Company Registration No. 238525

Cable & Wireless Limited

Directors' report and financial statements

31 March 2011

Registered Office:

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London WC1R 4HQ

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DIRECTORS' REPORT

The Directors present their Directors' report and the audited financial statements for the year ended 31 March 2011.

Principal activities and business review

The principal activity of the Company is that of a Group holding company. At the end of 2009/10, the Company ceased to be the ultimate Parent Company of the Cable & Wireless Group. The Company no longer receives management fees from Group companies.

The Company's loss for the year after taxation amounted to US$184 million (2009/10 - US$344 million). This was after a one-off pension contribution of US$150 million.

The Directors have also revised their accounting policy on Investments in Group Undertakings. More details can be found in note 32.

Group reorganisation and demerger of the Cable & Wireless Worldwide business

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

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

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

As part of the demerger, the Company transferred the entire share capital of a subsidiary of the Company, Cable & Wireless UK Holdings Limited (the parent entity of the Worldwide group of companies) and the Cable & Wireless Worldwide Brand, to Cable & Wireless Communications Plc, the ultimate parent company. Cable & Wireless UK Holdings Limited was subsequently demerged from the Group and renamed Cable & Wireless Worldwide plc.

Demerger of the Cable & Wireless Worldwide pension scheme

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

A portion of the scheme assets and pension obligations of the Cable & Wireless Superannuation Fund (CWSF), a plan operated by the former Cable & Wireless Group, was to be transferred to the Cable & Wireless Worldwide Retirement Plan (CWWRP), a new plan operated by the Cable & Wireless Worldwide Group. The pension obligations transferred to Cable & Wireless Worldwide plc were determined based on members' last known employer.

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

Key performance indicators

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

	2010/11 US$m	2009/10 US$m
Operating loss	(168)	(51)
Dividends received from Group undertakings and joint ventures	1	27
Interest payable and similar charges	(116)	(129)

The operating loss has increased from the prior year due to the cessation of management fees being received from Group companies and due to contributions made to the Group-wide pension scheme. As permitted by FRS 17 *Retirement Benefits* the accounting in these financial statements is as if the scheme was a defined benefit scheme (note 21). Dividends received from Group undertakings and joint ventures has decreased due to less dividends from operating subsidiary undertakings being passed up to the Company through intermediate Group holding companies in the current year. The decrease in interest payable and similar charges relates to reduced exchange losses on foreign currency denominated loans, partially offset by additional interest costs on loans with Group companies.

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

Principal risks and uncertainties

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

Investments

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

Foreign exchange

Given the Group's geographical spread, a portion of the Company's income from Group undertakings originates outside US dollar economies. This income and associated investments are exposed to exchange rate fluctuations as a result of the geographical allocation of the Group's income and expenses. The Company is also exposed to foreign exchange fluctuations on its loans denominated in foreign currencies. This factor creates a potential risk of adverse financial impact to the Company. Short-term exchange rate fluctuations are often offset naturally. We also manage this risk by using foreign exchange hedging contracts (see note 15 to the financial statements) against forecast US dollar repatriation and sterling obligations regarding the 2012 bond.

Pensions

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

Interest costs

The Company holds a number of loans with third parties and Group undertakings on which it is exposed to interest rate fluctuations. This risk is actively managed by the Group Treasury function. In addition, the major part of the Company's third party debt comprises of fixed coupon bonds (see note 19).

Litigation

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

Dividends

The aggregate amount of dividends paid in the year was $130 million (£90 million) (2009/10 - $355 million).

Share capital and treasury shares

No treasury shares were acquired during the year. At 31 March 2011 and 31 March 2010 there were no shares in treasury. In March 2010, 28 million treasury shares were transferred to The Cable & Wireless Communications Share Ownership Trust, (formerly the Cable and Wireless Employee Share Ownership Plan), to fulfil the requirements of the outstanding employees' share awards.

Directors

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

TL Pennington
NI Cooper
C Underwood

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

Disclosure of information to auditors

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

Auditors

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

By order of the board:

C Underwood
Company Secretary

Dated: 14 July 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

Directors’ statement pursuant to the Disclosure and Transparency Rules

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

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

- The management report contained within the Directors’ report includes a fair review of the development and performance and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Independent Auditor’s Report To The Members Of Cable & Wireless Limited

We have audited the financial statements of Cable & Wireless Limited (the Company) for the year ended 31 March 2011 set out on pages 6 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 company's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square,
London,
E14 5GL
Dated: 14 July 2011

Profit and loss account

For the year ended 31 March 2011

		2010/11			2009/10		
	Note	**Pre-exceptional items US$m**	**Exceptional items US$m**	**Total US$m**	Pre-exceptional items US$m	Exceptional items US$m	Total US$m
Other operating income	3	**-**	**-**	**-**	60	-	60
Administrative expenses	4,5,6	**(28)**	**(140)**	**(168)**	(63)	(48)	(111)
Operating loss		**(28)**	**(140)**	**(168)**	(3)	(48)	(51)
Income from shares in Group undertakings and joint ventures	7	**1**	**-**	**1**	27	-	27
Other non-operating income	8,11	**65**	**12**	**77**	54	66	120
Other non-operating expenses	8,11	**(5)**	**-**	**(5)**	(33)	(281)	(314)
Interest receivable and similar income	9	**22**	**-**	**22**	8	-	8
Interest payable and similar charges	10	**(116)**	**-**	**(116)**	(129)	-	(129)
Loss on ordinary activities before income tax		**(61)**	**(128)**	**(189)**	(76)	(263)	(339)
Tax credit /(expense) on loss on ordinary activities	12	**5**	**-**	**5**	(5)	-	(5)
Loss for the financial year		**(56)**	**(128)**	**(184)**	(81)	(263)	(344)

Statement of total recognised gains and losses

For the year ended 31 March 2011

	2010/11 US$m	*Restated* 2009/10 US$m
Loss for the financial year	**(184)**	(344)
Actuarial losses on pension schemes	**(1)**	-
Cash received in respect of employee share schemes	**1**	6
Share-based payment costs	**-**	9
Fair value gains on assets held-for-sale	**2**	-
Exchange differences	**-**	202
Total recognised gains and losses for the financial year	**(182)**	(127)

The Company has changed its accounting policy on Investments in Group undertakings. Please refer to note 32 for further details.

Balance sheet

As at 31 March 2011

	Note	**2011 US$m**	2010 US$m
Fixed assets investments			
Shares in Group undertakings	14	**12,413**	12,370
Shares in joint ventures	14	**6**	6
Investments			
Held to maturity investments	15	**85**	79
Available-for-sale investments	15	**31**	30
		12,535	12,485
Current assets			
Debtors: amounts falling due within one year	16	**4,041**	3,860
Available-for-sale investments	15	**-**	364
Cash at bank and in hand		**7**	3
Financial assets at fair value through profit or loss	15	**65**	104
		4,113	4,331
Current liabilities			
Creditors: amounts falling due within one year	17	**(10,306)**	(10,072)
Liabilities at fair value through profit or loss	18	**-**	(30)
		(10,306)	(10,102)
Net current liabilities		**(6,193)**	(5,771)
Total assets less current liabilities		**6,342**	6,714
Creditors: amounts falling due after one year	19	**(316)**	(333)
Provisions for liabilities and charges	20	**(11)**	(55)
Pensions and similar obligations	21	**(38)**	(34)
Net assets		**5,977**	6,292
Capital and reserves			
Called-up share capital	22	**976**	976
Share premium account	23	**374**	374
Profit and loss account	23	**2,217**	2,534
Other reserves	23	**2,410**	2,408
Shareholder's funds		**5,977**	6,292

The accompanying notes on pages 9 to 38 are an integral part of the financial statements of the Company.

The financial statements of the Company were approved by the Directors on 14 July 2011 and signed on its behalf by:

C Underwood
Director
Cable & Wireless Limited
Registered Number: 238525

Reconciliation of movements in shareholders' funds

For the year ended 31 March 2011

	Note	**2011 US$m**	2010 US$m
Loss for the financial year		**(184)**	(344)
Dividends		**(130)**	(355)
Actuarial losses on pension schemes		**(1)**	-
Cash received in respect of employee share schemes		**1**	6
Shares allotted under share option schemes		**(3)**	19
Shares allotted under scrip dividend scheme		**-**	87
Own shares purchased		**-**	(2)
Share-based payment costs		**-**	9
Equity component of convertible bond acquired		**-**	36
Equity component of convertible bond disposed of		**-**	(34)
Reclassification of ESOP shares		**-**	59
Fair value gains on assets held for sale		**2**	-
Exchange difference on translation		**-**	202
Decrease in shareholders' funds		**(315)**	(317)
Prior year adjustment	32	**-**	(129)
Opening shareholders' funds		**6,292**	6,738
Closing shareholders' funds		**5,977**	6,292

The Company has changed its accounting policy on Investments in Group undertakings. Please refer to note 32 for further details.

The accompanying notes on pages 9 to 38 are an integral part of the financial statements of the Company.

1 Statement of accounting policies

1.1 Accounting Policies

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

The Company has changed its accounting policy on Investments in Group undertakings. Please refer to note 32 for further details.

1.2 Basis of preparation

The Company’s financial statements have been prepared in accordance with accounting standards applicable under generally accepted accounting principles in the United Kingdom and the provisions of the Companies Act 2006. They have been prepared on the historical cost basis where appropriate.

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

Under FRS1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A consolidated cash flow statement is included in the financial statements of Cable & Wireless Communications Plc in which the Company is consolidated and which are publicly available from the address in note 26.The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company’s financial statements.

As a result of the Group reorganisation, the functional currency of the new ultimate Parent Company, CWC Plc, and the majority of trading and financing companies of the Group, of which the Company is a member, changed to US dollars in the prior year. In respect of the Company, the Directors consider the US dollar to be the functional currency reflecting the economic effects of the underlying transactions, events and conditions for the Company. The Company has therefore presented its financial statements in US Dollars. The principal exchange rates used in preparing the Group financial statements are as follows:

	Year ended 31 March 2011	Year ended 31 March 2010
US$: £		
Average	**1.5465**	1.5904
Year end	**1.6012**	1.4884

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

The Company is exempt under FRS 29 *Financial Instruments: Disclosures* from the requirement to provide its own financial instruments disclosures on the grounds that they are included in publicly available consolidated financial statements which include disclosures that comply with the IFRS equivalent standard.

1.3 Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

FRS 18 *Accounting Policies* requires that a description of the impact of any change in estimation techniques should be provided where the change has a material impact on the reported results for the period.

1.4 Investments in Group undertakings and joint ventures

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

The Company has changed its accounting policy on Investments in Group undertakings. Please refer to note 32 for further details.

1.5 Financial instruments

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The basis of determining fair values is set out in note 1.6.

Management determines the classification of its financial assets at initial recognition in accordance with FRS 26 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through profit or loss.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within a year of the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Purchases and sales of financial assets are recognised on trade-date (the date on which the Company commits to purchase or sell the asset).

Receivables

Receivables are non-derivative financial assets with fixed or determinable receipts that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a third party or Group undertakings with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than one year after the balance sheet date (these are classified as non-current assets).

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

Recognition and measurement
Available-for-sale financial assets are recognised and are subsequently carried at fair value. Receivables are carried at amortised cost using the effective interest method. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus directly attributable transaction costs.

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

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

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

Loans
Loans are recognised initially at fair value net of directly attributable transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the loans using the effective interest method.

Convertible bonds issued by the Company were initially recognised at fair value. The bond was separated into a liability and equity component. The liability component was recognised at amortised cost. The equity component represented the residual of the fair value of the bond less the liability component. The liability component was subsequently measured on an amortised cost basis.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

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

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

1.7 Pensions

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

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

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

1.8 Tax

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

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

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

1.9 Share-based compensation

The Company operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the profit and loss account, and a corresponding adjustment to shareholder's funds over the remaining vesting period. The expense recognised by the Company relates only to the Company's employees.

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

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

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

1.10 The Cable & Wireless Communications Share Ownership Trust (ESOP) and purchase of own shares by the Company
The financial statements of the Company include the assets and related liabilities of The Cable & Wireless Communications Share Ownership Trust, formerly the Cable and Wireless Employee Share Ownership Plan Trust (ESOP).

The ESOP holds shares in both Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc. As the shares are not those of the Company, these have not been treated as treasury shares. Instead, the assets and liabilities have been recognised on balance sheet and recorded at fair value.

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

2 Company's cash flow statement

Under FRS 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A consolidated cash flow statement is included in the financial statements of Cable & Wireless Communications Plc in which the Company is consolidated and which are publicly available from the address in note 26.

3 Other operating income

	2010/11	2009/10
	US$m	US$m
Management fees	**-**	60

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

4 Remuneration of Directors

No remuneration was paid by the Company to its Directors. The amounts paid by the Group in respect of the Company's Directors are shown below:

	2010/11	2009/10
	US$m	US$m
Directors' remuneration	**2**	5
Amounts paid or payable under long-term incentive schemes	**-**	6
Other pension costs	**-**	1
Remuneration of Directors	**2**	12

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

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was US$1,080,244 (2009/10 - US$2,601,606). In addition, the highest paid Director received an aggregate of US$193,313, paid in respect of cash allowances and employer's contributions into defined contribution pension plans. During the year, the highest paid Director received no shares under long term incentive schemes or exercised share options.

	Number of Directors	
	2010/11	2009/10
The number of Directors who exercised share options was:	**-**	3
The number of Directors in respect of whose services shares were received or receivable under long-term incentive schemes was:	**-**	6

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

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

5 Information regarding employees and auditors

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

	2010/11	2009/10
Average number of persons employed by the Company	**19**	66

The costs for the year were:

	2010/11	2009/10
	US$m	US$m
Wages and salaries	**-**	16
Equity-settled share-based payments	**-**	9
Social security costs	**-**	2
Other pension costs	**-**	9
Employee costs	**-**	36

All employee costs for persons employed by the Company during the year were borne by another Group company.

Auditor's remuneration for audit and other services was US$75,000 (2009/10 - US$100,000), in respect of these financial statements. Amounts paid to the Company's auditors in respect of services to the Company, other than in the course of the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the accounts of the ultimate Parent Company, Cable & Wireless Communications Plc.

6 Exceptional administrative expenses

	2010/11	2009/10
	US$m	US$m
Pension costs	**150**	-
Other administration expenses	**(10)**	17
Redundancy and other demerger costs	**-**	31
Exceptional administrative expenses	**140**	48

The Company incurred costs of $150 million in respect of its one-off contribution to payments made to the Group-wide pension scheme. See note 21 for further detail on these contributions. Other administration expenses comprised of a $17 million credit to the Company in respect of the successful costs judgement made against Digicel (note 29) and $7 million of costs in relation to the acquisition by the Cable & Wireless Communications Group of the Bahamas Telecommunications Company, which was completed on 6 April 2011. No exceptional redundancy and demerger costs were incurred during the year (2009/10 - staff costs of US$6 million and legal fees of US$25 million relating to the demerger).

7 Income from shares in Group undertakings and joint ventures

	2010/11	2009/10
	US$m	US$m
Dividends from Group undertakings	**-**	25
Dividends from joint ventures	**1**	2
Income from shares in Group undertakings and joint ventures	**1**	27

8 Other non-operating income / (expenses)

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

	2010/11 US$m	2009/10 US$m
Provisions against loans	**(5)**	(33)
Reversal of provision against loans	**65**	54
Other non-operating income	**60**	21

9 Interest receivable and similar income

	2010/11 US$m	2009/10 US$m
Amounts owed by Group undertakings	**8**	2
Deposits and short-term loan interest	**2**	6
Exchange gains on translation of foreign currency denominated loans	**12**	-
Interest receivable and similar income	**22**	8

10 Interest payable and similar charges

	2010/11 US$m	2009/10 US$m
Amounts owed to Group undertakings	**84**	47
Bank loans and overdrafts	**2**	2
Other medium term loans with third parties	**30**	40
Exchange losses on translation of foreign currency denominated loans	**-**	40
Interest payable and similar charges	**116**	129

11 Exceptional non-operating income / (expenses)

	2010/11 US$m	2009/10 US$m
Gains on derivatives	**12**	19
Releases relating to previously discontinued businesses	**-**	3
Gain on disposal of investment	**-**	44
Impairment of investments	**-**	(281)
Exceptional non-operating expenses	**12**	(215)

The Company holds forward exchange contracts hedging US dollar exposures and future sterling obligations regarding the 2012 bond. The Company did not apply hedge accounting to these contracts and as such they were revalued to fair value through profit or loss. See note 15 for further information.

12 Income tax

Tax on loss on ordinary activities

	2010/11 US$m	2009/10 US$m
UK corporation tax at 28% (2010 – 28%)	**-**	2
Double taxation relief	**-**	(2)
UK corporation tax after double taxation relief	**-**	-
Overseas taxation	**-**	2
Adjustment in respect of prior years	**(5)**	3
Tax (credit)/expense on loss on ordinary activities	**(5)**	5

Factors affecting the current tax charge

The current tax credit for the year is US$5 million (2009/10 - US$5 million charge). The tax provision was higher than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below:

	2010/11 US$m	2009/10 US$m
Loss before taxation	**(189)**	(339)
Tax at UK statutory rate	**(53)**	(95)
Group dividends receivable	**-**	(7)
Expenditure not deductible for tax purposes	**(11)**	100
Other timing differences	**8**	10
Group relief surrendered/(claimed)	**56**	(6)
Current tax charge for the current period	**-**	2
Adjustment in respect of prior periods	**(5)**	3
Current tax (credit)/charge	**(5)**	5

The Budget on 23 March 2011 announced a change to the UK corporation tax rate to 26%. This was substantively enacted on 29 March 2011 and is effective from 1 April 2011.

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes, which are expected to be enacted separately each year, will reduce the rate by 1% per annum, to 23% by 1 April 2014. The changes had not been substantively enacted by the balance sheet date and therefore are not recognised in these financial statements.

13 Employee share schemes

Subsequent to the Scheme of Arrangement and demerger, the majority of the Group's participants' outstanding Cable and Wireless plc share and option awards rolled over into Cable & Wireless Communications Plc equivalent awards. A limited number of participants obtained an entitlement to one Cable & Wireless Communications Plc share and one Cable & Wireless Worldwide plc (an unrelated company) share in lieu of each Cable and Wireless plc share. The quantity of shares under awards were converted in accordance with plan rules to adjust for the demerger of the Cable & Wireless Worldwide business.

Option and share prices granted during the year are disclosed in sterling reflecting the currency in which the ordinary shares of Cable and Wireless plc were quoted.

Share option schemes

The Company does not currently have any outstanding share option awards over its own shares (2009/10 - nil). There are 13,705,773 outstanding share option awards relating to options granted by the Company to senior employees (2009/10 - 14,130,773). These options were originally issued over the Company's shares at exercise prices between 100-149 pence (12,364,356 options) and 150-199 pence (1,341,417 options). All options have vested in full. Subsequent to the Scheme of Arrangement, these options have been redesignated as an option over a stapled unit of one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc.

At 31 March 2011, the share prices of the two companies were such that the liability was nil (2009/10 - US$18 million, classified as an Other creditor).

Other equity instrument awards

Performance Share Plan (PSP)

Executive Directors and other senior executives can receive awards of performance shares at nil cost.

Prior to the Scheme of Arrangement and demerger, performance share awards by Cable and Wireless plc were subject either to relative or absolute total shareholder return (TSR) performance of Cable and Wireless plc or the Cable & Wireless Communications business.

Subsequent to the Scheme of Arrangement and 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.

TSR is the main performance measure used in share plans where performance conditions apply as it provides an objective external measure of financial performance.

Restricted share plan (RSP)

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

Prior to the Scheme of Arrangement and demerger, RSP awards made to Cable & Wireless Communications employees were made in respect of shares in the Company. Subsequent to the Scheme of Arrangement and demerger, these awards have been adjusted to be an award over Cable & Wireless Communications Plc ordinary shares of an equivalent value.

Stock appreciation rights

Stock appreciation rights are used to replicate exactly the types of awards described above, but rewards are delivered as a cash equivalent. If it is used in exceptional cases for countries in which tax or legal issues preclude the use of real shares or share options.

Cable & Wireless Communications Share Purchase Plan (SPP)

Prior to the scheme of arrangement and demerger, the Company offered its employees, who are chargeable to income tax under Section 15 Income Tax (Earnings and Pensions) Act 2003, the Cable & Wireless Communications share purchase plan which is an HMRC approved share incentive plan. Under the SPP, employees can contribute up to a value of £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares and the Company offered a match of one share for each partnership share purchased. Subsequent to the scheme of arrangement and demerger the SPP has been adjusted to provide partnership shares in Cable & Wireless Communications Plc.

The Cable & Wireless Communications Share Ownership Trust (ESOP)

The Cable & Wireless Communications Share Ownership Trust, formerly the Cable and Wireless Employee Share Ownership Plan, is a discretionary trust which was funded by loans from the Company to acquire shares in the Company. Subsequent to the Scheme of Arrangement and demerger, the ESOP continues to be used to satisfy existing options and awards under incentive plans.

On 24 June 2009, the Company transferred 3,000,000 treasury shares to the ESOP. On 10 March 2010, the Company transferred 28,259,496 treasury shares to the ESOP.

At 31 March 2011, the Trust held 40,054,310 shares in Cable & Wireless Communications Plc and 19,798,744 shares in Cable & Wireless Worldwide plc (2009/10 – 43,010,495 shares in Cable & Wireless Communications Plc and 43,010,495 shares in Cable & Wireless Worldwide plc) with a market value of US$46 million (2009/10 - US$94 million). Refer to note 15 for further information.

Other equity instrument awards

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

	Awards of Company shares granted between 1 April 2009 and 19 March 2010		
	Shares	Weighted average fair value (pence / share)	Features incorporated in scheme
RSP	717,236	130	-
SARs	589,039	142	-
SPP scheme	1,801,989	140	-
PSP	17,596,285	71	TSR conditions

The Company made no equity instrument awards during 2010/11.

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

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

	2009/10
Weighted average share price (pence)	140
Dividend yield	6.2%
Expected volatility	33.2%
Risk-free interest rate	1.8%
Expected life in years	2.9 years

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

	31 March 2010	
	Weighted average exercise price (pence/share)	Number of options (000)
Outstanding at 1 April	110	24,394
Forfeited in the period	-	-
Exercised in the period	102	(8,948)
Lapsed in the period	150	(2,098)
Redesignated to stapled options	(112)	(13,348)
Outstanding at 31 March	-	-
Exercisable at 31 March	-	-

Subsequent to 19 March 2010, these options have been redesignated as an option over a stapled unit of one share in Cable & Wireless Communications Plc and one share in Cable & Wireless Worldwide plc. The liability for these stapled unit options was nil (2009/10 – US$18 million classified as an Other Creditor).

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

14 Fixed asset investments

	Joint ventures US$m	*Restated* Group undertakings US$m	*Restated* Total US$m
Cost			
At 1 April 2010	12	12,345	12,357
Prior year adjustment (note 32)	-	281	281
Additions	-	34	34
Disposals	-	(34)	(34)
Transfer of provisions	-	61	61
At 31 March 2011	**12**	**12,687**	**12,699**
Loans			
At 1 April 2010	-	57	57
Additions	-	3	3
Loans repaid and transferred	-	(16)	(16)
At 31 March 2011	**-**	**44**	**44**
Provisions and amounts written off			
At 1 April 2010	(6)	(32)	(38)
Prior year adjustment (note 32)	-	(281)	(281)
Additions	-	(5)	(5)
Releases	-	61	61
Transfer of provisions	-	(61)	(61)
At 31 March 2011	**(6)**	**(318)**	**(324)**
Net book value			
At 31 March 2011	**6**	**12,413**	**12,419**
At 31 March 2010	6	12,370	12,376

The Company's investment in joint ventures comprised US$6 million of unlisted shares (2009/10 - US$6 million of unlisted shares).

In June 2010, the Company transferred its investment in Cable & Wireless (Seychelles) Limited to CWIG Limited for US$17 million. CWIG Limited issued an additional share to the Company in respect of the consideration

In June 2010, the Company transferred its investment in CWIG Limited to Sable Holding Limited for US$17 million. Sable Holding Limited issued an additional share to the Company in respect of the consideration.

During the year, five subsidiaries of the Company being, Cable & Wireless Asia and Pacific Limited, Cable & Wireless Hong Kong Finance, Cable & Wireless U.K. Finance, Cable & Wireless U.K. Finance No. 1 Limited and Cable & Wireless U.K. Finance No. 3 were liquidated. The total investment had previously been fully provided for.

During 2009/10, the Company entered into a series of restructuring transactions with its subsidiaries:

On 9 November 2009:

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

On 14 December 2009:

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

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

Other transactions between the Company and its subsidiaries during 2009/10 were:

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

Based on the change in accounting policy (note 32), the Company has carried out a review to determine whether there has been impairment in the carrying values of its fixed asset investments in line with FRS 11 *Impairment of fixed assets and goodwill*. The review was based on a combination of discounted cash flow analysis, using the Group's approved five year business plan, and net asset values. No impairments were recorded.

In 2009/10, the value of the Company's investment in Sable Holding Limited decreased by US$281 million. The decrease was due to restructuring transactions associated with the demerger of the Cable & Wireless Worldwide business, including the reallocation of central costs into a subsidiary of Sable Holding Limited and increased financing arrangements with third parties within subsidiaries of Sable Holding Limited. The impairment was charged to the profit and loss account (note 11). The valuation was determined by discounting future cash flows based on the approved five year business plan extrapolated at long term growth rates of between 0.5% and 2.0% at pre-tax discount rates of between 7% and 12% dependent on the risk adjusted cost of capital of the different investments.

15 Financial assets

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

	Eurobonds US$m	Cash collateral US$m	UK Government gilts US$m	Short-term deposits US$m	Total US$m
At 1 April 2010	2	2	28	362	394
Fair value gains	-	-	2	-	2
Disposals	(2)	(2)	-	(362)	(366)
Foreign exchange	-	-	1	-	1
At 31 March 2011	**-**	**-**	**31**	**-**	**31**
Current	-	-	-	-	-
Non-current	-	-	31	-	31

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

	Held to maturity investments	Fair value through profit or loss		
	Listed bonds US$m	Derivative instruments US$m	ESOP shares US$m	Total US$m
At 1 April 2010	79	1	103	104
Movements	-	12	-	12
Disposals	-	-	(51)	(51)
Foreign exchange	6	-	-	-
At 31 March 2011	**85**	**13**	**52**	**65**
Current	-	13	52	65
Non-current	85	-	-	-

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 2011
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
UK Government Gilts	31	-	-	31
Cable & Wireless Worldwide plc shares at fair value through the profit or loss	20	-	-	20
Cable & Wireless Communications Plc shares at fair value through the profit or loss	32	-	-	32
Derivative instruments	-	13	-	13
Total financial assets at fair value	**83**	**13**	**-**	**96**

On demerger, shares in The Cable & Wireless Communications Share Ownership Trust, formerly the Cable and Wireless Employee Share Ownership Plan Trust (ESOP) were converted from 43 million Cable and Wireless plc shares to 43 million Cable & Wireless Communications Plc shares and 43 million Cable & Wireless Worldwide plc shares. The Cable & Wireless Communications Plc shares (a related listed company) and the Cable & Wireless Worldwide plc shares (an unrelated listed company) have been recognised as investments at fair value through profit or loss as they represent shares that are not equity instruments of the Company. A portion of these shares with a market value of US$30 million were delivered during the year to the Cable & Wireless Worldwide Group as part of the demerger agreement.

At 31 March 2011, the Company held forward exchange contracts to sell US$260 million (2009/10 - US$40 million) hedging US dollar exposures and future sterling obligations regarding the 2012 bond. At 31 March 2011, the fair value of these contracts was an asset of US$13 million (note 15) (2009/10 - US$1 million asset). The Company did not apply hedge accounting to these contracts and as such they were revalued to fair value through the profit and loss account.

16 Debtors

	2010/11 US$m	2009/10 US$m
Amounts falling due within one year		
Amounts owed by parent undertaking	**4,031**	3,845
Amounts owed by subsidiary undertakings	**5**	5
Taxation and social security	**-**	7
Other debtors	**5**	2
Prepayments and accrued income	**-**	1
Total debtors	**4,041**	3,860

There is no material difference between the carrying value and fair value of debtors at 31 March 2011.

17 Creditors: due within one year

	2010/11 US$m	2009/10 US$m
Amounts falling due within one year		
Trade and other creditors	**5**	25
Amounts owed to subsidiary undertakings	**10,094**	9,871
Taxation and social security	**133**	140
Accruals and deferred income	**28**	36
Sterling secured loans repayable in 2012	**46**	-
Total creditors	**10,306**	10,072

There is no material difference between the carrying value and fair value of creditors at 31 March 2011.

18 Financial liabilities at fair value through profit or loss

At 31 March 2011, the Company had no derivative financial liabilities (2009/10 - US$30 million, representing Cable & Wireless Worldwide plc shares which have now been delivered to the Cable & Wireless Worldwide Group as part of the demerger agreement).

19 Creditors: due after one year

Non-current creditors are comprised of the following loans:

	2010/11 US$m	2009/10 US$m
Sterling secured loans repayable in 2012	**-**	43
Sterling unsecured bonds repayable in 2012	**316**	290
Total non-current loans	**316**	333

a) Sterling secured loans repayable in 2012

A $46 million loan facility due in 2012 is secured by bonds held by the Company with a carrying amount of US$85 million (see note 15). These bonds were issued by Cable and Wireless International Finance BV (a subsidiary).

b) Sterling unsecured bonds repayable in 2012

The sterling bond is a £200 million listed bond due in 2012 with a balance at 31 March 2011, net of costs, of US$316 million (2009/10– US$290 million). Interest is payable at 8.75% per annum.

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

20 Provisions for liabilities and charges

	Note	At 31 March 2010 US$m	Additions US$m	Unused amounts reversed US$m	Amounts used US$m	**At 31 March 2011 US$m**
Redundancy	(i)	3	-	-	(3)	**-**
Property	(ii)	6	-	-	-	**6**
Other	(iii)	46	3	(12)	(32)	**5**
Total Provisions		55	3	(12)	(35)	**11**

i) Redundancy
In prior years, provision was made for the total employee related costs of redundancies. The provision was fully utilised prior to the reporting date.

ii) Property
Provision has been made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sub-let. The provision is expected to be utilised over the lease contract life.

iii) Other
Other provisions include amounts relating to specific legal claims against the Company and amounts relating to acquisitions and disposals of Group companies and investments. The increase in other provisions of US$3 million includes restructuring and demerger costs. The reversal of US$12 million reflects the reassessment of risks on existing claims during the year.

21 Pension and similar obligations

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

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

The Group paid a total contribution of $157 million (2009/10 - £98 million) in 2010/11, comprising exceptional deficit funding of $149 million and normal contributions of $8 million (2009/10 - $35 million) to meet the cost of future benefit accrual and expenses, to recover part of the deficit on the scheme funding basis and to meet the cost of the agreed de-risking of the scheme's investment strategy. A deficit funding plan was also agreed with the Trustees of the Group pension scheme which includes additional payments from 2014 to 2016 totalling $102 million (£64 million). These contributions are based on best estimated investment returns and are subject to the outcome of the next full valuation due in March 2013.

The Company is not able to separate the performance of the Group-wide scheme to give the element that relates solely to the Company's employees. As an indication, however, the Cable & Wireless Communications Group–wide scheme had a deficit at 31 March 2011, after the impact of minimum funding requirements in respect of contributions due from 2014 to 2016, of $81 million, compared with US$165 million deficit at 31 March 2010.

More details are included in the financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2011. These accounts can be obtained from the Company Secretary, Cable & Wireless Communications Plc, 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ.

The exceptional pension cost charged for the year represents contributions payable by the Company to the schemes described in note 1 to these financial statements. During the year these contributions amounted to $150 million (2009/10 - $4 million). No amounts were outstanding at the end of the financial year in respect of this charge.

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

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

	2010/11	2009/10
	%	%
Inflation assumption	**3.4**	**3.6**
Rate of increase in salaries[1]	**3.9**	**4.1**
Rate of increase in pensions in payment and deferred pensions[2]	**2.2 to 3.3**	**2.3 to 3.5**
Discount rate applied to scheme liabilities	**5.6**	**5.5**

[1] Not applicable to unfunded schemes
[2] In excess of any Guaranteed Minimum Pension element.

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

Movements in present value of defined benefit obligation

	Unfunded schemes	
	31 March 2011 US$m	31 March 2010 US$m
Obligation at 1 April	**(34)**	(28)
Interest cost	**(2)**	(2)
Actuarial losses recognised in equity	**(1)**	(8)
Assets divested on demerger	**-**	3
Benefits paid	**1**	1
Exchange differences on translation	**(2)**	-
Obligation at 31 March	**(38)**	(34)

22 Called-up share capital

	31 March 2011 US$m	31 March 2010 US$m
Allotted, called-up and fully paid		
2,624,571,985 ordinary shares of 25 pence each (2009/10 - 2,624,571,985 ordinary shares of 25 pence each)	**976**	976

During 2009/10, shares with a cash equivalent value of US$87 million (£56 million) were issued as payment for dividends by scrip. This represents a non-cash transaction.

23 Reserves

	Share capital US$m	Share premium US$m	Special reserve US$m	Other reserves US$m	Fair value reserve US$m	Profit and loss account US$m	Total US$m
At 1 April 2010	976	374	2,139	262	7	2,534	6,292
Loss for the year	-	-	-	-	-	(184)	(184)
Actuarial losses on pension schemes	-	-	-	-	-	(1)	(1)
Fair value gains on assets held for sale	-	-	-	-	2	-	2
Dividends	-	-	-	-	-	(130)	(130)
Cash received in respect of employee share schemes	-	-	-	-	-	1	1
Shares allotted under share option schemes	-	-	-	-	-	(3)	(3)
At 31 March 2011	**976**	**374**	**2,139**	**262**	**9**	**2,217**	**5,977**

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

At 31 March 2011, there were no treasury shares held by the Company (2009/10 - Nil). For the year ended 31 March 2011, the aggregate nominal value of shares allotted in the 2009/10 was US$21 million.

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

Other reserves include a capital redemption reserve of US$156 million (2009/10 - US$156 million), US$30 million (2009/10 - US$30 million) relating to unrealised gains on disposal of investments and US$76 million (2009/10 - US$76 million) relating to rights granted to equity instruments of the Company to the employees of subsidiaries of the Company.

24 Deferred taxation

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

As at 31 March 2011, the Company had unrecognised deferred tax assets in the UK relating to capital allowances of US$3 million (2009/10 - US$3 million) and other timing differences of US$67 million (2009/10 - US$88 million).

25 Currency analysis

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

	31 March 2011		31 March 2010	
	Financial investments US$m	**Borrowings US$m**	Financial investments US$m	Borrowings US$m
Sterling	**156**	**362**	519	333
US dollar	**32**	**-**	60	-
Euro	**-**	**-**	1	-
Total	**188**	**362**	580	333

26 Related party transactions

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

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

Transactions with companies related by virtue of common control or ownership

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

	2010/11 US$000	2009/10 US$000
Management fees	**-**	14,716

	At 31 March 2011 US$000	At 31 March 2010 US$000
Debtors	**242**	727
Creditors	**-**	146

The remaining debtor balance is with Dhivehi Raajjeyge Gulhun Private Limited. The Company did not have any further transactions with Group undertakings that are not wholly owned by the Group.

Transactions with joint ventures

All trade transactions with joint ventures arise in the normal course of business and primarily relate to fees for use of Cable & Wireless' products and services. There were no material trade transactions with joint ventures during the year.

The Company received dividends of US$1 million from joint ventures (2009/10 - US$2 million) for the year ended 31 March 2011.

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

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

Transactions with other related parties

Two former Directors of Cable & Wireless Limited own unsecured bonds issued by Cable & Wireless Limited and Cable & Wireless International Finance B.V. These bonds had a nominal value at 31 March 2011 of US$4,211,156 (£2,630,000) (2009/10 - US$3,914,492 (£2,630,000)). The interest earned on those bonds during 2010/11 was US$354,033 of which US$154,103 remained unpaid at 31 March 2011 (2009/10 - US$364,082 of which US$143,247 remained unpaid at 31 March 2010).

Two former Directors' spouses hold bonds issued by Cable & Wireless Limited and Cable & Wireless International Finance B.V. These bonds had a nominal value at 31 March 2011 of US$784,588 (£490,000) (2009/10 - US$729,316 (£490,000)). The interest earned on those bonds during 2010/11 was US$65,378 of which US$2,000 remained unpaid at 31 March 2011 (2009/10 - US$66,888 of which US$1,859 remained unpaid at 31 March 2010).

27 Group undertakings and joint ventures

The principal operating undertakings of the Group are as follows:

	Issued share capital (million)	Ownership percentage %	Class of shares	Country of incorporation	Area of operation	Nature of business
Subsidiaries						
Cable & Wireless Jamaica Ltd	16,817	82	Ordinary	Jamaica	Jamaica	Telecommunications
Cable & Wireless Panama, SA [1]	316	49	Ordinary	Panama	Panama	Telecommunications
Companhia de Telecomunicacoes de Macau, SARL [2]	150	51	Ordinary	Macau	Macau and China	Telecommunications
Cable & Wireless (Barbados) Ltd	72	81	Ordinary	Barbados	Barbados	Telecommunications
Cable and Wireless (West Indies) Ltd	5	100	Ordinary	England	Caribbean	Holding Company
Dhivehi Raajjeyge Gulhun Private Ltd	190	52	Ordinary	Maldives	Maldives	Telecommunications
Monaco Telecom SAM [3,4]	2	49	Ordinary	Monaco	Monaco	Telecommunications
Sable Holding Limited	16	100	Ordinary	England	England	Holding Company
Cable & Wireless International Finance BV	1	100	Ordinary	Netherlands	England	Finance Company
Joint ventures						
Cable & Wireless Trademark Management Ltd	–	50	Ordinary	England	N/A	Owner of the Cable & Wireless brand
Telecommunications Services of Trinidad and Tobago Ltd [3]	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago	Telecommunications

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

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

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

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

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

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

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

	Effective Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Subsidiaries				
Cable & Wireless DI Holdings Ltd	100	Ordinary	England	N/A
Cable & Wireless Central Holding Ltd	100	Ordinary	England	N/A
The Western Telegraph Company Ltd	100	Ordinary	England	N/A
The Eastern Telegraph Company Ltd	100	Ordinary	England	N/A
Cable & Wireless (UK) Group Ltd	100	Ordinary	England	N/A
Cable & Wireless (Israel) Company Ltd	100	Ordinary	Israel	N/A
Cable & Wireless (Malaysia) Sdn Bhd	100	Ordinary	Malaysia	N/A
Cable and Wireless (Investments) Ltd	100	Ordinary	England	N/A
Cable & Wireless (Singapore) Pte Ltd	100	Ordinary	Singapore	N/A
Cable & Wireless US Investments	100	Ordinary	England	N/A
PT Mitracipta Saranua	100	Ordinary	Indonesia	N/A
Cable & Wireless (Employee Shareholdings) Ltd	100	Ordinary	Hong Kong	England
Cable & Wireless Services UK Ltd	100	Ordinary	England	England
Cable & Wireless URBS Trustee Ltd	100	Ordinary	England	England
Cable & Wireless Pension Trustee Ltd	100	Ordinary	England	England
Cable & Wireless Delaware 1, Inc	100	Ordinary	U.S.A	N/A
Cable and Wireless International Finance BV	100	Ordinary	Netherlands	England
Pender Insurance Ltd	100	Ordinary	Isle of Man	England
Petrel Communications Corporation	100	Ordinary	U.S.A	England
Petrel Communications SA	100	Ordinary	Switzerland	England
Sable Holding Ltd	100	Ordinary	England	England
Companhia de Telecomunicacoes de Macau, SARL [2]	51	Ordinary	Macau	Macau and China
CTM-Mega Tecnologia Limitada	51	Ordinary	Macau	Macau and China
Teleone China (Zuhal) Company Ltd	51	Ordinary	China	Macau and China
Canton Holdings Ltd	51	Ordinary	Cayman Islands	Macau and China
TeleOne (HK) Ltd	51	Ordinary	Hong Kong	Macau and China
TeleOne (Singapore) Pte Ltd	51	Ordinary	Singapore	Macau and China
Sable International Finance Ltd	100	Ordinary	Cayman Islands	England
CWC Costa Rica Holdings Ltd	100	Ordinary	Cayman Islands	Costa Rica
CWC (Costa Rica) SA	100	Ordinary	Costa Rica	Costa Rica
Cable & Wireless (Costa Rica) SA	100	Ordinary	Costa Rica	Costa Rica
Cable & Wireless Carrier Ltd	100	Ordinary	England	Caribbean
CWC Communications Ltd	100	Ordinary	England	England
CWC Islands Ltd	100	Ordinary	England	England
Cable & Wireless (Diego Garcia) Ltd	100	Ordinary	Bermuda	Diego Garcia
Cable & Wireless Network Services Ltd	100	Ordinary	Bermuda	Caribbean
Cable & Wireless South Atlantic Ltd	100	Ordinary	Falklands	South Atlantic
Cable & Wireless Jersey Ltd	100	Ordinary	Jersey	Jersey
Cable & Wireless Guernsey Ltd	100	Ordinary	Guernsey	Guernsey
Cable & Wireless Isle of Man Ltd	100	Ordinary	Isle of Man	Isle of Man
Dhivehi Raajjeyge Gulhun Private Ltd	52	Ordinary	Maldives	Maldives
CWIG Ltd	100	Ordinary	England	N/A
Cable & Wireless (Seychelles) Ltd	100	Ordinary	Seychelles	Seychelles
Atlas (Seychelles) Ltd	100	Ordinary	Seychelles	Seychelles
Le Chantier Property Ltd	100	Ordinary	Seychelles	Seychelles
CWIGroup Ltd	100	Ordinary	Cayman Islands	N/A
Compagnie Monegasque de Communication SAM	100	Ordinary	Monaco	Monaco

	Effective Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Monaco Telecom SAM [3,4]	49	Ordinary	Monaco	Monaco
Monaco Telecom Holdings (Cyprus) Ltd [5]	49	Ordinary	Cyprus	N/A
Divona Algerie SPA [5]	49	Ordinary	Algeria	Algeria
Monaco Telecom International SAM [5]	49	Ordinary	Monaco	Monaco / Africa
Connecteo Holding SA [5]	49	Ordinary	Luxembourg	Africa
MTI Telecom Africa SARL AU [5]	49	Ordinary	Morocco	Africa
Connecteo Burkina Faso [5]	37	Ordinary	Burkina Faso	Burkina Faso
Connecteo Benin [5]	46	Ordinary	Benin	Benin
Connecteo Guinée [5]	42	Ordinary	Guinea	Guinea
Connecteo Cameroun [5]	49	Ordinary	Cameroon	Cameroon
Connecteo Niger [5]	38	Ordinary	Niger	Niger
Connecteo Sénégal [5]	49	Ordinary	Sénégal	Sénégal
Connecteo Services [5]	49	Ordinary	France	Africa
CWIGroup Ltd	100	Ordinary	England	England
Cable & Wireless International HQ Ltd	100	Ordinary	England	England
CWI Group M&I HQ SAM	100	Ordinary	Monaco	Monaco
Cable and Wireless (West Indies) Ltd	100	Ordinary	England	Caribbean
Cable & Wireless (EWC) Ltd	100	Ordinary	BVI	Caribbean
Cable & Wireless (Barbados) Ltd	81	Ordinary	Barbados	Barbados
Cable & Wireless Antigua & Barbuda Ltd	100	Ordinary	Antigua & Barbuda	Antigua & Barbuda
Cable & Wireless Grenada Ltd	70	Ordinary	Grenada	Grenada
Cable & Wireless Jamaica Finance (Cayman) Ltd	100	Ordinary	Cayman Islands	N/A
Cable & Wireless St Vincent and the Grenadines Ltd	100	Ordinary	St Vincent and the Grenadines	St Vincent and the Grenadines
Cable and Wireless (BVI) Ltd	100	Ordinary	BVI	BVI
Cable and Wireless (CALA Management Services) Ltd	100	Ordinary	England	England
Cable and Wireless (TCI) Ltd	100	Ordinary	Turks & Caicos	Turks & Caicos
CWI Caribbean Ltd	100	Ordinary	Barbados	Caribbean
CWC Cable & Wireless Communications Dominican Republic SA	100	Ordinary	Dominican Republic	Dominican Republic
CWC Bahamas Holdings Ltd	100	Ordinary	The Bahamas	The Bahamas
Cable & Wireless (St Lucia) Ltd	100	Ordinary	St Lucia	St Lucia
Cable & Wireless Dominica Ltd	80	Ordinary	Dominica	Dominica
Cable & Wireless Holdings Inc	100	Ordinary	Barbados	Caribbean
Cable & Wireless St Kitts & Nevis Ltd	77	Ordinary	St Kitts & Nevis	St Kitts & Nevis
Cable and Wireless (Anguilla) Ltd	100	Ordinary	Anguilla	Anguilla
Cable and Wireless (Far East) Ltd	100	Ordinary	Hong Kong	N/A
Cable and Wireless Caribbean Cellular (Marketing) Ltd	100	Ordinary	BVI	N/A
Cable and Wireless (CALA Investments) Ltd	100	Ordinary	Cayman Islands	N/A
Cable and Wireless (Cayman Islands) Ltd	100	Ordinary	Cayman Islands	Cayman Islands
Kelfenora Ltd	100	Ordinary	Cayman Islands	N/A
Cable & Wireless Jamaica Ltd	82	Ordinary	Jamaica	Jamaica
Cable & Wireless Jamaica Foundation Ltd	82	Ordinary	Jamaica	Jamaica
Caribbean Landing Company Ltd	82	Ordinary	Jamaica	Jamaica
Digital Media & Entertainment Ltd	82	Ordinary	Jamaica	Jamaica
Jamaica Digiport International Ltd	82	Ordinary	Jamaica	Jamaica
Jamaica International Telecommunications Ltd	82	Ordinary	Jamaica	Jamaica
The Jamaica Telephone Company Ltd	82	Ordinary	Jamaica	Jamaica
Cable & Wireless (Panama Holdings) Ltd	100	Ordinary	Cayman Islands	N/A
Cable & Wireless Panama, SA [1]	49	Ordinary	Panama	Panama
Des Vieux Telecom, Inc [1]	49	Ordinary	U.S.A	Panama
International Contact Center SA [1]	49	Ordinary	Panama	Panama
IPD Corp. [1]	49	Ordinary	Panama	Panama

Joint ventures

	Effective Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Fiji International Telecommunications Ltd	49	Ordinary	Fiji	Fiji
Fintel Internet Services Ltd	49	Ordinary	Fiji	Fiji
Telecom Vanuatu Ltd	50	Ordinary	Vanuatu	Vanuatu
Solomon Telekom Company Ltd	33	Ordinary	Solomon Islands	Solomon Islands
Telekom Television Ltd	33	Ordinary	Solomon Islands	Solomon Islands
Telecom Development Company Afghanistan BV	18	Ordinary	Netherlands	Afghanistan
Telecom Development Company Afghanistan Ltd	18	Ordinary	Afghanistan	Afghanistan
Société Monegasque de Services de Telecoms SAM	20	Ordinary	Monaco	Monaco
Cable & Wireless Trademark Management Ltd	50	Ordinary	England	N/A
Telecommunications Services of Trinidad and Tobago Ltd [3]	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago

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

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

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

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

[5] These companies are controlled through a direct majority shareholding held via Monaco Telecom SAM.

The company has no trade investments.

28 Dividends

The aggregate amount of dividends comprises:

	2010/11 US$m	2009/10 US$m
Dividends paid	**130**	355

29 Legal proceedings

In July 2007, the Company and four Group subsidiaries along with Telecommunications Services of Trinidad and Tobago Limited (TSTT), in which the Group holds a 49% interest, were served with proceedings in the English High Court by a Caribbean competitor, Digicel. The claim alleged that the relevant Group subsidiaries delayed Digicel's entry into six Caribbean markets (St. Lucia, St. Vincent & the Grenadines, Grenada, Barbados, the Cayman Islands and Turks & Caicos) in breach of applicable statutory and contractual obligations concerning interconnection. A similar allegation was made against TSTT. In addition, it was alleged that the Company and its four subsidiaries (but not TSTT) conspired to cause delay to Digicel. Trial in the English High Court began in May 2009 and closed in November 2009.

On 15 April 2010, the UK High Court dismissed all of the claims in the seven markets and the overarching conspiracy claim with the exception of a minor breach of a short letter agreement with Digicel in Turks & Caicos. The Court ruled that this breach caused no delay to Digicel and thus no loss. The Court has ordered Digicel to pay the Group's costs incurred in defending the claim on an enhanced indemnity basis; and to pay 87.5% of TSTT's costs assessed on a standard basis. Digicel subsequently sought leave to appeal the judgment insofar as it related to the claim against TSTT. This application for leave was rejected by the Court of Appeal on 18 May 2011. The Company and 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 Company.

30 Commitments

The Company had no capital commitments at the end of 2010/11 or 2009/10.

31 Guarantees and contingent liabilities

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

	31 March 2011 US$m	31 March 2010 US$m
Trading guarantees	**5**	41
Other guarantees	**1,342**	563
Total guarantees	**1,347**	604

Trading guarantees principally comprise performance bonds for contracts concluded in the normal course of business, guaranteeing that the Group companies will meet their obligations to complete projects in accordance with the contractual terms and conditions. The nature of contracts includes projects, service level agreements, installation of equipment, surveys, purchase of equipment and transportation of materials. The guarantees contain a clause that they will be terminated on final acceptance of work to be done under the contract.

Other guarantees include guarantees for financial obligations principally in respect of borrowings, leases and letters of credit. Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee.

Total guarantees at 31 March 2011 include US$17 million of other guarantees (2009/10 – US$563 million of trading and other guarantees) relating to the demerged Cable & Wireless Worldwide Group. The Company has provided guarantees to third parties in respect of trading contracts between third parties and the Cable & Wireless Worldwide Group. The Company has agreed a fee schedule with Cable & Wireless Communications Group for the benefit of these guarantees. To date, the Company has not been required to make any payments in respect of its obligations under these trading guarantees.

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

Along with other Group companies the Company is joint and several guarantor of the obligations of Sable International Finance Limited in its capacity as borrower under a US$500 million revolving credit facility.

Along with other Group companies, the Company is joint and several guarantor of the obligations of Sable International Finance limited in its capacity as borrower under a US$100 million term loan facility.

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

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

Whilst Pender, the Group's former insurance operation, ceased to underwrite new business from April 2003, it has in the past written policies in favour of the Group and third parties. Potentially significant insurance claims have been made against Pender under certain of these third party policies, which have also given rise to uncertainties and potential disputes with reinsurers. Significant progress has been made in resolving these claims in the year. Detail of these insurance claims and potential claims are not disclosed as such disclosure may be prejudicial to the outcome of such claims.

In addition the Company has, as is considered standard practice in such agreements, given guarantees and indemnities in relation to a number of disposals of subsidiary undertakings in prior years. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. The Company also gives warranties and indemnities in relation to certain agreements including facility sharing agreements and general commercial agreements. Some of these agreements do not contain liability caps.

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

Whilst the Company ceased participation in the Merchant Navy Officers Pension Fund, it may be liable for future contributions to fund a portion of any future funding deficits. Currently, the amount of these potential liabilities cannot be quantified.

32 Change in accounting policy

The Company has decided to change its accounting policy on Investments in Group undertakings. Investments in Group undertakings are now included in the balance sheet at cost less amounts written off in respect of any impairment. In previous financial statements, Investments in Group undertakings had been included at a valuation. The Company believes that the new policy is more appropriate now that Cable & Wireless Limited is no longer the ultimate parent company of the Cable and Wireless plc Group. There is no consequential effect on the balance sheet at 31 March 2011 nor the results or other gains or losses in the year then ended.

No restatement has been necessary to any component of Shareholders' Funds at 31 March 2010 nor the net book value of Fixed asset investments as the value of investments in Sable Holding Limited (the only investment which had been revalued) at 31 March 2010 was below historic cost and the revaluation reserve was therefore nil at that date. However, the cost and provision elements have been increased by US$281 million as previous negative revaluations were recognised within the cost element.

Shareholder's funds at 1 April 2009 have been reduced by US$129 million, due to de-recognition of the revaluation reserve at that date. The reduction in the revaluation reserve of US$129 previously recognized during 2009/10 is no longer applicable and both the Reconciliation of movements in shareholder's funds (page 8) and the Statement of total recognised gains and losses (page 6) have also been restated in respect of this.