demonstrates the broad strength we have across our Group.

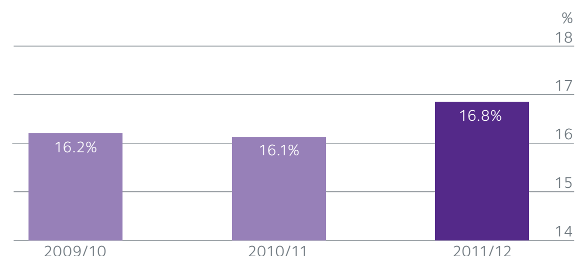
Despite a weak global economy and challenging conditions in some of our markets, particularly the Caribbean, we have met or exceeded our outlook in four business units.

Since our demerger in 2010 we have invested around US$1 billion into the business, increased our return on invested capital and returned more than US$500 million to our shareholders.

To continue being able to invest and develop our business in the future we have taken the decision to rebase our dividend for 2012/13. This decision, when combined with a successful US$1 billion refinancing exercise during the year, puts our Group financing on a strong footing and allows us to look forward with confidence.

Tim Pennington
Chief Financial Officer

Return on invested capital (ROIC)



ROIC is defined as net operating profit before exceptional items after tax divided by total assets less non-interest bearing current liabilitites

Returns to shareholders

Rigorous cost management, growing cash generation and achieving high rates of return on our investments are key areas of focus to deliver returns to our shareholders.

For more information see page 9

Group financial performance summary

	Year ended 31 March 2012			Year ended 31 March 2011[1]		
	Pre-exceptional items US$m	Exceptional items US$m	Total US$m	Pre-exceptional items US$m	Exceptional items US$m	Total US$m
Revenue	2,875	–	2,875	2,440	–	2,440
Cost of sales	(958)	–	(958)	(782)	–	(782)
Gross margin	1,917	–	1,917	1,658	–	1,658
Operating costs	(1,016)	(66)	(1,082)	(786)	6	(780)
EBITDA[2]	901	(66)	835	872	6	878
LTIP charge	–	–	–	(24)	–	(24)
Depreciation and amortisation	(358)	(244)	(602)	(321)	–	(321)
Net other operating expense	(12)	–	(12)	(28)	–	(28)
Group operating profit/(loss)	531	(310)	221	499	6	505
Share of profits of joint ventures and associates	26	–	26	31	–	31
Total operating profit/(loss)	557	(310)	247	530	6	536
Net finance expense	(156)		(156)	(108)		(108)
Net other non-operating income	13	–	13	34	–	34
Profit/(loss) before income tax	414	(310)	104	456	6	462
Income tax (expense)/credit	(88)	10	(78)	(119)	1	(118)
Profit/(loss) for the year	326	(300)	26	337	7	344
Attributable to:						
Owners of the Parent Company	158	(235)	(77)	189	8	197
Non-controlling interests	168	(65)	103	148	(1)	147
Balance sheet capital expenditure			(409)			(354)
Cash exceptionals			(69)			(29)
Operating cash flow[3]			492			518
Earnings per share (cents)			(3.1)			7.6
Adjusted earnings per share (EPS)[4] (cents)			6.5			7.2
Headcount (full time employees at period end)			8,100			7,347

1 Full year ended 31 March 2011 includes the consolidated results for Bermuda (disposed March 2011) and excludes The Bahamas (acquired April 2011)
2 EBITDA is defined as earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income/(expense) and exceptional items
3 Operating cash flow is defined as EBITDA less balance sheet capital expenditure
4 Adjusted EPS is before exceptional items, LTIP charge, transaction costs, gain/(loss) on disposals and amortisations of acquired intangibles

Financial statements

Our Group financial statements provide further information required by accounting standards and statute.

For more information see page 59 ▶

Financial review continued

Group EBITDA before exceptional items grew by 5% on a constant currency basis and 3% at actual rates.

Revenue increased by 18% to US$2,875 million including a first time contribution of US$352 million from The Bahamas business acquired in April 2011. We saw a strong performance in Macau where handset sales and mobile service revenue drove a 39% rise in total revenue. Group non-voice mobile revenue grew as data penetration and usage levels rose.

Group EBITDA before exceptional items grew by 5% on a constant currency basis and 3% at actual rates to US$901 million following the strong performance in Macau, together with the addition of The Bahamas.

Operating profit before exceptional items was US$557 million compared to US$530 million in the prior period. During the year we took an exceptional restructuring charge of US$66 million primarily related to the voluntary separation programme (VSEP) in The Bahamas where we have completed the initial phase ahead of schedule and booked the majority of our expected restructuring costs in this period. We also took a non-cash exceptional impairment charge, largely in respect of Jamaica, and as part of the network upgrade programme in the Caribbean there was also an accelerated depreciation charge.

Profit for the period before exceptional items was down 3% to US$326 million due to an increase in finance expense. Adjusted earnings per share for the period was US6.5 cents. The Board has recommended a full year dividend of US8 cents per share.

On a like-for-like basis, adjusting the prior period by removing Bermuda, a business we sold in March 2011, and including The Bahamas in the prior year and at constant currency, revenue for the Group was 5% higher and EBITDA for the Group was 2% lower than last year.

Panama

(US$m)	**Year ended 31 March 2012**	Year ended 31 March 2011	Change %
Mobile	**315**	307	3
Broadband	**60**	57	5
Fixed voice	**136**	149	(9)
Enterprise, data and other	**90**	110	(18)
Revenue	**601**	623	(4)
EBITDA	**256**	276	(7)
Margin %	**43**	44	

Revenue at US$601 million was 4% lower than the same period last year due to lower enterprise and fixed voice revenue.

Mobile revenue was up 3% to US$315 million and the business maintained its market share above 50%. Data penetration within our subscriber base increased this year to 24% as we launched our high-speed mobile data network resulting in growth of non-voice revenue by 105%. The appetite of our subscribers for non-voice services more than offset the decline in voice revenue which, together with lower subscribers, resulted in a blended average revenue per user (ARPU) 22% higher this year. Although prepaid subscribers fluctuated due to promotional activity in the market, postpaid subscribers grew by 9% despite the launch of mobile number portability in November.

Broadband and TV revenue grew 5% to US$60 million and the number of pay TV subscribers taking an additional triple play service increased to over 70%. Subscribers reduced during the year largely due to a new strategy to focus on higher ARPU customers.

Fixed voice revenue declined by 9% to US$136 million largely due to a substitution-driven reduction in payphone traffic, a lower rate per minute for national calls and lower international volumes.

Our enterprise, data and other segment endured a slower year, with revenues falling 18%, but we are confident the business retains a healthy future potential. We have focused on executing contracts awarded over the last year including: a contract to supply, install and support new systems enabling the Panamanian Government to share information electronically; and a contract to supply and manage an emergency services call system for the national police force in El Salvador. We are the leading player in the region and see good opportunities to expand our expertise outside of Panama.

Gross margin decreased by 5% to US$402 million due to a reduction in fixed voice and enterprise, data and other revenue.

Operating costs at US$146 million were in line with the same period last year. At the beginning of this year we started a restructuring programme to increase efficiency and reduced headcount by 266, leading to an exceptional charge of US$9 million in the period with an expected payback of two years.

As a result of the reduction in gross margin, EBITDA of US$256 million was 7% lower compared to last year. EBITDA as a percentage of revenue was broadly in line with the prior period at 43%.

Our proportionate ownership of Panama EBITDA for the year ended 31 March 2012 was 49%.

Caribbean

(US$m)	Year ended 31 March 2012	Year ended 31 March 2011	Change %
Mobile	**531**	302	76
Broadband	**122**	105	16
Fixed voice	**323**	278	16
Enterprise, data and other	**196**	165	19
Revenue	**1,172**	850	38
EBITDA	**284**	229	24
Margin %	**24**	27	

Revenue in the Caribbean increased by 38%, to US$1,172 million, largely due to the introduction of The Bahamas. Gross margin improved by 46% representing a slightly higher gross margin to sales ratio in The Bahamas. After operating costs, which were 59% higher, EBITDA was 24% up on last year at US$284 million.

On 6 April 2011, we completed our purchase of a 51% stake in the Bahamas Telecommunications Company (BTC) in The Bahamas for a cash consideration of US$204 million. The company is the exclusive mobile operator in The Bahamas as well as a leading provider of fixed line and broadband services.

The Bahamas business delivered a strong financial performance in the year. Excellent progress was made in developing the business. The voluntary separation programme was executed ahead of schedule and with an uptake in line with expectations. During the year we have invested in a new high speed mobile broadband network, launched new flagship retail stores as part of the ongoing overhaul of our retail and distribution network, enhanced our customer service facilities and launched new customer focused initiatives, such as removing inter-island surcharges. We are preparing to face mobile competition in the future. Under the terms of the acquisition, the liberalisation process for the mobile sector will commence no sooner than three years after privatisation, and we will continue to implement the transformation agenda throughout the coming financial year.

For the Caribbean excluding The Bahamas (the LIME business) trading remained difficult. The revenue decline slowed in Jamaica and there was a more positive EBITDA performance based on better control of customer acquisition costs and operating costs. The rest of the LIME business witnessed challenging conditions especially in prepaid mobile with little or no relief from the economic environment.

Total revenue was US$1,172 million of which The Bahamas contributed US$352 million and the LIME business contributed US$820 million, 4% down on last year.

Mobile revenue was US$531 million of which The Bahamas represented US$246 million and the LIME business US$285 million, a reduction of 6% on the prior year. This was driven by a net reduction in subscriber numbers especially in prepaid and lower handset sales due to reduced subsidies. There was an improving mobile performance in Jamaica where mobile service revenue increased driven by growth in inbound roaming and prepaid ARPU benefited from tighter control of discounted voice minutes. Mobile data has seen growth throughout the region following the launch of high-speed networks in a number of islands during the year. We plan to make similar investments elsewhere in the Caribbean subject to commercial viability and as the penetration of the iPhone and other smartphone devices increase.

Broadband & TV revenue was US$122 million of which The Bahamas contributed US$15 million. There was some growth in subscribers and ARPU with the exception of Jamaica, where competition saw our broadband subscriber base decline.

Fixed voice revenue was US$323 million of which The Bahamas was US$59 million. Voice substitution continued to affect fixed line revenue, although the rate of decline has slowed compared with prior periods.

Enterprise, data and other revenue was US$196 million of which The Bahamas contributed US$32 million. Excluding The Bahamas, revenue in the LIME business was flat.

Operating costs were US$611 million of which The Bahamas contributed US$201 million whist the LIME business contributed US$410 million, a 6% increase driven by inflationary pressures in staff costs. Notwithstanding, across the Caribbean business we have made good progress in the period with our cost reduction programmes. We have engaged our employees and union partners to realign our compensation structure so that it is sustainable, market driven and provides greater emphasis around incentive driven pay, and have completed a programme of benefit restructuring and buyouts. We have benchmarked our operational and support areas with best practice and are commencing programmes to improve efficiency over the medium term.

In The Bahamas, since July 2011 over 470 colleagues have left the business. The cost of this restructuring was fully funded by the cash balances of BTC.

Additionally, we will implement a further cost reduction programme across the region but primarily targeted at the LIME business which will see a net headcount reduction during the course of 2012/13 largely through a combination of early retirement and voluntary schemes. The overall cost of this programme is estimated at US$30-35 million with an expected two-year payback.

EBITDA for the Caribbean was US$284 million representing an EBITDA of US$91 million in The Bahamas and US$193 million in the LIME business.

Our proportionate ownership of EBITDA for the Caribbean (including The Bahamas) for the year ended 31 March 2012 was 76%.

Financial review continued

Macau

(US$m)	Year ended 31 March 2012	Year ended 31 March 2011	Change %
Mobile	**322**	178	81
Broadband	**55**	53	4
Fixed voice	**73**	78	(6)
Enterprise, data and other	**74**	68	9
Revenue	**524**	377	39
EBITDA	**165**	153	8
Margin %	**31**	41	

The Macau economy again achieved exceptional growth with real GDP growth of 21% in the 2011 calendar year. Likewise, gaming revenue and visitor numbers were up 37% and 13% respectively.

Revenue increased by 39% to US$524 million, with strong growth in mobile compared to the same period last year.

Mobile revenue of US$322 million was up 81% on last year. Mobile equipment sales surged to over US$220 million, driven by the popularity of the iPhone and other smartphones. Mobile services revenue grew 4% to US$97 million as subscriber numbers grew. Mobile non-voice revenue now represents 32% of subscriber service revenue as smartphones and mobile broadband usage increased. Inbound roaming revenue showed a decline in the second half due to a lower settlement rate with a major international roaming counterparty.

Broadband subscribers grew by 5% with ARPU also increasing as subscribers demanded greater bandwidth. Broadband revenue increased by 4% to US$55 million despite a reduction in tariffs being offered to customers midway through the year.

Fixed voice revenue of US$73 million decreased compared to the same period in 2010/11 as substitution reduced both subscribers and ARPU by 1% and 6% respectively. The tender process for new fixed line licensees closed in March. It is anticipated that the regulator will make a decision on the outcome within the next six months.

Enterprise, data and other revenue of US$74 million improved by 9% as the business grew its performance on the prior year and won managed service contracts with the Macau Government and casinos including the Galaxy and Venetian.

Gross margin of US$223 million was up 8% compared with last year reflecting strong underlying performance in the mobile and enterprise segments.

Operating costs of US$58 million were 9% higher than the prior year. The higher revenue drove increased network and administration costs though this was limited by strong cost controls. Advertising and marketing costs were also higher as a result of promotional activity around the businesses' 30th anniversary celebrations earlier in the year. At 16% of revenue, excluding iPhone equipment sales which commenced in November 2010, operating costs were one percentage point higher than the same period last year.

Due to the strong mobile performance, EBITDA was 8% higher at US$165 million. Adjusting for iPhone equipment sales the underlying EBITDA margin was 43%.

Our proportionate ownership of Macau EBITDA for the year ended 31 March 2012 was 51%.

Monaco & Islands (M&I)

(US$m)	Year ended 31 March 2012	Year ended 31 March 2011	Change %
Mobile	**234**	240	(3)
Broadband	**49**	47	4
Fixed voice	**80**	96	(17)
Enterprise, data and other	**223**	222	–
Revenue	**586**	605	(3)
EBITDA	**186**	207	(10)
Margin %	**32**	34	

Revenue at US$586 million was 5% higher on a like-for-like basis. Our Monaco business saw strong revenue growth, while in the Maldives, a devaluation of the local currency, the rufiyaa, saw revenue reported in US dollars fall despite increasing in local currency.

Monaco performed very well, particularly in the first half of the year with revenue up strongly, mainly driven by the enterprise segment due to increased traffic volumes and new business lines for our international operations. Mobile subscribers rose by 9% on last year whilst non-voice ARPU growth offset the lower rate per minute. We also saw growth of our outbound roaming revenues in the year. Monaco benefited from a favourable euro to US dollar exchange rate compared to the prior year.

In local currency, the Maldives had a good underlying performance, with revenue up 3% on last year largely driven by non-voice services and higher roaming activity as tourists continue to visit the Maldives. Fixed voice was marginally lower due to subscriber churn and reduced usage but this was more than offset by higher enterprise revenue from new services such as telemedicine. During the period the Government of the Maldives introduced a limited free float of the rufiyaa. This prompted a devaluation of approximately 20% resulting in US dollar revenue of US$134 million, being 14% lower than last year.

In Guernsey, revenue decreased by 3% as competition in mobile remained vigorous, however, we still managed to grow our active subscriber base by 3%. Broadband revenue grew due to a 7% increase in subscribers but this was offset by lower international fixed voice.

On a like-for-like basis, adjusting the prior year by removing Bermuda, a business we sold in March 2011, and at constant currency, gross margin was 6% higher at US$401 million. Gross margin was 6% lower than last year on a reported basis.

Operating costs of US$215 million were in line with last year but 9% higher on a like-for-like basis largely due to additional staff costs incurred in our African enterprise business.

EBITDA at US$186 million was 2% higher on a like-for-like basis, but 10% lower than the same period last year on a reported basis, largely reflecting the disposal of Bermuda, with the balance relating to the devaluation of the rufiyaa.

Operations in the Maldives, Monaco and Guernsey represented approximately 83% of Monaco & Islands revenue and approximately 90% of EBITDA in the period.

Our proportionate ownership of Monaco & Islands EBITDA for the year ended 31 March 2012 was 65%.

Joint ventures and associates

Our share of profit after tax from joint ventures was US$26 million, US$5 million lower than the same period last year primarily due to a release of US$17 million in allowances in the prior period which were held against former joint ventures subsequently liquidated.

Our share of TSTT profits increased by US$6 million due to reduced staff costs. Roshan continues to maintain its market leadership with mobile subscriber growth of 23% increasing our share of profits by US$3 million.

On 12 October 2011, CWC sold its 50% interest in Telecom Vanuatu Limited to Mauritius Telecom Limited. On 15 March 2012, CWC sold its 49% interest in Fiji International Telecoms Limited to Amalgamated Telecoms Holdings Limited. The combined cash consideration for both of these transactions was approximately US$15 million.

Capital expenditure

Capital expenditure was US$409 million, 16% higher than the same period last year, representing 14% of revenue.

Our principal customer-facing investments were in 4G/HSPA+ mobile data networks supporting smartphone sales in Panama, Macau, The Bahamas, Barbados and Cayman, selective pay TV investments, and improvements to our fixed broadband network. The fixed broadband investment has included continuing our fibre to the home (FTTH) roll-out in Macau and fibre to the curb (FTTC) roll-out in the Caribbean. We have also invested in transmission capacity and cable systems to support both retail and carrier sales. We continue to advance our billing and customer relationship management systems.

Included this year, for the first time, is our investment in The Bahamas. Here our focus is to improve the speed and the capacity of our fixed and mobile networks, providing an improved service to our customers and preparing for future market competition.

In the Maldives we have continued our multi-year investment in a domestic cable network that will allow us to provide data services to the population and to the tourist resorts.

Pre-exceptional depreciation and amortisation

Depreciation and amortisation at US$358 million was US$37 million higher than 2010/11 primarily due to the inclusion of The Bahamas.

Net other operating expense

The US$12 million net other operating expense incurred in the year comprised US$7 million stamp duty in connection with the purchase of a 51% stake in BTC in The Bahamas and US$5 million hurricane restoration costs of which US$4 million also related to The Bahamas.

Exceptional restructuring costs

Net exceptional items (excluding impairments and accelerated depreciation) moved from an income of US$6 million to a charge of US$66 million with the cost in the current year predominantly relating to the redundancy and restructuring programmes in The Bahamas and Panama. The prior year income included the receipt of US$17 million after successfully defending claims brought by a Caribbean competitor.

Exceptional impairment and depreciation charges

We recognised a non-cash impairment and accelerated depreciation charge of US$244 million in the year ended 31 March 2012. This was primarily due to our difficult market position and poor financial performance in Jamaica. The accelerated depreciation charge was in relation to legacy mobile assets as part of the network upgrade programme in the Caribbean.

Net finance expense

The US$156 million net finance expense for the Group consists of finance income of US$11 million (US$32 million in 2010/11) and finance expense of US$167 million (US$140 million in 2010/11). The movements in finance income and expense compared to the prior period relate primarily to foreign exchange gains in the prior period, and increased borrowings largely due to the acquisition of BTC in The Bahamas.

Income tax expense

The income tax charge of US$78 million (US$118 million for 2010/11) was in respect of overseas taxes. This charge represents an effective tax rate of 21% pre-exceptional items which is below our outlook range of 25% to 29%, largely due to the settlement of a tax audit in the Caribbean region. We expect the Group effective tax rate in 2012/13 to be around 25%, pre-exceptional items.

Financial review continued

Cable & Wireless Communications generated operating cash flow before exceptional items of US$492 million for the year ended 31 March 2012, slightly lower than for the prior year as the Group made the decision to invest heavily in mobile data networks within key markets. US$409 million was invested in capital expenditure compared to US$354 million in the prior year. The inflow from movements in working capital and provisions largely reflected good collections and an increase in capital expenditure accruals.

Investment income of US$13 million included US$8 million of interest received on cash balances, with the balance primarily relating to dividends received from joint ventures and non-trading foreign exchange gains.

Fixed charges

We paid US$90 million relating to income tax in 2011/12, US$2 million higher than last year. Interest of US$125 million was paid on our external borrowings as the level of borrowings increased compared to last year. We paid dividends and loans to non-controlling interests of US$183 million in the period. This was US$24 million higher than prior year as we included The Bahamas, distributed existing cash balances in the Maldives and achieved higher distributions from Macau and Monaco.

Dividends paid to our shareholders were higher than the prior year as a scrip dividend scheme was not offered in relation to the final dividend for 2010/11 and the interim dividend for 2011/12.

One-off items and exceptional items

The net cash outflow included US$69 million for exceptional items which predominantly related to restructuring costs in Panama and The Bahamas, where our restructuring programme has progressed faster than anticipated. In February 2011, we announced a US$100 million share buyback programme of which US$30 million was returned to shareholders in the last financial year. The final US$70 million was returned to shareholders earlier this year under the programme purchasing 94,727,000 shares held in treasury. In April, the Group made a final cash payment of US$9 million for the previous LTIP. We incurred acquisition costs in the first half of this year primarily relating to the purchase of BTC in The Bahamas in April 2011 for a cash consideration of US$204 million partially offset by the consolidation of its US$56 million cash balances. We also made an investment in a subsea cable consortium in the Seychelles.

Group cash flow[1]

	2011/12 US$m	2010/11 US$m
EBITDA[2]	**901**	872
Balance sheet capital expenditure	**(409)**	(354)
Operating cash flow before exceptional items	**492**	518
Movement in working capital and other provisions[3]	**20**	(12)
Investment income[4]	**13**	17
Underlying free cash flow	**525**	523
Fixed charges:		
Income taxes paid	**(90)**	(88)
Interest paid	**(125)**	(115)
Dividends paid to non-controlling interests[5]	**(183)**	(159)
Underlying equity free cash flow	**127**	161
Underlying equity free cash flow per share	***5.1c***	*6.2c*
Dividends paid to shareholders	**(204)**	(168)
Net cash flow before one-off items and exceptional items	**(77)**	(7)
One-off items and exceptional items:		
Cash exceptional restructuring costs	**(69)**	(29)
Share buyback	**(70)**	(30)
LTIP	**(9)**	(9)
Acquisitions and disposals[5]	**(122)**	55
Pension funding	**(2)**	(149)
Transfer to Cable & Wireless Worldwide for 2009/10 final dividend	**–**	(117)
Net cash flow after one-off items and exceptional items	**(349)**	(286)
Movement in share capital and own shares held	**–**	1
Net proceeds from borrowings	**299**	89
Net cash flow	**(50)**	(196)

1 Based on our management accounts
2 Earnings before interest, tax, depreciation and amortisation, LTIP, net other operating and non-operating income and exceptional items
3 Includes movement in capital expenditure accruals
4 Includes dividends received from joint ventures of US$4 million in 2011/12 (US$9 million in 2010/11) and interest income
5 Monaco Telecom dividend paid to minority interest of US$17 million in 2011/12 (US$7 million in 2010/11) has been reallocated to dividends paid to non-controlling interests, but for IFRS purposes is included in acquisitions and disposals

Group cash and debt

	As at 31 March 2012 US$m	As at 31 March 2011 US$m
Cash and cash equivalents	**312**	379
Sterling secured loan repayable in 2012	**–**	(46)
Sterling unsecured bonds repayable in 2012	**(317)**	(317)
Sterling unsecured bonds repayable in 2019	**(234)**	(235)
US$500 million secured bonds due 2017	**(492)**	(490)
US$400 million secured bonds due 2020	**(390)**	–
Other regional debt facilities	**(274)**	(285)
Total debt	**(1,707)**	(1,373)
Total net debt	**(1,395)**	(994)

During October 2011, the Group entered into new five-year borrowing arrangements for US$600 million of revolving credit facilities. The facilities replace the Group's US$500 million revolving credit facility and US$100 million term loan which were due to expire in March 2013. The new facilities are with a syndicate of nine leading international banks.

The new facilities have a maturity date of October 2016 and a margin of 2.50% over LIBOR. Consistent with the prior facilities, the new facilities are secured on share pledges over the Group's assets. As at 31 March 2012 the new facilities were undrawn.

During January 2012, the Group issued US$400 million of secured senior bonds to refinance the £200 million sterling unsecured bonds repayable in August 2012. The new USD notes have a maturity date of January 2020 and a margin of 8.75%. Consistent with the US$500 million secured bonds due in 2017, the new bonds are secured by share pledges over the Group's assets.

Pensions

As at 31 March 2012, the defined benefit section of the Cable & Wireless Superannuation Fund (CWSF) had an IAS 19 deficit of £81 million, compared to a deficit of £51 million as at 31 March 2011 and a deficit of £78 million as at 30 September 2011.

Cash contributions have been agreed with the trustees from 2014 to 2016 in order to eliminate the actuarial deficit. These payments are subject to the outcome of the next actuarial valuation as at March 2013. This future deficit funding constitutes a minimum funding agreement and, in accordance with accounting standards, we are required to account for this within our IAS 19 deficit. The increase in the IAS 19 deficit in the year is mainly due to a fall in the corporate bond rate used to discount liabilities. The IAS 19 deficit recorded at 31 March 2012 represents the present value of the maximum amount committed under the minimum funding agreement.

The AA corporate bond rate used in the IAS 19 valuation was 4.9% compared with 5.6% at 31 March 2011.

The fund assets at 31 March 2012 were invested approximately 74% in the bulk annuity policy, 19% in equities, and 7% in bonds, property, swaps and cash. During the year the fund was further derisked with an additional 233 members transferred into the annuity policy with the associated cost covered by the CWSF.

There are other unfunded pension liabilities in the UK of £26 million (£24 million at 31 March 2011). The Group holds investments in gilts of £22 million to partially back the UK unfunded pension liabilities. Other schemes in Cable & Wireless Communications have a net IAS 19 surplus of US$22 million (US$29 million surplus at 31 March 2011).

Dividend

For the financial year 2011/12 the Board is recommending a final dividend of US5.33 cents per share. This represents two-thirds of our previously announced intention to pay a full-year dividend of US8 cents per share.

Since the demerger we have faced global economic uncertainty which has impacted our business, especially in the Caribbean. Having reassessed the financial outlook for the Group, combined with the opportunity to invest and achieve attractive returns, the Board has decided to rebase the dividend to US4 cents per share for the financial year 2012/13, subject to performance of the business in the coming year.

Having rebased the dividend to a sustainable level, moving forward, the Board is targeting progressive growth that reflects the underlying cash generation and growth outlook of the business.

Risk overview

Cable & Wireless Communications Plc recognises that there are risks in operating our businesses

Risk description	Risk controls
Investment **Possibility of unsuccessful investment, mergers and acquisitions and/or potential new sources of growth prove insufficient or fail to develop.**	▶ Group Board approval required for material transactions ▶ We undertake due diligence, employ experienced and knowledgeable individuals, obtain external specialist advice and ensure thorough debate at Board level ▶ Management maintains oversight on business activities
Business development **Development of mobile data, pay TV and value added services fail to perform as anticipated.** **The Group fails to identify or mobilise into new business lines in sufficient time.**	▶ Ensure focused attention on marketing and product development activities and encourage cross-regional leveraging ▶ Focus on pricing of new data services to benefit from data growth ▶ Engage with experts to look at external product developments ▶ Post-implementation reviews of business cases as part of business unit performance reviews
Competitive activity **Competitor activity, new entrants to market and further liberalisation could, through a combination of aggressive pricing and promotional activity, reduce our market share and margins, which in turn could impact revenue, cash flow and profit.**	▶ Continued investment in our networks to enhance our customer relationship systems and advance our quality of service ▶ Focus on our retention activity and loyalty programmes ▶ Conduct market analysis and targeted marketing promotions
Business change **Business change strategies fail to achieve business improvements which in turn affect the carrying value of our investments.** **Maintenance and upgrades to our networks or systems do not deliver expected improvements or cause disruption to existing services.**	▶ Employ high calibre individuals with proven experience and expertise of working on business turnaround/ change projects ▶ Focus business resources on targeting the key issues and thoroughly plan the implementation of any upgrade works ▶ Hold regular reviews with Group senior management during the year to discuss progress on existing projects and any risks or issues identified during implementation
Economic conditions **A significant downturn in the global economic climate or poor local or national economic conditions may adversely affect our operations and trading, impacting our profitability and ability to obtain finance and pay dividends.**	▶ Our businesses are well spread geographically and this assists in reducing our overall exposure ▶ We continue to monitor key economic indicators in each of our markets and remain prepared to take action to address any economic impact on our business

The Group has a risk management framework which our business units and the Group utilise to review their risks. Below is a summary of some of the key risks identified which could affect our business. Investors should consider these risks along with other information provided in this Annual Report.

Risk description	Risk controls
Licences, regulation and political risk Whilst our Company continues to actively engage with governments, opposition parties and regulators in all our regions, a change in the political environment could lead to changes in regulation, law and/or government policy which could impact: ▶ the renewal or revocation of licences and/or operating agreements ▶ the ability of the Company to obtain new or additional licences to implement new services or technology The overall effect of these risks is that they could impact the value of our investments, cause a business to stop operating, severely restrict its operations and/or limit the Group's revenues and profitability.	▶ We actively liaise with governments and regulators to encourage and participate in a positive working relationship of open dialogue at senior levels ▶ We monitor developments in the regulatory environment for all our businesses
Technology New technology developments may render our existing products, services and supporting infrastructure obsolete or non-competitive. As a result this may require the Group to increase its rate and level of investment in new technologies which may affect cash flow and profit. Concerns are occasionally expressed that mobile phones and transmitters may pose long-term health risks which, if proven, may result in the Group losing a strategic revenue stream or being exposed to litigation.	▶ New technology developments are under constant review within our business and new technologies are introduced when appropriate ▶ We continue to stay abreast of the latest research on the potential health risks of mobile phones and transmitters and provide information to our customers when appropriate
Service disruption Disruption to our network and IT systems from events such as natural disasters, fire, security breaches or human error could result in loss of customers or claims from customers for loss of service.	▶ All our businesses have business continuity policies and major incident management plans in place, which we continue to review to ensure that they remain up to date ▶ We also have insurance cover and employ network resilience to mitigate the effects of these risks

Risk description	Risk controls
Counterparty **Insolvency of a customer or supplier, or a default on their organisation, could affect the profitability or cash flow of the Group and/or its ability to perform.**	▶ Contract governance procedures are in place including new business and procurement sign-off papers ▶ We have robust procurement processes with regular reviews and management of our key customers and suppliers
Litigation **Similar to most large organisations, there is a risk of litigation against our business units.**	▶ The Group's governance framework requires immediate reporting of material litigation claims so that the risk can be quantified and appropriate steps taken to mitigate it ▶ In the event that litigation is received, pending or threatened, we will defend our position vigorously using appropriate legal advice and support
Network and data security **Third parties or employees may gain unauthorised access to the network and to sensitive data.**	▶ The Group has information security procedures and controls in place which are regularly reviewed ▶ Remedial action plans are implemented where necessary ▶ Testing of our security systems is undertaken periodically
People **Our people are one of our most important assets and our businesses face risk of disruption and lost productivity in the event of losing key personnel, industrial action or a national emergency.**	▶ Incentive, succession and retention plans are in place to limit the risk of losing key employees ▶ We actively engage with unions and undertake colleague engagement surveys to keep abreast of and monitor any employee issues ▶ We have business continuity plans in place to deal with industrial action or emergency events
Corporate ethics **There is a risk of people or third parties not complying with the Company's ethics policy or core values.**	▶ The Business has in place anti-bribery and ethics policies ▶ The Group's anti-bribery policy has been updated to incorporate the Bribery Act 2010, and mandatory training has been rolled out across the Company's employee base
Foreign exchange and taxation **The Group generates all of its revenue from outside the UK, and so revenue (and associated investments) are exposed to exchange rate fluctuations and changes to tax law.** **The Group also finances its operations by way of borrowings in several currencies. These factors create a potential risk of adverse financial impact on the results of business units and the Group as a whole.**	▶ We use foreign exchange hedging contracts and, where appropriate, we borrow locally (or in linked currencies) to match operating and financial cash flow ▶ The risk of changes to tax laws are managed by development of close working relationships with fiscal authorities, continuous monitoring of proposed legislative change and consideration of changes to the Group contracting arrangements, tax compliance processes and holding structure

Risk description	Risk controls
Liquidity **Liquidity risk could arise where the Group does not have sufficient financial resources available to meet its obligations and commitments as they fall due, or can only access funding at excessive cost.** **Exceptional market events could adversely impact any of our business units and affect their ability to meet obligations as they fall due.**	▶ The Group forecasts and monitors cash generation and the maturity profile of its financing facilities by ensuring sufficient liquidity to fund both the business units and the Group's financial obligations ▶ We have raised sufficient credit lines to meet our medium-term liquidity needs and continue to maintain good relationships with our core banks
Funding **Our financing agreements are subject to certain covenants. If we were to be in breach of these covenants, we may face early repayment of the funding facilities, thereby affecting our cash position.**	▶ The Group regularly checks its financial covenants against our forecast and budgets to ensure that we operate within the prescribed limits
Pensions **The value of the Group's pension schemes assets and liabilities are affected by market movements. The Group may also have to make additional contributions to the schemes if scheme assumptions change.**	▶ The Company maintains regular dialogue with the scheme trustees who manage the scheme's assets with appropriate external advice along with independent advisers
Shared brand **Both Cable & Wireless Communications and Cable & Wireless Worldwide are subject to restrictions in using the 'Cable & Wireless' trademarks outside of their own allocated territories. Breach by either party on the agreement of how the Cable & Wireless trademark can be used could result in litigation or reputation issues.**	▶ We have procedures in place to identify any potential branding infringements and we monitor and deal with any problematic issues
Joint venture **There is a risk to the performance of joint ventures where we do not have management control.**	▶ We endeavour to have operational involvement and engagement with local management as well as regular interaction with major stakeholders and attendance at the Joint Venture Board meetings

Board of Directors

Sir Richard Lapthorne, CBE [NR]
Chairman, Chairman of the Nomination Committee

Sir Richard Lapthorne is Chairman of the Company having been Chairman of Cable and Wireless plc since January 2003. He is also Chairman of the Nomination Committee. In March 2012 he was appointed Chairman of the Foresight Group on UK Manufacturing, and is Chairman of the PwC Public Interest Body and a Non-executive Director of Sherritt International, based in Toronto.

Between June 2009 and April 2010, he was Chairman of the McLaren Group. From 1996 to May 2003 Richard was Chairman of Amersham International plc (now GE Healthcare) having joined its Board as a Non-executive Director in 1989. He was Finance Director of British Aerospace plc from July 1992 and Vice Chairman from April 1998 until his retirement in 1999.

Richard is a Trustee of Tommy's Campaign, the charity researching still and premature birth. He was Non-executive Chairman of New Look Group and Morse plc until November 2007 and February 2008 respectively and Her Majesty the Queen's Trustee at The Royal Botanic Gardens, Kew until his retirement in September 2009.

Tony Rice
Chief Executive

Tony Rice is Chief Executive of the Company and has been so since demerger in March 2010, having previously served as CEO of the predecessor Cable & Wireless Communications business since November 2008. He was Group Finance Director of Cable and Wireless plc from March 2006 onwards, having been a Non-executive Director since January 2003. Tony was at British Aerospace and its successor company BAE Systems for 16 years as Group Treasurer and ultimately Group Managing Director, Commercial Aircraft responsible for its Airbus and Regional Aircraft business units. From 2002 he was CEO of Tunstall Holdings Ltd, Europe's leading telecare company until its sale in September 2005. Tony was appointed the Senior Independent Director and Chairman of the Remuneration Committee of Spirit Pub Company plc which listed on the London Stock Exchange on 1 August 2011. Tony also became a Director of the Commonwealth Business Council Limited on 1 April 2011 and has been a Non-executive Director and Chairman of Alexander Mann Solutions from 2008.

Tim Pennington
Chief Financial Officer

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

Nick Cooper
Corporate Services Director

Nick Cooper is an Executive Director of the Company, having served as Corporate Services Director for the Cable & Wireless Communications business since December 2008 and Group General Counsel and Company Secretary for Cable and Wireless plc from January 2006 to demerger. He has Board level responsibility for Human Resources, Brand, PR & Communications, Legal & Regulatory Affairs, Insurance, Corporate Social Responsibility, Procurement and IT. Nick qualified as a solicitor with London law firm Herbert Smith. He has held in-house positions as company solicitor with Asda and George Clothing and as General Counsel and Company Secretary of The Sage Group Plc and JD Wetherspoon Plc. In September 2002, Nick was appointed Company Secretary and was part of the Executive Management Board of Energis until its acquisition by Cable and Wireless plc.

Simon Ball ANR
Deputy Chairman, Senior Independent Director, Chairman of the Audit Committee

Simon Ball is a Non-executive Director of the Company having previously served as a Non-executive Director of Cable and Wireless plc since May 2006. He is also the Deputy Chairman, Senior Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. From 1 June 2012 Simon will replace Mary Francis as Chairman of the Remuneration Committee. Simon is a Non-executive Director of Tribal Group plc and of Allied Irish Banks plc. Previously, Simon was Group Finance Director for 3i Group plc until November 2008 and also held a series of senior finance and operational roles at Dresdner Kleinwort Benson, served as Group Finance Director for the Robert Fleming Group and was Director General, Finance for the Department for Constitutional Affairs.

Mary Francis, CBE ANR
Chair of the Remuneration Committee

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

Mark Hamlin ANR
Non-executive Director

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

Ian Tyler ANR
Non-executive Director

Ian Tyler has been a Non-executive Director of the Company since his appointment on 1 January 2011. Ian is also a member of the Audit, Remuneration and Nomination Committees. From 1 June 2012 Ian will replace Simon Ball as Chairman of the Audit Committee. Ian is a chartered accountant and has been Chief Executive of Balfour Beatty plc since January 2005, having joined the company in 1996 as Finance Director and having become Chief Operating Officer in August 2002. From 1993 to 1996 Ian was Finance Director of ARC Limited, one of the principal subsidiaries of Hanson Plc, having previously been Hanson's Group Financial Comptroller since 1991. Prior to that, from 1988, he held the positions of Group Treasurer and Financial Controller at Storehouse Plc, the retailing group. Ian is also President of CRASH, the charity for homeless people around the UK.

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

Committee membership shown as at 31 March 2012.

Directors' and corporate governance report

"It is the responsibility of the Board to ensure that the Group is governed properly and responsibly. The Board is accountable to shareholders for the creation and delivery of strong sustainable performance and long-term shareholder value. The Board sets the strategic aims of the Group and is collectively responsible for matters of strategy, performance, resources, governance, standards of conduct and accountability."

Sir Richard Lapthorne, CBE
Chairman

Compliance with the UK Corporate Governance Code

Throughout the year the Group has complied with all relevant provisions set out in the UK Corporate Governance Code (the Code).

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

Board Membership

Biographies of the current Directors, including details of their Committee memberships, are shown on pages 32 and 33.

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

Membership and attendance at meetings	
Sir Richard Lapthorne	8/8
Nick Cooper	8/8
Tim Pennington	8/8
Tony Rice	8/8
Simon Ball	8/8
Mary Francis	8/8
Mark Hamlin[1]	2/2
Kate Nealon[2]	3/3
Ian Tyler	8/8

1 Mark Hamlin was appointed to the Board with effect from 1 January 2012.
2 Kate Nealon resigned with effect from 22 July 2011.

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

There is a balance of formal and informal meetings throughout the year, which creates an environment that encourages challenge, the sharing of information, innovative thinking and open communication.

The roles of Chairman and Chief Executive are separate with distinct responsibilities. The Chairman's key areas of responsibility are the leadership of the Board, including setting its agenda, ensuring that it receives clear, timely and accurate information and facilitating the contribution of the Non-executive Directors. The Chairman is also responsible for corporate governance and for ensuring, together with the Senior Independent Director, that the Company maintains effective communication with shareholders and other stakeholders.

The commitment of the Chairman as a Non-executive Director of Sherritt International, a company listed on the Toronto Stock Exchange and as Chairman of the Foresight Group on UK Manufacturing are noted on page 32, and the Board considers that these appointments are not a constraint on his agreed time commitment to the Company.

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

Role of the Board

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

The key policies and practices of the Company and the Group are set out in this report as well as in the reports of the Audit Committee on page 42 and the Remuneration Committee on pages 44 to 57. Furthermore, our independent Non-executive Directors have prepared a report describing corporate governance and behaviours of the Board on page 41 and details of significant shareholdings and rights, obligations, powers and procedures under the Company's Articles of Association are set out in the Statutory Information on pages 37 to 40. Together, these reports provide shareholders with an insight into how our Board and senior management seek to manage the business to create and deliver long-term success and increase long-term shareholder value.

Formal minutes recording decisions of all Board and Committee meetings are prepared and circulated to each Director as appropriate. If a Director objects to a particular proposal, this is recorded in the minutes of the relevant meeting. During the period under review there were no such objections.

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

— Strategy and management:
  Approval of long-term objectives and strategy, extension of Group activities into new business or geographic areas, any decision to cease to operate any material part of the Group's business, review of Group performance and the approval of annual budget

— Corporate governance:
  Annual formal reviews of its own performance, a review of Group corporate governance arrangements, receiving reports on the views of shareholders and determining the independence of Non-executive Directors

— Financial reporting and controls:
  Approval of announcements of interim and final results, annual report and accounts, approval of dividend policy and approval of significant changes in accounting policies and practices

— Board membership and other appointments:
  Changes to the structure, size and composition of the Board, membership and chairmanship of Board Committees, ensuring adequate succession planning, appointment of the Senior Independent Director and the appointment or removal of the Company Secretary

— Remuneration:
  Determining the remuneration policy for the Directors and other senior executives and the introduction of new share incentive plans or major changes to existing plans to be put to shareholders for approval

— Delegation of authority:
  The division of responsibilities between the Chairman and the Chief Executive and receiving reports from Board Committees on their activities

— Contracts/Expenditure:
  Approval of all significant contracts and expenditure and all investments or disposals in shares in which the Group holds an interest

— Internal Controls:
  Receiving reports on and reviewing the effectiveness of the Group's risk and control processes to support its strategy and objectives and assessing these annually

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

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

Board Balance and Independence
The Board considers all the Company's Non-executive Directors to be independent in character and judgement. Collectively the Non-executive Directors contribute to an effective Board with a strong mix of skills and business experience. As they all occupy or have occupied senior positions each contributes significant weight to Board decisions.

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

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

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

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

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

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

The Group operates a risk management process under which the regional businesses identify the key risks to their plans, their likelihood and impact and the actions being taken to manage those risks and the effectiveness of steps taken to mitigate them. The risk register is presented to the Audit Committee on a rolling 12 month basis. The principal risks identified by the Group are set out on pages 28 to 31.

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

— Financial reporting: each year, an annual budget is agreed and approved by the Board. At each Board meeting, actual results are reviewed and reported against budget and, when appropriate, revised forecasts

— Investment appraisal: the Group has clearly defined policies for capital expenditure. These include annual budgets and detailed appraisal processes for such expenditure

— Monitoring systems: internal controls are monitored through a programme of internal audits. The Internal Audit function reports to the Audit Committee on its examination and evaluation of the effectiveness and adequacy of systems of internal control

Directors' and corporate governance report continued

— Financial and non–financial controls: the Group has dedicated resource to embed processes and controls across the businesses. It operates a number of self-assessment exercises, which include monthly and quarterly processes to certify compliance with key financial and non-financial controls via the Business Assurance Checklist (BAC). The BAC requires management to assess and certify the effectiveness of its fundamental controls over all aspects of its operations. The results of this exercise are utilised by Internal Audit in planning its work for the forthcoming year

— Whistle blowing: the Group operates an Ethics Helpline which is administered by an independent third party and is available to all employees

Effectiveness of internal control

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

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

Induction and professional development

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

The ongoing training and development programme for the Directors includes:

— Regular visits to the overseas business units to meet the local teams, enabling knowledge of the business operations to be enhanced and to meet local external stakeholders

— Technology briefing papers to enhance understanding of the Group's products and services

— Governance updates from external advisers or via the Company Secretary's report

— Additional presentations to provide an external stakeholder or market perspective

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

Board Committees

The reports of the Audit Committee and Remuneration Committee are set out on pages 42 to 43 and 44 to 57 respectively.

Nomination Committee

Nomination Committee Membership

Membership and attendance at meetings	
Sir Richard Lapthorne	2/2
Simon Ball	2/2
Mary Francis	2/2
Mark Hamlin[1]	1/1
Kate Nealon[2]	0/0
Ian Tyler	2/2

1 Mark Hamlin was appointed to the Committee with effect from 1 January 2012.
2 Kate Nealon resigned from the Committee with effect from 22 July 2011.

Alison Platt will become a member of the Committee upon her appointment to the Board as a Non-executive Director effective 1 June 2012.

Meetings

The Nomination Committee (the Committee) has met on two occasions in the period 1 April 2011 to 31 March 2012.

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

— To review the structure, size and composition of the Board and make recommendations with regard to any changes

— To give full consideration to succession planning for key roles

— To identify and nominate candidates for the approval of the Board, having evaluated the balance of skills, knowledge and experience on the Board

— To review the time commitment required from Non-executive Directors

— To ensure that the balance of the Board and its Committees is consistent with good corporate governance and complies with the minimum requirements of the UK Corporate Governance Code

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

We are supportive of the recommendations in Lord Davies' report but not of the implementation of quotas for FTSE companies.

Our policy is that we recruit based on merit with the quality of the candidate being a primary consideration. When recommending the appointment of new directors to the Board, the Committee considers a number of factors including the size of the Board, the balance of Executive and Non-executive Directors, the skills, knowledge, experience and diversity already represented and the likely future requirements.

During the period under review, the Committee considered and recommended to the Board the appointment of Mark Hamlin as a Non-executive Director, and as a member of the Audit, Nomination and Remuneration Committees. Mark Hamlin was identified as a candidate who would complement the existing balance of skills and knowledge of the Board, with sufficient time to dedicate to the role. The suitability of his knowledge and skills was independently verified by JCA Group, a boardroom consultancy firm.

In addition, the Committee considered and recommended the re-appointment of Non-executive Director, Simon Ball for a further one year period. Simon Ball has been on the Board of the Company since demerger in March 2010, and prior to this served as a Non-executive Director of Cable and Wireless plc from 1 May 2006. The re-appointment of Simon Ball was considered in the light of the Code requirements for his continued independence and the need to ensure progressive refreshing of the Board.

Terms of reference

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

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

Performance evaluation

In 2011 an external performance evaluation of the Board as a whole was undertaken by Independent Audit Limited. Independent Audit has no other connection with the Company or Group, and was appointed following a review of external providers due to their specialist experience and expertise in all aspects of board performance and governance.

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

The evaluation concluded that the Board is strong and effective with a good relationship between Executive and Non-executive Directors. The report on the findings of the review was discussed by the Board at its meeting in May 2011. For 2010/11, the findings of the external evaluation were positive. The evaluation made a number of observations. It was agreed that it would be helpful to increase the time spent on strategic matters. In addition to the twice yearly strategy sessions, a number of discussions in relation to principal strategic themes have been held during the year. The balance and structure of overseas board meetings was also reviewed to allow more time for informal discussions. All actions have been reviewed by the Board and its Committees as appropriate and followed up during the year.

An internal Board evaluation has been conducted for 2011/12 using a structured questionnaire which covered the operations of the Board and its principal Committees. Questionnaires were also issued, in the case of each of the Board Committees, to those participants who regularly attend these meetings.

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

Other statutory information

Principal activities, business review and results

The Group's principal activities are detailed on pages 2 and 3. Through this Annual report, including the Chairman's review and the Business review sections (pages 1 to 31) that precede this report and the preceding corporate governance section (pages 34 to 37), the Board seeks to present a balanced and clear assessment of the Group's activities, position and prospects. Each of those sections is incorporated by reference into the Directors' report, which is comprised of those sections, the information set out below and the other information which is incorporated by reference. The Group's results for the financial year are shown in the consolidated income statement on page 61.

Directors

The names and biographical details of the Directors are set out on pages 32 and 33.

In compliance with the UK Corporate Governance Code which specifies that all directors of FTSE 350 companies should be subject to annual election by shareholders, all Directors will stand for election or re-election at the 2012 Annual General Meeting (AGM).

The interests of the Directors and their connected persons in the shares of Cable & Wireless Communications Plc, along with details of their share awards, are contained in the Directors' remuneration report set out on pages 44 to 57.

No Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. For further information, refer to note 31 of the consolidated financial statements.

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

Dividends

The Directors recommend a final dividend of US5.33 cents per ordinary share payable on 10 August 2012 to ordinary shareholders on the register at the close of business on 1 June 2012. This final dividend, together with the interim dividend of US2.67 cents per share paid by the Company on 12 January 2012, makes a total dividend payment to shareholders of the Company of US8 cents per ordinary share for the year ended 31 March 2012.

Share capital and treasury shares

The called-up share capital of the Company, together with details of shares allotted during the year, are shown in note 8 to the Company financial statements. At the 2011 AGM, the Company was authorised by shareholders to purchase up to 257 million of its own ordinary shares, representing approximately 10% of its issued share capital (excluding shares held in treasury) as at 8 June 2011. Under the authority granted by shareholders at the 2010 AGM to purchase up to 262 million of its own ordinary shares, on 23 February 2011 the Company announced a share buyback programme up to a value of US$100 million in order to return capital to shareholders. During the period 1 April 2011 to 20 July 2011, the Company purchased 94,726,873 shares with a nominal value of US$0.05 each for an aggregate consideration of US$66 million, and these are held as treasury shares (31 March 2011 – 42,762,000 shares in treasury). The total number of shares held in treasury as at 31 March 2012 is 137,488,873.

The Board intends to seek shareholder approval at the forthcoming AGM on 20 July 2012 to make market purchases of up to 10% of its issued share capital (excluding shares held in treasury). Details of the proposed resolution are included in the Notice of Meeting. The Directors have no present intention of exercising this authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account other investment opportunities. The authority would only be exercised if and when, in the light of market conditions prevailing at the time, the Directors believe that the effect of such purchases will be in the best interests of shareholders generally.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Further details on the share capital of the Company are set out in note 8 to the Company financial statements on page 116 and are incorporated into this report by reference.

Directors' and corporate governance report continued

Company's shareholders

As at 31 March 2012 and the date of this report, the Company had been notified of the following substantial holdings of voting rights in the issued share capital of the Company in accordance with the Disclosure and Transparency Rules:

	As at 31 March 2012			As at 23 May 2012		
	No. of ordinary shares	% of voting rights	Nature of holding	No. of ordinary shares	% of voting rights	Nature of holding
Newton Investment Management Limited	252,784,845	9.99	As a discretionary fund manager	252,784,845	9.99	As a discretionary fund manager
Orbis Holdings Limited	383,881,946	15.18	Indirect	383,881,946	15.18	Indirect
Franklin Mutual Advisers LLC	242,437,048	9.24	Indirect	242,437,048	9.24	Indirect
Legal & General Group Plc	98,421,834	3.75	Direct	98,421,834	3.75	Direct

Ethics

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

Charitable and political donations

During the year ended 31 March 2012, the Group gave US$3 million (2010/11 – US$1.07 million) to charitable organisations including US$144,312 (£90,000) (2010/11 – US$95,207 (£60,000)) to the Porthcurno Trust, a charitable organisation in the United Kingdom. The Group actively supports corporate social responsibility in the communities in which it operates and more information on these activities is set out on pages 18 and 19.

The Company has no intention of making donations to what are generally regarded as political parties within the European Union. As a precautionary measure and in the light of the wide definitions of European Union political organisations for the purposes of the 2006 Act, a resolution was passed at the 2010 AGM permitting the Company to make political donations and incur political expenditure. In aggregate the sum of US$233,167 was made to non-EU political parties by non-EU subsidiary companies.

Supplier payment policy

The Company did not enter into any purchase contracts with suppliers which required payment during the year to 31 March 2012. It is the Group's policy to agree appropriate terms and conditions in advance with suppliers and to make payment in accordance with those terms and conditions, provided the supplier has complied with them.

Employee inclusion and diversity

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

Employee communication

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

Exercise of rights of shares in employee share schemes

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

Annual General Meeting

The AGM will be held at 11am on Friday 20 July 2012 at The Mermaid, Conference & Events Centre, Puddle Dock, Blackfriars, London EC4V 3DB. Details of the resolutions to be proposed at the AGM are given in the Notice of Meeting.

Auditor

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

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

Change of control

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

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

Under the terms of the US$500 million 7.75% 2017 Senior Secured Notes and the US$400 million 8.75% 2020 Senior Secured Notes (the Bonds), if a change of control event occurs, each holder of the Bonds will have the right to require the repurchase of all or any part of their Bonds at a redemption price equal to 101% of the principal amount of the Bonds purchased, together with accrued (but unpaid) interest.

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

In the event of a change of control, these clauses may require consideration to determine their impact on the Group. At present, risks arising from a change of control are not considered to be significant. The Group will take appropriate action to mitigate any risks arising from these events should they occur. Change of control provisions in relation to Directors' service contracts are explained in the Directors' remuneration report on pages 44 to 57.

Rights and obligations attaching to the ordinary shares

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

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

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

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

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

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

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

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

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

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

Directors' and corporate governance report continued

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

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

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

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

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Articles, including the rules for who is eligible to be elected as a Director and the procedure to be followed to nominate such persons.

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

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

Powers of Directors

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

Conflicts of interest

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business reviews on pages 1 to 31 including the Financial review on pages 20 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 20 to 27. Further, notes 27 and 35 to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit and liquidity risk.

The Directors believe that the Group's wide geographic spread, robust monitoring and forecasting processes leave it well placed to manage its business risks in the current economic conditions. In addition, the Group's forecasts and projections, taking into account possible changes in trading performance which could be reasonably anticipated, indicate that the Group is able to operate within the level of its current available facilities. A formal process for monitoring compliance with debt covenants is also in place. Further information on debt can be found in note 21 to the consolidated financial statements.

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

By order of the Board

Clare Underwood
Company Secretary

23 May 2012

Independent Directors' report

The Board of Cable & Wireless Communications Plc firmly believe in the principles of behavioural governance. Prior to demerger the Board of Cable and Wireless plc produced a report on behaviours for six years and the Company has continued to do so for the last two years. The Board is pleased that behavioural governance themes have been embodied in the UK Corporate Governance Code.

The Board has eight scheduled Board meetings each year. The annual meeting plan includes detailed reports and presentations on a number of recurring items to inform a structured debate. In addition, a number of unstructured debates took place during the year covering strategy, remuneration and risk. These discussions enable the Board to freely discuss and challenge the Company's approach to such matters without the constraints of slides or pre-determined opinions.

A number of the Board meetings take place in the regional business unit locations. These visits give the Independent Directors an insight into the business unit operations, the local teams and the culture and environment within which they operate. They also facilitate a close understanding of the operational governance of the Executive team. During the year the Board visited Panama and The Bahamas enabling them to receive a first hand view of progress since the acquisition of The Bahamas Telecommunications Company Limited (BTC) in April 2011 and meet with the regional Chief Executives and management teams as well as external stakeholders.

During the course of the year, the Board has reviewed and focussed on a number of new legislative and governance developments including compliance with the UK Corporate Governance Code and the Bribery Act 2010. The Group's anti-bribery policies and procedures were reviewed and updated and a detailed implementation plan was executed to communicate and roll out the policy. This included discussion at the London and Business Unit Senior Management Team meetings, adoption of the policy by the Group's local subsidiary boards and face to face and mandatory online training programmes for employees across the Group to enhance awareness and understanding of the policy. The Board also discussed Lord Davies' report and gender diversity, the performance measures used to drive behaviours within the business and reviewed the on-going training and development programme which includes meetings with the regional business unit teams and external stakeholders, technology briefings, governance updates, and informal discussions for the Directors as well as the induction programme for new Directors. This is supported by the annual board evaluation which focussed on a discussion and analysis of the behaviours of the Board.

Mark Hamlin, Chairman of the Organisation Resource Group of companies, joined the Board as an Independent Director in January 2012. Mark's insight and experience gained as a senior adviser to the boards of global companies on culture and transformation reinforces the Board's commitment to behaviours.

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

1 What is the quality of the relationship between the Chairman and the Executive Directors?

The relationship between the Chairman and Chief Executive takes a traditional form with the Chairman being responsible for the leadership of the Board and the Chief Executive being responsible for the running of the business. There is a clear understanding of the authorities of each party and the Chairman and the Chief Executive have regular contact including one to one meetings.

The other Executive Directors, being the Chief Financial Officer and the Corporate Services Director, report directly to the Chief Executive. The Executive Directors maintain a strong relationship with the Chairman with direct contact and discussion as needed.

The relationship between the Chairman and the Executive Directors has remained consistently strong throughout the year.

2 How open are the Executive Directors with the Board?

The Board receives detailed reports and presentations from Executive Directors in advance of Board meetings as well as oral updates at the meetings. Members of the London Senior Management team are invited to attend Board and Committee meetings to present and discuss a number of matters including remuneration, risk and operational governance. The meetings with the regional Chief Executives and local management teams as well as external stakeholders facilitate an open forum for discussion and unstructured debate with the Executive and the local senior teams.

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

The visibility of checks and balances between the Executive Directors is high.

The Executive Directors show a willingness to openly debate and stimulate different perspectives in Board meetings, enabling the Non-executive Directors to obtain a rounded view of the Executive Directors' views. In addition, formal and informal meetings with the regional Chief Executives enable a supplementary view to that of the Executive Directors.

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

The Independent Directors are comfortable that questions have been answered in a professional and constructive manner throughout the year.

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

The Independent Directors are satisfied that the corporate governance controls of Cable & Wireless Communications Plc are effective.

The Board of Cable & Wireless Communications Plc consider that this report continues to be an appropriate way to embody the principles set out in the new UK Corporate Governance Code and have confirmed that they will publish an Independent Directors' report for the year ended 31 March 2013.

Simon Ball
Senior Independent Director

23 May 2012

Audit Committee report

"This report sets out the membership, purposes and activities of the Audit Committee. During the year, the Committee has undertaken a number of key activities, including reviews of judgemental accounting and disclosure issues such as asset impairment and revenue recognition, the risk management framework and the effectiveness of the Group's internal audit arrangements."

Simon Ball
Chairman of the Audit Committee

2011/12 Key Activities

- Reviewing the annual report and accounts, preliminary results and press release for the year ended 31 March 2011
- Reviewing the composition and balance of trade receivables and accrued income during the year to assess the level of exposure within the Group
- Reviewing the nature and disclosure of exceptional items
- Reviewing the Group's revenue recognition policies and their application
- Reviewing the internal control and risk management framework processes and how they are implemented by the regional business units
- Reviewing the effectiveness of the in-house audit team and the co-source arrangements as well as the internal audit plan
- Reviewing the status of Group litigation
- Assessing the external auditor's independence and undertaking an evaluation of the external auditor
- Reviewing external audit strategy and fees
- Review of tax risk and treasury, accounting and tax policies
- Reviewing the interim results and press release for the six months ended 30 September 2011
- Monitoring Group insurance cover

This report should be read in conjunction with the Directors' and Corporate Governance Report on pages 34 to 40.

Audit Committee Membership

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

Membership and attendance at meetings	
Simon Ball	5/5
Mary Francis	5/5
Mark Hamlin[1]	1/1
Kate Nealon[2]	2/2
Ian Tyler	5/5

1 Mark Hamlin was appointed to the Committee with effect from 1 January 2012.
2 Kate Nealon resigned from the Committee with effect from 22 July 2011.

With effect from 1 June 2012, Ian Tyler will become the Chairman of the Committee and Alison Platt will become a member of the Committee upon her appointment to the Board as a Non-executive Director.

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

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

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

Meetings

The Committee held five scheduled meetings during the year ended 31 March 2012. Details of Committee membership and individual attendance at the meetings by members are given in the table above.

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

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

Terms of reference

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

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

Disclosure Committee

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

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

Whistle blowing

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

Internal Audit

Internal Audit is led by the Head of Internal Audit, supported by a team of in-house auditors based in the UK and Jamaica, supplemented by a third party to provide specific skills as required. The internal audit plan is approved by the Committee annually.

External audit

KPMG was appointed as auditor of the Company during the financial year 2009/10 and also acted as auditor of Cable and Wireless plc from 1991. The Committee evaluates KPMG's tenure annually and is not restricted by any contractual obligations in its choice of auditor. The Board has accepted the Committee's recommendation that KPMG should be reappointed for 2012/13. This recommendation was based on a detailed review of the 2010/11 audit of the Company which demonstrated overall satisfaction with the performance of KPMG as external auditor. The review included a survey of Committee members and key personnel involved in the audit, discussions with KPMG, senior management and Internal Audit, as well as an analysis of KPMG's capabilities and independence.

The audit engagement partner responsible for the 2011/12 audit was assigned on 19 March 2010.

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

For the year ended 31 March 2012 the Audit Committee approved fees for audit services of US$3.9 million, together with fees for audit-related regulatory reporting of US$0.6 million and non-audit work of US$0.5 million. The nature of the services provided is set out in note 6e to the consolidated financial statements. There is no limitation of liability in the terms of appointment of KPMG as auditor to the Company.

Simon Ball
Chairman, Audit Committee

23 May 2012

Directors' remuneration report

"We have focussed this year on ensuring that the Company's remuneration arrangements are aligned with its evolving strategy. We believe that the overall approach to remuneration which was adopted at demerger in 2010 continues to incentivise and reward the Executive Directors appropriately. Looking ahead to the financial year 2012/13, based on feedback from last year and our understanding of market conditions, we have concluded that some changes should be made to the targets we set for long term share incentives, in line with the Board's priorities for the business over both the short and longer term. These are described in detail in the report."

Mary Francis, CBE
Chair of the Remuneration Committee

2011/12 Key Activities

— Finalising executive remuneration arrangements for 2011/12, on the basis described in last year's Annual report. This included implementing the new share plan rules (PSP2011) approved at the 2011 AGM; approving the annual bonus payments relating to performance in 2010/11; implementing the new deferred bonus arrangement with claw back and approving the amounts for deferral for 2011

— Monitoring performance against the short and longer term targets set for the year and finalising the annual bonus award in respect of performance during 2011/12. It is anticipated that the award of performance shares made in 2009, which are due to vest in June 2012, will lapse

— Undertaking a risk audit of executive remuneration policies. This will be an annual exercise from now on

— Reviewing incentive arrangements for the forthcoming year, 2012/13, and in particular considering whether the targets for the PSP2011 remained appropriate. The Committee concluded that the targets should be changed from absolute Total Shareholder Return (TSR) growth to a combination of relative TSR growth against comparable telecoms companies, and growth in Earnings Per Share (EPS), and that levels of awards should be reduced. Details of the proposed changes are set out in the table on pages 47 to 48 and have been the subject of consultation with shareholders by the Committee

— Retaining our shareholding guidelines which are at the upper decile for all FTSE companies thus creating effective claw back and alignment between Executive Directors and shareholders

— Reviewing the Chairman's remuneration for 2012/13

This report provides information on the remuneration of the Directors of Cable & Wireless Communications Plc for the year ended 31 March 2012 and the arrangements that will apply until 31 March 2013. It will be subject to an advisory vote at the AGM on 20 July 2012.

The report covers:

— An overview of our remuneration policy

— Committee governance

— Remuneration arrangements for 2012/13 and their alignment with Board strategy

— Remuneration outcomes in 2011/12

— Additional information

— Audited appendices

Remuneration Committee Membership

Since 1 April 2012, there have been a number of changes to the membership of the Remuneration Committee (the Committee) as reported in the table below. Mary Francis will be succeeded as Chair of the Committee by Simon Ball, effective 1 June 2012. With effect from the same date Sir Richard Lapthorne will cease to serve as a member of the Committee, and Alison Platt will become a member of the Committee on her appointment to the Board as a Non-executive Director.

Membership and attendance at meetings	
Simon Ball	3/3
Mary Francis	3/3
Mark Hamlin[1]	1/1
Ian Tyler	3/3
Sir Richard Lapthorne[2]	3/3
Kate Nealon[3]	1/1

1 Mark Hamlin was appointed to the Committee with effect from 1 January 2012.
2 Sir Richard Lapthorne will cease to be a member of the committee on 1 June 2012.
3 Kate Nealon resigned from the Committee with effect from 22 July 2011.

Meetings

The Committee held three scheduled meetings during the year ended 31 March 2012. Details of committee membership and individual attendance at the meetings by members are given in the table above.

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

The principal duties of the Committee are detailed below:

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

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

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

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

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

— To oversee any major changes to employee benefit structures

— To monitor the Group's pension plan

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

Terms of reference

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

The Committee undertook a review of its objectives and terms of reference during the period and the full terms of reference can be found on our website at www.cwc.com.

Overview of our Remuneration Policy

The current structure of remuneration for Executive Directors was adopted on demerger in March 2010. The Committee recognised that the circumstances for managing Cable & Wireless Communications Plc were materially different from those affecting the former Cable and Wireless plc and significantly amended its policy to a more standard arrangement.

Our policy

Overview

The overall aim is to ensure that remuneration encourages, reinforces and rewards the delivery of outstanding business performance. This is underpinned by the following guiding principles

- The risk and reward structure must maintain an overall alignment with the interests of shareholders
- Executive Directors are encouraged to maintain a significant investment in the shares of the Company
- There is a strong focus on performance-related pay
- Targets must be stretching and provide for median levels of reward for median performance against the targets, and median to top quartile levels of reward for exceptional performance

How do we do this?

- By setting fixed pay levels by reference to mid-market comparators and recruitment/retention considerations, while retaining some flexibility to reflect executives' experience and expertise
- By carefully balancing the variable pay opportunities provided through our performance-related short and long term incentive plans, to ensure executives are incentivised to maximise performance over both the short and longer term
- By providing for a significant proportion of the package to be delivered and retained in shares and therefore subject to claw back
- By requiring Executive Directors to build up and maintain a substantial holding of ordinary shares
- By ensuring that all aspects of remuneration for the Executive Directors and selected senior employees are approved by the Committee and by reviewing the levels, structure and philosophy of remuneration on an annual basis
- By taking account of the pay and employment conditions of other employees in the Group when determining the Executive Directors' remuneration
- By considering the impact of remuneration on the risk profile of the Company

What key changes have we made for 2012/13?

No change is planned in the overall structure of remuneration in 2012/13. However, the Committee has conducted a comprehensive review of the conditions to be attached to the awards under the PSP2011, to ensure that longer term incentives are aligned with the Board's strategy. It will be changing the performance conditions used to a combination of relative TSR and EPS and will be substantially reducing award levels.

In the annual bonus plan the proportional split between EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) and NCFbF (Net Cash Flow before Financing) has been changed to 65% EBITDA and 35% NCFbF, with 20% of the bonus based on personal performance for all the Executive Directors.

Salaries have been maintained at current levels for the CEO and CFO for the last two years. The Corporate Services Director's salary has been increased to reflect a significant increase in the scope of his role and responsibilities on an on-going basis. The aggregate increase of 1.6% of base salary for the Executive Directors is below the average increase of 2.5% of base salary which will apply for UK based employees.

Details of these proposed changes are on page 47, together with a summary of how these measures are aligned with Group strategy on page 49.

Committee Governance

Advisers to the Committee

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

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

Remuneration arrangements for 2012/13 and their alignment with strategy
Set out below are:

— A summary of the remuneration arrangements which will apply in 2012/13, compared with 2011/12

— Pie charts showing, for each Executive Director, the proportion of remuneration from fixed annual salary, performance-related annual bonus, and performance-related three year share incentive scheme

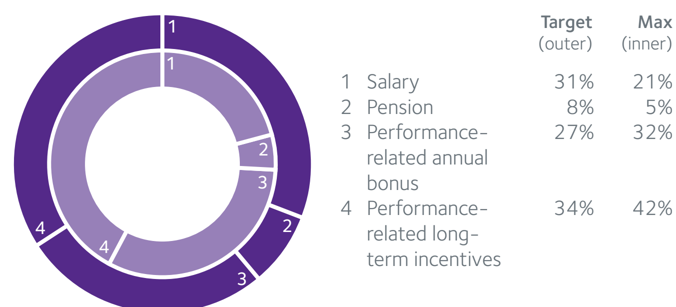
Summary of remuneration arrangements for 2012/13, compared to 2011/12

Director	Base pay 2011/12 £000	Base pay 2012/13 £000	Annual bonus opportunity 2011/12 (% of salary)	Annual bonus opportunity 2012/13 (% of salary)	Performance share awards 2011/12 (% of salary)	Performance share awards 2012/13 (% of salary)
Tony Rice	700	**700**	0 – 150	**0 – 150**	280	**200**
Tim Pennington	500	**500**	0 – 150	**0 – 150**	280	**200**
Nick Cooper	350	**375**	0 – 150	**0 – 150**	200	**150**

The fair value of awards granted in 2011/12 was estimated to be 40% of the face value of the award. For 2012/13 the fair value of the awards is estimated to be 55% of the face value. Total theoretical pay levels thus remained unchanged. Shares will vest after three years, depending on performance, at between 0% and 100% of the awards.

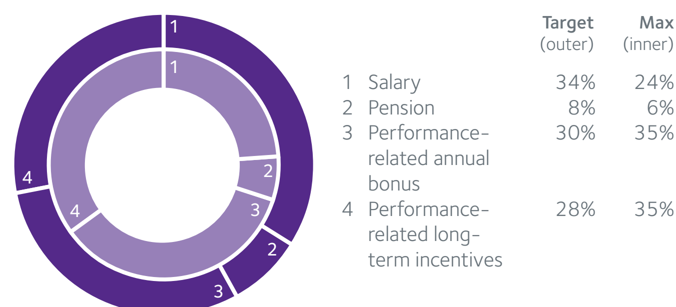
Proportionate split of total remuneration at target level versus maximum level of performance

Split of potential total target and maximum remuneration 2012/13
Tony Rice and Tim Pennington



N.B. Does not take account of any share price growth

Split of potential total target and maximum remuneration 2012/13
Nick Cooper



N.B. Does not take account of any share price growth

The overall aim of the arrangements in 2012/13 will be unchanged. It is to ensure that remuneration encourages, reinforces and rewards the delivery of outstanding business performance, and is aligned with our strategy, without encouraging excessive risk.

The structure of remuneration arrangements will also be unchanged. The following table sets out the key elements and identifies changes to targets and award levels.

Key features of the annual bonus, long term incentive plan and pension/benefit arrangements for 2012/13

Remuneration element	Policy	Key features	Arrangements for 2012/13
Base salary	Base salaries are set by reference to median market practice in comparable companies and recruitment and retention considerations, with some flexibility to reflect an executive's experience and expertise. The pay and employment conditions of other UK based employees are taken carefully into account.		The CEO's and CFO's base salaries will remain unchanged from their 2010/11 levels. The Corporate Services Director's salary has been increased from £350,000 to £375,000 to reflect a significant increase in the scope of his role, as during 2011/12 he took on additional responsibility for Group-wide IT and Procurement. He has not received a salary increase since demerger, and despite this adjustment, his salary is below median against a comparator group of companies with similar levels of turnover. The aggregate increase of 1.6% of base salary for the Executive Directors is below the average increase of 2.5% of base salary which will apply for UK based employees.
Annual bonus	Annual bonuses are rewards for short term performance during the year and are intended to incentivise executives to increase in year shareholder value by maximising EBITDA and cash generation. Incentives are set with stretching targets and provide for below market levels of reward for below median performance and top quartile levels of reward for exceptional performance.	Bonus opportunity	Bonus opportunity of 0% – 150% of base salary for all Executive Directors, dependent on performance.
		Apportionment of the bonus between financial and other non-financial targets	For all the Executive Directors 80% of the bonus is based on financial performance and 20% on personal performance.
		Financial targets	65% based on EBITDA performance calculated as a composite of the four regional businesses. 35% based on NCFbF of the Group. There is a minimum EBITDA underpin for both the EBITDA and NCFbF targets.
		Non-financial targets	The personal targets for all the executives are aligned to the strategic deliverables for the year. The objectives include: EPS improvements, progressing government relations and influencing the regulatory agenda, IT initiatives on mobile billing and customer relationship management and progression on restructuring the Company's portfolio.
		Claw back arrangements	Half of any gross bonus awarded will be converted into shares which are deferred for 12 months and subject to claw back during that period in the event of any fraud, error or misrepresentation by any person which gives rise to a restatement of the Company's financial accounts, or in certain other circumstances at the discretion of the Committee.
Pension/Benefit arrangements	Benefits are normally set at the mid-market level		No change from 2011/12. Executive Directors may choose to receive either a cash allowance of 25% of their base salary, or the Company will provide employer's pension contributions equal to 25% of base salary. The Director is not required to pay any pension contributions. The Executive Directors will be eligible to participate in employee benefit programmes including life, disability and health insurance plans. The value of these benefits is included in the Directors' emoluments table on page 53.

Directors' remuneration report continued

Remuneration element	Policy	Key features	Arrangements for 2012/13
PSP2011	The PSP2011 rewards performance over a three year period and is intended to align executives' performance closely with increases in shareholder value. Similar to the annual bonus, targets are stretching and provide for below market levels of reward for below median performance and top quartile levels of reward for exceptional performance.	Face value of awards	200% of salary (reduced from 280%) for the Chief Executive Officer and Chief Financial Officer and 150% of salary (reduced from 200%) for the Corporate Services Director.
		Performance targets	Following consultation and shareholder feedback for 2012/13 the performance measures are as set out below: **Total Shareholder Return (TSR)** 50% of the award based on cumulative growth in TSR against a comparator group comprising companies predominantly from the European Telecoms sector. The median TSR of the comparator group will be calculated over the performance period. If the Company achieves the same level of TSR, 12.5% of the shares awarded will vest. For the full 50% of the total shares awarded (i.e. all the shares measured against TSR) to vest, the Company must achieve an upper quartile TSR ranking. Vesting between threshold and maximum performance will be calculated on a straight line basis. **Earnings Per Share (EPS)** 50% of the award is based on EPS growth targets over the performance period. Min-max range determined on basis of analyst views on EPS ranges for the wider Telecoms sector in the forthcoming years. For 12.5% (i.e. 25% of the shares measured against EPS) to vest, the compound annual growth in EPS must be 5%. For 50% of the total shares awarded (i.e. all the shares measured against EPS) to vest, the compound annual growth in EPS must be 10%. Vesting between threshold and maximum performance will be calculated on a straight line basis.

TSR is defined as share price growth adjusted for dividends and capital actions. For the purposes of awards, TSR will be calculated using a one month average share price at the beginning and end of the performance period in order to moderate the effect of short term volatility.

Why are we making changes to the long term share scheme for 2012/13?

The Committee has reduced the award levels that will normally be made to each of the Executive Directors. This reduction reflects the higher theoretical expected value of awards under the new performance conditions compared with awards previously made. The Committee's overriding intention has been that the expected value of awards remains broadly equivalent despite the change to the performance conditions.

The main change the Committee has made, in response to feedback from shareholders and after consultation, has been to move from a performance target based on absolute growth in TSR, to a dual target based on growth in TSR relative to a comparator group of telecoms companies, and growth in underlying EPS. The Committee has been mindful that given the current uncertainty within the financial markets and the wider Eurozone, an absolute measure of performance may not be truly reflective of management's performance given that macro-economic factors outside their control can have a significant bearing on absolute performance both positively and negatively. On a relative basis, on the other hand, the impact is more reflective of their actual performance. The introduction of an EPS target is in line with our objective of delivering profitable growth and supports and reinforces the Company's progressive dividend policy. In the context of our dividend yield and the generally low growth expectations for the telecoms sector, the EPS range has been set to require stretching growth in the context of analysts' current views. In setting targets for each annual award the Committee will assess the Company's views of its prospects and analysts' views on both the Company and sector more generally.

How do the arrangements for 2012/13 align with Group strategy?

The performance targets set for the Executive Directors and their regional management teams have been carefully aligned with the Group's strategy. This is illustrated in the following table:

Strategic Objective	Annual bonus scheme metric	Long term incentive metric
Delivering superior returns to our shareholders	The blend of earnings and cash targets in the annual bonus plan creates a focus on improving gross margin, reducing operating costs and strong cash management through tight working capital discipline, OPEX (Operational Expenditure) reduction and CAPEX (Capital Expenditure) control. All these aspects combined, help to drive share price performance and generate cash to reinvest for future expansion and to distribute via dividends to shareholders.	Focus on EPS to support prevailing dividend cover policy, and underlying sustainable profitability of our operations.
Optimising shareholder value through portfolio reshaping	Specific non-financial objectives around portfolio reshaping.	Opportunities to realise value reflected through TSR performance.
Maintaining our leading market position (where applicable) and growing market share in our other territories	Specific non-financial objectives on shaping regulatory change, embedding the use of growth metrics in the business units and progressing mobile data.	Maintaining our leading market position should flow through to our annual performance and be reflected in improvements in both TSR and EPS.
Expansion of services through value added products e.g. Social Telecoms and mobile data	Stretching annual bonus targets require the exploration of organic growth opportunities to supplement revenue streams. Non-financial objectives supporting the expansion of our services beyond existing geographical boundaries.	
Balancing risk and reward	Deferral of 50% of any annual bonus award into shares for a year. This reduces the risk of large payments where an event occurs which has a significant effect on the performance of the Group's business for the financial year in respect of the award or requires a restatement of the Company's accounts.	High personal (at upper decile level) shareholding requirements create greater alignment with shareholders and reduce the potential for behaviours and actions which are not beneficial for the long term health of the organisation. Payment in shares is an additional claw back where share price performance is negative.

Executive Directors' shareholdings

The Company operates a policy of encouraging Executive Directors to align their interests closely with those of shareholders by requiring them to build up and maintain a holding of ordinary shares which is in the upper decile of FTSE companies. Where the relevant holding has not already been attained, it is required to be achieved through the retention of any net awards received from share plans which vest, which has the effect of creating a rolling claw back mechanism on our executive awards.

Director	Directors shareholding requirement as a % of base salary
Tony Rice	400%
Tim Pennington	300%
Nick Cooper	200%

Directors' remuneration report continued

Remuneration in the financial year 2011/12

Base salaries

	Base salary in sterling
Nick Cooper	350,000
Tim Pennington	500,000
Tony Rice	700,000

The Executive Directors' base salaries in 2011/12 were unchanged from those paid in the previous year.

Pension and other benefits

Executive Directors either choose to receive a cash allowance of 25% of their base salary, or the Company will provide employer's pension contributions at the rate of 25% of base salary. The Director is not required to pay any pension contributions. The Company made contributions to the pension plan on behalf of two Executive Directors, Nick Cooper and Tim Pennington, totalling £232,827 in the year. This amount is inclusive of a payment of £162,013 which Tim Pennington waived from his 2010/11 cash bonus and an equivalent amount was paid into the pension plan by the Company.

The Executive Directors participated in employee benefit programmes including life, disability and health insurance plans. The value of these benefits for 2011/12 is included in the Directors' emoluments table on page 53.

Annual bonus payments

Bonuses in 2011/12 for the Executive Directors were based on financial and (where applicable) personal performance targets. Financial performance was based, in equal parts, on EBITDA and NCFbF. The EBITDA element was a composite of the four regional businesses' EBITDA targets. There was also a minimum EBITDA underpin and EPS underpin for both the EBITDA and NCFbF elements.

For 2011/12 threshold EBITDA bonus targets were set between the mid-point and upper quartile of guidance with the maximum of the bonus range set above the top end of guidance.

An overview of our EBITDA performance (being the composite of the four regional businesses' EBITDA targets) and NCFbF performance (Group target) relative to the bonus targets is summarised in the table below.

	EBITDA guidance for 2011/12	EBITDA performance relative to bonus targets	NCFbF performance relative to bonus targets
Caribbean	\$240 – \$290m	At low end of range	Below threshold
Panama	\$270 – \$295m	Below threshold	Below threshold
M&I	\$170 – \$190m	Upper half of range	Above maximum of range
Macau	\$150 – \$160m	Above maximum of range	Above maximum of range
CWC Group		N/A for bonus purposes but at upper half of range	At maximum of range
EBITDA and EPS underpins	EBITDA and EPS underpins achieved		

Strong overall EBITDA performance has flowed through to our cash performance and when combined with significant improvements in working capital, a portion of the sales proceeds from the in-year strategic divestments and the successful negotiation of reductions to tax payments in the Caribbean, this has delivered cash performance at the top of our NCFbF bonus range.

Tim Pennington's personal targets for the last year included extending measurement of EPS and all elements of the financial accounts down to earnings. Nick Cooper's personal targets included focussing on government relations across the territories together with starting formal processes for succession planning for senior roles around the world. These objectives were assessed by the Committee with input from the Chief Executive and performance is detailed in the table below. Tony Rice's bonus targets were entirely financial, with no personal element.

The table below provides details on the extent to which the different elements of the bonus were paid out for each of the Executive Directors.

	Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	Net Cash Flow before Financing (NCFbF)	Personal	Total payable for 2011/12
	% of total opportunity paid	% of total opportunity paid	% of total opportunity paid	% of total opportunity paid
Tony Rice	25%	50%	N/A	75%
Tim Pennington	20%	40%	13%	73%
Nick Cooper	20%	40%	17%	77%

In accordance with the rules of the bonus scheme, half of each gross bonus awarded for 2011/12 will be converted into shares which are deferred for 12 months and subject to forfeiture during that period. During the deferral period the shares carry cash dividend rights and any dividends awarded are also deferred during the deferral period. The Committee may exercise its discretion as to whether claw back is applicable at any time prior to the date in the following year, when the shares are due to be released.

Vesting of long term incentive awards granted prior to demerger

The final payment under the Cable & Wireless Long Term Incentive Plan (Cash LTIP) was made in 2011/12. This was the only long term incentive payment made to the Executive Directors in the year. The Annual report from last year provided estimated figures for the Executive Directors' entitlements under the Cash LTIP. The actual figures were confirmed and approved by the Committee at the beginning of June 2011 and the payment information is on page 53. There is no difference between the estimated figures and the actual figures paid.

In June 2009, prior to demerger, all Executive Directors received an award of performance shares under the Cable and Wireless Incentive Plan 2001 (IP 2001). Each Executive Director was granted an award equivalent to 4.0 times market salary (other than Nick Cooper who received 2.0 times market salary) vesting in June 2012.

The following table summarises the performance targets and levels of vesting for the awards. The 2009 awards will lapse in June 2012 with no shares vesting.

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

Vesting of long term incentive awards granted after demerger

In June 2010 and 2011, performance share awards equal to 2.8 times base salary for Tony Rice and Tim Pennington and 2.0 times base salary for Nick Cooper were granted which vest in June 2013 and June 2014 respectively. Based on share price performance to the end of April 2012, the minimum performance targets have not yet been met and therefore currently 0% of the awards would vest.

The performance targets and levels of vesting for these awards are:

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

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

In addition to reviewing performance against the targets set out in the above two tables, the Committee will, within 12 months following the end of each three year performance period, also consider whether the underlying performance of the Group warrants release of the shares. It will reduce the vesting percentage if appropriate. In considering underlying performance, the Committee may take account of (though not necessarily in isolation) the following metrics: revenue, EBITDA, operational spending, cost of sales, CAPEX and quantum and timing of cash flows.

Details of historic awards granted under all these plans to Executive Directors are summarised in the tables on pages 55 to 57.

Share purchase plan

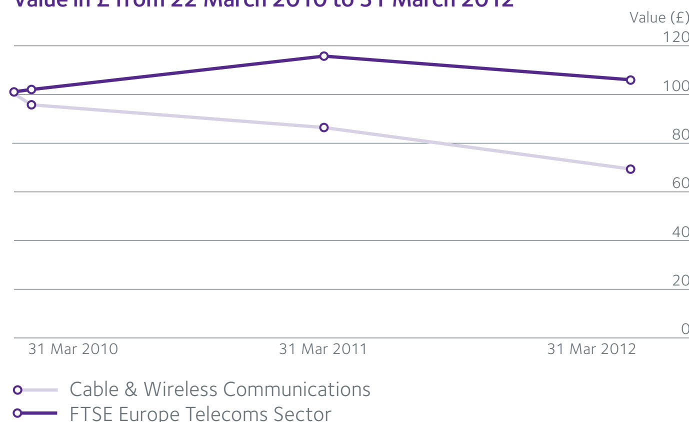
Previously Executive Directors have been eligible to participate in the all-employee Cable & Wireless Communications Share Purchase Plan (the Plan) on the same terms as other employees. With effect from 13 April 2012 no further shares will be available for award under the Plan.

Additional Information

Performance graphs

The graph below shows the total shareholder return by 31 March 2012 for a £100 holding in the Company's shares for the period from 22 March 2010 (the date shares in the Company were admitted to the Official List), compared with £100 invested in the FTSE Europe Telecoms Sector.

Total shareholder return (TSR)
Value in £ from 22 March 2010 to 31 March 2012



Dilution

The Committee ensures that at all times the number of new shares which may be issued under any share option or share-based plans, including all employee plans, does not exceed the dilution limit of 10% of the Company's issued share capital over any ten year rolling period. As at 31 March 2012,8% of the issued share capital was available for issue under our share-based plans. In calculating this figure, the Committee has taken into account historic awards of the former Cable and Wireless plc shares made to current or former employees of the Communications business and the adjustments to the awards as a result of the demerger.

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

Directors' remuneration report continued

Executive Directors' service contracts

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

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

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

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

Chairman

The Chairman's contract is effective from 25 January 2010 with 12 months' notice on either side and the requirement to stand for annual re-election at the AGM. There are no contractual entitlements on early termination or following a change of control. His annual fee of £386,000, effective from his appointment as Chairman of Cable and Wireless plc in January 2003, was reviewed by the Committee in March 2012 and will remain unchanged for 2012/13. His share incentive arrangements granted in June 2007 matured in the year with nothing vesting. The Chairman has received a car since 2003. This arrangement was reviewed by the Committee during the year and will be changed to a cash allowance from May 2012.

Non-executive Directors

The Non-executive Directors do not have service contracts with the Company, but instead have letters of appointment. Their fees are determined by the Board, within the limits set out in the Company's Articles of Association, with Non-executive Directors abstaining from any discussion or decision on their fees. Fee levels were last reviewed in March 2012 and no increases were approved for the coming year. The Non-executive Directors do not receive any incentive payments or pension provision.

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

The annual fees payable to each Non-executive Director for 2012/13 are shown in the table below. The same base fee will apply to Alison Platt, with effect from her appointment to the Board on 1 June 2012:

	Appointment Date[3]	Base fee in sterling	Additional fees in sterling
Simon Ball	1 May 2006	65,000	20,000[1]
Mary Francis	1 July 2009	65,000	20,000[2]
Ian Tyler[4]	1 January 2011	65,000	–
Mark Hamlin	1 January 2012	65,000	–

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

External Directorships

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

Tony Rice	Annual fees in sterling
Non-executive Director of Punch Taverns Plc/ Spirit Pub Company plc[1]	55,000
Non-executive Director of Alexander Mann Solutions	15,000
Director of the Commonwealth Business Council Limited[2]	–

1 Tony Rice is a director of Spirit Pub Company plc which demerged from Punch Taverns Plc on 1 August 2011.
2 Appointed 1 April 2011.

Directors' emoluments – audited section

The table below shows the aggregate emoluments earned by the Directors of Cable & Wireless Communications Plc during the period 1 April 2011 to 31 March 2012

	Salaries and fees £	Total cash bonuses[3] £	Benefits in kind[1] £	Pension cash allowance[2] £	**Total 2011/12 statutory period 1 April 2011 to 31 March 2012 £**	Total 2010/11 statutory period 1 April 2010 to 31 March 2011 £
Chairman						
Sir Richard Lapthorne	386,000	–	95,527	–	**481,527**	461,276
Executive Directors						
Nick Cooper	350,000	202,440	2,330	37,520	**592,290**	650,590
Tim Pennington	500,000	276,700	2,261	104,167	**883,128**	823,509
Tony Rice	700,000	396,690	34,961	175,000	**1,306,651**	1,177,097
Non-executive Directors						
Simon Ball	85,000	–	443	–	**85,443**	86,345
Mary Francis	85,000	–	785	–	**85,785**	86,458
Ian Tyler	65,000	–	621	–	**65,621**	16,250
Kate Nealon (from 1 April 2011 to 22 July 2011)	20,250	–	333	–	**20,583**	66,345
Mark Hamlin (from 1 January 2012 to 31 March 2012)	16,250	–	267	–	**16,517**	–
Past directors' emoluments (for comparative purposes)	–	–	–	–	**–**	220,139
Total	2,207,500	875,830	137,528	316,687	**3,537,545**	3,588,009

1 'Benefits in kind' include Company provided life assurance, professional advice, car and chauffeur provision and reimbursement of costs associated with travel, accommodation and relocation (as applicable).
2 Company pension contributions in 2011/12 have been paid to the Directors as either annual cash allowance or employer's pension contributions. An amount of £18 million (2010/11 – £17 million) is included in the net pensions deficit figure in note 26 to cover the cost of former Directors' pension entitlements.
3 The Executive Directors will receive an equivalent amount of their cash bonus in the form of shares deferred for one year and subject to claw back at the discretion of the Committee. These shares will count towards each Director's shareholding requirement.
4 A payment of £124,356 was made to the estate of George Battersby. This payment relates to the value of the Cable & Wireless Communications and Cable & Wireless Worldwide dividends that would have accrued in January 2011 and August 2011, being the dividends paid for his performance shares held in the Trust, in the period between vesting and release of shares.
5 The emoluments table is presented in sterling as salaries, benefits and bonuses are paid in sterling.

The final payment under the Cable & Wireless Long Term Incentive Plan (Cash LTIP) was made in 2011/12. The Cash LTIP rewarded performance over a five year period and was the only long term incentive payment made to the Executive Directors in the year. The Annual Report from last year provided estimated figures of the Executive Directors' entitlements under the Cash LTIP. The actual figures were confirmed and approved by the Committee at the beginning of June 2011 and the payment information is below. There is no difference between the estimated figures and the actual figures paid.

Payments of £1,660,000 for Tony Rice, £1,375,000 for Tim Pennington and £687,500 for Nick Cooper were made in June 2012 but referable for the performance period up to 31 March 2011, the date the qualifying units vested, and are not included in the table above. At 31 March 2011 a total of 1,000, 500 and 200 units were held by the respective Directors as reported in 2011.

Directors' shareholdings

	Shares held at 1 April 2011 or date of appointment	Shares acquired	Shares disposed	**Shares held at 31 March 2012 or date of resignation**
Chairman				
Sir Richard Lapthorne	6,998,869	1,501,131	–	**8,500,000**
Executive Directors[1,2,3,4]				
Nick Cooper	317,487	307,009	–	**624,496**
Tim Pennington[5]	1,895,337	673,406	119,200	**2,449,543**
Tony Rice	11,413,794	9,088,134	–	**20,501,928**
Non-executive Directors				
Simon Ball	315,757	46,272	–	**362,029**
Mary Francis	20,000	15,123	–	**35,123**
Kate Nealon (resigned 22 July 2011)	34,960	–	–	**34,960**
Ian Tyler	–	4,000	–	**4,000**
Mark Hamlin (appointed 1 January 2012)	2,000	30,000	–	**32,000**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by The Cable & Wireless Communications Share Ownership Trust, the Executive Directors are deemed to have an interest in all of the ordinary shares held by the Trust, which at 31 March 2012 amounted to 37,524,230 shares.
2 Included in the shares acquired during the year are shares purchased under the Share Purchase Plan as well as any dividends received on the purchased shares which are converted into additional shares. Matching shares allocated under the Share Purchase Plan are included if they have vested. All unvested Matching Shares as at 31 March 2012 are not included. Details are disclosed on page 57. As at 23 May 2012, there were the following increases to the interests of Directors and their connected persons due to partnership shares purchased under the Share Purchase Plan: Tim Pennington – 4,839 shares.
3 Included in the shares acquired during the year are shares awarded under the Deferred Bonus Plan under which 50% of gross bonus awarded to Executive Directors is paid in shares deferred for one year. These amounts are: Nick Cooper 304,551 shares, Tim Pennington 435,073 shares, Tony Rice 585,676 shares. A proportion of these deferred shares may be sold at the end of the deferral period to meet tax obligations relating to their acquisition/vesting.
4 Each of the Executive Directors will receive 50% of their total gross bonus payment for 2011/12 in the form of shares deferred for one year and subject to claw back at the discretion of the Committee. Once awarded these shares will count towards each Director's shareholding requirements. A proportion of these deferred shares may be sold at the end of the deferral period to meet tax obligations relating to their acquisition/vesting.
5 Shares disposed of by Tim Pennington were a compulsory sale for tax obligations as a result of the vesting of a share award.

Directors' Share Awards

Name and scheme	Award Date	Vesting Date	Market price on date of award of Cable & Wireless Communications Plc shares (pence)[1]	Shares under award at 1 April 2011[2]	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2012**
Executive Directors								
Nick Cooper								
Performance Shares[4]	2/6/09	2/6/12	51.0	461,584	–	–	–	**461,584**
Performance Shares[DS]	7/8/09	2/6/12	48.7	20,398	–	–	–	**20,398**
Performance Shares[DS]	22/1/10	2/6/12	52.3	10,595	–	–	–	**10,595**
Performance Shares[DS]	12/8/10	2/6/12	60.7	27,023	–	–	–	**27,023**
Performance Shares[DS]	13/1/11	2/6/12	49.95	15,794	–	–	–	**15,794**
Performance Shares[DS]	12/8/11	2/6/12	33.88	–	44,706	–	–	**44,706**
Performance Shares[DS]	12/1/12	2/6/12	37.99	–	20,861	–	–	**20,861**
Performance Shares	4/6/10	4/6/13	60.3	1,160,862	–	–	–	**1,160,862**
Performance Shares[DS]	12/8/10	4/6/13	60.7	67,962	–	–	–	**67,962**
Performance Shares[DS]	13/1/11	4/6/13	49.95	39,722	–	–	–	**39,722**
Performance Shares[DS]	12/8/11	4/6/13	33.88	–	112,433	–	–	**112,433**
Performance Shares[DS]	12/1/12	4/6/13	37.99	–	52,466	–	–	**52,466**
Performance Shares	2/6/11	1/6/14	43.29	–	1,592,718	–	–	**1,592,718**
Performance Shares[DS]	12/8/11	1/6/14	33.88	–	154,260	–	–	**154,260**
Performance Shares[DS]	12/1/12	1/6/14	37.99	–	71,984	–	–	**71,984**
				1,803,940	2,049,428	–	–	**3,853,368**
Tim Pennington								
Performance Shares[3]	2/6/09	2/6/12	51.0	655,151	–	–	–	**655,151**
Performance Shares[DS]	7/8/09	2/6/12	48.7	28,953	–	–	–	**28,953**
Performance Shares[DS]	22/1/10	2/6/12	52.3	15,039	–	–	–	**15,039**
Performance Shares[DS]	12/8/10	2/6/12	60.7	38,355	–	–	–	**38,355**
Performance Shares[DS]	13/1/11	2/6/12	49.95	22,418	–	–	–	**22,418**
Performance Shares[DS]	12/8/11	2/6/12	33.88	–	63,453	–	–	**63,453**
Performance Shares[DS]	12/1/12	2/6/12	37.99	–	29,610	–	–	**29,610**
Performance Shares[3]	2/6/09	2/6/12	51.0	1,725,527	–	–	–	**1,725,527**
Performance Shares[DS]	7/8/09	2/6/12	48.7	76,255	–	–	–	**76,255**
Performance Shares[DS]	22/1/10	2/6/12	52.3	39,609	–	–	–	**39,609**
Performance Shares[DS]	12/8/10	2/6/12	60.7	101,021	–	–	–	**101,021**
Performance Shares[DS]	13/1/11	2/6/12	49.95	59,044	–	–	–	**59,044**
Performance Shares[DS]	12/8/11	2/6/12	33.88	–	167,123	–	–	**167,123**
Performance Shares[DS]	12/1/12	2/6/12	37.99	–	77,987	–	–	**77,987**
Performance Shares	4/6/10	4/6/13	60.3	2,321,724	–	–	–	**2,321,724**
Performance Shares[DS]	12/8/10	4/6/13	60.7	135,925	–	–	–	**135,925**
Performance Shares[DS]	13/1/11	4/6/13	49.95	79,445	–	–	–	**79,445**
Performance Shares[DS]	12/8/11	4/6/13	33.88	–	224,867	–	–	**224,867**
Performance Shares[DS]	12/1/12	4/6/13	37.99	–	104,932	–	–	**104,932**
Performance Shares	2/6/11	1/6/14	43.29	–	3,185,437	–	–	**3,185,437**
Performance Shares[DS]	12/8/11	1/6/14	33.88	–	308,521	–	–	**308,521**
Performance Shares[DS]	12/1/12	1/6/14	37.99	–	143,969	–	–	**143,969**
				5,298,466	4,305,899	–	–	**9,604,365**

Directors' remuneration report continued

Directors' Share Awards continued

Name and scheme	Award Date	Vesting Date	Market price on date of award of Cable & Wireless Communications Plc shares (pence)[1]	Shares under award at 1 April 2011[2]	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2012**
Executive Directors								
Tony Rice								
Performance Shares	2/6/09	2/6/12	51.0	5,490,320	–	–	–	**5,490,320**
Performance Shares[DS]	7/8/09	2/6/12	48.7	242,634	–	–	–	**242,634**
Performance Shares[DS]	22/1/10	2/6/12	52.3	126,029	–	–	–	**126,029**
Performance Shares[DS]	12/8/10	2/6/12	60.7	321,431	–	–	–	**321,431**
Performance Shares[DS]	13/1/11	2/6/12	49.95	187,868	–	–	–	**187,868**
Performance Shares[DS]	12/8/11	2/6/12	33.88	–	531,757	–	–	**531,757**
Performance Shares[DS]	12/1/12	2/6/12	37.99	–	248,141	–	–	**248,141**
Performance Shares	4/6/10	4/6/13	60.3	3,250,414	–	–	–	**3,250,414**
Performance Shares[DS]	12/8/10	4/6/13	60.7	190,295	–	–	–	**190,295**
Performance Shares[DS]	13/1/11	4/6/13	49.95	111,223	–	–	–	**111,223**
Performance Shares[DS]	12/8/11	4/6/13	33.88	–	314,814	–	–	**314,814**
Performance Shares[DS]	12/1/12	4/6/13	37.99	–	146,906	–	–	**146,906**
Performance Shares	2/6/11	1/6/14	43.29	–	4,459,613	–	–	**4,459,613**
Performance Shares[DS]	12/8/11	1/6/14	33.88	–	431,929	–	–	**431,929**
Performance Shares[DS]	12/1/12	1/6/14	37.99	–	201,557	–	–	**201,557**
				9,920,214	6,334,717	–	–	**16,254,931**

DS Dividend Shares

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

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

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

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

The aggregate gain on shares vested or released to Executive Directors whilst in office during the year was £94,168.

Restricted Shares and Share Purchase Plan awards
For the period 1 April 2011 to 31 March 2012

Name and scheme	Award date	Vesting Date	Market price on date of award of Cable & Wireless Communications Plc shares (pence)[2]	Market price on date of vesting (pence)	Shares under award at 1 April 2011	Shares awarded	Shares vested/ released	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2012**
Chairman									
Sir Richard Lapthorne									
Restricted Shares[1]	6/6/07	5/6/11	74.0	–	5,500,000	–	–	5,500,000	**–**
					5,500,000	–	–	5,500,000	**–**
Executive Directors									
Nick Cooper									
Share Purchase Plan MS	8/5/08	8/5/11	57.7	47.06	987	–	987	–	**–**
Share Purchase Plan MS	12/5/10	12/5/13	60.2	–	2,492	–	–	–	**2,492**
					3,479	–	987	–	**2,492**
Tim Pennington									
Restricted Shares	30/9/08	3/11/11	63.5	39.33	236,200	–	236,200	–	**–**
Share Purchase Plan MS	7/10/08	7/10/11	58.4	35.05	975	–	975	–	**–**
Share Purchase Plan MS	12/5/10	12/5/13	60.2	–	2,491	–	–	–	**2,491**
Share Purchase Plan MS	9/6/10	9/6/13	57.34	–	2	–	–	–	**2**
					239,668	–	237,175	–	**2,493**
Tony Rice									
Share Purchase Plan MS	8/5/08	8/5/11	57.7	47.06	987	–	987	–	**–**
Share Purchase Plan MS	12/5/10	12/5/13	60.2	–	2,492	–	–	–	**2,492**
					3,479	–	987	–	**2,492**

MS Matching Shares

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

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

3 As at 23 May 2012, there was an increase of 4,839 shares to the interest of Tim Pennington in Matching Shares.

Directors Share Options

	Grant Date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2011	Granted between 1 April 2011 and 31 March 2012	Exercised	Lapsed, cancelled or forfeited	**Shares under option at 31 March 2012**
Tony Rice									
SOP Unapproved[1]	30/03/2006	21/05/2009	29/03/2013	110.50	5,424,807	–	–	–	**5,424,807**
					5,424,807	–	–	–	**5,424,807**

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

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

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

No amounts were paid by Directors for the award of the options listed in the table above. The closing mid-market price of an ordinary share in Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc on 31 March 2012 was 32.29 and 34.00 pence respectively.

The highest closing mid-market price of an ordinary share in Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc during the period from 1 April 2011 to 31 March 2012 was 48.92 and 55.00 pence respectively, and the lowest closing mid-market price was 31.25 and 14.20 respectively.

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

Mary Francis, CBE
Chair, Remuneration Committee

23 May 2012

Statement of Directors' responsibilities

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

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

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

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

— Select suitable accounting policies and apply them consistently

— Make judgements and accounting estimates that are reasonable and prudent

— For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU

— For the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements

— Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

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

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

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 32 and 33, confirm that, to the best of each person's knowledge and belief:

— The Group financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group

— The Company financial statements, prepared in accordance with UK GAAP give a true and fair view of the assets, liabilities, financial position and profit of the Company

— The Annual report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face

Disclosure of information to auditors

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

By order of the Board

Clare Underwood
Company Secretary

23 May 2012

Financial statements

Our Group financial statements provide further information required by accounting standards and statute. We have cut repetition and immaterial information and have improved navigation by linking relevant accounting policies to individual notes.

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

We have audited the financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2012 set out on pages 61 to 117. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 58, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

— The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;

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

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

— The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

— adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

— the Directors' statement, set out on page 40, in relation to going concern;

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

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

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

23 May 2012

Consolidated income statement

for the year ended 31 March 2012

	Note	2011/12 Pre-exceptional items US$m	2011/12 Exceptional items[1] US$m	2011/12 Total US$m	2010/11 Pre-exceptional items US$m	2010/11 Exceptional items[1] US$m	2010/11 Total US$m
Revenue	4	**2,875**	**–**	**2,875**	2,440	–	2,440
Operating costs before depreciation and amortisation	6	**(1,974)**	**(66)**	**(2,040)**	(1,592)	6	(1,586)
Depreciation	13	**(300)**	**(232)**	**(532)**	(271)	–	(271)
Amortisation	12	**(58)**	**(12)**	**(70)**	(50)	–	(50)
Other operating income	6	**3**	**–**	**3**	5	–	5
Other operating expense	6	**(15)**	**–**	**(15)**	(33)	–	(33)
Group operating profit/(loss)		**531**	**(310)**	**221**	499	6	505
Share of profits of joint ventures and associates	14	**26**	**–**	**26**	31	–	31
Total operating profit/(loss)		**557**	**(310)**	**247**	530	6	536
Gains on sale of businesses	7	**13**	**–**	**13**	36	–	36
Losses on termination of operations	7	**–**	**–**	**–**	(2)	–	(2)
Finance income	7	**11**	**–**	**11**	32	–	32
Finance expense	7	**(167)**	**–**	**(167)**	(140)	–	(140)
Profit/(loss) before income tax		**414**	**(310)**	**104**	456	6	462
Income tax (expense)/credit	8	**(88)**	**10**	**(78)**	(119)	1	(118)
Profit/(loss) for the year		**326**	**(300)**	**26**	337	7	344
Profit/(loss) attributable to:							
Owners of the Parent Company		**158**	**(235)**	**(77)**	189	8	197
Non-controlling interests		**168**	**(65)**	**103**	148	(1)	147
Profit/(loss) for the year		**326**	**(300)**	**26**	337	7	344
(Loss)/earnings per share attributable to the owners of the Parent Company during the year (cents per share)	9						
– basic				**(3.1)**			7.6
– diluted				**(3.1)**			7.5

1 Further detail on exceptional items is set out in note 6b and in the relevant note for each item.

The notes on pages 67 to 111 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2012

	Note	2011/12 US$m	2010/11 US$m
Profit for the year		**26**	344
Other comprehensive income for the year:			
Actuarial losses in the value of defined benefit retirement plans	26	**(72)**	(36)
Exchange differences on translation of foreign operations		**(68)**	(9)
Fair value gain on available-for-sale financial assets	15	**5**	2
Other comprehensive income for the year		**(135)**	(43)
Income tax relating to components of other comprehensive income	24	**2**	(3)
Other comprehensive income for the year, net of tax		**(133)**	(46)
Total comprehensive income for the year		**(107)**	298
Total comprehensive income attributable to:			
Owners of the Parent Company		**(186)**	149
Non-controlling interests		**79**	149

The notes on pages 67 to 111 are an integral part of these financial statements.

Consolidated statement of financial position
as at 31 March 2012

	Note	31 March 2012 US$m	31 March 2011 US$m
Assets			
Non-current assets			
Intangible assets	12	**528**	433
Property, plant and equipment	13	**1,786**	1,757
Investments in joint ventures and associates	14	**253**	243
Available-for-sale financial assets	15	**55**	31
Financial assets at fair value through profit or loss	19	**–**	6
Other receivables	16	**55**	48
Deferred tax assets	24	**5**	4
Retirement benefit assets	26	**40**	43
		2,722	2,565
Current assets			
Trade and other receivables	16	**602**	592
Inventories	17	**103**	84
Cash and cash equivalents	18	**312**	379
Financial assets at fair value through profit or loss	19	**18**	27
		1,035	1,082
Total assets		**3,757**	3,647
Liabilities			
Current liabilities			
Trade and other payables	20	**832**	753
Borrowings	21	**460**	116
Financial liabilities at fair value	22	**251**	96
Provisions	25	**61**	62
Current tax liabilities		**203**	209
		1,807	1,236
Net current liabilities		**(772)**	(154)
Non-current liabilities			
Trade and other payables	20	**31**	20
Borrowings	21	**1,247**	1,257
Financial liabilities at fair value	22	**–**	120
Deferred tax liabilities	24	**30**	38
Provisions	25	**37**	32
Retirement benefit obligations	26	**189**	133
		1,534	1,600
Net assets		**416**	811
Equity			
Capital and reserves attributable to the owners of the Parent Company			
Share capital	27	**133**	133
Share premium		**97**	97
Reserves	27	**(307)**	136
		(77)	366
Non-controlling interests		**493**	445
Total equity		**416**	811

The notes on pages 67 to 111 are an integral part of these financial statements. These financial statements on pages 61 to 111 were approved by the Board of Directors on 23 May 2012 and signed on its behalf by:

Tony Rice Chief Executive

Tim Pennington Chief Financial Officer

Cable & Wireless Communications Plc Registered number – 07130199

Consolidated statement of changes in equity

for the year ended 31 March 2012

	Share capital US$m	Share premium US$m	Foreign currency translation and hedging reserve US$m	Capital and other reserves US$m	Retained earnings US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance at 1 April 2010	131	62	119	4,255	(4,153)	414	447	861
Profit for the year	–	–	–	–	197	197	147	344
Net actuarial losses recognised (net of tax)	–	–	–	–	(39)	(39)	–	(39)
Exchange differences on translation of foreign operations	–	–	(11)	–	–	(11)	2	(9)
Fair value movements in available-for-sale financial assets	–	–	–	2	–	2	–	2
Total comprehensive (expense)/income for the year	–	–	(11)	2	158	149	149	298
Equity element of the convertible bond	–	–	–	(2)	–	(2)	–	(2)
Cash received in respect of employee share schemes	–	–	–	–	1	1	–	1
Own shares purchased	–	–	–	–	(34)	(34)	–	(34)
Share-based payments	–	–	–	–	3	3	–	3
Issue of share capital	2	35	–	–	–	37	–	37
Dividends	–	–	–	–	(205)	(205)	–	(205)
Transfers to retained earnings	–	–	–	(742)	742	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	2	35	–	(744)	507	(200)	–	(200)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(144)	(144)
Purchase of non-controlling interest	–	–	–	3	–	3	(7)	(4)
Total dividends and other transactions with non-controlling interests	–	–	–	3	–	3	(151)	(148)
Balance at 31 March 2011	133	97	108	3,516	(3,488)	366	445	811
(Loss)/profit for the year	–	–	–	–	(77)	(77)	103	26
Net actuarial losses recognised (net of tax)	–	–	–	–	(67)	(67)	(3)	(70)
Exchange differences on translation of foreign operations	–	–	(47)	–	–	(47)	(21)	(68)
Fair value movements in available-for-sale financial assets	–	–	–	5	–	5	–	5
Total comprehensive (expense)/income for the year	**–**	**–**	**(47)**	**5**	**(144)**	**(186)**	**79**	**(107)**
Own shares purchased	–	–	–	–	(66)	(66)	–	(66)
Share-based payments	–	–	–	–	11	11	–	11
Dividends	–	–	–	–	(202)	(202)	–	(202)
Transfers to retained earnings	–	–	–	(200)	200	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	**–**	**–**	**–**	**(200)**	**(57)**	**(257)**	**–**	**(257)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	(166)	(166)
Recognition of non-controlling interest	–	–	–	–	–	–	135	135
Total dividends and other transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**	**(31)**
Balance at 31 March 2012	**133**	**97**	**61**	**3,321**	**(3,689)**	**(77)**	**493**	**416**

The notes on pages 67 to 111 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2012

	Note	2011/12 US$m	2010/11 US$m
Cash flows from operating activities			
Cash generated (page 66)		**815**	651
Income taxes paid		**(90)**	(88)
Net cash from operating activities		**725**	563
Cash flows from investing activities			
Finance income		**8**	7
Other income/(expense)		**1**	(4)
Dividends received		**4**	9
Decrease in available-for-sale financial assets		**–**	2
Decrease in held-for-sale assets		**–**	3
Proceeds on disposal of property, plant and equipment		**4**	3
Purchase of property, plant and equipment		**(330)**	(290)
Purchase of intangible assets		**(53)**	(42)
Proceeds on disposal of businesses (net of cash disposed)		**27**	62
Acquisition of subsidiaries and non-controlling interests (net of cash received)		**(170)**	(17)
Net cash used in investing activities		**(509)**	(267)
Net cash flow before financing activities		**216**	296
Cash flows from financing activities			
Dividends paid to the owners of the Parent Company		**(204)**	(168)
Dividends paid to non-controlling interests		**(166)**	(152)
Repayments of borrowings		**(596)**	(111)
Finance costs		**(125)**	(115)
Transfer to the Cable & Wireless Worldwide Group for the 2009/10 final dividend		**–**	(117)
Proceeds from borrowings		**895**	200
Proceeds on issue of shares on settlement of share options		**–**	1
Purchase of own shares		**(70)**	(30)
Net cash used in financing activities		**(266)**	(492)
Net decrease in cash and cash equivalents		**(50)**	(196)
Cash and cash equivalents at 1 April	18	**379**	573
Exchange (losses)/gains on cash and cash equivalents		**(17)**	2
Cash and cash equivalents at 31 March	18	**312**	379

The notes on pages 67 to 111 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2012

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

	Note	2011/12 US$m	2010/11 US$m
Profit for the year		**26**	344
Adjustments for:			
Tax expense	8	**78**	118
Depreciation	13	**300**	271
Amortisation	12	**58**	50
Impairment and accelerated depreciation	12, 13	**244**	–
Gain on sale of businesses	7	**(13)**	(36)
Loss on termination of operations	7	**–**	2
Loss/(gain) on disposal of property, plant and equipment		**1**	(3)
Finance income	7	**(11)**	(32)
Finance expense	7	**167**	140
Other income and expenses		**6**	26
Decrease in provisions		**(3)**	(40)
Employee benefits		**1**	32
Defined benefit pension scheme funding		**(2)**	(149)
Defined benefit pension scheme other contributions		**(12)**	(17)
Share of post-tax results of joint ventures and associates	14	**(26)**	(31)
Operating cash flows before working capital changes		**814**	675
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
Increase in inventories		**(11)**	(35)
Decrease/(increase) in trade and other receivables		**30**	(105)
(Decrease)/increase in payables		**(18)**	116
Cash generated		**815**	651

The notes on pages 67 to 111 are an integral part of these financial statements.

Notes to the consolidated financial statements
for the year ended 31 March 2012

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

2 Summary of significant accounting policies
2.1 Basis of preparation
The consolidated financial statements of the Cable & Wireless Communications Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 March 2012.

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

The Directors have prepared the accounts on a going concern basis (see page 40 of the Directors' report for further detail).

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

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

The accounting policies have been applied consistently by Group entities.

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

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

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

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

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

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

Group reorganisation and demerger in the year ended 31 March 2010
During 2009/10, the Cable & Wireless Group effected a Group reorganisation whereby Cable & Wireless Communications Plc was inserted as the new holding company, replacing Cable and Wireless plc (now Cable & Wireless Ltd). The Group was renamed the Cable & Wireless Communications Group. Subsequently the Cable & Wireless Worldwide business was demerged from the Cable & Wireless Communications Group (demerger).

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

The Group considered the implications of the following amendments to IFRS during the year ended 31 March 2012:

— Revised IAS 24 *Related Party Disclosures*

— Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

— Improvements to IFRS 2010

— IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The above were first effective for the Group in the year beginning 1 April 2011 and have been adopted by the Group for 2011/12. They did not have a material impact on the Group.

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

Title	Effective date (not EU endorsed)	Description and impact on the Group
Amendment to IAS 19 *Employee benefits*	Annual periods beginning on or after 1 January 2013	There will be an impact on the Group results due to the change in calculating finance costs. Interest cost and expected return on plan assets will be replaced with a net interest amount calculated by applying the discount rate to the net defined benefit liability.
IFRS 9 *Financial instruments*	Annual periods beginning on or after 1 January 2015	IFRS 9 replaces parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the classification and measurement of financial instruments. There will be an impact on the Group results due to revised classification categories. The Group is currently considering the effect of the revised standard.

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

2.3 Foreign currencies

a) Functional currency

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

b) Foreign currency translation

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

c) Foreign operations

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

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

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

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

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

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

There are no Group entities operating in a hyperinflationary economy.

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

	2011/12	2010/11
£ : US$		
Average	**0.6260**	0.6473
Year end	**0.6263**	0.6246
€ : US$		
Average	**0.7225**	0.7601
Year end	**0.7506**	0.7089
Maldivian rufiyaa : US$		
Average	**15.29**	12.80
Year end	**15.36**	12.80

2.4 Property, plant and equipment

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

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

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

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

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

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

2.5 Intangible assets

a) Goodwill

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

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

All business combinations that occurred since 31 March 2010 are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations Revised*. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. All transaction costs are expensed as incurred.

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

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

2.5 Intangible assets continued

b) Other intangible assets

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

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

Other intangible assets that do not have indefinite useful lives are amortised on a straight line basis over their respective lives which are usually based on contractual terms. Other intangible assets are stated at cost less amortisation.

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

2.6 Financial instruments

Financial assets

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either held for trading or those designated upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Included in this category are shares held by the Group in Cable & Wireless Worldwide plc which were retained on demerger together with derivative financial instruments. These financial assets are recognised initially at fair value. Subsequent changes in fair value are recognised through profit or loss.

Derivative financial instruments

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

Available-for-sale financial assets

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

Financial liabilities

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

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

Borrowings

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

Financial liabilities at fair value

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

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

2.7 Impairment of assets

Financial assets

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

An impairment allowance is established for trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Non-financial assets

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

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

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

2.8 Inventories

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

2.9 Share capital

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

2.10 Leases

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

2.11 Employee benefits

Defined contribution pensions

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a third party. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as operating costs as they are incurred through profit or loss.

Defined benefit obligations

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

The asset or liability recognised in the statement of financial position in respect of each defined benefit pension plan represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. Assets are only recognised to the extent that the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan exceed the fair value of the plan assets less the present value of the defined benefit obligations. Defined benefit obligations for each scheme are calculated annually by independent actuaries.

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

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

Share-based compensation

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

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits within other provisions when it is demonstrably committed to the action leading to the employee’s termination.

Bonus plans

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

Long-Term Incentive Plan (LTIP)

The plan rewarded Executive Directors and certain senior employees of the Group. The plan is accounted for as an ‘other long-term employee benefit’ in accordance with IAS 19 *Employee Benefits*. The amount recognised as a liability represents the estimated present value of the obligation at the reporting date. The last year of the scheme was 2010/11.

The LTIP created a reward pool over a five year period from 1 April 2006 depending on the extent to which the business has grown in value from its base valuation at the start of the period.

2.12 Tax

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

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

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

— The initial recognition of goodwill or

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

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

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

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

2.13 Provisions

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

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. Provision charges and reversals are recognised through profit or loss. Discount unwinding is recognised as a finance expense.

2.14 Revenue recognition

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

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

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

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

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

2.14 Revenue recognition continued

The Group earns revenue from the transmission of content and traffic on its network originated by third party providers. Third party dealers and partners are also used to facilitate the sale and provision of some services and equipment sold by the Group. We assess whether revenue should be recorded gross as principal or net as agent, based on the features of such arrangements including the following factors:

— Whether the Group holds itself out as an agent

— Whether the Group has latitude for establishing the price, either directly or indirectly, for example by providing additional services

— Provision of customer remedies

— Whether the Group has the primary responsibility for providing the services to the customer or for fulfilling the order and

— Assumption of credit risk

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

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

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

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

2.15 Exceptional items

Exceptional items are material items within profit or loss that derive from individual events that fall within the ordinary activities of the Group that are identified as exceptional items by virtue of their size, nature or incidence.

2.16 Transactions with holders of non-controlling interests

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

3 Critical accounting estimates and judgements

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

3.1 Valuation of assets for purchase accounting

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

3.2 Depreciation of property, plant and equipment

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

3.3 Impairment of property, plant and equipment and intangible assets

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

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

In addition, the Directors test goodwill and other intangible assets with an indefinite life at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash-generating units requires significant consideration. Note 11 sets out the assumptions and estimates used during these assessments.

3.4 Receivables allowance

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

3.5 Tax

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

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

3.6 Provisions

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

3.7 Pensions

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

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

The assumptions used by the Group are set out in note 26 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice but are comparable to the median estimates in this regard used by FTSE 250 companies. Changes to these assumptions could materially affect the defined benefit schemes' liabilities and assets.

3.8 Fair value estimation

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

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

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

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

3.9 Revenue recognition

Judgement is required in assessing the application of revenue recognition principles and the specific guidance in respect of Group revenue. This includes the allocation of revenue between multiple deliverables, such as the sale value of telecommunications equipment and on-going service, where such items are sold as part of a bundled package. See note 2.14.

4 Revenue

Accounting policy detailed in note 2.14. ►

	2011/12 US$m	2010/11 US$m
Sales of telecommunications services and related operations	2,577	2,289
Sales of telecoms equipment and accessories	298	151
Total revenue	**2,875**	2,440

5 Segment information

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

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

The operating segment results for the two years ended 31 March 2012 are presented below. The non-operating London corporate centre is also disclosed within 'other and eliminations' in order to reconcile the reportable segment results to the Group results.

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

The Bahamas Telecommunications Company, following its acquisition in April 2011 (note 30), is included within the Caribbean reportable segment.

Year ended 31 March 2012	Caribbean US$m	Panama US$m	Macau US$m	Monaco & Islands US$m	Other and eliminations[1] US$m	Total US$m
Revenue	1,172	601	524	586	(8)	2,875
Cost of sales	(277)	(199)	(301)	(185)	4	(958)
Gross margin	895	402	223	401	(4)	1,917
Pre-exceptional operating costs	(611)	(146)	(58)	(215)	14	(1,016)
EBITDA[2]	284	256	165	186	10	901
Depreciation and amortisation	(170)	(71)	(33)	(76)	(8)	(358)
Net other operating expense	(11)	–	–	(1)	–	(12)
Exceptional operating costs	(283)	(9)	–	(18)	–	(310)
Group operating (loss)/profit	(180)	176	132	91	2	221
Share of profit after tax of joint ventures and associates	–	–	–	8	18	26
Total operating (loss)/profit	(180)	176	132	99	20	247
Net other non-operating income						13
Net finance expense						(156)
Profit before income tax						104
Income tax						(78)
Profit for the year						26

1 'Other and eliminations' includes London expenses, eliminations for inter-segment transactions and the results of our joint ventures and associates (with the exception of our joint venture in Afghanistan, which is managed and reported within Monaco & Islands).
2 EBITDA is used in management reporting as it is considered by management to be a key financial metric. It is defined as earnings before interest, tax, depreciation and amortisation, net other operating and non-operating income/expense and exceptional items (note 36).

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

1 'Other and eliminations' includes London expenses, eliminations for inter-segment transactions and the results of our joint ventures (with the exception of our joint venture in Afghanistan, which is managed and reported within Monaco & Islands).
2 EBITDA is used in management reporting as it is considered to be a key financial metric. It is defined as earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating and non-operating income/expense and exceptional items (note 36).

5 Segment information continued

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

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

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

Entity-wide disclosures

The revenue from external customers are analysed by product below.

	2011/12 US$m	2010/11 US$m
Mobile	1,402	1,027
Broadband and TV	286	262
Fixed voice	609	600
Enterprise, data and other	578	551
Total	**2,875**	2,440

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

	2011/12 US$m	2010/11 US$m
United Kingdom (country of domicile)	–	–
Bahamas	352	–
Jamaica	236	239
Panama	601	623
Macau	524	377
Monaco	268	236
All other countries and eliminations	894	965
Total	**2,875**	2,440

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

The Group does not have any customers from which revenue exceeds 10% of Group revenue.

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

	At 31 March 2012 US$m	At 31 March 2011 US$m
United Kingdom (country of domicile)	16	15
Bahamas	361	–
Jamaica	111	306
Panama	539	483
Macau	109	103
Monaco	382	374
All other countries and eliminations[1]	1,104	1,200
Total	**2,622**	2,481

1 Other countries and eliminations includes non-operating assets and liabilities.

6 Operating costs and other operating income and expenses

6a Operating costs

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

	2011/12			2010/11		
	Pre-exceptional US$m	Exceptional items US$m	Total US$m	Pre-exceptional US$m	Exceptional items US$m	Total US$m
Outpayments and direct costs	**958**	**–**	**958**	782	–	782
Employee and other staff expenses	**437**	**66**	**503**	365	5	370
Operating lease rentals:						
– Networks	**25**	**–**	**25**	31	–	31
– Property	**33**	**–**	**33**	14	–	14
Other administrative expenses	**267**	**–**	**267**	202	(11)	191
Network costs	**159**	**–**	**159**	116	–	116
Property and utility costs	**95**	**–**	**95**	82	–	82
Operating costs before depreciation and amortisation	**1,974**	**66**	**2,040**	1,592	(6)	1,586
Depreciation of property, plant and equipment	**300**	**232**	**532**	271	–	271
Amortisation of intangible assets	**58**	**12**	**70**	50	–	50
Operating costs	**2,332**	**310**	**2,642**	1,913	(6)	1,907

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

6b Exceptional items

Accounting policy detailed in note 2.15. ►

Exceptional losses totalled US$310 million comprising restructuring costs, asset impairment and accelerated depreciation charges in the Caribbean and asset impairment charges relating to the Afinis business within Monaco & Islands.

Exceptional items within operating costs before depreciation and amortisation are disclosed below while further information in respect of exceptional impairment charges can be found in note 11.

The exceptional accelerated depreciation charge of US$30 million was recorded in respect of a change in equipment vendor and the re-evaluation of the useful lives of legacy 2G mobile assets as part of the ongoing roll out of 4G/HSPA+ networks in a number of Caribbean islands.

	Note	2011/12 US$m	2010/11 US$m
Exceptional items within operating costs before depreciation and amortisation:			
Staff costs	(i)	**66**	5
Other income	(ii)	**–**	(11)
Total exceptional operating costs/(income) before depreciation and amortisation		**66**	(6)

i) In 2011/12, exceptional staff costs include US$9 million in relation to a restructuring programme in Panama and US$57 million in the Caribbean which predominantly relates to the post acquisition restructuring plan in The Bahamas Telecommunications Company (BTC). In 2010/11, exceptional staff costs of US$5 million arose from restructuring of the Group's Caribbean operations.

ii) In 2010/11, exceptional other costs included US$4 million professional fees as a result of the demerger, and US$2 million relating to the restructuring of our Afinis business within Monaco & Islands. In addition, US$17 million of exceptional income arose after successfully defending claims brought by a Caribbean competitor.

6c Employee and other staff expenses

Accounting policy detailed in note 2.11. ►

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

	2011/12 US$m	2010/11 US$m
Wages and salaries	424	333
Social security costs	12	7
Share-based payments	4	3
Long-Term Incentive Plan	–	24
Pension costs:		
– defined benefit plans	–	8
– defined contribution plans	12	7
Temporary labour and recruitment	33	18
	485	400
Less: Staff costs capitalised	(48)	(35)
Staff costs	437	365
Exceptional employee and other staff expenses (note 6b)	66	5
Total staff costs	503	370

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

	2011/12	2010/11
London	146	153
Caribbean	3,948	2,855
Panama	1,598	1,737
Macau	882	844
Monaco & Islands	1,641	1,624
Total	8,215	7,213

Directors' and key management remuneration

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

Included within employee costs is key management remuneration as follows:

	2011/12 US$m	2010/11 US$m
Salaries and other short-term employment benefits	6.5	4.8
Post-employment benefits	0.5	0.5
Long-Term Incentive Plan	–	5.8
Total Directors' remuneration[1]	7.0	11.1
Share-based payments	1.0	1.7
Total key management remuneration	8.0	12.8

1 Please refer to the Directors' remuneration report on pages 44 to 57 for further information on aggregate Directors' emoluments of US$7.0 million (£4.4 million) (2010/11 – US$11.1 million (£7.1 million)). The Directors' remuneration report is presented in sterling as salaries, benefits and bonuses are paid in sterling.

6d Other operating income and expense

In 2011/12 and 2010/11, other operating income primarily included gains on disposal of property, plant and equipment.

In 2011/12, other operating expenses of US$15 million include US$7 million of stamp duty on The Bahamas acquisition, US$5 million of costs incurred following Hurricane Irene and US$3 million of losses on disposal of property, plant and equipment.

In 2010/11, other operating expenses of US$33 million related to US$17 million of foreign exchange translation movements on our UK defined benefit pension schemes, US$5 million of costs incurred following Hurricane Tomas in the Caribbean and US$11 million of transaction costs incurred relating to acquisition and other corporate finance activity.

6e Auditor's remuneration

	2011/12 US$m	2010/11 US$m
Audit services:		
Statutory audit services – in respect of the Group's accounts	2.4	2.2
Audit of the Group's annual accounts	2.4	2.2
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	1.5	1.2
Audit related regulatory reporting	0.6	0.4
	4.5	3.8
Tax services – compliance	0.1	0.2
Tax services – advisory	–	0.1
Services related to corporate finance activities	0.2	0.7
Other services (including other assurance services)	0.2	0.7
	5.0	5.5

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

7 Finance income/expense and other non-operating expenses

7a Gains on sale of businesses

During the year ended 31 March 2012, the Group disposed of its 50% interest in Telecom Vanuatu Limited, which was classified within the 'other' reportable segment. The disposal took place on 12 October 2011 for total consideration of US$5 million (excluding transaction costs) resulting in a gain on disposal of US$3 million. The Group also disposed of its 49% interest in Fiji International Telecoms Limited, which was classified within the 'other' reportable segment. The disposal took place on 15 March 2012 for total consideration of US$10 million (excluding transaction costs) resulting in a gain on disposal of US$3 million.

During the year ended 31 March 2011, the Group disposed of Cable & Wireless (Bermuda) Holdings and its subsidiaries, which were classified within the Monaco & Islands reportable segment. The disposal took place on 10 March 2011 for total consideration of US$70 million (excluding transaction costs) resulting in a gain on disposal of US$36 million. A further gain of US$7m was recognised in the year ended 31 March 2012 in relation to adjustments to the working capital consideration and additional contingent consideration relating to the sale.

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

7b Losses on termination of operations

In the year ended 31 March 2011, the loss of US$2 million was the result of the run off activities of the Group's former insurance operation, Pender Insurance Limited.

7 Finance income/expense and other non-operating expenses continued

7c Finance income and expense

Accounting policy detailed in note 2.6. ►

	2011/12 US$m	2010/11 US$m
Finance income		
Interest on cash and deposits	7	6
Investment income	1	1
Foreign exchange gains	–	3
Gains on derivative contracts	3	22
Total finance income	11	32
Finance expense		
Interest on bank loans	46	42
Interest on bonds	93	86
Unwinding of discounts on provisions	1	2
Unwinding of discount on Monaco put option liability	19	13
Unwinding of discount on Monaco 6% put option liability	–	1
Foreign exchange losses	7	–
Capitalised finance transaction costs written off	6	–
	172	144
Less: Interest capitalised	(5)	(4)
Total finance expense	167	140

Tax relief of US$2 million is available on interest capitalised in the year ended 31 March 2012 (2010/11 – US$1 million). Interest has been capitalised within property, plant and equipment at a rate of 4% (2010/11 – 6%) on qualifying capital expenditure.

8 Income tax expense

Accounting policy detailed in note 2.12. ►

	2011/12 US$m	2010/11 US$m
Current tax charge		
UK tax at 26% (2010/11 – 28%)	6	6
Double tax relief	(6)	(6)
	–	–
Overseas tax	110	117
Adjustments relating to prior years	(24)	(8)
Total current tax charge	86	109
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	(6)	30
Adjustments relating to prior years	(2)	(21)
Total deferred tax (credit)/charge	(8)	9
Total income tax charge	78	118

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

	2011/12 US$m	2010/11 US$m
Profit before income tax	**104**	462
Income tax charge at UK statutory tax rate: 26% (2010/11 – 28%)	**27**	129
Effect of overseas tax rates	**(34)**	(42)
Effect of accounting for joint ventures and associates	**–**	(6)
Effect of withholding tax and intra-Group dividends	**27**	27
Net effect of income not taxable	**(42)**	(30)
Effect of changes in unrecognised deferred tax assets	**126**	69
Adjustments relating to prior years	**(26)**	(29)
Total income tax charge	**78**	118
Income tax credit on exceptional items	**(10)**	(1)
Pre-exceptional income tax charge	**88**	119
Pre-exceptional effective tax rate on profit	**21.3%**	26.1%
Effective tax rate on profit	**75.0%**	25.5%

For the analysis of the Group's deferred tax assets and liabilities at the reporting date, including factors affecting the future tax rates see note 24.

9 Earnings per share

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

	2011/12 US$m	2010/11 US$m
(Loss)/profit for the financial year attributable to equity shareholders of the Parent Company	**(77)**	197
Weighted average number of ordinary shares in issue (millions)	**2,506**	2,607
Dilutive effect of share options (millions)	**–**	22
Total weighted average number of ordinary shares in issue used to calculate diluted earnings per share (millions)	**2,506**	2,629
Basic (loss)/earnings per share (cents per share)	**(3.1)**	7.6
Diluted (loss)/earnings per share (cents per share)	**(3.1)**	7.5

10 Dividends declared and paid

	2011/12 US$m	2010/11 US$m
Final dividend in respect of the prior year	136	135
Interim dividend in respect of the current year	66	70
Total dividend paid	**202**	205

During the year ended 31 March 2012, the Group declared and paid a final dividend of US5.33 cents per share in respect of the year ended 31 March 2011 (2010/11 – 3.34 pence per share (US4.97 cents per share) in respect of the year ended 31 March 2010). Beginning with the interim dividend in respect of 2010/11, the Group declares dividends in cents per share. The Group declared and paid an interim dividend of US2.67 cents per share in respect of the year ended 31 March 2012 (2010/11 – US2.67 cents per share in respect of the year ended 31 March 2011).

In respect of the year ended 31 March 2012, the Directors have proposed a final dividend of US5.33 cents per share (US$133 million) (2010/11 – US5.33 cents per share), for approval by shareholders at the AGM to be held on 20 July 2012. These financial statements do not reflect the proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 March 2013.

The Group previously offered a scrip dividend as an alternative to the cash dividend.

Under the scrip scheme in 2010/11, 13,443 shareholders owning 701 million shares elected to take the 2009/10 final dividend wholly or partly in shares. Consequently, 41,039,703 total shares were issued with a value of US$37 million. The scrip scheme is no longer offered and has been replaced with a dividend reinvestment plan (DRIP).

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

11 Impairment review

Accounting policy detailed in note 2.7. ►

Goodwill

A review of the carrying value of goodwill has been performed as at 31 March 2012 and 31 March 2011. In performing this review, the recoverable amount has been determined by reference to the higher of the fair value less costs to sell and the value in use of the related businesses. The key assumptions used by the Group in the calculation of value in use for its goodwill balances are the discount rate, revenue growth, operating cost margin and the level of capital expenditure required to maintain the network at its current level. The Group's significant goodwill balances are discussed below.

Monaco Telecom (Monaco & Islands reporting segment)

Goodwill of US$205 million was allocated in aggregate to the Monaco Telecom group of cash-generating units (CGUs) at 31 March 2012 (31 March 2011 – US$172 million). Three relevant CGUs were identified for the purpose of assessing the carrying value of Monaco Telecom (domestic including the cable television business, international business and other services).

The value in use was determined for each CGU by discounting future cash flows (based on the approved five year business plan extrapolated at long-term growth rates of between 0% and 2.5% (2010/11 – 0% and 2%)) at pre-tax discount rates of between 9% and 24% (2010/11 – 9% and 22%) dependent on the risk-adjusted cost of capital of the different parts of the business. The value in use was higher than the fair value less costs to sell and no impairment was required in either period.

Monaco Telecom operates under an exclusive operating agreement in Monaco and management's forecasts were based on historical experience for the business.

The value in use of the three CGUs in aggregate would not support the carrying value of the goodwill if cash flows decreased by more than US$20 million per year or the discount rate increased by more than 7% above the pre-tax discount rates.

The Bahamas Telecommunications Company – BTC (Caribbean reporting segment)
Goodwill of US$63 million was allocated to BTC at 31 March 2012. One relevant CGU has been identified for the purpose of assessing the carrying value of the BTC business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at a long-term growth rate of nil) at a pre-tax discount rate of 9.4%. The value in use was higher than the fair value less costs to sell and no impairment was required.

The CGU value in use would not support the carrying value of the goodwill if cash flows decreased by more than US$48 million per year or the discount rate increased by more than 14% above the pre-tax discount rate.

Dhivehi Raajjeyge Gulhun PLC – Dhiraagu (Monaco & Islands reporting segment)
Goodwill of US$21 million was allocated to Dhiraagu at 31 March 2012 (31 March 2011 – US$25 million). One relevant CGU has been identified for the purpose of assessing the carrying value of the Dhiraagu business. The value in use was determined by discounting future cash flows (based on the approved five year business plan extrapolated at a long-term growth rate of 2.5% (2010/11 – 2.5%)) at a pre-tax discount rate of 11.0% (2010/11 – 14.3%). The value in use was higher than the fair value less costs to sell and no impairment was required.

Afinis (Monaco & Islands reporting segment)
Afinis has one relevant CGU that has been identified for the purpose of assessing the carrying value of the business. The recoverable amount was assessed based upon the value in use which was determined by discounting future cash flows (based on the approved five year business plan) at a pre-tax discount rate of 17.1% (2010/11 – 20%).

At 31 March 2012, the goodwill was fully impaired resulting in a charge of US$9 million. This was due to a decrease in the value in use, triggered by a change in the strategic direction of the business.

Property, plant and equipment and other intangibles
Cable & Wireless Jamaica Ltd (Caribbean reporting segment)
As indicated in the previous year's Annual report, there were a number of risks identified for our Jamaica business, including the need for change in the regulatory environment and the importance of business improvement strategies such as our Jamaica 'win back' activity. Progress in these areas has not been as anticipated. In light of this, a review of the carrying value of the fixed assets was conducted at year end.

One relevant CGU has been identified for the purpose of assessing the carrying value of the business. The recoverable amount was assessed based upon value in use which was determined by discounting future cash flows (based on the approved five year business plan at a pre-tax discount rate of 11.0% (2010/11 – 11.1%)). The calculation is sensitive to changes in the discount rate, terminal growth rate and underlying trading.

Impairment charges of US$32 million, US$151 million and US$1 million have been applied to land and buildings, plant and equipment and intangible assets respectively.

Other Caribbean (Caribbean reporting segment)
An impairment charge of US$12 million was recorded against the carrying value of plant and equipment in one other Caribbean business in light of the trading performance during the year.

The recoverable amount was assessed based upon the value in use determined by discounting future cash flows (based on the approved five year business plan at a pre-tax discount rate of 11.4%). The calculation is sensitive to changes in the discount rate, terminal growth rate and underlying trading.

Dhivehi Raajjeyge Gulhun PLC – Dhiraagu (Monaco & Islands reporting segment)
Trade mark assets of US$18 million, with an indefinite useful life, were allocated to Dhiraagu at 31 March 2012 (31 March 2011 – US$18 million). One relevant CGU has been identified for the purpose of assessing the carrying value of the Dhiraagu business and the key assumptions used are disclosed above. No impairment was required.

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

Other
There were no other events or changes in circumstances during the year to indicate that the carrying value of property, plant and equipment and other intangible assets had been impaired.

12 Intangible assets

Accounting policy detailed in note 2.5. ►

	Goodwill US$m	Software US$m	Licences and operating agreements US$m	Customer contracts and relationships US$m	Other US$m	**Total US$m**
Cost						
At 1 April 2010	196	151	145	51	91	634
Business combinations	11	–	–	–	–	11
Additions	–	36	–	–	6	42
Transfer between categories	–	(1)	29	–	(28)	–
Disposals	–	(3)	(1)	–	–	(4)
Exchange differences	11	4	8	–	3	26
At 31 March 2011	218	187	181	51	72	709
Business combinations	107	–	–	31	1	139
Additions	–	49	1	–	3	53
Transfer between categories	–	1	(1)	–	–	–
Disposals	–	(1)	–	(3)	(3)	(7)
Exchange differences	(17)	4	(8)	(8)	(6)	(35)
At 31 March 2012	**308**	**240**	**173**	**71**	**67**	**859**
Amortisation and impairment						
At 1 April 2010	10	114	48	5	43	220
Charge for the year	–	23	11	7	9	50
Disposals	–	(3)	–	–	–	(3)
Transfer between categories	–	–	6	–	(6)	–
Exchange differences	2	3	3	(2)	3	9
At 31 March 2011	12	137	68	10	49	276
Charge for the year	–	32	11	6	9	58
Impairment	9	1	1	–	1	12
Disposals	–	(1)	–	(3)	(3)	(7)
Transfer between categories	–	2	(2)	–	–	–
Exchange differences	(2)	–	(3)	(2)	(1)	(8)
At 31 March 2012	**19**	**171**	**75**	**11**	**55**	**331**
Net book value						
At 31 March 2012	**289**	**69**	**98**	**60**	**12**	**528**
At 31 March 2011	206	50	113	41	23	433

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

	BTC[1] US$m	Monaco Telecom[2] US$m	Afinis[2] US$m	Dhivehi Raajjeyge Gulhun PLC (Dhiraagu)[2] US$m	**Total US$m**
At 1 April 2010	–	153	8	25	186
Business combinations (note 30)	–	11	–	–	11
Exchange differences	–	8	1	–	9
At 31 March 2011	–	172	9	25	206
Business combinations (note 30)	63	44	–	–	107
Exchange differences	–	(11)	–	(4)	(15)
Impairment	–	–	(9)	–	(9)
At 31 March 2012	**63**	**205**	**–**	**21**	**289**

1 Reporting segment: Caribbean
2 Reporting segment: Monaco & Islands

13 Property, plant and equipment

Accounting policy detailed in note 2.4. ►

	2011/12				2010/11			
	Land and buildings US$m	**Plant and equipment US$m**	**Assets under construction US$m**	**Total US$m**	Land and buildings US$m	Plant and equipment US$m	Assets under construction US$m	Total US$m
Cost								
At 1 April	**416**	**4,162**	**254**	**4,832**	406	4,022	238	4,666
Business combinations	**40**	**142**	**70**	**252**	–	–	–	–
Additions	**–**	**1**	**355**	**356**	–	33	281	314
Movements in asset retirement obligations	**(2)**	**1**	**–**	**(1)**	(2)	2	–	–
Disposals	**–**	**(65)**	**–**	**(65)**	(27)	(165)	–	(192)
Transfers between categories	**52**	**298**	**(350)**	**–**	32	235	(267)	–
Exchange differences	**(5)**	**(68)**	**(9)**	**(82)**	7	35	2	44
At 31 March	**501**	**4,471**	**320**	**5,292**	416	4,162	254	4,832
Depreciation								
At 1 April	**180**	**2,895**	**–**	**3,075**	177	2,764	–	2,941
Charge for the year[1]	**16**	**314**	**–**	**330**	15	256	–	271
Impairment	**32**	**170**	**–**	**202**	–	–	–	–
Disposals	**–**	**(60)**	**–**	**(60)**	(18)	(146)	–	(164)
Transfers between categories	**8**	**(8)**	**–**	**–**	4	(4)	–	–
Exchange differences	**(2)**	**(39)**	**–**	**(41)**	2	25	–	27
At 31 March	**234**	**3,272**	**–**	**3,506**	180	2,895	–	3,075
Net book value at 31 March	**267**	**1,199**	**320**	**1,786**	236	1,267	254	1,757

1 Includes accelerated depreciation of US$30 million (2010/11 – US$nil). Refer to note 6b for further information.

The Group held no assets under finance leases at 31 March 2012 or 31 March 2011.

Additions during the year include interest and own work capitalised during the construction of certain assets of US$5 million (2010/11 – US$4 million) and US$48 million (2010/11 – US$35 million) respectively.

14 Investments in joint ventures and associates

Accounting policy detailed in note 2.1. ►

	2011/12 US$m	2010/11 US$m
Gross carrying amount		
At 1 April		
– Cost	78	78
– Share of post-acquisition reserves	224	212
	302	290
Share of profit after tax	26	31
Dividends paid to Group companies	(4)	(9)
Additions	5	–
Disposals	(22)	–
Loan from Group companies	(4)	1
Other movements	(2)	(11)
At 31 March	301	302
Impairment allowance		
At 1 April	(59)	(59)
Disposals	11	–
At 31 March	(48)	(59)
Net carrying amount at 31 March	253	243

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

	31 March 2012 US$m	31 March 2011 US$m
Non-current assets	309	343
Current assets	120	125
Current liabilities	(79)	(120)
Non-current liabilities	(97)	(105)
Share of net assets	253	243

	2011/12 US$m	2010/11 US$m
Revenue	370	381
Operating costs	(338)	(351)
Operating profit	32	30
Net financing costs	(3)	–
Share of profit before tax	29	30
Income tax (expense)/credit	(3)	1
Dividends paid to Group companies	(4)	(9)
Share of retained profit	22	22

On 12 October 2011, the Group sold its 50% interest in Telecom Vanuatu Limited and on 15 March 2012, the Group sold its 49% interest in Fiji International Telecoms Limited. See note 7a for more information.

There are no significant restrictions on joint ventures' and associates' ability to transfer funds to the Group. The joint ventures and associates have no significant contingent liabilities to which the Group is exposed, nor has the Group any significant contingent liabilities in relation to its interests in joint ventures and associates. The Group's joint ventures and associates have not discontinued any operations during the year ended 31 March 2012 (2010/11 – none).

15 Available-for-sale financial assets

Accounting policy detailed in note 2.6. ►

	2011/12 US$m	2010/11 US$m
At 1 April	**31**	29
Business combinations	**20**	–
Fair value gain recorded in other comprehensive income	**5**	2
Released to cash and cash equivalents	**–**	(2)
Exchange differences	**(1)**	2
At 31 March	**55**	31

At 31 March 2012 available-for-sale financial assets consist of UK and Bahamian Government bonds (31 March 2011 – UK Government bonds). These assets were measured at fair value based on observable market data. The maximum exposure to credit risk for available-for-sale financial assets is equal to their carrying value.

16 Trade and other receivables

Accounting policy detailed in note 2.6. ►

	31 March 2012 US$m	31 March 2011 US$m
Gross trade receivables	**387**	312
Impairment allowance	**(91)**	(67)
Net trade receivables	**296**	245
Other receivables	**66**	81
Prepayments and accrued income	**236**	263
Taxation and social security receivables	**2**	2
Amounts receivable from joint ventures and associates	**2**	1
Trade and other receivables – current	**602**	592
Other receivables	**34**	41
Prepayments and accrued income	**21**	7
Other receivables – non-current	**55**	48
Total trade and other receivables	**657**	640

The maximum exposure to credit risk for receivables is equal to their carrying value. There is no material difference between the carrying value and fair value of trade and other receivables presented.

16 Trade and other receivables continued

Concentrations of credit risks with respect to trade receivables are small as the Group's customer base is large and unrelated. Receivables predominantly relate to retail customers, governments and corporate entities as well as other telecommunications operators.

Credit risk procedures vary depending on the size or type of customer. These procedures include such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that are neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Group that indicate this would change in the future. During the periods presented there was a continued economic weakness in many of the markets in which the Group operated. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management assessed this risk and, after providing valuation allowance where necessary, continued to support the assessment of credit quality as low risk.

An ageing analysis of the current 'trade receivables' and current 'other receivables' that are not impaired is as follows (excludes prepayments and accrued income, taxation and social security and amounts receivable from joint ventures and associates):

	31 March 2012 US$m	31 March 2011 US$m
Not yet due	145	165
Overdue 30 days or less	100	79
Overdue 31 to 60 days	40	30
Overdue 61 to 90 days	32	26
Overdue 91 days to 180 days	27	17
Overdue 181 days or more	18	9
Current 'trade receivables' and current 'other receivables'	**362**	326

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due by up to 30 days. Due to the nature of the telecommunications industry, balances relating to interconnection with other carriers often have lengthy settlement periods. Generally, interconnection agreements with major carriers result in both receivables and payables balances with the same counterparty. Industry practice is that receivable and payable amounts relating to interconnection revenue and costs for a defined period are agreed between counterparties and settled on a net basis.

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

	2011/12 US$m	2010/11 US$m
At 1 April	67	62
Bad debts written off	(32)	(20)
Increase in allowance	39	24
Business combinations	20	–
Exchange differences	(3)	1
At 31 March	**91**	67

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

17 Inventories

Accounting policy detailed in note 2.8. ►

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

Inventories of US$103 million (31 March 2011 – US$84 million) are presented net of an allowance of US$14 million (31 March 2011 – US$5 million) made against slow moving or obsolete items.

The cost of equipment, cable capacity, consumables and accessories held-for-sale that were expensed within operating costs in 2011/12 was US$359 million (2010/11 – US$214 million).

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

18 Cash and cash equivalents

Accounting policy detailed in note 2.6. ▶

	31 March 2012 US$m	31 March 2011 US$m
Cash at bank and in hand	**188**	230
Short-term bank deposits	**124**	149
Cash and cash equivalents	**312**	379

Short-term bank deposits consist primarily of money market deposits, which can be readily converted to cash at short notice. The effective interest rate on short-term bank deposits at 31 March 2012 was 1.39% (31 March 2011 – 0.91%). At 31 March 2012, these deposits had an average maturity of nine days (31 March 2011 – 27 days).

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

19 Financial assets at fair value through profit or loss

Accounting policy detailed in note 2.6. ▶

			2011/12			2010/11
	CWW shares US$m	Derivative financial instruments US$m	Total US$m	CWW shares US$m	Derivative financial instruments US$m	Total US$m
At 1 April	**20**	**13**	**33**	64	1	65
Delivery of shares to Cable & Wireless Worldwide plc	**–**	**–**	**–**	(30)	–	(30)
Delivery of shares to employees	**(1)**	**–**	**(1)**	(2)	–	(2)
Shares sold	**(2)**	**–**	**(2)**	–	–	–
Fair value movement	**(7)**	**–**	**(7)**	(15)	–	(15)
Exchange differences	**–**	**–**	**–**	3	–	3
Movement in derivative financial assets	**–**	**(5)**	**(5)**	–	12	12
At 31 March	**10**	**8**	**18**	20	13	33
Financial assets at fair value through profit or loss – current	**10**	**8**	**18**	20	7	27
Financial assets at fair value through profit or loss – non-current	**–**	**–**	**–**	–	6	6

On demerger, shares in the Cable & Wireless Communications Share Ownership Trust (the Trust) were converted from 43 million Cable and Wireless plc shares to 43 million Cable & Wireless Communications Plc shares and 43 million Cable & Wireless Worldwide plc shares. The Cable & Wireless Worldwide plc shares held by the Trust were reclassified at demerger as financial assets at fair value through profit or loss as they represent shares in an unrelated listed company. During the year ended 31 March 2011, 22 million Cable & Wireless Worldwide shares with a market value of US$30 million were delivered to Cable & Wireless Worldwide plc as part of the demerger agreement.

The remaining shares are held for use in satisfying employee share-based awards (note 28). The majority of shares no longer required due to the expiry of awards were sold in the year.

Derivative financial instruments

At 31 March 2012, the Group had foreign exchange swap contracts to sell US$324 million (31 March 2011 – US$260 million) in hedging future sterling obligations regarding the coupon and redemption of the 2012 bond. 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 (31 March 2011 – asset of US$13 million).

20 Trade and other payables

	31 March 2012 US$m	31 March 2011 US$m
Trade payables	**190**	205
Other tax and social security costs	**21**	21
Accruals	**428**	384
Deferred income	**88**	67
Other payables	**105**	76
Trade and other payables – current	**832**	753
Accruals	**4**	4
Deferred income	**26**	16
Other payables	**1**	–
Trade and other payables – non-current	**31**	20
Total trade and other payables	**863**	773

There is no material difference between the carrying value and fair value of trade and other payables presented. For liquidity risk exposure analysis purposes, the carrying amount of trade and other payables is the same as the contractual cash flows, with the contractual maturities of these financial liabilities all due in less than one year.

21 Borrowings

Accounting policy detailed in note 2.6. ►

			31 March 2012			31 March 2011		
	Type	Security	Interest rate %	Carrying value US$m	Fair value US$m	Interest rate %	Carrying value US$m	Fair value US$m
2020 US$400 million secured bond[1]	Fixed	Share pledges over Group assets	**8.750**	**390**	**425[2]**	–	–	–
2019 £200 million bond	Fixed	Unsecured	**8.625**	**234**	**234[2]**	8.625	235	245[2]
2017 US$500 million secured bond	Fixed	Share pledges over Group assets	**7.750**	**492**	**523[2]**	7.750	490	527[2]
2012 £200 million bond	Fixed	Unsecured	**8.750**	**317**	**325[2]**	8.750	317	337[2]
US dollar and currencies linked to the US dollar loans and facilities (various dates to 2038)	Fixed and floating	Unsecured	**3.898**	**269**	**269[3]**	5.420	283	285[3]
Overdrafts	Floating	Unsecured	**–**	**5**	**5[3]**	–	2	2[3]
2012 £29 million loan	Floating	2019 bonds	**–**	**–**	**–**	5.890	46	46[3]
Total borrowings				**1,707**			1,373	
Borrowings – current				**460**			116	
Borrowings – non-current				**1,247**			1,257	

1 As part of refinancing activities during the year, the Group issued a new US$400 million secured bond in January 2012, to replace the £200 million bond that is due to mature in August 2012.
2 This value was determined by reference to market values obtained from third parties.
3 The carrying amount approximates to fair value.

On 19 October 2011, the Group entered into new five-year borrowing arrangements for US$600 million of revolving credit facilities with a maturity date of October 2016. The facilities replace the Group's US$500 million revolving credit facility and the US$100 million term loan which were due to expire in March 2013.

These facilities were undrawn as at 31 March 2012 and 31 March 2011.

The agreements for the facilities entered into during the year contain financial and other covenants which are standard to these types of arrangements.

For liquidity risk exposure analysis purposes, the following are the contractual maturities of loans (including the expected interest payable at rates prevailing at the reporting date):

	31 March 2012 US$m	31 March 2011 US$m
Borrowings		
Due in less than one year	**593**	220
Due in more than one year but not more than two years	**140**	497
Due in more than two years but not more than five years	**872**	304
Due in more than five years	**787**	874
	2,392	1,895
Less: future finance charges on loans	**(685)**	(522)
Total borrowings	**1,707**	1,373

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

Interest was payable on borrowings falling due after more than five years at rates of between 0.0% and 8.8% (2010/11 – 0.0% and 8.6% respectively).

Reconciliation of net funds

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

Analysis of changes in net funds:

	At 1 April 2011 US$m	Business combination US$m	Cash flow US$m	Bond amortisation US$m	Transfers US$m	Exchange differences US$m	At 31 March 2012 US$m
Cash at bank and in hand	230	56	(89)	–	–	(9)	**188**
Short-term deposits	149	–	(17)	–	–	(8)	**124**
Total funds	379	56	(106)	–	–	(17)	**312**
Debt due within one year	(116)	(9)	81	(2)	(415)	1	**(460)**
Debt due after more than one year	(1,257)	(25)	(378)	(2)	415	–	**(1,247)**
Total debt	(1,373)	(34)	(297)	(4)	–	1	**(1,707)**
Total net (debt)/funds	(994)	22	(403)	(4)	–	(16)	**(1,395)**

22 Financial liabilities at fair value

Accounting policy detailed in note 2.6. ▶

	At 31 March 2012			At 31 March 2011		
	Current US$m	Non-current US$m	Total US$m	Current US$m	Non-current US$m	Total US$m
Put option relating to Monaco Telecom	**250**	**–**	**250**	96	120	216
Interest rate swap	**1**	**–**	**1**	–	–	–
Total financial liabilities at fair value	**251**	**–**	**251**	96	120	216

Interest rate swap

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

22 Financial liabilities at fair value continued

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

Monaco Telecom put option

A put option is held by the non-controlling shareholder of Monaco Telecom, the Principality of Monaco (the Principality). This put option is measured at fair value and is calculated using discounted cash flow techniques, using inputs that are not based on publicly observable market data. The liability for the put option represents 45% of the market value of Monaco Telecom.

Although the Group considers there to be only a remote likelihood of this put option being exercised, IAS 32 *Financial Instruments: Presentation* requires the present value of the amount payable to be recognised as a liability regardless of the probability of exercise, as this is not within the Group's control. As this put option was issued as part of a business combination, accounted for in accordance with IFRS 3 *Business Combinations* (2004), any change in remeasuring the derivative to fair value is recorded as an adjustment to goodwill (note 30).

Until 21 March 2012, the put option held by the Principality was exercisable in two tranches. The first tranche enabled the Principality to put 20% of the shares of Monaco Telecom to the Group from six months post 18 June 2014 and 2017. The second tranche enabled the Principality to put 25% of the shares of Monaco Telecom to the Group three years after the first has been exercised.

On 21 March 2012, the put option agreement was revised. The revised agreement enables the Principality to put up to 45% of the shares of Monaco Telecom to the Group in one or several instalments until 30 April 2019. Accordingly the put option is recognised as a current liability at 31 March 2012.

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

	2011/12 US$m	2010/11 US$m
At 1 April	216	189
Changes in fair value recognised as an adjustment to goodwill	27	4
Increase in fair value of put option due to discount unwinding recognised as a finance expense	19	13
Foreign exchange movements recognised in the foreign currency reserve in equity	(12)	10
At 31 March	**250**	216

23 Financial instruments at fair value

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

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

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

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

					At 31 March 2012
	Note	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Financial assets measured at fair value:					
UK and Bahamian Government bonds	15	55	–	–	55
Cable & Wireless Worldwide plc shares at fair value through profit or loss	19	10	–	–	10
Derivative instruments	19	–	8	–	8
Total financial assets at fair value		65	8	–	73
Financial liabilities measured at fair value:					
Interest rate swap	22	–	1	–	1
Put option relating to Monaco Telecom	22	–	–	250	250
Total financial liabilities at fair value		–	1	250	251

	Note	At 31 March 2011 Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Financial assets measured at fair value:					
UK Government bonds	15	31	–	–	31
Cable & Wireless Worldwide plc shares at fair value through profit or loss	19	20	–	–	20
Derivative instruments	19	–	13	–	13
Total financial assets at fair value		51	13	–	64
Financial liabilities measured at fair value:					
Put option relating to Monaco Telecom	22	–	–	216	216
Total financial liabilities at fair value		–	–	216	216

24 Deferred tax

Accounting policy detailed in note 2.12. ▶

The movements in deferred tax assets and liabilities during the year are as follows:

	Capital allowances on non-current assets US$m	Tax losses US$m	Pensions US$m	Other US$m	Financial position offset US$m	**Total US$m**
Deferred tax assets	13	62	6	7	(69)	19
Deferred tax liabilities	(84)	–	(11)	(16)	69	(42)
At 1 April 2010	(71)	62	(5)	(9)	–	(23)
Credit/(charge) to profit or loss	14	(22)	(1)	–	–	(9)
Tax charged to other comprehensive income	–	–	(3)	–	–	(3)
Exchange differences	(2)	3	(1)	1	–	1
At 31 March 2011	(59)	43	(10)	(8)	–	(34)
Deferred tax assets	19	43	3	15	(76)	4
Deferred tax liabilities	(78)	–	(13)	(23)	76	(38)
At 1 April 2011	(59)	43	(10)	(8)	–	(34)
Credit/(charge) to profit or loss	65	(41)	(2)	(14)	–	8
Tax credit to other comprehensive income	–	–	2	–	–	2
Exchange differences	1	(2)	1	(1)	–	(1)
At 31 March 2012	**7**	**–**	**(9)**	**(23)**	**–**	**(25)**
Deferred tax assets	33	–	4	2	(34)	5
Deferred tax liabilities	(26)	–	(13)	(25)	34	(30)
At 31 March 2012	**7**	**–**	**(9)**	**(23)**	**–**	**(25)**

24 Deferred tax continued

Deferred tax assets have not been recognised in respect of the following temporary differences:

	Capital allowances available on non-current assets US$m	Tax losses US$m	Pensions US$m	Other US$m	**Total US$m**
At 31 March 2012	**207**	**6,169**	**171**	**83**	**6,630**
At 31 March 2011	295	5,653	118	158	6,224

Tax losses (recognised and unrecognised) expire as follows:

	31 March 2012 US$m	31 March 2011 US$m
Within 1 year	**–**	–
Within 3 years	**–**	–
Within 5 years	**–**	–
Within 10 years	**38**	35
After more than 10 years	**–**	245

Other tax losses are not subject to expiry.

Tax losses of US$6,169 million (31 March 2011 – US$5,653 million) include UK capital losses of US$5,248 million (31 March 2011 – US$5,264 million).

Deferred tax is not provided on unremitted earnings of subsidiaries and joint ventures and associates where the Group controls the timing of remittance and it is probable that the temporary difference will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, branches and joint ventures and associates for which deferred tax liabilities have not been recognised is US$296 million (31 March 2011 – US$316 million). These temporary differences relate to unremitted earnings.

The Budget on 21 March 2012 announced a change to the UK corporation tax rate to 24%. This was substantively enacted on 26 March 2012 and is effective from 1 April 2012. This reduction replaces the decrease to 25% previously enacted in the Finance Act 2011.

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget. The changes, which are expected to be enacted separately each year, will reduce the rate by 1% per annum, to 22% by 1 April 2014. These changes had not been substantively enacted by the balance sheet date and therefore are not recognised in these financial statements.

25 Provisions

Accounting policy detailed in note 2.13. ►

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

	Property US$m	Redundancy costs US$m	Network and asset retirement obligations US$m	Demerger US$m	Legal and other US$m	Total US$m
At 1 April 2010	6	10	25	34	56	131
Additional provisions	–	5	1	4	7	17
Amounts used	–	(9)	–	(38)	(1)	(48)
Unused amounts released	–	–	–	–	(8)	(8)
Effect of discounting	–	–	2	–	–	2
Exchange differences	1	–	–	–	(1)	–
At 31 March 2011	7	6	28	–	53	94
Provisions – current	7	6	4	–	45	62
Provisions – non-current	–	–	24	–	8	32

Property
Provision has been made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sublet. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

Redundancy
Provision has been made for the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for and spent during the periods presented primarily relate to regional transformation activities. The provision is expected to be used within one year.

Network and asset retirement obligations
Provision has been made for the best estimate of the unavoidable costs associated with redundant leased network capacity. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

Provision has also been made for the best estimate of the asset retirement obligation associated with office sites, technical sites, mobile cell sites, domestic and subsea cabling. This provision is expected to be used at the end of the life of the related asset on which the obligation arises.

Legal and other
Legal and other provisions include amounts relating to specific legal claims against the Group together with amounts in respect of certain employee benefits and sales taxes.

Demerger
The provision comprised costs related to the demerger such as professional fees, redundancy costs and closure costs.

26 Retirement benefits obligations

Accounting policy detailed in note 2.11. ►

The Group operates pension schemes for its current and former UK and overseas employees. These schemes include both defined benefit schemes, where retirement benefits are based on employees' remuneration and length of service, and defined contribution schemes, where retirement benefits reflect the accumulated value of agreed contributions paid by, and in respect of, employees. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the schemes.

Defined benefit schemes
Cable & Wireless Communications operates the Cable & Wireless Superannuation Fund (CWSF). This plan provides defined benefit and defined contribution arrangements for current and former employees of the Group. The CWSF has been closed to new defined benefit members since 1998.

Additionally, the Group operates unfunded defined benefit arrangements in the UK. These primarily relate to pension provisions for former Directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap. The Group operates other defined benefit pension schemes in Macau, Jamaica, Barbados and Guernsey.

26 Retirement benefits obligations continued

Funding valuation – Cable & Wireless Superannuation Fund

The latest triennial actuarial valuation of the CWSF was carried out by independent actuaries Towers Watson Limited as at 31 March 2010.

The March 2010 actuarial valuation showed that based on long-term financial assumptions the contribution rate required to meet the future benefit accrual was 38.4% of pensionable earnings (33.4% employer's and 5.0% employee's). This contribution rate will be reviewed when the next triennial valuation is carried out, at 31 March 2013. The terms of the CWSF Trust Deed also allow the Trustee or the Company to call for a valuation at any time.

Cable & Wireless Communications paid a total contribution of US$2 million in 2011/12 (2010/11 – US$157 million), comprising deficit funding of US$nil and normal contributions of US$2 million (2010/11 – US$149 million and US$8 million respectively), to the CWSF. A deficit recovery funding plan was also agreed with the Trustees during March 2011 as part of the March 2010 actuarial valuation with the aim that the deficit would be eliminated by April 2016. The payments under this agreement will fall within the following ranges: July 2014 - £20.5 million to £30.4 million; 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.

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

Contingent funding agreement

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

Following the Group's issue of the 2020 bonds in January 2012 (note 27), and the consequential increase in the Group's available secured borrowings, letters of credit totalling £100 million (2010/11 – nil) as of 31 March 2012 have been issued in favour of the CWSF Trustee under the Contingent Funding Agreement. The letters of credit will remain in place pursuant to the terms of the Contingent Funding Agreement (which may be until the deficit of the CWSF is fully funded).

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

The IAS 19 valuations of the major defined benefit pension schemes operated by the Group have been updated to 31 March 2012 by qualified independent actuaries. Lane, Clark & Peacock LLP prepared the valuation for the CWSF and the UK unfunded arrangements. Towers Watson Limited reviewed the IAS 19 valuations prepared for all remaining schemes.

The main financial assumptions applied in the valuations and an analysis of schemes' assets are as follows:

	31 March 2012				31 March 2011			
	CWSF		Other schemes		CWSF		Other schemes	
	Assets US$m	Assumption %	Assets US$m	Assumption %	Assets US$m	Assumption %	Assets US$m	Assumption %
RPI inflation assumption		3.2		4.3		3.4		4.3
CPI inflation assumption		2.2		–		–		–
Salary increases		3.7		4.9		3.9		4.9
Pension increases		2.0-3.1		3.2		2.2-3.3		3.1
Discount rate		4.9		7.2		5.6		7.4
Long-term expected rate of return on plan assets:								
– Annuity policies	1,225	4.9	–	–	1,093	5.6	74	8.0
– Equities	323	7.8	98	7.9	251	8.1	96	8.2
– Bonds and gilts	101	3.2	166	5.0	85	4.2	87	6.1
– Property	–	–	40	7.6	6	6.7	43	8.9
– Cash and swaps	14	3.3	36	5.3	163	4.3	28	5.7
	1,663		340		1,598		328	

Assumptions used are best estimates from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The assumptions shown above for other schemes represent a weighted average of the assumptions used for the individual schemes.

The assumptions regarding current mortality rates in retirement were set having regard to the actual experience of the CWSF's pensioners and dependants over the three years ended 31 March 2010. In addition, allowance was made for future mortality improvements in line with medium cohort projections of the 1992 mortality series tables published by the Institute and Faculty of Actuaries, subject to a minimum annual rate of improvement of 1.5%. These are the mortality rates used for calculating the statement of financial position for the year ended 31 March 2012.

The mortality rates used for the figure in the income statement for the year ended 31 March 2012 are the same as those which were used for calculating the statement of financial position for the year ended 31 March 2011.

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

	On 31 March 2012 (years)	On 31 March 2022 (years)	On 31 March 2032 (years)
Male pensioners and dependants	27.8	29.4	31.0
Female pensioners	26.6	28.1	29.6
Female dependants	32.5	34.1	35.7

A one year increase in the life expectancy assumptions would have increased the CWSF liabilities by approximately US$44 million as at 31 March 2012. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$31 million. A 0.25% pa decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around US$67 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy would be US$39 million. A 0.25% pa change in the assumed rate of salary increases would have changed the liabilities by a negligible amount.

Excluding the annuities, which are measured at the value of the obligation to which they relate, the overall expected rate of return for each pension scheme is a weighted average of the expected asset return for each asset class. The expected asset return for each asset class has been set as a best estimate of the long-term return that will be achieved for the particular asset class in the country in question having regard to investment yields on the measurement date.

Using the projected unit method for the valuation of liabilities, the current service cost is expected to increase when expressed as a percentage of pensionable payroll as the members of the scheme approach retirement.

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

	31 March 2012			31 March 2011		
	CWSF US$m	**Other schemes US$m**	**Total US$m**	CWSF US$m	Other schemes US$m	Total US$m
Total fair value of plan assets	**1,663**	**340**	**2,003**	1,598	328	1,926
Present value of funded obligations	**(1,766)**	**(306)**	**(2,072)**	(1,619)	(281)	(1,900)
Excess of (liabilities)/assets of funded obligations	**(103)**	**34**	**(69)**	(21)	47	26
Present value of unfunded obligations	**–**	**(45)**	**(45)**	–	(41)	(41)
Impact of the minimum funding requirement	**(26)**	**–**	**(26)**	(57)	–	(57)
Effect of asset ceiling	**–**	**(9)**	**(9)**	–	(14)	(14)
Exchange differences	**–**	**–**	**–**	(3)	(1)	(4)
Net deficit	**(129)**	**(20)**	**(149)**	(81)	(9)	(90)
Defined benefit pension plans in deficit	**(129)**	**(60)**	**(189)**	(81)	(52)	(133)
Defined benefit pension plans in surplus	**–**	**40**	**40**	–	43	43
Net deficit	**(129)**	**(20)**	**(149)**	(81)	(9)	(90)

Included within these liabilities is an amount of US$29 million (2010/11 – US$26 million) to cover the cost of former Directors' pension entitlements.

26 Retirement benefits obligations continued

The deficit recovery funding plan agreed with the Trustees of the CWSF during 2010/11 constitutes a minimum funding requirement. An adjustment to the deficit in the CWSF to account for the minimum funding requirement has been calculated in accordance with IFRIC 14 *The limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adjustment to the deficit, which is recorded in other comprehensive income, was US$26 million as at 31 March 2012 (2010/11 – US$57 million).

When defined benefit funds have an IAS 19 surplus, they are recorded at the lower of that surplus and the future economic benefits available in the form of a cash refund or a reduction in future contributions. Any adjustment to the surplus is recorded in other comprehensive income. The effect of these adjustments, described as asset ceiling adjustments, were US$9 million as at 31 March 2012 (31 March 2011 – US$14 million).

The amounts recognised in the income statement were as follows:

			2011/12			2010/11
	CWSF US$m	**Other schemes US$m**	**Total US$m**	CWSF US$m	Other schemes US$m	Total US$m
Current service cost	**(2)**	**(8)**	**(10)**	(2)	(6)	(8)
Past service credit	**4**	**–**	**4**	–	–	–
Interest cost	**(88)**	**(20)**	**(108)**	(82)	(20)	(102)
Expected return on plan assets	**92**	**22**	**114**	78	22	100
Gains on curtailment or settlement	**–**	**–**	**–**	–	2	2
Total net credit/(charge)	**6**	**(6)**	**–**	(6)	(2)	(8)

The actual return on plan assets was a gain of US$162 million (2010/11 – gain of US$120 million).

The total amount recognised in other comprehensive income cumulatively to 31 March 2012 is a loss of US$667 million (2010/11 – loss of US$595 million).

In 2011/12, net actuarial losses amounting to US$113 million (2010/11 – gains of US$16 million) have been recognised in other comprehensive income. No further gains were recognised in the statement of comprehensive income in respect of contributions from Cable & Wireless Worldwide plc (2010/11 – US$2 million). Gains of US$7 million were recognised due to changes in asset ceilings (2010/11 – loss of US$3 million). A gain of US$34 million was recognised in other comprehensive income in respect of minimum funding requirements (2010/11 – loss of US$57 million).

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

			2011/12			2010/11
	CWSF US$m	**Other schemes US$m**	**Total US$m**	CWSF US$m	Other schemes US$m	Total US$m
At 1 April	**(1,619)**	**(322)**	**(1,941)**	(1,477)	(317)	(1,794)
Current service cost	**(2)**	**(8)**	**(10)**	(2)	(6)	(8)
Past service credit	**4**	**–**	**4**	–	–	–
Interest cost	**(88)**	**(20)**	**(108)**	(82)	(20)	(102)
Actuarial (losses)/gains recognised in other comprehensive income	**(148)**	**(13)**	**(161)**	(23)	18	(5)
Employee contributions	**–**	**(5)**	**(5)**	–	(5)	(5)
Gains on curtailment or settlement	**–**	**–**	**–**	–	2	2
Benefits paid	**84**	**13**	**97**	78	17	95
Exchange differences	**3**	**4**	**7**	(113)	(11)	(124)
At 31 March	**(1,766)**	**(351)**	**(2,117)**	(1,619)	(322)	(1,941)

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

	2011/12			2010/11		
	CWSF US$m	**Other schemes US$m**	**Total US$m**	CWSF US$m	Other schemes US$m	Total US$m
At 1 April	**1,598**	**328**	**1,926**	1,312	307	1,619
Expected return	**92**	**22**	**114**	78	22	100
Actuarial gains/(losses) recognised in other comprehensive income	**58**	**(10)**	**48**	28	(7)	21
Contributions by employer	**2**	**12**	**14**	157	7	164
Employee contributions	**–**	**5**	**5**	–	5	5
Assets acquired	**–**	**–**	**–**	2	–	2
Benefits paid	**(84)**	**(13)**	**(97)**	(78)	(17)	(95)
Exchange differences	**(3)**	**(4)**	**(7)**	99	11	110
At 31 March	**1,663**	**340**	**2,003**	1,598	328	1,926

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

	31 March 2012		31 March 2011		31 March 2010	
	CWSF US$m	**Other schemes US$m**	CWSF US$m	Other schemes US$m	CWSF US$m	Other schemes US$m
Plan assets	**1,663**	**340**	1,598	328	1,312	307
Defined benefit obligations	**(1,766)**	**(351)**	(1,619)	(322)	(1,477)	(317)
Effect of minimum funding requirement	**(26)**	**–**	(57)	–	–	–
Exchange differences	**–**	**–**	(3)	–	–	–
(Deficit)/surplus excluding the effects of the asset ceiling	**(129)**	**(11)**	(81)	6	(165)	(10)
Experience gains/(losses) on plan assets	**58**	**10**	27	(7)	521	24
Experience (losses)/gains on plan liabilities	**(22)**	**(4)**	(23)	5	(27)	(4)

	31 March 2009		31 March 2008	
	CWSF US$m	Other schemes US$m	CWSF US$m	Other schemes US$m
Plan assets	2,407	403	4,229	454
Defined benefit obligations	(2,453)	(428)	(3,479)	(422)
(Deficit)/surplus excluding the effects of the asset ceiling	(46)	(25)	750	32
Experience (losses)/gains on plan assets	(946)	(81)	(126)	2
Experience gains/(losses) on plan liabilities	35	2	28	(16)

The best estimate of contributions to the defined benefit schemes for 2012/13 is:

	CWSF* US$m	Other schemes US$m	**Total US$m**
Employer contributions*	2	9	**11**
Employee contributions	–	5	**5**

* Based on an employer contribution rate of 33.4% of pensionable earnings plus contributions due under the agreed recovery plan and the estimated PPF levy payable in the year ended 31 March 2012.

27 Equity.5

Accounting policy detailed in note 2.9. ►

Share capital

	Number of shares ('000)	US$m
Issued, called-up and fully paid shares of US5 cents each		
At 1 April 2010	2,624,572	131
Allotted under scrip dividends	41,040	2
At 31 March 2011 and 31 March 2012	**2,665,612**	**133**

The aggregate nominal value of the shares allotted in the year was US$nil (2010/11 – US$2 million).

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

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

Share buy-back

On 21 July 2010, the Group's shareholders approved a resolution at the AGM for the Group to purchase up to 262 million ordinary shares. This authority to buy-back these shares expired at the conclusion of the Company's AGM on 22 July 2011. Under the resolution, during the year ended 31 March 2012, the Company purchased 94,726,873 ordinary shares (2010/11 – 42,762,000 ordinary shares) at an average price of 43 pence per share (US70 cents per share) (2010/11 – 49 pence per share (US80 cents per share)), with a nominal value of US$5 million (2010/11 – US$2 million), for consideration of US$66 million (2010/11 – US$34 million). Consideration included stamp duty and commission of US$0.4 million (2010/11 – US$0.2 million).

On 22 July 2011, the Group's shareholders approved a resolution at the AGM for the Group to purchase up to 257 million ordinary shares. This authority to buy-back these shares expires at the conclusion of the Company's AGM in 2012 or 30 September 2012, whichever is the earlier. Under the resolution, no shares have been purchased since the AGM on 22 July 2011.

At 31 March 2012, a total of 137,488,873 shares were classified as treasury shares (31 March 2011 – 42,762,000). This represented 5% of called-up share capital at the beginning of the year (2010/11 – 2%).

The nominal value and market value of treasury shares held at 31 March 2012 was US$7 million (2010/11 – US$2 million) and US$71 million (2010/11 – US$31 million) respectively. Disclosures in respect of the shares held by the Trust are included in note 28.

In accordance with the Company's Articles of Association, each share (other than those held in treasury) entitles the holder to one vote at General Meetings of Cable & Wireless Communications Plc. The Company's shareholders can declare dividends by passing an ordinary resolution but the payment cannot exceed the amount recommended by the Directors. There are no restrictions on the repayment of capital other than those imposed by law. For further information refer to pages 39 to 40 of the Directors' report.

There were no allotments of ordinary shares of US5 cents made during the year. In 2010/11, 41 million shares with a cash equivalent value of US$37 million were issued as payment for dividends by scrip. This was a non-cash transaction.

Capital management

The Group defines capital as equity, borrowings (note 21) and cash and cash equivalents (note 18). The Group does not have any externally imposed requirements for managing capital, other than those imposed by Company Law.

The Board's objective is to maintain a capital structure that supports the Group's strategic objectives, including but not limited to reshaping the portfolio through mergers and acquisitions. In doing so the Board seeks to:

— Manage funding and liquidity risk

— Optimise shareholder return

— Maintain credit ratings

This strategy is unchanged from the prior year.

The Group has taken initial steps to reshape the portfolio by disposing of its interests in Telecom Vanuatu Limited and Fiji International Telecoms Limited during the year and Cable & Wireless (Bermuda) Holdings and its subsidiaries during the prior year (note 7a) and by acquiring The Bahamas Telecommunications Company completed on 6 April 2011 (note 30).

Funding and liquidity risk are reviewed regularly by the Board and managed in accordance with the policies described in note 35.

The Articles of Association of the Company permit aggregate borrowing up to the higher of three times the adjusted capital and reserves of the Group or US$3 billion.

The Group ensures that sufficient funds and distributable reserves are held to allow payments of projected dividends to shareholders and it intends to target a sustainable and progressive dividend that reflects the underlying cash generation and growth outlook of the business. This process is managed through the Group's budget and longer-term forecasting process.

During the year the Group replaced the US$500 million revolving credit facility and US$100 million term loan facility (originally due to be repaid in 2013) with US$600 million revolving credit facilities due 2016. The Group also issued US$400 million of Senior Secured Notes with a coupon of 8.75% due in 2020 to replace the £200 million bonds maturing in August 2012. The notes were credit rated by Moody's at Ba2 and by Standard and Poor's at BB and during the year the Group has maintained the same credit rating on the US$500 million secured bonds due in 2017.

The sterling unsecured bonds repayable in 2012 and 2019 maintained a rating with Standard and Poor's of B+.

Foreign currency translation and hedging reserve

The foreign currency translation and hedging reserve contains exchange differences on the translation of subsidiaries with a functional currency different to the presentation currency of the Group. It also includes cumulative exchange differences arising on the translation of hedging instruments.

Capital and other reserves

In 2011/12, other reserves included a capital redemption reserve of US$152 million (2010/11 – US$152 million), a revaluation reserve of US$30 million (2010/11 – US$30 million), a fair value reserve of US$16 million (2010/11 – US$11 million), a special reserve of US$2,137 million (2010/11 – US$2,137 million) and a capital reserve of US$987 million (2010/11 – US$1,187 million), less a reserve relating to transactions with non-controlling interests of US$1 million (2010/11 – US$1 million).

The special reserve relates to the cancellation of the share premium account of Cable & Wireless Limited (formerly Cable and Wireless plc) in February 2004. It will reduce from time to time by the amount of any increase in the paid-up share capital and share premium account of Cable & Wireless Limited after 20 February 2004 resulting from the issue of new shares for cash or other new consideration or upon a capitalisation of distributable reserves.

On 26 March 2010, a court-approved capital reduction became effective which had the effect of creating a capital reserve of US$1,931 million which may be released, in whole or in part, to distributable reserves of the Company at the discretion (and upon the resolution) of the Board of Directors or a duly constituted committee of the Board of Directors.

During 2011/12, the Board approved the release of US$200 million from the capital reserve to distributable reserves (2010/11 – US$742 million).

28 Share-based payments

Accounting policy detailed in note 2.11. ►

Share option schemes

The Group does not currently have any outstanding share option awards over its own shares (2010/11 – nil). There are 7,710,684 outstanding share option awards relating to options granted by Cable and Wireless plc to senior employees (2010/11 – 13,705,773 outstanding options). These options were originally granted over Cable and Wireless plc shares at exercise prices between 101 to 154 pence. All options have vested in full. Subsequent to the demerger, these options have been redesignated as an option over a stapled unit of one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc (an unrelated company). The share prices of the two companies at 31 March 2012 were such that the obligation for these stapled unit options was US$nil (at 31 March 2011 – US$nil).

During the year, no options were exercised (2010/11 – 575,000 options at an average share price of 104 pence. 425,000 of these were exercised by senior employees of the Group. The remainder were exercised by senior employees of Cable & Wireless Worldwide plc). 5,995,089 options lapsed during the year (2010/11 – nil).

28 Share-based payments continued

Other equity instrument awards

Performance shares

Executive Directors and other senior executives can receive awards of performance shares at nil cost.

The vesting of outstanding performance shares is subject to Cable & Wireless Communications Plc absolute TSR performance conditions (see performance conditions for share-based award on page 51). A dividend award supplement operates on these awards. Dividends that would have been paid on the performance shares which vest will be regarded as having been reinvested in additional shares at the notional date of distribution.

Prior to the demerger, performance share awards made by Cable and Wireless plc were subject either to relative or to absolute TSR performance of Cable and Wireless plc or the Cable & Wireless Communications business.

Subsequent to the demerger, some individuals' awards were adjusted into an award over shares in Cable & Wireless Communications Plc and some individuals retained their right to an award over one Cable & Wireless Communications Plc and one Cable & Wireless Worldwide plc share for every Cable and Wireless plc share they previously held.

Restricted Share Plan

Restricted shares are awarded to senior management and selected other employees, primarily as a retention or a recruitment tool. Generally, restricted shares vest over periods of one to three years from grant date.

Cable & Wireless Communications Share Purchase Plan

The Company also offered its employees, who are chargeable to income tax under Section 15 Income Tax (Earnings and Pensions) Act 2003, the opportunity to participate in the Cable & Wireless Communications Share Purchase Plan which is a HMRC-approved share incentive plan. Under the Share Purchase Plan, employees can contribute up to £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares in the Company, and the Company offered a matching award of one share for each partnership share purchased. From 13 April 2012, the Share Purchase Plan is no longer offered. The existing shares will remain in the plan until such time as they would ordinarily vest in accordance with plan rules.

The Cable & Wireless Communications Share Ownership Trust

The Cable & Wireless Communications Share Ownership Trust (the Trust) is a discretionary trust, which was funded by loans from Cable and Wireless plc (now Cable & Wireless Limited) to acquire shares in Cable and Wireless plc. Subsequent to the demerger, the shares held by the Trust were converted into one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc for every share in Cable and Wireless plc held.

At 31 March 2012, the Trust held 37,524,230 shares in Cable & Wireless Communications Plc (of which 1,325,300 are shares awarded to the Executive Directors under the Deferred Bonus Plan and which carry dividend rights) and 15,398,747 shares in Cable & Wireless Worldwide plc (2010/11 – 40,054,310 shares in Cable & Wireless Communications Plc and 19,798,744 shares in Cable & Wireless Worldwide plc) with a market value of US$28 million (2010/11 – US$46 million).

Share awards

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

Awards granted during 2011/12 and 2010/11

	Awards of Cable & Wireless Communications Plc shares granted during 2011/12			Awards of Cable & Wireless Communications Plc shares granted during 2010/11		
Award	**Shares**	**Weighted average fair value (pence/share)**	**Features incorporated in schemes**	Shares	Weighted average fair value (pence/share)	Features incorporated in schemes
Restricted shares	–	–	–	577,621	45	–
Restricted shares (LTIP)[1]	**9,108,032**	**44**	–	–	–	–
Share purchase plan scheme (matching shares)	**129,822**	**41**	–	147,264	57	–
Performance shares	**9,237,768**	**17**	**TSR conditions**	7,645,106	30	TSR conditions

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

Only the performance share grants made during 2011/12 and 2010/11 have performance criteria attached. A fair value exercise was completed at 31 March 2012 for grants made during 2011/12 using the Monte Carlo method. The remaining awards had no performance conditions attached.

The Monte Carlo pricing model assumptions used in the pricing of the performance share grants in 2011/12 and 2010/11 were:

	2011/12	2010/11
Weighted average share price (pence per share)	**43.29**	62.85
Dividend yield	**5.0%**	6.0%
Expected volatility	**34.0%**	36.0%
Risk-free interest rates	**1.26%**	1.35%
Expected life in years	**3.0**	3.0

The total expense during the year relating to share-based payments which are equity settled transactions was US$4 million (2010/11 – US$3 million).

A summary of the outstanding share awards at 31 March 2012 and 31 March 2011 are as follows:

	31 March 2012		31 March 2011	
Award	**Number of shares outstanding**	**Weighted average remaining life (rounded to nearest year)**	Number of shares outstanding	Weighted average remaining life (rounded to nearest year)
Restricted shares	**739,176**	**1**	1,964,956	1
Restricted shares (LTIP)	**8,165,822**	**1**	–	–
Restricted shares (subject to TSR condition)	**–**	**–**	5,500,000	–
Share purchase plan scheme (matching shares)	**3,385,093**	**–**	3,432,034	1
Performance shares	**24,901,564**	**1**	18,032,481	2

29 Commitments, guarantees and contingent liabilities

Commitments

The Group had capital commitments at the end of the financial year relating to the purchase of plant and equipment of US$93 million (2010/11 – US$64 million). No provision has been made for these commitments. US$9 million (31 March 2011 – US$12 million) of these commitments relate to the Group's share of the capital commitments of its joint ventures and associates.

In addition, the Group has a number of operating commitments arising in the ordinary course of the Group's business. The most significant of these relate to network operating and maintenance costs. In the event of default of another party, the Group may be liable to additional contributions under the terms of the agreements.

The Group leases land and buildings and networks under various lease agreements. The leases have varying terms, escalations, clauses and renewal rights.

The operating lease expenditure related to the year ended 31 March 2012 is disclosed in note 6a. The aggregate future minimum lease payments under operating leases are:

	31 March 2012 US$m	31 March 2011 US$m
No later than one year	**39**	41
Later than one year but not later than five years	**92**	88
Later than five years	**39**	37
Total minimum operating lease payments	**170**	166

29 Commitments, guarantees and contingent liabilities continued

Guarantees and contingent liabilities

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

	31 March 2012 US$m	31 March 2011 US$m
Trading guarantees	47	38
Other guarantees	39	286
Total guarantees	**86**	324

Trading guarantees principally comprise performance bonds for contracts concluded in the normal course of business, guaranteeing that the Group will meet its obligations to complete projects in accordance with the contractual terms and conditions. The nature of contracts includes projects, service level agreements, installation of equipment, surveys, purchase of equipment and transportation of materials. The guarantees contain a clause that they will be terminated on final acceptance of work to be done under the contract.

Other guarantees include guarantees for financial obligations principally in respect of property, other leases and letters of credit, and include guarantees in respect of the demerged business of Cable & Wireless Worldwide.

The Group has provided guarantees of US$2 million (2010/11 – US$17 million) to third parties in respect of trading contracts between third parties and the Cable & Wireless Worldwide Group. The Cable & Wireless Worldwide Group has agreed a fee schedule for the benefit of these guarantees. To date, the Group has not been required to make any payments in respect of its obligations under these trading guarantees.

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

Whilst Pender, the Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims. Details of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims (note 33).

In addition, the Group, as is considered standard practice in such agreements, has given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Group also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

Whilst the Group has ceased participation in the Merchant Navy Officers Pension Fund (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 nine 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.

30 Business combinations and acquisitions of non-controlling interests

Accounting policy detailed in note 2.5a. ►

The Bahamas Telecommunications Company

On 6 April 2011, the Group acquired 51% of the share capital of The Bahamas Telecommunications Company (BTC) from the Government of the Commonwealth of The Bahamas. BTC is the exclusive mobile operator in The Bahamas as well as a leading provider of fixed line and broadband services. It is complementary to the Group's Caribbean business, LIME, which is the leading full service telecommunications provider in the region.

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

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

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

Goodwill arising on the acquisition of BTC included the value of expected synergies resulting from the integration into the existing business and other intangible assets that did not meet the recognition criteria set out in IAS 38 *Intangible Assets* as they were unable to be separately identified. Acquisition costs related to BTC of US$7 million were recorded in other operating expenses in 2011/12 (2010/11 – US$7 million). A non-controlling interest of US$135 million has been recognised in the 2011/12 accounts as at acquisition date measured at cost.

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

Monaco Telecom

Goodwill in connection with the Group's investment in Monaco Telecom SAM increased by US$33 million during the year (2010/11 – US$19 million increase). The goodwill balance increased as a result of the payment of dividends to the Principality of Monaco, exchange differences and changes in the fair value of the put option.

As part of the acquisition of Monaco Telecom a put option was issued (note 22). Changes in the fair value of this put option are treated as contingent consideration and adjusted against goodwill. Cash dividends paid to the Principality of Monaco reflected an increase in the Group's investment in Monaco Telecom and therefore an increase to goodwill.

Goodwill

	2011/12 US$m	2010/11 US$m
At 1 April	**172**	153
Increase as a result of changes in the fair value of Monaco put option	**27**	4
Dividends paid to the Principality	**17**	7
(Decrease)/increase due to exchange differences	**(11)**	8
At 31 March	**205**	172

31 Related party transactions

Transactions with joint ventures and associates

All trade transactions with joint ventures and associates arise in the normal course of business and primarily relate to fees for use of the Group's products and services, network and access charges. Group subsidiaries had transactions with Telecommunications Services of Trinidad and Tobago Ltd during the year. The transactions were in relation to the sale and purchase of mobile services. In respect of these transactions, US$3 million has been reported within revenue and US$1 million in cost of sales.

During the year, the Group invested US$5 million in Seychelles Cable System Limited which is classified as an associate.

The Group received dividends of US$4 million from joint ventures and associates (2010/11 – US$9 million). At 31 March 2012, joint ventures and associates owed US$2 million (31 March 2011 – US$1 million) in respect of trading balances.

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

Transactions with key management personnel

At 31 March 2011, two Directors held bonds issued by Cable & Wireless Limited and Cable and Wireless International Finance B.V. with a nominal value of US$4,211,156 (£2,630,000) (purchased in prior periods). Both Directors sold their entire holding during the year ended 31 March 2012. The interest earned on these bonds prior to disposal during the year ended 31 March 2012 was US$55,426 of which US$nil remains unpaid at 31 March 2012 (2010/11 – US$354,033 of which US$154,103 remained unpaid at 31 March 2011). A profit of US$790,719 was realised upon the sale of the bonds.

Two Directors' spouses hold bonds issued by Cable & Wireless Limited and Cable and Wireless International Finance BV. These bonds had a nominal value at 31 March 2012 of US$782,383 (£490,000) (31 March 2011 – US$784,588 (£490,000)). The interest earned on those bonds during the year was US$67,530 of which US$1,804 remained unpaid at 31 March 2012 (2010/11 – US$65,378 of which US$2,000 remained unpaid at 31 March 2011).

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

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

Transactions with other related parties

There are no controlling shareholders of the Group. There have been no material transactions with the shareholders of the Group.

Pensions contributions to Group schemes are disclosed in note 26.

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

32 Licences and operating agreements

In all countries in which it operates, the Group holds licences to operate or operating agreements. These licences and operating agreements take a variety of forms and their terms, rights and obligations vary significantly. The Group assumes that it will renew these licences and operating agreements as they expire. Previous history indicates this is the most likely outcome.

The Group is currently in the process of renewing its licences and operating agreements in St Helena, Ascension Islands, Antigua & Barbuda and Montserrat.

Whilst the operating agreements between Monaco Telecom and the Principality of Monaco were not due to expire until 2023, during the last year they were consolidated into a single operating agreement, whose terms took effect from 1 April 2011. The consolidation does not materially affect the terms under which Monaco Telecom operates its business.

Additionally, effective from 1 September 2011, Guernsey's 2G and 3G mobile licences were consolidated into a single mobile licence. The consolidation does not materially affect the terms under which the Group operates its Guernsey business.

The Group does not have any concession agreements with Governments that fall within the scope of IFRIC 12 *Service Concession Arrangements*.

On demerger of the Cable & Wireless Worldwide business, the Cable & Wireless brand was transferred to a joint venture entity owned by, and for the continuing use of, the Cable & Wireless Communications and Cable & Wireless Worldwide Groups. As part of this transfer, Cable & Wireless Communications received a royalty-free licence, granting rights to use the Cable & Wireless brand in all of the Group's jurisdictions with the exception of Macau and North and West Africa, which are branded differently. Further, the Group retains a licence to use the Cable & Wireless logo globally.

There were no other significant changes to the terms of the licences held by the Group's subsidiaries or operating agreements with Governments during the periods presented.

33 Legal proceedings

In the ordinary course of business, the Group is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgement relating to provisions and contingent liabilities is required since the outcome of litigation is difficult to predict. The Group does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Group.

34 Subsidiaries, joint ventures and associates

Accounting policy detailed in note 2.1. ►

The Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affect the financial statements.

	Issued share capital (million)	Ownership %	Class of shares	Country of incorporation	Area of operation
Subsidiaries					
The Bahamas Telecommunications Company Ltd[5]	255	51	Ordinary	The Bahamas	The Bahamas
Cable & Wireless Jamaica Ltd	16,817	82	Ordinary	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	316	49	Ordinary	Panama	Panama
Companhia de Telecomunicacoes de Macau, SARL[2]	150	51	Ordinary	Macau	Macau and China
Cable & Wireless (Barbados) Ltd	72	81	Ordinary	Barbados	Barbados
Cable and Wireless (West Indies) Ltd	5	100	Ordinary	England	Caribbean
Dhivehi Raajjeyge Gulhun PLC (Dhiraagu)	190	52	Ordinary	Maldives	Maldives
Monaco Telecom SAM[4]	2	49	Ordinary	Monaco	Monaco
Cable & Wireless Ltd	656	100	Ordinary	England	England
Sable International Finance Ltd	–	100	Ordinary	Cayman	England
Cable and Wireless International Finance BV	1	100	Ordinary	Netherlands	England
Joint ventures and associates					
Cable & Wireless Trademark Management Ltd	–	50	Ordinary	England	N/A
Telecommunications Services of Trinidad and Tobago Ltd[3]	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago

1 The Cable & Wireless Communications Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.
2 This company has a financial year end of 31 December due to the requirements of the shareholders' agreement.
3 This company is audited by a firm other than KPMG Audit Plc and its international member firms.
4 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement. See below for further discussion.
5 From 6 April 2011.

On 18 June 2004, the Group acquired 55% of Monaco Telecom, a Monaco-based telecommunications service provider, from Vivendi Universal. Simultaneously with the acquisition, Cable & Wireless Communications transferred legal ownership of 6% of the shares of Monaco Telecom to an unrelated third party. The Group contractually retained voting and economic rights in the shares as part of the arrangement. In addition, the 6% interest is subject to certain put and call options that, together with the retained voting and economic rights, provide full management control of Monaco Telecom to the Group.

The Group has also entered into a shareholders' agreement with the Principality of Monaco (Principality) that contains, among other provisions, mutual pre-emption rights on transfer of shares and certain other limited rights in favour of the Principality. The Principality has a put option entitling it to put its 45% shareholding in Monaco Telecom to the Group in one or several instalments until 30 April 2019. The exercise price under the put option is fair market value, taking into account the nature of the minority stake in Monaco Telecom (note 22).

Full details of all subsidiary undertakings, joint ventures and associates and trade investments will be attached to the Company's next Annual Return, to be filed with the Registrar of Companies in England and Wales.

35 Financial risk management

Treasury policy

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. Day to day management of treasury activities is delegated to the Group's treasury function (Treasury), within specified financial limits for each type of transaction and counterparty.

To the extent that subsidiaries undertake treasury transactions, these are governed by Group policies and delegated authorities. Material subsidiary positions are monitored by Treasury. Where appropriate, transactions are reported to the Board. All subsidiaries are required to report details of their cash and debt positions to Treasury on a monthly basis.

The key responsibilities of Treasury include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the Group's cash resources (including facilities) and borrowings are managed centrally by Treasury.

The Group may use derivatives including forward foreign exchange contracts, interest rate swaps, cross-currency swaps and options, where appropriate, in the management of its foreign currency and interest rate exposures. The use of these instruments is in accordance with strategies agreed from time to time by Treasury and subject to policies approved by the Board. Derivatives are not used for trading or speculative purposes and derivative transactions and positions are monitored and reported by Treasury on a regular basis and are subject to policies adopted by the Board.

Exchange rate risk

The Group trades in many countries and a proportion of its revenue is generated in currencies other than US dollars, notably in euros, Maldivian rufiyaa, sterling and Jamaican dollars. The Group is exposed to movements in exchange rates in relation to non-US dollar currency payments (including external dividends, the London corporate centre costs, pension and share buy-back costs), dividend income from foreign currency denominated subsidiaries, reported profits of foreign currency denominated subsidiaries and the net asset carrying value of non-US dollar investments. Exchange risk is managed centrally by the London corporate centre on a matching cash flow basis including forecast foreign currency cash repatriation inflows from subsidiaries and forecast foreign currency payments. See note 2.3 for key exchange rates used.

Where appropriate, the Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created where currencies do not naturally offset in the short term. The Group will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Group where appropriate. Where cost-effective and possible, foreign subsidiaries are financed in their domestic currency to minimise the impact of translation of foreign currency denominated borrowings.

As part of the overall policy of managing the exposure arising from foreign exchange movements relating to the net carrying value of overseas investments, the Group may, from time to time, elect to match certain foreign currency liabilities against the carrying value of foreign investments.

The reported profits of the Group are translated at average rates of exchange prevailing during the year. Overseas earnings are predominately in US dollars or currencies linked to the US dollar. However, the Group also has overseas earnings in other currencies.

The Group is exposed to foreign currency risk in relation to financial instruments which are not in the functional currency of the entity that holds them. In broad terms, based on financial assets and liabilities as at 31 March 2012 the impact of a unilateral 10% weakening of the US dollar would have been to decrease profit by approximately US$30 million (at 31 March 2011 – US$23 million).

Interest rate risk

The Group is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. Treasury may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate.

At 31 March 2012, 86% (31 March 2011 – 81%) of the Group's loans were at a fixed rate. A reduction in interest rates would have an unfavourable impact upon the fair value of the Group's fixed rate loans. However, no debt is held for trading purposes and it is intended that it will be kept in place until maturity. As a result, there is no exposure to fair value loss on fixed rate borrowings and, as such, its effect has not been modelled.

A one percentage point increase in interest rates will have a US$3 million (2010/11 – US$3 million) impact on the income received from the surplus cash balances of the Group and a US$2 million (2010/11 – US$3 million) impact on the floating rate loans of the Group. The impact on equity is limited to the impact on profit or loss.

Credit risk

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. The carrying amount of the financial assets of the Group represents the maximum credit exposure of the Group. Management seeks to reduce this credit risk by ensuring the counterparties to all but a small proportion of the Group's financial instruments are the core relationship banks. These banks are awarded a maximum credit limit based on ratings by Standard & Poor's and Moody's, the level of the banks' credit default swap (CDS) and its associated level of tier one capital. The credit limit assigned to counterparties is monitored on a continuing basis. These limits reflect exposure for the Group as a whole to any one counterparty in a range of US$25 million to US$100 million.

The Group Treasury policy approved by the Board contains limits on exposure and prescribes the types of instrument used for investment of funds.

Credit risk on receivables is discussed in note 16.

Liquidity risk

The Group ensures that the operating units manage their own operational liquidity supported by the London corporate centre, which manages its own liquidity to meet its financial obligations of servicing and repaying external debt, external dividends, London costs and strategic initiatives. The principal source of liquidity for the London corporate centre is repatriation cash inflows from the operating units supported by bank finance, bond issuances and asset disposals.

At 31 March 2012, the Group had cash and cash equivalents of US$312 million. These amounts are highly liquid and are a significant component of the Group's overall liquidity and capital resources, which also includes the undrawn revolving credit facilities of US$600 million. During the year, the Group entered into a new high yield bond for US$400 million, secured until 2020.

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also regularly assess the balance of capital and debt funding of the Group.

Approximately 40% of the Group's cash is invested in short-term bank deposits and money market funds (2010/11 – 39%).

Certain foreign subsidiaries operate in jurisdictions which may restrict the ability to repatriate cash to the Group from time to time. Where restrictions are severe, local cash balances are excluded from cash and cash equivalents.

36 Reconciliation of non-GAAP measures

Reconciliation of operating profit to EBITDA

	2011/12 US$m	2010/11 US$m
Total operating profit	**247**	536
Depreciation and amortisation	**358**	321
LTIP charge	**–**	24
Net other operating expense	**12**	28
Share of profit after tax of joint ventures and associates	**(26)**	(31)
Exceptional items	**310**	(6)
EBITDA	**901**	872

The Group uses EBITDA as a key performance measure as it reflects the underlying operational performance of the businesses. EBITDA is not a measure defined under IFRS. It is calculated as earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating and non-operating income and expense and exceptional items.

Reconciliation of basic Earnings Per Share (EPS) to Adjusted EPS

	2011/12 US cents	2010/11 US cents
(Loss)/earnings per share attributable to owners of the Parent Company	**(3.1)**	7.6
LTIP charge	**–**	0.9
Exceptional items[1]	**9.4**	(0.3)
Amortisation of acquired intangibles[1]	**0.5**	0.4
Transaction costs and gain on disposal of businesses	**(0.3)**	(1.4)
Adjusted EPS attributable to owners of the Parent Company	**6.5**	7.2
Weighted average number of shares (million)	**2,506**	2,607

1 Excluding amounts attributable to non-controlling interests.

Adjusted EPS is before exceptional items, LTIP charge, transaction costs, gain/(loss) on disposal of businesses and amortisation of acquired intangibles.

37 Events after the reporting period

Accounts approval

These accounts were approved by the Board of Directors on 23 May 2012 and authorised for issue.

Company balance sheet
as at 31 March 2012

	Note	31 March 2012 US$m	31 March 2011 US$m
Fixed assets investments			
Investments in subsidiaries	6	**6,093**	6,089
Current liabilities			
Creditors: amounts falling due within one year	7	**4,305**	4,035
Net current liabilities		**(4,305)**	(4,035)
Net assets		**1,788**	2,054
Capital and reserves			
Called-up share capital	8	**133**	133
Share premium	9	**97**	97
Reserves	9	**1,558**	1,824
Equity shareholders' funds		**1,788**	2,054

The notes on pages 114 to 117 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 112 to 117 were approved by the Board of Directors on 23 May 2012 and signed on its behalf by:

Tony Rice Chief Executive

Tim Pennington Chief Financial Officer

Cable & Wireless Communications Plc Registered number – 07130199

Reconciliation of movements in equity shareholders' funds for the Company

for the year ended 31 March 2012

	2011/12 US$m	2010/11 US$m
(Loss)/profit for the year	(2)	130
Issue of share capital	–	37
Share-based payments	4	3
Cash received in respect of employee share schemes	–	1
Own shares purchased	(66)	(34)
Equity element of the convertible bond	–	(2)
Dividends	(202)	(205)
Decrease in equity shareholders' funds	(266)	(70)
Opening equity shareholders' funds	2,054	2,124
Closing equity shareholders' funds	1,788	2,054

The notes on pages 114 to 117 are an integral part of the financial statements of the Company.

Notes to the financial statements
for the year ended 31 March 2012

1 Statement of accounting policies

1.1 Basis of preparation

The Company's financial statements have been prepared in accordance with accounting standards applicable under generally accepted accounting principles in the United Kingdom and the provisions of the Companies Act 2006. They have been prepared on the historical cost basis where appropriate.

These financial statements set out the position of the Company and not the Cable & Wireless Communications Group (the Group) which it heads. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The Company is exempt under FRS 29 *Financial Instruments: Disclosures* from the requirement to provide its own financial instruments disclosures on the grounds that they are included in publicly available consolidated financial statements which include disclosures that comply with the IFRS equivalent standard.

The financial statements are presented in US dollars (US$), as this is the functional currency of the Company at 31 March 2012, and rounded to the nearest million.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

FRS 18 *Accounting Policies* requires that a description of the impact of any change in estimation techniques should be provided where the change has a material impact on the reported results for the year.

1.2 Investments in subsidiaries

Investments in subsidiaries are included in the balance sheet at historical cost less any impairments recognised. Impairment reviews are carried out whenever events or changes in circumstances indicate that the carrying amount of the investment may not be fully recoverable. Impairments are determined by comparing the carrying value of the investment in the subsidiary to its recoverable amount, being the higher of the subsidiary's fair value less costs to sell and its value in use. Fair value represents market value in an active market. Value in use is determined by discounting future cash flows arising from the subsidiary with reference to the Group's own projections using pre-tax discount rates which represent the estimated weighted average cost of capital for the Company. Impairments are recognised in profit or loss.

1.3 Financial instruments

Financial assets and liabilities

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Company currently does not hold or classify any financial assets under these categories. The basis of determining fair values is set out in note 1.4.

Management determines the classification of its financial assets at initial recognition in accordance with FRS 26 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through profit or loss.

Recognition and measurement

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

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

1.4 Fair value estimation

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

1.5 Tax

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

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

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

1.6 Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

1.7 Share-based compensation

The 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 in the subsidiary companies over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the 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 profit and loss.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised. The Company recognises an additional investment in subsidiaries equivalent to the equity instruments granted, being a capital contribution to those subsidiaries.

2 Company's profit and loss account

The Company has taken advantage of the exemption contained in section 408(3) of the Companies Act 2006 and has not presented its own profit and loss account. The loss for the year ended 31 March 2012 amounted to US$2 million (2010/11 – US$130 million profit).

3 Remuneration of Directors

Information covering Directors' remuneration is disclosed in note 6c to the consolidated financial statements. Interests in shares, share options and pension benefits are set out in the Directors' remuneration report on pages 44 to 57 and have been borne by a subsidiary company.

4 Staff numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the year was nil (2010/11 – nil). Their costs for the year ended 31 March 2012 were US$nil (2010/11 – US$nil).

5 Share-based payments

Accounting policy detailed in note 1.7. ►

The details of share option schemes and other share-based plans are disclosed in note 28 to the consolidated financial statements.

The total additional investment in subsidiaries relating to equity settled share-based payments was US$4 million (2010/11 – US$3 million).

6 Fixed asset investments

Accounting policy detailed in note 1.2. ►

	Subsidiary undertakings US$m
Cost	
At 1 April 2010	6,086
Capital contribution (note 5)	3
At 1 April 2011	6,089
Capital contribution (note 5)	4
At 31 March 2012	**6,093**
Net book value	
At 31 March 2012	**6,093**
At 31 March 2011	6,089

7 Creditors

	31 March 2012 US$m	31 March 2011 US$m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	**4,305**	4,031
Other creditors	**–**	4
Total creditors	**4,305**	4,035

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

8 Called-up share capital

On 12 August 2010, the Company issued 41,039,703 ordinary shares of US5 cents each with a cash equivalent value of US$37 million as payment for dividends by scrip. This was a non-cash transaction.

	Number of shares ('000)	US$m
At 1 April 2010	2,624,572	131
Allotted under scrip dividends	41,040	2
At 31 March 2011 and 31 March 2012	**2,665,612**	**133**

9 Share capital and reserves

	Share capital US$m	Share premium US$m	Other reserve US$m	Profit and loss account US$m	**Total US$m**
At 1 April 2011	133	97	1,187	637	**2,054**
Loss for the year	–	–	–	(2)	**(2)**
Transfers to retained earnings	–	–	(200)	200	**–**
Share-based payments	–	–	–	4	**4**
Own shares purchased	–	–	–	(66)	**(66)**
Dividends	–	–	–	(202)	**(202)**
At 31 March 2012	**133**	**97**	**987**	**571**	**1,788**

The other reserve relates to the cancellation of the B shares and the capital reduction occurring on the demerger of the Cable & Wireless Worldwide business. The other reserve may be treated as realised profit, subject to the resolution of the Directors.

In 2011/12 the Board of Directors approved the release of US$200 million from the capital reserve to distributable reserves (2010/11 – US$742 million).

Share buy-back

Share buy-back information is detailed in note 27 to the consolidated financial statements.

At 31 March 2012, a total of 137,488,873 shares were classified as treasury shares (31 March 2011 – 42,762,000). This represented 5% of called-up share capital at the beginning of the year (2010/11 – 2%).

10 Related party transactions

Under FRS 8 *Related Party Disclosures*, the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless Communications Group, or investees of the Group qualifying as related parties, as all of the Company's voting rights are controlled within the Group.

Related party transactions are detailed in note 31 to the consolidated financial statements.

11 Subsidiaries, joint ventures and associates

Principal subsidiaries, joint ventures and associates are detailed in note 34 to the consolidated financial statements.

The Group comprises a large number of companies and it is not practical to include all of them. The list therefore only includes those companies whose results or financial position, in the opinion of the Directors, principally affects the figures shown in the financial statements.

The Company does not have any direct investment in the subsidiaries and joint ventures and associates listed in note 34 to the consolidated financial statements, with the exception of Cable & Wireless Limited.

Full details of all subsidiary undertakings, joint ventures and associates and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies in England and Wales.

12 Dividends

Accounting policy detailed in note 1.6. ►

Dividend information is detailed in note 10 to the consolidated financial statements.

13 Commitments

The Company had no capital commitments at 31 March 2012 (31 March 2011 – no capital commitments).

14 Guarantees and contingent liabilities

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

Whilst Pender, the Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims. Details of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims.

In addition, the Company, as is considered standard practice in such agreements, has given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Company also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

Shareholder information

Registrar
If you have any queries regarding your shareholding in Cable & Wireless Communications Plc, please contact:

Equiniti
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
Telephone 0871 384 2104[1] (UK shareholders)
+44 (0)121 415 7052 (overseas shareholders)

Shareholders can view up-to-date information about their shareholding at www.shareview.co.uk

ShareGift
If you have a small number of shares whose value makes them uneconomic to sell, you may wish to consider donating them to charity. ShareGift is a registered charity (no. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. Further information about ShareGift and the charities it supports is available at www.ShareGift.org or by contacting them at:

17 Carlton House Terrace
London SW1Y 5AH
Telephone +44 (0)20 7930 3737

Registered Office and Company Secretary
The Company's Registered Office and Head Office is:

3rd Floor, 26 Red Lion Square
London WC1R 4HQ
Telephone +44 (0)20 7315 4000

Clare Underwood is the Company Secretary

Investor Relations
Enquiries may be directed to:

Head of Investor Relations
3rd Floor, 26 Red Lion Square
London WC1R 4HQ
Telephone +44 (0)20 7315 4000
Email: investor.relations@cwc.com

Financial calendar

Event	Date
Ex-dividend date	30 May 2012
Record date	1 June 2012
Last date for election to join dividend reinvestment plan for August 2012 dividend	13 July 2012
Last date for election to receive dividend in US dollars	13 July 2012
Notification of sterling dividend payment amount	19 July 2012
AGM	20 July 2012
Payment of final dividend	10 August 2012
Announcement of interim results 2012/13	8 November 2012

Updates to the financial calendar will be available on the Company's website www.cwc.com when they become available.

Dividends
Dividends are declared by the Company in US dollars. The default payment currency for dividends is sterling and shareholders may elect to receive payment in US dollars. The actual sterling amount of any dividend payable by the Company from time to time will be based on the sterling/US dollar exchange rate in effect on a date chosen by the Directors nearer to the relevant payment date.

A Currency Mandate Form to receive dividends in US dollars may be requested from Equiniti or can be found on the Company's website www.cwc.com. Any election to receive dividends in US dollars will remain in force until cancelled.

The table below sets out the US dollar amounts of the interim, final and total gross dividends paid or proposed per ordinary share.

		Cents per ordinary share	
Year ended	Interim	Final	Total
31 March 2011	2.67	5.33	8.00
31 March 2012	2.67	5.33	8.00

If your dividend is paid directly into your bank or building society, you will receive one consolidated tax voucher each year, which is sent to you in January at the time that the interim dividend is paid. If you would prefer to receive a tax voucher with each dividend, please contact our shareholder helpline on 0871 384 2104[1].

If your dividend is not currently paid direct to your bank or building society and you would like to benefit from this service, please contact our shareholder helpline on 0871 384 2104[1]. By receiving your dividends in this way you can avoid the risk of cheques getting lost in the post. It is also now possible for shareholders in over 30 countries worldwide to benefit from a similar service. Further information can be obtained from www.shareview.co.uk or by calling +44 (0)121 415 7052.

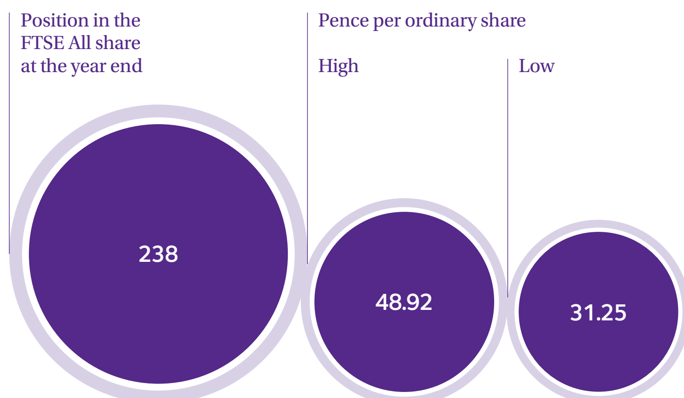
Cable & Wireless Communications Plc offer a dividend reinvestment plan. Shareholders wishing to join the dividend reinvestment plan should return a completed mandate form to the Registrar, Equiniti. Copies of the dividend reinvestment plan brochure can be obtained either from Equiniti or from our website, www.cwc.com.

Cable & Wireless Communications Plc trading market
The Company's shares are traded on the London Stock Exchange. The Company had a market capitalisation of approximately £816 million on 31 March 2012.

1 Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

The table below details the position in the FTSE All Share and the high and low middle market quotations for the ordinary shares on the London Stock Exchange as reported on its Daily Official List.

31 March 2012



LSE ticker: CWC.
ISIN: GB00B5KKT968

Electronic communication
Together with Equiniti, Cable & Wireless Communications Plc is able to offer shareholders the option to manage their shareholding online. To make use of this facility, please register at www.shareview.co.uk following the onscreen instructions.

The Company also offers shareholders the option to receive communications from the Company electronically as an alternative to receiving documents through the post.

Unsolicited mail
Company law allows people unconnected with the Company to obtain a copy of our share register. As a consequence, shareholders may receive unsolicited mail, including mail from unauthorised investment firms. For more information on unauthorised investment firms targeting UK investors, you should visit the website of the Financial Services Authority (www.fsa.gov.uk/consumerinformation/scamsandswindles/safe).

If you wish to limit the amount of unsolicited mail you receive, please contact:

The Mailing Preference Service
DMA House
70 Margaret Street
London W1W 8SS
Telephone 0207 291 3310
Online www.mpsonline.org.uk

Documents on display
Shareholders can view the service contracts of Executive Directors and the letters of appointment of Non-executive Directors at the Company's Registered Office. Shareholders may also obtain copies of the Company's Memorandum and Articles of Association at the Company's Registered Office or on the website (www.cwc.com).

Distribution and classification of Cable & Wireless Communications Plc shareholdings

Shares at 31 March 2012	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	57,661	66.95	24,668,769	0.93
1,001–10,000	25,900	30.07	67,920,781	2.55
10,001–100,000	2,098	2.44	49,279,493	1.85
100,001–1,000,000	295	0.34	106,864,681	4.01
1,000,001 and over	176	0.20	2,416,878,033	90.66
Total	86,130	100	2,665,611,757	100

At 23 May 2012, the Company had 85,665 shareholders on record.

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Porthcurno
telegraph museum

The important role that telecommunications played in the past and its ongoing contribution to societies around the world today is captured in the exhibitions and archives of the Porthcurno Telegraph Museum in Cornwall.

World class collection

Porthcurno Bay, in the far west of Cornwall, occupies an important position in history as one of the most strategically important communications sites in mainland Britain.

As the landing point of Britain's first undersea cable, laid in 1870 by the Eastern Telegraph Company (later to be renamed Cable & Wireless), Porthcurno grew to house the world's largest submarine telegraph station. Telegraph technology, the use of electrical pulses to send morse code messages, was a breakthrough in communications enabling people to communicate internationally for the first time. This communications hub became so strategically important to Britain that during World War II the telegraph station was moved into underground tunnels to hide it from enemy attack. Porthcurno later became home to the Cable & Wireless international training college, a leading training institution for telegraph technology.

Following the closure of the telegraph station in 1970 and the training school in 1993, the Porthcurno (PK) Trust was formed to run the Porthcurno Telegraph Museum, to preserve and promote the unique history of the site and collection.

History of the Company

Cable & Wireless Communications is proud to sponsor the Porthcurno Telegraph Museum and the PK Trust. The Trust maintains the historical archive of the old Cable & Wireless Group, from staff records to artefacts from the Company and the places touched by the Cable & Wireless telegraph service. The museum is an educational charity, focused on the history of science and innovation.

It is housed in heritage listed buildings, including the secret underground tunnels built in 1941. The Porthcurno Telegraph Museum provides a great day out for young and old alike.

Tel: +44 (0) 1736 810 966
www.porthcurno.org.uk

Addressees of the Annual report
This Annual report is addressed solely to the members of Cable & Wireless Communications Plc as a body, to assist them in assessing the strategies adopted by the Company and the potential for those strategies to succeed. Neither the Company nor its Directors accept or assume responsibility to any person for this Annual report or any responsibility to update any statements in this Annual report, save as required by applicable laws or regulation.

Cautionary statement regarding forward looking statements
This Annual report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable & Wireless Communications' plans and objectives, to differ materially from those expressed or implied in the forward looking statements. Furthermore, nothing in this Annual report should be construed as a profit forecast. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Summaries of the potential risks faced by Cable & Wireless Communications are set out on pages 28 to 31.

Cable & Wireless Communications cannot guarantee future results, levels of activity, performance or achievements. Cable & Wireless Communications undertakes no obligation to revise or update any forward looking statement contained within this Annual report, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by applicable laws or regulation.

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