Investing for long-term growth

Annual report 2013/14

Cable&Wireless Communications

Our business is delivering high quality communications, information and entertainment to our customers.

Our goal is to provide our customers with telecoms services whenever and wherever they want them over their lifetime. Our extensive mobile and fixed networks provide a platform to achieve that, distinguishing us from our competitors. We transformed our business in 2013/14 to focus on the Caribbean and Latin America region and have now set out a new strategic approach designed to accelerate growth.

Read what our customers say about our service
Customers are at the core of our business. Throughout this Annual report we have included testimonials setting out their experience of our service.

Within this report: pages 2 to 33 are a Strategic report; pages 38 to 46 are a Directors' report; and pages 56 to 80 are a Directors' remuneration report (in each case together with the information incorporated by reference into such reports). Each report has been prepared in accordance with and in reliance upon English company law. In particular, the liabilities of the Directors in connection with each report shall be subject to the limitations and restrictions provided by such law. Definitions of non-GAAP measures are provided on page 163.

Performance highlights in 2013/14

Revenue

US$1.9bn

(1%) Like-for-like change from 2012/13

The income from sales of our products and services.

EBITDA

US$608m

5% Change from 2012/13

A measure of trading profit provides a guide to our ongoing performance.

Capital expenditure

US$306m

16% Change from 2012/13

Our spending on plant, equipment, software and property for our business.

Operating cash flow

US$302m

(5%) Change from 2012/13

The amount of cash we generated to fund our ongoing operations.

Adjusted earnings per share

US2.6c

73% Change from 2012/13

The amount we earned in net profit for each share in our Company.

Full year dividend

US4c

No change from 2012/13

The return to be paid out annually to shareholders per share they hold.

Inside this report

Overview

A welcome from our Chairman and an overview of our businesses and the services we provide.

2-3 Our business in brief
4-5 Chairman's review

Strategic review

Meeting our new Chief Executive, Phil Bentley; an overview of our strategy for growth and how we performed against targets last year; and the risks to our future performance.

6-15 Chief Executive's statement
6-7 Market opportunities
8 Business model
9-15 Strategy for growth
16-17 KPIs
18-21 Risks

Business review

A summary of operational and financial performance of the Group and our business units and how we work in our communities.

24-30 Performance reviews
31-33 Corporate responsibility and sustainability

Governance

An introduction to our Board and explanation of corporate governance in our business.

36-37 Board of Directors
38-46 Directors' and corporate governance report
47 Independent Directors' report
48-53 Audit Committee report
54-55 Nomination Committee report
56-80 Directors' remuneration report
81 Statement of Directors' responsibilities

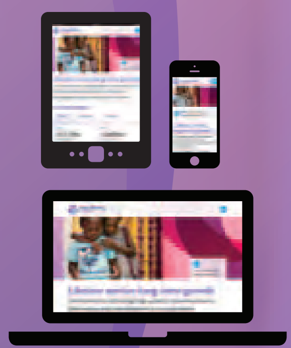
Financial review and financial statements

Financial review and our financial statements for our business for 2013/14.

84-95 Financial review, primary financial statements and narrative
96 Basis of preparation
98-108 Results for the year
109-126 Operating assets and liabilities
127-136 Capital structure and financing
137-150 Other
151-153 Independent auditor's report
154-160 Company financial statements

Shareholder information

Our shareholders can get useful information on pages 161 to 162 or online at www.cwc.com



As the leading operator in most of our markets and the services we provide, we are well positioned to be the 'go-to' telecoms operator in the Caribbean and Latin America.

Our business in brief

We provide customers with every telecoms service they need. We deliver mobile, fixed line, broadband and TV services to consumers as well as connectivity and managed services to businesses and governments. We also are a partner in the largest undersea cable network in the Caribbean and Latin America, spanning more than 42,000 kilometres.

We are a key infrastructure provider in the countries in which we operate, and a partner to governments. We are also a major employer and contributor to the economies of our markets.

Our key operations are in Panama and 14 Caribbean markets, including Jamaica, The Bahamas, Barbados and the Cayman Islands. We also hold a minority stake in Telecommunications Services of Trinidad and Tobago (TSTT).

We operate these businesses from our headquarters in London and our new operating hub in Miami. Our company is listed on the London Stock Exchange.

We aim to make an active contribution in the communities in which we operate, employing ethical practices and paying a fair share of tax.

Our brands

Panama

cwmovil.com

mastvdigital.com

cwpanama.com

Caribbean

lime.com

btcbahamas.com

St. Lucia Insurances – a LIME customer

"Sharing information among our three outlets had become somewhat unwieldy, necessitating the introduction of a switchboard and database linking all voice and data communications. Now we can access any document on the server from any of our locations, or if we need to touch base with a colleague at another location, we just have to call an extension."

Alvin Malaykhan, Managing Director/Chief Financial Officer, St. Lucia Insurances Limited

Mrs. Albertha Bartlett – a BTC customer

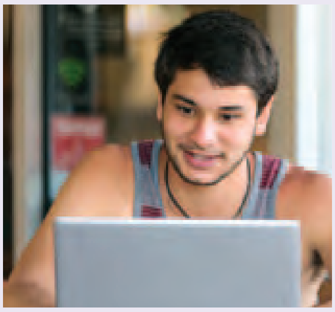
"Having been with BTC for many years I thought I would try the competition and applied to have my landline number ported. Half way through the process I discovered that the new provider wouldn't be able to facilitate my alarm system. My family's security is very important to me so I cancelled. BTC couldn't have been nicer when I called and told them about it. BTC made sure I could receive and make calls on their network until I was switched back."

Mrs. Albertha Bartlett, The Bahamas

Our services

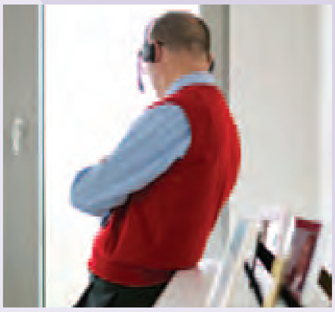
Mobile

We enable customers to make calls, send messages and access online services. We are converging our mobile and fixed networks to allow our customers to reliably use mobile data anywhere, at any time, on any device. We have 3.7 million mobile customers.



Broadband

We provide high speed fixed broadband to homes, workplaces and public amenities. We will continue to increase broadband speed and reliability. We have 388,000 broadband customers.

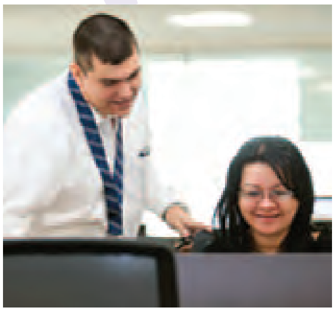


Fixed voice

We provide landline services to customers – residential subscribers, businesses and governments. As the demand for these services declines we are helping our customers to migrate to broadband and mobile services. We have 1.1 million fixed line customers.

TV

We offer TV services in four countries and plan to begin offering in several more utilising our extensive networks and customer service systems. We have 79,000 TV customers.



Business-to-business

We provide a broad range of services for our business customers, from installing telecoms and IT systems to managing services on their behalf. In 2013/14 we launched CWC Business Solutions to enhance our services to enterprise customers. We will increasingly provide end-to-end solutions for businesses of all sizes.

Business-to-government

Using our telecoms services we help governments to improve the efficiency and cost of delivering public services in areas such as healthcare, emergency services calling platforms, CCTV surveillance and online education. There are opportunities to expand our work and replicate it in other markets.

Cable network

We have a joint venture with Columbus Networks operating the most extensive sub-sea cable communications network in the Caribbean and Latin America. We continued to invest in capacity last year through our involvement in the PCCS cable system which links Ecuador to Florida. Excess capacity on the cables is sold on a wholesale basis to other carriers of telecoms services.

Sir Richard Lapthorne, CBE
Chairman

"2013/14 was a pivotal year for Cable & Wireless Communications (CWC). We completed the disposals of two major business units, Macau and Islands during the year, and the disposal of Monaco in May; we refocused our business on a single geography in the Caribbean and Latin America and established a new operating hub in Miami; and we appointed a new Chief Executive and management team to lead our Company forward."

Our business is now an operationally focused telecoms group, with management that is able to react more effectively to the needs of our customers. Following a strategic review we have set out a clear strategic vision – to grow customer relationships and lifetime value by delivering unparalleled customer experience, where our customers define 'excellence' – and we will be increasing our investment in the business to support this strategy. After several years of transformation, we now have a solid financial position and operating platform to take the business forward.

Executive change

A large amount of the credit for the reshaping of our Group must go to Tony Rice and Tim Pennington, our Chief Executive and Chief Financial Officer (CFO) who stood down from the Board in December 2013 and February 2014 respectively.

Over the past five years, Tony and Tim led CWC firstly through our demerger from Cable & Wireless Worldwide and then through a disposal programme involving the sale of businesses in Macau, Bermuda, Maldives, Channel Islands as well as several other operations, which established the platform we have today. Over their tenure CWC was able to return more than US$638 million to shareholders through dividends and a share buyback programme. On behalf of the Board, and shareholders, I thank them both for their service to the Company.

We were pleased to welcome Phil Bentley as our new Chief Executive from January. He brings a wealth of international experience built up from a successful career at BP, Diageo and Centrica, including most recently as the Managing Director of British Gas.

In the short time he has been in the Company, Phil has shown the leadership and operational rigour that we require in the business. He is committed to delivering growth in revenue, maintaining the cost discipline and improving our returns on capital, as well as lifting expectations for the level of service our customers should receive. Phil outlines his strategic approach on pages 10 to 15.

We are in the process of recruiting a new CFO to work alongside Phil and drive our new strategy.

I am also delighted that our remaining Executive Director Nick Cooper has agreed to continue with the Company and help Phil with establishing our new operating hub in Miami and building the organisation we need to succeed.

During this period of change we have been fortunate to have had a strong Board of Directors advising our management. The changes in the way we operate the business will not change our approach to governance, which remains focused on driving the right behaviours within the business. Our Independent Directors' report on page 47 sets out this approach in detail.

Performance

We have started to see the benefits of our transformation and focus on a single geography. In overall terms, we exceeded our budgeted plans for the year in both EBITDA and cash flow. Indeed, our EBITDA growth of 5% year on year represents our best performance since demerger.

In addition to financial targets, our senior management have achieved focused personal objectives concentrated on reshaping the business and creating a platform for future growth. As well as completing the complex disposals programme, the change of our operating model from a financial holding company to one of operational focus has been effectively implemented. Our Miami operational hub is up and running and on time; the division of responsibilities between London, Miami and our regional operations has been redefined and several key senior management appointments made.

With the change in operating approach, the nature of the debate and discussion in Board meetings has evolved and we have seen the value of the broad experience of our Directors.

The challenges for the business have not receded – in particular we still face difficult economies in several Caribbean markets, intense mobile competition in Panama and liberalisation of the mobile market in The Bahamas later this year. We also clearly need to improve on our operational performance, particularly our networks and customer service, in several places. Our new strategic plan has been designed to address these challenges.

An essential part of the plan will be a substantial increase in the level of investment in the business over the next three years. This investment is a prerequisite for achieving growth, as we strive to lead in mobile in all of our markets, and exploit the competitive advantage of our combined fixed and mobile networks. Our capital expenditure as a proportion of revenue will therefore be higher in the coming year, but the business will see the benefit of the investment through improved revenues and earnings in the future.

As we enter a period of increased investment, the Company intends to also maintain the dividend as the core element of shareholder remuneration.

The Board recommended a dividend of US4 cents for the 2013/14 year.

This year's Annual report incorporates additional information designed to improve our explanation of the Company's business model, strategy, performance indicators and risk. We have also enhanced the Audit Committee report and Directors' remuneration report, in line with guidance. The Board has approved this Annual report and accounts as being a fair, balanced and understandable assessment of CWC's position and prospects.

Our approach

Our infrastructure and services have an integral role in the communities we serve. We have always sought to play an active part in our community, through supporting good causes, and being a reasonable employer.

During the year we agreed with the Government of The Bahamas to create a charitable foundation to support Bahamian community projects. This foundation will be funded by dividends received on a shareholding in our Bahamian business, BTC.

We also aim to maintain the highest standards of ethics and good governance, and I'm pleased this was recognised during the year with our joining of the Corporate Supporters Forum of Transparency International. We have set out more information on our approach to Corporate Responsibility and Sustainability on pages 31 to 33 of this report.

The achievements of the past year were only possible with the commitment of our valued colleagues, whom I would like to thank on behalf of the Board. We have nearly 5,000 colleagues, all of whom have played a part in ensuring we deliver a great service to our customers and a meaningful impact in the communities in which we operate. Throughout the changes to this business, they have remained totally committed, and the position we find ourselves in now is a tribute to them.

Sir Richard Lapthorne, CBE
Chairman

"I am delighted to have joined Cable & Wireless Communications (CWC) at such an exciting time for the Group as our business enters a new phase following the reshaping of the portfolio over the past few years."

Phil Bentley, Chief Executive

Our business model

Our business model shows how we generate value for our customers and shareholders.

PAGE 8

Our strategy for growth

We explain how our strategy will deliver long-term revenue and profit growth.

PAGES 9 TO 15

KPIs

We track the indicators which measure performance in the key areas of our business.

PAGES 16 AND 17

Principal risks and uncertainties

Our risk management framework is designed to identify and manage the risks to achieving our business targets.

PAGES 18 TO 21

Our market opportunities

We highlight key opportunities which our strategy will focus on capturing.

1

Strong market positions

We are the leader in 10 out of 15 mobile markets, 14 out of 15 broadband markets and all 14 markets in which we provide fixed line services. Our ambition is to be the leader in every market.

2

Emerging markets

We operate in an emerging region of the world, in which the market penetration of telecoms services, such as broadband and mobile data, is lower than in more developed markets. Our opportunity is to capture the growth from increasing penetration, as well as economic growth, in these markets.

Chief Executive's statement

We have now focused the Company on the Caribbean and Latin America region, and have established a key operating hub in Miami, Florida.

I formally started as Chief Executive on 1 January 2014, and in my first few months I have visited our key markets on a regular basis, meeting with colleagues, customers and other key stakeholders. With our senior executive team, I have also conducted a review of our strategy, approaching the opportunities and challenges within our businesses with a fresh perspective.

What I have found is that CWC has solid foundations in place and well established positions in key strategic areas. We are the leader, or a close second, in the delivery of mobile, fixed line and broadband services for our customers. We are seeing growth in mobile data demand, albeit from a low base, from growing smartphone penetration and have launched the latest mobile network technology, LTE, in three of our markets.

We have an established presence in the business-to-business (B2B) and business-to-government (B2G) segments. Most valuably, we have the largest network reach of all the operators in our markets – both fixed and mobile – allowing us to provide the full range of telecoms services our customers desire.

We operate in an exciting industry, delivering a service that is increasingly the gateway to consumers' lives. Our results should reflect the growth in the products we are providing to customers, and produce a stronger return on the investments we are making.

But, what is also clear is that the business is trading below its full potential. Although the rate of decline in fixed voice is slowing, growth in our broadband and TV offer is disappointing and our revenue performance has been declining for several years. Whilst our cost performance has improved over the past year, our operations, processes and customer service can still be improved. And our markets are under-penetrated in the key growth areas of mobile data and broadband, when compared with more developed markets.

In short, we have a substantial opportunity to improve the performance of our business and deliver more for our customers and our shareholders.

As part of our review, we are developing a new vision and strategic plan to turn around performance. This report aims to provide an outline of our plans to take the business forward.

CHIEF EXECUTIVE'S STATEMENT CONTINUED ON PAGE 8

3

Growing demand for data

Global demand for data products is forecast to grow across all customer segments. Mobile data carried on smartphones alone is expected to have a compound annual growth rate of 63% between 2013-2018.* We have a strong opportunity to increase data penetration in our markets and usage by customers.

4

Convergence

Consumers increasingly expect simple 'bundled' offerings to meet all of their communication needs. Our breadth of networks, both fixed and mobile, provides a natural advantage in providing packages of converged services, including mobile, fixed line, broadband and TV.

5

TV

Penetration of pay TV in our largest markets is expected to grow rapidly. TV as part of a bundled telecoms offering will help attract and retain customers. We currently provide TV in four markets and plan to introduce more services in future.

6

Enterprise services

There is growing demand among businesses and governments for managed services, where telecoms operators provide a value-added service in addition to high quality connectivity. A comprehensive network infrastructure is critical to providing these services.

*Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update 2013-2018.

Chief Executive's statement continued

2013/14 performance
The past year has been an important one for the Group. We have sold our Islands, Macau and most recently Monaco business units – and have opened an operating hub in Miami. These have all been major steps to focus the business on the Caribbean and Latin America.

Although we were not able to obtain regulatory approval to complete the sale of our asset in the Seychelles, we will continue to review our options. As a strong business – cash generative and performing solidly – we will only dispose of this asset if such a transaction will generate attractive shareholder returns.

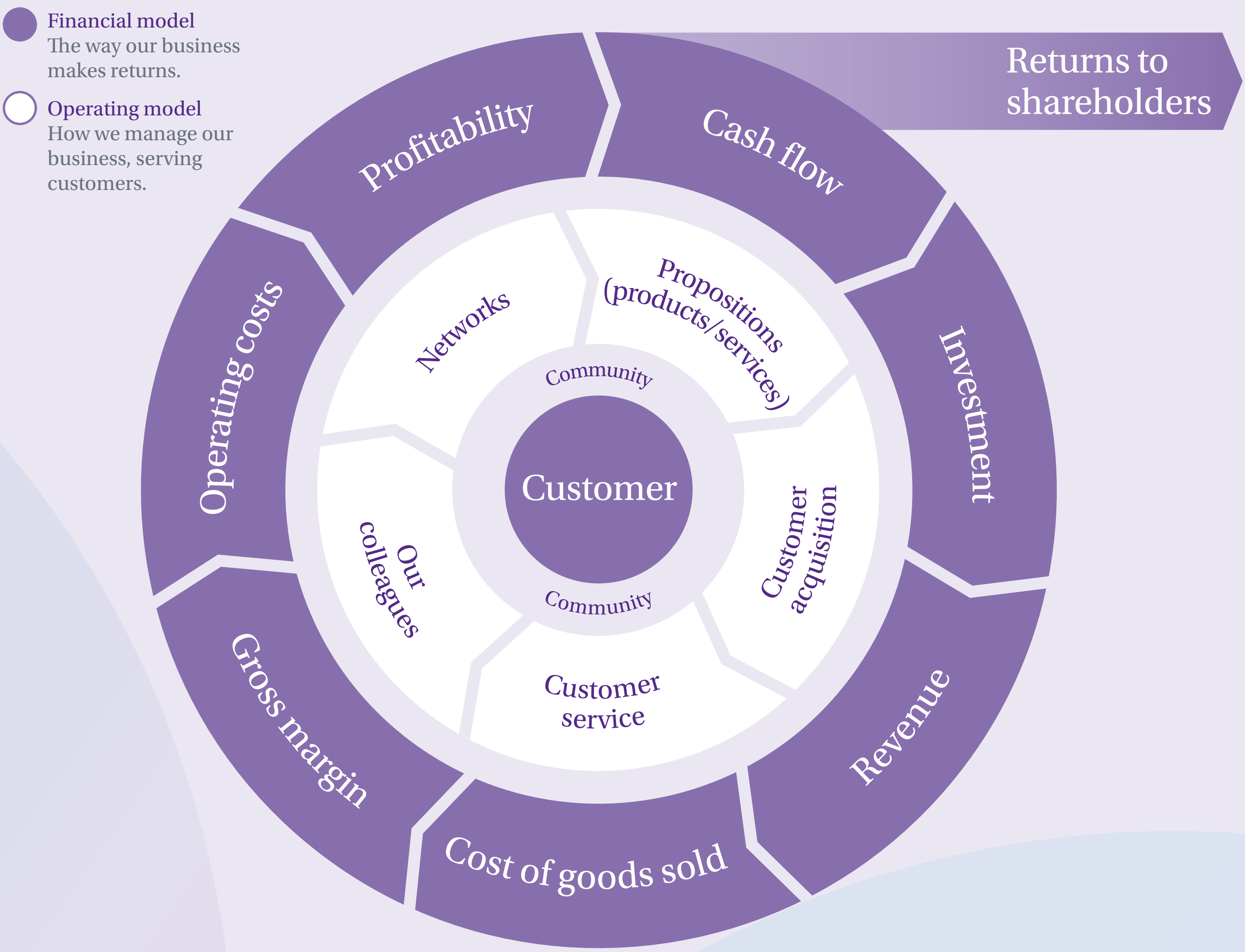
Collectively our disposals raised US$1,753 million, monies that were used to reduce our level of indebtedness and provide the headroom for increased investment in our core markets.

Our financial results in the 2013/14 year have shown early signs of our turnaround, as we become more geographically-focused. At the beginning of 2013/14 we announced a cost reduction programme targeted to reduce our run-rate operating costs by US$100 million by the end of 2014/15. During the year we have made good progress with operating costs down US$43 million against the prior year, with an exit run rate in 2013/14 of US$77 million of cost savings achieved.

Group revenue continued its long run trend, declining a further 4% to US$1,873 million as growth in mobile and broadband

A business model that delivers value

Our business model is based on providing customers with communications, information and entertainment services, at a price which delivers value to them, while enabling our business to make a fair return for our shareholders.



revenue across each of our businesses was more than offset by declining fixed voice and enterprise, data and other revenue. It is this revenue decline that our new strategy is targeted to reverse.

The US$52 million growth in mobile data revenue (up 23% in the year) indicates our customers' increasing demand for data and their desire to access the internet anywhere, anytime, and on any device. However, at the same time both mobile and fixed voice revenue is declining across our industry; growth in broadband and TV is therefore vital for our future. Our B2B and B2G operations also experienced a slower year.

In Panama, we maintained our mobile market share above 50%, and delivered a 4% rise in mobile revenue, led by mobile data.

In the Caribbean, our Jamaica mobile business continued to gain market share as we competed on price and value. However, fixed line and enterprise businesses and adverse currency movements weighed down overall revenue by US$32 million. The performance of BTC in The Bahamas, our largest Caribbean market, continued to improve over the year as we launched new mobile and fixed networks, and prepared the business for mobile competition which is expected to arrive later this year. Our performance was weaker in several of the other Caribbean countries – a function of our existing network. With increased investment, and continued cost focus, we are confident that we can turn these businesses around; reversing this decline through increased investment is a priority.

Our strategy for growth

Our overarching objective

Grow customer relationships and lifetime value by delivering unparalleled customer experience, where our customers define 'excellence'.

Our business has four strategic objectives:

1. Grow top line revenue
2. Maintain cost efficiency
3. Increase returns on capital
4. Deliver unparalleled customer service

Delivery of those objectives is built upon four strategic imperatives:

- Drive to mobile leadership
- Fixed-mobile convergence
- Reinforce our TV offering
- Grow B2B and B2G business

And two critical enablers:

- Strengthen unique government/stakeholder relationships
- Optimise our operating model

Chief Executive's statement continued

However, we have performed strongly on costs in the Caribbean, reducing operating costs by 8% in the year and therefore overall Caribbean EBITDA rose by 8%.

Group EBITDA at US$608 million was up 5%, an improvement on past performance, but we see this as the first step in the turnaround of this business. We need to raise the bar in terms of performance across a number of areas. We have made a good start on improving efficiency, but this alone will not deliver the results we want – we need to, and aim to, grow our top line revenue.

Vision and strategy

CWC's aim is to deliver sustainable, profitable growth thereby increasing returns to shareholders.

Our strategy to deliver this growth begins with an overarching belief – that we must grow our customer lifetime value by delivering a 'best in class' customer experience.

We will therefore invest in our networks and put increasing emphasis on rewarding the loyalty of our customers.

Our detailed strategic plan will be deployed through four key strategic imperatives. We will also focus on two key enabling strategies, which will underpin the strategic imperatives.

Strategic imperatives

- Drive to mobile leadership
- Fixed-mobile convergence

Strategic imperative 1: Drive to mobile leadership

The mobile phone is increasingly the gateway through which our customers experience our products. We must attain leadership in this critical service in every market. We will prioritise investments in data services and excel in the areas our customers most value.

We will strive to provide the best network performance in each market and tailored data propositions, while also delivering the latest smartphones and an improved customer experience in store, on the phone and online. Achieving this will lead to increased loyalty from our customers.

Goals

Our goal is to grow mobile revenue by providing the best customer experience and becoming the first choice for data services.

How we measure success

We will use the Net Promoter Score, a methodology to measure whether we are the mobile leader as judged by our customers. Success will also be measured through growth in mobile data penetration in our markets and increased usage by customers on our networks.

Associated risks

- Risk from competitor activity
- Risk of service disruption
- Investment risk
- Technology risk
- Key supplier risk

FOR MORE INFORMATION ON RISK SEE PAGES 18 TO 21

- Reinforce our TV offering
- Grow B2B and B2G business

Key enablers

- Strengthen our unique government/stakeholder relationships
- Optimise our operating model

I have set out the detail on each of these imperatives and enablers on the bottom half of pages 10 to 15, including listing specific goals, how we will measure our progress, and the risks to achieving each strategy.

Investment

The new CWC strategy requires an uplifted investment profile over the next three financial years to drive our revenue and earnings over the medium to long term. We will increase our level of capital expenditure under a programme called Project Marlin. This project will be focused on the following key areas:

- **Mobile leadership** – our network quality is fundamental to the services we provide and is becoming the primary factor in consumer choice of telecoms operators, particularly for data services. To ensure we have superior networks, investments will focus on additional 4G (HSPA+) cell sites to secure a standard which fulfils the data demands of our customers and selected LTE investment to secure our leadership where returns are greatest

Strategic imperative 2: Fixed-mobile convergence

Our customers want seamless access to high quality telecoms services as they move between devices and locations. That can only be achieved by delivering services over both fixed and mobile networks. Increasingly, technology is allowing convergence between these networks.

We believe we have a strategic advantage as our competitors generally only operate either mobile or fixed networks, but not both. We will shift our networks to a single Internet Protocol standard, improving our services, particularly fixed line and broadband, and delivering our customers the 'always on' services they desire.

Goals

We want to provide the best value voice and data propositions in our markets, offering a seamless customer experience over both our fixed and mobile networks.

How we measure success

Improving our services will encourage customers to buy more products and services from us. Converging our networks will also reduce the cost per unit of delivering data services to our customers.

Associated risks

- Risk of service disruption
- Regulatory risk
- Investment risk
- Technology risk
- Key supplier risk

FOR MORE INFORMATION ON RISK SEE PAGES 18 TO 21

Chief Executive's statement continued

- **Fixed-mobile convergence** – we will introduce enhanced switching capabilities to enable our fixed and mobile networks to operate in a more integrated way. This will provide seamless connectivity across a range of delivery mechanisms through investments such as the introduction of Wi-Fi hotspots in Panama and other markets. Certain fixed networks will also require investment to upgrade from copper to fibre so that we can provide faster and more reliable services – we plan to increase average download speeds across the Group
- **Reinforce our TV offering** – we will invest in delivery technologies appropriate to each of the markets in which we provide TV. In Panama we will expand our fibre coaxial network in urban areas whilst deploying direct-to-home satellite services across the country. Across the Caribbean we will deploy TV over broadband (IPTV) service capabilities focusing initially on Cayman, Barbados and The Bahamas. As our TV customer base grows this should also enable greater leverage with content providers
- **Grow B2B and B2G business** – through our joint venture with Columbus Networks we have an extensive (42,000 km) and resilient sub-sea cable network. Combining these sub-sea assets with our 'on-island' networks offers a unique capability to deliver telecoms-based, hosted solutions. Investments here will be focused on expanding our Multi Protocol Label Switching (MPLS) network, increasing its resilience and reliability and, through acquisitions, building on our infrastructure assets to deliver bespoke, data-based solutions for our customers

Strategic imperative 3: Reinforce our TV offering

TV, like mobile, is a 'moment of truth' for customers where they express a clear preference for which company they choose to deliver high quality entertainment.

Whilst today our TV business is a small part of our portfolio accounting for circa 2% of our revenues, it has a critical strategic role as part of triple play (fixed line, broadband and TV) and quad play (triple play plus mobile) offers that increase customer loyalty. We expect to grow this business by 50% over the next two years as we invest in a variety of technology delivery platforms.

Goals

We want to defend our fixed line business and grow usage of our broadband services by bundling our TV services in key markets.

How we measure success

We will measure progress by increasing our share of both TV and broadband markets.

Associated risks

- Risk from competitor activity
- Technology risk

FOR MORE INFORMATION ON RISK SEE PAGES 18 TO 21

Although capital investments that underpin our core business will be a key focus, we will also consider acquisition opportunities where they enhance our in-market offers, and align with our strategy to strengthen our core offer whilst meeting our return on capital criteria.

Organic investments will be a key focus, but we will also consider acquisition opportunities where they align with our strategy and meet our return on capital criteria.

Measuring success

We have set a series of measurable goals – against which we expect to be judged – and our strategic plan is focused on delivering these goals.

The measures we will use to track our progress on delivering long term growth include:

- **Top line revenue growth** – improving revenue across all our customer segments and markets
- **Business effectiveness** – continuing our cost out programmes, and initiating 'work-out' programmes to improve our processes, and deliver a rising EBITDA
- **Net Promoter Score (NPS)** – creating customer advocates and targeting increased customer loyalty as measured by NPS surveys across every product and market

Strategic imperative 4: Grow B2B and B2G business

Sales to businesses (B2B) is a growing segment across the telecoms world. There are also significant opportunities in providing services to governments to use telecoms services to reform sectors like health and education (B2G – business to government).

Our strategy is to manage our B2B and B2G business as a unitary team, which will operate under the name of CWC Business Solutions with customer-centric solutions for target business 'verticals' such as financial services, hotels and small businesses, offering reliable, cost effective services, relevant to specific industry needs. It will also manage our 42,000 km sub-sea fibre-optic cable joint venture with Columbus Networks in which CWC has a 27.5% economic interest.

Goals

We want to drive growth from B2B and B2G services by managing our customers' complex networks and applications.

How we measure success

By increasing our sales and marketing capabilities and developing bespoke products for particular industries, we will increase gross margin contribution. We will use NPS to measure customer satisfaction.

Associated risks

- Risk from competitor activity
- Risk to business development

FOR MORE INFORMATION ON RISK SEE PAGES 18 TO 21

Chief Executive's statement continued

- **Economic profit** – the capital investments we make must result in improving returns; economic profit measures the net operating profit of the business after tax, less a charge for the capital employed in the business
- **Colleague engagement** – improving our employees' engagement and commitment to the company, as measured by employee NPS

People

On 31 December 2013, Tony Rice stepped down as Chief Executive, following five years in post, and I want to echo the comments of our Chairman on Tony's valuable leadership of this Company. The reshaping of CWC was Tony's vision, providing the strong platform we have today.

Tim Pennington, our Chief Financial Officer (CFO), also announced his decision to step down during the year. Tim served our business very capably for five years, and was instrumental in transforming the Company, including his role in the Cable & Wireless demerger in 2010. He left with our best wishes. We are in the process of appointing a new CFO.

We have also strengthened our executive team through the hiring of some high calibre and experienced people, while retaining several of the key people from our London team.

Strategic enabler 1: Strengthen unique government/ stakeholder relationships

The quality of our relationships with governments and other stakeholders is critical to achieving our strategy. We have many strong relationships in our markets but will be proactive in maintaining them and building new ones.

We will take a more partnership based approach with governments and unions, such as we have seen in The Bahamas.

We will strengthen these relationships through investing in the communities we serve, creating jobs and in-market expertise, whilst being sensitive to the corporate responsibility that being a telecoms provider requires.

Goals

We want to maintain positive long-term relationships with key stakeholders by operating in a way that benefits individual countries as well as our business.

How we measure success

We will survey stakeholders using NPS to ensure that we improve our relationships across multiple partners.

Associated risks

- Regulatory risk
- Political risk
- Network data security risk

FOR MORE INFORMATION ON RISK SEE PAGES 18 TO 21

We have appointed Laurie Bowen (ex-BT/Tata) to lead our new Group-wide B2B/B2G operation. Niall Merry (ex-Digicel), has been appointed Chief Commercial Officer. Carlo Alloni (ex-Goldman Sachs/Ericsson) is our new Chief Technology and Information Officer and will lead our technology strategy and investments. Martin Roos (ex-Ericsson) has also been appointed as CEO of our Caribbean business. Each has joined our executive committee, alongside Nick Cooper (Corporate Services Director), Jorge Nicolau (CEO, Panama), Chris Dehring (Head of Government Relations), Belinda Bradberry (General Counsel and Company Secretary) and myself.

In the short time I have been in the company, I have met with many of our colleagues and have been genuinely impressed with their commitment and care for our customers.

Our infrastructure and services are an essential part of the social fabric of each community we are part of, connecting people, businesses and governments to each other, to information and to entertainment. Our customers rely on the services we provide.

Our colleagues take this responsibility seriously, serving our customers and their communities with a dedication and pride that I am immensely proud of.

We will aim to continue to fulfil this important role everywhere we operate, while improving our business, delivering better service for our customers, and growing value for our shareholders.

Phil Bentley
Chief Executive

Strategic enabler 2: Optimise our operating model

It is essential that we operate with a cost base that maintains our competitiveness. In the past year we have reshaped our business and established a key operating hub in Miami.

We plan to align our business processes and technology assets across geographies to improve business performance.

We will drive further success by motivating our people and engaging them in finding new ways of improving operating efficiencies. We are establishing the 'CWC Way' – best practices which provide a consistent operating framework, whilst at the same time delegating more financial flexibility for execution.

Goals

We want to ensure our business processes are as efficient as possible so that we remain cost competitive. Engaging our people to create a high performance culture will be essential.

How we measure success

We will benchmark our own operating costs against those of our competitors.

We will survey the engagement of our employees, and follow up on their suggestions to improve the business.

We will measure the cost savings from centralising certain key activities, consistent with the CWC Way.

Associated risks

- Risks affecting business change

FOR MORE INFORMATION ON RISK SEE PAGES 18 TO 21

Key performance indicators (KPIs)

"We have set a series of measurable goals – against which we expect to be judged."

We assess and monitor our Group's performance against a wide range of measures and indicators. Our KPIs help our Board and executive committee measure performance against our strategic priorities and business plans.

In 2013/14, the KPIs we monitored were financial and operating metrics.

In line with our new strategic approach, from the current year (2014/15) we will set down five key measures of our performance.

1

Top line revenue growth

Measured by: Group revenue
This reflects our ability to deliver sustainable long-term growth, aiming to encourage innovation and investment to gain a greater 'share of wallet' from our customers.

2

Business effectiveness

Measured by: EBITDA
A measure of how we are improving our business operating effectiveness focusing on tight cost control and capturing the value of our revenue growth.

3

Customer engagement

Measured by: NPS
We will track customer service and advocacy through regular NPS surveys. Improving NPS delivery is a strong indicator for increasing the lifetime value of our customer relationships.

4

Colleague engagement

Measured by: Employee NPS
We will track the engagement and motivation of our workforce, and the ability of our leadership to inspire and motivate our teams. Engaged colleagues provide a more engaged service to our customers.

5

Economic Profit

Measured by: Net operating profit after tax minus capital employed
This measure will indicate whether we are creating value in excess of our cost of capital and ensures that our capital investment programme is focused on delivering sustainable profit growth.

How we performed in 2013/14

Our services

Measurement of percentage growth or decline of the revenue we received from the key services we provide.

Mobile data

23%

Fixed voice

(10)%

Mobile voice

(5)%

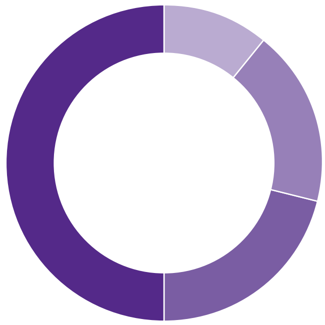
Enterprise, data and other

(14)%

Broadband and TV

3%

Our service as a percentage of total revenue



Financial performance

Measurement of key financial performance metrics and percentage change against last year.

Revenue

US$1.9bn

(4%)

2013/14	US$1,873m
2012/13	US$1,942m

EBITDA

US$608m

5%

2013/14	US$608m
2012/13	US$581m

Operating expenditure

US$763m

5%

2013/14	US$763m
2012/13	US$806m

Operating cash flow

US$302m

(5)%

2013/14	US$302m
2012/13	US$318m

Capital expenditure

US$306m

(16%)

2013/14	US$306m
2012/13	US$263m

Return on Invested Capital

17.8%

0%

2013/14	17.8%
2012/13	17.8%

Adjusted earnings per share

US2.6c

73%

Dividend per share

US4c

0%

Non-GAAP measures are reconciled on pages 89 and 93.

Principal risks and uncertainties

We recognise that there are risks in operating our businesses, influenced by both internal and external factors, some of which are outside our control. The Group has a risk management framework which our business units and corporate functions utilise to ensure risks are understood and mitigated wherever possible.

We set out a description of the principal risks and uncertainties that could have a material adverse effect on the Group and how they are managed. These risks have the potential to impact our business, its reputation, cash flow, profits and/or assets. However, there may be other risks that are currently unknown or regarded as immaterial which could turn out to be material.

We regularly update the Group risk register on a rolling 12 month basis. Actions to manage and monitor risks are considered on a quarterly basis by the Group's Executive Committee.

Investors should consider these risks along with other information provided in this Annual report.

Key: ▲ Risk trend increasing ◀▶ Risk trend stable ▼ Risk trend decreasing

Trend *Strategy impacted*	Risk and impact	Mitigation
▲ • Optimise our operating model	**Business change** Business change strategies could fail to be executed quickly enough or fail to achieve the anticipated efficiency, cost savings or customer service improvements. In particular, the Group is accelerating the roll out of a revised operating model based around our new Miami hub to better exploit opportunities available and realise synergies. Successful execution is dependent on our ability to recruit and retain skilled colleagues. If such business change programmes do not achieve their objectives this could affect the Group's profitability and cash flow	• Regular reviews are held by the project teams and the Group Executive Committee to monitor project status, risks and mitigating actions • We are advanced in building a team of high calibre individuals to strengthen our Miami operating hub • In addition, we also engage specialists to assist us with key business change initiatives such as outsourcing projects • Transition plans are developed to ensure continuity of systems and retention of corporate knowledge during change programmes
▲ • Drive to mobile leadership • Fixed-mobile convergence	**Service disruption** Our networks form part of a country's critical national infrastructure and therefore we are relied upon on a daily basis to deliver a high quality, resilient service. Disruption to our network and IT systems from events such as hurricanes and other natural disasters, fire, security breaches or human error could damage our reputation and also result in a loss of customers or financial claims	• We are increasing our capital investment and are focused on improving the reliability and resilience of our networks • All our companies 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

Trend *Strategy impacted*	Risk and impact	Mitigation
• Drive to mobile leadership • Reinforce our competitive position with TV offering • Grow B2B and B2G business	**Competitive activity** Competitor activity and new market entrants could, through a combination of aggressive pricing and promotional activity, reduce our market share and margins. Our mobile monopoly in The Bahamas expires in 2014/15 and some loss of market share and increased price pressure is inevitable. The strength of our ability to provide triple and quad play offerings are being challenged by our competitors' attempts to expand their capability in our markets. Failure by the Group to compete effectively could have a significant adverse effect on revenues, profitability and cash flow	• We are increasing our capital investment to improve network quality and customer experience • Our commercial capability is being strengthened through our new Miami operating hub • We have been preparing for the liberalisation of the Bahamian mobile market since we acquired BTC to ensure we are best placed to compete • We engineer our customer propositions based on our strengths relative to competitors – in particular our ability to deliver triple and quad play in many markets
• Fixed-mobile convergence • Strengthen unique government/ stakeholder relationships	**Regulatory risk** We need to comply with a large range of regulations and licence terms which govern our operations across the multiple legal jurisdictions in which we operate. In particular we are reliant on governments and regulators for access, on mutually beneficial terms, to spectrum both for existing and for next generation mobile services. We are also impacted by key regulatory decisions relating to pricing such as the determination of termination rates. Failure to comply with regulations or adverse regulatory decisions could impact the value of our investments, result in fines or restrict our ability to operate or provide new services to our customers	• We actively liaise with regulators to encourage a positive working relationship based upon open dialogue • We continuously monitor developments in the regulatory environment for all our businesses. Regular reports are made to the executive committee on regulatory risks • We employ local colleagues in each country who are experienced in local laws and regulations • We have secured our spectrum requirements for Panama and Jamaica and are actively pursuing the spectrum we need in other territories
• Grow B2B/B2G	**Business development** The development of mobile data, TV and our B2B/B2G capabilities could fail to deliver the anticipated revenue growth. The Group could fail to mobilise into new business lines in sufficient time to offset the structural decline in traditional voice revenues experienced across the telecoms industry. Failure to achieve profitable revenue growth would lead to a reduction in future profitability and cash flow	• Our commercial capability is being strengthened through our new Miami operational hub • We ensure focused attention on marketing and product development activities and are increasing our cross sharing initiatives between the Caribbean and Panama • We focus closely on the pricing of new services to ensure the Group achieves the required return
• Mobile leadership • Fixed-mobile convergence	**Investment** The Group's strategy is to focus investment in the Caribbean and Latin America region where we have a critical mass of operations and the ability to realise operational efficiencies. There is a risk that investments, acquisitions and partnership arrangements are not successful or that the investment opportunities available in the region do not deliver the investment hurdles required by the Group. This could adversely affect the Group's return on investment and ultimately shareholder returns	• We undertake detailed due diligence, employ experienced and knowledgeable individuals, obtain external specialist advice and ensure thorough debate at Board level • Integration plans are considered as part of our due diligence to ensure any new acquisitions can be successfully integrated into our Group • We set rigorous investment hurdles internally against which we measure potential opportunities • Group Board approval is required for material transactions

Principal risks and uncertainties continued

Trend *Strategy impacted*	Risk and impact	Mitigation
	Economic conditions The challenging economic environment in some of our major territories and the importance of overseas tourism to the economies of some countries could continue to suppress government and consumer spending impacting our profitability and cash flow	• We continue to monitor key economic indicators and remain prepared to take action to address any indicators of deteriorating economic conditions in our markets • We continuously seek to improve efficiency and reduce costs in order to best meet customer price expectations
• Strengthen unique government/ stakeholder relationships	**Political risk** A change in the political environment could lead to changes in law, government policy or attitudes towards foreign investment. This could have an adverse impact on our business operations, investment decisions and profitability. In addition, if we fail to obtain consent from governments in respect of asset disposals this could restrict our ability to release funds to invest in our remaining businesses	• We have a unique position in key markets such as Panama and The Bahamas in that local governments are significant investors in our businesses • We monitor political developments in both existing and potential markets closely • We actively liaise with governments and opposition parties to encourage a positive working relationship with open communication at senior levels • We aim to contribute positively to the social and economic development of the communities where we operate
• Strengthen unique government/ stakeholder relationships	**Network and data security** We carry and store large volumes of confidential personal and corporate data. Unauthorised access to sensitive data by third parties or employees could have an adverse effect on the Group's business and reputation and expose us to litigation	• The Group has information security procedures and controls in place which are regularly reviewed • Remedial action plans are implemented where necessary • We conduct third party data security reviews as required
• Drive to mobile leadership • Fixed-mobile convergence • Reinforce our competitive position with TV offering	**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 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 being exposed to litigation	• New technology developments are under constant review and new technologies are introduced when appropriate • We continue to keep abreast of the latest research on the potential health risks of mobile phones and transmitters

Trend *Strategy impacted*	Risk and impact	Mitigation
	Joint ventures and associates We have a number of operations where we do not have management control or share it with a partner. Our ability to manage the performance of these operations is therefore more limited which could impact the value of our investments	• We endeavour to have some operational involvement and we engage with local management in line with the applicable shareholder agreements • We have regular interaction with our local joint venture partners both informally and formally through our Board representation
• Drive to mobile leadership • Fixed-mobile convergence	**Key supplier risk** The Group is reliant on a relatively small number of key suppliers. A number of key operational functions are outsourced to third parties. There is a risk that such contracts fail to deliver the required operational improvements and/or financial savings exposing us to financial or reputational risk. Business continuity could be impacted in the event that one of our key suppliers fails	• We conduct due diligence procedures on suppliers to ensure they meet our requirements • We have comprehensive contracts in place with suppliers to define the services supplied and the standards expected • Governance processes are in place to review the performance of our suppliers
	Health and safety The Group operates equipment across many geographically dispersed network and cell sites in the countries in which we operate. In the absence of proper operational and access safeguards, this equipment could cause harm or even death to our employees, contractors and members of the public. We could also suffer consequential criminal prosecutions, fines and reputational damage	• We periodically report to the executive committee and the Board on health and safety standards across the Group and any incidents experienced • Incident reports are performed for significant health and safety events • There is an increased focus on managing health and safety risks, particularly in the Caribbean • We are investing to upgrade our network in the Caribbean, retire legacy equipment and rationalise property locations • We maintain insurance cover for employer's liability


surf
saturday
beach
TIGERS

Business review

In this section we review the performance of our business and the work we do to support local communities.

24-30 Performance reviews
31-33 Corporate responsibility and sustainability

Group financial performance review

Highlights

- Mobile data revenue up 23%, Group revenue down 1% on like-for-like basis
- Group operating costs fell by 5% (US$43 million) with exit run rate cost savings of US$77 million per annum
- Group EBITDA up 5%; margin increased by 2 percentage points to 32%
- Net debt down by circa US$1.4 billion to US$205 million pro forma, following the disposal of Monaco Telecom post year end
- Recommended full dividend per share of US2.67 cents; full year dividend per share of US4 cents (2012/13 US4 cents)

Revenue from continuing operations was down on the prior year, principally due to fixed line decline and a change in directories accounting in LIME, the latter reducing reported revenue by US$38 million.

Mobile revenue for the Group continued to grow, and this is an area we will continue to focus on in the coming years. The main driver was mobile data growth, increasing by 23%, following increased penetration and usage. We still only have smartphone penetration of circa 30% across our markets, so we believe there is still plenty of scope for future growth here.

Broadband and TV also performed well in the period. We have invested heavily in infrastructure in our more developed regions to enable us to deliver a world class triple/quad play offering. Customers increased on the prior year as our markets developed and appetite for our products grew.

Our fixed voice and enterprise, data and other revenues were adversely impacted by declining voice traffic, lower activity levels and a difficult macroeconomic environment.

Overall, Group EBITDA was 5% ahead of the prior year at US$608 million, following improved performance across the board, most notably in the Caribbean. To date, our cost out programme has reduced costs by US$43 million. In the Caribbean directly employed headcount fell. We said back in May 2013 we were aiming for a run rate reduction of US$100 million by the end of 2014/15, and we are on track to achieving that target.

Reported pre-exceptional net profit after tax for the year increased by 45% to US$148 million (2012/13 – US$102 million).

Net profit for the year was US$951 million. Adjusted earnings per share for the year were US2.6 cents (US1.5 cents in 2012/13).

Additional information on the financial performance and financial position of the Group is included in the Financial review on pages 84 to 87 together with commentary on the statutory income statement on page 89 and statutory statement of financial position on page 93.

Outlook

Economic growth in our markets will remain variable, ranging from circa 8% GDP growth per annum in Panama to 0% in Barbados; however the increasing penetration of products such as smartphones, broadband and TV, offers good growth opportunities.

Notwithstanding this, the markets we operate in are competitive, and we face the additional challenge of a second mobile operator in 2014 in The Bahamas, our second largest market.

Looking ahead, we expect to make good progress in reducing our cost base, particularly in the Caribbean. Through Project Marlin, with its associated uplift in capex, we expect to capture the growth opportunity offered by mobile data, broadband and TV, reversing the historical decline in revenue. Key to achieving this goal will be the competitiveness of our offer combined with the quality of our service, both of which we expect to improve following our investments to increase network reliability and speeds.

Group financial performance summary

	Full year ended 31 March 2014 US$m	Full year ended 31 March 2013* US$m	% change
Revenue	**1,873**	1,942	(4)
Gross margin	**1,371**	1,387	(1)
Operating costs	**(763)**	(806)	5
EBITDA[1]	**608**	581	5
Depreciation and amortisation	**(262)**	(275)	5
Net other operating (expense)/income	**(15)**	4	nm
Joint ventures and associates	**5**	10	(50)
Total operating profit before exceptional items	**336**	320	5
Exceptional expense	**(241)**	(136)	(77)
Total operating profit	**95**	184	(48)
Finance income	**8**	11	(27)
Finance expense	**(142)**	(152)	(7)
Exceptional finance expense	**(25)**	–	nm
Other non-operating expense	**(6)**	(16)	63
(Loss)/profit before tax	**(70)**	27	nm
Income tax	**(29)**	(41)	29
Net loss from continuing operations	**(99)**	(14)	nm
Net profit before exceptional items	***148***	*102*	*45*
Net profit from discontinued operations	**39**	184	(79)
Gain on disposal of discontinued operations	**1,011**	–	nm
Profit for the year	**951**	170	nm
Net profit attributable to:			
Owners of the Parent Company	**859**	11	nm
Non-controlling interests	**92**	159	(42)
Adjusted EPS[4]	**2.6c**	1.5c	
EBITDA[1]	**608**	581	5
Balance sheet capital expenditure[2]	**(306)**	(263)	(16)
Operating cash flow[3]	**302**	318	(5)
Customers (000s)			
Mobile	**3,700**	3,390	9
Fixed	**1,089**	1,111	(2)
Broadband	**388**	366	6
TV	**79**	69	14

*Full year ended 31 March 2013 restated for IAS 19 pensions accounting standard.

1 EBITDA is defined as earnings before interest, tax, depreciation and amortisation, net other operating and non-operating income/expense and exceptional items. A reconciliation of this non-GAAP measure to total operating profit is provided on page 89.
2 Balance sheet capital expenditure excludes transfer of cable assets from inventory in 2012/13. Excludes Panama spectrum capitalisation of US$7 million.
3 Operating cash flow is defined as EBITDA less balance sheet capital expenditure.
4 Adjusted EPS is before exceptional items, gains/losses on disposals, amortisation of acquired intangibles and transaction costs. A reconciliation of this non-GAAP measure to ordinary EPS is provided on page 89.

Caribbean performance review

Operational review

"LIME is on the pathway to becoming a leaner, fitter organisation. We are acting to replace the decline in voice usage by providing the high quality data services our customers now want. Our focus on reducing our operating costs means we are also operating a more efficient business."

Martin Roos, CEO, Caribbean

It was a challenging year in which we reduced costs and improved services in several key markets. However, declines in fixed voice and enterprise revenue weighed on the business.

We appointed several new senior managers to the business. Martin Roos was appointed CEO for the Caribbean region. We also appointed new leaders for our operations in the Cayman Islands, Barbados and to our two new 'clusters' for the Northern Caribbean (Antigua and Barbuda, Anguilla, British Virgin Islands, Montserrat, St. Kitts & Nevis and Turks & Caicos Islands) and Southern Caribbean (Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines).

As part of our efficiency programme, we outsourced the management of the maintenance, installation and repair of networks in 13 markets. This has significantly improved the competitiveness of our cost base.

In Jamaica, we attracted an extra 165,000 mobile customers during the year, as we confirmed our position as the market's value-for-money leader. Our 'Talk EZ' mobile price plan continued to win customers, and won an award at the American Advertising Awards 2014. We have secured further spectrum in Jamaica which will enable us to expand capacity in our networks and launch Long Term Evolution (LTE) in the future. However, there was a further decline in fixed voice revenue.

The launch of high speed LTE mobile data services in February 2014 gave our Bahamas customers access to services on a par with the United States, helping our business to prepare ahead of the expected introduction of mobile competition later this year.

We also strengthened our relationship with the Government – our co-shareholder in the Bahamas Telecommunications Company (BTC) – by agreeing to establish a local charitable foundation. The BTC Foundation will be funded through our contribution of 2% of our BTC shareholding. We remain the largest overall shareholder and have retained management control and a majority on the BTC Board.

We launched TV services in the Cayman Islands last year as the centrepiece of a new quad play package and launched LTE services which saw data revenues jump up 53%. We will complete the roll out of high speed fibre broadband services in both the Cayman Islands and Barbados in 2014/15, further enhancing the quality of TV services in both locations.

We are also planning to launch LTE in Antigua and Barbuda. We have entered into a partnership with the Antigua and Barbuda Government to improve access to technology and training for the disabled and job seekers.

Paul Carey – a BTC customer

"As a busy real estate Broker and Appraiser I certainly appreciated the responsive nature and helpful service during the set-up of our BTC Business Enterprise communication package."

Paul Carey, Broker/Appraiser – Realty Team Bahamas

Financial review

- Mobile revenue up 1% and data growth of 14% at constant currency
- Reported EBITDA of US$298 million up 8%; margin improved by 5 percentage points to 31% in second half
- Jamaica mobile service revenue up 28% at constant currency; subscriber growth of 31%
- LTE launched in The Bahamas and Cayman Islands driving significant mobile data growth
- Cost reduction on track – LIME outsourcing progressing, headcount down across the region

Caribbean revenue was 7% down on the prior year. At constant currency and adjusting for the change in accounting following the outsourcing of our LIME directory businesses, revenue would have only been US$15 million or 1% lower.

Mobile revenue was up US$4 million against the prior year at US$531 million as increasing demand for mobile data was offset by declining voice activity. We expect this shift in mix from voice to data to continue as we invest in high speed networks. During the year we successfully launched LTE in The Bahamas where we saw mobile data growth of 13% and in Cayman where mobile data revenue grew by 53%. Jamaica momentum continued as we saw a positive response to new pricing propositions following a further fall in mobile termination rates (MTRs) in July. Over the year there was a 31% rise in Jamaica subscribers to 705,000 where mobile service revenue grew by US$7 million or 12% and was 28% higher on a constant currency basis. ARPU for the region was broadly in line with the prior year.

Broadband and TV revenue was in line with the prior year. Broadband subscribers rose 8% with growth in most of our key markets, offset by competitive pricing pressure which drove Average Revenue Per User (ARPU) lower. We have grown our TV subscribers by 21% compared to last year and have introduced fibre based services in Barbados and Cayman.

Fixed voice revenue at US$252 million declined by 13% as a 10% fall in ARPU, driven mainly by rate reductions due to competition and bundling as well as by lower termination rates across the region, was compounded by a 3% drop in the subscriber base.

Enterprise, data and other revenue fell by 22% to US$142 million largely due to a change in accounting following the outsourcing of our LIME directory businesses. Adjusting for this change, enterprise, data and other revenue would have been broadly flat on constant currency basis.

Gross margin at US$827 million was 3% down compared to the prior year reflecting the reduction in revenue and increased investment in subscriber acquisition costs, partially offset by lower outpayments following the MTR reduction in Jamaica and improved margins on outbound roaming traffic. As a percentage of revenue, gross margin increased by 3 percentage points to 79%.

Operating costs reduced by US$48 million (8%) to US$529 million as we began to realise the benefits of the ongoing cost reduction initiatives. We have made good progress in outsourcing our field services teams in our LIME businesses and have reduced staff costs by US$29 million with headcount 36% lower than last year. Following this initial focus on staff efficiency we are now also working on other projects such as exiting non-core property assets with associated utility costs and introducing initiatives to reduce power consumption. Across our Caribbean business we remain on course to deliver the targeted cost reductions in line with the timescales previously set out.

EBITDA increased by 8% to US$298 million, of which The Bahamas contributed US$128 million (up 7%), driven principally by lower operating costs. The EBITDA margin at 29% was up 4 percentage points against the prior year and was 31% in the second half.

Our proportionate ownership of Caribbean EBITDA for the year ended 31 March 2014 was 72%.

	Year ended 31 Mar 2014	Year ended 31 Mar 2013	% change
Subscribers (000s)			
Mobile[1]	**1,506**	1,515	(1)
Broadband	**240**	223	8
Fixed	**683**	701	(3)
ARPU (US$)[2]			
Mobile	**27.3**	27.6	(1)
Broadband	**39.6**	42.1	(6)
Fixed	**30.4**	33.9	(10)
Revenue (US$m)	**1,045**	1,120	(7)
LFL revenue (US$)[3]	**1,045**	1,082	(3)
EBITDA (US$m)	**298**	275	8
Margin %	**29%**	25%	4

1 Active subscribers are defined as those having performed a revenue-generating activity in the previous 60 days. Subscriber numbers have been restated to exclude subscribers with credit balances but no activity in the proceeding 60 days. Prior periods have not been restated however the effect has been to remove 225,000 subscribers in the six months ended 31 March 2014.
2 ARPU is average revenue per user per month, excluding equipment sales.
3 Like-for-like (LFL) adjustment relates to enterprise, data and other revenue due to change in accounting following the outsourcing of our LIME directory business.

Panama performance review

Operational review

> "We are continuing to win in the mobile market by being at the forefront of providing the best mobile data service to our customers. We have focused on getting the basics right – a great network, with reliable customer service. Our services fulfil an important role in the lives of many Panamanians. We have invested to ensure we can continue to meet their expectations."
>
> *Jorge Nicolau, CEO, Panama*

Our Panama business had a solid year, as demand for our mobile data services grew rapidly, and our broadband and TV services made good progress.

We remain the leader in the country's highly competitive four-player mobile market and during the year agreed a new 20 year mobile licence agreement running until 2037, and secured valuable new radio spectrum.

As demand for mobile data services increased we upgraded our network to improve coverage and mobile data speeds. We plan to make further upgrades utilising our new spectrum in the near future.

We are also launching services and applications that customers can use on our data networks, improving the experience and encouraging usage. During the year we created a simple service enabling customers to place classified advertising more easily in newspapers by allowing them to complete a simple template on their mobile phone and pay using their prepaid balance. We also developed a mobile money service 'MovilCash' that launched in May 2014. MovilCash will allow any of our mobile customers to use their phone as an electronic wallet – with the ability to transfer money or securely pay for goods and services in shops and also to make convenient payments such as to use toll roads.

In our business-to-business and business-to-government division, we enhanced data services by upgrading our international data centres, which subsequently won an international award for having the highest standards of quality and efficiency in the region.

We won Government contracts to install and maintain telecoms services for the new Metro train network and National Assembly building in Panama City.

We also continued our strong support of community projects, including our ninth annual National Oratory Contest, a public speaking event involving thousands of high school students.

Our efforts to maintain an engaged colleague base were acknowledged in a survey by the Great Place to Work Institute, which marked out Cable & Wireless Panama as having a dynamic and effective culture.

Ricardo Gago – a Cable & Wireless Panama customer

"The customer service my business receives is highly personalised and very different from the experience we previously had with other operators. I have also moved my personal broadband, mobile, fixed line and TV contracts to Cable & Wireless Panama because I trust their reliability and technical expertise and know that they will always strive to quickly solve any problems I might have."

Ricardo Gago Salinero, President,
Importadora & Exportadora Hermanos Gago, S.A.

Financial review

- **Mobile revenue up 4%, continued growth in subscribers taking data packages (+185,000)**
- **37% growth in data usage driven by prepaid subscribers**
- **Strong EBITDA conversion, margin greater than 40%**
- **Licence extension and new spectrum secured**

Revenue at US$591 million was 1% higher than the prior year as mobile data growth offset the continued decline in fixed and mobile voice.

Mobile revenue at US$336 million was up 4% against prior year. Subscribers increased by 317,000, driven by prepaid activations for data plans as we launched more affordable smart devices. Data revenue was up 37% on the prior year more than offsetting voice revenue which declined by 13%. Data penetration of subscribers increased by 4 percentage points in the year to 35% as the wider range of data plans stimulated both prepaid and postpaid usage. Mobile ARPU was lower than the prior year due to reduced inbound roaming traffic and lower rates due to competitive pressures and voice usage.

Broadband and TV revenue of US$64 million was 7% higher than last year. Broadband subscribers were up 4% and TV subscribers rose by 14%. Bundling of products was an effective retention tool with 82% of TV and 79% of broadband subscribers taking more than one service.

Fixed voice revenue of US$113 million was 7% down against the prior year as an increase in international transit traffic revenue was more than offset by lower national usage. Subscriber numbers continued to decrease by 2 percentage points as customers substituted to other products, but the rate of decline slowed due to the impact of triple play offerings.

Enterprise, data and other revenue at US$78 million reflected an economically stable year ahead of the elections in Panama which took place in May 2014.

Gross margin at US$398 million was in line with the prior year. As a percentage of revenue, gross margin was 67%.

Operating costs were down 1% against the prior year due to increased productivity following cost reduction initiatives. This resulted in EBITDA of US$242 million, 1% better than last year. The EBITDA margin for the year was 41%.

A change in tax legislation from 1 January 2014 means that Cable & Wireless Panama's corporate tax rate reduced from 30% to 25%.

Panama has secured a new 20 year mobile licence agreement until 2037 and an additional 30MHz of spectrum, including 20MHz in the 700MHz LTE band, for a cost of US$100 million.

CWC's proportionate ownership of Panama EBITDA for the year ended 31 March 2014 was 49%.

	Year ended 31 Mar 2014	Year ended 31 Mar 2013	% change
Subscribers (000s)			
Mobile[1]	**2,159**	1,842	17
Broadband	**131**	126	4
Fixed	**372**	376	(1)
ARPU (US$)[2]			
Mobile	**14.3**	15.7	(9)
Broadband	**28.8**	28.5	1
Fixed	**25.2**	26.6	(5)
Revenue (US$m)	**591**	586	1
EBITDA (US$m)	**242**	239	1
Margin %	**41%**	41%	–

1 Active subscribers are defined as those having performed a revenue-generating activity in the previous 60 days.
2 ARPU is average revenue per user per month, excluding equipment sales.

Monaco performance review

Monaco was part of the Group for the 2013/14 year. On 20 May 2014 we successfully completed the sale of our interest in Monaco Telecom (MT) for total cash proceeds of US$445 million. The sale was a further step in our strategy to focus the Group on the Caribbean and Latin America region.

We sold our shares in Compagnie Monégasque de Communication SAM (CMC), the holding company for our 55% stake in MT, to a private investment vehicle controlled by Xavier Niel, the French entrepreneur. The sale price represented a multiple of 8.4 times the CMC Group's proportionate EBITDA based on results for the 12 months to 31 March 2013, reflecting the strong financial performance and market position of the business.

In 2013/14 the business delivered another consistent performance increasing mobile subscribers and generating good cash flow.

Revenue at US$237 million was in line with the prior year and up 2% adjusting for revenue from Afinis in 2012/13.

Mobile revenue in the period at US$70 million was 15% higher than the prior year, primarily driven by increased roaming. The launch of LTE services on 1 October 2013 drove data revenue and usage, with early adoption by customers at a faster rate than in neighbouring France.

Broadband and TV revenue grew 13% as we saw higher subscriber numbers and increased ARPUs.

Enterprise revenue was 9% lower due to the sale of Afinis and a reduction in international transit traffic.

The business continued to supply services to a number of international operators and companies. During the year we invested in a new data centre, strongly grew our voice and data carrier business and expanded the support we provide via our services to operators division. We also agreed to provide ground-based services to a new Monaco-based satellite business.

Gross margin at US$146 million was 5% higher than the prior year driven by lower mobile outpayments and a change in revenue mix with reduced low margin transit traffic revenue. As a percentage of revenue, gross margin improved by 3 percentage points as we exited low margin businesses.

Operating costs of US$65 million were 2% higher reflecting adverse currency movements. On an underlying basis operating costs improved by 3% primarily due to the disposal of Afinis.

EBITDA at US$81 million was 8% higher than the prior year reflecting good mobile growth, improvements in gross margin and favourable currency movements (5% up at constant currency).

Our proportionate ownership of Monaco EBITDA for the year ended 31 March 2014 was 55%.

	Year ended 31 Mar 2014	Year ended 31 Mar 2013	% change
Subscribers (000s)			
Mobile[1]	**35**	33	6
Broadband	**17**	17	–
Fixed	**34**	34	–
ARPU (US$)[2]			
Mobile	**127.2**	130.9	(3)
Broadband	**49.3**	47.5	4
Fixed	**65.9**	63.1	4
Revenue (US$m)	**237**	236	–
LFL Revenue (US$m)[3]	**237**	218	9
EBITDA (US$m)	**81**	75	8
Margin %	**34%**	32%	2

1 Active subscribers are defined as those having performed a revenue-generating activity in the previous 60 days.
2 ARPU is average revenue per user per month, excluding equipment sales.
3 Like-for-like adjustment relates to enterprise, data and other revenue removal of Afinis revenue in prior year.

The Cable & Wireless way

We are focused on operating our business ethically and responsibly so as to have a positive impact on our customers, colleagues, business partners, shareholders, government and community stakeholders and our environment.

CWC's efforts in this regard were again recognised by FTSE last year, with us being named as a continuing member of the FTSE4Good Index for meeting globally recognised corporate responsibility standards.

Dr. Azmina Long – a LIME St. Lucia customer

"LIME has always, always been there for me in business and also personally. Upgrading to a new telecoms system has enabled my business to network our three office locations and maintain communication between our colleagues."

Dr. Azmina Long, St Lucia

Ethics in Business

At CWC, we place ethical behaviour at the heart of our business activities and we are committed to operating fairly and with integrity in all our markets. We believe that corruption and bribery hurt economies, by deterring inward investment, and negatively impact our customers, by increasing business costs.

All of our employees are required to conduct themselves in accordance with both our Anti-Bribery Policy and our Code of Conduct. Our Anti-Bribery Policy was updated last year to ensure compliance with applicable US legislation, following the establishment of a regional office in the USA. Our Code of Conduct promotes mutual trust and respect in our dealings with others; taking accountability for our actions; acting with integrity; and acting fairly in our dealings with competitors and other stakeholders. 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 these policies. Responsibility for compliance with the policy remains with the Board, and the Chief Executives of our businesses are responsible for communicating, implementing and monitoring it within their businesses. We ask all employees to sign up to the principles of the policies and we also have specific policies covering gifts and hospitality. In the coming year we will be conducting refresher training for our colleagues on the Policy and the Code.

The business integrity risks are regularly assessed to ensure the appropriate mitigation procedures are in place and our internal audit team reviews the implementation and monitoring of the Anti-Bribery Policy within the business units as part of the annual internal audit plan.

In November 2013, CWC was invited to join Transparency International's Business Integrity Forum, a group of UK companies committed to ensuring their operations and business dealings are corruption free. Transparency International has member representation in over 100 countries. Members of the Business Integrity Forum must successfully complete a due diligence procedure which demonstrates that their approach to business is consistent with Transparency International's ethos and values.

TRANSPARENCY INTERNATIONAL UK
fighting corruption worldwide

Promoting our People

We are committed to providing a working environment in which colleagues can realise their full potential and contribute to the Company's success.

The Group operates in many countries with diverse employment practices. Whilst respecting local circumstances, we follow the principles of equal opportunity in recruitment, development, remuneration and advancement. Our employment policies also comply with local requirements and meet relevant standards on employment, training and career development of disabled people.

As at 31 March 2014, 1,926 of the Group's employee base of 4,256 were female. At the senior management level, female representation was eight out of 39 employees, whilst we have one female director serving on our Board out of a total of seven directors. We remain committed to ensuring that regardless of their gender our employees have equal access to opportunities for career advancement on the basis of merit.

We support the Universal Declaration of Human Rights and the International Labour Organisation Core Conventions, and we seek at all times to operate our businesses in compliance with them. Our Panama business is a continuing participant in the United Nations Global Compact, a strategic policy initiative on human rights, labour, environment and anti-corruption. Our Caribbean business will in the coming year apply for admission as a participant in the Global Compact.

The health and safety of our colleagues remains of paramount importance to us. In the coming year we will be directing specific attention to reducing the health and safety risks associated with our network infrastructure and our fieldwork activities, which present a higher degree of health and safety risk than other areas of our business.

Positive employee engagement remains a focus for CWC. This year we are consolidating our employee engagement and performance reviews into one Group-wide process directed at unifying the workforce behind a common set of performance objectives, including an employee Net Promoter Score metric and helping each employee maximise their contribution to these objectives.

Supporting our Communities

Each of our businesses plays an important role in fostering the development and enhancement of the communities we serve. In each market we seek to sponsor and support activities that are consistent with our values, relevant to our customers and employees, and of benefit to the wider community.

In Panama and the Caribbean last year our efforts focused on community-focused telecommunications initiatives, the promotion of educational opportunities and the development of the countries in which we work.

Last year our Panama business continued to roll out a new Health Information System across the country by installing it into a number of multi-speciality medical clinics. The system improves patient care by replacing paper patient records with electronic ones that ensure faster and more accurate diagnosis and treatment.

In Jamaica we installed a new fixed line telecoms system into one of the country's largest hospitals, improving the speed of communication between departments.

We worked with Panama's Department of Education to organise the National Oratory Contest, a public speaking competition for high school students, and a National Essay Contest for younger students. Our support also helped the Olga Sinclair Foundation break a Guinness World Record when 5,084 children simultaneously painted a mural commemorating 100 years of the Panama Canal.

In St. Kitts and Nevis we worked alongside the Government to create an Education Network – EDUNET – that will deliver faster broadband to eight of the islands' public schools and enable teachers from one school to lecture to students from another via videoconferencing. In Jamaica we installed interactive whiteboards into classrooms of several schools and ensured teachers were trained to use the new technology.

Our LIME Foundation planted 600 seedlings across 2.5 acres in Jamaica's Blue Mountains. The trees that grow there will help to repair an area that has been badly deforested as a result of farmers clearing land for agricultural usage.

Environment

We remain committed to continuous improvement in our environmental performance. Our networks are the most significant contributing factor to our environmental impact, due to the amount of power required to operate and cool our network equipment. In the coming year, we will work in partnership with power efficiency experts to reduce consumption of power in our business.

We have assessed our carbon footprint to be 119,548 tonnes of CO_2e based on our Scope 1,2 & 3 greenhouse gas (GHG) emissions, as compared with 171,398 tonnes of CO_2e for the 2012/13 reporting period. Our electricity consumption was 175 million kilowatt hours this year and our fuel usage was 39,366 megawatt hours (MWh) as compared with 248 million kilowatt hours with fuel usage of 59,409 MWh in 2012/13.

We continue to use videoconferencing and other technologies to reduce travel, although business travel remains necessary to some extent due to our geographical spread, and travel emissions this year were 4,370 tonnes CO_2e as compared with 6,136 tonnes CO_2e last year. These emissions represent 2.3 tonnes CO_2e per million US dollars of revenue.

The principal reason for the difference in emission levels is that the Group has reduced the number of sites under its operational control, through disposal of non-core businesses and outsourcing of some functions. Additionally the Group has conducted less air travel relative to the previous reporting period.

The emissions we have reported on cover all emission sources required under the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013. The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

We continue to promote e-waste recycling in our businesses. We also continued to raise awareness of environmental issues among our colleagues and the wider communities we serve.

Privacy and Security

Protecting our customer and employee data is of primary importance to us. We are working hard to build security measures and protection into all of our business processes and practices which involve the handling of personal and confidential information. This means raising awareness through training our employees on data privacy and data protection and working with our external partners to ensure robust measures are in place. In countries where we operate which do not yet have any legislative or regulatory regime to deal specifically with data protection and data privacy, we seek to take a best practice approach in line the EC Directive 95/46/EC on protection of individuals with regard to the processing of personal data and on the free movement of such data. At the same time we monitor existing and incoming legislation within the jurisdictions where our businesses operate and work with the local teams to adapt our practices as appropriate. Our global data privacy and electronic devices policies reflect this approach and help drive behaviour with regards to secure handling of customer and employee data within our business units.

We are working to increase the scope of our pre-contract assessments of external partners coming into contact with our employee and customer information. These assessments include checking our partners' approach to data security and privacy protection. Additionally we seek to impose contractual obligations on our partners to maintain data security standards, with particular emphasis on the protection of data being transferred between our businesses and our partners.

We recognise the growing importance and relevance to global organisations of cyber security and are bringing this issue into sharper focus through presentations to the Board and through increasing the focus and responsibility of our general information security team. This year we are focused on continuous improvement in testing resilience of local and Group-wide security solutions in order to identify vulnerabilities and make improvements where required.

Panama's hospital system – a Cable & Wireless Panama (CWP) customer

"In Panama we have a shortage of medical specialists outside of large cities and so have a strategic alliance with CWP to extend the reach of health services using telecoms technology. We now have the ability to provide services like radiology, ultrasounds and MRI scans in 22 rural locations, with digital outputs that can be shared using broadband. CWP has even been able to establish medical centres in villages with no electricity, using solar panels, satellite transmission or microwave technology. We have effectively created a virtual hospital across Panama where community healthcare has been greatly improved. In many cases we no longer need to move the patient and, if we do, we have the data needed to provide immediate and proper treatment for them."

Dr. Eric Chong, medical radiographer for children and adults, Children's Hospital, Panama City.

Strategic report

The Strategic report (which is comprised of the Overview, Strategic review, and the Business review, is set out on pages 2 to 33) together with information incorporated by reference into each review, has been approved by the Board and signed on its behalf by order of the Board.

Belinda Bradberry
Company Secretary
20 May 2014

Governance

In this section we introduce the Board and explain how our business is governed properly and responsibly.

36-37 Board of Directors
38-46 Directors' and corporate governance report
47 Independent Directors' report
48-53 Audit Committee report
54-55 Nomination Committee report
56-80 Directors' remuneration report
81 Statement of Directors' responsibility

The transition from Tony Rice to new CEO, Phil Bentley went smoothly ahead of the establishment of CWC's new operating hub in Miami, Florida. Tim Pennington, Chief Financial Officer (CFO), stood down from the Board in February 2014 and we are in the process of appointing a new CFO.

Sir Richard Lapthorne, CBE
Chairman, Chairman of the Nomination Committee

N

Sir Richard Lapthorne is Chairman of the Company having been Chairman of Cable and Wireless plc since January 2003. He is Chairman of the Nomination Committee. He 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. From March 2012 until October 2013 he served as Chairman of the Foresight Group on UK Manufacturing.

Richard was also a Trustee of Tommy's Campaign until January 2014, 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.

Phil Bentley
Chief Executive

Phil Bentley was appointed as Chief Executive of the Company on 1 January 2014.

Between 2007 and 2013 Phil was the Managing Director of British Gas, the UK's largest energy and services business, and was on the Board of Centrica Plc from November 2000 to June 2013 having served as Group Finance Director from 2000 to 2004 and Managing Director, Europe from 2004 to 2007.

Prior to that, he was Finance Director for Diageo Plc's spirits division and Group Treasurer. He also served in several senior international management roles during a 15 year career at BP Plc and lived and worked in China, Egypt, France and the USA.

Phil is a Non-executive Director and Chairman of the Audit Committee of IMI Plc, the engineering group, and was previously a Non-executive Director and Chairman of the Audit Committee of Kingfisher Plc, the international home improvement retailer between 2002 and 2010.

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, and Corporate Social Responsibility. 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
Deputy Chairman, Senior Independent Director, Chairman of the Remuneration Committee

A N R

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 Remuneration Committee and a member of the Audit and Nomination Committees. Simon became Chairman of the Remuneration Committee on 1 June 2012 having previously been the Chairman of the Audit Committee. He is also a Non-executive Director and Chairman of the Nomination and Corporate Governance Committee of Allied Irish Bank plc, Non-executive Director of Commonwealth Games England and Chairman of Anchura Group Ltd. Previously, Simon was Group Finance Director for 3i Group plc until November 2008, and was Non-executive Director and Chairman of the Audit Committee of Tribal Group plc until May 2014. He 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.

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 2014.

Mark Hamlin
Non-executive Director

A N R

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.

Alison Platt
Non-executive Director

A N R

Alison Platt was appointed a Non-executive Director of the Company on 1 June 2012, and is a member of the Audit, Nomination and Remuneration Committees. Alison is a Managing Director at Bupa, responsible for International Development Markets. She took up this post in October 2012 having previously held a number of senior posts across Bupa including Chief Operating Officer of its UK private hospitals business, Deputy Managing Director in its UK insurance business and latterly Managing Director for its businesses in the UK, Europe and North America. Before joining Bupa, Alison held a number of key positions in British Airways.

Alison Platt was chair of 'Opportunity Now', which seeks to accelerate change for women in the workplace, from May 2009 until April 2013. She was also Non-executive Director of the Foreign & Commonwealth Office between 2005 and 2010, and in the 2011 New Year Honours she was appointed a CMG for her services to the Board of the FCO.

Ian Tyler
Non-executive Director, Chairman of the Audit Committee

A N R

Ian Tyler has been a Non-executive Director of the Company since his appointment on 1 January 2011. On 1 June 2012, Ian was appointed Chairman of the Audit Committee. Ian is also a member of the Remuneration and Nomination Committees. Ian is a chartered accountant and was Chief Executive of Balfour Beatty plc from January 2005 to March 2013, having joined the company in 1996 as Finance Director and having become Chief Operating Officer in 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 Non-executive Chairman and Chairman of the Nomination Committee of Bovis Homes Group PLC, Non-executive Chairman and Chairman of the Nomination and Remuneration Committees of Al Noor Hospitals Group Plc, Non-executive Chairman of Cairn Energy PLC and a Non-executive Director of BAE Systems plc. He is also Chairman of CRASH, the construction and property industry charity for homeless people around the UK, and serves as Crown Representative for the Cabinet Office.

Sir Richard Lapthorne, CBE
Chairman

Dear Shareholder,

The transformation of our business to a focused operator has been completed during the year. Effective corporate governance is about delegating safely and is essential to ensure sustainable business performance. It is the responsibility of the Board to ensure that the Group is governed properly and responsibly.

During the year our governance framework has been adapted to reflect the focus of our business on a single geography and the establishment of a new operating hub in Miami.

The transition from Tony Rice to Phil Bentley as Chief Executive went smoothly. We have a comprehensive and well developed induction plan for our Directors. Tim Pennington, Chief Financial Officer stood down from the Board in February 2014, and we are in the process of appointing a new CFO.

During the year, we have engaged with our major shareholders and governance bodies on a number of occasions, mainly in respect of our Directors' remuneration policy as we align our remuneration with our transformed business and growth strategy. The dialogue has been constructive and we will continue to engage regarding key issues in the future. Our Directors' remuneration policy and full details of performance metrics and remuneration payments are disclosed in our Directors' remuneration report, which is prepared for the first time in accordance with the new regulations as introduced by the UK Government.

Our commitment to ethical business behaviour is long standing and we operate a culture where everyone is required to operate with integrity at all time and maintain the trust of our external stakeholders. We were pleased to become a partner of Transparency International during the year as we share the organisation's views about corrupt and unethical business practices. We are committed to operating fairly and with integrity in all of our markets and believe that corruption and bribery harm economies by deterring inward investment and impact our customers by increasing business costs.

Sir Richard Lapthorne
20 May 2014

Compliance with the UK Corporate Governance Code

This report sets out how the Company applied the principles of the UK Corporate Governance Code (the Code) and the extent to which the Company complied with the provisions of the Code in the year to 31 March 2014. Throughout the year the Group has applied the main principles of the Code as described in pages 38 to 43 and has fully complied with all relevant provisions of the 2010 edition of the Code, and with all relevant provisions of the 2012 edition of the Code except for provision C.3.7 in respect of putting the external audit contract out to tender at least every ten years. An explanation in respect of this provision is given in the Audit Committee report on page 53. The Board considered the various changes to the Code and, in particular, its responsibility to prepare the Annual report and accounts to present a fair, balanced and understandable assessment of the Group's performance, business model and strategy and to make a statement to that effect in the Annual report. 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 36 to 37.

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

Membership and attendance at meetings	
Sir Richard Lapthorne (Chairman)	11/11
Phil Bentley[1]	2/2
Nick Cooper	11/11
Tim Pennington[2]	10/10
Tony Rice[3]	9/9
Simon Ball	11/11
Mark Hamlin	11/11
Alison Platt	9/11
Ian Tyler	11/11

1 Phil Bentley was appointed to the Board with effect from 1 January 2014.
2 Tim Pennington resigned from the Board with effect from 11 February 2014.
3 Tony Rice resigned from the Board with effect from 31 December 2013.

Phil Bentley was appointed to the Board as an Executive Director and Chief Executive with effect from 1 January 2014, and Tony Rice and Tim Pennington resigned as Executive Directors with effect from 31 December 2013 and 11 February 2014 respectively.

The Board meets regularly and there were 11 meetings during the year, including an annual strategy meeting. There are a number of informal meetings held throughout the year and as part of the annual corporate governance programme the Independent Directors meet once a year to discuss any relevant governance matters. They also meet with the Chairman present and with the Chairman and Chief Executive present. This balance of formal and informal meetings throughout the year creates an environment that encourages challenge, the sharing of information, innovative thinking and open communication.

The Chairman is responsible for the overall operation and governance of the Board. The Chairman provides the leadership of the Board to ensure that the Board satisfies its duties and responsibilities. The Chairman sets the agenda for the Board, ensuring that the Board receives clear, timely and accurate information. The Chairman is also responsible for facilitating the contribution of the Directors.

The Chairman, together with the Senior Independent Director, is also responsible for ensuring 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 PwC Public Interest Body are noted on page 36, and the Board considers that these appointments are not a constraint on his agreed time commitment to the Company.

The Chief Executive has responsibility for developing the strategy for recommendation to the Board. He is also responsible for the leadership of the business and managing it within the authorities delegated by the Board.

The commitment of the Chief Executive as a Non-executive Director, and Chairman of the Audit Committee of IMI plc, a company listed on the London Stock Exchange, are noted on page 36, and the Board considers that this appointment is not a constraint on his agreed time commitment to the Company.

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 pages 48 to 53, the Remuneration Committee on pages 56 to 80 and the Nomination Committee on pages 54 to 55. Furthermore, our independent Non-executive Directors have prepared a report describing corporate governance and behaviours of the Board on page 47 and details of significant shareholdings and rights, obligations, powers and procedures under the Company's Articles of Association (the Articles) are set out in the statutory information on pages 44 to 45. 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 for the Group.

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 for 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:**
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 for 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 currently comprises the Chairman, two Executive Directors and four Non-executive Directors. 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, including recent financial, strategic, operations and retail experience, gained in a variety of geographic areas. 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, which sets out the time commitment expected of them, and 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 responsibility and sustainability, ethics, 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 their 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 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.

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, Directors' responsibilities, the role of the Board, the matters reserved for its decision, and the terms of reference of the principal Board Committees. The programme also includes meetings with senior management and key advisers, and meetings with major shareholders are 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. During the year, this included three overseas Board visits enabling the Board to meet with local senior management and to obtain an enhanced and more in-depth knowledge of the business operations
- Governance updates from external advisers or via the Company Secretary's report

During the year, presentations from external providers have been given to the Board specifically on the following:

- Cultural differences and competencies to facilitate improved communications across the business
- US corporate governance matters
- The benefits of the use of Net Promoter Score as a measure of customer loyalty

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

Performance evaluation

In accordance with the Code, an external evaluation of the Board takes place at least every three years. The last external evaluation was undertaken in 2011 by Independent Audit Limited, which evaluated the performance of the Board as a whole. Independent Audit Limited has no other connection with the Company or Group.

An internal Board evaluation was conducted in 2013 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 report on the findings of the review was discussed by the Board at its meeting in January 2014. The evaluation concluded that the Board and its Committees operate effectively. A number of recommendations were made following the review and the key themes included consideration of the Board composition including augmenting regional expertise on the Board in light of the strategic direction of the Group and further in-depth information and training for the Directors in relation to the local business unit environments, market dynamics, products and pricing. The Non-executive Directors also appraised the Chairman's performance and carefully reviewed the relationship between the Chairman and the Executive Directors. The result of this review was that the Chairman was considered to continue to demonstrate highly effective leadership of the Board. The relationship between the Chairman and the Executive Directors was considered to be good, and that the Board structure and relationships continued to promote the long-term success of the Group.

An external Board evaluation will be undertaken in 2014.

Board Committees

The reports of the Audit, Remuneration and Nomination Committees are set out on pages 48 to 53, 56 to 80 and 54 to 55 respectively.

Directors

Re-election

The Company complies with the Code, which specifies that all directors of FTSE 350 companies should be subject to annual re-election by shareholders. The Board is satisfied that each Director continues to be effective and to demonstrate commitment to their role. All Directors will stand for re-election at the 2014 AGM.

Directors' interests

The remuneration of the Directors and 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 56 to 80.

Directors' conflicts of interest

The Articles include provisions covering Directors' conflicts and allow the Board to authorise a matter that would otherwise involve a Director breaching his duty to avoid conflicts. The Company has procedures in place to deal with a situation where a Director has a conflict of interest, including the disclosure by Directors of any such conflicts and the imposition of limits or conditions by the Board when considering and authorising any conflict, if they think this is appropriate. 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 5.6 of the consolidated financial statements.

Directors' indemnities

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.

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.

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.

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 18 to 21.

The Executive Directors' report to the Board, on behalf of management, significant changes in the Group's businesses 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 Executive meeting and each Board meeting, actual results are reviewed and reported against budget and, when appropriate, revised forecasts. Senior management within our businesses are required on a quarterly basis to certify compliance with the Group's financial reporting requirements
- Investment appraisal: the Group has clearly defined policies for capital expenditure. These include annual budgets, detailed appraisal and approval processes via the Cable & Wireless Investment Committee and post-implementation reviews 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. Any improvements required are identified, management actions assigned and implementation timescales agreed; progress against these actions are monitored on a monthly basis and reported to the Audit Committee
- 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, quarterly and annual 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 Group is committed to a process of continual improvement in the effectiveness and efficiency of the internal control environment, particularly in respect to parts of our Caribbean business
- Whistle blowing: the Group operates an Ethics Helpline which is administered by an independent third party and is available to all employees
- In addition to the regular updates and reports during the year, the Board was also updated on cyber-security threats and the controls in place to protect against them

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. These systems included financial, operational and compliance controls, along with risk management. 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.

During the year, several aspects of the business have been reviewed and amended to help strengthen our system of control, transparency and governance. These have included the following actions:

- Delegation of Authority framework – this has been reviewed and updated in light of the restructuring of the Group. The framework sets out the matters for which the business units and Group operations are required to seek approval, including those matters reserved for the Board
- Establishment of a Miami operational hub – our Miami operational hub has been developed, enabling our senior management to be located closer to our businesses. It facilitates faster decision making and greater pooling of resources, knowledge and best practice across the Caribbean and Panama

Auditor

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, KPMG LLP, 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.

Other statutory information

Directors' report

The Directors' report comprises pages 38 to 46 (inclusive of the corporate governance section) and the other information in this report that is relevant to, and which is incorporated by reference into, the Directors' report. Pages 2 to 33 inclusive consist of a Strategic report, through which the Board seeks to present a balanced and clear assessment of the Group's activities, position and prospects. The Group's results for the financial year are shown in the consolidated income statement on page 88.

In accordance with section 414C(11) of the 2006 Act, the Board has chosen to set out in the Strategic report those matters required to be disclosed in the Directors' report which it considers to be of strategic importance to the Company, as follows:

- Post-balance sheet events (page 150)
- Likely future developments of the Company (throughout the Strategic report)
- Greenhouse gas emissions (page 33)
- Research and development activities (throughout the Strategic report)
- Colleague communication (page 32)

Annual General Meeting

The AGM will be held at 11.00am on Friday 25 July 2014 at the Grange Tower Bridge Hotel, 45 Prescot Street, London E1 8GP. Details of the resolutions to be proposed at the AGM are given in the Notice of Meeting.

Dividends

The Directors recommend a final dividend of US2.67 cents per ordinary share payable on 8 August 2014 to ordinary shareholders on the register at the close of business on 30 May 2014. This final dividend, together with the interim dividend of US1.33 cents per share paid by the Company on 10 January 2014, makes a total dividend payment to shareholders of the Company of US4 cents per ordinary share for the year ended 31 March 2014.

Political donations and expenditure

The Company does not make and has no intention of making donations to what are generally regarded as political parties within the European Union. As a precautionary measure and in the light of the wide definitions of European Union political organisations for the purposes of the 2006 Act, a resolution was passed at the 2010 AGM permitting the Company to make political donations and incur political expenditure for a period of four years ending on the earlier of the 2014 AGM or 20 July 2014. During the year, the Company did not exercise its authority granted to it at the 2010 AGM to make political donations within the European Union. In aggregate, the sum of US$100,916 (US$91,126 – 2012/13) was made to non-EU political parties by non-EU subsidiary companies during the year.

The authority granted to the Company pursuant to the 2010 resolution will therefore expire on 20 July 2014 and so the Company intends to propose a similar resolution this year. The purpose of the resolution is to ensure that the Company does not unintentionally breach the 2006 Act. The proposed resolution, seeking authority for a four-year period, would remain in force until 24 July 2018 or the 2018 AGM, whichever is the earlier.

Employee communication and disability

The Group communicates with employees in many ways, including regular briefings by management, newsletters, emails, radio shows and intranet sites. These communications help to achieve a common awareness among employees of the financial and operational performance of the Group. As described in the Corporate responsibility and sustainability section ('Promoting our People') on page 32, this year we are consolidating our employee engagement across the Group.

Also as described in that section, our employment policies comply with local requirements and relevant statutes. In particular, 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.

Company's shareholders

As at 31 March 2014 and the date of this report, the Company had been notified of the following substantial holdings of voting rights (over 5%) in the issued share capital of the Company in accordance with the Disclosure and Transparency Rules:

	As at 31 March 2014			As at 20 May 2014		
	No. of ordinary shares	% of voting rights	Nature of holding	No. of ordinary shares	% of voting rights	Nature of holding
Orbis Holdings Limited	**353,806,032**	**13.99**	Indirect	**354,080,631**	**14.01**	Indirect
Newton Investment Management Limited	**252,784,845**	**9.99**	As a discretionary fund manager	**252,784,845**	**9.99**	As a discretionary fund manager

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 10 to the Company financial statements. At the 2013 AGM, the Company was authorised by shareholders to purchase up to 252 million of its own ordinary shares, representing approximately 10% of its issued share capital (excluding shares held in treasury) as at 7 June 2013. The Company did not exercise such authority during the year and the total number of shares held in treasury as at 31 March 2014 is 137,488,873.

The Board intends to seek shareholder approval at the forthcoming AGM on 25 July 2014 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 10 to the Company financial statements on page 159 and are incorporated into this report by reference.

Exercise of rights of shares in employee share schemes

The Trustees of The Cable & Wireless Communications Share Ownership Trust (the 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.

Rights and obligations attaching to the ordinary shares

The following section summarises the rights and obligations in the Company's 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. Proxy appointment and voting instructions must be received by the registrars at least 48 hours before the time appointed for the holding of a general meeting or 24 hours before a poll if not taken on the same day as the meeting (in each case subject to the Directors' discretion to specify that the time periods exclude any part of a day that is not a working day).

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.

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.

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 10 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$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 page 66.

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 Strategic report on pages 2 to 33 including the Financial review on pages 84 to 87. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 84 to 87 and pages 89 and 93. Further, notes 4.7, 4.9 and 4.10 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 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 4.3 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

Belinda Bradberry
Company Secretary
20 May 2014

Independent Directors' report

Following on from the successful disposals of the Macau and Islands business units, the Board's focus has been directed at the significant challenges faced by the business in transforming itself from one with a Group centre based in London, to an operational telecommunications business focused on a single region – Caribbean and Latin America, with its corporate headquarters in London and its principal operating hub in Miami, Florida.

The relocation to Miami presented the Board with a number of substantial challenges throughout the year, including changes in the Executive leadership team, a transformation of the operating model and a downsizing of the London HQ to facilitate the move. Tony Rice, who was CEO until 31 December, had informed the Board at the beginning of the financial year that he would be unable to relocate to Miami on a permanent basis. Conscious of the demands and the level of change which the business faced over the next three years, the Board initiated a search for Tony's successor led by the Chairman and Mark Hamlin, which culminated in the appointment of Phil Bentley. The Board believes that with his blend of commercial and operational experience demonstrated at British Gas, a former monopoly which needed to reconnect with its customers, Phil is exceptionally well qualified to lead the Company through our programme of significant change.

Tim Pennington, who has served as CFO of the Company since 2008, informed the Board that although he could help with the transition to a new operating model in Miami, he was unable to move to the US on a permanent basis. Tim will leave the business in June and a search for Tim's successor is now under way.

In addition to the recruitment process led by the Chairman and Mark Hamlin, the level of change has been such that the other Non-executive Directors have each spent time, over and above their normal commitment, to support the key programmes. Simon Ball maintained an overview of M&A activities during the year, whilst Ian Tyler and Alison Platt provided hands-on support to the Executive to formulate the future operating model. The Board has also approved the adoption of a new set of performance measures to underpin its plans. The inclusion of Net Promoter Score as one of those measures has enabled those Non-executives with a market-facing background to make a leading contribution.

The new office in Miami was opened in December 2013. The Board held its strategy meeting at the new location in March 2014 and received a detailed presentation from Phil Bentley and the newly formed Executive team. This gave the Board the opportunity to satisfy itself as to the quality of the management group's analysis and to test the strategy developed by Phil and the new team which is reflected on pages 6 to 15 of the Annual report.

The year has been a transformational one for the Company, starting with plans to create a regionally focused business with a new operating model and culminating in a team led by a new CEO based in Florida, close to our colleagues and customers and the markets we serve, and a strategy which the Board is confident will create a strong business in the future.

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

Turning now to the four questions posed annually as part of the Company's approach to measuring effective corporate governance.

1. What is the quality of the relationship between the Chairman and the Executive Directors?
During the year the Chairman has managed the succession from Tony Rice to Phil Bentley, developing a strong and productive relationship with Phil as incoming Chief Executive, which will enable him to support Phil during this critical phase for the Company. In addition, the Chairman has dealt with the departure of Tim Pennington and ensured that the one remaining Executive Director, Nick Cooper, is available to the Board and to Phil throughout the transition to Miami. Despite the volume of change and the complexities of the transitional arrangements, the relationship between the Chairman and outgoing and incoming Executives alike has remained strong.

2. How open are the Executive Directors with the Board?
As a result of the additional demands on the Non-executives to work more closely with the Executives to support the level of change in the business, and the increased visibility which that has provided, the relationship between the Executive Directors and the Board has been a very open one.

3. What is the visibility of the checks and balances between the Executive Directors?
With the arrival of a new CEO and the formation of a new Exco group, the checks and balances in the team have changed significantly. As well as developing confidence in Phil and the team, the Board is reassured by the continuity provided by Nick Cooper who has been a Board member since demerger. Immediate efforts are now focused on the recruitment of a CFO to complete the Executive team.

4. Have questions asked by the Independent Directors in Board and Committee meetings been appropriately addressed?
The Independent Directors are satisfied that questions have been answered in a considered and effective manner throughout the year ended 31 March 2014 and are satisfied that the corporate governance controls of Cable & Wireless Communications Plc are effective.

Simon Ball
Senior Independent Director
20 May 2014

Ian Tyler
Audit Committee Chairman

"Throughout the year, the Audit Committee continued to focus on the integrity of the Group's financial reporting, the effectiveness of the internal control and risk management systems as well as the internal and external audit processes. The Committee receives regular governance and regulatory updates and continues to review the impact of these for the operations of the Audit Committee."

One of the core requirements of the UK Corporate Governance Code 2012 (the Code) is for the Annual report and accounts to provide a fair, balanced and understandable assessment of the Group's financial reporting, internal control policies, and procedures for the identification, assessment and reporting of risk and that these remain effective. The Committee devotes significant time to each of these elements. The Committee's agenda for the year ended 2014 has included the usual review of our financial results and controls, our business operations and their management of risk.

In line with the new responsibility of the Committee pursuant to the Code, the Committee has also assisted the Board in confirming that the Annual report and accounts are fair, balanced and understandable.

Audit Committee membership

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

Membership and attendance at meetings		
Ian Tyler (Chairman)	●●●●	4/4
Simon Ball	●●●●	4/4
Mark Hamlin	●●●●	4/4
Alison Platt	●●●○	3/4

The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience, along with a broad commercial knowledge, and is confident that the collective experience of the members enables them to act as an effective Audit Committee. The Committee is also satisfied that it has the expertise and resource to fulfil its responsibilities effectively including those related to risk and control.

Meetings

The Committee held four scheduled meetings during the year ended 31 March 2014.

The Chief Executive, Chief Financial Officer, Group Financial Controller, Head of Internal Audit and representatives from KPMG LLP (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 provide an opportunity for open dialogue and feedback from the Committee and auditors without management being present. At each meeting the Committee then receives reports from the Chief Financial Officer (undertaken by the Group Financial Controller for the May 2014 meeting as a result of the departure of the CFO), the external auditor and the Head of Internal Audit, together with biannual litigation reports. The meetings of the Committee operate so as to investigate the key accounting, audit and risk issues that are relevant to the Group. The mixture and experience of its members assists in providing a challenging environment in which these issues are debated.

Role of the Committee

The Board has delegated to the Committee responsibility for overseeing the financial reporting, internal risk management and control functions and for making recommendations to the Board in relation to the appointment of the Company's external auditors. The Committee meetings take place just prior to a Company Board meeting and the Committee Chairman reports to the Board, as a separate agenda item, on the activities of the Committee and matters of particular relevance for approval by the Board.

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

The principal duties of the Committee include:

- Monitoring the integrity of the financial statements and announcements relating to financial performance, and review significant judgements contained in them
- 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
- Monitoring 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

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.

Main activities of the Committee during the year

Financial reporting

The Committee reviewed the half year and full year financial statements with management and the external auditor with particular focus on:

- The appropriateness of the Group's accounting policies and practices
- Compliance with financial reporting standards and relevant financial and governance reporting requirements
- Material areas in which significant judgements have been applied or there has been discussion with the external auditor
- The nature and disclosure of exceptional items
- Whether the Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy
- Any correspondence from regulators in relation to our financial reporting

The significant issues considered by the Committee in relation to the financial statements were as follows:

Significant issues	How the Committee addressed these issues

Business transformation (see accounting policies 5.1.9, 5.1.10, 5.1.13 and 5.1.15, critical accounting estimates and judgements 5.2.4 and notes 2.3.5, 2.8 and 3.8)

Following the disposal activity in the previous year, the Group is in the midst of a significant transformation programme. The Group has established its new operational hub in Miami and is restructuring its operations in the Caribbean to improve cost efficiency.	Following review, the Committee concluded it was satisfied with the significant financial reporting issues relating to the business disposals including the calculated gains on disposal and the disclosure of the disposal transactions. Accounting issues relating to the business transformation programmes were considered. The Committee received analysis from management outlining the costs relating to the set-up of the Miami operational hub including redundancy and property costs in London. Management also provided analysis of restructuring costs in the Caribbean as a result of cost initiatives such as the outsourcing of the field engineering force. Management outlined in their paper the rationale for which costs should be considered 'exceptional' in nature, in accordance with the Group's established criteria. After examination, the Committee was satisfied with the treatment of costs relating to business transformation initiatives and with the exceptional operating charge of US$174 million.

Impairment of goodwill, PPE, intangibles and joint ventures (see accounting policy 5.1.5, critical accounting estimates and judgements 5.2.1 and note 3.4)

The Group has recognised a number of impairment charges in respect of Property, Plant and Equipment (PPE), primarily in the Caribbean region, in recent years. Assessment of the carrying value, which necessitates making projections of future cash flows, is subjective and requires significant judgement.	The Committee considered the carrying value of all the Group's non-current assets. Whilst it was clear that there was significant headroom in the valuations of goodwill, attention was focused on Caribbean PPE and the carrying value of the Group's joint venture interest in Telecommunications Services of Trinidad and Tobago (TSTT). Management discussed with the Committee the trading performance of the Caribbean compared with forecasts. The Committee were comfortable with management's conclusions that there were no indicators of impairment of Caribbean PPE. The Committee was presented with analysis of valuations performed by management in respect of the Group's interest in TSTT. Key assumptions, including discount rates, growth projections and plans for the business, were debated. The report of the external auditor also provided analysis including the sensitivity of headroom calculations to changes in key assumptions. Following consideration and after receiving satisfactory responses to the questions raised by Committee members, the Committee agreed with management's proposal that no impairment charge was necessary.

Significant issues	How the Committee addressed these issues

Valuation of trade receivables and accrued income (see accounting policy 5.1.4, critical accounting estimates and judgements 5.2.2 and 5.2.3 and note 3.1)

At US$199 million, trade receivables represent a significant asset. Accrued income, at US$102 million, represents contractual revenue recognised in advance of billing. Assessing the recoverability of these amounts requires a high degree of judgement and analysis.	At each meeting, the Committee receives detailed reports from management analysing the ageing trends across different categories of receivables and accrued income in the business. The Committee considered the coverage provided by the provisions proposed by management and the residual balances outstanding at 31 March 2014. Having examined the information provided, the Committee discussed with management the recoverability of any unprovided balances, particularly those owed by governments. As a key focus of the external audit, KPMG also provided the Committee with their analysis and conclusions on recoverability. Having considered all the information presented, the Committee satisfied themselves as to the recoverability of trade receivables and accrued income recognised in the accounts.

Revenue recognition (see accounting policy 5.1.14, critical accounting estimates and judgements 5.2.3 and note 2.1)

Judgement is required in assessing the application of revenue recognition principles. This includes the allocation of revenue between multiple deliverables, such as the sale of a handset or set top box together with an ongoing service contract in a bundled package.	The Group has well developed internal accounting revenue recognition guidance governing the services and products sold in our operating units. These policies comply with IFRS and are updated annually, reviewed by the external auditor and approved by the Committee. All operating units are required to comply with these policies and provide periodic sign off on compliance. The Committee received reports from both management and the external auditor which discuss the accounting treatment applied to revenue contracts. Following these reviews the Committee was satisfied that the Group's criteria for revenue recognition had been met.

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 and accounts, the Disclosure Committee obtains certifications from contributors prior to the document's review by the Committee and approval by the Board.

The Committee receives an update from the Disclosure Committee in advance of each meeting and reviews the workings of the Disclosure Committee on an annual basis. Additional meetings of the Disclosure Committee were scheduled during the year to consider and review the preparation of the Annual report and accounts to enable the Committee to assist the Board in making their statement confirming that the Annual report and accounts, taken as a whole, is fair, balanced and understandable.

Internal control

A review of the internal control processes and how they are implemented by the regional business units was undertaken. The Committee was focused on the need to promote improvement of internal controls and devoted time in each meeting to do this. As well as hearing from Group Executive management and both the internal and external auditors, the Committee also found it useful to have representatives of local management teams attend periodically. This was in order to discuss progress and action plans in place to improve the effectiveness and efficiency of the internal control environment, particularly in parts of our Caribbean business.

Risk management

A review of the risk management framework process and its implementation was undertaken. The Committee received reports on the Group's risk management process, changes to significant risks at an operational and Group level and how these are managed.

In addition, the Committee reviewed the status of Group litigation at the half year and full year and also undertook a review of tax strategy and risk, tax and treasury policies and Group insurance cover.

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. During the year, the Committee approved the internal audit plan. The scope, extent and effectiveness of the plan is then monitored and reviewed during the course of the year.

At each meeting, the Committee receives an update on internal audit activities, progress against the internal audit plan, the results of any unsatisfactory audits and the action plans to address these areas. The Committee also reviewed the effectiveness of the in-house audit team and the co-source arrangements taking into consideration the transformational activity during the year. Periodically the Committee Chairman meets separately with the Head of Internal Audit, which provides further opportunity to explore internal audit findings.

Whistle blowing

The Company provides an Ethics Helpline which is administered by an independent third party and is available to all Group employees via a web-portal or by telephone. 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. A report on the use of the whistleblowing hotline is provided at each Committee meeting.

External audit

Audit effectiveness

The Committee places great importance on the quality and effectiveness of the external audit. Whilst important for any company, the Committee believes this is of particular concern given the Group's geographic spread. The Committee receives a detailed audit plan at the start of each audit cycle which includes the external auditor's assessment of key audit risks. These risks are tracked throughout the year and used to test management assumptions in these areas.

Audit quality is assessed throughout the year by reference to the quality of the reports received by the Committee, the calibre of senior members of the audit team and the level of challenge provided to management. Specific importance was placed on the evolution of KPMG's planned audit approach to changes in our business. In addition, the annual assessment of the performance of the external auditors was undertaken at the September Committee meeting. This was comprised of:

- A survey of Committee members and key colleagues, both financial and non-financial, involved in the audit
- Analysis of KPMG's capabilities and independence
- Review of the results of independent quality reports on KPMG and other audit firms
- Discussions with KPMG, senior management and Internal Audit

To assess the effectiveness of the external auditor, the Committee reviewed:

- A report outlining KPMG's response to the annual assessment and the specific measures planned to ensure a continual improvement in the external audit
- The arrangements for ensuring the external auditor's independence and objectivity
- The external auditor's fulfilment of the agreed audit plan and any variations from the plan
- The robustness and perceptiveness of the external auditor in their handling of the key accounting and audit judgements
- The content of the external auditor's reporting on internal control

This process allows the Committee to monitor and assess the performance of the external auditor and informed the Committee's recommendation to the Board for the reappointment of KPMG.

Auditor independence

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. There are no contractual obligations restricting the Company's choice of external auditors.

The Committee has established policies 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 external auditor and its associates. Permitted and prohibited services are clearly identified along with the processes to be followed for the approval of all audit and non-audit services. All engagements with an expected fee in excess of US$250,000 require the prior approval of the Committee Chairman and to be reported to the Committee.

For the year ended 31 March 2014, the Committee approved fees for audit services of US$3.6 million, together with fees for audit-related regulatory reporting of US$0.5 million and non-audit work of US$1.3 million. The nature of the services provided is set out in note 2.3.2 to the consolidated financial statements. There is no limitation of liability in the terms of appointment of KPMG as auditor to the Company.

In line with ethical standards published by the Auditing Practices Board, the external auditor is required to rotate the audit engagement partner responsible for the Group audit after a maximum period of five years. Accordingly, Peter Meehan will rotate off the engagement following conclusion of the 2014 audit. A succession plan is in place within KPMG in order to facilitate the handover.

Audit tendering

During the year, the Committee considered the Code, the findings of the Competition Commission and the Guidance for Audit Committees issued by the Financial Reporting Council, in the context of tendering the external audit contract at least every ten years.

KPMG has been the Auditor of the Group since the demerger from Cable & Wireless Worldwide Plc in 2010 and also prior to this. The Group has not undertaken an audit tender in the last ten years. At the September meeting, the Committee considered the appropriateness of a tender process, particularly given the requirement for the Senior Statutory Auditor to rotate following the completion of the 2014 audit. Consideration was also given to: (i) the significant transformation currently ongoing across the Group, including the establishment of a new operational hub in Miami and restructuring of the Group's operations in the Caribbean; and (ii) the performance of KPMG and the findings from the annual auditor effectiveness assessment. The Committee concluded that a tender during the year ended 31 March 2014 was not in the Group's interest. The Board has therefore accepted the Committee's recommendation that KPMG should be retained for the financial year ending 31 March 2015.

The Committee is committed to undertaking a tender process and, taking the above into account, has recommended that this be undertaken during 2015.

This report should be read in conjunction with the Directors' and corporate governance report on pages 38 to 46.

Ian Tyler
Chairman, Audit Committee
20 May 2014

Sir Richard Lapthorne
Nomination Committee Chairman

"The Nomination Committee has given significant focus to the implications of the transformation of the business and establishing a new operating hub in Miami, succession planning for the Executive Directors and the composition of the Board. The Board is delighted to have attracted someone of Phil Bentley's calibre to lead the Company."

Nomination Committee membership

The Nomination Committee (the Committee) was chaired by Sir Richard Lapthorne throughout the year. All members of the Committee, apart from the Chairman, are independent Non-executive Directors.

Membership and attendance at meetings		
Sir Richard Lapthorne (Chairman)	●●●●●●●●●	9/9
Simon Ball	●●●●●●●●●	9/9
Mark Hamlin	●●●●●●●●●	9/9
Alison Platt	●●●●●●●●●	9/9
Ian Tyler	●●●●●●●●●	9/9

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

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

The principal duties of the Committee 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 (the 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.

Meetings

The Nomination Committee met on nine occasions in the period 1 April 2013 to 31 March 2014.

Main activities of the Committee during the year

During the year, the Committee assessed the competencies, profile and skill set required of a Chief Executive given the strategic direction of the Group. JCA Group, an independent boardroom consultancy firm, was appointed to undertake the search for a new Chief Executive. JCA Group has no other connection with the Company. JCA Group were provided with detailed criteria outlining the requirements of suitable candidates. The search was based on the profile determined by the Committee and was undertaken on a global basis across a number of target sectors. After a comprehensive selection process, a list of potential candidates was submitted to the Committee, and each was considered based on skills, knowledge and experience. After an initial review, potential candidates were interviewed by the Group Chairman, and further interviews were held with the members of the Committee. Following this process, the Committee recommended the appointment of Phil Bentley to the Board in October 2013 based on Phil's proven leadership skills together with his strong operational capability and focus on customer experience.

The Committee has also discussed the requirements for a new Chief Financial Officer. An external recruitment agency has been retained to undertake the search for a new Chief Financial Officer and we are in the process of appointing a new CFO.

In December 2013, the Committee considered and recommended the re-appointment of Non-executive Director, Ian Tyler for a further three year period. Ian Tyler has been on the Board of the Company since January 2011.

In March 2014, 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.

The Committee reviewed both Ian and Simon's performance and effectiveness at the Board and it was considered that their skills and breadth of experience would be valuable in retaining a well-balanced Board.

Board diversity

The Board remains supportive of Lord Davies' recommendations on board diversity. The Board understands the importance of diversity, including gender, and recognises the importance of women having greater representation in senior roles. The Board's policy is that the search for Board candidates will continue to be conducted, and appointments made, with due regard to the benefits of diversity on the Board and where appropriate specialist search consultants engaged to assist in the search for suitable candidates. However, all appointments to the Board are ultimately based on merit, measured against objective criteria, and the skills and experience the individual can bring to the Board taking into account a number of factors including the existing size of the Board, the balance of Executive and Non-executive Directors as well as the existing skills, knowledge, experience and diversity already represented and the likely future requirements. As such, the Board does not consider that it is necessary to set any formal measurable objectives in relation to diversity at this juncture.

The composition of the Board, including the balance of skills, independence, knowledge and diversity on the Board will be reviewed annually as part of the Board evaluation process.

Sir Richard Lapthorne
Chairman, Nomination Committee
20 May 2014

Simon Ball
Remuneration Committee Chairman

"We remain strongly committed to providing a clear line of sight and linkage between our incentive arrangements and our strategic objectives."

Annual Statement by the Chairman of the Remuneration Committee
Consistent with recent changes in remuneration reporting requirements, the format and content of this report has received considerable attention from the Remuneration Committee (the 'Committee') and undergone significant amendment this year. I very much hope you find the new structure helpful. Let's start with some questions and answers, intended to deal with some of the key topics considered by the Committee during the year.

What are the key issues that we have dealt with this year?
Financial year 2013/14 has been a year of considerable executive change for us as an organisation. Tony Rice stepped down from the Board on 31 December 2013 and our new Chief Executive, Phil Bentley, was appointed on 1 January 2014; we also announced that Tim Pennington our Chief Financial Officer would be leaving us in early June 2014 to pursue another role. Each of these events required input from the Committee in establishing appropriate compensation arrangements for the respective individuals. We have also secured the ongoing services of Nick Cooper, our Corporate Services Director, who will provide important continuity during our migration to Miami. We have continued to make good progress in the restructuring of our business, with our operational hub in Miami taking shape and now providing some of the operational activities previously conducted in London.

We remain strongly committed to providing a clear line of sight and linkage between our incentive arrangements and our strategic objectives. With the arrival of Phil Bentley and the refocus on operational metrics around Top Line Growth, Profitability, Customer Satisfaction and Returns, the targets for both the annual bonus and Long Term Incentive Plan (LTIP) will be aligned with a balanced scorecard of KPIs against which the business will be measured and monitored and which it is considered will deliver our strategic objectives in both the short and long term. In addition, we have reviewed our share plans to ensure that they comply with US requirements on deferred compensation, and have reviewed the Committee's terms of reference and are comfortable they remain appropriate and relevant to our business.

How is remuneration aligned with delivering Group strategy?
As detailed in the Chief Executive's statement on pages 6 to 15, the Company has devised a strategy for growth with the overarching objective of growing customer relationships and lifetime value by delivering unparalleled customer experience, where our customers define 'excellence'. In order to achieve this, we have developed four strategic objectives: growing top line revenue, maintaining cost efficiency, increasing returns on capital and delivering unparalleled customer service. Our remuneration strategy over the medium and long term is fully aligned with these strategic objectives. If they are delivered on a sustained basis then senior executives (including the Directors) will be rewarded through our annual and long term incentive plans. These plans incorporate Revenue Growth, EBITDA and Net Promoter Score (which is a means of measuring customer loyalty) measures. In addition, we have incorporated Economic Profit in the LTIP as it is a measure of the extent to which we are able to deliver profits above our cost of capital over the longer term.

What is the remuneration package for our new CEO?
Phil Bentley's package for financial year 2014/15 consists of a base salary of £800,000 per annum which will next be reviewed in April 2015, a pension allowance of 25% of salary, bonus opportunity of 150% of base salary, annual LTIP award of 200% of salary, car and travel benefits, an accommodation allowance and reimbursement of other necessary expenses incurred whilst living and working in Miami. Because we require him to work in both the UK and Miami, our objective is to ensure he is neither worse off nor better off as a result of having to live for part of each month in each country whilst his family resides in the UK. On recruitment in January 2014, in order to secure his appointment, Phil was granted an LTIP award for the financial year 2013/14 of 300% of base salary subject to performance measured over three years and continued service, the award of which was contingent on him purchasing shares with a value of at least 200% of salary. These shares were awarded on 2 January 2014 and Phil purchased shares with a face value of just over 300% of his salary at the date of purchase. Further details on the package and the performance measures attached to his remuneration can be found in the Annual report on remuneration on page 68.

What was the exit package for Tony Rice?
Given the Board's requirement for the Chief Executive to spend an increasingly larger portion of time in Miami, Tony Rice stood down from his Chief Executive duties on 31 December 2013, but has remained available to support Phil Bentley, if required, up to 30 June 2014. Tony elected to waive his contractual entitlement to 12 months' remuneration in lieu of notice and his pension allowance of 25% of salary, both of which ceased on 31 December 2013. He remained eligible to receive a pro-rated bonus to 31 December 2013, and any unvested shares will continue to accrue until 30 June 2014. Health and life cover will also remain in place until 30 June 2014 and after 30 June 2014; as a good leaver, any unvested awards will be treated in accordance with the existing share plan rules.

What was the exit package for Tim Pennington?
Tim stepped down from the Board on 10 February 2014 and is due to leave the business at the start of June 2014. He will not receive any payment in lieu of the balance of his notice period after his exit date. As Tim will have worked the whole of the financial year 2013/14, he is eligible to receive a bonus for the financial year 2013/14 (further details on the bonus to be paid are detailed on page 70). Under the rules of the LTIP, any unvested LTIP awards after the date of his departure will lapse and all benefits will also cease.

What bonus/LTIP have been earned for financial year 2013/14?
Overall, Group EBITDA was 5% ahead of the prior year representing a marked out performance of plan and our best year on year improvement since demerger. In addition there has been strong underlying cash performance with equity free cash flow US$58 million higher than the prior year. As a result, for the financial year 2013/14, we are near to the maximum bonus target for EBITDA and have achieved the maximum target on our Net Cash Flow before Financing (NCFbF) bonus target. When combined with performance against personal targets, this has resulted in bonus payments for the Executive Directors of between 96% and 86% of the maximum bonus opportunity of 150% of salary.

The 2010 LTIP award granted on 4 June 2010 was due to vest in June 2013. However, the Company did not meet the minimum performance target of 8% per annum compound total shareholder return and therefore the award lapsed in full during the 2013/14 financial year.

The 2011 LTIP awards granted on 2 June 2011 are subject to the same performance conditions as the 2010 awards, measured over the three year period from the date of grant. As at 30 April 2014, when TSR performance was last measured, based on 35 months of the performance period, 100% of the shares were forecast to vest.

Further details regarding targets and actual performance for financial year 2013/14 are detailed on page 72.

What is changing for the year ahead?
As mentioned earlier, we have conducted a review of our future short- and long-term incentive arrangements, further details of which are presented in this report (pages 68 to 69).

At the same time, given the change of the Chief Executive and Chief Financial Officer and the importance of establishing the operational hub in Miami, the Board felt that retaining Nick Cooper to provide continuity at the executive level and to focus his efforts on establishing the Miami office over the next 12 months was critical. Consequently, the Committee decided that for the financial year 2014/15, his remuneration arrangements will be structured such that he will receive an annual bonus of 300% of salary rather than 150% of salary, with half the bonus based on the standard annual bonus measures for the 2014/15 financial year and the remaining half subject to the strategic objective of the development of the new regional Miami hub and the reshaped operating model. The enhanced bonus is in lieu of him receiving an LTIP grant for the financial year 2014/15 of 150% of salary, so in net terms his remuneration potential will remain unchanged from the prior year.

What is in the rest of this report?
As a result of the new UK regulations on directors' remuneration, this Directors' remuneration report must follow a fairly prescribed format. We have sought to make it easier to understand by including tables and charts. The following two sections of the report include:

- The Policy report, which summarises the framework for remuneration and each of its elements, and which will be proposed to shareholders for a binding vote at the Annual General Meeting (AGM) on 25 July 2014
- An Annual report on remuneration, which provides details on the following:
  - Implementation of remuneration policy for financial year 2014/15
  - The remuneration earned in respect of performance during the financial year 2013/14, along with details of any share awards made during the year

  The Annual report on remuneration will be put to shareholders for an advisory vote at the AGM on 25 July 2014.

The Committee, on behalf of the Board, actively seeks to engage with shareholders and values highly the contribution their views can make in the process of formulating remuneration policy decisions. During the year, the Committee engaged with the Company's major shareholders on a number of remuneration issues, including the remuneration package for Phil Bentley, annual bonus, LTIP philosophy and the policy table within the Policy report. The shareholders who replied were broadly supportive of the matters discussed and we incorporated some of the suggestions received. The Committee's intention is that this Directors' remuneration report clearly demonstrates that we are committed to fostering an environment where remuneration is strongly linked to performance and where our Executive Directors are aligned with our shareholders. We strongly believe that focusing on these factors will play a crucial role in ensuring the future success of the Company, particularly at this critical time of change in the organisation.

The Committee would welcome any feedback you have.

Simon Ball
Remuneration Committee Chairman

Policy report

This part of the Directors' remuneration report sets out the remuneration policy for the Company and has been prepared in accordance with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders. The Policy report will be put to a binding shareholder vote at the 2014 AGM and the policy will take formal effect from that date.

What is the role of the Remuneration Committee in setting policy?
The Committee determines, on behalf of the Board, the Company's policy on the remuneration of the Chairman, Executive Directors and other senior executives. The Committee is cognisant of the need to recruit and retain executives of the highest calibre and the Committee seeks to ensure that the remuneration policy fulfils this need and allows for individuals to be properly motivated to perform in the best interests of the Company. At the same time, the Committee seeks to formulate a remuneration policy that ensures that no more than is appropriate is paid. In addition, it is a key part of the Committee's role to ensure that an appropriate balance is maintained between reward and risk.

The Committee's terms of reference are available on the Company's website at www.cwc.com.

How are the views of shareholders taken into account?
The Committee actively seeks to engage with shareholders and values highly the contribution their views can make in the process of formulating remuneration policy decisions. The Committee considers shareholder feedback received in relation to the AGM each year. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's ongoing review of remuneration policy.

In addition, when it is proposed that any material changes are to be made to the remuneration policy, the Remuneration Committee Chairman will inform major shareholders of these in advance, and will offer a meeting in order that their views can be properly reflected in any deliberations on policy formulation.

Details of votes cast for and against the resolution to approve last year's remuneration report, and a summary of key matters discussed with major shareholders during the year, are provided in the Annual report on remuneration.

What consideration is given to employment conditions elsewhere in the Group when setting Executive remuneration?
The Company does not formally consult with employees on executive remuneration. However, when setting the remuneration policy for Executive Directors, the Committee takes into account the overall approach and philosophy to reward, and the pay and employment terms of other employees in the Group, particularly those in the UK and Miami, where employment conditions are more similar. This process ensures that any increase to the basic pay of Executive Directors is not out of proportion with that proposed for other employees. The Committee is also provided with periodic updates on employee remuneration practices and trends across the Group.

How is risk considered when establishing our remuneration arrangements?
The Committee understands that an appropriate balance is required between reward and risk and is committed to keeping this balance under review to ensure the remuneration policy is consistent with the risk profile of the Company. The Committee periodically commissions an independent assessment of risk in relation to the remuneration arrangements of senior executives to ensure fully informed decisions can be made in this context. The Committee remains satisfied that the current remuneration policy is appropriately aligned with the risk profile of the Company and that the remuneration arrangements do not encourage excessive risk taking.

Overview of our remuneration policy

Overall aim:
The overall aim is to establish remuneration structures which encourage, reinforce and reward 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 very significant personal investment in the shares of the Company
- There is a strong focus on performance-related pay
- Targets should be appropriately stretching and adequately reward the directors if they meet or exceed the targets set under the variable components of their remuneration packages

How do we do this?
- By setting fixed pay levels which will attract high calibre executives and take into consideration recruitment/retention considerations, and reflect executives' experience and expertise
- By balancing the variable pay opportunities provided through our performance-related short- and long-term incentive plans such that executives are incentivised to maximise performance over both the short and longer term
- By providing for half of the annual bonus to be delivered and retained in shares and for those shares to be subject to claw back provisions
- 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 considering the impact of remuneration on the risk profile of the Company

Summary remuneration policy table for Executive Directors to take effect from the AGM on 25 July 2014

Element	Purpose and link to strategy	Operation
Base salary	• Recruit and retain high calibre individuals to execute the Group's business strategy • Reflect the value of the individual and role • Reflect experience and expertise • Provide an appropriate level of fixed basic income	• Reviewed annually, effective 1 April • Set initially at a level required to recruit suitable executives reflecting their experience and expertise or to reflect up to, but not above mid-market levels if promoted internally • Any increase determined by: – Role, experience and personal performance – Average change in total workforce salary – Total organisational salary budgets – Company performance – External economic conditions • Pay of other employees in relevant geographies (particularly the UK and US) taken into account periodically
Annual bonus	• To incentivise the annual delivery of objectives relating to the business strategy • Rewards the achievement of stretching annual financial, strategic and personal goals • Compulsory deferral of part of bonus into shares provides further continuing alignment with shareholders	• All bonus payments are at the discretion of the Committee • Not pensionable • Targets are reviewed annually • Half of gross bonus paid in shares deferred for 12 months • During the deferral period the shares carry dividend rights and any dividends awarded are also deferred during the deferral period • Remainder of bonus paid in cash • Claw back provisions apply to the deferred bonus such that it can be reduced in the event of restatement of the Company's accounts resulting from fraud, error or misrepresentation, or any issues of a nature which have a significant effect on the performance of the business
Long Term Incentive Plan (LTIP)	• Intended to align executives' performance closely with shareholders and with key strategic objectives over the longer term	• The LTIP was approved by shareholders in 2011 • Awards of free performance shares are normally granted annually in the form of conditional awards or nil cost options • Vesting is dependent on performance targets being met during the performance period and the continued service of the Directors • A dividend equivalent provision exists which allows the Committee to pay dividends accrued during performance period on vested shares at the time of vesting in the form of additional shares

Maximum opportunity	Framework used to assess performance
• Annual increases generally in line (in percentage of salary terms) with those of the wider workforce • Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group • Where new joiners or recent promotions have been given a starting salary at a discount to the mid-market level, a series of increases above those granted to the wider workforce (in percentage of salary terms) may be awarded over the proceeding few years, subject to satisfactory individual performance and development in the role • Salary levels at 1 April 2014 are set out on page 68	• The Committee considers (but not necessarily alters) the salaries of Executive Directors each year taking due account of all the factors described in how the salary policy operates
• Up to 150% of salary for all Executive Directors, dependent on performance • See Annual bonus – arrangements for Corporate Services Director for financial year 2014/15 on page 68	• Details of the performance targets set for the year under review and performance against them is provided in the Annual report on remuneration along with outline details of the metrics for the next financial year • Bonus is based on the achievement of a range of strategic and personal objectives and targets relating to our key performance indicators • Financial measures derived from the operating plan will represent at least 50% of bonus with other measures representing the remainder. Measures and weightings may change each year to reflect any year on year changes to business priorities • 25% of each element of the bonus vests for a threshold level of performance rising to 50% vesting for 'on target' performance and 100% vesting for maximum performance. Performance between threshold, on target and maximum will be calculated on a straight line basis
• Maximum of 400% of salary per annum • Normal award policy currently set at up to 200% of salary although higher awards may be made in exceptional circumstances such as recruitment • See Annual bonus – arrangements for Corporate Services Director for financial year 2014/15 on page 68	• Awards will vest based on a range of challenging targets relating primarily to financial measures and total shareholder return based performance measured over a three year period • Targets relating to other key non-financial objectives (e.g. net promoter score) may also be included for a minority of an award • At least 50% of an award will be based on financial measures, at least 25% based on total shareholder return, and the remaining 25% based on either financial, total shareholder return or other non-financial measures • 25% of each element of the LTIP vests for a threshold level of performance rising to 100% vesting for maximum performance

Summary remuneration policy table for Executive Directors to take effect from the AGM on 25 July 2014 continued

Element	Purpose and link to strategy	Operation
Pension	• Provide long-term savings through retirement benefits • Contribute to the provision of an appropriate balance in the overall package between fixed and variable income	• Executive Directors may choose to receive an employer's pension contribution or pension cash allowance
Other benefits	• Provide competitive employee benefit programme to help recruit and retain employees	• Directors are entitled to benefits including health insurance, long-term disability insurance, life assurance, personal accident insurance, holiday pay and other group-wide benefits offered by the Company • In addition, travel related expenses and overseas accommodation will be provided where necessary • Car/driver provision provided as applicable • Other benefits including relocation expense, benefits relating to working in Miami and expenses relating to financial planning may be offered, as appropriate
Annual bonus – arrangements for Corporate Services Director for financial year 2014/15	• With specific regard to providing executive continuity and retaining/ incentivising Nick Cooper over the financial year 2014/15	• This arrangement is for financial year 2014/15 only • 50% of the annual bonus will be in accordance with the annual bonus operation detailed above. The remaining half will be subject to the key strategic objective of the development of the new regional Miami hub and the reshaped operating model

Maximum opportunity	Framework used to assess performance
• Employer's defined contribution and/or pension cash supplement up to a total of 25% of salary	N/A
• The value of benefits may vary from year to year depending on the cost to the Company	N/A
• Up to 300% of salary (i.e. not in addition to the normal 150% of salary bonus) for Nick Cooper. The enhanced bonus is in lieu of him receiving an LTIP grant for financial year 2014/15 of 150% of salary, so overall in net terms his pay potential will remain unchanged from the prior year	• Details covering metrics for the financial year 2014/15 bonus are provided in the Annual report on remuneration • Further bonus is based on the achievement of key strategic objectives

Commitments entered into prior to the effective date

For the avoidance of doubt, in approving this Policy report, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual report on remuneration as they arise.

Explanatory notes to the remuneration policy table

What is our annual bonus plan and LTIP policy?

The annual bonus plan and LTIP will be operated according to the rules of each respective plan and consistent with normal market practice and the Listing Rules. The quantum and performance targets applicable to awards will be within the parameters described above. Subject to that, the Committee has certain flexibility and the ability to exercise judgement in a number of areas including:

- Who participates in the plans
- When to make awards and payments
- How to determine the size of an award, a payment, or when and how much of an award should vest
- How to deal with a change of control or restructuring of the Group
- Whether a director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s)
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends)
- What the weighting, measures and targets should be for the annual bonus plan and LTIP from year to year

The Committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose. However, varied performance conditions must in the Committee's opinion not be materially easier or more difficult to satisfy than the original conditions were when they were set.

All historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding (detailed on pages 76 to 77 of the Annual report on remuneration), remain eligible to vest based on their original award terms.

Choice of performance measures and approach to target setting

The performance metrics and targets that are set for the Executive Directors via the annual bonus plan and LTIP are carefully selected to provide a clear link between our incentive arrangements and our strategic objectives of Top Line Growth, Profitability, Customer Satisfaction and Returns. The precise metrics chosen, along with the weightings of each, may vary in line with the Company's evolving strategy. The Committee will review the performance measures and targets each year and vary them as appropriate to reflect the priorities for the business in the year ahead.

Share ownership requirement

The Committee's policy is to have shareholding requirements for the Executive Directors which create greater alignment between their interests and those of shareholders and reduce the potential for behaviours and actions which are not beneficial for the long-term health of the organisation.

The required level is set at up to 400% of salary. Where the holding is not already attained it is required to be achieved through retention of shares or the vesting of awards (on a net of tax basis) from share plans.

Main differences in remuneration policy for Executive Directors compared to other employees

The Committee has regard to pay structures across the wider Group when setting the remuneration policy for Executive Directors. The Committee considers the general basic salary increase for the broader workforce (particularly in those geographies it considers to be most relevant such as the UK and US) when determining the annual salary review for the Executive Directors.

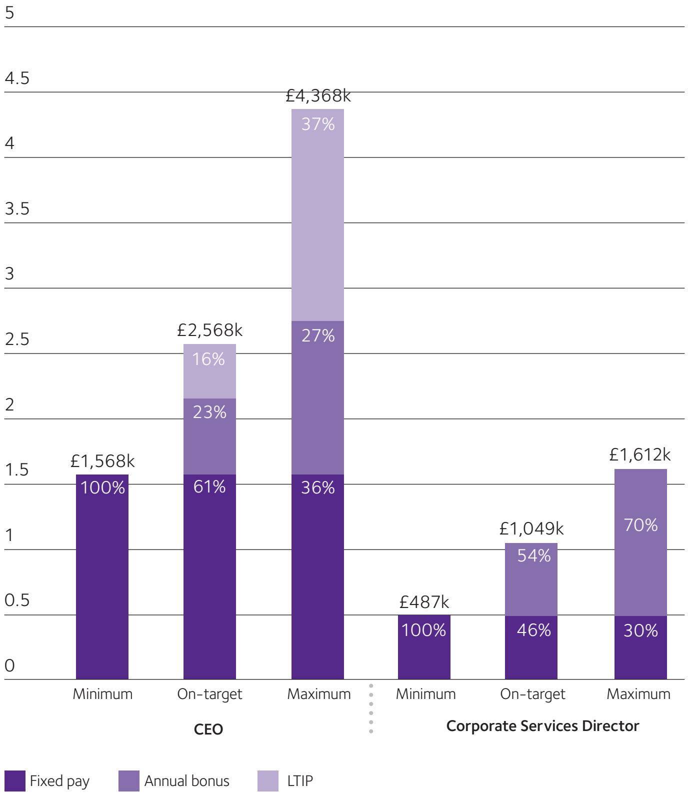
Overall, the remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. In particular, long-term incentives are ordinarily not provided outside of the most senior management population as they are reserved for those considered to have the greatest potential to influence overall levels of performance.

The level of variable pay varies within the Group by level of employee and is informed by the specific responsibilities of each role and local market practice as appropriate.

Reward scenarios

The Company's remuneration policy results in a significant proportion of remuneration received by Executive Directors being dependent on the Company's performance. The chart below illustrates how the total pay opportunities for the Executive Directors vary under three different performance scenarios: minimum, on-target and maximum. The chart is indicative only as no assumed share price movement or dividend accrual has been included.

Executive Director total remuneration at different levels of performance (£m)



Fixed pay comprises salary effective 1 April 2014,benefits paid for financial year 2013/14 (including cash allowances and expatriate benefits relating to living/working in Miami and annualised for the CEO) and pension of 25% of base salary.

Minimum (performance below threshold)
– fixed pay only

On-target (performance in line with expectations)
– fixed pay
– target bonus (50% of maximum opportunity)
– vesting of 25% of the maximum under the LTIP

Maximum (performance meets or exceeds maximum)
– fixed pay
– maximum bonus (100% of maximum opportunity)
– maximum vesting under LTIP

Approach to recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment, as detailed on pages 60 to 63. This policy limits LTIP awards to 4 x salary in exceptional circumstances such as recruitment. The Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and shareholders. Any such payments would be based solely on remuneration relinquished when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Replacement share awards, if used, will be granted using the Company's LTIP (up to the overall limit of 400% of salary) to the extent possible. Awards may also be granted outside of the Company's existing LTIP if necessary and as permitted under the Listing Rules. Shareholders will be informed of any such payments at the time of appointment.

The annual bonus would operate in accordance with the terms of the approved policy, but with the opportunity for the year of joining pro-rated for the period of employment. Depending on the timing and responsibilities of the appointment it may be necessary to set different performance measures and targets initially.

For an internal executive appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other on-going remuneration obligations existing prior to appointment would continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

For the appointment of a new Chairman or Non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Service contracts and loss of office payments

Service contracts normally continue until the Executive Director's agreed retirement date or such other date as the parties agree. The Company's policy is that Executive Directors will be employed on a contract that can be terminated by the Company on giving no more than 12 months' notice, with the Executive Director required to give 12 months' notice of termination.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain events such as gross misconduct. The circumstances of the termination (taking into account the individual's performance) and an individual's duty and opportunity to mitigate losses are taken into account by the Committee when determining amounts payable on or following termination. The Committee's normal policy is to reduce compensatory payments to former Executive Directors where they receive remuneration from other employment during the compensation period. The Committee will consider the particular circumstances of each leaver on a case by case basis and retains flexibility as to at what point, and to what extent payments would be reduced.

Any share-based entitlements granted under the Company's share plans will be determined on the basis of the relevant plan rules. The default treatment is that any outstanding awards would lapse on cessation of employment. However, under the rules of the LTIP, in certain prescribed circumstances, such as death, redundancy, disability, retirement, the company business unit employing him ceasing to be part of the Group or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), 'good leaver' status can be applied. In these circumstances a participant's awards vest on a time pro-rated basis and further are subject to the satisfaction of the relevant performance criteria over the original performance period with the balance of the awards lapsing.

The Committee retains discretion to decide not to pro-rate, to alter the basis of time pro-rating, and to alter the date on which performance is calculated, if it feels such decisions are appropriate in the particular circumstances. If, however, the termination of employment is not for one of the specified good leaver reasons, and if the Committee does not exercise its discretion to allow an award to vest, a participant's awards lapse in full. In determining whether an

Executive Director should be treated as a good leaver the Committee will take into account the performance of the individual and the reasons for their departure. Shares deferred through the annual bonus plan will vest immediately on cessation of employment other than on cessation of employment for cause, in which case they will lapse.

In the event of a takeover of the Company, a scheme of arrangement or similar other major corporate event. LTIP awards will only vest to the extent that any performance conditions have been met at the date of the event, as determined by the Committee. In such an event, LTIP awards will only vest pro-rata to the length of time that has elapsed between the date of award and the date of the relevant event, unless, in appropriate circumstances, the Committee determines otherwise. Any deferred bonus share awards will vest in full and cease to be capable of forfeiture in the event of any such major corporate event during the 12 month deferral period. However, the early vesting of awards following a change of control will not apply where a company acquires control of the Company and following that acquisition the shareholders of the Company immediately prior to the acquisition between them hold more than 50% of the issued share capital of the acquiring company, unless the Committee decides that the foregoing vesting rules should apply.

The Company retains the ability to pay what it feels is a Director's reasonable legal fees associated with agreeing his/her termination and in relevant circumstances outplacement services and related costs.

In summary, the contractual provisions are as follows:

Provision	Detailed terms
Notice period	Maximum of 12 months
Termination payment	Payment in lieu of notice of base salary, normally subject to mitigation and paid monthly[1,2] In addition, any statutory entitlements would be paid as necessary
Remuneration entitlements	A pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see above) In all cases performance targets would apply
Change of control	Payments on a change of control, where a Director's employment is adversely changed, will be as on termination. There will be no enhanced provisions on a change of control[2]

1 Notwithstanding the Company's normal policy, the Committee retains the flexibility, in exceptional circumstances, to make lump sum termination payments (up to a maximum of 12 months' base salary and contractual benefits) as part of an Executive Director's termination arrangements where it considers it appropriate to do so.

2 The service contracts of Phil Bentley and Nick Cooper provide that, in the event of termination without cause and/or a change of control of the Company, and a Director's employment being adversely changed, then a payment equal to base salary for the notice period and a time pro-rated annual bonus will be payable. For Phil Bentley all benefits will cease with the exception of life cover and medical insurance which will continue for a period of up to six months or earlier if a new job is commenced, and the Company will pay any costs associated with the early termination of housing and car provision in the US.

The following table shows the date of the service contract and any relevant date of expiry for the Executive Directors:

	Effective date of service contract	Notice period
Phil Bentley	1 January 2014	Notice can be served by either party on not less than 12 months' notice
Nick Cooper	25 January 2010	Notice can be served by either party on not less than 12 months' notice

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

Chairman's service contract

The Chairman has a service contract with 12 months' notice of termination on either side. There are no other contractual entitlements on early termination or following a change of control.

Non-executive Directors' letters of appointment

The Non-executive Directors do not have service contracts with the Company, but instead have letters of appointment. Non-executive Directors are permitted to have other external appointments, but these should not adversely affect the ability of the Director to perform his/her duties. 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. Non-executive Directors are not entitled to any compensation if their appointment is terminated. Appointments will be subject to annual re-election at the AGM in accordance with the UK Corporate Governance Code.

The following table shows the effective date of appointment for the Chairman and each Non-executive Director:

	Effective date of appointment
Sir Richard Lapthorne[1]	25 January 2010
Simon Ball[2]	25 January 2010
Mark Hamlin	1 January 2012
Alison Platt	1 June 2012
Ian Tyler	1 January 2011

1 Appointment date shown from date of demerger in 2010. Originally appointed as Chairman to the former Cable & Wireless plc on 10 January 2003.

2 Appointment date shown from date of demerger in 2010. Originally appointed as a Non-executive Director to the former Cable & Wireless plc on 1 May 2006.

Summary remuneration policy table for Non-executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base Fees	To provide competitive fees in order to attract and retain high calibre individuals with the relevant skills and experience to enhance the Board	• The Chairman's pay is determined by the Committee, and the pay of the other Non-executive Directors is determined by the Board, within the limits set out in the Company's Articles of Association, with the Chairman and Non-executive Directors abstaining from any discussion or decision on their fees • The Chairman and Non-executive Directors are paid an annual fee and do not participate in any of the Company's incentive arrangements or receive any pension provision • The fee levels are reviewed on a periodic basis, with reference to the time commitment of the role and market levels in companies of comparable size and complexity • In respect of the Chairman in particular, the Company also considers the individual's profile and experience	Fees for 2014/15 are: Chairman: £386,000 per annum Non-executive Director: £65,000 per annum
Additional Fees	To reflect the additional time required when an individual chairs a committee or is appointed as Senior Independent Director	• Fees are reviewed annually. • The Chairman is not eligible to receive additional fees. • Fees are benchmarked and set in a manner consistent with the base fees (see above)	Additional fees may be payable for additional responsibilities such as chairing committees, senior independent director role. The fees for the forthcoming year are set out in the Annual Report on Remuneration Both the base and additional fee levels will be eligible for increase during the three year period that the remuneration policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for non-executive directors in general and fee levels in companies of a similar size and complexity
Benefits	Contractual arrangements and reimbursement of reasonable expenses	• Reimbursement of business expense on production of receipts • Limited benefits relating to travel, accommodation and meals for Directors will also be payable in certain circumstances • The Chairman may be provided with car-related benefits	The value of benefits/expenses may vary from year to year depending on the cost to the Company

Annual report on remuneration

The Annual report on remuneration is split into two sections. The first section provides details on the implementation of the remuneration policy for financial year 2014/15 and the second section from page 70 onwards provides details on the remuneration earned in respect of performance during the financial year 2013/14, along with details of any share awards made during the year.

Implementation of remuneration policy for financial year 2014/15

Salary

No salary increases will be taking place for the Executive Directors in financial year 2014/15. This is in line with no salary increase provided for UK/US employees in financial year 2014/15.

The current salaries as at 1 April 2014 are as follows:

	Salary at 1 April 2013 or on appointment to the Board[1]	Salary at 1 April 2014	% increase
Phil Bentley	£800,000	£800,000	No increase
Nick Cooper	£375,000	£375,000	No increase

1 Phil Bentley was appointed to the Board on 1 January 2014.

Pension and other benefits

Executive Directors may choose to receive either a cash allowance of 25% of their base salary, an employer's pension contribution at the rate of 25% of base salary or a combination of a cash allowance and employer's pension contribution with a combined value of 25% of base salary. A Director is not required to pay any pension contributions.

The Executive Directors participate in employee benefit programmes including life, disability and health insurance plans. In addition, for Phil Bentley, the costs of housing/utilities, a car in Miami and chauffeur/car benefit in the UK will be provided. For Nick Cooper during the transition period, the Company will pay living costs associated with him working in Miami.

Annual bonus

The operation of the bonus plan for financial year 2014/15 will be consistent with the framework detailed in the Policy report. The measures have been selected to support the key strategic objectives of the Company alongside a number of personal objectives.

What are the measures for the annual bonus for financial year 2014/15?

For the financial year 2014/15, the measures adopted and their respective weighting for the annual bonus are detailed below.

Measure	Rationale	Weighting of measure out of 100%
Revenue Growth	This measure reflects our ability to deliver sustainable long-term growth and will encourage innovation and investment to gain a greater share of customers' telecoms wallet	25%
EBITDA (US$m)	This measure seeks to incentivise our business operating effectiveness, encouraging cost control and operational gearing	25%
Net Promoter Score (NPS)[1]	This measure tracks customer service and advocacy, improvements in which deliver an increase in the lifetime value of our customer relationships	25%
Personal performance	Targets specific deliverables and behaviours by each individual. This will be a basket of measures, encompassing the 'how' as well as the 'what'	25%

1 There will be a minimum EBITDA underpin to the NPS element of the annual bonus, whereby the NPS element of the annual bonus will only pay out provided that EBITDA performance in the financial year attributed to the bonus is higher than the prior year's actual EBITDA performance.

Given the commercial sensitivity of the financial and personal performance targets we will not at this stage be providing details on the specific targets for the financial year 2014/15. It is our intention to report the targets and performance achieved in next year's Annual report on remuneration except to the extent that they remain commercially sensitive, but it is not thought appropriate to disclose the targets during the year. However we can confirm that the bonus plan will have three data points: minimum, target and maximum. 'Target' performance will, for the financial elements, equate to the annual operating plan targets and yield a payment of 50% of each of these measures. A range will be set around the annual operating plan, whereby 25% of each of the financial measures will be paid for threshold performance which will be set at a level below the annual operating plan and 100% for stretch performance which will be targeted above the annual operating plan. The annual operating plan has been set at a stretching level for financial year 2014/15 with the minimum EBITDA target set above the prior year performance.

Bonus will accrue on a straight line basis between the threshold, target and stretch levels.

LTIP

What are the measures for the LTIP for the financial year 2014/15?

For the LTIP for financial year 2014/15, the measures to be applied and their respective weightings are as follows:

Measure	Rationale	Weighting of measure out of 100%
CWC Revenue	Same as for annual bonus	18.75%
CWC EBITDA		18.75%
Net Promoter Score[1]		18.75%
CWC Economic Profit	This measure indicates whether we are creating value in excess of our cost of capital and ensures that our capital programme is targeted on delivering sustainable profitable growth	18.75%
Relative TSR	This measure recognises that whilst our operational measures will deliver business progress, shareholders are only remunerated through improvement in share price and dividends paid	25%

1 There will be a minimum EBITDA underpin to the NPS element of the LTIP, whereby the NPS element of the LTIP will only pay out provided that the minimum EBITDA LTIP target has been achieved.

Similar to the annual bonus, at threshold, interim and maximum, 25%, 50% and 100% of each portion of the LTIP award vests. The Committee will exercise its discretion on any adjustments which may be required as a result of disposals and/or acquisitions during the performance period. For the improvement in NPS measure there will be an EBITDA underpin whereby this element of the LTIP will not pay out for the Executive Directors if the minimum three year EBITDA LTIP target is not achieved. Again due to the commercial sensitivity of the targets we will not be disclosing them at the outset but will do so as soon as they cease to be commercially sensitive.

25% of the LTIP will be based on relative TSR measured against a bespoke group of sector based companies (the same as the comparator group used in prior years), with 25% of the award vesting at threshold (median ranking) rising on a straight line basis to full vesting at upper quartile ranking. Phil Bentley will receive an LTIP award of 200% of salary in performance shares in financial year 2014/15. Nick Cooper will not be eligible for an LTIP award in the financial year 2014/15 given the increase in the maximum bonus potential over the 2014/15 transition period as described in the summary remuneration policy table for Executive Directors in the Policy report.

Share ownership requirements

The required share ownership levels for 2014/15 will, as for the prior year, be as follows:

CEO	400% of salary
CFO	300% of salary
Corporate Service Director	200% of salary

Non-executive Director fees

The Chairman's 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 2014 and will remain unchanged for financial year 2014/15. The Chairman receives a cash allowance of £5,500 per month in lieu of the provision of a car.

The fee levels of the other Non-executive Directors were also reviewed in March 2014 and no increases were approved for the coming year.

The annual fees (which are based in sterling) payable to each Non-executive Director for financial year 2014/15 are shown in the table below.

	Base fee in sterling	Additional fees in sterling
Simon Ball	65,000	20,000[1]
Ian Tyler	65,000	20,000[2]
Mark Hamlin	65,000	–
Alison Platt	65,000	–

1 Additional fee for role of Senior Independent Director, Deputy Chairman, and Chairman of the Remuneration Committee.
2 Additional fee for role as Chairman of the Audit Committee.

Directors' total remuneration table

The table below shows the aggregate emoluments earned by the Directors of Cable & Wireless Communications Plc during the period 1 April 2013 to 31 March 2014.

The financial year 2012/13 figures are presented in accordance with the updated Directors' remuneration report legislation.

		Salaries and fees £	Benefits in kind[1] £	Bonus[2] £	Value of LTIP[3] £	Pension cash allowance[4] £	Other cash allowances[5] £	Total[11] £
Chairman								
Sir Richard Lapthorne	**2013/14**	**386,000**	**44,125**	**–**	**–**	**–**	**85,912**	**516,037**
	2012/13	386,000	75,800	–	–	–	60,500	522,300
Executive Directors								
Phil Bentley[6]	**2013/14**	**200,000**	**46,653**	**284,055**	**–**	**50,000**	**117,078**	**697,786**
	2012/13	–	–	–	–	–	–	–
Nick Cooper	**2013/14**	**375,000**	**18,097**	**521,250**	**–**	**93,750**	**11,908**	**1,020,005**
	2012/13	375,000	4,720	343,312	–	93,750	–	816,782
Tim Pennington[7]	**2013/14**	**500,000**	**7,435**	**645,000**	**–**	**125,000**	**615**	**1,278,050**
	2012/13	500,000	4,252	457,750	–	125,000	–	1,087,002
Tony Rice[8]	**2013/14**	**525,000**	**42,942**	**680,342**	**–**	**131,250**	**15,745**	**1,395,279**
	2012/13	700,000	110,578	588,350	–	175,000	–	1,573,928
Non-executive Directors								
Simon Ball	**2013/14**	**85,000**	**447**	**–**	**–**	**–**	**–**	**85,447**
	2012/13	85,000	1,120	–	–	–	–	86,120
Ian Tyler	**2013/14**	**85,000**	**1,433**	**–**	**–**	**–**	**–**	**86,433**
	2012/13	81,666	490	–	–	–	–	82,156
Mark Hamlin	**2013/14**	**65,000**	**1,235**	**–**	**–**	**–**	**–**	**66,235**
	2012/13	65,000	490	–	–	–	–	65,490
Alison Platt[9]	**2013/14**	**65,000**	**491**	**–**	**–**	**–**	**–**	**65,491**
	2012/13	54,166	490	–	–	–	–	54,656
Past directors' remuneration	**2013/14**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(for comparative purposes)[10]	2012/13	21,250	–	–	–	–	–	21,250
Total 2013/14		**2,286,000**	**162,858**	**2,130,647**	**–**	**400,000**	**231,258**	**5,210,763**
Total 2012/13		2,268,082	197,940	1,389,412	–	393,750	60,500	4,309,684

1 'Benefits in kind' include car and fuel benefits, chauffeur provision, benefits associated with travel, accommodation and relocation, the cost of medical insurance and the tax settled by the Company in relation to the benefits.
2 With the exception of Tony Rice and Tim Pennington for financial year 2013/14, half of the bonus is paid in cash and the other half is deferred into shares for one year and subject to claw back at the discretion of the Committee. These shares will count towards each Director's shareholding requirement. For Phil Bentley, bonus paid is calculated on annual salary and is pro-rated for the period 1 January 2014 to 31 March 2014. For Tony Rice, bonus paid is calculated on annual salary and is pro-rated for the period 1 April 2013 to 31 December 2013.
3 This column denotes the cash equivalent value of any LTIP awards vesting. The awards granted on 4 June 2010 with performance measured over the three years to 3 June 2013 did not meet the minimum performance targets of 8% per annum compound total shareholder return and therefore the awards lapsed in full during the 2013/14 financial year. No awards were subject to performance measurement periods ending in the financial year 2012/13.
4 Company pension contributions in financial year 2012/13 and financial year 2013/14 have been paid to the Directors as either annual cash allowance and/or employer's pension contributions. In financial year 2012/13 Nick Cooper and Tim Pennington waived £50,000 of their pension cash allowance as an equivalent amount was paid into the pension plan by the Company on their behalf. In financial year 2013/14 Nick Cooper and Tim Pennington waived £45,831 and £50,000 respectively of their pension cash allowance as an equivalent amount was paid into the pension plan by the Company on their behalf. An amount of £20 million (2012/13 – £20 million) is included in the net pensions deficit figure in note 3.9.1 to cover the cost of former Directors' pension entitlements.
5 Phil Bentley was provided with expatriate allowances relating to a car and accommodation and the tax liability for expatriate benefits incurred whilst living/working in Miami. Tony Rice received a cash allowance to settle the tax liability on his company car. Tim Pennington and Nick Cooper also received cash allowances to settle tax liabilities on benefits relating to living/working in Miami. For Richard Lapthorne, £60,500 of the cash allowance in the financial year 2012/13 and 2013/14 was paid in lieu of a company car. The additional cash allowance in excess of £60,500 for Richard Lapthorne in financial year 2013/14 relates to the settlement of the tax liability on benefits, which in financial year 2012/13 was settled directly by the Company and as such was reported under 'benefits in kind' in the financial year 2012/13.
6 Phil Bentley was appointed as Director from 1 January 2014.
7 Tim Pennington resigned as Director effective 11 February 2014. However, his total remuneration in the above table includes all payments made to him for the full financial year 2013/14.
8 Tony Rice resigned as Director effective 1 January 2014.
9 Alison Platt joined the Board on 1 June 2012.
10 Past directors' emoluments have been included for comparative purposes only. This relates to Mary Francis who left the Group on 30 June 2012.
11 The Directors' total remuneration table is presented in sterling as salaries, benefits and bonuses are paid in sterling.

Loss of office payments

Tony Rice stood down from the Board on 31 December 2013. Under the terms of his exit, he will remain an employee on garden leave until 30 June 2014. During this period he is available to be called upon to support Phil Bentley. Tim Pennington resigned from his position of Chief Financial Officer and stood down from the Board on 11 February 2014 and leaves the Company on 2 June 2014. The payments which they will receive are detailed below.

	Tony Rice	Tim Pennington
Pay in lieu of notice	Tony has elected to waive his entitlement to a payment in lieu of up to 12 months' notice	No payment in lieu of the balance of notice period after exit date
2013/14 bonus payments[1]	Tony will be eligible to receive a pro-rated bonus for period to 31 December 2013	Tim will be eligible to receive a bonus for financial year 2013/14
Employer pension contribution/ cash allowance in lieu of pension	The cash allowance ceased with effect from 31 December 2013	The employer pension contribution and cash allowance will cease with effect from 2 June 2014
Chauffeur/car	Tony's chauffeur/car benefit ceased with effect from 31 December 2013	–
Benefits	Healthcare and life cover will continue up until 30 June 2014	Benefits will cease from exit date
Shares	Any unvested shares will continue to accrue for the period up to 30 June 2014. After 30 June, Tony will be treated as a good leaver in relation to his unvested shares, and they will be treated in accordance with the existing share plan rules. Any unvested deferred bonus share awards will vest after this date	Any unvested awards at the date of departure will lapse

1 Please refer to the Directors' total remuneration table on page 70 for bonus paid in relation to the financial year 2013/14.

Details of variable pay earned in financial year 2013/14

Annual bonus payments

We have reported a 5% improvement in Group EBITDA and strong cash performance flowing through from the improved EBITDA performance and tighter working capital discipline.

The tables below detail the bonus composition, bonus target ranges and how we have performed against each of these targets. The targets and actual performance are measured at a fixed exchange rate to avoid currency fluctuations having a bearing on the financial performance.

Bonus composition for financial year 2013/14

	EBITDA	NCFbF	Total
Financial performance against targets	Up to 70% of salary	Up to 35% of salary	Up to 105% of salary (70% of maximum bonus)
Personal performance against objectives	Up to 45% of bonus		Up to 45% of salary (30% of maximum bonus)
	Total maximum bonus opportunity		**Up to 150% of salary**

Financial bonus targets and performance for financial year 2013/14

	Minimum target	Financial year 2012/13 EBITDA outturn	Maximum target	**Financial year 2013/14 performance**
EBITDA				
Target (US$m)	537.8	577.4	609.8	**604.9[1]**
% of salary payable	10%	30%	70%	**64%**
NCFbF				
Target (US$m)	142.1		207.1	**259.0[2]**
% of salary payable	5%		35%	**35%**

1 The differential between actual EBITDA performance (US$608 million) and performance calculated at the fixed exchange rate (US$604.9 million) is US$3.1 million.
2 The differential between actual NCFbF performance (US$266 million) and performance calculated at the fixed exchange rate (US$259 million) is US$7 million.

Personal performance targets and performance for financial year 2013/14

	Performance against personal targets	Personal performance achieved
Phil Bentley	Prior to Phil joining in January 2014, he spent a considerable amount of time in the business meeting customers and key contacts to understand the business and the priorities. Consequently the transition from Tony to Phil has been seamless and he has fully met his objectives for the first three months of establishing key relationships with governments, developing a new strategy to present to shareholders and visiting all major markets to understand business performance and competitors.	45% out of 45%
Tim Pennington	Tim has had a very solid year fully meeting the majority of his objectives which included completion of the sale of Macau and the Islands businesses, setting a cost out target of US$100 million and developing a plan to deliver it, completion of the sub-sea cable joint venture with Columbus Networks and the design of the Miami regional hub finance team ensuring continuity and minimisation of risk.	30% out of 45%
Nick Cooper	Nick has had an excellent year providing the Board with the continuity of leadership at the executive level and leading the development of the Miami office and appointment of key individuals to the organisation, including supporting the Chairman and Mark Hamlin in the appointment of Phil Bentley. Nick has also been instrumental in reaching a stability agreement with the Government of The Bahamas, and shared the objective with Tim of completing the sub-sea cable joint venture.	40% out of 45%
Tony Rice	During the year to December 2013 when Tony stood down from the Board, in conjunction with Tim he completed the sale of Macau and the Islands and laid the foundations for The Bahamas agreement. Tony also oversaw the development of initial plans to create the new regional hub in Miami and provided a seamless transition to Phil ensuring that he had the appropriate introductions to governments and other key individuals.	30% out of 45%

Bonus payments for financial year 2013/14

	% of salary payable for EBITDA performance	% of salary payable for NCFbF performance	Total % of salary payable for financial performance	% of salary payable for personal performance	Total bonus payable as a % of salary	Total bonus paid out of 100%
Phil Bentley	64	35	99	45	144[1]	96
Tim Pennington	64	35	99	30	129	86
Nick Cooper	64	35	99	40	139	93
Tony Rice	64	35	99	30	129[2]	86

1 Bonus paid is pro-rated for the period 1 January 2014 to 31 March 2014.
2 Bonus paid is pro-rated for the period 1 April 2013 to 31 December 2013.

Long-term incentive awards earned in financial year 2013/14

On 4 June 2010, 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 (under the previous performance share plan) which were capable of vesting on the third anniversary of grant on 3 June 2013 subject to achievement of the performance conditions.

The performance targets and vesting schedule for these awards were:

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%

The Company's TSR over the performance period was 1.4% compound per annum and did not meet the minimum performance target of 8% per annum. The awards thus lapsed in full during the financial year 2013/14.

The 2011 awards granted on 2 June 2011 are subject to the same performance conditions as the 2010 awards, measured over the three year period from the date of grant. As at 30 April 2014, when TSR performance was last measured, then based on 35 months of the performance period to 30 April 2014, 100% of the shares are forecast to vest in June 2014.

Details of historic awards granted to Executive Directors under the LTIP are summarised in the tables on pages 76 to 77.

Long-term incentive awards granted in the year

Details of awards made to Executive Directors under the Performance Share Plan in the year ended 31 March 2014 are as follows:

	Scheme	Award level	Award date	Face value	Vesting period	Performance conditions
Chief Executive Officer – Phil Bentley	PSP 2011	300% of salary	2 January 2014	£2,400,000	Three year performance period commencing on 1 April 2014	Earned in three equal tranches subject to the payment of an annual bonus for performance in each of the financial years 2014/15, 2015/16 and 2016/17. For the purpose of this share award there will be a minimum EBITDA underpin whereby, if the minimum EBITDA target is not achieved in any of the financial years of the performance period, then the shares attributed to that financial year will not vest. For the financial year 2014/15 the minimum EBITDA target is higher than the outturn for financial year 2013/14. Subject to the achievement of the performance conditions, the shares will vest in part on the third anniversary of the date of grant of the award and in part immediately after the announcement of the financial year 2016/17 preliminary results. In the event that a bonus was not payable in a financial year, the number of shares vesting will be reduced by one third for each year in which the performance conditions are not met.
Chief Executive Officer – Tony Rice		200% of salary	30 May 2013	£1,400,000	Three year performance period commencing on 1 April 2013	Cumulative growth in TSR measured against a comparator group comprising companies predominantly from the European Telecoms sector. Median ranking (25% vests) to upper quartile ranking (100% vests). Awards will vest on a straight line basis between the above targets.
Chief Financial Officer – Tim Pennington				£1,000,000		
Corporate Services Director – Nick Cooper		150% of salary		£562,500		

Award granted to Phil Bentley in the year

The initial award to the new Chief Executive Officer has been structured to take account of the significant uncertainty, at the time of his recruitment, over the future structuring of incentives at the Company and the need to create a competitive package to enable recruitment. Phil Bentley has made a very significant investment of 3x his salary in the Company's shares which he has undertaken to retain for at least the next three years.

The share price for the award is £0.5597, being the average share price of the Company for the five business days commencing on 23 December 2013. The Performance Share Awards were granted in the form of restricted share awards. A dividend award supplement will apply in accordance with the rules of the plan.

Awards granted to Tony Rice, Tim Pennington and Nick Cooper in the year

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. The share price for each award is £0.4438, being the average share price of the Company for the five business days commencing on 22 May 2013. The Performance Share Awards were granted in the form of nil cost option awards. A dividend award supplement will apply in accordance with the rules of the plan.

In addition to reviewing performance against the targets set out in the above table, the Committee will 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, capital expenditure and quantum and timing of cash flows.

Share ownership

Directors' interests in shares as at 31 March 2014 are set out in the table on page 75. As at that date, the Executive Directors' shareholding requirements had been exceeded by Tim Pennington, but had not been met by the other serving Executive Directors. Where the holding is not already attained it is required to be achieved through retention of shares or the vesting of awards (on a net of tax basis) from share plans.

There has not been any change in the Directors' interests in shares from 31 March 2014 to 20 May 2014.

Directors' interests in shares as at 31 March 2014

	Beneficially owned shares as at 31 March 2014 or date of resignation	Unvested deferred bonus plan shares[1]	% shareholding requirement achieved[2]	**Share Purchase Plan (unvested)**	**Performance Share Plan shares (unvested)[3]**	**Total Interest in share plans**
Chairman						
Sir Richard Lapthorne	8,500,000	–	–	–	–	–
Executive Directors[4]						
Phil Bentley[5]	4,300,000	–	71%	–	4,349,902	4,349,902
Nick Cooper	1,181,118	378,180	83%	–	5,370,804	5,370,804
Tim Pennington[6]	3,423,296	504,241	120%	4,839[8]	10,017,228	10,022,067
Tony Rice[7]	25,411,858	648,105	477%	–	14,024,123	14,024,123
Non-executive Directors						
Simon Ball	430,400	–	–	–	–	–
Mark Hamlin	65,000	–	–	–	–	–
Alison Platt	23,764	–	–	–	–	–
Ian Tyler	4,000	–	–	–	–	–

1 Each of the Executive Directors received 50% of their total gross bonus payment for the financial year ended 2013/14 in the form of Bonus Plan 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. These shares are due to vest at the end of May 2014 and 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.
2 Shares counting towards achievement of the requirement included beneficially owned shares. Share price as at the close of business on 31 March 2014 (£0.5260).
3 Includes performance shares granted on 2 June 2011 and reinvested dividends which are due to vest (subject to performance) on 2 June 2014, as listed on Director's share award table on pages 76 to 77.
4 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Trust, the Executive Directors are deemed to have an interest in all of the ordinary shares held by the Trust, which at 31 March 2014 amounted to 26,190,167 shares.
5 Phil Bentley was appointed to the Board on 1 January 2014. Under the terms of the Chief Executive's service contract, there was an obligation on the Executive to acquire shares up to a minimum of 200% of his salary within six months of joining the Company, or within 30 days of the initial award of the LTIP grant. This requirement has been met by the acquisition of 4,300,000 shares on 2 January 2014 (over 300% of his salary at the date of purchase).
6 Tim Pennington resigned from the Board effective 11 February 2014.
7 Tony Rice resigned from the Board effective 1 January 2014.
8 The shares relate to matching shares awarded under the Share Purchase Plan on 12 April 2012. These shares have no performance measures attached and will lapse in full when Tim Pennington leaves in June 2014.

Directors' share awards

Name and scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communi-cations Plc shares (pence)	Shares under award at 1 April 2013	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2014**
Executive Directors								
Nick Cooper								
Performance Shares	04/06/2010	04/06/2013	60.3	1,160,862	–	–	1,160,862	**–**
Performance Shares[DS]	12/08/2010	04/06/2013	60.7	67,962	–	–	67,962	**–**
Performance Shares[DS]	13/01/2011	04/06/2013	49.95	39,722	–	–	39,722	**–**
Performance Shares[DS]	12/08/2011	04/06/2013	33.88	112,433	–	–	112,433	**–**
Performance Shares[DS]	12/01/2012	04/06/2013	37.99	52,466	–	–	52,466	**–**
Performance Shares[DS]	10/08/2012	01/06/2013	32.54	121,045	–	–	121,045	**–**
Performance Shares[DS]	11/01/2013	04/06/2013	39.4	24,192	–	–	24,192	**–**
Performance Shares	02/06/2011	02/06/2014	43.29	1,592,718	–	–	–	**1,592,718**
Performance Shares[DS]	12/08/2011	02/06/2014	33.88	154,260	–	–	–	**154,260**
Performance Shares[DS]	12/01/2012	02/06/2014	37.99	71,984	–	–	–	**71,984**
Performance Shares[DS]	10/08/2012	02/06/2014	32.54	166,075	–	–	–	**166,075**
Performance Shares[DS]	11/01/2013	02/06/2014	39.4	33,192	–	–	–	**33,192**
Performance Shares[DS]	09/08/2013	02/06/2014	40.08	–	69,840	–	–	**69,840**
Performance Shares[DS]	10/01/2014	02/06/2014	56.5	–	22,988	–	–	**22,988**
Performance Shares[1]	14/01/2013	14/01/2016	37.72	1,812,761	–	–	–	**1,812,761**
Performance Shares[DS]	11/08/2013	14/01/2016	40.08	–	79,489	–	–	**79,489**
Performance Shares[DS]	11/01/2014	14/01/2016	56.5	–	26,164	–	–	**26,164**
Performance Shares	30/05/2013	30/05/2016	43.89	–	1,267,462	–	–	**1,267,462**
Performance Shares[DS]	11/08/2013	30/05/2016	40.08	–	55,577	–	–	**55,577**
Performance Shares[DS]	11/01/2014	30/05/2016	56.5	–	18,294	–	–	**18,294**
				5,409,672	1,539,814	–	1,578,682	**5,370,804**
Tim Pennington								
Performance Shares	04/06/2010	04/06/2013	62.85	2,321,724	–	–	2,321,724	**–**
Performance Shares[DS]	12/08/2010	04/06/2013	60.7	135,925	–	–	135,925	**–**
Performance Shares[DS]	13/01/2011	04/06/2013	49.95	79,445	–	–	79,445	**–**
Performance Shares[DS]	12/08/2011	04/06/2013	33.88	224,867	–	–	224,867	**–**
Performance Shares[DS]	12/01/2012	04/06/2013	37.99	104,932	–	–	104,932	**–**
Performance Shares[DS]	10/08/2012	04/06/2013	32.54	242,090	–	–	242,090	**–**
Performance Shares[DS]	11/01/2013	04/06/2013	39.4	48,384	–	–	48,384	**–**
Performance Shares	02/06/2011	02/06/2014	43.29	3,185,437	–	–	–	**3,185,437**
Performance Shares[DS]	12/08/2011	02/06/2014	33.88	308,521	–	–	–	**308,521**
Performance Shares[DS]	12/01/2012	02/06/2014	37.99	143,969	–	–	–	**143,969**
Performance Shares[DS]	10/08/2012	02/06/2014	32.54	332,150	–	–	–	**332,150**
Performance Shares[DS]	11/01/2013	02/06/2014	39.4	66,384	–	–	–	**66,384**
Performance Shares[DS]	09/08/2013	02/06/2014	40.08	–	139,680	–	–	**139,680**
Performance Shares[DS]	10/01/2014	02/06/2014	56.5	–	45,977	–	–	**45,977**
Performance Shares[1]	14/01/2013	14/01/2016	37.72	3,222,687	–	–	–	**3,222,687**
Performance Shares[DS]	11/08/2013	14/01/2016	40.08	–	141,314	–	–	**141,314**
Performance Shares[DS]	11/01/2014	14/01/2016	56.5	–	46,515	–	–	**46,515**
Performance Shares	30/05/2013	30/05/2016	43.89	–	2,253,267	–	–	**2,253,267**
Performance Shares[DS]	11/08/2013	30/05/2016	40.08	–	98,805	–	–	**98,805**
Performance Shares[DS]	11/01/2014	30/05/2016	56.5	–	32,522	–	–	**32,522**
				10,416,515	2,758,080	–	3,157,367	**10,017,228**

Name and scheme	Award date	Vesting date	Market price on date of award of Cable & Wireless Communi-cations Plc shares (pence)	Shares under award at 1 April 2013	Shares awarded	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2014**
Tony Rice								
Performance Shares	04/06/2010	04/06/2013	62.85	3,250,414	–	–	3,250,414	**–**
Performance Shares[DS]	12/08/2010	04/06/2013	60.7	190,295	–	–	190,295	**–**
Performance Shares[DS]	13/01/2011	04/06/2013	49.95	111,223	–	–	111,223	**–**
Performance Shares[DS]	12/08/2011	04/06/2013	33.88	314,814	–	–	314,814	**–**
Performance Shares[DS]	12/01/2012	04/06/2013	37.99	146,906	–	–	146,906	**–**
Performance Shares[DS]	10/08/2013	04/06/2013	32.54	338,926	–	–	338,926	**–**
Performance Shares[DS]	11/01/2013	04/06/2013	39.4	67,738	–	–	67,738	**–**
Performance Shares	02/06/2011	02/06/2014	43.29	4,459,613	–	–	–	**4,459,613**
Performance Shares[DS]	12/08/2011	02/06/2014	33.88	431,929	–	–	–	**431,929**
Performance Shares[DS]	12/01/2012	02/06/2014	37.99	201,557	–	–	–	**201,557**
Performance Shares[DS]	10/08/2012	02/06/2014	32.54	465,011	–	–	–	**465,011**
Performance Shares[DS]	11/01/2013	02/06/2014	39.4	92,938	–	–	–	**92,938**
Performance Shares[DS]	09/08/2013	02/06/2014	40.08	–	195,553	–	–	**195,553**
Performance Shares[DS]	10/01/2014	02/06/2014	56.5	–	64,368	–	–	**64,368**
Performance Shares[1]	14/01/2013	14/01/2016	37.72	4,511,762	–	–	–	**4,511,762**
Performance Shares[DS]	11/08/2013	14/01/2016	40.08	–	197,839	–	–	**197,839**
Performance Shares[DS]	11/01/2014	14/01/2016	56.5	–	65,121	–	–	**65,121**
Performance Shares	30/05/2013	30/05/2016	43.89	–	3,154,574	–	–	**3,154,574**
Performance Shares[DS]	11/08/2013	30/05/2016	40.08	–	138,327	–	–	**138,327**
Performance Shares[DS]	11/01/2014	30/05/2016	56.5	–	45,531	–	–	**45,531**
				14,583,126	3,861,313	–	4,420,316	**14,024,123**
Phil Bentley								
Performance Shares[2]	02/01/2014	02/06/2017	57.4	–	4,288,011	–	–	**4,288,011**
Performance Shares[DS]	11/01/2014	02/06/2017	56.5	–	61,891	–	–	**61,891**
				–	4,349,902	–	–	**4,349,902**

DS Dividend shares

1 The number of shares awarded under the PSP 2011 set out on pages 73 to 74 was calculated based on the average share price for the period 24 to 30 May 2012 (inclusive) which is the period immediately after the 2011/12 full year results and would ordinarily have been used to calculate the award price had the Company not been in an extended close period until January 2013.

2 Share award of 4,288,011 CWC shares were granted to Phil Bentley on 2 January 2014 in order to secure his appointment as Chief Executive. The PSP award based on 300% of base salary is subject to performance measured over three years and continued service, and the award of which was contingent on Phil purchasing shares with a value of at least 200% of salary. This requirement has been met by the acquisition of 4,300,000 shares on 2 January 2014 (over 300% of his salary at the date of purchase).

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 2014, 6% 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 Trust, which is subject to a holding limit of no more than 5% of the issued ordinary share capital of the Company.

Percentage change in remuneration levels

The table below shows the movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to that for the average UK/US employee. The Committee has chosen this comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill, which is distorted by movements in the number of employees and variations in wage practices in our overseas markets. For the benefits and bonus per employee, this is based on those employees eligible to participate in such schemes. The salary for the Chief Executive reflects the higher salary paid to Phil Bentley from 1 January 2014 to 31 March 2014, in order to secure his appointment as Chief Executive.

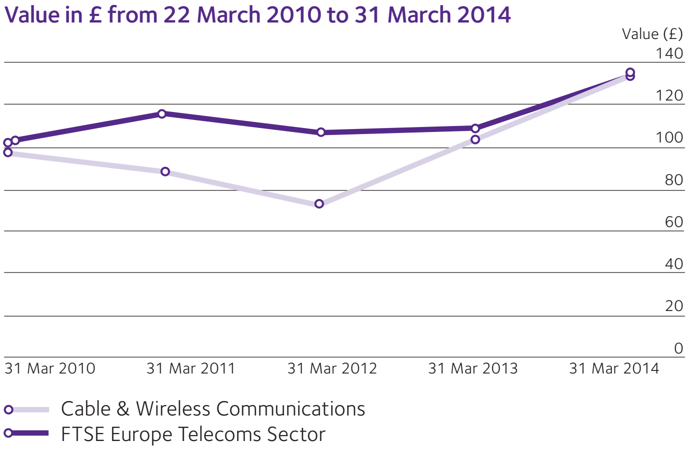
%	Role of Chief Executive[1]	Average per employee
Salary	4%	2%
Benefits[2]	101%	17%
Annual bonus paid[3]	(26)%	(20)%

1 The 2013/14 value used has been based on payments made to Tony Rice for period 1 April 2013 to 31 December 2013 plus payments made to Phil Bentley from 1 January 2014 to 31 March 2014.
2 Benefits for the Chief Executive include travel benefits, accommodation allowance and reimbursement of other necessary expenses incurred in the financial year 2013/14, whilst living/working in Miami.
3 Annual bonus paid relates to bonus paid in financial year 2011/12 and financial year 2012/13 in respect of the prior year performance period to enable comparison.

Performance graph and pay table

The chart below shows the Company's TSR performance against the performance of the FTSE Europe Telecoms sector from 22 March 2010 to 31 March 2014. This index was chosen as it represents a broad equity market index, which includes companies of a comparable or larger size and complexity operating in the same sector, but not the same geographies.

Total shareholder return (TSR)
Value in £ from 22 March 2010 to 31 March 2014



This graph shows the total shareholder return by 31 March 2014 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.

The table below shows the total remuneration figure for the Chief Executive for the five financial years to 31 March 2014. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

Chief Executive's five year pay table	2009/10	2010/11	2011/12	2012/13	**2013/14**[1]
Total remuneration[2]	£2,641,465	£2,336,597	£1,306,651	£1,703,341	**£2,093,065**
Annual bonus	0%	77%	76%	56%	**89%**
LTIP vesting	N/A[3]	N/A[3]	0%	0%	**0%**

1 The information for financial year 2013/14 relates to the total remuneration, annual bonus and LTIP vesting for Tony Rice from 1 April 2013 to 31 December 2013 and total remuneration, annual bonus and LTIP vesting for Phil Bentley from 1 January 2014 to 31 March 2014. It also includes travel benefits, accommodation allowance and reimbursement of other necessary expenses incurred for the Chief Executive in the financial year 2013/14, whilst working in London and Miami.
2 The total remuneration in this table has been adjusted to include half of the bonus which is deferred into shares for one year.
3 For the 2009/10 financial year and 2010/11 financial year, the LTIP payment relates to the cash LTIP plan which had no formal award limit. It was structured to vest at the end of its five year cycle with staged payments between years four and five. 85% vested at the end of year four (2009/10 financial year) of which 50% (£1,090,000) was paid immediately and 35% deferred (for a further year with the balance vesting and payable at the end of 2010/11 financial year. At the end of 2010/11 financial year, the cash LTIP units were revalued and a further payment of £1,660,000 was made (which included the 35% deferred from 2009/10). The total payment from the cash LTIP during the five year period was £2,750,000.

Relative importance of the spend on pay

The table below shows the movement in spend on staff costs versus that in dividends.

	2012/13	**2013/14**	% change
Staff costs[1]	£362 million	**£422 million**	17%
Dividends[2]	£166 million	**£100 million**	(40)%

1 Staff costs include exceptional employee and other staff expenses and deferred bonus shares issued as disclosed in the prior year single figure amount.
2 Dividends listed above include final dividend in respect of the prior year and interim dividend in respect of the actual year.

External Non-executive Director positions

The Executive Directors received and retained the following fees for external directorships during the year.

	Annual fees in sterling
Tony Rice (1 April 2013 to 31 December 2013)	
Non-executive Director of Spirit Pub Company plc	48,654
Chairman of Alexander Mann Solutions	11,250
Phil Bentley (1 January 2014 to 31 March 2014)	
Non-executive Director of IMI Plc	17,500

Statement of shareholder voting

At last year's AGM, the Directors' remuneration report received the following votes from shareholders:

	2013 AGM	
Votes cast in favour	1,817,150,783	98.62%
Votes cast against	25,338,376	1.38%
Total votes cast	1,842,489,159	
Abstentions	17,155,332	

Shareholder engagement

During the year, the Committee engaged with the Company's major shareholders on the following issues:

- Remuneration package for Phil Bentley and exit arrangements for Tony Rice
- Annual bonus and LTIP philosophy and specifically arrangements for the financial year 2014/15
- Financial underpin to Phil Bentley performance share award for the financial year 2013/14
- Exit arrangements for Tim Pennington
- The policy table within the policy section of this report on pages 60 to 63

Most shareholders who engaged were understanding of the Committee's reasoning on these matters and were broadly supportive.

Committee governance

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 ongoing basis
- To review the design of all new share incentive plans, policy on share 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 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 who are the Committee's independent adviser. The outcomes of Committee meetings are reported to the Board.

Directors' remuneration report continued

Terms of reference

The terms of reference set out the authority of the Committee to carry out its duties and the full terms of reference can be found on our website at www.cwc.com.

Advisers to the Committee

New Bridge Street (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.

The Committee reviewed the performance of the adviser during the year. Based on the quality of the advice received, their objectivity, independence and their familiarity with the Company's existing structures and share plans during this period of significant change the Committee reappointed NBS until the time of the next review.

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 Limited (an Aon plc company) which, other than acting as independent consultant to the Committee, provided no further services to the Company during the year. The Committee regularly reviews the external adviser relationship and is comfortable that NBS's advice remains objective and independent. For the year under review NBS's total fees charged were £151,000 (exclusive of VAT) and the fees were charged on a timed basis.

Remuneration Committee membership

Membership and attendance at meetings		
Simon Ball (Chairman)	●●●●●●●●●	9/9
Mark Hamlin	●●●●●●●●●	9/9
Alison Platt	●●●●●●●●○	8/9
Ian Tyler	●●●●●●●●●	9/9

The Committee held nine scheduled meetings during the year ended 31 March 2014. 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.

Audited information

The sections of the Annual report on remuneration that have been audited by KPMG LLP are from Directors' total remuneration table on page 70 up to and including Long-term incentive awards granted in the year and Directors' interests in shares as at 31 March 2014 on pages 75 to 77.

This report has been approved on behalf of the Board and signed on its behalf by

Simon Ball
Chairman, Remuneration Committee
20 May 2014

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, they are required to prepare 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 or loss for that period.

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

- Select suitable accounting policies and then 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 Strategic report, 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 36 to 37 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 Strategic report and Directors' report contained on pages 2 to 33 and pages 38 to 46, respectively, include 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.

Directors' statement pursuant to the UK Corporate Governance Code

The Directors consider the Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

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

Belinda Bradberry
Company Secretary
20 May 2014

Financial review and financial statements

In order to make these financial statements easier to follow, we have revised the format of our accounting disclosures. The contents below clearly shows where you can find information relevant to you. We have created five sections for financial information in order to enable understanding of how our business works.

Plain English explanations are provided throughout these financial statements.

Contents

84-87 Financial review*
88-95 Primary financial statements and narrative *

Section one – Basis of preparation

96 General information
96-97 Basis of preparation and recent accounting changes

Section two – Results for the year

98 Revenue
98-100 Segment information
101-103 Operating costs and other operating income and expenses
104 Gains and losses on sale of businesses
104 Earnings per share
105 Income tax expense
106-107 Deferred tax
107-108 Discontinued operations

Section three – Operating assets and liabilities

109-110 Trade and other receivables
110 Inventories
111 Trade and other payables
111-113 Impairment review
114-115 Intangible assets
115-116 Property, plant and equipment
117-118 Investments in joint ventures and associates
118-119 Provisions
120-126 Retirement benefits obligations

Section four – Capital structure and financing

127 Finance income and expense
128 Cash and cash equivalents
128-129 Borrowings
129 Available-for-sale financial assets
130 Financial assets at fair value through profit or loss
130-131 Financial liabilities at fair value
131-132 Financial instruments at fair value
132 Acquisitions of non-controlling interests
133-134 Equity
135-136 Financial risk management
136 Dividends declared and paid

Section five – Other

137-143 Significant accounting policies
143-144 Critical accounting estimates and judgements
144-146 Commitments, guarantees and contingent liabilities
146 Licences and operating agreements
146 Legal proceedings
147 Related party transactions
147-149 Share-based payments
149-150 Subsidiaries, joint ventures and associates
150 Events after the reporting period
151-153 Independent auditor's report
154-160 Company financial statements

*The Financial review on pages 84 to 87 and the narrative on pages 89 and 93 are unaudited.


T-Tree

Financial review

The financial review on pages 84 to 87 and on pages 89 and 93 is unaudited, is incorporated by reference into, and forms part of, the Strategic report as approved by the Board. It should be read in conjunction with the regional performance review on pages 26 to 30. It does not form part of the financial statements for the Group. We have included additional narrative alongside the income statement and statement of financial position, which is also unaudited to provide further insight into our financial performance and position.

Our accounting policies are listed in section five from page 137 and are cross referenced from relevant notes should further explanation be required.

Analysis of Group results

	Full year ended 31 March 2014 US$m	Full year ended 31 March 2013* US$m	% change
Revenue	**1,873**	1,942	(4)
Gross margin	**1,371**	1,387	(1)
Operating costs	**(763)**	(806)	5
EBITDA[1]	**608**	581	5
Depreciation and amortisation	**(262)**	(275)	5
Net other operating (expense)/income	**(15)**	4	nm
Joint ventures and associates	**5**	10	(50)
Total operating profit before exceptional items	**336**	320	5
Exceptional expense	**(241)**	(136)	(77)
Total operating profit	**95**	184	(48)
Finance income	**8**	11	(27)
Finance expense	**(142)**	(152)	(7)
Exceptional finance expense	**(25)**	–	nm
Other non-operating expense	**(6)**	(16)	63
(Loss)/profit before tax	**(70)**	27	nm
Income tax	**(29)**	(41)	29
Net loss from continuing operations	**(99)**	(14)	nm
Net profit before exceptional items	***148***	*102*	*45*
Net profit from discontinued operations	**39**	184	(79)
Gain on disposal of discontinued operations	**1,011**	–	nm
Profit for the year	**951**	170	nm
Net profit attributable to:			
Owners of the Parent Company	**859**	11	nm
Non-controlling interests	**92**	159	(42)
Adjusted EPS[4]	**2.6c**	1.5c	
EBITDA[1]	**608**	581	5
Balance sheet capital expenditure[2]	**(306)**	(263)	(16)
Operating cash flow[3]	**302**	318	(5)
Customers (000s)			
Mobile	**3,700**	3,390	9
Fixed	**1,089**	1,111	(2)
Broadband	**388**	366	6
TV	**79**	69	14

*Full year ended 31 March 2013 restated for IAS 19 pensions accounting standard.

1 EBITDA is defined as earnings before interest, tax, depreciation and amortisation, net other operating and non-operating income/expense and exceptional items. A reconciliation of this non-GAAP measure to total operating profit is provided on page 89.

2 Balance sheet capital expenditure excludes transfer of cable assets from inventory in 2012/13. Excludes Panama spectrum capitalisation of US$7 million.

3 Operating cash flow is defined as EBITDA less balance sheet capital expenditure.

4 Adjusted EPS is before exceptional items, gains/losses on disposals, amortisation of acquired intangibles and transaction costs. A reconciliation of this non-GAAP measure to ordinary EPS is provided on page 89.

Financial review of the year

Our financial results in the 2013/14 year have shown early signs of our operational turn-around as we become more geographically focused. At the beginning of 2013/14 we announced a cost reduction programme targeted to reduce our run-rate operating costs by US$100 million by the end of 2014/15. During the year we have made good progress with operating costs down US$43 million against the prior year, and an exit run-rate of US$77 million of cost savings achieved.

Group revenue declined by 4% to US$1,873 million as growth in mobile and broadband and TV revenue across each of our businesses was more than offset by declining fixed voice and enterprise, data and other revenue. On a like-for-like basis adjusting for a change in accounting following outsourcing of our LIME directory business and the sale of Afinis in Africa, revenue was 1% lower than the prior year.

The US$52 million growth in mobile data revenue (up 23% in the year) indicates our customers' increasing demand for data and their desire to access the internet anywhere, anytime, and on any device. However, at the same time, both mobile and fixed voice revenue is declining across our industry; growth in broadband and TV is therefore vital for our future. Of the fall in enterprise, data and other revenue US$38 million of the reported US$56 million revenue decline was due to the change in directories accounting in LIME and a further US$4 million resulted from the disposal of Afinis.

The improvement in Group operating costs was driven by an 8% reduction (US$48 million) in the Caribbean as we increased efficiency in our operations through headcount rationalisation, exiting non-core property assets and procurement savings.

Overall Group EBITDA, at US$608 million, was 5% ahead of the prior year which was restated to US$581 million following a change to the IAS 19 pensions accounting standard (see note 3.9.2).

Reported pre-exceptional net profit after tax for the year increased by 45% to US$148 million (2012/13 – US$102 million) and adjusted earnings per share were US2.6 cents (2012/13 – US1.5 cents).

Capital expenditure

Capital expenditure, excluding the costs of extending our mobile licence agreements and acquiring additional spectrum in Panama and Jamaica was US$306 million, 16% higher than last year and representing 16% of revenue.

Our principal mobile investments continue to be in 4G mobile data networks supporting smartphone sales in Panama, The Bahamas and Antigua as well as upgrades to the faster LTE networks in The Bahamas and Cayman. We have made selective fibre network investments in Barbados and Cayman to offer high speed broadband services. We also invested in advancing our billing and customer relationship management systems.

We anticipate continuing our mobile investments across the Caribbean and making strategic investments in MPLS transmission capacity and cable systems to support both retail and carrier sales.

On 30 October, we announced that our Panama business secured a new 20 year mobile licence agreement to run from 24 October 2017 to 24 October 2037. Under the agreement our Panama business will have access to 65MHz of spectrum (including 30MHz of new spectrum) for US$100 million (circa US40 cents per MHz per head of population).

We will be granted access to the additional block of 1900 MHz spectrum immediately and we will also gain access to the 700 MHz spectrum, a lower level frequency ideal for the transmission of mobile data over long distances, from August 2014. This will enable our network to support the rapid growth of mobile data services. Payment was made in the second half of 2013/14.

In Jamaica we secured a new 15 year mobile licence agreement from 2015 to 2030 at a cost of US$30 million giving us access to 20MHz of 1900MHz spectrum to expand HSPA+ capacity and 24 MHz of AWS spectrum for eventual LTE network deployment. We also acquired additional microwave spectrum for expanding backhaul capacity to accommodate the additional subscribers and increased data traffic being experienced.

Group cash flow – based on our management accounts

	2013/14 Total US$m	2012/13 Total US$m
EBITDA[1]	**608**	581
Balance sheet capital expenditure[2]	**(306)**	(263)
Operating cash flow before exceptional items	**302**	318
Movement in working capital and other provisions[3]	**55**	(2)
Net investment income[4]	**12**	23
Underlying free cash flow	**369**	339
Fixed charges		
Income taxes paid[5]	**(53)**	(74)
Interest paid[6]	**(122)**	(129)
Dividends paid to non-controlling interests[7]	**(106)**	(106)
Underlying equity free cash flow	**88**	30
Underlying equity free cash flow per share	***3.5c***	*1.2c*
Dividends paid to shareholders	**(100)**	(166)
Net cash flow before one-off items and exceptional items	**(12)**	(136)
Non-recurring items and exceptionals		
Cash exceptionals	**(130)**	(26)
Premium for US$500 million secured bond redeemed February 2014	**(19)**	–
Panama and Jamaica concession renewals and spectrum purchases	**(114)**	–
Acquisitions and disposals[7]	**1,297**	(4)
Coupon for £200 million sterling unsecured bond redeemed August 2012	**–**	(27)
Panama tax brought forward	**–**	(37)
Cash flow from discontinued operations	**29**	105
Net cash flow after one-off items and exceptional items	**1,051**	(125)
Net cash within assets disposed	**(165)**	–
Net (repayments)/proceeds from borrowings	**(976)**	113
Net cash flow	**(90)**	(12)

1 Earnings before interest, tax, depreciation and amortisation, net other operating and non-operating income/(expense) and exceptional items (2012/13 restated).
2 Balance sheet capital expenditure excludes capitalisation of Panama spectrum of US$7 million in 2013/14 and transfer of cable assets from inventory in 2012/13.
3 Includes movement in capital expenditure accruals (US$46 million).
4 Includes dividends received from joint ventures of US$4 million in 2013/14 (US$6 million in 2012/13).
5 Excludes US$37 million impact on timing of payments following change in Panama tax legislation.
6 Excludes US$27 million coupon in H1 2012/13 on sterling unsecured bond of £200 million redeemed in August 2012.
7 Monaco Telecom dividend paid to minority interest of US$30 million in 2013/14 (US$33 million in 2012/13) has been reallocated to dividends paid to non-controlling interests, but for IFRS purposes is included in acquisitions and disposals.

The Group generated operating cash flow before exceptional items of US$302 million for the year ended 31 March 2014, 5% lower than the prior year as capital expenditure increased due to targeted investments in high speed networks and the PCCS sub-sea cable investment. There was a net inflow in working capital and other provisions due to increased capital expenditure accruals related to mobile infrastructure investments across the Group, whilst investment income of US$12 million included interest received on cash balances of US$8 million and dividends received from joint ventures.

Fixed charges

We paid US$53 million relating to income tax in 2013/14, US$21 million lower than the prior year primarily due to changes in tax legislation in Panama. Interest of US$122 million was paid on our external borrowings which included an annual charge of US$39 million payable for the 2017 US$500 million secured bond which was redeemed in February 2014 using proceeds from the Macau and Islands disposals. We paid dividends to non-controlling interests of US$106 million in the period, which was in line with the prior year.

Underlying equity free cash flow of US$88 million was US$58 million higher compared to the prior year.

Non-recurring items and exceptionals

The net cash outflow included US$130 million for exceptional items related to restructuring programmes primarily in the Caribbean, where our cost initiative has progressed ahead of our expectations. We also incurred a call premium of US$19 million due to the early redemption of our US dollar bond repayable in 2017, and US$114 million of cost to extend our mobile concessions and acquire additional spectrum in Panama and Jamaica. Following the payment to Batelco to unwind our disposal agreement for Monaco Telecom, we received net proceeds of US$1.3 billion for the disposals of our Macau and Islands businesses. For further information on our cash and net funds position please refer to note 4.3 and for more information on our completed disposals see below.

Pensions

For further information on our defined benefit pension scheme including the outcome of our actuarial funding valuation please see note 3.9.1.

Completed disposals

On 3 April 2013, CWC completed the sale of the majority of the Islands sub-group to Batelco as part of a transaction described in note 2.8.1 and received total cash proceeds of US$501 million in respect of these disposals. This represented consideration of US$470 million for the Islands sub-group plus US$31 million of net cash in the disposed businesses attributable to CWC.

On 20 June 2013, CWC completed the disposal of its 51% stake in Companhia de Telecomunicações de Macau S.A.R.L. (CTM) to CITIC Telecom International Holdings Limited (note 2.8.2). At completion, CWC received total cash proceeds of US$807 million comprising consideration of US$750 million (on a cash and debt free basis) plus US$57 million representing the estimated proportionate share of net cash in CTM attributable to CWC and initial working capital adjustments.

On 14 October 2013, CWC announced that Monaco Telecom had agreed to sell its Algerian satellite communication business Divona Algerie SpA to Smart Link Com SpA, of Algeria, for a total consideration of US$1 million on a cash free and debt free basis. This transaction completed on 7 February 2014 (note 2.4).

Consolidated income statement
for the year ended 31 March 2014

Continuing operations	Note	2013/14 Pre-exceptional items US$m	2013/14 Exceptional items[1] US$m	2013/14 Total US$m	Restated* 2012/13 Pre-exceptional items US$m	Restated* 2012/13 Exceptional items[1] US$m	Restated* 2012/13 Total US$m
Revenue	2.1	**1,873**	**–**	**1,873**	1,942	–	1,942
Operating costs before depreciation and amortisation	2.3.1	**(1,265)**	**(174)**	**(1,439)**	(1,361)	(50)	(1,411)
Depreciation	3.6	**(207)**	**–**	**(207)**	(221)	(86)	(307)
Amortisation	3.5	**(55)**	**–**	**(55)**	(54)	–	(54)
Other operating income	2.3.4	**–**	**–**	**–**	11	–	11
Other operating expense	2.3.4	**(15)**	**–**	**(15)**	(7)	–	(7)
Group operating profit/(loss)		**331**	**(174)**	**157**	310	(136)	174
Share of profit/(loss) of joint ventures and associates	3.7	**5**	**(67)**	**(62)**	10	–	10
Total operating profit/(loss)		**336**	**(241)**	**95**	320	(136)	184
Loss on sale of businesses	2.4	**(6)**	**–**	**(6)**	(16)	–	(16)
Finance income	4.1	**8**	**–**	**8**	11	–	11
Finance expense	4.1	**(142)**	**(25)**	**(167)**	(152)	–	(152)
Profit/(loss) before income tax		**196**	**(266)**	**(70)**	163	(136)	27
Income tax (expense)/credit	2.6	**(48)**	**19**	**(29)**	(61)	20	(41)
Profit/(loss) for the year from continuing operations		**148**	**(247)**	**(99)**	102	(116)	(14)
Discontinued operations							
Profit for the year from discontinued operations	2.8.3	**1,050**	**–**	**1,050**	184	–	184
Profit/(loss) for the year		**1,198**	**(247)**	**951**	286	(116)	170
Profit/(loss) attributable to:							
Owners of the Parent Company		**1,088**	**(229)**	**859**	119	(108)	11
Non-controlling interests		**110**	**(18)**	**92**	167	(8)	159
Profit/(loss) for the year		**1,198**	**(247)**	**951**	286	(116)	170
Earnings per share attributable to the owners of the Parent Company during the year (cents per share)[2]	2.5						
– basic				**34.3**			0.4
– diluted				**34.3**			0.4
Loss per share from continuing operations attributable to the owners of the Parent Company during the year (cents per share)	2.5						
– basic				**(7.2)**			(3.8)
– diluted				**(7.2)**			(3.8)
Earnings per share from discontinued operations attributable to the owners of the Parent Company during the year (cents per share)	2.5						
– basic				**41.5**			4.2
– diluted				**41.5**			4.2

*For information on IAS 19 *Employee benefits* restatement see note 3.9.2.
1 Further detail on exceptional items is set out in note 2.3.5 and in the relevant note for each item.
2 Includes discontinued operations (note 2.8).

The notes on pages 96 to 150 are an integral part of these financial statements.

Commentary on the income statement

The consolidated income statement includes the majority of our income and expenses for the year with the remainder recorded in the statement of comprehensive income. The commentary below is unaudited.

Revenue
Group revenue declined by 4% to US$1,873 million as growth in mobile and broadband revenue across each of our businesses was more than offset by declining fixed voice and enterprise, data and other revenue. More information is provided in our segmental results in note 2.2.

EBITDA
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, net other operating and non-operating income and expense and exceptional items.

Overall Group EBITDA, at US$608 million, was 5% ahead of the prior year following improved performance across the board, most notably in the Caribbean.

Reconciliation to total operating profit	2013/14 US$m	Restated 2012/13 US$m
Total operating profit	**95**	184
Depreciation and amortisation	**262**	275
Net other operating expense/(income)	**15**	(4)
Share of profit after tax of joint ventures and associates – pre-exceptional	**(5)**	(10)
Share of loss after tax of joint ventures and associates – exceptional	**67**	–
Exceptional items	**174**	136
EBITDA	**608**	581

Exceptional items
Exceptional items in the period of US$174 million included charges for the Group cost reduction initiative primarily in relation to redundancy payments as 36% (1,240) colleagues in the Caribbean exited the Group during the year. There were also charges of US$67 million primarily related to a voluntary separation scheme in Telecommunication Services of Trinidad and Tobago Limited (TSTT).

Pre-exceptional depreciation and amortisation
Depreciation and amortisation at US$262 million was 5% lower, as a 14% reduction in the Caribbean charge following impairments in the prior year was partly offset by the impact of increased investment in Panama.

Net other operating expense/income
The US$15 million net other operating expense for the year comprised a foreign exchange translation loss related to the UK pension schemes. In the prior year the US$4 million income was the result of a foreign exchange translation gain of US$8 million related to UK pension schemes partially offset by US$4 million of hurricane related costs in the Caribbean.

Joint ventures and associates
Our share of loss after tax from joint ventures and associates was US$62 million, US$72 million lower than the prior period.

TSTT revenue was up 2% in the period as mobile data usage increased. However, profit declined significantly due to a US$67 million charge largely related to a voluntary separation scheme. Roshan (Afghanistan), disposed as part of the sale of Monaco Telecom, reported results lower than the prior year as the business continued to be affected by growing competition in the country following the introduction of 3G.

Other non-operating expense
The US$6 million other non-operating expense was due to a loss on the disposal of Divona in Algeria. In the prior year, the expense of US$16 million reflected the loss on the disposal of Afinis.

Net finance expense
The US$134 million net finance expense for the Group excluding exceptional items included finance income of US$8 million (US$11 million in 2012/13) and finance expense of US$142 million (US$152 million in 2012/13). The decrease in finance expense predominantly related to the August 2012 sterling bond redeemed in the prior year. The exceptional charge of US$25 million, reflecting a call premium and accelerated amortisation of debt issuance costs, was incurred as a result of the early redemption of the US$500 million 2017 secured bond.

Income tax expense
The income tax charge for the continuing Group of US$29 million (US$41 million in 2012/13) was in respect of overseas taxes. This charge represented an effective tax rate of 24.6% pre-exceptional items. Removing the impact of non-deductible interest charged on the Group's central borrowing facilities this charge represented an effective tax rate of 14.5% pre-exceptional items.

Discontinued operations and gains on disposal
We expect to sell the Seychelles business and it therefore remains within discontinued operations and classified as a disposal group held for sale in the balance sheet.

During the period we recognised an accounting gain of US$1,011 million following the completed disposals of our Macau and Islands businesses. For more information see note 2.8.3.

Reconciliation of basic earnings per share (EPS) to adjusted EPS
Adjusted EPS is a non-GAAP measure and is used by the Group as it provides a measure of underlying earnings attributable to each share. We exclude one-off non-recurring items and also certain non-cash charges such as amortisation of acquired intangibles.

Adjusted EPS has increased by 73% due to improved performance across the Group.

Reconciliation of adjusted EPS to loss per share	2013/14 US cents	Restated 2012/13 US cents
Loss per share attributable to owners of the Parent Company	**(7.2)**	(3.8)
Exceptional items[1]	**9.2**	4.3
Amortisation of acquired intangibles[1]	**0.4**	0.3
Transaction costs and loss on disposal of businesses	**0.2**	0.7
Adjusted EPS attributable to owners of the Parent Company	**2.6**	1.5
Weighted average number of shares (million)	**2,502**	2,494

1 Excluding amounts attributable to non-controlling interests.

Consolidated statement of comprehensive income
for the year ended 31 March 2014

	Note	2013/14 US$m	Restated* 2012/13 US$m
Profit for the year		**951**	170
Other comprehensive (expense)/income for the year comprised:			
Items that will not be reclassified to profit or loss:			
Actuarial losses in the value of defined benefit retirement plans	3.9.1	**(8)**	(30)
Income tax relating to items that will not be reclassified to profit or loss		**–**	1
		(8)	(29)
Items that are or may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(3)**	5
Foreign currency translation reserves recycled on disposal of operations		**(7)**	–
Fair value (loss)/gain on available-for-sale financial assets	4.4	**(3)**	4
Income tax relating to items that may be reclassified to profit or loss		**–**	–
		(13)	9
Other comprehensive expense for the year, net of tax		**(21)**	(20)
Total comprehensive income for the year		**930**	150
Total comprehensive income/(expense) attributable to:			
Owners of the Parent Company		**836**	(10)
Non-controlling interests		**94**	160

*For information on IAS 19 *Employee benefits* restatement see note 3.9.2.

The notes on pages 96 to 150 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2014

	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 2012	133	97	61	3,321	(3,689)	(77)	493	416
Profit for the year*	–	–	–	–	11	11	159	170
Net actuarial losses recognised (net of tax)*	–	–	–	–	(26)	(26)	(3)	(29)
Exchange differences on translation of foreign operations	–	–	1	–	–	1	4	5
Fair value movements in available-for-sale financial assets	–	–	–	4	–	4	–	4
Total comprehensive income/(expense) for the year	–	–	1	4	(15)	(10)	160	150
Equity share-based payments	–	–	–	–	4	4	–	4
Dividends	–	–	–	–	(166)	(166)	–	(166)
Transfers to retained earnings	–	–	(30)	(4)	34	–	–	–
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	–	–	(30)	(4)	(128)	(162)	–	(162)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(152)	(152)
Total dividends and other transactions with non-controlling interests	–	–	–	–	–	–	(152)	(152)
Balance at 31 March 2013	133	97	32	3,321	(3,832)	(249)	501	252
Profit for the year	–	–	–	–	859	859	92	951
Net actuarial losses recognised (net of tax)	–	–	–	–	(6)	(6)	(2)	(8)
Foreign currency translation reserves recycled on disposal of operations	–	–	(7)	–	–	(7)	–	(7)
Exchange differences on translation of foreign operations	–	–	(7)	–	–	(7)	4	(3)
Fair value movements in available-for-sale financial assets	–	–	–	(3)	–	(3)	–	(3)
Total comprehensive (expense)/income for the year	**–**	**–**	**(14)**	**(3)**	**853**	**836**	**94**	**930**
Equity share-based payments	–	–	–	–	6	6	–	6
Dividends	–	–	–	–	(100)	(100)	–	(100)
Total dividends and other transactions with Cable & Wireless Communications Plc shareholders	**–**	**–**	**–**	**–**	**(94)**	**(94)**	**–**	**(94)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	(76)	(76)
Transfers on sale of subsidiaries	–	–	–	(30)	26	(4)	(169)	(173)
Total dividends and other transactions with non-controlling interests	**–**	**–**	**–**	**(30)**	**26**	**(4)**	**(245)**	**(249)**
Balance at 31 March 2014	**133**	**97**	**18**	**3,288**	**(3,047)**	**489**	**350**	**839**

*For information on IAS 19 *Employee benefits* restatement see note 3.9.2.

The notes on pages 96 to 150 are an integral part of these financial statements.

Consolidated statement of financial position
as at 31 March 2014

	Note	31 March 2014 US$m	31 March 2013 US$m
Assets			
Non-current assets			
Intangible assets	3.5	**526**	485
Property, plant and equipment	3.6	**1,418**	1,367
Investments in joint ventures and associates	3.7	**188**	253
Available-for-sale financial assets	4.4	**58**	58
Other receivables	3.1	**170**	66
Deferred tax assets	2.7	**34**	30
Retirement benefit assets	3.9.1	**20**	28
		2,414	2,287
Current assets			
Trade and other receivables	3.1	**433**	484
Inventories	3.2	**36**	31
Cash and cash equivalents	4.2	**205**	152
		674	667
Assets held for sale	2.8.3	**70**	716
		744	1,383
Total assets		**3,158**	3,670
Liabilities			
Current liabilities			
Trade and other payables	3.3	**612**	622
Borrowings	4.3	**58**	86
Financial liabilities at fair value	4.6	**274**	258
Provisions	3.8	**140**	85
Current tax liabilities		**121**	142
		1,205	1,193
Liabilities held for sale	2.8.3	**23**	235
		1,228	1,428
Net current liabilities		**484**	45
Non-current liabilities			
Trade and other payables	3.3	**26**	27
Borrowings	4.3	**797**	1,717
Deferred tax liabilities	2.7	**27**	29
Provisions	3.8	**42**	32
Retirement benefit obligations	3.9.1	**199**	185
		1,091	1,990
Net assets		**839**	252
Equity			
Capital and reserves attributable to the owners of the Parent Company			
Share capital	4.9	**133**	133
Share premium		**97**	97
Reserves		**259**	(479)
		489	(249)
Non-controlling interests		**350**	501
Total equity		**839**	252

The notes on pages 96 to 150 are an integral part of these financial statements. These financial statements on pages 88 to 150 were approved by the Board of Directors on 20 May 2014 and signed on its behalf by:

Phil Bentley Chief Executive

Cable & Wireless Communications Plc Registered number – 07130199

Commentary on the statement of financial position

The Consolidated statement of financial position shows all of our assets and liabilities at 31 March 2014. The commentary below is unaudited.

Intangible assets and property, plant and equipment

The net book value of property, plant and equipment has increased by US$51 million due to capital investments in 4G/HSPA+ mobile data networks in Panama, The Bahamas and Antigua and LTE upgrades in The Bahamas and Cayman. We also made selective fibre investments in Barbados and Cayman. Intangible assets increased by US$41 million primarily due to movement in Monaco Telecom goodwill.

Retirement benefit assets and obligations

In May 2014, the Company reached agreement with the Trustees on the actuarial funding valuation as at 31 March 2013. This showed a funding deficit of £109 million. Cash contributions to the Cable & Wireless Superannuation Fund (CWSF) for 2014 to 2016 will remain as agreed following the March 2010 triennial review. The payments under the agreement will be: July 2014 – £30 million; April 2015 – £31 million; and April 2016 – £33 million. Payments in 2017, 2018 and 2019 will be based on the outcome of the triennial valuation as at 31 March 2016 and will be in the range of £0 to £23 million each year necessary to fund the scheme by April 2019.

As at 31 March 2014, the CWSF had an IAS 19 deficit of £90 million (US$148 million), compared to a deficit of £86 million (US$130 million) as at 31 March 2013. This deficit funding agreed as part of the 2010 triennial valuation constitutes a minimum funding agreement and, in accordance with accounting standards, we are required to account for this within the deficit. The IAS 19 deficit recorded at 31 March 2014 therefore represents the present value of the amounts committed under the minimum funding agreement. Finalisation of the 31 March 2013 triennial valuation is a non-adjusting post balance sheet and therefore will be taken into account in calculating the IAS 19 deficit in future periods.

There are other unfunded pension liabilities in the UK of £29 million (£30 million at 31 March 2013). The Group holds investments in gilts of £22 million to partially back the UK unfunded pension liabilities. Other schemes in Jamaica and Barbados have a net surplus of US$17 million (US$19 million surplus at 31 March 2013).

Cash and cash equivalents and borrowings

	As at 31 March 2014 US$m	As at 31 March 2013 US$m
Cash and cash equivalents	**205**	152
Sterling unsecured bonds repayable in 2019	**(242)**	(224)
US$500 million secured bonds due 2017	**–**	(493)
US$400 million secured bonds due 2020	**(393)**	(391)
Revolving Credit Facility (RCF)	**–**	(360)
Other central	**–**	(37)
Other regional debt facilities	**(220)**	(298)
Total debt	**(855)**	(1,803)
Total reported net (debt)	**(650)**	(1,651)

During the year there was an early redemption of the US$500 million secured bonds repayable in 2017 funded by disposal proceeds. As at 31 March 2014, the aggregate commitment available under the RCF is US$487 million, the full amount of which remains undrawn.

Consolidated net debt as at 31 March 2014 was US$650 million with proportionate net debt of US$587 million representing 1.6x proportionate EBITDA.

In order to provide better insight into our net funds position, we provide a reconciliation on page 129 of the year on year movement.

Assets and liabilities held for sale

Our Seychelles business represents the only assets and liabilities classified as held for sale as at 31 March 2014. For the financial year ended 31 March 2013, our businesses in Macau and the Islands were also included. These businesses were subsequently sold during the year ended 31 March 2014.

Financial liabilities at fair value

This is a liability relating to the 45% share of Monaco Telecom owned by the Principality of Monaco. In the event that the Principality decide to exercise their contractual right (put option) to sell their stake, we would be obliged to purchase it from them. We think that this is unlikely but accounting standards require us to record a liability. The value of the Monaco put option increased by US$16 million. The put option was cancelled post year end as a result of the disposal of Monaco Telecom.

Provisions

Provisions have increased by US$65 million primarily due to increases in exceptional items, relating to restructuring and legal costs.

Return on Invested Capital (ROIC)

ROIC is not a measure defined under IFRS. We define ROIC as total operating profit before exceptional items divided by average adjusted invested capital.

ROIC is calculated on the basis of continuing operations.

During the year, ROIC remained in line with the same period last year as growth in operating profit was offset by higher invested capital that was driven by the spectrum investments made.

Continuing operations	2013/14 US$m	2012/13 US$m
Total pre-exceptional operating profit	**336**	320
Average total assets	**3,414**	3,714
Average current liabilities	**(1,328)**	(1,618)
Average invested capital	**2,086**	2,096
Average adjusted invested capital[1]	**1,889**	1,801
Return on Invested Capital	**17.8%**	17.8%

1 Average adjusted invested capital for continuing operations is after deducting deferred tax assets; retirement benefit assets; the goodwill balance attributable to the Monaco Telecom put option (less the current portion of the related put option financial liability); interest bearing assets; total assets and current liabilities for discontinued operations; and adding back interest bearing current liabilities.

Consolidated statement of cash flows
for the year ended 31 March 2014

	Note	2013/14 US$m	2012/13 US$m
Cash flows from operating activities			
Cash generated – continuing operations (page 95)		**488**	540
Cash generated – discontinued operations		**49**	302
Income taxes paid – continuing operations		**(53)**	(111)
Income taxes paid – discontinued operations		**(4)**	(28)
Net cash from operating activities		**480**	703
Cash flows from investing activities			
Finance income		**8**	7
Dividends received		**4**	6
Decrease in available-for-sale financial assets		**–**	10
Proceeds on disposal of property, plant and equipment		**5**	4
Purchase of property, plant and equipment		**(236)**	(236)
Purchase of intangible assets		**(139)**	(16)
Proceeds on disposal of subsidiaries and joint ventures (net of cash disposed)		**(4)**	(6)
Acquisition of non-controlling interests	4.8	**(30)**	(33)
Net cash used in continuing operations		**(392)**	(264)
Disposal proceeds (net of cash disposed and transaction costs) for discontinued operations		**1,131**	–
Other discontinued operations		**(16)**	(85)
Discontinued operations	2.8	**1,115**	(85)
Net cash received from/(used in) investing activities		**723**	(349)
Net cash flow before financing activities		**1,203**	354
Cash flows from financing activities			
Dividends paid to the owners of the Parent Company		**(100)**	(166)
Dividends paid to non-controlling interests		**(76)**	(73)
Repayments of borrowings		**(1,138)**	(760)
Finance costs		**(141)**	(156)
Proceeds from borrowings		**162**	882
Proceeds on sale of CMC shares	2.8.1	**100**	–
Unwind of sale of CMC shares	2.8.1	**(100)**	–
Net cash used in continuing operations		**(1,293)**	(273)
Discontinued operations		**–**	(93)
Net cash used in financing activities		**(1,293)**	(366)
Net decrease in cash and cash equivalents – continuing operations		**(1,250)**	(108)
Net increase in cash and cash equivalents – discontinued operations		**1,160**	96
Cash and cash equivalents at 1 April	2.8.3, 4.2	**297**	312
Exchange movements on cash and cash equivalents		**1**	(3)
Cash and cash equivalents at 31 March	2.8.3, 4.2	**208**	297

The notes on pages 96 to 150 are an integral part of these financial statements.

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

Continuing operations	Note	2013/14 US$m	2012/13 US$m
Loss for the year*		**(99)**	(14)
Adjustments for:			
Tax expense	2.6	**29**	41
Depreciation	3.6	**207**	221
Amortisation	3.5	**55**	54
Impairment and accelerated depreciation	3.6	**–**	86
Loss on sale of businesses	2.4	**6**	16
Finance income	4.1	**(8)**	(11)
Finance expense	4.1	**167**	152
Other income and expenses		**15**	(10)
Increase in provisions		**52**	21
Employee benefits*		**11**	3
Defined benefit pension scheme contributions		**(6)**	(7)
Share of profit after tax of joint ventures and associates	3.7	**62**	(10)
Operating cash flows before working capital changes		**491**	542
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
(Increase)/decrease in inventories		**(6)**	2
Decrease in trade and other receivables		**47**	16
Decrease in payables		**(44)**	(20)
Cash generated from continuing operations		**488**	540

*For information on IAS 19 *Employee benefits* restatement see note 3.9.2.

The notes on pages 96 to 150 are an integral part of these financial statements.

Notes to the consolidated financial statements
for the year ended 31 March 2014

Section one – Basis of preparation

1.1 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. Following the disposal of interests in Macau and the sale of its Islands businesses, the Group operates through three business units being the Caribbean, Panama and Monaco. On 20 May 2014 we sold our Monaco business unit.

1.2 Basis of preparation and recent accounting changes

1.2.1 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 2014.

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 46 of the Directors' and corporate governance 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 5.2.

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 results 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 are entities over which the Group exercises joint control. Associates are entities over which the Group has significant influence. 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.

1.2.2 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 2014:

- Amendments to IAS 1 *Financial statement presentation*. The presentation of 'other comprehensive income' now groups items on the basis of whether they will be potentially reclassified to profit or loss;
- Revision of IAS 19 *Employee benefits*. The interest cost on plan liabilities and expected return on plan assets have been replaced with a net interest amount on the net defined benefit liability using the discount rate;
- Amendments to IFRS 7 *Financial instruments: Disclosures* – Offsetting financial assets and financial liabilities;
- IFRS 13 *Fair value measurement* – Establishes a single framework for measuring fair value and related disclosures; and
- Amendments to IAS 36 *Impairment of assets* - Removes certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the adoption of IFRS 13. The amendment is not mandatory for accounting periods starting before 1 January 2014, but has been early adopted by the Group for 2013/14.

The above were first effective for the Group in the year beginning 1 April 2013 and have been adopted by the Group for 2013/14. The adoption of IAS 19 *Employee benefits* has reduced profit before tax by US$10 million in 2013/14 and US$8 million in 2012/13. There was no impact on the balance sheet. See note 3.9.2 for further information. There was no other material impact on the Group upon adoption of any other standards or amendments, other than increased disclosure.

New and amended standards and interpretations endorsed by the EU, to be adopted by the Group for 2014/15:

Title	Effective date	Description and impact on the Group
IFRS 10 *Consolidated financial statements*	Annual periods beginning on or after 1 January 2014	Builds on existing principles of control, providing further guidance where control may be difficult to assess. No impact on the Group is expected.
IFRS 11 *Joint arrangements*	Annual periods beginning on or after 1 January 2014	Expands the assessment of joint arrangements to consider all facts and circumstances surrounding the arrangements, in addition to the structure of the arrangement as previously required. No impact on the Group is expected.
IFRS 12 *Disclosures on interests in other entities*	Annual periods beginning on or after 1 January 2014	Covers all disclosure requirements for all forms of interests in other entities. The disclosures required will be increased in line with the new standard.

There are no other new or amended standards that are considered to have a material impact on the Group.

There are no standards that are not yet effective that would be expected to have a material impact on the Group.

Section two – Results for the year

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, exceptional items, taxation and earnings per share.

2.1 Revenue

Accounting policy detailed in note 5.1.14

Continuing operations	2013/14 US$m	2012/13 US$m
Sales of telecommunications services and related operations	**1,789**	1,875
Sales of telecommunications equipment and accessories	**84**	67
Total revenue	**1,873**	1,942

2.2 Segment information

This section analyses our performance for the year by reference to our businesses in Panama, the Caribbean and Monaco. We sold Monaco after the year end. However, accounting standards require us to continue to show Monaco within our financial results.

Earnings before interest, tax, depreciation and amortisation and before exceptional items (EBITDA) remains the Group's key performance indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group. See page 89 for a reconciliation of EBITDA to total operating profit.

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 had three principal operations which have been identified as the Group's reportable segments, being the Caribbean, Panama and Monaco. Our business-to-business and business-to-government operations and the results of our sub-sea cable partnership are included in the results of the region to which they relate.

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

The operating segment results from continuing operations for the two years ended 31 March 2014 are presented below and the prior year results have been re-presented for the change in IAS 19 *Employee benefits* (note 3.9.2). The non-operating 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.

Continuing operations Year ended 31 March 2014	Caribbean US$m	Panama US$m	Monaco US$m	Other and eliminations[1] US$m	Total US$m
Revenue	**1,045**	**591**	**237**	**–**	**1,873**
Cost of sales	**(218)**	**(193)**	**(91)**	**–**	**(502)**
Gross margin	**827**	**398**	**146**	**–**	**1,371**
Pre-exceptional operating costs	**(529)**	**(156)**	**(65)**	**(13)**	**(763)**
EBITDA[2]	**298**	**242**	**81**	**(13)**	**608**
Depreciation and amortisation	**(133)**	**(95)**	**(27)**	**(7)**	**(262)**
Net other operating expense	**–**	**–**	**–**	**(15)**	**(15)**
Exceptional operating costs	**(132)**	**(3)**	**–**	**(39)**	**(174)**
Group operating profit/(loss)	**33**	**144**	**54**	**(74)**	**157**
Share of loss after tax of joint ventures and associates	**–**	**–**	**(2)**	**(60)**	**(62)**
Total operating profit/(loss)	**33**	**144**	**52**	**(134)**	**95**
Net other non-operating expense	**–**	**–**	**(6)**	**–**	**(6)**
Net finance income/(expense)	**15**	**(11)**	**–**	**(163)**	**(159)**
Profit/(loss) before income tax	**48**	**133**	**46**	**(297)**	**(70)**
Income tax	**(6)**	**(28)**	**(2)**	**7**	**(29)**
Profit/(loss) for the year from continuing operations	**42**	**105**	**44**	**(290)**	**(99)**
Income taxes paid[3]	***(19)***	***(27)***	***(3)***	***(4)***	***(53)***

1 'Other and eliminations' includes corporate centre 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).
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 (see page 89).
3 Income taxes paid represents cash tax paid during the year by consolidated subsidiaries.

Continuing operations (restated) Year ended 31 March 2013	Caribbean US$m	Panama US$m	Monaco US$m	Other and eliminations[1] US$m	Total US$m
Revenue	1,120	586	236	–	1,942
Cost of sales	(268)	(189)	(97)	(1)	(555)
Gross margin	852	397	139	(1)	1,387
Pre-exceptional operating costs*	(577)	(158)	(64)	(7)	(806)
EBITDA[2]*	275	239	75	(8)	581
Depreciation and amortisation	(155)	(85)	(27)	(8)	(275)
Net other operating (expense)/income	(2)	–	–	6	4
Exceptional operating costs	(136)	–	–	–	(136)
Group operating (loss)/profit*	(18)	154	48	(10)	174
Share of profit after tax of joint ventures and associates	–	–	–	10	10
Total operating (loss)/profit*	(18)	154	48	–	184
Net other non-operating expense	–	–	(12)	(4)	(16)
Net finance expense	29	(9)	1	(162)	(141)
Profit before income tax*	11	145	37	(166)	27
Income tax	1	(42)	3	(3)	(41)
Profit for the year from continuing operations*	12	103	40	(169)	(14)
Income taxes paid[3]	*(23)*	*(81)*	*(1)*	*(6)*	*(111)*

*For information on IAS 19 *Employee benefits* restatement see note 3.9.2.
1 'Other and eliminations' includes corporate centre 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).
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 (see page 89).
3 Income taxes paid represents cash tax paid during the year by consolidated subsidiaries.

2.2 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 for continuing operations

The revenue from external customers are analysed by product below. Our business-to-business and business-to-government operations and the results of our sub-sea cable partnership are included in the results of the product category to which they relate.

	2013/14 US$m	2012/13 US$m
Mobile	937	911
Broadband and TV	202	196
Fixed voice	392	437
Enterprise, data and other	342	398
Total	1,873	1,942

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

	2013/14 US$m	2012/13 US$m
United Kingdom (country of domicile)	–	–
The Bahamas	354	362
Jamaica	179	211
Panama	591	586
Monaco	237	236
All other countries and eliminations	512	547
Total	1,873	1,942

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

	At 31 March 2014 US$m	At 31 March 2013 US$m
United Kingdom (country of domicile)	17	17
The Bahamas	380	371
Jamaica	130	121
Panama	662	554
Monaco	456	410
All other countries and eliminations (includes non-operating assets and liabilities)	657	698
Total	2,302	2,171

2.3 Operating costs and other operating income and expenses

2.3.1 Operating costs

Detailed below are the key expense items charged or (credited) in arriving at our operating profit. Outpayments are amounts paid to other operators when our customers call customers connected to a different network.

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

		2013/14				Restated 2012/13
Continuing operations	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	**502**	**–**	**502**	555	–	555
Employee and other staff expenses	**302**	**128**	**430**	320	50	370
Operating lease rentals:						
– Networks	**17**	**–**	**17**	17	–	17
– Property	**25**	**7**	**32**	23	–	23
Other administrative expenses	**213**	**29**	**242**	234	–	234
Network costs	**127**	**–**	**127**	127	–	127
Property and utility costs	**79**	**10**	**89**	85	–	85
Operating costs before depreciation and amortisation	**1,265**	**174**	**1,439**	1,361	50	1,411
Depreciation of property, plant and equipment	**207**	**–**	**207**	221	86	307
Amortisation of intangible assets	**55**	**–**	**55**	54	–	54
Operating costs	**1,527**	**174**	**1,701**	1,636	136	1,772

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

2.3.2 Auditor's remuneration

	2013/14 US$m	2012/13 US$m
Audit services:		
Statutory audit services – in respect of the Group's accounts	**2.2**	2.5
Audit of the Group's annual accounts	**2.2**	2.5
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	**1.4**	1.8
Audit related regulatory reporting	**0.5**	0.8
	4.1	5.1
Tax services – compliance	**–**	0.1
Tax services – advisory	**0.6**	0.2
Services related to corporate finance activities	**0.6**	0.9
Other services (including other assurance services)	**0.1**	–
	5.4	6.3

Auditor's remuneration for audit and other services in respect of discontinued operations in 2013/14 was US$0.1 million (2012/13 – US$1.6 million). This amount is included in the table above.

All amounts in 2013/14 related to KPMG LLP (2012/13 – KPMG Audit plc). Fees paid to KPMG LLP 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.

2.3 Operating costs and other operating income and expenses continued

2.3.3 Employee and other staff expenses

This note shows the average number of people employed by the Group during the year and where they are based. It also shows total employment costs.

Accounting policy detailed in note 5.1.11

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

	2013/14 US$m	Restated 2012/13 US$m
Wages and salaries	**267**	299
Social security costs	**20**	22
Share-based payments	**6**	2
Pension costs:		
– defined benefit plans*	**12**	1
– defined contribution plans	**9**	11
Temporary labour and recruitment	**18**	17
	332	352
Less: Staff costs capitalised	**(30)**	(32)
Staff costs	**302**	320
Exceptional employee and other staff expenses (note 2.3.5)	**128**	50
Total staff costs for continuing operations	**430**	370

*For information on IAS 19 *Employee benefits* restatement see note 3.9.2.

Total staff costs in respect of discontinued operations in 2013/14 was US$14 million (2012/13 – US$76 million).

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

	2013/14	2012/13
Corporate centre	**120**	130
Caribbean	**2,869**	3,618
Panama	**1,434**	1,478
Monaco	**325**	323
Total	**4,748**	5,549

The average number of employees in discontinued operations in 2013/14 was 456 (2012/13 – 2,180).

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. Further details can also be found in the Directors' remuneration report on pages 56 to 80.

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

	2013/14 US$m	2012/13 US$m
Salaries and other short-term employment benefits	**7.7**	6.2
Post-employment benefits	**0.6**	0.6
Total Directors' remuneration[1]	**8.3**	6.8
Share-based payments	**3.5**	3.0
Total key management remuneration	**11.8**	9.8

1 Please refer to the Directors' remuneration report on pages 56 to 80 for further information on aggregate Directors' emoluments of US$8.3 million (£5.2 million) (2012/13 – US$6.8 million (£4.3 million)). The Directors' remuneration report is presented in sterling as salaries, benefits and bonuses are paid in sterling.

2.3.4 Other operating income and expense

In 2013/14, other operating expense of US$15 million relates to foreign exchange translation losses on our UK defined benefit pension schemes.

In 2012/13, other operating income of US$11 million included US$8 million of foreign exchange translation gains on our UK defined benefit pension schemes, US$1 million of gains on disposal of property, plant and equipment and US$2 million of compensation received from a supplier.

In 2012/13, other operating expense of US$7 million included US$2 million of transaction costs relating to the proposed disposal of Monaco Telecom (note 2.8.1), US$4 million of hurricane rectification costs and US$1 million of losses on disposal of property, plant and equipment.

2.3.5 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. They are identified as exceptional items by virtue of their size, nature or incidence.

Accounting policy detailed in note 5.1.15

Exceptional operating losses totalled US$174 million (2012/13 – US$136 million). These comprised restructuring costs in the Caribbean of US$132 million, Panama restructuring costs of US$3 million and restructuring and legal costs at the corporate centre of US$39 million. In the prior year, exceptional costs of US$136 million related to restructuring and asset impairment charges in the Caribbean. Further information on impairment charges is in note 3.4.

Restructuring costs in the Caribbean relate to our cost efficiency programme and include redundancies, property rationalisation and costs relating to outsourcing. They are reported net of an exceptional pension curtailment gain of US$8 million resulting from redundancies.

Restructuring costs at the corporate centre primarily relate to the establishment of our Miami operational hub and consequential redundancies, together with lease exit property costs and certain legal costs.

	2013/14 US$m	2012/13 US$m
Exceptional items within operating costs before depreciation and amortisation:		
Staff costs	**128**	50
Legal and property costs	**46**	–
Total exceptional operating costs before depreciation and amortisation	**174**	50

2.4 Gains and losses on sale of businesses

This represents the profit or loss recorded on the sale of smaller businesses as we simplify our portfolio.

During the year ended 31 March 2014, Monaco Telecom disposed of its Algerian satellite communication business, Divona Algerie SpA, to Smart Link Com SpA for a total consideration of US$1 million on a cash free and debt free basis. The transaction resulted in a loss on disposal of US$6 million. Divona was classified within the Monaco reportable segment.

During the year ended 31 March 2013, the Group disposed of its African enterprise subsidiary, Afinis Communications SA. The disposal took place on 3 August 2012 for consideration of US$3 million resulting in a loss of US$16 million on disposal. Afinis Communications SA was classified within the Monaco reportable segment.

None of the businesses disposed constitute a discontinued operation in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations* due to their size.

2.5 Earnings per share

Earnings per share (EPS) is the amount of profit after tax attributable to each share.

Basic EPS is calculated on the Group profit for the year attributable to equity shareholders of US$859 million (2012/13 – US$11 million) divided by 2,502 million (2012/13 – 2,494 million) being the weighted average number of shares in issue during the year.

Diluted EPS takes into account the dilutive effect of all share options being exercised.

Basic EPS is adjusted in order to more accurately show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. See page 89 for a reconciliation.

	2013/14 US$m	Restated 2012/13 US$m
Profit for the financial year attributable to equity shareholders of the Parent Company	**859**	11
Weighted average number of ordinary shares in issue (millions)	**2,502**	2,494
Dilutive effect of share options (millions)	**–**	–
Total weighted average number of ordinary shares in issue used to calculate diluted earnings per share (millions)	**2,502**	2,494
Basic earnings per share (cents per share)	**34.3**	0.4
Diluted earnings per share (cents per share)	**34.3**	0.4
Basic loss per share (cents per share) for continuing operations	**(7.2)**	(3.8)
Diluted loss per share (cents per share) for continuing operations	**(7.2)**	(3.8)
Basic earnings per share (cents per share) for discontinued operations	**41.5**	4.2
Diluted earnings per share (cents per share) for discontinued operations	**41.5**	4.2

2.6 Income tax expense

This section explains how our Group tax charge arises. The current and deferred tax charges or credits in the year together make up the total tax charge in the income statement. The deferred tax section also provides information on our expected future tax charges. A reconciliation of profit or loss before tax to the tax charge Is also provided.

Accounting policy detailed in note 5.1.12

	2013/14 US$m	2012/13 US$m
Current tax charge for continuing operations		
UK tax at 23% (2012/13 – 24%)	–	3
Double tax relief	–	(3)
	–	–
Overseas tax	45	62
Adjustments relating to prior years	(12)	3
Total current tax charge for continuing operations	33	65
Deferred tax (credit)/charge for continuing operations		
Origination and reversal of temporary differences	(5)	(25)
Adjustments relating to prior years	1	1
Total deferred tax credit for continuing operations	(4)	(24)
Total tax charge for continuing operations	29	41
Income tax charge relating to discontinued operations (note 2.8.3)	9	31
Total income tax charge	38	72

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

			2013/14			2012/13
	Continuing US$m	Discontinued US$m	Total US$m	Continuing US$m	Discontinued US$m	Total US$m
Profit before income tax before exceptional items*	196	1,059	1,255	163	215	378
Exceptional charges	(266)	–	(266)	(136)	–	(136)
(Loss)/profit before income tax*	(70)	1,059	989	27	215	242
Income tax (credit)/charge at UK statutory tax rate: 23% (2012/13 – 24%)	(16)	244	228	8	52	60
Effect of overseas tax rates	(27)	(2)	(29)	(13)	(19)	(32)
Effect of accounting for joint ventures and associates	14	1	15	(2)	–	(2)
Effect of withholding tax and intra-Group dividends	6	–	6	18	–	18
Net effect of expenses not deductible/(income not taxable)	10	(232)	(222)	(24)	2	(22)
Effect of changes in unrecognised deferred tax assets	53	(2)	51	50	(4)	46
Adjustments relating to prior years	(11)	–	(11)	4	–	4
Total income tax charge	29	9	38	41	31	72
Income tax credit on exceptional items	(19)	–	(19)	(20)	–	(20)
Pre-exceptional income tax charge	48	9	57	61	31	92
Pre-exceptional effective tax rate on profit*	24.6%		4.5%	37.4%		24.3%
Effective tax rate on profit*	(41.4)%		3.8%	151.8%		29.8%

*For information on IAS 19 *Employee benefits* restatement see note 3.9.2.

A change in tax legislation from 1 January 2014 meant that Cable & Wireless Panama's corporate tax rate will be reduced from 30% to 25%.

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 2.7.

2.7 Deferred tax

Accounting policy detailed in note 5.1.12

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	33	–	4	2	(34)	5
Deferred tax liabilities	(26)	–	(13)	(25)	34	(30)
At 1 April 2012	7	–	(9)	(23)	–	(25)
(Charge)/credit to profit or loss[1]	(33)	21	2	35	–	25
Tax charged to other comprehensive income	5	(1)	(1)	(1)	–	2
Exchange differences	(1)	(1)	2	(1)	–	(1)
At 31 March 2013	(22)	19	(6)	10	–	1
Deferred tax assets	15	19	3	10	(17)	30
Deferred tax liabilities	(37)	–	(9)	–	17	(29)
At 1 April 2013	(22)	19	(6)	10	–	1
(Charge)/credit to profit or loss[1]	(2)	5	–	1	–	4
Exchange differences	–	–	1	1	–	2
At 31 March 2014	**(24)**	**24**	**(5)**	**12**	**–**	**7**
Deferred tax assets	12	24	1	12	(15)	34
Deferred tax liabilities	(36)	–	(6)	–	15	(27)
At 31 March 2014	**(24)**	**24**	**(5)**	**12**	**–**	**7**

1 Including US$nil in relation to discontinued operations (2012/13 – US$1 million credit).

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 2014	**144**	**6,643**	**196**	**37**	**7,020**
At 31 March 2013	184	5,983	175	46	6,388

Tax losses (recognised and unrecognised) expire as follows:

	31 March 2014 US$m	31 March 2013 US$m
Within 1 year	**3**	–
Within 3 years	**–**	7
Within 5 years	**2**	7
Within 10 years	**58**	41
After more than 10 years	**–**	–

Other tax losses are not subject to expiry.

The US$6,643 million (31 March 2013 – US$5,983 million) tax losses include UK capital losses of US$5,421 million (31 March 2013 – US$5,006 million).

Deferred tax is not provided on unremitted earnings of subsidiaries, 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, joint ventures and associates for which deferred tax liabilities have not been recognised is US$136 million (31 March 2013 – US$198 million). These temporary differences relate to unremitted earnings.

2.8 Discontinued operations

The following section outlines what the Group is either holding for sale or has disposed of in the year. When the Group has assets and liabilities that are likely to be sold rather than being held for continuing use and when accounting standards require, these assets and liabilities are included in current assets and liabilities and denoted as held for sale, rather than in their usual categories.

If they represent a significant enough portion of the Group, they are also treated as discontinued operations. This means that their trading performance is no longer reported in the income statement and are instead reported in a separate line, net of tax, called 'discontinued operations'. These amounts no longer form part of continuing earnings per share.

Our former Islands businesses and Macau, disposed of during the year, are included in discontinued operations. We still expect to sell the Seychelles and therefore it remains part of discontinued operations. On 20 May 2014, we sold Monaco as disclosed in note 5.9.2.

Accounting policy detailed in note 5.1.9 and 5.1.10

2.8.1 Monaco & Islands

At a General Meeting on 9 January 2013, shareholders of the Group approved the sale of the Monaco & Islands segment to Batelco International Group Holding Limited (Batelco). The significant aspects of this transaction are described below:

- We entered into an agreement to sell the Islands sub-group, (including the Group's interests in operations in the Maldives, the Channel Islands and Isle of Man, South Atlantic, Diego Garcia and the Seychelles), for US$580 million. The sale of the Islands sub-group, with the exception of the Seychelles, was completed on 3 April 2013. The Group received cash proceeds of US$501 million representing consideration of US$470 million plus US$31 million of proportionate net cash in the businesses attributable to Cable & Wireless Communications;
- Regulatory approval for the sale of the Seychelles was not obtained and hence the proposed disposal to Batelco could not be completed. The Group's strategy of focusing on our operations in the Caribbean and Latin America remains unchanged. We therefore continue to be actively engaged in the disposal of the Seychelles;
- We also agreed to sell a 25% interest in Compagnie Monégasque de Communication SAM (CMC), the holding company of the Group's interests in Monaco Telecom, for US$100 million. The sale was completed on 3 April 2013;
- As part of the transaction we had an option to sell the remaining 75% of CMC shares to Batelco for US$345 million subject to regulatory approval from the Principality of Monaco;
- Also as part of the transaction, we granted to Batelco a put option over the 25% of CMC shares transferred to Batelco (the CMC put option) under which Batelco could require, between 18 and 19 months from 3 April 2013, the Group to repurchase the 25% CMC shareholding for US$100 million in the event that the regulatory approval from the Principality of Monaco was not granted within 12 months of 3 April 2013; and
- The CMC put option was recognised initially as a financial liability (note 4.6.2). We did not receive regulatory approval for the disposal of the remaining 75% of CMC from the Principality of Monaco. On 30 December 2013 we therefore agreed with Batelco to unwind the CMC put option and repurchase the 25% interest in CMC.

Monaco did not meet the definition of a disposal group held for sale nor the criteria to be classified as discontinued operations as there was insufficient certainty regarding the completion of a sale process as at 31 March 2014. The results of Monaco Telecom are disclosed separately in their own operating segment.

The Islands sub-group has been classified as a discontinued operation. The results of the Islands sub-group were previously recorded in the Monaco & Islands operating segment. The Seychelles continues to be disclosed as a discontinued operation and as a disposal group held for sale in the statement of financial position. We continue to be actively engaged in the disposal.

2.8 Discontinued operations continued

2.8.2 Macau

At a General Meeting on 28 February 2013, the shareholders of the Group approved the sale of the Macau operating segment for US$750 million to CITIC Telecom International Holdings Limited. This sale took place on 20 June 2013. The Group received cash proceeds of US$807 million comprising consideration of US$750 million plus US$57 million of proportionate net cash in the business attributable to Cable & Wireless Communications.

The Macau operating segment has been classified as discontinued operations. The results of Macau were previously recorded in the Macau operating segment.

2.8.3 Results

The results of all discontinued operations are shown below:

Year ended 31 March 2014	Islands sub-group US$m	Macau US$m	Total discontinued operations US$m
Revenue	54	121	175
Expenses	(35)	(92)	(127)
Profit before tax	**19**	**29**	**48**
Tax	(5)	(4)	(9)
Profit after tax	**14**	**25**	**39**
Profit on disposal of discontinued operations (excluding the Seychelles)	274	737	1,011
Profit for the year	**288**	**762**	**1,050**

Year ended 31 March 2013	Islands sub-group US$m	Macau US$m	Total discontinued operations US$m
Revenue	321	624	945
Expenses	(243)	(479)	(722)
Profit before tax	78	145	223
Tax	(14)	(17)	(31)
Profit after tax	64	128	192
Gain/(loss) recognised on the remeasurement of the assets less costs to sell	–	–	–
Profit for the year	64	128	192
Disposal costs			(8)
			184

The net assets held at 31 March 2014 were US$47 million and relate wholly to the Seychelles. This included non-current assets of US$50 million, current assets of US$20 million (of which US$3 million was cash and cash equivalents), current liabilities of US$22 million and non-current liabilities of US$1 million.

Assets held for sale in the prior year included cash and cash equivalents of US$145 million in relation to the Islands and Macau.

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Assets and liabilities relating to the Group's financing activities are addressed in section four. Deferred tax assets and liabilities are shown in section two.

3.1 Trade and other receivables

Our trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Trade receivables are shown net of an allowance for bad or doubtful debts.

Accounting policy detailed in note 5.1.4

	31 March 2014 US$m	31 March 2013 US$m
Gross trade receivables	**276**	320
Impairment allowance	**(77)**	(78)
Net trade receivables	**199**	242
Other receivables	**71**	67
Prepayments and accrued income	**146**	156
Taxation and social security receivables	**15**	17
Amounts receivable from joint ventures and associates	**2**	2
Trade and other receivables – current	**433**	484
Other receivables	**46**	46
Prepayments and accrued income	**124**	20
Other receivables – non-current	**170**	66
Total trade and other receivables	**603**	550

The maximum exposure to credit risk for receivables is equal to their carrying value. There is no material difference between the carrying value and fair value of trade and other receivables presented.

Concentrations of credit risks with respect to trade receivables are small as the Group customer base is large and unrelated. Receivables predominantly relate to retail customers, governments and corporate entities as well as other telecommunications operators.

Credit risk procedures vary depending on the size or type of customer. These procedures include such activities as credit checks, payment history analysis and credit approval limits. Based on these procedures, management assessed the credit quality of those receivables that are neither past due nor impaired as low risk. There have been no significant changes to the composition of receivables counterparties within the Group that indicate this would change in the future. During the periods presented there was a continued economic weakness in some 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.

3.1 Trade and other receivables continued

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 2014 US$m	31 March 2013 US$m
Not yet due	20	42
Overdue 30 days or less	124	118
Overdue 31 to 60 days	39	43
Overdue 61 to 90 days	19	21
Overdue 91 days to 180 days	30	28
Overdue 181 days or more	38	57
Current 'trade receivables' and current 'other receivables'	**270**	309

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:

	2013/14 US$m	2012/13 US$m
At 1 April	78	91
Bad debts written off	(30)	(34)
Increase in allowance	29	29
Transfers to assets held for sale	–	(8)
At 31 March	**77**	78

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.

3.2 Inventories

Our inventory primarily consists of mobile handsets, equipment and consumables and is presented net of an allowance for obsolete products.

Accounting policy detailed in note 5.1.6

Inventories of US$36 million (31 March 2013 – US$31 million) are presented net, after recording an allowance of US$8 million (31 March 2013 – US$9 million) made against slow moving or obsolete items.

The cost of inventories held for sale that were expensed within operating costs in 2013/14 was US$140 million (2012/13 – US$126 million).

Inventories of the Group are not pledged as security or collateral against any of the Group's borrowings.

3.3 Trade and other payables

Our trade and other payables mainly consist of amounts we owe to our suppliers that have been invoiced or are accrued. They also include deferred income which is amounts we have billed to our customers where we have yet to provide the service. Taxes and social security amounts are due in relation to our role as an employer.

	31 March 2014 US$m	31 March 2013 US$m
Trade payables	**141**	160
Other tax and social security costs	**6**	21
Accruals	**339**	330
Deferred income	**58**	39
Other payables	**68**	72
Trade and other payables – current	**612**	622
Deferred income	**23**	24
Other payables	**3**	3
Trade and other payables – non-current	**26**	27
Total trade and other payables	**638**	649

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.

3.4 Impairment review

Impairment occurs when the carrying value of an asset or group of assets is greater than the present value of the cash they are expected to generate.

We perform annual impairment reviews of the carrying value of goodwill. We consider the carrying value of other assets at least annually. If there are triggers that indicate an impairment of other assets is possible, we then perform a full impairment review. No impairment charges were recorded in 2013/14.

Accounting policy detailed in note 5.1.5

3.4 Impairment review continued

Goodwill

A review of the carrying value of goodwill has been performed as at 31 March 2014 and 31 March 2013. 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 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 which are not impaired are discussed below:

Continuing operations Year ended 31 March 2014	Reporting segment	Carrying value at 31 March 2014 US$m	Terminal growth rate	Pre-tax discount rate
Monaco Telecom group[1]	Monaco	292	Between 0% and 1.5%	Between 8.0% and 27.0%
The Bahamas Telecommunications Company[2]	Caribbean	63	0%	10.1%

Continuing operations Year ended 31 March 2013	Reporting segment	Carrying value at 31 March 2013 US$m	Terminal growth rate	Pre-tax discount rate
Monaco Telecom group[1]	Monaco	246	Between 0% and 2.5%	Between 8.0% and 23.0%
The Bahamas Telecommunications Company[2]	Caribbean	63	0%	9.3%

1 Monaco Telecom group:
Three relevant cash-generating units (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).

2 The Bahamas Telecommunications Company (BTC):
One relevant CGU has been identified for the purpose of assessing the carrying value of the BTC business.

The value in use was determined for each CGU by discounting management forecasts of future cash flows (based on the approved three-year business plan extrapolated at long-term growth rates) at pre-tax discount rates dependent on the risk-adjusted cost of capital of the different parts of the business. Management forecasts take account of the historical trading experience of the relevant business.

Sensitivity

The value in use is sensitive to a number of input assumptions, in particular relating to net cash flow and the discount rates. While the Group does not consider these scenarios to be reasonably possible, the value in use of the various CGUs in aggregate would not support the carrying value of the goodwill if:

- Monaco Telecom group – net cash flows decreased by more than US$20 million per year or the discount rate increased by more than 9% above the pre-tax discount rate.
- The Bahamas Telecommunications Company – net cash flows decreased by more than US$8 million per year or the discount rate increased by more than 2% above the pre-tax discount rate.

Property, plant and equipment and other intangibles

There were no events or changes in circumstances during the year to indicate that the carrying value of property, plant and equipment and other intangible assets that had been impaired.

As at 31 March 2013, following a difficult year of trading and in the midst of challenging economic conditions, the Directors considered the performance of a number of our smaller island markets in the eastern Caribbean and the impact on the carrying value of property, plant and equipment. As a result of the review an impairment charge of US$86 million was recorded across the islands noted below.

Continuing operations Year ended 31 March 2013	Reporting segment	CGUs identified	Pre-tax discount rate	Impairment 2012/13 US$m
Anguilla	Caribbean	One	10.6%	
Land and buildings				4
Plant and equipment				8
				12
British Virgin Islands	Caribbean	One	9.3%	
Plant and equipment				10
				10
Dominica	Caribbean	One	14.4%	
Plant and equipment				7
				7
Montserrat	Caribbean	One	15.6%	
Land and buildings				1
Plant and equipment				2
				3
St. Lucia	Caribbean	One	14.4%	
Plant and equipment				22
				22
St. Vincent	Caribbean	One	14.9%	
Plant and equipment				15
				15
Turks & Caicos	Caribbean	One	10.6%	
Land and buildings				5
Plant and equipment				12
				17
Total				**86**

3.5 Intangible assets

The following section shows the non-physical assets used by the Group to generate revenues and profits.

These assets include goodwill, software, licences and operating agreements and customer contracts. Within licence and operating agreements we include the cost of any acquired spectrum we use for our mobile services. The cost of intangible assets is the amount that the Group has paid or, where there has been an acquisition of a business, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights. Goodwill arises when we acquire a business and pay a higher amount than the fair value of the net assets of that business. Goodwill is not amortised but subject to annual impairment tests. The value of goodwill is an 'intangible' value that comes from, for example, synergies we expect to gain and the value of its employees.

The value of other intangible assets reduces over the number of years the Group expects to use the asset via an annual amortisation charge. Should an asset's value fall below its carrying value an additional one-off impairment charge is made against profit.

Accounting policy detailed in note 5.1.3

	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 2012	308	240	173	71	67	859
Additions	47	11	–	–	7	65
Transfer from tangible assets	–	27	–	–	–	27
Transfer between categories	–	(6)	(1)	(1)	8	–
Disposals	(18)	(1)	(3)	(6)	(2)	(30)
Exchange differences	(7)	(5)	(4)	–	(2)	(18)
Transfer to assets held for sale	(21)	(29)	(5)	(33)	(17)	(105)
At 31 March 2013	309	237	160	31	61	798
Additions	31	10	7	–	8	56
Transfer from tangible assets	–	19	1	–	–	20
Disposals	–	(1)	–	(4)	(2)	(7)
Exchange differences	15	(5)	8	–	3	21
At 31 March 2014	**355**	**260**	**176**	**27**	**70**	**888**
Amortisation and impairment						
At 1 April 2012	19	171	75	11	55	331
Charge for the year[1]	–	36	10	10	7	63
Disposals	(18)	(1)	(3)	(6)	(2)	(30)
Transfer between categories	–	5	(1)	4	(8)	–
Exchange differences	(1)	(4)	(2)	(1)	(3)	(11)
Transfer to assets held for sale	–	(25)	(4)	(11)	–	(40)
At 31 March 2013	–	182	75	7	49	313
Charge for the year[1]	–	35	10	4	6	55
Disposals	–	(1)	–	(4)	(2)	(7)
Exchange differences	–	(5)	4	–	2	1
At 31 March 2014	**–**	**211**	**89**	**7**	**55**	**362**
Net book value						
At 31 March 2014	**355**	**49**	**87**	**20**	**15**	**526**
At 31 March 2013	309	55	85	24	12	485

1 The charge for the year includes US$nil (2012/13 – US$9 million) in relation to discontinued operations. Refer to note 2.8 for more information.

Goodwill balances are allocated to the following cash-generating units:

	BTC[1] US$m	Monaco Telecom[2] US$m	Dhivehi Raajjeyge Gulhun PLC (Dhiraagu)[3] US$m	**Total US$m**
At 1 April 2012	63	205	21	289
Acquisition of non-controlling interest (note 4.8)	–	47	–	47
Exchange differences	–	(6)	–	(6)
Transfer to assets held for sale	–	–	(21)	(21)
At 31 March 2013	63	246	–	309
Acquisition of non-controlling interest (note 4.8)	–	31	–	31
Exchange differences	–	15	–	15
At 31 March 2014	**63**	**292**	**–**	**355**

1 Reporting segment: Caribbean.
2 Reporting segment: Monaco.
3 Reporting segment: Discontinued operations. This company is based in the Maldives and was sold during the year (note 2.8.1).

3.6 Property, plant and equipment

The following section shows the physical assets used by the Group to generate revenues and profits. We make significant investments in network plant and equipment – the technology and base stations required to operate our networks – that form the majority of our tangible assets.

Depreciation is calculated by estimating the number of years the Group expects the asset to be used (useful economic life). If there has been a technological change or decline in business performance the Directors review the value of the assets to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value an additional one-off impairment charge is made against profit.

Accounting policy detailed in note 5.1.2

3.6 Property, plant and equipment continued

	2013/14				2012/13			
	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	427	3,852	188	4,467	501	4,471	320	5,292
Additions	–	10	279	289	1	43	332	376
Movements in asset retirement obligations	–	–	–	–	2	1	–	3
Disposals	–	(18)	–	(18)	(3)	(44)	(1)	(48)
Transfers to intangible assets	–	–	(20)	(20)	–	(4)	(23)	(27)
Transfers between categories	12	213	(225)	–	29	375	(404)	–
Exchange differences	(16)	(56)	(2)	(74)	(17)	(73)	(1)	(91)
Transfers to assets held for sale	–	–	–	–	(86)	(917)	(35)	(1,038)
At 31 March	423	4,001	220	4,644	427	3,852	188	4,467
Depreciation								
At 1 April	203	2,897	–	3,100	234	3,272	–	3,506
Charge for the year[1]	12	195	–	207	18	278	–	296
Impairment	–	–	–	–	10	76	–	86
Disposals	–	(15)	–	(15)	–	(41)	–	(41)
Exchange differences	(11)	(55)	–	(66)	(13)	(68)	–	(81)
Transfers to assets held for sale	–	–	–	–	(46)	(620)	–	(666)
At 31 March	204	3,022	–	3,226	203	2,897	–	3,100
Net book value at 31 March	219	979	220	1,418	224	955	188	1,367

1 The charge includes US$nil relating to discontinued operations (2012/13 – US$75 million). Refer to note 2.8 for more information.

The Group held no assets under finance leases at 31 March 2014 or 31 March 2013.

Additions during the year include interest and own work capitalised during the construction of certain assets of US$3 million (2012/13 – US$2 million) and US$30 million (2012/13 – US$38 million) respectively. Of these amounts US$nil (2012/13 – US$nil) and US$nil (2012/13 – US$6 million) respectively, relate to discontinued operations (note 2.8).

3.7 Investments in joint ventures and associates

We own interests in several joint ventures and associate operations, primarily Telecommunications Services of Trinidad and Tobago Limited (TSTT). These are companies where we either share control with one or more other parties or have a degree of ownership which gives us significant influence.

Our share of joint venture and associates' profit and net assets is recorded as a single line item in the consolidated income statement and the consolidated statement of financial position, respectively. The principal investments in joint ventures and associates at 31 March 2014 are shown in note 5.8.

Accounting policy detailed in note 1.2.1

	2013/14 US$m	2012/13 US$m
Gross carrying amount		
At 1 April		
– Cost	78	78
– Share of post-acquisition reserves	223	223
	301	301
Share of profit after tax – pre-exceptional	5	10
Share of loss after tax – exceptional	(67)	–
Dividends paid to Group companies	(4)	(6)
Exchange differences	1	1
Transfers to assets held for sale	–	(5)
At 31 March	236	301
Impairment allowance		
At 1 April	(48)	(48)
At 31 March	(48)	(48)
Net carrying amount at 31 March	188	253

The Group's total interest in its joint ventures and associates is presented below:

	31 March 2014 US$m	31 March 2013 US$m
Non-current assets	402	423
Current assets	111	103
Current liabilities	(220)	(152)
Non-current liabilities	(105)	(121)
Share of net assets	188	253

3.7 Investments in joint ventures and associates continued

	2013/14 US$m	2012/13 US$m
Revenue	**343**	347
Operating costs	**(309)**	(326)
Operating profit before exceptional items	**34**	21
Exceptional items	**(67)**	–
Operating profit	**(33)**	21
Net financing costs	**(27)**	(5)
Share of profit before tax	**(60)**	16
Income tax	**(2)**	(6)
Dividends paid to Group companies	**(4)**	(6)
Share of retained profit	**(66)**	4

Exceptional costs of US$67 million (2012/13 – US$nil) relate to our share of the costs of a restructuring programme initiated by TSTT of US$61 million and US$6 million of costs incurred following an adverse court ruling relating to cost of living payments to employees of TSTT.

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 2014 (2012/13 – none).

3.8 Provisions

A provision is recognised by the Group where a liability exists, relating to events in the past and it is probable that cash will be paid to settle it. A feature of provisions is uncertainty over the timing or amount to be paid and therefore the amounts are estimated.

The main provisions we hold are for redundancies, asset retirement obligations and claims for legal matters.

Accounting policy detailed in note 5.1.13

	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 2013	2	34	28	53	117
Additional provisions	19	128	1	46	194
Amounts used	1	(119)	–	(12)	(130)
Unused amounts released	(2)	–	(1)	–	(3)
Effect of discounting	–	–	3	1	4
Exchange differences	–	–	(1)	1	–
At 31 March 2014	**20**	**43**	**30**	**89**	**182**
Provisions – current	**15**	**43**	**2**	**80**	**140**
Provisions – non-current	**5**	**–**	**28**	**9**	**42**

	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 2012	5	7	35	51	98
Additional provisions	–	53	3	5	61
Amounts used	(3)	(24)	–	(1)	(28)
Unused amounts released	–	(1)	(2)	(2)	(5)
Effect of discounting	–	–	1	2	3
Exchange differences	–	(1)	(1)	–	(2)
Transfers to assets held for sale	–	–	(8)	(2)	(10)
At 31 March 2013	2	34	28	53	117
Provisions – current	2	34	5	44	85
Provisions – non-current	–	–	23	9	32

The net expense recognised through profit or loss from movements in provisions relating to discontinued operations at 31 March 2014 was US$nil (31 March 2013 – US$nil).

Property

Provision has been made for dilapidation costs and 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 in the Caribbean together with costs at the corporate centre (note 2.3.5). 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 sub-sea 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. The timing of the utilisation of the provision is uncertain and is largely outside the Group's control, for example, where matters are contingent upon litigation. Legal proceedings are further discussed in note 5.5.

3.9 Retirement benefits obligations

We operate a number of defined benefit and defined contribution pension plans for our employees. The Group's largest defined benefit scheme is the Cable & Wireless Superannuation Fund (CWSF) in the UK. We agreed a new funding agreement with the Trustees of the CWSF in May 2014.

Accounting policy detailed in note 5.1.11

3.9.1 Retirement benefits obligations

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.

Cable & Wireless Superannuation Fund

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.

Regulatory framework and governance

The assets of the CWSF are held in trustee-administered funds governed by UK regulations, as is the nature of the relationship between the Group and the Trustees. Responsibility for the governance of the CWSF, including investment decisions and contribution schedules, lies with the Board of Trustees who must consult with the Group on such matters. The Board of Trustees must be composed of representatives of the Group, plan participants and an independent Trustee in accordance with the CWSF's governing documents.

The weighted average duration of the total expected benefit payments from the CWSF is 15 years, and the weighted average duration of the expected uninsured benefit payments from the CWSF is 21 years.

Funding arrangements

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 finalised. The terms of the CWSF Trust Deed also allow the Trustees or the Company to call for a valuation at any time.

Cable & Wireless Communications paid a total contribution of US$2 million in 2013/14 (2012/13 – US$2 million) 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 be: July 2014 – £30 million (US$50 million); April 2015 – £31 million (US$51 million); and April 2016 – £33 million (US$54 million).

As at 31 March 2014, the March 2013 actuarial valuation was ongoing. Subsequent to the year end in May 2014, the Group reached agreement with the Trustees on the valuation which showed a funding deficit of £109 million as at 31 March 2013. The agreed payments for 2014 to 2016 will remain as agreed following the March 2010 valuation. Payments in 2017, 2018 and 2019 will be based on the outcome of the actuarial valuation as at 31 March 2016 and will be in the range of £0-23 million each year as necessary to fund the scheme by April 2019. No adjustment has been made to these accounts to reflect this post balance sheet event.

The best estimate of contributions to the CWSF for 2014/15 is US$53 million for employer contributions, which includes the July 2014 funding payment agreed with the Trustees.

Minimum funding requirement

The deficit recovery funding plan agreed with the Trustees of the CWSF as part of the March 2010 actuarial valuation, which was applicable at 31 March 2014, constitutes a minimal 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$22 million as at 31 March 2014 (2012/13 – US$29 million).

Asset-liability matching
During 2008, the CWSF Trustees 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. In December 2011, a further 233 pensioners, having commenced with pensions in payment since the original annuity, were brought within the bulk annuity policy. These pensioner liabilities and the matching annuity policy remain within the CWSF. Approximately 71% of the liabilities (2012/13 – 73%) in the CWSF are matched by the annuity policy asset which reduces the funding risk for the Group.

UK unfunded pension arrangements
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 arrangements are governed by individual trust deeds. One arrangement incorporates a covenant requiring the Group to hold security against the value of the liabilities. The security is in the form of UK Government gilts which are held separately as available for sale assets (note 4.4).

The weighted average duration of the expected benefit payments from the unfunded arrangements is 15 years.

Overseas schemes
The Group operates other defined benefit pension schemes in Jamaica and Barbados. The schemes are closed to new entrants and the Jamaican scheme is also closed to future accrual. The schemes are governed by local pension laws and regulations.

The Jamaican scheme owns an insurance policy which matches in full the value of the defined benefit liabilities.

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 (net of interest) is recorded in other comprehensive income. The effect of these adjustments, described as asset ceiling adjustments, were US$22 million as at 31 March 2014 (31 March 2013 – US$15 million) and relate to the Group's defined benefit arrangements in Jamaica. The maximum economic benefit was determined by reference to the reductions in future contributions available to the Group.

The best estimate of contributions to the overseas schemes for 2014/15 is US$2 million for employer contributions and US$2 million for employee contributions.

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 2014 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 2014			31 March 2013		
	CWSF assumption %	**UK unfunded assumption %**	**Overseas schemes assumption %**	CWSF assumption %	UK unfunded assumption %	Overseas schemes assumption %
Significant actuarial assumptions:						
RPI inflation assumption	**3.3**	**3.3**	**4.4**	3.3	3.3	5.0
Discount rate	**4.3**	**4.3**	**8.7**	4.2	4.2	8.9
Discount rate – CWSF uninsured liability	**4.4**	**–**	**–**	4.5	–	–
Other related actuarial assumptions:						
CPI inflation assumption	**2.3**	**2.3**	**–**	2.3	2.3	–
Salary increases	**3.8**	**–**	**5.4**	3.8	–	5.3
Pension increases	**2.1-3.2**	**–**	**2.7**	2.1-3.2	–	2.7

Increases to pensions are primarily linked to RPI inflation before and after retirement.

3.9 Retirement benefits obligations continued

	31 March 2014		31 March 2013	
	CWSF assets US$m	**Overseas scheme assets US$m**	CWSF assets US$m	Overseas scheme assets US$m
Plan assets:				
– Annuity policies	**1,288**	**75**	1,297	74
– Equities – quoted	**339**	**38**	320	32
– Bonds and gilts – quoted	**174**	**54**	141	46
– Property	**3**	**41**	3	37
– Cash and swaps	**13**	**16**	10	33
	1,817	**224**	1,771	222

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 for the CWSF and UK unfunded schemes were set having regard to the actual experience of the CWSF's pensioners and dependants over the six years ended 31 December 2012. In addition, allowance was made for future mortality improvements in line with the 2012 CMI core projections, subject to a long-term rate of improvement of 1.5% p.a. These are the mortality rates used for calculating the statement of financial position for the year ended 31 March 2014.

The mortality rates used for the figure in the income statement for the year ended 31 March 2014 are updated from those which were used for calculating the statement of financial position for the year ended 31 March 2013.

Based on these assumptions, the life expectancies of pensioners aged 60 are as follows:

	On 31 March 2014 (years)	On 31 March 2024 (years)	On 31 March 2034 (years)
CWSF and UK unfunded:			
Male pensioners and dependants	28.6	29.8	31.1
Female pensioners	28.1	29.3	30.6
Female dependants	31.2	32.2	33.5

Risks

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below.

The balance sheet net pension liability is a snapshot view which can be significantly influenced by short-term market factors.

The calculation of the surplus or deficit depends, therefore, on factors which are beyond the control of the Group, principally the value at the balance sheet date of equity shares in which the scheme has invested and long-term interest rates which are used to discount future liabilities. The funding of the scheme is based on long-term trends and assumptions relating to market growth, as advised by qualified actuaries and investment advisors:

- Investment returns: The Group's net balance sheet, and contribution requirements are heavily dependent upon the return on the assets invested in by the schemes;
- Longevity: The cost to the Group of the pensions promised to members is dependent upon the expected term of these payments. To the extent that members live longer than expected this will increase the cost of these arrangements; and
- Inflation rate risk: In the UK, the pension promises are, in the main, linked to inflation, and higher inflation will lead to higher liabilities.

The above risks have been mitigated for a large proportion of the CWSF's population and all of the Jamaican scheme's liabilities through the purchase of insurance policies, the payments from which exactly match the promises made to employees. Remaining investment risks in the CWSF have also been mitigated to some extent by diversification of the return-seeking assets.

In addition, the defined benefit obligation as measured under IAS 19 is linked to yields on AA rated corporate bonds, however the majority of the Group's arrangements invest in a number of other assets which will move in a different manner from these bonds. Therefore, changes in market conditions may lead to volatility in the net pension liability on the Group's balance sheet and in other comprehensive income, and to a lesser extent in the IAS 19 pension expense in the Group's income statement.

Sensitivity analysis	Increase in assumption US$m	Decrease in assumption US$m
CWSF and UK unfunded:		
Discount rate		
Effect on total defined benefit obligation of a 0.25% change	71	(71)
Effect on defined benefit obligation net of bulk annuity of a 0.25% change	35	(35)
RPI inflation (and related increases)		
Effect on total defined benefit obligation of a 0.25% change	(53)	53
Effect on defined benefit obligation net of bulk annuity of a 0.25% change	(28)	28
Life expectancy		
Effect on total defined benefit obligation of a one year change	(50)	50
Effect on defined benefit obligation net of bulk annuity of a one year change	(15)	15
Overseas schemes:		
Discount rate		
Effect on total defined benefit obligation of a 0.25% change	5	(6)
Inflation assumption		
Effect on total defined benefit obligation of a 0.25% change	(1)	1

Methods and assumptions for sensitivity analysis

The above analysis is based on a standalone change in each assumption while holding all other assumptions constant. The impact on the net liability is significantly reduced for the CWSF scheme as a result of the annuity policies held. In the absence of such policies, the impact on the net liability would be much closer to the significantly higher impact on the defined benefit obligation.

The methods used in preparing the sensitivity analysis did not change compared to the prior period.

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.

Assets and liabilities

The assets and liabilities of the defined benefit pension schemes operated by the Group were as follows:

	31 March 2014				31 March 2013			
	CWSF US$m	**UK unfunded US$m**	**Overseas schemes US$m**	**Total US$m**	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m
Total fair value of plan assets	**1,817**	**–**	**224**	**2,041**	1,771	–	222	1,993
Present value of funded obligations	**(1,943)**	**–**	**(182)**	**(2,125)**	(1,872)	–	(184)	(2,056)
Excess of (liabilities)/assets of funded obligations	**(126)**	**–**	**42**	**(84)**	(101)	–	38	(63)
Present value of unfunded obligations	**–**	**(48)**	**(3)**	**(51)**	–	(46)	(4)	(50)
Impact of the minimum funding requirement	**(22)**	**–**	**–**	**(22)**	(29)	–	–	(29)
Effect of asset ceiling	**–**	**–**	**(22)**	**(22)**	–	–	(15)	(15)
Net (deficit)/surplus	**(148)**	**(48)**	**17**	**(179)**	(130)	(46)	19	(157)
Defined benefit pension plans in deficit	**(148)**	**(48)**	**(3)**	**(199)**	(130)	(46)	(9)	(185)
Defined benefit pension plans in surplus	**–**	**–**	**20**	**20**	–	–	28	28
Net (deficit)/surplus	**(148)**	**(48)**	**17**	**(179)**	(130)	(46)	19	(157)

Included within these liabilities is an amount of US$33 million (2012/13 – US$30 million) to cover the cost of former Directors' pension entitlements.

3.9 Retirement benefits obligations continued

The amounts recognised in the income statement were as follows:

	2013/14				2012/13			
	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m
Current service cost	(1)	–	(3)	(4)	–	–	(4)	(4)
Past service credit	–	–	–	–	10	–	–	10
Interest (charge)/credit on net liabilities/assets	(6)	(2)	2	(6)	(6)	(2)	3	(5)
Administration expenses	(2)	–	–	(2)	(2)	–	–	(2)
Gains on curtailment	–	–	8	8	–	–	2	2
Total net (charge)/credit	(9)	(2)	7	(4)	2	(2)	1	1
Charge related to discontinued operations	–	–	–	–	–	–	(3)	(3)
Total net (charge)/credit	(9)	(2)	7	(4)	2	(2)	(2)	(2)

Discontinued operations relate to schemes in Guernsey and Macau, which were sold during the year (see note 2.8).

Changes in the net liability recognised in the statement of financial position (after application of asset limit):

	2013/14				2012/13			
	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m
Net (liability)/asset at 1 April	(130)	(46)	19	(157)	(129)	(42)	22	(149)
Effect of exchange rate fluctuations	(11)	(4)	(2)	(17)	6	2	(6)	2
Net (expense)/credit recognised in the income statement	(9)	(2)	7	(4)	2	(2)	(2)	(2)
Net credit/(expense) recognised outside the income statement	–	2	(9)	(7)	(11)	(5)	(14)	(30)
Contributions paid by the employer	2	2	2	6	2	1	9	12
Transfers to assets held for sale	–	–	–	–	–	–	10	10
Net (liability)/asset at 31 March	(148)	(48)	17	(179)	(130)	(46)	19	(157)

Changes in the present value of the defined benefit pension obligations are as follows:

	2013/14				2012/13			
	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m
At 1 April	(1,872)	(46)	(188)	(2,106)	(1,766)	(42)	(309)	(2,117)
Current service cost	(1)	–	(3)	(4)	–	–	(7)	(7)
Past service credit	–	–	–	–	10	–	–	10
Interest on obligations	(80)	(2)	(14)	(96)	(83)	(2)	(18)	(103)
Remeasurements:								
Actuarial gain/(loss) from changes in demographic assumptions	55	1	–	56	–	–	(5)	(5)
Actuarial gain/(loss) from changes in financial assumptions	20	1	–	21	(204)	(5)	(6)	(215)
Actuarial loss from experience on obligations	–	–	(9)	(9)	–	–	(7)	(7)
Employee contributions	–	–	(3)	(3)	–	–	(4)	(4)
Gains on curtailment	–	–	8	8	–	–	2	2
Benefits paid	87	2	13	102	84	1	10	95
Exchange differences	(152)	(4)	11	(145)	87	2	16	105
Transfers to assets held for sale	–	–	–	–	–	–	140	140
At 31 March	(1,943)	(48)	(185)	(2,176)	(1,872)	(46)	(188)	(2,106)

Changes in the fair value of defined benefit assets are as follows:

	2013/14				2012/13			
	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m
At 1 April	1,771	–	222	1,993	1,663	–	340	2,003
Interest on plan assets	75	–	17	92	78	–	21	99
Remeasurements:								
Return on invested plan assets, excluding amount in interest income	7	–	(1)	6	48	–	11	59
Actuarial loss from changes in demographic assumptions on insured asset	(47)	–	–	(47)	–	–	–	–
Actuarial (loss)/gain from changes in financial assumptions on insured asset	(32)	–	–	(32)	148	–	–	148
Actuarial (loss)/gain from experience on insured asset	(12)	–	9	(3)	–	–	–	–
Employer contributions	2	2	2	6	2	1	9	12
Employee contributions	–	–	3	3	–	–	4	4
Benefits paid	(87)	(2)	(13)	(102)	(84)	(1)	(10)	(95)
Administration expenses	(2)	–	–	(2)	(2)	–	–	(2)
Exchange differences	142	–	(15)	127	(82)	–	(23)	(105)
Transfers to assets held for sale	–	–	–	–	–	–	(130)	(130)
At 31 March	1,817	–	224	2,041	1,771	–	222	1,993

3.9 Retirement benefits obligations continued

Changes in the fair value of minimum funding requirement/asset ceiling are as follows:

	2013/14				2012/13			
	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m	CWSF US$m	UK unfunded US$m	Overseas schemes US$m	Total US$m
At 1 April	(29)	–	(15)	(44)	(26)	–	(9)	(35)
Interest on minimum funding/asset ceiling requirement	(1)	–	(1)	(2)	(1)	–	–	(1)
Change in effect of minimum funding/ asset ceiling – gain/(loss)	9	–	(8)	1	(3)	–	(7)	(10)
Exchange differences	(1)	–	2	1	1	–	1	2
At 31 March	(22)	–	(22)	(44)	(29)	–	(15)	(44)

3.9.2 Restatement for IAS 19 *Employee benefits (2011)*

The Group adopted IAS 19 *Employee benefits (2011)* on 1 April 2013 and as required by the standard applied it retrospectively by restating comparative numbers for 2012/13.

The revisions made to IAS 19 *Employee benefits (2011)* requires net interest expense/income to be calculated as the product of the net defined liability/asset, including any minimum funding liability or asset ceiling, and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets. In addition, actual administration expenses incurred by the plans are recognised through the income statement.

As a result, the Group recorded a net increase in operating expense and a reduction in profit for the year (and EBITDA) for the year ended 31 March 2014 of US$10 million (2012/13 – US$8 million). Corresponding movements in actuarial gains/losses have been recognised in other comprehensive income. There is no impact on total comprehensive income for the year.

This has had a negative impact on continuing EPS of US0.4 cents (2012/13 – US0.4 cents). There is no impact on the balance sheet in either year.

This section outlines how the Group manages its capital and related financing costs. The Directors determine the appropriate capital structure for the Group, specifically, how much cash is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan.

During the year the Group repaid the 2017 US$500 million secured bond funded by our disposal proceeds.

4.1 Finance income and expense

Finance income is mainly comprised of interest received from short-term investments in money market funds, external bank deposits and government bonds. Financing costs mainly arise from interest due on bonds, external bank loans and foreign exchange losses primarily due to the translation of foreign currency borrowings.

Accounting policy detailed in note 5.1.4

The pre-exceptional finance income and expense are set out below.

Continuing operations	2013/14 US$m	2012/13 US$m
Finance income		
Interest on cash and deposits	**4**	6
Investment income	**4**	1
Foreign exchange gains	**–**	3
Gains on derivative contracts	**–**	1
Total finance income	**8**	11
Finance expense		
Interest on bank loans	**29**	37
Interest on bonds	**90**	103
Unwinding of discounts on provisions	**4**	2
Foreign exchange losses	**21**	–
Losses on derivative contracts	**1**	12
	145	154
Less: Interest capitalised	**(3)**	(2)
Finance expense	**142**	152
Exceptional finance expense	**25**	–
Total finance expense	**167**	152

Exceptional finance costs of US$25 million relate to additional interest, early redemption charges and capitalised finance transaction costs written off in respect of the 2017 bond which was redeemed on 28 February 2014 (note 4.3).

Tax relief of US$1 million is available on interest capitalised in the year ended 31 March 2014 (2012/13 – US$1 million). Interest has been capitalised within property, plant and equipment at a rate of 3.8% (2012/13 – 3.7%) on qualifying capital expenditure.

4.2 Cash and cash equivalents

The majority of the Group's cash is held in bank deposits or in money market funds which have a maturity of three months or less to enable us to meet our short-term liquidity requirements.

Accounting policy detailed in note 5.1.4

	31 March 2014 US$m	31 March 2013 US$m
Cash at bank and in hand	**89**	130
Short-term bank deposits	**116**	22
Cash and cash equivalents	**205**	152

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 2014 was 0.18% (31 March 2013 – 2.41%). At 31 March 2014, these deposits had an average maturity of five days (31 March 2013 – 25 days).

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value of those financial instruments.

4.3 Borrowings

The Group's sources of borrowing for funding and liquidity purposes come from a range of secured and unsecured bonds and facilities. Our key borrowings at 31 March 2014 consist of bond and bank loans. We repaid our 2017 US$500 million bond during the year.

Accounting policy detailed in note 5.1.4

			31 March 2014			31 March 2013		
	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	Fixed	Share pledges over Group assets	**8.750**	**393**	**452[1]**	8.750	391	453[1]
2019 £200 million bond	Fixed	Unsecured	**8.625**	**242**	**281[1]**	8.625	224	255[1]
2017 US$500 million secured bond[4]	Fixed	Share pledges over Group assets	**–**	**–**	**–**	7.750	493	533[1]
2016 US$487 million facility[3]	Floating	Unsecured	**2.550**	**–**	**–**	2.550	360[3]	360[2]
US dollar and currencies linked to the US dollar loans and facilities (various dates to 2038)	Fixed and floating	Unsecured	**3.970**	**213**	**213[2]**	3.929	296	296[2]
US dollar loan notes	Floating	Unsecured	**–**	**–**	**–**	8.060	37	37[2]
Overdrafts	Floating	Unsecured	**–**	**7**	**7[2]**	–	2	2[2]
Total borrowings				**855**			1,803	
Borrowings – current				**58**			86	
Borrowings – non-current				**797**			1,717	

1 This value was determined by reference to market values obtained from third parties and are within level 1 of the fair value hierarchy.
2 The carrying amount approximates to fair value, based on discounted cash flows and are within level 2 of the fair value hierarchy.
3 On 19 October 2011, the Group entered into five-year borrowing arrangements for US$600 million of revolving credit facilities with a maturity date of October 2016. During 2013/14 the facility was reduced to US$487 million. As at 31 March 2014, the Group had US$487 million undrawn facilities available (31 March 2013 – US$240 million undrawn). These facilities incur commitment fees at market rates prevailing when the facilities were arranged.
4 On 28 February 2014 the 2017 US$500 million secured bond was redeemed in full. In accordance with the bond indenture an early redemption premium of US$20 million was paid to bond holders plus interest accrued of US$1 million.

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 2014 US$m	31 March 2013 US$m
Borrowings		
Due in less than one year	**120**	199
Due in more than one year but not more than two years	**110**	196
Due in more than two years but not more than five years	**521**	1,254
Due in more than five years	**445**	749
	1,196	2,398
Less: future finance charges on loans	**(341)**	(595)
Total borrowings	**855**	1,803

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% (2012/13 – 0.0% and 8.8% 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 2013 US$m	Cash flow US$m	Amortisation US$m	Transfers US$m	Exchange differences US$m	Net cash from discontinued operations US$m	At 31 March 2014 US$m
Cash at bank and in hand	130	(1,343)	–	–	–	1,302	**89**
Short-term deposits	22	93	–	–	1	–	**116**
Total funds	152	(1,250)	–	–	1	1,302	**205**
Debt due within one year	(86)	78	–	(50)	–	–	**(58)**
Debt due after more than one year	(1,717)	898	(9)	50	(19)	–	**(797)**
Total debt	(1,803)	976	(9)	–	(19)	–	**(855)**
Total net (debt)/funds	(1,651)	(274)	(9)	–	(18)	1,302	**(650)**

4.4 Available-for-sale financial assets

Accounting policy detailed in note 5.1.4

	2013/14 US$m	2012/13 US$m
At 1 April	**58**	55
Fair value gain recorded in other comprehensive income	**(3)**	4
Exchange differences	**3**	(1)
At 31 March	**58**	58

Available-for-sale financial assets consist of UK and Bahamian government bonds. These assets were measured at fair value based on observable market data and are within level 1 of the fair value hierarchy (note 4.7). The maximum exposure to credit risk for available-for-sale financial assets is equal to their carrying value.

4.5 Financial assets at fair value through profit or loss

Accounting policy detailed in note 5.1.4

	2013/14			2012/13
	Total US$m	Listed shares US$m	Derivative financial instruments US$m	Total US$m
At 1 April	–	10	8	18
Shares sold	–	(11)	–	(11)
Fair value movement	–	1	–	1
Movement in derivative financial assets	–	–	(8)	(8)
At 31 March	–	–	–	–

4.6 Financial liabilities at fair value

This relates to the 45% share of Monaco Telecom owned by the Principality of Monaco. In the event that the Principality decide to exercise their contractual right to sell this stake, we would be obliged to purchase it from them. We think that this is unlikely but accounting standards require us to record a liability.

Accounting policy detailed in note 5.1.4

	At 31 March 2014 US$m	At 31 March 2013 US$m
Monaco Telecom put option (note 4.6.1)	**274**	258
Total financial liabilities at fair value	**274**	258

4.6.1 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. The key assumptions used in valuing the put option liability are the Monaco Telecom three-year operating plan (in particular revenue performance) and discount rates of between 8% and 27% for the distinct operating businesses with Monaco Telecom (2012/13 – 8% and 23%). A movement in the discount rate of 1% would result in an increase or decrease in the liability of US$33 million (2012/13 – US$28 million).

Although the Group considers there to be only a remote likelihood of the Monaco Telecom 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 4.8).

On 20 May 2014, the Group sold Monaco Telecom. The put option liability was cancelled as a result of the sale (note 5.9.2).

4.6.2 CMC put option

As part of the transaction to sell Monaco & Islands to Batelco (note 2.8.1), we granted them a put option over the 25% of CMC shares transferred. The CMC put option was both issued and unwound during the year ended 31 March 2014.

4.6.3 Reconciliation

A reconciliation of the movements in the value of level 3 financial liabilities is as follows:

	Monaco Telecom put option 2013/14 US$m	**CMC put option 2013/14 US$m**	**Total 2013/14 US$m**	Monaco Telecom put option 2012/13 US$m	Total 2012/13 US$m
At 1 April	**258**	**–**	**258**	250	250
Issue of the CMC put option (note 2.8.1)	**–**	**100**	**100**	–	–
Decrease as a result of dividends paid to the Principality	**(30)**	**–**	**(30)**	(33)	(33)
Changes in fair value recognised as an adjustment to goodwill	**31**	**–**	**31**	47	47
Foreign exchange movements recognised in the foreign currency reserve in equity	**15**	**–**	**15**	(6)	(6)
Unwind of the CMC put option (note 2.8.1)	**–**	**(100)**	**(100)**	–	–
At 31 March	**274**	**–**	**274**	258	258

4.7 Financial instruments at fair value

The table below analyses financial instruments carried at fair value by valuation method. Accounting standards require us to disclose them into different levels 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 2014	
	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	4.4	**58**	**–**	**–**	**58**
Total financial assets at fair value		**58**	**–**	**–**	**58**
Financial liabilities measured at fair value:					
Monaco Telecom put option	4.6.1	**–**	**–**	**274**	**274**
Total financial liabilities at fair value		**–**	**–**	**274**	**274**

4.7 Financial instruments at fair value continued

	Note	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
					At 31 March 2013
Financial assets measured at fair value:					
UK and Bahamian government bonds	4.4	58	–	–	58
Total financial assets at fair value		58	–	–	58
Financial liabilities measured at fair value:					
Monaco Telecom put option	4.6.1	–	–	258	258
Total financial liabilities at fair value		–	–	258	258

There were no transfers between levels during the year (2012/13 – no transfers). For a reconciliation of movements in level 3 instruments see note 4.6.3.

4.8 Acquisitions of non-controlling interests

We made no business acquisitions during the year, however accounting standards (note 5.1.3) require us to make an adjustment to goodwill attributable to Monaco Telecom. On 20 May 2014 we sold Monaco Telecom (note 5.9.2).

Accounting policy detailed in note 1.2.1

Monaco Telecom

Goodwill in connection with the Group's investment in Monaco Telecom SAM increased by US$46 million during the year (2012/13 – US$41 million). The goodwill balance increased as a result of exchange differences and changes in the fair value of the Monaco Telecom put option.

As part of the acquisition of Monaco Telecom a put option was issued (note 4.6.1). Changes in the fair value of this put option are treated as contingent consideration and adjusted against goodwill. The cash outflow in respect of contingent consideration, being the dividend paid to the Principality as the non-controlling shareholder of Monaco Telecom, was US$30 million (2012/13 – US$33 million).

Goodwill	**2013/14 US$m**	2012/13 US$m
At 1 April	**246**	205
Increase as a result of changes in the fair value of Monaco put option	**31**	47
Exchange differences	**15**	(6)
At 31 March	**292**	246

4.9 Equity

Called up share capital is the number of shares in issue at their par value of US5 cents each. There was no movement in share capital in the year. In this note we also explain how we manage capital which we define as equity, borrowings and cash and cash equivalents.

Accounting policy detailed in note 5.1.7

Share capital

Issued, called-up and fully paid shares of US5 cents each	Number of shares (000)	US$m
At 1 April 2012, 31 March 2013 and 31 March 2014	**2,665,612**	**133**

The aggregate nominal value of the shares allotted in the year was US$nil (2012/13 – US$nil).

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.

At 31 March 2014, a total of 137,488,873 shares were classified as treasury shares (31 March 2013 – 137,488,873). This represented 5% of called-up share capital at the beginning of the year (2012/13 – 5%).

The nominal value and market value of treasury shares held at 31 March 2014 was US$7 million (2012/13 – US$7 million) and US$119 million (2012/13 – US$88 million) respectively. Disclosures in respect of the shares held by the Trust are included in note 5.7.

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 44 to 45 of the Directors' and corporate governance report.

There were no allotments of ordinary shares of US5 cents made during the year (2012/13 – no allotments).

Capital management

The Group defines capital as equity, borrowings (note 4.3) and cash and cash equivalents (note 4.2). 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; and
- Maintain credit ratings.

This strategy is unchanged from the prior year.

Funding and liquidity risk are reviewed regularly by the Board and managed in accordance with the policies described in note 4.10.

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.

In April 2013, the Group received total cash proceeds of US$501 million in respect of the Islands sub-group disposal (note 2.8.1), excluding the Seychelles for which regulatory approval was not obtained, representing consideration of US$470 million plus US$31 million of the proportionate share of net cash in the disposed businesses attributable to Cable & Wireless Communications. The Group also received US$100 million for the sale of a 25% interest in Compagnie Monégasque de Communication SAM, the holding company of Monaco Telecom, to Batelco. Proceeds were used to repay drawn bank facilities, including the revolving credit facility of US$360 million (note 4.3) and other facilities of US$38 million. In December 2013, the Group returned US$100 million to Batelco to unwind a pre-agreed option on the sale of Monaco Telecom not gaining the regulatory consents required.

4.9 Equity continued

In June 2013, the Group received total cash proceeds of US$807 million in respect of the Macau disposal (note 2.8.2) representing consideration of US$750 million plus US$57 million of the proportionate share of net cash in the disposed business attributable to Cable & Wireless Communications. In line with the Board's objectives, these proceeds will be used for investment opportunities. In the absence of suitable investment opportunities, proceeds have been used to de-leverage the balance sheet (note 4.3). On 28 February 2014, the 2017 US$500 million secured bond was redeemed in full (note 4.3).

The US dollar secured bonds of US$400 million maturing in 2020 maintained a credit rating of Ba2 with Moody's and BB with Standard and Poor's. The unsecured sterling bond repayable in 2019 also maintained its credit 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

At 31 March 2014, Other reserves included a capital redemption reserve of US$152 million (2012/13 – US$152 million), a revaluation reserve of US$nil (2012/13 – US$30 million), a fair value reserve of US$17 million (2012/13 – US$20 million), a special reserve of US$2,137 million (2012/13 – US$2,137 million) and a capital reserve of US$987 million (2012/13 – US$987 million), less a reserve relating to transactions with non-controlling interests of US$5 million (2012/13 – US$5 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.

4.10 Financial risk management

This note details our treasury management and financial risk management objectives and policies. We discuss the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Treasury policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments.

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. The Group is exposed to movements in exchange rates in relation to non-dollar currency payments (including external dividends, the corporate centre costs and pensions), 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 corporate centre on a matching cash flow basis including forecast foreign currency cash repatriation inflows from subsidiaries and forecast foreign currency payments. See note 5.1.1 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 2014 the impact of a unilateral 10% weakening of the US dollar would have been to decrease profit from continuing operations by approximately US$42 million (at 31 March 2013 – US$36 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 2014, 79% (31 March 2013 – 64%) 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.

4.10 Financial risk management continued

A one percentage point increase in interest rates will have a US$2 million (2012/13 – US$2 million) impact on the income received from the surplus cash balances of the Group and a US$2 million (2012/13 – US$6 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 contain limits on exposure and prescribes the types of instrument used for investment of funds. Credit risk on receivables is discussed in note 3.1.

Liquidity risk

The Group ensures that the operating units manage their own operational liquidity supported by the corporate centre, which manages its own liquidity to meet its financial obligations of servicing and repaying external debt, external dividends, corporate centre costs and strategic initiatives. The principal source of liquidity for the corporate centre is repatriation cash inflows from the operating units supported by bank finance, bond issuances and asset disposals.

At 31 March 2014, the Group had cash and cash equivalents of US$205 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$487 million.

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 57% of the Group's cash is invested in short-term bank deposits and money market funds (2012/13 – 15%).

4.11 Dividends declared and paid

Dividends are one type of shareholder return, historically paid to our shareholders twice a year in January and August.

	2013/14 US$m	2012/13 US$m
Final dividend in respect of the prior year	67	133
Interim dividend in respect of the current year	33	33
Total dividend paid	100	166

During the year ended 31 March 2014, the Group declared and paid a final dividend of US2.67 cents per share in respect of the year ended 31 March 2013 (2012/13 – US5.33 cents per share in respect of the year ended 31 March 2012). The Group declared and paid an interim dividend of US1.33 cents per share in respect of the year ended 31 March 2014 (2012/13 – US1.33 cents per share in respect of the year ended 31 March 2013).

In respect of the year ended 31 March 2014, the Directors have proposed a final dividend of US2.67 cents per share (US$67 million) (2012/13 – US2.67 cents per share), for approval by shareholders at the AGM to be held on 25 July 2014. 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 2015.

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.

This section includes all other notes including accounting policies and critical judgements, commitments and guarantees, licences and operating agreements, legal proceedings, related party transactions, share-based payments, subsidiaries, joint ventures and associates and events after the reporting period.

5.1 Significant accounting policies

This section sets out the Group's accounting policies that relate to the financial statements as a whole.

5.1.1 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; and

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. On disposal of a foreign entity, accumulated exchange differences are recognised in 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:

	2013/14	2012/13
£ : US$		
Average	**0.6313**	0.6330
Year end	**0.6059**	0.6562
€ : US$		
Average	**0.7461**	0.7786
Year end	**0.7258**	0.7694

5.1 Significant accounting policies continued

5.1.2 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. Plant and equipment represents the Group's network infrastructure assets.

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.

5.1.3 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.

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	Up to 25 years or the licence term if less
Customer contracts and relationships	4 to 10 years

5.1.4 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 and money market funds. 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. 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. 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.

5.1 Significant accounting policies continued

Financial liabilities at fair value

This category includes a puttable instrument on non-controlling interests relating to the acquisition of Monaco Telecom (the Monaco Telecom put option) and derivative financial instruments. The CMC put option, more fully described in note 4.6.2, was issued and redeemed during the year with no impact on profit or loss. 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 are recognised as adjustments to goodwill in accordance with IFRS 3 *Business combinations (2004)*.

5.1.5 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.

5.1.6 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.

5.1.7 Share capital

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

5.1.8 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.

5.1.9 Non-current assets and disposal groups held for sale

When the value of non-current assets is expected to be recovered principally through sale rather than through continuing usage, they are available for immediate sale in their present condition and a sale is highly probable, they are classified as assets held for sale. With the exception of deferred tax assets, assets arising from employee benefits and financial instruments, the assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities on the statement of financial position. Any amortisation and depreciation ceases when classified as held for sale.

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

The Islands sub-group and the Macau segment were classified at 31 March 2013 as disposal groups held for sale and, with the exception of Seychelles, were subsequently disposed of during the year. The Seychelles disposal was not completed during the year, but continues to meet the criteria for recognition as a disposal group held for sale at 31 March 2014. See note 2.8.1 for details.

5.1.10 Discontinued operations

A discontinued operation is a component of the Group where the operations and cash flows are clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement and cash flow statement are re-presented as if the operation had been discontinued from the start of the comparative year.

The Islands sub-group and the Macau segment were classified as discontinued operations at 31 March 2013 and, with the exception of Seychelles, were subsequently disposed of during the year ended 31 March 2014. The Seychelles disposal was not completed during the year, but the Seychelles continues to meet the criteria to be recorded as discontinued operations. See note 2.8.1 for details.

5.1.11 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 other comprehensive income. Past service costs are recognised immediately through profit or loss.

Current service costs and any past service costs, together with the unwinding of the discount on net plan assets or liabilities, 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.

5.1 Significant accounting policies continued

5.1.12 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 other comprehensive income and equity, in which case it is recognised in other comprehensive income or equity, respectively.

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.

5.1.13 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.

5.1.14 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 credit, 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.

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.

5.1.15 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.

5.1.16 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.

5.2 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.

5.2.1 Impairment

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; and
- Significant decline in the market capitalisation relative to net book value for a sustained period.

The Directors also assess the carrying value of the Group's interests in joint ventures and associate undertakings to identify whether there is any objective evidence of impairment.

The identification of impairment triggers is a key judgement. Where an impairment review is required, the Group generally determines recoverable amount based on value in use. The key estimates used in calculating value in use are the discount rate, revenue growth, operating cost margin and capital expenditure. Estimates are based on extrapolated approved three-year business plans.

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

Note 3.4 sets out the assumptions and estimates used during these assessments.

5.2.2 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.

5.2.3 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 ongoing service, where such items are sold as part of a bundled package. See note 5.1.14.

5.2.4 Exceptional items

Judgement is required in assessing the classification of items as exceptional and assessing the timing of recognising exceptional provisions. The Group has established criteria for assessing the classification and a consistent approach is applied each period.

5.2.5 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.

5.2.6 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 used to discount future net pension assets or liabilities; and
- Future inflation rates.

The assumptions used by the Group are set out in note 3.9.1 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.

5.3 Commitments, guarantees and contingent liabilities

5.3.1 Commitments

A commitment is a contractual obligation to make a payment in the future. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. We have a number of commitments, mainly in relation to leases and agreements to buy fixed assets. The amounts below are the minimum we are committed to pay.

Capital commitments at the end of the financial year for the continuing Group relating to the purchase of plant and equipment was US$83 million (2012/13 – US$59 million). No provision has been made for these commitments. US$10 million (31 March 2013 – US$11 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 2014 is disclosed in note 2.3.1. The aggregate future minimum lease payments under operating leases are:

	31 March 2014 US$m	31 March 2013 US$m
No later than one year	35	39
Later than one year but not later than five years	76	84
Later than five years	20	18
Total minimum operating lease payments	**131**	141

5.3.2 Guarantees

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

	31 March 2014 US$m	31 March 2013 US$m
Trading guarantees	50	57
Other guarantees	329	475
Total guarantees	**379**	532

Trading guarantees

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

Other guarantees include guarantees for financial obligations principally in respect of property, other leases and letters of credit. The Group is party to a contingent funding agreement with the Cable & Wireless Superannuation Fund (CWSF) Trustees, under which the Trustees 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 redemption of the 2017 US$500 million secured bond in February 2014 (note 4.3), and the consequential decrease in the Group's available secured borrowings, the letters of credit totalling £100 million (US$165 million) (2012/13 – US$152 million) in favour of the CWSF Trustees under the Contingent Funding Agreement matured.

In addition, the Group, as is considered standard practice in such agreements, has given guarantees and indemnities in relation to a number of business disposals. Consistent with this practice, the Group has given guarantees and indemnities in respect of its disposal business. Generally, liability has been capped at no more than the value of the sales proceeds, although some uncapped indemnities have been given. In relation to the Islands disposal (note 2.8.1) the Group has provided a guarantee for tax and all others liabilities up to a cap of US$300 million. 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.

The Group no longer provides guarantees to third parties in respect of trading contracts between third parties and the Cable & Wireless Worldwide Group (2012/13 – US$1 million).

5.3.3 Contingent liabilities

Contingent liabilities are potential future cash outflows where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

Under the Separation Agreement, Cable & Wireless Communications and Cable & Wireless Worldwide (now wholly owned by Vodafone Group Plc) 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.

5.3 Commitments, guarantees and contingent liabilities continued

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 5.5).

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 £1.5 million relating to the actuarial valuations made by the MNOPF Trustee as at 31 March 2006 and 2009, by instalments over the next six years. An instalment schedule for the 2012 actuarial deficit of £0.5 million is currently being negotiated with the Trustee. 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.

Legal proceedings are discussed in note 5.5.

5.4 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 Antigua & Barbuda and Montserrat.

In October 2013, Cable & Wireless Panama, S.A. renewed its mobile licence agreement for a term running for 20 years from October 2017, when the current mobile licence is due to expire. As part of the renewal, Cable & Wireless Panama was awarded ongoing rights to existing spectrum allocations together with the grant of additional blocks of spectrum primarily for use in the provision of mobile data services.

In March 2014, Cable & Wireless Jamaica Limited renewed its telecommunications licence for a term of 15 years running from March 2015, when the current telecommunications licence is due to expire. As part of the renewal, Cable & Wireless Jamaica acquired additional mobile and microwave spectrum, primarily for use in the provision of mobile data services.

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 current operating jurisdictions and the wider Caribbean and South American regions. These licence arrangements remain in force despite Vodafone Group Plc's acquisition of Cable & Wireless Worldwide Group in July 2012.

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.

5.5 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.

A member of the Group is the defendant to legal proceedings brought against it by an interconnection partner in Jamaica. The dispute relates to certain amounts claimed by the interconnection partner as due to them. Management believe that all deductions made by the relevant Group Company from amounts paid to the interconnection partner were validly made in accordance with determinations and orders issued by the relevant local regulator and they are vigorously defending the proceedings. In addition, even if the interconnection partner is successful on one or more components of the claim, in management's view the amount of damages claimed (approximately US$60 million in total) is not representative of the loss, if any, suffered by the interconnection partner. The trial for the matter is part heard and will continue in late May 2014. It is not yet known when judgement will be delivered.

5.6 Related party transactions

The related parties identified by the Directors include joint ventures, associated undertakings, investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group we disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

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, Seychelles Cable System Limited and Telecom Development Company Afghanistan Limited during the year. The transactions were in relation to the sale and purchase of telecommunication services. In respect of these transactions, US$9 million has been reported within revenue and US$2 million in cost of sales (2012/13 – US$3 million and US$2 million respectively).

The Group received dividends of US$4 million from joint ventures and associates (2012/13 – US$6 million). At 31 March 2014, joint ventures and associates owed US$2 million (31 March 2013 – US$2 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

A Director's spouse held bonds issued by Cable and Wireless International Finance BV. The Director resigned during the year. These bonds had a nominal value at 31 March 2013 of US$731,472 (£480,000). The interest earned on those bonds during the year until resignation was US$49,408 which has been paid in full (2012/13 – US$65,404 of which US$1,037 remained unpaid at 31 March 2013).

A Director's spouse held bonds issued by Cable & Wireless Limited. The Director resigned during the year ended 31 March 2013. The interest earned on those bonds during the year starting 1 April 2012 until resignation was US$344 which has been paid in full.

Two children of a Director held bonds issued by Cable and Wireless International Finance BV. The Director resigned during the year. These bonds had a nominal value at 31 March 2013 of US$761,950 (£500,000). The interest earned on those bonds during the year until resignation was US$51,466 which has been paid in full (2012/13 – US$68,128 of which US$1,080 remained unpaid at 31 March 2013).

During the year ended 31 March 2013, a Director purchased a car from the Company for market value.

Director and key management remuneration is disclosed in note 2.3.3.

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 3.9.1.

Other than the parties disclosed above, the Group has no other material related parties.

5.7 Share-based payments

We have a number of share plans used to award shares to Directors and employees as part of their remuneration package. A charge is recognised in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date. For further information on how this is calculated refer to 'share-based compensation' under significant accounting policies on page 141. Additional information on options and shares granted to Directors can be found in the Directors' remuneration report on pages 56 to 80.

Accounting policy detailed in note 5.1.11

Share option schemes

The Group does not currently have any outstanding share option awards over its own shares (2012/13 – nil) other than awards of performance shares granted as nil-cost options. There are no outstanding share option awards relating to options granted by Cable and Wireless plc to senior employees (2012/13 – 1,246,303 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 were 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 price of Cable & Wireless Communications Plc at 31 March 2013 and the final share price of Cable & Wireless Worldwide plc prior to its takeover by Vodafone Group were such that the obligation for these stapled unit options was US$nil.

5.7 Share-based payments continued

During the year, no options were exercised (2012/13 – no options were exercised). 1,246,303 options lapsed during the year (2012/13 – 6,464,381).

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 granted in June 2010 and 2011 are subject to Cable & Wireless Communications Plc absolute TSR performance conditions (see performance conditions for share-based award on page 78). For the performance shares granted in January 2013, performance is based on a combination of relative TSR against a bespoke comparator group and earnings per share (EPS) performance measures. For the performance shares granted in May 2013 performance is based on relative TSR against a bespoke comparator group. For the performance shares granted in December 2013 and January 2014 performance is based on non-market performance measures.

A dividend award supplement operates on all 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.

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 could 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 & Wireless Limited, a wholly owned Group company, to acquire and hold shares in Cable & Wireless Communications Plc.

At 31 March 2014, the Trust held 26,190,167 shares in Cable & Wireless Communications Plc (of which 1,530,526 are shares awarded to the Executive Directors under the Deferred Bonus Plan and which carry dividend rights) with a market value of US$23 million.

Share awards

The equity instruments granted during the year can be summarised as follows:

	Awards of Cable & Wireless Communications Plc shares granted during 2013/14			Awards of Cable & Wireless Communications Plc shares granted during 2012/13		
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	**1,472,110**	**43**	**–**	260,400	42	–
Share purchase plan scheme (matching shares)	**–**	**–**	**–**	24,095	31	–
Performance shares – May 2013	**9,327,338**	**28**	**TSR conditions**	–	–	–
Performance shares – December 2013 and January 2014	**14,110,468**	**55**	**Non-market performance measures**	–	–	–
Performance shares – January 2013	**–**	**–**	**–**	13,706,646	27	TSR conditions and EPS performance measures

Only the performance share grants made during 2012/13 and 2011/12 have performance criteria attached. A fair value exercise was completed for grants made during 2013/14 using the Monte Carlo method.

The Monte Carlo pricing model assumptions used in the pricing of the performance share grants in 2013/14 and 2012/13 were:

	2013/14	2012/13
Weighted average share price (pence per share)	**43.90**	37.70
Dividend yield	**0.0%**	0.0%
Expected volatility	**32.1%**	34.7%
Risk-free interest rates	**0.48%**	0.45%
Expected life in years	**3.0**	3.0

The total expense during the year related to equity settled share-based payments was US$6 million (2012/13 – US$4 million).

A summary of the outstanding share awards at 31 March 2014 and 31 March 2013 are as follows:

	31 March 2014		31 March 2013	
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	**585,685**	**1**	471,297	2
Restricted shares (LTIP)	**2,198,490**	**–**	6,909,542	1
Share purchase plan scheme (matching shares)	**220,496**	**–**	278,446	–
Performance shares	**45,754,681**	**2**	29,677,414	2

5.8 Subsidiaries, joint ventures and associates

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 figures shown in the Group's financial statements.

Accounting policy detailed in note 1.2.1

Continuing operations as at 31 March 2014	Ownership of ordinary shares %	Country of incorporation	Area of operation
Subsidiaries			
The Bahamas Telecommunications Company Ltd	51	The Bahamas	The Bahamas
Cable & Wireless Jamaica Ltd	82	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	49	Panama	Panama
Cable & Wireless (Barbados) Ltd	81	Barbados	Barbados
Cable and Wireless (West Indies) Ltd	100	England	Caribbean
Monaco Telecom SAM[3]	49	Monaco	Monaco
Cable & Wireless Ltd	100	England	England
Sable International Finance Ltd	100	Cayman	England
Cable and Wireless International Finance BV	100	Netherlands	England
Joint ventures and associates			
Cable & Wireless Trade Mark Management Ltd	50	England	N/A
Telecommunications Services of Trinidad and Tobago Ltd[2]	49	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 is audited by a firm other than KPMG LLP and its international member firms.
3 The Cable & Wireless Communications Group holds an economic interest of 55% in Monaco Telecom SAM via a contractual arrangement. See below for further discussion.

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.

5.8 Subsidiaries, joint ventures and associates continued

Monaco Telecom SAM

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. In April 2014, the third party exercised its put option and legal ownership of the 6% interest was transferred back 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 4.6.1).

On 20 May 2014, the Group sold Compagnie Monégasque de Communication SAM, the holding company of Monaco Telecom. The Principality's put option was cancelled as a result of the sale (note 5.9.2).

5.9 Events after the reporting period

Where the Group receives information in the period between 31 March 2014 and the date of this report about conditions related to certain events that existed at the year end, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 March 2014. If non-adjusting events after the year end are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements.

Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

5.9.1 Cable & Wireless Superannuation Fund (CWSF) – actuarial funding review

In May 2014, the Company reached agreement with the Trustees on the actuarial valuation as at 31 March 2013. This showed a funding deficit of £109 million. Cash contributions to the CWSF for 2014 to 2016 will remain as agreed following the March 2010 triennial review. Payments in 2017, 2018 and 2019 will be based on the outcome of the actuarial funding valuation as at 31 March 2016 and will be in the range of £0 to £23 million each year necessary to fund the scheme by April 2019. No adjustment has been made to these accounts as a result of this post balance sheet event.

5.9.2 Compagnie Monégasque de Communication SAM

On 20 May 2014, the Group completed the disposal of Compagnie Monégasque de Communication SAM (CMC), which was the holding company for the Group's 55% stake in Monaco Telecom SAM. Monaco Telecom owns 36.75% of Telecom Development Company Afghanistan Limited. On completion the Group received consideration of €321,788,000 (US$445 million) on a cash and debt free basis. In addition, the Group received €6.2 million representing the estimated proportionate share of net cash in CMC attributable to the Group and initial working capital adjustments. The Principality's put option (note 4.6.1) was cancelled as a result of the sale.

The results of the CMC Group for the year are as disclosed in the Monaco operating segment (note 2.2). No adjustments have been made to these accounts as a result of the disposal.

5.9.3 Accounts approval

These accounts were approved by the Board of Directors on 20 May 2014 and authorised for issue.

Independent auditor's report to the members of Cable & Wireless Communications Plc only
Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified
We have audited the financial statements of Cable & Wireless Communications Plc for the year ended 31 March 2014 set out on pages 88 to 160 excluding pages 89 and 93. 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 2014 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- 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.

2 Our assessment of risks of material misstatement
In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit are set out below.

The Audit Committee's consideration of these significant risks is set out in the Audit Committee report on pages 48 to 53.

Revenue recognition
Revenue US$1,873 million (see note 2.1, note 5.1.14 for accounting policy and note 5.2.3 for critical accounting estimates and judgements).

Risk
The Group's revenue consists primarily of mobile, broadband, TV, fixed line and enterprise contracts.

Revenue from mobile, broadband and fixed line products is considered a significant risk due to both the bundling of these services and the complexity of the Group's systems and processes used to record revenue.

For business and government customers the Group provides enterprise solutions. Revenue from enterprise solutions is considered to be a risk as the contracts can be complex and include multiple deliverables.

Given the requirement to unbundle multiple elements within complex contractual arrangements significant judgement is required in determining the appropriate measurement and timing of revenue.

Our response
Our audit procedures over revenue included, among others:

- Performing an analysis of revenue and deferred revenue based on our industry knowledge, forming an expectation of revenue based on key performance indicators taking into consideration disconnections, installations, changes in rates and trends in deferred income days;
- Testing of controls, assisted by our IT specialists including those over: set-up of customer accounts; pricing data; segregation of duties; and the linkage to usage data that drives revenue recognition. Compensating manual controls were tested for certain legacy system issues in the Caribbean region; and
- For larger enterprise solutions contracts entered into during the year, we read the contracts and discussed key terms with the Group and with country sales directors to critically assess the identification of separable components. For business, government and retail customers, to assess the relative fair value of each separable component within a price plan, we tested the controls over the Group's estimate of standalone value. This included comparing the standalone fair values to published information on the standalone price for each component.

Valuation of trade receivables and accrued income
Net trade receivables US$199 million and accrued income US$102 million (see note 3.1, 5.1.4 for accounting policy and notes 5.2.2 and 5.2.3 for critical accounting estimates and judgements).

Risk
The Group has significant trade receivables and accrued income with customers in Panama and the Caribbean.

Given the age profile and high debt levels in these regions and the level of judgement required in determining the provision levels on these balances this is considered a significant risk.

Our response
Our audit procedures included among others:

- For a sample of new contractual arrangements (including arrangements with dealers) entered into during the year we assessed whether credit checks as required by the Group's policies had been performed;
- Testing of controls over the Group's collection procedures, and the Group's assessment of the provision required at every period end;
- We have critically assessed the Group's provision levels by considering the historical cash collection trends and the local economic environment, based on external GDP data, in each of the regions; and
- We have also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

Impairment of intangibles, PPE and investments in joint ventures
Intangibles US$526 million, PPE US$1,418 million and investments in joint ventures US$188 million (see note 3.4, note 5.1.5 for accounting policy and note 5.2.1 for critical accounting estimates and judgements).

Risk
There is a risk of impairment of the Group's intangible and PPE assets particularly in the Caribbean region in light of recent impairments in that region, together with continued technological change, challenging economic conditions and changing competitive and regulatory landscapes.

This year our work also focused on the Group's joint venture in Trinidad and Tobago, given its recent trading performance.

Due to the inherent uncertainty involved in determining and forecasting the future cash flows on which the value in use model is based, and the factors above, this is considered to be one of the key judgemental areas that our audit is concentrated on.

2 Our assessment of risks of material misstatement continued

Our response
Our audit procedures included among others:

- Testing the principles and integrity of the models used. We compared the inputs to externally and internally derived data and critically assessed the key assumptions such as market performance, subscription levels, call rates and discount rates and the impact of competition in light of our knowledge of the client and experience of the telecom industry in each of the markets the Group operates in. We assessed the overall reasonableness of the assumptions and inputs used by the Group by comparing the sum of the discounted cash flows to the Group's market capitalisation adjusted for debt; and
- We considered the adequacy of the Group's disclosures and assessed whether disclosures for goodwill about the sensitivity of the outcome of the assessment to changes in key assumptions properly reflected the risks inherent in the key assumptions and the requirements of accounting standards.

Business transformation

Business transformation (see notes 2.3.5, 2.8, notes 5.1.9, 5.1.10, 5.1.11, 5.1.13, 5.1.15 for accounting policies and note 5.2.4 for critical accounting estimates and judgements and note 5.9 for events after the reporting period).

Risk
In 2014, the asset disposals (Macau and Islands) led to the Group undertaking a business transformation programme that has given rise to significant restructuring and redundancy costs of US$174 million in the continuing Group. These costs have been classified as 'exceptional costs' in the Group's Consolidated income statement.

The Group's transformation programme is considered to be a significant risk due to the level of judgement required to be applied in establishing the restructuring provisions.

The Group committed to market and seek a buyer for their Monaco Telecom business. This sale was not completed as at 31 March 2014 and was subject to regulatory approval. The Group determined that the uncertainty surrounding the sale process, together with the fact that regulatory approval was a substantive hurdle, prevented classification of the business as held for sale and a discontinued operation at 31 March 2014.

Classification of this business as held for sale and a discontinued operation would lead to significant differences in the presentation of the Group's results for the year and its gross assets and liabilities. As a result, this is one of the key judgement areas of our audit.

Our response
For restructuring provisions our audit procedures included, among others:

- We assessed each of the restructuring plans in progress as at balance sheet date by corroborating the Group's plans to their publicly available statements, such as press releases and communications with trade unions. We critically challenged whether the provisions met the recognition criteria of accounting standards, including assessing whether an expectation was created among the affected employees to support the timing of recognition of provision;
- We challenged the appropriateness of the estimates used by the Group to measure the restructuring provision made. We compared the inputs in the provision model against, among others, contracted salaries, contracted redundancy packages, payout levels in other recent redundancy programmes, headcount numbers, lease agreements and estimates of property related provisions; and
- We considered the appropriateness of the disclosure of such costs as exceptional and that they were in accordance with the Group's stated policy criteria. We have also considered the adequacy of the Group's disclosures about the restructuring provisions and the degree of estimation involved in arriving at the provision.

For the post balance sheet agreement to sell the Group's interest in Monaco Telecom:

- To assess the Group's assertion that there was not sufficient certainty around the sale we critically assessed all aspects of the sale process. This included consideration of the historical actions of the regulator in relation to past attempts by the Group to sell this business; and
- We have also considered the adequacy of the Group's disclosures about their decision not to classify the business as held for sale at the balance sheet date.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at US$10 million. This has been determined with reference to a benchmark of Group profit before taxation for continuing operations, and before the significant exceptional items (as disclosed in the Consolidated income statement). This benchmark is also struck before the significant gain from disposal of discontinued operations which is presented in the Consolidated income statement below profit after tax. Materiality represents 5.1% of Group profit before tax for continuing operations adjusted for exceptional costs and 1% of Group profit for the year including all exceptional items, the discontinued gain and tax. The items not included in the benchmark were all subject to audit procedures, including that the exceptional costs were covered as a specific risk area as discussed as part of the Business transformation risk above.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of US$0.5 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our Group audit scope focused on the key operating locations – Panama, Monaco and the five principal operating locations within the Caribbean, together with the Group's joint venture in Trinidad and Tobago, which were all subject to a full scope audit for the year ended 31 March 2014. In addition, specified audit procedures were performed on the Group functions. These locations represent the principal business units of the Group and account for 97% of the Group's total assets, 89% of the Group's revenue and 93% of the total profits and losses that made up the Group's profit before tax from continuing operations. We also performed review procedures over the Group's discontinued operations.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from US$4 million to US$6.5 million. The Group audit team performed the audit of the Group functions in the UK in accordance with Group materiality (US$10 million).

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. The Group audit team visited six out of the eight full scope locations. Telephone meetings and video conferences were also held with the auditors at all locations throughout the audit.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- The Audit Committee report does not appropriately address matters communicated by us to the Audit Committee.

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 46, in relation to going concern; and
- The part of the corporate governance statement on pages 38 to 46 relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 81, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

20 May 2014

Company balance sheet
as at 31 March 2014

	Note	31 March 2014 US$m	31 March 2013 US$m
Fixed assets investments			
Investments in subsidiaries	6	**6,103**	6,097
Current assets			
Debtors	7	**100**	–
Current liabilities			
Creditors: amounts falling due within one year	8	**4,669**	4,470
Net current liabilities		**4,569**	4,470
Net assets		**1,534**	1,627
Capital and reserves			
Called-up share capital	9	**133**	133
Share premium	10	**97**	97
Reserves	10	**1,304**	1,397
Equity shareholders' funds		**1,534**	1,627

The notes on pages 156 to 160 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 154 to 160 were approved by the Board of Directors on 20 May 2014 and signed on its behalf by:

Phil Bentley Chief Executive

Cable & Wireless Communications Plc Registered number – 07130199

Reconciliation of movements in equity shareholders' funds for the Company
for the year ended 31 March 2014

	2013/14 US$m	2012/13 US$m
Profit for the year	**1**	1
Equity share-based payments	**6**	4
Dividends	**(100)**	(166)
Decrease in equity shareholders' funds	**(93)**	(161)
Opening equity shareholders' funds	**1,627**	1,788
Closing equity shareholders' funds	**1,534**	1,627

The notes on pages 156 to 160 are an integral part of the financial statements of the Company.

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 2014, 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 Group operates various equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense 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 Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the profit and loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised. 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 profit for the year ended 31 March 2014 amounted to US$1 million (2012/13 – US$1 million).

3 Remuneration of Directors
Information covering Directors' remuneration is disclosed in note 2.3.3 to the consolidated financial statements. Interests in shares, share options and pension benefits are set out in the Directors' remuneration report on pages 56 to 80 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 (2012/13 – nil). Their costs for the year ended 31 March 2014 were US$nil (2012/13 – US$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 5.7 to the consolidated financial statements.

The total additional investment in subsidiaries relating to equity settled share-based payments was US$6 million (2012/13 – US$4 million).

6 Fixed asset investments

Accounting policy detailed in note 1.2

	Subsidiary undertakings US$m
Cost	
At 1 April 2012	6,093
Capital contribution (note 5)	4
At 1 April 2013	6,097
Capital contribution (note 5)	6
At 31 March 2014	**6,103**
Net book value	
At 31 March 2014	**6,103**
At 31 March 2013	6,097

7 Debtors

	31 March 2014 US$m	31 March 2013 US$m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	**100**	–
Total debtors	**100**	–

8 Creditors

	31 March 2014 US$m	31 March 2013 US$m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	**4,669**	4,470
Total creditors	**4,669**	4,470

There is no material difference between the carrying amount and fair value of creditors at 31 March 2014.

9 Called-up share capital

Issued, called-up and fully paid shares of US5 cents each	Number of shares (000)	US$m
At 1 April 2012, 31 March 2013 and 31 March 2014	**2,665,612**	**133**

10 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 2013	133	97	987	410	1,627
Profit for the year	–	–	–	1	1
Equity share-based payments	–	–	–	6	6
Dividends	–	–	–	(100)	(100)
At 31 March 2014	**133**	**97**	**987**	**317**	**1,534**

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.

At 31 March 2014, a total of 137,488,873 shares were classified as treasury shares (31 March 2013 – 137,488,873). This represented 5% of called-up share capital at the beginning of the year (2012/13 – 5%).

11 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 5.6 to the consolidated financial statements.

12 Subsidiaries, joint ventures and associates

Principal subsidiaries, joint ventures and associates are detailed in note 5.8 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, joint ventures and associates listed in note 5.8 to the consolidated financial statements, with the exception of Cable & Wireless Limited.

Full details of all subsidiaries, 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.

13 Dividends

Accounting policy detailed in note 1.6

Dividend information is detailed in note 4.11 to the consolidated financial statements.

14 Commitments

The Company had no capital commitments at 31 March 2014 (31 March 2013 – no capital commitments).

15 Guarantees and contingent liabilities

Under the Separation Agreement, Cable & Wireless Communications and Cable & Wireless Worldwide (now wholly owned by Vodafone Group 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 business disposals 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 and answers to frequently asked questions can be found at https://help.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 is:

3rd Floor, 26 Red Lion Square
London WC1R 4HQ
Telephone +44 (0)20 7315 4000

Belinda Bradberry 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

Ex-dividend date	28 May 2014
Record date	30 May 2014
Last date for election to join dividend reinvestment plan for August 2014 dividend	11 July 2014
Last date for election to receive dividend in US dollars	11 July 2014
Notification of sterling dividend payment amount	17 July 2014
AGM	25 July 2014
Payment of final dividend	8 August 2014
Announcement of interim results 2014/15	6 November 2014

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 2012	2.67	5.33	8.00
31 March 2013	1.33	2.67	4.00
31 March 2014	1.33	2.67	4.00

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 90 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.

1 Calls to this number are charged at 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

Shareholder information continued

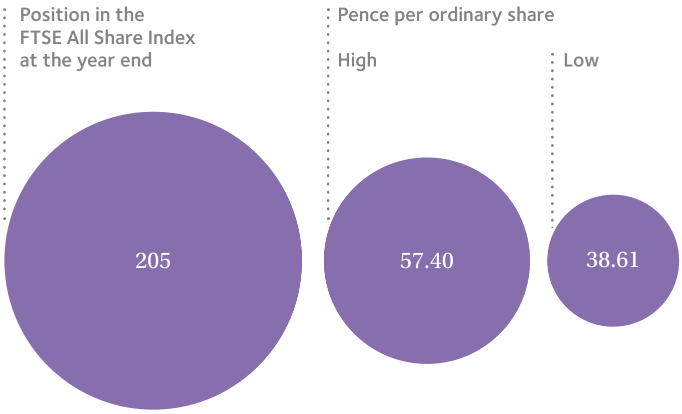
Cable & Wireless Communications Plc offers a dividend reinvestment plan. Shareholders wishing to join the dividend reinvestment plan should return a completed mandate form to the Registrar, Equiniti. Copies of the dividend reinvestment plan brochure can be obtained either from Equiniti or from our website, 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 £1,402 million on 31 March 2014.

The diagram below details the position in the FTSE All Share Index 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 2014



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.

Warning to shareholders ('boiler room' scams)

Over recent years we have become aware of investors who have received unsolicited calls or correspondence, in some cases purporting to have been issued by us, concerning investment matters. These typically make claims of highly profitable opportunities in UK or US investments which turn out to be worthless or simply do not exist. These approaches are usually made by unauthorised companies and individuals and are commonly known as 'boiler room' scams. Investors are advised to be wary of any unsolicited advice or offers to buy shares. If it sounds too good to be true, it often is. See the Financial Conduct Authority's website fca.org.uk/scams for more detailed information about this or similar activity.

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 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 2014	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	51,326	66.88	21,403,823	0.80
1,001–10,000	22,937	29.89	61,281,668	2.30
10,001–100,000	2,066	2.69	48,438,038	1.82
100,001–1,000,000	257	0.34	92,047,778	3.45
1,000,001 and over	157	0.20	2,442,440,420	91.63
Total	76,743	100.00	2,665,611,727	100.00

At 20 May 2014, the Company had 76,309 shareholders on record.

Definitions

The Annual report and accounts of Cable & Wireless Communications Plc have been prepared in accordance with English legal and UK Listing Rules requirements.

Unless otherwise stated in this report, the terms 'Cable & Wireless Communications', the 'Group', 'CWC', 'Cable & Wireless Communications Group', 'it', 'we', 'us' and 'our' refer to Cable & Wireless Communications Plc and its subsidiaries collectively. The terms 'Company' and 'Parent Company' refer to Cable & Wireless Communications Plc. The terms 'Cable & Wireless' and 'Cable & Wireless Group' refer to the previous Cable & 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 & Wireless plc on 26 March 2010, and since July 2012 has been a wholly owned subsidiary of Vodafone Group Plc.

Unless otherwise indicated, any reference in this report to financial statements is to the consolidated financial statements of Cable & Wireless Communications on pages 88 to 150. References to a year in this report are, unless otherwise indicated, references to the year ended 31 March 2014 (the financial year).

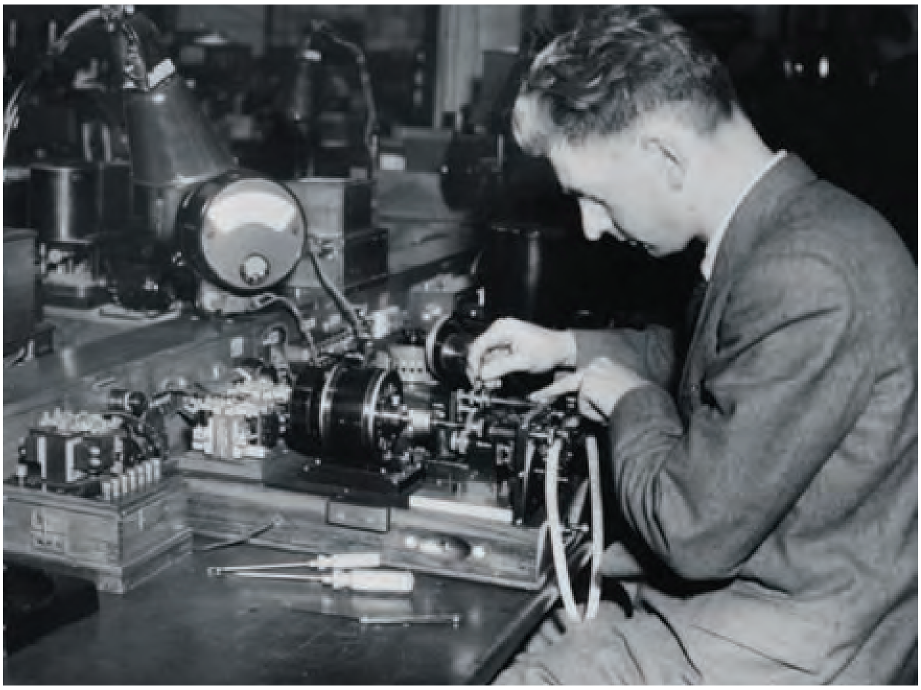
Cable & Wireless Communications prepares its financial information in accordance with International Financial Reporting Standards (IFRS) applicable for use in the European Union (EU). The Company prepares its financial information in accordance with United Kingdom Generally Accepted Accounting Principles (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, 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. Capital expenditure is balance sheet capital expenditure and excludes spectrum purchases and, in the prior year, transfers of cable assets from inventory. Operating cash flow is defined as pre-exceptional EBITDA less balance sheet capital expenditure. Adjusted earnings per share (adjusted EPS) is before exceptional items, transaction costs, gain/(loss) on disposal of businesses and amortisation of acquired intangibles. Return on Invested Capital (ROIC) is defined as total operating profit before exceptional items divided by average adjusted invested capital. Average adjusted invested capital for continuing operations is after deducting deferred tax assets; retirement benefit assets; the goodwill balance attributable to the Monaco Telecom put option (less the current portion of the related put option financial liability); interest bearing assets; total assets and current liabilities for discontinued operations; and adding back interest bearing current liabilities. A reconciliation of GAAP to non-GAAP measures is provided on pages 89 and 93.

Where appropriate, to aid understanding of our results compared to the prior year, we refer to financial performance on a constant currency basis. Constant currency figures are calculated by retranslating prior year figures at the exchange rates used during 2013/14 to eliminate the impact of movements in exchange rates. Where percentages are shown to illustrate year-on-year movements, the abbreviation nm means that the percentage change is not meaningful.

Information has been updated to the most practical date prior to the approval date of the document, being 20 May 2014.

telegraph museum
Porthcurno



Porthcurno, a picturesque valley on the south-westerly tip of Cornwall, occupies a significant position in history as one of the most strategically important communication sites in the world. It is now home to the Telegraph Museum Porthcurno, which CWC is proud to sponsor.

Cornwall's Victorian Silicon Valley

Laid by the Eastern Telegraph Company (later to become Cable & Wireless), the first undersea cable to land on Porthcurno's sandy beach forged a link between Britain and Bombay. Porthcurno grew to become the largest and busiest telegraph cable station in the world; by the late 1920s a network of 14 undersea cables made it one of the most connected places on Earth.

Previously the fastest means of international communication was by packet ship. Sub-sea telegraph technology, the use of electrical pulses to send Morse code messages via cable, was a world-shaping breakthrough in communications technology.

Porthcurno was also an important centre for education. The Cable & Wireless international college was a leading training institution for the telecommunications industry.

The communications hub became so strategically important during World War II that the telegraph station was moved into fortified underground tunnels. For many visitors today, these impressive tunnels, and the working telegraph instruments within, form a memorable highlight of their experience.

Two major tourism industry awards received in late 2012 and early 2013 have reinforced the Museum's reputation as a unique heritage attraction. In June 2014 the Telegraph Museum Porthcurno will re-open after major redevelopment.

Cable & Wireless Communications

The PK Trust, the charity that runs the Telegraph Museum Porthcurno, houses the Cable & Wireless archive. From staff records and photographs, to artefacts and film footage, the archive is the embodiment of our heritage, a rich record of people and places.

We are proud to sponsor the PK Trust and Telegraph Museum Porthcurno, which is an educational charity, focused on the history, science and innovation of telegraph and wireless communications. Through our work with the Museum, we help to underpin and raise awareness of the important role that telecommunications has played in Britain's past.

Tel: +44 (0) 1736 810966
www.porthcurno.org.uk

Designed by Fishburn™
thisisfishburn.com

The paper used in this Annual report is produced from pulps sourced from fully sustainable forests and has been made without the use of elemental chlorine (ECF).

Both manufacturing mill and printer are FSC® certified and both have been accredited with ISO14001 environmental management system.

Printed in the UK by Pureprint using the ***pure*print**® and ***alco*free**® environmental printing technology.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

For further information go to www.cwc.com