



DELIVERING MISSION CRITICAL COMMUNICATIONS

2010/11 Annual Report

Cable&Wireless
Worldwide

Cable & Wireless Worldwide plc is pleased to present its second Annual Report and Accounts in respect of the financial year ended 31 March 2011.

Our aim is to become the first choice communications integrator, specialising in the mission critical needs of large users of telecoms.



Cable&Wireless Worldwide online
www.cw.com

Definitions

This Annual Report of Cable & Wireless Worldwide plc has been prepared in accordance with English legal and Listing Rules requirements. The Annual Review for the year ended 31 March 2011 is published as a separate document.

Unless otherwise stated in this Annual Report, the terms 'Cable&Wireless Worldwide', the 'Group', 'Cable&Wireless Worldwide Group', 'it', 'we', 'us' and 'our' refer to Cable & Wireless Worldwide plc and its subsidiaries collectively. 'THUS' means the business of THUS Limited, which is focused on the mid-market, and THUS Group means THUS Group plc and its subsidiaries and subsidiary undertakings. The term 'Company' refers to Cable & Wireless Worldwide plc. The terms 'Cable & Wireless' and 'Cable & Wireless Group' refer to the former Cable and Wireless plc and its subsidiaries collectively. The terms 'Cable & Wireless Communications' and 'Cable & Wireless Communications Group' refer to Cable & Wireless Communications plc and its subsidiaries collectively.

Cable&Wireless Worldwide prepares its financial information in accordance with International Financial Reporting Standards (IFRSs) 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). Unless otherwise indicated, any reference in this report to financial statements is to the consolidated financial statements of Cable & Wireless Worldwide plc on pages 60 to 95 of this report.

References to a year in this report are, unless otherwise indicated, references to the Company's financial year ending 31 March of that year. In this report, financial and non-financial information is, unless otherwise indicated, stated on the basis of the Company's financial year. The Company's financial year is the period 1 April 2010 to 31 March 2011.

Information has been updated to the most practical date prior to the approval date of the document, being 23 May 2011.

Cautionary statement regarding forward-looking statements

This Annual Report contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable&Wireless Worldwide's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Furthermore, nothing in this Annual Report should be construed as a profit forecast.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Summaries of the potential risks faced by Cable&Wireless Worldwide are set out on pages 36 and 37.

Cable&Wireless Worldwide cannot guarantee future results, levels of activity, performance or achievements.

Cable&Wireless Worldwide undertakes no obligation to revise or update any forward-looking statement contained within this Annual Report, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by applicable laws or regulation.

Business Review and Directors' Report

The Companies Act 2006 (the 'Act') requires the Board of Directors to produce a Directors' Report including a Business Review. The Disclosure and Transparency Rules require the Board of Directors to produce a Management Report. On pages 2 to 37, we refer to the Business Review which incorporates the Management Report. The Directors' Report sets out the matters required to be addressed by the Directors and is set out on pages 2 to 58. The Directors' Report and Business Review that have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with the Directors' Report and Business Review shall be subject to the limitations and restrictions provided by such law.

Addressees of the Annual Report

This Annual Report is addressed solely to the members of Cable & Wireless Worldwide plc as a body, to assist them in assessing the strategies adopted by the Company and the potential for those strategies to succeed. Neither the Company nor its Directors accept or assume responsibility to any person for this Annual Report (beyond the responsibilities arising from the production of this Annual Report under the requirements of English company law) or any responsibility to update any statements in this Annual Report, save as required by applicable laws or regulation.

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Governance

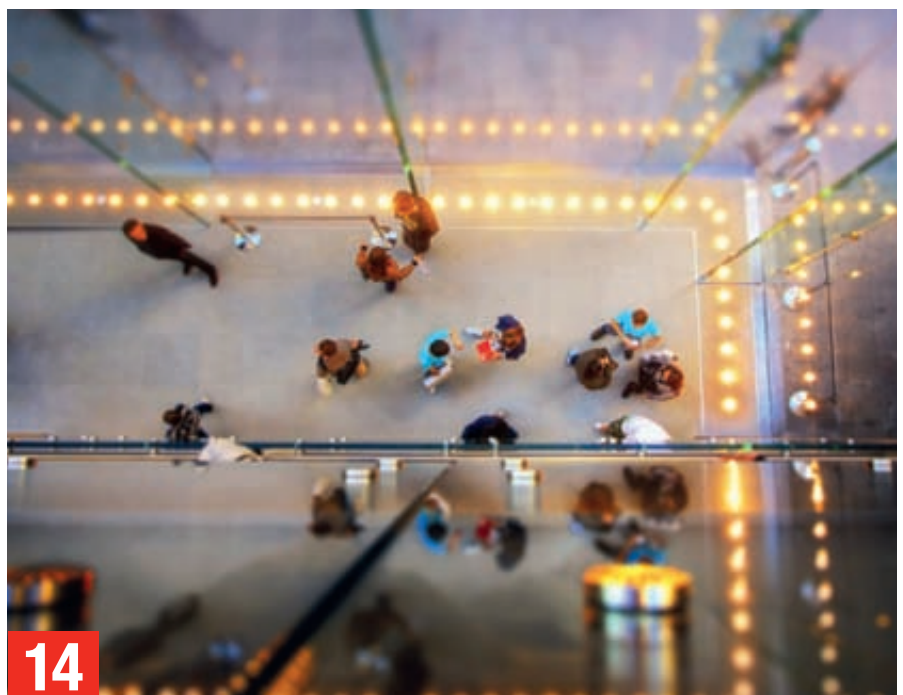
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OUR STRATEGY.

WHAT IS OUR AIM? TO GROW & DIVERSIFY THE BUSINESS OVER THE LONG-TERM.

HOW WILL WE ACHIEVE THIS?

By being the first choice communications integrator, delivering mission critical communications to large telecoms users.

WHERE IS OUR FOCUS?

In order to deliver consistently, successfully, and become the preferred marketplace supplier – we concentrate on two areas of our business, operational and financial:

OPERATIONAL FOCUS

To adapt rapidly in a fast changing environment we focus on differentiating our product and service mix which enables us to maximise the benefits we offer our customers.

Managing the decline in voice and legacy



The Telecoms industry grew out of the traditional need to carry voice from point to point. This has been in decline for a number of years as phone call volumes decline and although forecasting the precise year-on-year decline in absolute margins is difficult, we expect this to be in excess of 10% in the future. Traditional voice and legacy products also generate increasingly lower percentage margins. The world began to move to data carried over an Internet Protocol (IP) based network and we have sought to differentiate ourselves through our service and strategic product propositions as customers make this shift from voice to IP and data.

Key features:

- Increase in speed of decline in traditional voice; and
- International and wholesale voice traffic reductions and management of loss margin.

Maximising the opportunities from our strategic product set



We expect growth in strategic products to more than offset the decline in voice and legacy products. We continue to experience increased demand in bandwidth and migration from legacy voice to voice over IP. However, there is competitive pressure in the market for pure data connectivity and we are seeing price erosion on a number of contract re-signs. We continue to invest in our sales teams, reorganising our enterprise business to better address specific industry sectors, allowing us to become more aligned with our customers with products that meet their requirements.

Key features:

- Continued notable contract wins in our strategic product sets; and
- Increasing appetite for solutions based on a suite of products and capabilities, including hosted services such as Fixed Mobile Convergence (FMC) and Managed Video Conferencing enabling our customers to save costs.

Differentiation through communications integration service proposition



We continue to review developments in the markets in which the Company operates and to consider how the business can best position itself strategically. Customer appetite for integrated hosting solutions, i.e. cloud solutions, is a growing trend and we believe this represents a significant growth opportunity for Cable&Wireless Worldwide. Customers are demanding that their supplier can offer a full end-to-end communications integration suite.

Key features:

- Flexible cloud computing offer successfully launched;
- Increasing demand for provision of services in a virtualised environment
- Partnership with IBM to develop the UK Smart Energy Cloud;
- Strengthen our hosting capacity further by investing in incremental capital and operating expenditure; and
- Addition of more application services using technology partners.

Findings from a survey of more than 100 global multinational corporations (MNCs)

Cloud services adoption is up 61% from April 2010 with 45% of MNCs already using cloud sourcing for at least some elements of key IT services.

Source: Ovum survey for Cable&Wireless Worldwide

FINANCIAL FOCUS

To keep the business on a sound footing and enable us to respond actively to uncertain market conditions.

Maintaining operational efficiencies



We continue to drive operating cost efficiencies across the business. However, given the anticipated non-recurrence of some one-off benefits in 2010/11 and the cost inflation we are experiencing, combined with the operating expenditure investment we intend to make to exploit the cloud opportunities, we currently expect operating expenditure in 2011/12 to show a year-on-year increase in the order of £30 million.

Key features:

- Challenging market, particularly in the public sector and mid-market;
- Increasing potential to increase our public sector market share; and
- Forecasting improvements made to improve visibility and predictability of our business.

Driving cash flow growth



Given its importance to shareholder return, we remain particularly focused on cash flow growth and we expect trading cash flow in 2011/12 to be around £50 million higher than 2010/11. This is driven primarily by a year-on-year decrease in cash exceptional items and substantially reduced working capital outflow.

Key features:

- Free cash flow positive for the first time at £61 million;
- Continued control around capital expenditure; and
- Trading cash flow increased by 63%.

Supporting financial transparency



We enhanced our financial disclosure in 2010/11 and continue to look for ways to simplify our business in order to allow investors to understand and compare our business more easily with peer group companies.

Key features:

- Splitting our financial performance by product and channel;
- Given more clarity on our working capital movements;
- More transparency around the use of finance leases; and
- Detailed analysis of free cash flow.

OUR BUSINESS AT A GLANCE.

**EBITDA
GROWTH***
TO £442M

FY 2009/10: £431m

**TRADING
CASH FLOW***
TO £116M

FY 2009/10: £71m

**FREE
CASH FLOW***
TO £61M

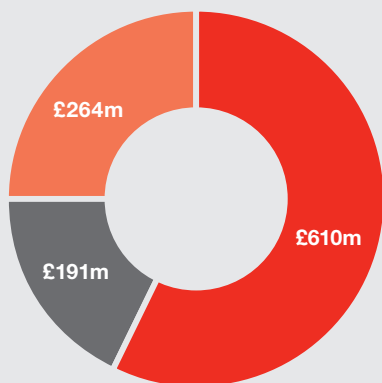
FY 2009/10: (£1m)

*Please see page 22 for definition of EBITDA, and page 34 for definition of trading and free cash flow.

Strong performance in high margin product areas

2010/11 Gross Margin and Percentage Margin

Gross Margin (£m)



Product set

% margin

■ IP & DATA	61%
■ HOSTING & APPS	73%
■ TRADITIONAL VOICE & LEGACY	27%

Contract wins:

BOOTS

FOREIGN & COMMONWEALTH OFFICE

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

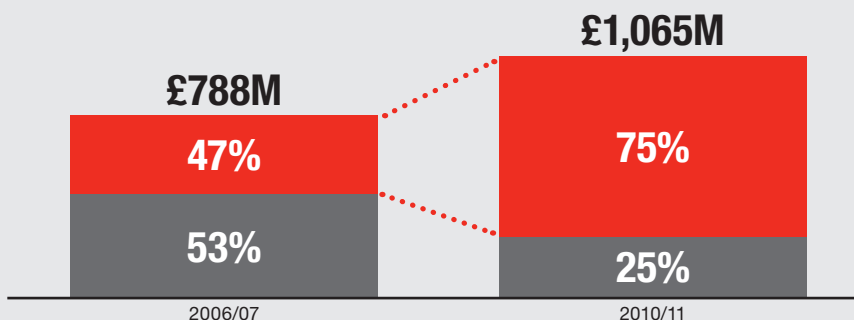
NEXT

AVIVA EUROPE

VERTEX

Successfully growing and diversifying the business over time

Gross Margin change (£m)



- Strategic product set: IP, data, hosting and applications
- Traditional voice and legacy

TELECOMMUNICATION PROVIDERS ARE EMERGING AS TRUSTED PARTNERS AND CREDIBLE SUPPLIERS FOR CLOUD SERVICES, INCREASING FROM 37% IN 2010 TO 49% IN 2011.

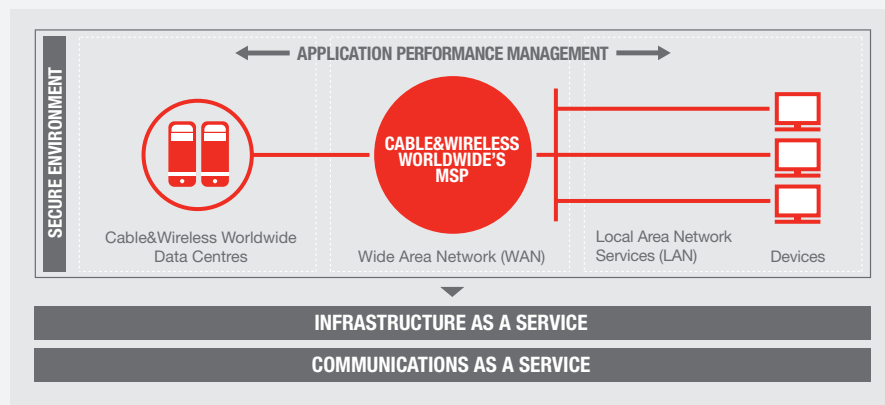
Source: Ovum survey for Cable&Wireless Worldwide

TOWARDS THE CLOUD.

A trend we believe represents a significant growth opportunity for Cable&Wireless Worldwide is the customer demand for integrated solutions, incorporating robust network connectivity, hosting and applications delivery and management, i.e. cloud-based services for hosting space and the movement to hosted service base offering.

Cable&Wireless Worldwide has a strong range of products, all based on forward-looking technology, and has developed Flexible Computing to support organisations' growing communications demands. We can deliver cloud on a virtualised platform, accessed over our Multi-Service Platform (MSP) network and store customers' data across our multiple UK data centres. Cloud computing allows customers to access on-demand computing resources which are integrated into a customer's corporate or Cable&Wireless Worldwide's wide area network (WAN). Adopting cloud services is an evolution, not a revolution.

Flexible Computing



BENEFITS

- Flexible
- Scalable
- Cost efficient
- Accessible
- Agile
- Secure
- Standardised
- Easy to manage

What does cloud computing offer?

- Enhances or replaces an organisation's physical computing environment with a secure, scalable, purpose-built and flexible infrastructure for their hosted applications through a virtualised platform;
- Organisations no longer need to invest in capital-intensive IT assets to cope with growing storage and processing requirements through seasonal or peak demand;
- Allows organisations to simply pay for what they use;
- Drives value from an IT estate and ensures a quicker return on investment;
- Allows organisations to become more agile, able to respond to customer demand faster, and rapidly scale their IT organisation to meet their business needs; and
- As data is stored remotely, employees can access it wherever they are which allows flexible working and stimulates productivity.

FINDINGS FROM THE FORRESTER SURVEY

2,803 IT decision-makers, 49% of North American companies and 45% of European companies report that pursuing a strategy of embracing cloud infrastructure services is a high or critical priority during the next 12 months.

Source: 'Q&A: Demystifying Cloud Security', Forrester Research Inc. 29 October 2010



OUR NETWORK & GLOBAL REACH.



Cable&Wireless Worldwide owns the UK's biggest fibre network dedicated to business users of telecommunications. Internationally, we have a cable network spanning more than 425,000km in length. It reaches across the Atlantic Ocean, through Europe and on to India, throughout Asia and beyond. In conjunction with satellites, we connect every continent and more than 150 countries, either directly or indirectly through our business partners.

Our Next Generation Network (NGN) spans the entire globe. It is specially designed to serve customers, who need a best-of-breed network solution, which is high speed and able to run the mission critical applications and services of large organisations.

Our IP-based Multi-Service Platform operates at the core of our NGN, offering a single environment on which voice and data applications can be converged to drive

business efficiencies. It is uniquely designed with inbuilt resilience.

Our network is integral to meeting the increasing demands for high speed data access. High speed connection to mobile, tablet, video conferencing, etc. is only made possible by the networks and technologies that underpin those devices, and it is only cable that can deliver the speeds that are required.

OUR VALUES

BE THE CUSTOMER. SAY IT LIKE IT IS. ONE TEAM. WE DELIVER.

Our values determine everything we do at Cable&Wireless Worldwide. How we work, recruit and develop colleagues, help create the culture we need to deliver our promises to our customers.

BE THE CUSTOMER

We are all customers. We all know how we want to be treated and what it is that winds us up. Colleagues in our business are encouraged to look at everything through the eyes of the customer. We do this because we have an obsession for customer service. It also helps to drive innovation and insight on what more we can do to help our customers succeed.

SAY IT LIKE IT IS

We know we can get more from an open exchange of views than we can from meaningless platitudes. Above all though, we recognise the power of listening – to our customers, shareholders and colleagues.

ONE TEAM

We believe in partnerships and team working, ranging from cross-functional teams, working closely across varied geographies. We also partner with our customers and suppliers and constantly strive to live and breathe their business, because we know our success is tied in with theirs.

WE DELIVER

Customers want a telecoms partner that's reliable – that they can trust to deliver results, every time and all the time. Our colleagues are driven by this, that's why we measure and reward them on what and how they deliver.

SAY IT LIKE IT IS



WE DELIVER



ONE TEAM



CASE STUDY: VERTEX

ENABLING PRIVATE CLOUD COMPUTING.

“Cable&Wireless Worldwide clearly demonstrated that it has the capability to take over a major component of Vertex’s operations, and has the commercial flexibility and willingness to take on risk and invest in their relationship with Vertex.”

Andrew Chamberlain, CTO, Vertex

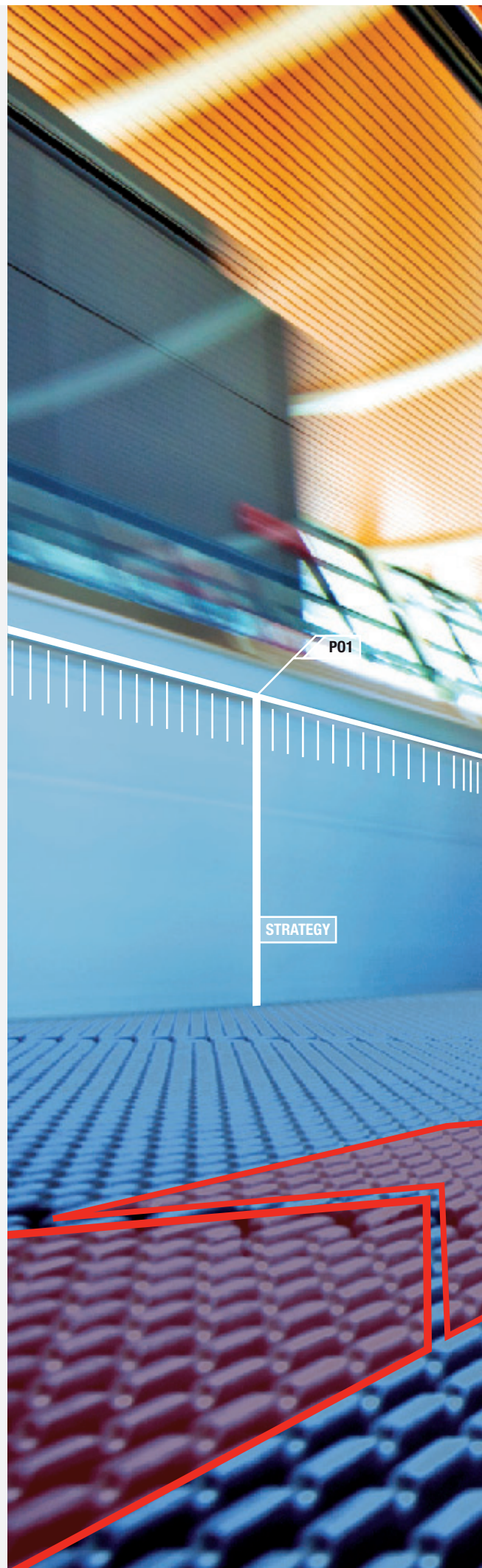
Vertex is a leading global Customer Management Outsourcing business with clients in the private and public sectors.

Under a £40 million, five year private cloud contract, Cable&Wireless Worldwide is providing a fully-managed Infrastructure as a Service (IaaS) solution for Vertex to host its IT infrastructure, in the UK and India, in a private cloud within Cable&Wireless Worldwide’s secure data centre environments. Vertex also has global access to all its information via Cable&Wireless Worldwide’s high-speed next-generation network (NGN).

Vertex’s IT infrastructure was previously a mixture of several platforms. Cable&Wireless Worldwide is helping Vertex to simplify their existing IT infrastructure, which will consolidate their expanding corporate and customer IT infrastructure, consisting of more than 1,600 operating systems and 600 physical servers, and will accommodate 200 terabytes (TBs) of storage space.

“This programme will dramatically transform our technological capability to continue delivering world-class service levels.” Andrew Chamberlain, CTO, Vertex

VERTEX+





P02

INVENTORY

P03

MIGRATION

P04

CONSOLIDATION

200 TERABYTES
OF STORAGE
SPACE

600 PHYSICAL
SERVERS


1,600 OPERATING
SYSTEMS

£40M, 5 YEAR
CONTRACT

EXTENT



USER #01

FREQUENCY 

UPTIME **12:13:09**

IP 159.165.063.069

COUNTRY UK

CONNECTION ACTIVE

BANDWIDTH PEAK 512KBPS
AVERAGE 343KBPS

CALL #01

ACCEPTED CALLERS 3

USER 01 CONNECTED 12:13:09

USER 02 CONNECTED 13:09:24

USER 03 CONNECTED 12:17:22

TIME ON SCREEN **13:09:24**

VOICE ENABLED

IMAGE ENABLED

USER #02

FREQUENCY 

UPTIME **13:09:24**

IP 669.691.087.023

COUNTRY GHANA

CONNECTION ACTIVE

BANDWIDTH PEAK 449KBPS
AVERAGE 253KBPS

ONLINE

- UK
- INDONESIA
- INDIA
- GHANA
- CONGO
- BRAZIL
- GUYANA

GHANA
0800

44 SITES &
1,200 USERS

5.5 YEAR,
£10.3M
CONTRACT

OFFICES
IN 40
COUNTRIES

PROVIDING
AID TO 90
COUNTRIES

CASE STUDY: DFID

IMPROVING COLLABORATION. REDUCING COSTS.

“Cable&Wireless Worldwide provides a fast, reliable and secure network that ensures we can focus on delivering aid more effectively into some of the poorest and most remote regions in the world. We are seeing substantial savings in our telecoms budget. This is good news for us and great news for the taxpayer.”

Peter Sweeney, Head of Operations, Department for International Development (DFID)

DFID works to get rid of extreme poverty and manages Britain's aid to the world's poorest countries. It has offices in around 40 developing countries and provides aid to approximately 90 countries. In order to reduce its telecommunications budget and connect all its sites on one network, it turned to Cable&Wireless Worldwide.

Under a five and a half year, £10.3 million contract on its global telecoms framework, Cable&Wireless Worldwide provides fast and reliable connectivity to all of DFID's sites across the globe, allowing DFID users to seamlessly communicate with one another.

The advanced IP services, which include IP voice, ensure better value for money through the reuse of existing Cable&Wireless Worldwide shared services, enabling DFID to improve operational efficiencies and increase inter-departmental collaboration across the world.

USER #03



IP 159.165.063.069

COUNTRY INDONESIA

CONNECTION ACTIVE

BANDWIDTH PEAK 512KBPS
AVERAGE 343KBPS

UK
0900

INDONESIA
1500

CASE STUDY: NEXT PLC

INCREASING CAPACITY AND FLEXIBILITY.

Cable&Wireless Worldwide continues to lead high street communications with a five year contract that connects 32 distribution sites and offices in the UK and Hong Kong for leading retailer, Next plc.

Cable&Wireless Worldwide's single, secure and high-speed next-generation network underpins all of Next's critical communications including taking orders and dispatching and receiving goods into warehouses. The advanced network provides Next with significantly more capacity to work with much higher volumes of goods than it was previously able to process.

The increased capacity and flexibility also enables more customers to place orders on Next's website; this will be particularly beneficial during peak trading periods. Next is well positioned to ensure its festive online shoppers enjoy the same high standards of service as they would in-store.

Next comments: "We needed a highly resilient network which would support our current needs and allow for future growth and new technologies. Additionally, the Application Performance Management service gives us more control over our network traffic than ever before, helping us deliver even better service to our stores and online customers."

next



5 YEAR
CONTRACT

CONNECTING 32
DISTRIBUTION
SITES AND OFFICES

NEARLY 3 MILLION
ACTIVE ONLINE
CUSTOMERS



// NODE A_65_X
// WAIT 0.12s
// SERVICE ROUTE C5

CHAIRMAN'S STATEMENT.

I could have wished for a less eventful first year of independence for Jim and the Executive team to manage. Individually the events were not that uncommon but as they occurred in close proximity they created their own story.

Whilst disappointing, it's not that unusual for there to be personnel changes in the Executive team. Sometimes the recruitment process just doesn't work out for either party. Tim Weller leaves with our best wishes for the future and we are lucky to have such an experienced and able deputy in Ian Gibson to step into the Chief Financial Officer role.

We're also not the only company to have experienced consequences of the Coalition's (necessary) determination to reduce public spending; a situation that arrived in a lump at the beginning of the year and is still with us. As government's focus shifts from the short-term control of spending to the longer-term deployment of technology that reduces back-office costs and improves service delivery we may see further opportunities for the business. And during the year we won new government business from the Foreign and Commonwealth office and the Department for International Development.

The final element was the need to simultaneously manage the price erosion evident in some of our markets whilst also creating the room to invest in the growth areas of hosting and cloud services. It is an exciting time in telecommunications as new technologies and customer needs drive a new set of products and services.

To be faced with issues across all three levels – the team, the business and the industry – is a particularly tough assignment in year one of the new business. As that set of issues crystallised, external confidence in the business and its prospects was undermined. Whilst that was understandable I do not believe it was entirely justified.

The business trends all speak to the importance and clarity of our long articulated strategy – namely to move purposefully into Communications Integration activity – a land dominated by the management of the applications that sit 'in the cloud' or 'in the network' as opposed to simply providing the infrastructure.

That journey was never going to be a short one; it is measured in years not months, as that is the pace of travel of our customers. During this transitional phase we continue to improve the business' operational and service capabilities as well as more actively managing the 'end of life' areas such as traditional voice.

And I am pleased to report that we continue to lead the UK industry in our deployment of unique cloud and virtualisation service offerings. In March we made Flexible Computing available to all our Multi Service Platform customers, effectively cloud-enabling them instantly.

That this is a business facing a demanding set of challenges is undoubtedly true, but it is also a business that is well equipped to face into and overcome those challenges. We already have one of the largest and most capable data centre and hosting operations in Europe, a leading product set in cloud and converged services and an enviable service reputation. The senior team and all colleagues in the business are clear about what needs to be done and determined in their resolve to execute their plans.

As we deliver against those ambitions we should see the wider perception of our business change.



John Pluthero
Chairman



CHIEF EXECUTIVE'S REVIEW.

Undoubtedly I would have liked to have made more rapid progress on EBITDA in our first year as an independent company. With revenue flat and a slight decline in gross margin, it was strong cost control that enabled us to deliver the 2.6% uplift in EBITDA to £442 million. We were free cash flow positive for the first time, £62 million ahead of the prior year.

The patterns that we have seen and driven across the business for a number of years were evident again, with the industry-wide decline in voice and legacy products masking the progress we made in our strategic product set. Traditional voice and legacy gross margin was down by £32 million (11%), but was partially offset by continued growth in the strategic data product set, where gross margin grew by £22 million. The proportion of Group gross margin which came from voice and legacy products fell again and now forms less than 25% of Group gross margin.

The scale of the cuts in the UK public sector challenged us in the first half of the year. We expected that the new government would scrutinise budgets and put in place spending reductions but we did not anticipate the immediacy and depth of the cuts; all non-contracted spend came under review almost immediately and everything except essential maintenance spend appeared to be halted. However, we do agree that there are very significant efficiencies that can be identified during the term of this Parliament through the introduction of greater competition, and we are committed to working with the government to help the public sector benefit from a simpler, integrated communications infrastructure. Although the UK public sector remained relatively subdued for the rest of the year, we did win key data contracts which were tendered, including our most significant public sector contract to date for a global network usable by all government agencies, with the Foreign and Commonwealth Office and the Department for International Development already signed up.

In UK enterprise we continued to win new customers and extend our relationships with our existing customers. Notably we became the single telecoms supplier to Babcock in a deal to link 250 sites and extended our relationship with Boots in an agreement to provide a high-speed secure

network and Application Performance Management (APM), enabling business critical applications to be prioritised.

It was a tough year in UK carrier, as lower pricing and consolidation within the industry put pressure on the numbers. Performance in the mid-market was disappointing, with the first half particularly so. The channel stabilised in the second half of the year as the direct mid-market business, THUS, began to offset the decline in its legacy consumer broadband product with growth in its newer commercial product suite.

The Global business performed better, with margin growth in both enterprise and carrier. We deepened our engagement with our biggest customers, re-signing longer-term contracts with each of our key enterprise customers who were up for renewal and growing our wholesale partnerships with more fixed, mobile and content service providers. Sales were strong as we developed further our relationships with regional incumbent telecom operators by providing them with global access for their customers. The Europe India Gateway (EIG) cable system is nearing completion and the West Africa Cable System (WACS) is progressing well and is expected to complete in 2012. These routes provide us with increased reach and added resilience and will help satisfy the burgeoning demand in India and Africa, two key geographies.

As we look forward beyond this year's financial performance I expect recent trends to continue. The speed of decline in traditional voice has increased slightly, such that we now expect margin here to decline in the near term by between 10% and 15%, and we are experiencing increased price pressure in the market for raw connectivity. However, as we noted in our statement in March, we are also seeing increasing customer appetite for more complex solutions, requiring a suite of network, hosting and applications services. This should more than offset the margin loss from traditional voice. It is no longer sufficient to be able to provide just individual products or connectivity. Cloud is becoming a reality. Customers are keen to explore the complete provision of services in a virtualised environment, which can remove their need to carry infrastructure, lower their cost base, compress their product development cycle and reduce their time to

market. This will require further investment to deliver the growth that is available in this area, which we outlined in our pre close statement in March 2011.

This movement to cloud, along with the continuing convergence between mobile and fixed line communications and the rapid growth in global data traffic make it a very exciting time to be in fixed line communications. The opportunities Cable&Wireless Worldwide have are extensive, given our network strength, our hosting infrastructure and capabilities and our close relationships with our key customers. The journey for our customers from here will be complex. This complexity will increase the importance and value of the advisory role that we already play today, as we assist customers to restructure the way they operate in order to take full advantage of technology advances.

Looking to the year ahead, we expect EBITDA to be at much the same level as the 2010/11 year. Growth in gross margin of around £30 million is expected to be offset by higher operating costs due to cost inflation, the network rates credit in the 2010/11 year and investment in exploiting the cloud opportunity. However, we expect to grow trading cash flow by around £50 million. It is this expanding cash flow profile which gives the Board the confidence to maintain the current dividend level into the 2011/12 year. Once the dividend payment is covered by free cash flow the Board intends to adopt a progressive dividend policy, which will reflect the growth in cash generation.

We have established a clear route map for this business in an evolving environment and I am convinced that we can deliver the value that our shareholders, colleagues and our customers expect and deserve.

Finally, I am also pleased to report that Ian Gibson has been confirmed by the Board as the successor to Tim Weller as Chief Financial Officer. Ian will join the Board and assume the role on the day of the Annual General Meeting, 21 July 2011.



Jim Marsh
Chief Executive



Q&A WITH THE CHIEF EXECUTIVE.

HOW DO YOU FEEL ABOUT YOUR FIRST YEAR AS THE CEO OF A PUBLIC COMPANY?

Clearly this is not the year I had expected, nor that I would have wanted. We have achieved significant milestones by turning free cash flow positive and generating profit before tax from a loss of £94 million to a profit of £140 million. But not withstanding this, the market has been challenging, particularly in the public sector. We are continuing to build a strong business focused on our customers and leveraging the considerable skills of our outstanding colleague base. I am very proud to be the CEO of a business with such outstanding capabilities and prospects.

YOU NOW GENERATE POSITIVE CASH FLOWS, HOW DO YOU LOOK TO IMPROVE YOUR PROFIT AND CASH GENERATION IN THE FUTURE?

We have turned this business around over the last five years to the point where we are free cash flow positive for the first time this year. Growing our cash flow remains the most important goal over the coming years. We want to ensure that the main driver of this is profit growth but we will continue to implement tight control around capital expenditure, reduce our working capital outflow and stick to our promise of falling exceptional cash charges over time.

WHAT HAVE BEEN YOUR BIGGEST CHALLENGES OVER THE LAST 12 MONTHS AND HOW HAVE YOU ADJUSTED YOUR BUSINESS STRATEGY TO OVERCOME THESE CHALLENGES?

Every year brings new challenges. In the last year we had to overcome a sharp downturn in UK public sector communications spend and broader economic headwinds which meant that our enterprise customers remained careful and disciplined around their external discretionary spend. We had to cut our cloth appropriately in terms of our own operating cost base and work even more proactively with our customers to develop clear business cases for significant investment in their communications infrastructure. The continued decline in legacy voice activity also challenged the revenue stream of our business. Even given these challenges we managed to hold our revenue flat and make significant progress on both profit and cash, turning free cash flow positive for the first time.

WHAT ARE THE MAIN INDUSTRY TRENDS YOU HAVE SEEN THIS YEAR?

The trends which are evident in the business are not a surprise. Voice and legacy products continue to decline; these now make up only 25% of our total margin and generate lower individual margins than our strategic products set. We are experiencing increasing customer appetite for more complex solutions, particularly encompassing hosted data and applications and moving towards a cloud-based infrastructure, enabled by a high-quality IP-based network. This is perhaps a faster transition than we were expecting. We expect this growth in strategic products to more than offset the decline in voice and legacy products.

YOUR COMPETITORS ARE GENERALLY LARGER THAN YOU AND BETTER CAPITALISED THAN YOU; ISN'T THIS A LONG-TERM DISADVANTAGE?

Being small isn't necessarily a disadvantage in an industry where customers need responsiveness and agility. We have thrived on being nimble, allowing us to minimise the time between identifying opportunities and addressing them. We have stayed close to our customers, worked hard at understanding their priorities and differentiated ourselves with the service we offer, which allows us to offer flexible, individual and competitive fixed line packages. We continue to invest in our sales teams and have reorganised our enterprise business to better address specific industry sectors, which will allow us to become more aligned with our customers to offer a selection of products which meets their requirements and needs.

HOW WILL YOU ENSURE THAT THE COMPANY DOESN'T ENCOUNTER THE SAME EVENTS IT DID THIS YEAR WHICH DAMAGED CREDIBILITY?

This year was definitely tough and we have learnt from that. The main issue we encountered this year was the magnitude of the impact of government's austerity measures on our performance. The result of these measures was that non-contracted spend dropped sharply and rapidly. It remains difficult to forecast with absolute precision but there appears to be little additional pressure on this spend and the increasing potential to increase our share of public sector spend as government seeks to drive greater diversity and competition in the communications services it procures. We have made strides in our forecasting processes in the last year and we continue to seek to improve the visibility and predictability of our business which will allow us to better foresee changes in the market in which we compete.

UNDERSTANDING OUR BUSINESS PERFORMANCE.

Group revenue for the year, at £2,257 million (2009/10: £2,265 million), decreased marginally, primarily as a result of a reduction in voice and legacy products which reflected regulatory changes, reduced traffic volumes and increased pricing pressure, partially offset by continuing growth in our strategic product set. Earnings before interest, tax, depreciation and amortisation, long-term incentive plan credit/charge, net other operating income/expenses, exceptional items and gains/losses on disposal of non-current assets (EBITDA) increased by 2.6% at £442 million (2009/10: £431 million), trading cash flow increased by 63% to £116 million (2009/10: £71 million) and free cash flow increased by £62 million to £61 million.

We engage with our customers through several market channels that are managed on a unified basis reflecting the integrated nature of our global network. We present details of our performance divided into market channels to help explain our overall performance and the development of our business.

2010/11			
	Revenue £m	Gross margin £m	Gross margin %
UK enterprise	849	446	53%
UK public sector	285	170	60%
UK carrier	354	113	32%
Mid-market direct	108	65	60%
Mid-market indirect	104	33	32%
Mid-market	212	98	46%
Total UK	1,700	827	49%
Global enterprise	195	100	51%
Global carrier	362	138	38%
Total Global	557	238	43%
Total Worldwide	2,257	1,065	47%
2009/10			
	Revenue £m	Gross margin £m	Gross margin %
UK enterprise	837	446	53%
UK public sector	285	168	59%
UK carrier	349	111	32%
Mid-market direct	125	75	60%
Mid-market indirect	117	43	37%
Mid-market	242	118	49%
Total UK	1,713	843	49%
Global enterprise	184	99	54%
Global carrier	368	133	36%
Total Global	552	232	42%
Total Worldwide	2,265	1,075	47%

Source: Management information

UK enterprise

	2010/11 £m	2009/10 £m	Change %
Revenue	849	837	1.4
Cost of sales	(403)	(391)	(3.1)
Gross margin	446	446	–
Gross margin %	53%	53%	

Source: Management information



Our UK enterprise channel serves large users of mission critical communications where the principal relationship is based in the UK.

UK enterprise revenue increased to £849 million (2009/10: £837 million) and gross margin remained consistent at £446 million. Revenue from our strategic product set increased by £25 million; with strong growth in retail and banking, this was partially offset by a decline in voice revenues of £13 million. The decrease in voice revenue was driven primarily by regulatory changes that occurred in 2009/10, affecting 0845 and 0870 non-geographic number ranges. The margin decline seen in the first half of the year, compared with the first half of the prior year, was principally due to a specific piece of high margin professional services work in the prior year and the recognition of a higher regulatory settlement for Partial Private Circuits (PPC) in 2009/10. This was offset in the second half of the year by incremental sales and the recognition of a further £6 million of regulatory credits. Excluding the impact of regulatory settlements and the specific piece of professional services work in the prior year, underlying gross margin was up 3% year on year.

During the year we continued to achieve notable contract wins in our strategic product sets, including Babcock to consolidate their network estate and connect 250 UK and international sites. We also extended existing contracts with our current customers including Boots UK, where we provide a high-speed secure network and Application Performance Management (APM), enabling business critical applications to be prioritised depending on time of day and catering for sales peaks.

We continue to invest in our sales teams and have reorganised the business to better address specific industry sectors. This will allow us to become more aligned with our customers to offer a differentiated selection of products and services which meets their requirements and needs.

We launched our new cloud proposition in March 2011 to over 100 businesses at an innovation event in London. Our Flexible Computing proposition offers agility, security and control which coupled with our advanced international MSP network, gives us a competitive

edge. It will enable our customers to react to their consumer demands instantly, innovate faster, optimise internal IT costs and support business change.

Also in March 2011 we announced our intention to partner with IBM to develop the UK Smart Energy Cloud, an intelligent data and communications solution, to support the UK Government's SMART Meter Implementation Programme which is intended to roll out around 50 million SMART energy meters in the UK.

We continue to roll out Fixed Mobile Convergence (FMC) across several of our customers with two roll outs completed. At the end of March 2011, we had over 30,000 users on the FMC platform.

UK public sector

	2010/11 £m	2009/10 £m	Change %
Revenue	285	285	–
Cost of sales	(115)	(117)	1.7
Gross margin	170	168	1.2
Gross margin %	60%	59%	

Source: Management information

Through our UK public sector channel we deliver solutions to central and local government organisations in the UK and globally.

Revenue in 2010/11 was in line with the prior year at £285 million. Total gross margin increased by £2 million to £170 million following new contract wins and continued growth across our strategic product set which offset much of the decline experienced in non-contracted project work and legacy voice.

Following the UK general election in May 2011 and the subsequent Government Emergency Budget in June 2011 the channel experienced a significant reduction in non-contracted public sector spending as new limits on procurement were introduced and austerity measures began to be implemented. As a result, the performance of the channel was affected, particularly during the first half of the year. While project activity did improve in the second half, it remained below previous levels.

During the year we secured a number of significant and strategically important contract wins. In September 2010 we agreed a key framework contract to provide a highly resilient global network and a suite of advanced Internet Protocol services to 160 countries worldwide. The Foreign and Commonwealth Office became the first government department to purchase services under this agreement in an £82 million, five and a half year partnership. Following this, the Department for International Development contracted for connectivity to their 44 global sites for £10 million over five and a half years.

As part of the UK Government's Information and Communications Technology (ICT) strategy review it identified the need to become more consistent and efficient in the procurement of goods and services and change the way it engages with suppliers to focus on business outcomes and benefits rather than products and technology. In October 2010 we signed a Memorandum of Understanding (MOU) which fully supports this agenda and identified ways in which our current contract base could provide savings for the government. Additionally, the MOU opens up the opportunity for increased engagement and collaboration between Cable&Wireless Worldwide and the various government departments that are looking to drive down costs and improve efficiencies. We subsequently signed a Deed of Undertakings in April 2011 that enables us to access opportunities within the new Public Sector Network (PSN) framework that is currently being established. We have formed seven new strategic proposition areas to align our hosting and telecom services to the new administration's policy initiatives.

UK carrier

	2010/11 £m	2009/10 £m	Change %
Revenue	354	349	1.4
Cost of sales	(241)	(238)	(1.3)
Gross margin	113	111	1.8
Gross margin %	32%	32%	

Source: Management information

UK carrier comprises major UK-based fixed line carriers and mobile operators.

UK carrier revenues increased by 1.4% to £354 million (2009/10: £349 million). Gross margin increased by 1.8% to £113 million (2009/10: £111 million).

The growth was primarily due to a specific fibre roll out contract. Removing this effect, we experienced underlying margin decline in this sector, primarily as a result of market consolidation during the prior year, including the acquisition of Tiscali by Carphone

Warehouse and the subsequent rationalisation of services. There has also been a shift in the overall mix of traffic away from higher margin national transit products to lower margin mobile voice transit products leading to a reduction in the underlying overall gross margin percentage.

We have continued to invest in local loop unbundling in the UK, and now have 864 exchanges unbundled. This will enhance the future profitability of our wholesale contracts and will enable us to provide a more competitive proposition to other wholesale broadband customers and other businesses seeking home worker solutions.

Mid-market

	2010/11 £m	2009/10 £m	Change %
Direct			
Revenue	108	125	(14)
Cost of sales	(43)	(50)	14
Gross margin	65	75	(13)
Gross margin %	60%	60%	
Indirect			
Revenue	104	117	(11)
Cost of sales	(71)	(74)	4.1
Gross margin	33	43	(23)
Gross margin %	32%	37%	
Total			
Revenue	212	242	(12)
Cost of sales	(114)	(124)	8
Gross margin	98	118	(17)
Gross margin %	46%	49%	

Source: Management information

Mid-market is comprised of our direct THUS business and indirect customers who resell our products to small or medium sized businesses.

Overall, mid-market revenues in the year reduced by £30 million to £212 million and gross margin by £20 million to £98 million. This sector saw significant margin decline in the second half of 2009/10 which slowed down in the first half of this year and stabilised in the second half.

In the indirect mid-market, business consolidation among our current reseller base drove pricing pressure, due to their increased scale, and led to some of the reseller base exiting as they struggled in this competitive market. This also caused a reduction in the gross margin percentage.

32%
Gross margin
for UK carrier

£354M
UK carrier revenues

THUS experienced revenue decline mainly because of the regulatory changes to the voice market around non-geographic numbers and mobile termination rates from 2009/10 and the ongoing decline in consumer broadband within the Demon customer base which is not a market we are seeking to grow in. The margin from our core business products has stabilised through 2010/11 and is now showing signs of growth which helped offset the margin decline in the legacy consumer broadband business.

Global

	2010/11 £m	2009/10 £m	Change %
Enterprise			
Revenue	195	184	6
Cost of sales	(95)	(85)	(12)
Gross margin	100	99	1.0
Gross margin %	51%	54%	
Carrier			
Revenue	362	368	(1.6)
Cost of sales	(224)	(235)	4.7
Gross margin	138	133	3.8
Gross margin %	38%	36%	
Total			
Revenue	557	552	0.9
Cost of sales	(319)	(320)	0.3
Gross margin	238	232	2.6
Gross margin %	43%	42%	

Source: Management information

The Global sector, where our main customer relationship is outside the UK, is split into two separate business channels. Global enterprise is comprised of major multinational enterprises and Global carrier provides voice and data services to other international telecommunications operators. The customers reside in the Asia-Pacific region, India, the Middle East and Africa, Continental Europe and the United States.

Global enterprise

Global enterprise revenue increased by £11 million to £195 million, gross margin rose by £1 million to £100 million; however, as a result of pricing on renewals gross margin percentage fell by 3%.

In 2010 we announced a range of new global ethernet services in tandem with the expansion of our MSP. We continue to see growth in strategic products including our Managed Video Conferencing Solution, which is particularly popular with our large international banking customers. The decline we saw in our legacy voice product was offset by customers taking incremental IP and data products. We announced a three year

£2.6 million contract with MphasiS (IT services provider) to connect their global sites in India, China, the United Kingdom and the USA. Data connectivity remains an extremely competitive market with pricing pressures impacting our large contract renewals.

We continue to focus on our global services including setting up a Global Market Solutions Centre in Bangalore, India, which will serve as an innovations hub for offshore product development. This will enable faster development of our range of IP services and customisation of existing products to suit our global customers. In October 2010 we also announced a new Indian Centre of Excellence in Chennai. Our new Network Operations Centre (NOC) serves as a back-up facility and also provides additional scale to our existing centre in Bangalore. Together these two centres will manage and support the communication networks of over 6,000 customers across our business.

Global carrier

Global carrier revenue decreased by £6 million to £362 million, with gross margin increasing by £5 million to £138 million compared with the prior year.

The decline in revenue reflects our ongoing managed reduction of low margin international voice contracts, together with a broader fall in the volume and price of international voice traffic. Gross margin increased in the year primarily due to the sale of capacity to major international internet service providers and growth in Asia, where we successfully contracted to supply internet access to a large national carrier.

Sales of international capacity through the transatlantic Apollo cable, which we own in partnership with Alcatel, continue to perform well, contributing to margin growth in the year.

We made good progress in strengthening our international core capability and reducing the cost of delivering global solutions. Our new cable system, the Europe India Gateway (EIG) is due to complete in the autumn of 2011 and the construction of the West Africa Cable System (WACS) is also well under way and expected to complete in 2012. As well as extending our reach for current customers these cables will provide us with valuable new sales opportunities. In the year we increased our orders for capacity sales, prior to full commissioning of the cable systems.

We gained recognition of our global IP network which provides ethernet, MPLS and IP transit services to over 500 national and international carriers globally, when we were awarded the 'Best Asian Wholesale Offering' at the annual Capacity Awards 2010.

£195M
Global enterprise
revenue

38%
Global carrier
gross margin

SUSTAINED COMMITMENT TO OUR CORPORATE RESPONSIBILITY.

Telecoms Sans Frontiers –
Emergency communication
relief in action 2011.



ENVIRONMENT AND SUSTAINABILITY TARGETS

ACHIEVED:

ISO 14001

For UK by 2011

72% WASTE RECYCLED

Against a target of 54%. Increased to 79% target for 2011/12

2.4% HCFC AND HFC LOSSES

Control the amount of HCFC and HFC refrigerant lost to the atmosphere to no more than 4% of the total held in Cable&Wireless Worldwide estate

E-LEARN COURSES

Delivered a worldwide colleague awareness/ engagement campaign in 2010 including mandatory e-learn courses

ON TARGET:

27.5% LESS WATER

Reduce water consumption by 27.5% on office and non-office estate by 2020

REDUCE CARBON EMISSIONS BY 6%

In the UK in 2011/12 and 2012/13

Cable&Wireless Worldwide is committed to maintaining a sustainable business

Acting on sustainability means continuous improvements; resulting in the need for new processes, applications, capabilities and communication. This will require new Information Communication Technologies and integrated solutions, all of which create new opportunities for Cable&Wireless Worldwide.

Environment and sustainability

Our environmental impact is well understood and our environmental management system has been certified with the ISO 14001 international standard.

As a new plc, we have agreed a suite of energy, emissions and water targets.

- Waste targets have been raised
- Energy cost and carbon management are strategic programmes
- Carbon audits in place to ensure effective reduction programmes

Carbon

Our Carbon Footprint in the UK was 238,657 tonnes of CO₂e compared with 239,679 tonnes of CO₂e for the last financial year. This figure, calculated using the Greenhouse Gas Methodology, has been externally verified for the fifth consecutive year by the Edinburgh Centre for Carbon Management.

Energy consumption¹ in the UK

	2010/11	2009/10
Electricity ² (kWh)	375,932,198	403,681,907
Natural gas ³ (kWh)	15,473,295	17,294,554

1 We also measure fuel and heating oils consumption with a 2010/11 baseline. This consumption accounts for a negligible amount of our emissions at this time. We continue to reduce the environmental impact associated with the use of these fuels to improve where we can.
 2 Used to power our network, to provide support services such as network cooling, and in our offices.
 3 Used to heat our offices.

Figures are for UK only, Cable&Wireless Worldwide has agreed a target to improve environmental KPI reporting for the Worldwide business outside of the UK to enable target setting on key impacts by April 2012.

A number of initiatives during the year have yielded results: power smoothing, air-conditioning compressor work, room set temperature changes, network decommissioning, server virtualisation, hot/cold containment as well as combined heat and power investigations.

Product and services

We expect organisations not only to increasingly look for solutions that help them reduce costs, but also the environmental impacts associated with excessive travel and inefficient infrastructure. As a result, we are helping our customers drive more sustainable solutions with:

- Managed Video Conferencing
- Mobile working solutions to increase flexible working
- Fixed mobile convergence capability
- Flexible computing services capability

We are developing a range of Smart Metering, SmartGrid, eHealth and teleMedicine solutions to improve energy usage, provide better energy management and improved patient care, by creating easier access to treatment and condition management remotely.

Cable&Wireless Worldwide is also actively working to improve connectivity in rural communities to reduce emissions, enable regeneration and improve sustainable living as part of Broadband Delivery UK and other regional initiatives using radio and other non-intrusive technologies.

Sustainability through partnerships

We have engaged key suppliers in our Sustainable Procurement Programme.

Our supplier assessment is based on an audit programme and enables us to assess and monitor supplier performance against:

- Business continuity planning
- Health & safety standards
- Environment standards
- Security standards
- Business ethics

The programme includes risk assessments to help us assign a risk level and create action plans to mitigate and manage them accordingly.

Partnerships

We have signed the Cancun Communiqué and the Copenhagen Communiqué. We are a member of the UNEP and the May Day Network. We are also registered on the FTSE4Good Index.

Improving communities

We have an opportunity to positively impact the communities in which we operate. Our current community programmes are split into International, National and Local.

International

We have been a strategic charitable partner of Telecom Sans Frontiers for nine years. 2010/11 saw this partnership support multiple relief efforts across the world.

National/local

We have multiple community initiatives aligned specifically to national and local initiatives. This enables the opportunity to engage local colleagues (table below).

National community initiatives

Region/location	Beneficiary
UK	
Various	Children in Need
Leeds	St. Gemma's Hospice
Norwich	New Zealand Earthquake Relief
London	Clic Sergeant
Swindon	Chernobyl Children in Need
We also support organisations such as Race online 2012 and Get Safe online. THUS, a Cable&Wireless Worldwide business, is a member of the Internet Watch Foundation.	
Asia	
India	Christel House
Singapore	Singapore Children's society Japanese Red Cross
US	
New York and Virginia	Wesley Housing Development Corporation's Adopt-a-Family Program

Our 2010/11 demerger has given us an opportunity to review our Corporate Responsibility strategy. We have placed significant focus on our community agenda and plan to launch our new strategy in 2011/12.

CHIEF FINANCIAL OFFICER'S REVIEW.

One year on from demerger I am pleased to be able to comment on a solid set of results. Solid because we have seen EBITDA grow to £442 million from £431 million last year and trading cash flow increase to £116 million from £71 million. This has been achieved in a particularly demanding economic environment in which we have experienced customers and suppliers applying some considerable financial pressure.

Total revenue for the year is marginally down at £2,257 million, from £2,265 million last year, primarily as a result of a reduction in voice and legacy products, reduced traffic volumes and increased pricing pressure. Continued organic growth in our strategic product set of IP, data, hosting and applications increased its share of Group revenue to 56% from 54% last year.

Total operating costs decreased year-on-year by £21 million. The reduction primarily reflects a combination of lower bad debt expense, energy savings, network charge rebates recognised in the year and savings on communication costs. Against this we incurred £13 million of charges in respect of leaver redundancy payments and £7 million in respect of increased staff costs due to wage inflation and additional heads following demerger as we changed the balance of our teams to match the evolving needs of the business.

We generated £116 million of trading cash flow in 2010/11 up £45 million on last year. Free cash flow increased by £62 million to an inflow of £61 million compared with the free cash outflow of £1 million last year. This is after paying £23 million of interest and finance costs and repaying £22 million of finance lease capital.

Exceptional operating costs relating to the business restructuring declined substantially in the year from £54 million to £15 million as these programmes completed. Cash spent on exceptional items declined similarly from £73 million to £37 million.

Balance sheet capital expenditure in 2010/11 marginally increased to £282 million and 12% of revenue. We spent £161 million on customer contracts related capital expenditure, £88 million on new capability assets and £33 million maintaining our property and network assets and on cost reduction initiatives.

This performance meant we ended the year with £266 million of cash, up £40 million on last year. Our £300 million revolving credit facility remains undrawn.

The Board recommends a final dividend of 3.0 pence per share which, subject to shareholder approval will be paid on 11 August 2011. The Board has reviewed the dividend policy following the performance of the business in its first year as an independent listed company and now intends to hold the dividend at the current level of 4.5 pence in the 2011/12 year, and intends to adopt a progressive dividend policy once the dividend payment is covered by free cash flow, which will reflect the growth in cash generation.

On a personal note, I have thoroughly enjoyed my year leading the finance team at Cable&Wireless Worldwide and working with the business during the year post demerger. Looking to the future, I hand over to Ian Gibson as the incoming Chief Financial Officer with continued confidence in the Cable&Wireless Worldwide colleagues who have shown great commitment and dedication over the past year.



Tim Weller
Chief Financial Officer



Group results

The Group results presented below should be read in conjunction with the Group's consolidated income statement, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements on pages 60 to 95. To help explain the movements in revenue and margin during the year, we have provided an analysis by product. We do not manage our business or allocate resources by product line.

	2010/11			2009/10		
	Pre-exceptional items £m	Exceptional items ¹ £m	Total £m	Pre-exceptional items £m	Exceptional items ¹ £m	Total £m
IP and data	999	–	999	978	–	978
Hosting and applications	263	–	263	240	–	240
Traditional voice and legacy	995	–	995	1,047	–	1,047
Revenue	2,257	–	2,257	2,265	–	2,265
Cost of sales ²	(1,192)	–	(1,192)	(1,190)	–	(1,190)
Gross margin	1,065	–	1,065	1,075	–	1,075
Operating costs (excluding LTIP credit/charge)	(623)	(15)	(638)	(644)	(54)	(698)
EBITDA	442	(15)	427	431	(54)	377
LTIP credit/(charge)	9	–	9	(14)	–	(14)
Demerger costs	–	(2)	(2)	–	(10)	(10)
Pension obligations on demerger	–	–	–	–	(143)	(143)
Depreciation and amortisation	(285)	–	(285)	(268)	–	(268)
Net other operating income/(expense)	4	–	4	(1)	–	(1)
Total operating profit/(loss)	170	(17)	153	148	(207)	(59)
Gains/(losses) on sale of non-current assets	–	14	14	(1)	–	(1)
Net finance expense	(27)	–	(27)	(31)	(3)	(34)
Profit/(loss) before income tax	143	(3)	140	116	(210)	(94)
Income tax credit	69	–	69	95	–	95
Profit/(loss) for the year	212	(3)	209	211	(210)	1
Profit/(loss) for the year attributable to:						
Owners of the parent	211	(3)	208	211	(210)	1
Non-controlling interests	1	–	1	–	–	–
	212	(3)	209	211	(210)	1
Capital expenditure (£m)³			(282)			(279)
Earnings/(loss) per share attributable to equity holders (pence)	8.0p	(0.1p)	7.9p	8.3p	(8.3p)	0.0p
Adjusted earnings/(loss) per share attributable to equity holders excluding income tax credit (pence)	5.4p	(0.1p)	5.3p	4.6p	(8.3p)	(3.7p)
Dividend per share (pence)			4.5p			–

1 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.

2 Outpayments and direct costs.

3 Balance sheet capital expenditure excludes capitalised borrowing costs of £4m (2009/10: £nil) and release of asset retirement obligations of £1m (2009/10: £2m).

Cable&Wireless Worldwide key performance indicators

	2010/11	2009/10
IP, data, hosting and applications as a percentage of revenue	56%	54%
Gross margin percentage	47%	47%
Operating costs as a percentage of revenue (before exceptional items)	28%	28%
Operating costs as a percentage of revenue (after exceptional items)	28%	31%
EBITDA margin percentage (before exceptional items)	20%	19%
EBITDA margin percentage (after exceptional items)	19%	17%

Analysis of results

Total revenue

Revenue for 2010/11 was £2,257 million, a decrease of 0.4% on 2009/10. Continued organic growth in our IP, data, hosting and applications products increased their share of Group revenue to 56% (2009/10: 54%). This growth was offset by downward pressures on our traditional voice products.

Total gross margin

Gross margin for 2010/11 was down by £10 million at £1,065 million. Gross margin as a percentage of revenue remained consistent with 2009/10 at 47%.

Net growth in our strategic product sets of IP, data, hosting and application services of £22 million only partially offset the reduction in traditional voice margins, which reflected regulatory changes and reduced international and wholesale traffic volumes and price pressure in the voice and legacy product segment.

£m	IP and data	Hosting and applications	Traditional voice (incl. legacy)	Total
2010/11				
Revenue	999	263	995	2,257
Gross margin	610	191	264	1,065
Gross margin %	61%	73%	27%	47%
2009/10				
Revenue	978	240	1,047	2,265
Gross margin	605	174	296	1,075
Gross margin %	62%	73%	28%	47%

IP and data – revenue and gross margin

IP and data includes wide area networks with speeds of around 2Mbps to greater than 10Gbps, local area networks providing connectivity within a customer's physical location and local loop unbundling. Also included within IP and data are IP voice solutions and our Fixed Mobile Convergence solution.

IP and data revenue increased by £21 million to £999 million compared with 2009/10. This principally reflected the recognition of a specific fibre roll-out contract.

IP and data margin increased by £5 million to £610 million compared with 2009/10. This reflects the recognition of £17 million of margin from the specific fibre roll out mentioned above and increasing demand for bandwidth and migration from legacy voice products to connectivity, partially offset by price erosion on a number of contract re-signs and increasing competitive pressure in the market for pure data connectivity. We also recognised £8 million of rebates relating to Partial Private Circuits (PPC) and £6 million of further regulatory benefits during the year. 2009/10 benefited from a specific piece of high margin professional service work of £12 million and £12 million of PPC rebate.

Hosting and applications – revenue and gross margin

Hosting includes fully managed hosting solutions as well as co-location, server and website hosting, storage and security. Applications include Managed Video Conferencing, Application Performance Management and hosted contact centre applications.

Hosting and applications revenue increased by £23 million to £263 million compared with 2009/10 and gross margin increased by £17 million to £191 million. This principally reflects an increase in activity for our UK enterprise customers where we have seen continued demand for our managed hosting solutions.

Traditional voice (including legacy products) – revenue and gross margin

Traditional voice products include line rental and calls, telebusiness (inbound call management) providing non-geographic numbers or premium rate lines and voice transit and interconnect, providing voice capacity to carry minutes originating from other carriers. Legacy products include Asynchronous Transfer Mode (ATM) Frame solutions and dial-up internet services.

Traditional voice (including legacy products) revenue decreased by £52 million on 2009/10. This included the impact of regulatory changes to non-geographic number ranges of £13 million and regulatory changes to mobile termination rates of £9 million. The remaining decline of £30 million was the result of continued reduction in international, wholesale and dial up ISP traffic volumes partially offset by an increase in mobile transit traffic.

Traditional voice (including legacy products) gross margin decreased by £32 million compared with 2009/10. The decline was due to the regulatory impacts noted above coupled with lower international and wholesale traffic volumes and continuing price erosion.

Operating costs before exceptional items

Total operating costs before exceptional items in 2010/11 were £623 million, an improvement of £21 million on 2009/10. In the year we recognised a business network rates rebate of £13 million (2009/10: £10 million) and a reduction of £6 million in our underlying business network rates, following the successful conclusion of our claim.

Bad debt charges reduced by £15 million compared to 2009/10 due to fewer customer failures and a reduction in overall debt exposure. There was a further saving of £5 million on communication costs following cost saving initiatives including the internal use of our FMC product and energy costs reduced by £6 million through efficiency programmes, rate negotiations and optimisation schemes.

These savings were partly offset by £13 million of charges in respect of redundancy payments and £7 million due to wage inflation and additional headcount following the demerger.

EBITDA

EBITDA was £442 million for 2010/11, an increase of £11 million on 2009/10.

EBITDA as a percentage of revenue improved from 19% to 20% due to the one-off cost reductions in the year which more than offset a slight reduction in the absolute gross margin.

Long term incentive plan (LTIP)

Based on the Board's view, a credit of £9 million (2009/10: charge of £14 million) has been recognised in respect of the LTIP scheme as a result of the release of amounts previously accrued. At current share price levels no amounts will be paid in respect of 2010/11.

Capital expenditure and depreciation and amortisation

Balance sheet capital expenditure in 2010/11 showed a marginal increase of £3 million to £282 million.

Spend on customer contracts accounted for 57% (2009/10: 52%) of capital expenditure, 31% being spent on new capability assets (2009/10: 31%), 10% of spend was associated with maintaining our property and network assets (2009/10: 10%) and the remaining 2% invested in assets required to deliver cost reduction programmes, including the integration of THUS (2009/10: 7%).

Depreciation and amortisation was £285 million for the year compared with £268 million in the prior year, reflecting the level of capitalisation in recent years and related phasing of the depreciation as assets are brought into use.

Net other operating income

A gain of £4 million was recognised in the year in respect of the disposal of part of the Gemini cable asset previously held in property, plant and equipment, as it was no longer actively used within our network.

Operating profit

Operating profit before exceptional items for the year increased by £22 million to £170 million reflecting the £10 million decline in gross margin, £21 million improvement in operating costs, a £17 million increase in depreciation and amortisation, £5 million net improvement in other operating income/expense and a £9 million LTIP credit in the current year compared with the £14 million LTIP charge in the prior year. The operating result after exceptional items was a profit of £153 million, £212 million higher than 2009/10 due in the main to a significant decrease in exceptional operating costs and the pension charge on demerger recognised in 2009/10.

Gain on disposal of non-current asset

An exceptional gain of £14 million has been recognised in respect of the disposal of a subsidiary company with overseas tax losses that the Group would not have been able to utilise.

Net finance expense (before exceptional items)

Net finance expense for the year was £27 million (2009/10: £31 million).

Finance expense of £30 million for the year is £3 million lower than 2009/10. This primarily reflects the net of a £14 million reduction in interest on the funding loan balance with Cable & Wireless Communications Group that was capitalised on demerger, a £3 million reduction in the charge recognised on the unwind of the discounting of provision balances and an incremental £13 million of interest on the convertible bond debt that was issued as part of the demerger.

Finance income of £3 million represents interest earned on the Partial Private Circuits and similar rebates as well as cash balances (2009/10: £2 million).

Income tax credit

The tax credit of £69 million (2009/10: £95 million credit) comprises a £70 million credit in respect of previously unrecognised UK deferred tax assets (2009/10: £96 million) and a charge of £1 million (2009/10: £1 million) for overseas taxes.

The current tax charge is, for the foreseeable future, expected to be less than £5 million per year. This low current tax charge is a result of the utilisation of deferred tax assets in the UK and overseas. The deferred tax position is regularly reassessed and the quantum of the recognised deferred tax asset is adjusted to reflect profit projections and prevailing tax rates.

Pensions

As at 31 March 2011, the defined benefit section of the Cable & Wireless Worldwide Retirement Plan (CWWRP) had an accounting deficit of £80 million measured in accordance with IAS 19. The £56 million decrease in the deficit since 31 March 2010 was due to a combination of an increase in corporate bond rates, a reduction in inflation expectations and a payment of deficit funding contributions of £11 million, in accordance with the interim funding agreement entered into with the Pension Trustees in the run up to the demerger from Cable & Wireless Communications plc.

As at 31 March 2011 the THUS Group plc Pension Scheme had an accounting deficit of £7 million compared with a deficit of £20 million as at 31 March 2010. The decrease in deficit reflects the factors described above and the payment of £3 million into the THUS Group plc Pension Scheme for augmented benefits on termination of employment in respect of redundancies in the THUS Group.

An IAS 19 net pension charge of £7 million has been recognised during the year. The equivalent charge excluding exceptional items in the prior year was £8 million.

The UK Government announced in July 2010 that the Consumer Price Index (CPI) should replace the Retail Price Index (RPI) as the statutory minimum inflation measure to be used in determining pension increases, where the scheme rules and historic practice permits, for private sector defined pension schemes. The Group is in the process of taking legal advice on this matter to determine whether the scheme rules for the CWWRP permit the use of CPI as an indexation measure. In the case of this particular pension scheme the issue is complex and therefore the matter had not been concluded upon at 31 March 2011. As a result, the Group continued to use the RPI as its best estimate of the appropriate indexation measure. The use of CPI for certain inflation assumptions for other schemes has resulted in a £4 million reduction of the scheme liabilities recognised through other comprehensive income.

In addition to the £11 million CWWRP deficit funding payment made during the course of the year, a further £25 million deficit funding payment was made in April 2011 as agreed with the Trustees in the run up to the demerger from Cable & Wireless Communications plc. An actuarial funding valuation of the CWWRP as at 30 September 2010 is currently under way. This valuation will be used to determine any deficit funding payments to be made in the future. It is anticipated that this will be completed by 30 September 2011.

Exceptional operating items

Exceptional operating costs relate to the final stages of the business restructuring that commenced following the acquisition of Energis, the integration of the THUS Group, and the cost of demerger.

Costs of £6 million relate to business restructuring primarily in respect of the post Energis acquisition property rationalisation. THUS exceptional costs of £9 million relate to post-acquisition network rationalisation and migration work performed as part of the integration activities. Demerger costs of £2 million relate to professional fees and other costs.

Cash spent on exceptional items and opening exceptional provisions was £37 million in the year (2009/10: £73 million). This is in line with the expectation that cash exceptionals will reduce as we reach completion of our transformational programmes. We currently expect the profile to be as follows:

Income statement exceptional items

£m	Actual		Forecast		
	2009/10	2010/11	2011/12	2012/13	2013/14
Restructuring/ Energis THUS	23 31	6 9	- -	- -	- -
	54	15	-	-	-
Demerger - pension	143	-	-	-	-
Demerger - other	13	2	-	-	-
Total	210	17	-	-	-

Cash exceptional items

£m	Actual		Forecast		
	2009/10	2010/11	2011/12	2012/13	2013/14
Restructuring/ Energis THUS Demerger	32 38 3	18 13 6	14 2 -	13 1 -	8 2 -
Total	73	37	16	14	10

Source: Management information

Dividend

The Board of Cable & Wireless Worldwide plc recommends a final dividend of 3.0 pence per share, which, added to the interim dividend of 1.5 pence per share, brings the total dividend per share to 4.5 pence.

Subject to shareholder approval at the Annual General Meeting in July, the final dividend of 3.0 pence per share will be paid on 11 August 2011 to ordinary shareholders on the register as at 10 June 2011.

The Board has reviewed the dividend policy following the performance of the business in its first year as an independent listed company and now intends to maintain the dividend at the current level of 4.5 pence in the 2011/12 year and intends to adopt a progressive dividend policy once the dividend payment is covered by free cash flow, which will reflect the growth in cash generation.

Reconciliation of EBITDA to Free Cash Flow (based on management accounts)

	2010/11 £m	2009/10 £m
EBITDA	442	431
Exceptional items	(17)	(64)
EBITDA less exceptional items	425	367
Movement in exceptional provisions	(20)	(6)
Capital expenditure ¹	(239)	(257)
Movement in working capital and other	(50)	(33)
Trading cash inflow	116	71
LTIP payments	(9)	(35)
Demerger costs	-	(3)
Pension schemes cash funding	(15)	(14)
Acquisitions and disposals	14	-
Net cash inflow before financing activities	106	19
Interest and finance costs paid	(23)	(9)
Finance lease repayments	(22)	(11)
Free cash flow²	61	(1)

¹ Cash capital expenditure.

² Free cash flow represents net cash flow before repayment of, and proceeds from, borrowings other than finance leases, dividends paid and proceeds from share issues.

During 2010/11 £116 million of trading cash flow was generated, up £45 million from 2009/10. This is after the £37 million outflow relating to exceptional items in the year and the settlement of brought forward exceptional provisions.

We incurred £239 million of cash capital expenditure during the period. The decrease in cash capital expenditure, compared with last year, principally reflects a step up in the level of expenditure funded through finance leases (2010/11: £58 million; 2009/10: £21 million). In addition, we had a net £50 million outflow from movements in working capital and other. The increase in the working capital outflow in the current year compared with the prior year reflects incremental VAT payments by the Group of over £20 million, due principally to the change in the phasing of payments as a stand-alone entity.

Net cash inflow before financing is after defined benefit pension scheme funding payments of £11 million to the main Cable & Wireless Worldwide Retirement Plan, £3 million to the THUS Group plc Pension Scheme in respect of augmentation amounts where scheme members have been made redundant and £1 million to other schemes.

Free cash flow increased by £62 million to an inflow of £61 million compared with the free cash outflow in 2009/10 of £1 million. This is after paying £23 million (2009/10: £9 million) of interest and finance costs and repaying £22 million (2009/10: £11 million) of finance lease capital.

Group cash and debt

	As at 31 March 2011 £m	As at 31 March 2010 £m
Cash and cash equivalents	266	226
Debt due in less than 1 year	(30)	(25)
Debt due in more than 1 but less than 2 years	(26)	(10)
Debt due in more than 2 but less than 5 years	(218)	(209)
Debt due in more than 5 years	(1)	(2)
Total debt	(275)	(246)
Total net debt	(9)	(20)

Net debt reconciliation (based on management accounts)

	Total net (debt)/cash £m
As at 31 March 2010	(20)
Trading cash flow ¹	116
LTIP payments	(9)
Acquisitions and disposals	14
Funding from CWC Plc	79
Dividends	(86)
Third-party interest, debt and other	(102)
Exchange movements	(1)
As at 31 March 2011	(9)

¹ Before £9 million of LTIP payments.

During the year to 31 March 2011, the business moved from a position of £20 million of net debt at 31 March 2010 to a position of £9 million of net debt. This reflected a trading cash inflow of £116 million, the LTIP payment of £9 million, £14 million proceeds on the disposal of a subsidiary, funding inflow of £79 million from Cable & Wireless Communications Plc, dividends paid of £86 million and £102 million in respect of third-party interest, debt and other, including additional finance leases entered into in the period amounting to £58 million.

Liquidity (based on management accounts)

	As at 31 March 2011 £m	As at 31 March 2010 £m
Cash and short-term deposits	266	226
Medium-term committed and uncommitted undrawn bank facilities	313 ¹	305
Short-term debt	(30)	(25)
Total	549	506

¹ Includes £300 million UK revolving multi-currency facility, INR 500 million India facility and \$10 million UK overdraft facility.

We believe that the above level of liquidity is appropriate given the volatility in working capital typically experienced across the course of the year and the need to maintain in excess of £100 million of funding capacity under the pension contingent funding agreement entered into with the pension scheme Trustees in the run-up to the demerger from Cable & Wireless Communications plc.

IDENTIFYING KEY RISKS.

The Group's risk management system is subject to regular review to ensure compliance with the requirements of the Combined Code and Turnbull guidance (2005) on internal control and risk management.

The Directors are ultimately responsible for the Group's risk management system and for reviewing its effectiveness. The risk management system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and there is an ongoing process in place for identifying, assessing, managing, monitoring and reporting on the significant risks faced by the business. The process has been in place for the year under review and up to the approval of these financial statements.

Key features of our system of risk management include:

- A continuing process for the identification and evaluation of significant risks to the achievement of business objectives;
- Management process in place to mitigate significant risks;
- Ongoing monitoring of significant risks that may change the businesses risk profile; and
- A regular review by the business of both the type and amount of external insurance purchased, bearing in mind the availability of such cover, its cost and likelihood and magnitude of the risk involved.

The Board receives a bi-annual report, through the Audit Committee, of the significant risks and progress on delivery of the mitigating factors.

The principal risks facing the Group, which have been considered by the Board, are detailed below.

Key risk

Economic environment

Should the current economic trading conditions worsen or the UK Government announce further spending cuts to address the UK public spending deficit, our business may be affected economically. This could affect our growth and profitability as well as our ability to finance our business and pay dividends.

BT market dominance

In the UK we are reliant on BT's network to deliver some services to our customers in a similar manner to all major telecom operators. BT is also our largest competitor. As BT is both the main competitor and main supplier to telecommunication operators, the regulator Ofcom, must regulate BT's practices to ensure that a fair and competitive environment is maintained. Any failure of Ofcom to deliver a fair market could have a material effect on our results.

Mitigating activity

Senior leadership is closely involved in monitoring current economic trading conditions and putting in place actions to react to any identified changes.

We engage with Ofcom to encourage balanced regulation and where appropriate we will appeal against decisions that are perceived to favour the interests of BT.

Key risk

Network infrastructure

Our network infrastructure is a critical asset – without it we would be unable to provide customers with their contracted services. Our network is vulnerable to interruption and damage from natural disasters, fire, security breaches, terrorist action, human error and other factors outside of our control.

Maintaining an uninterrupted and high-quality service over our network infrastructure is critical to our ability to attract and retain customers. Providing a competitive service level depends partly on our ability to maintain and upgrade our networks in a cost-effective and timely manner.

Failure of part or all of our network or IT infrastructure may result in the loss of customers or we may receive claims from customers based on loss of service, affecting our reputation and results.

IT security

The security of our customer's data is of importance. We have significant volumes of sensitive data passing through our network. Should security measures fail and there be a breach which resulted in a loss of data we would be exposed to significant contract-related and regulatory consequences.

Contractual delivery

As a telecommunication provider in the enterprise and public sector markets we are dependent upon substantial contracts with large customers. These contracts may have stringent performance criteria and high or unlimited liability limits should we fail to deliver on the performance criteria.

Regulatory compliance

We are subject to regulation from a number of separate bodies. Regulatory change is a continuing process. Changes in laws, regulations or governmental policy affecting our activities and those of our competitors could significantly influence how we operate our business and introduce new products and services. Changes could adversely affect our ability to set prices, enter new markets or control our costs.

Pension funding

Our main defined benefit pension scheme, based in the UK, is well managed and measures have been taken to reduce financial risk exposures. However, the triennial valuation is currently in progress and it may be that the value of the scheme's assets and liabilities are affected by market movements and we may have to make additional contributions to the scheme based upon this valuation.

Mitigating activity

We have extensive business continuity and disaster recovery plans, crisis management and emergency response teams and insurance cover in place.

We monitor network faults and ensure that serious service impacting incidents are escalated to senior management for customer liaison purposes and are technically resolved as quickly as possible.

We also strive constantly to improve our network and add resilience where issues are identified.

Data security monitoring measures are in place and subject to frequent review to identify any apparent risks which are then remedied.

We monitor key aspects of our operational delivery to ensure compliance with those aspects of the contractual performance that have the most significant financial penalty attached should there be a fall in performance.

We maintain regular dialogue and monitor the actual and potential changes to the regulatory framework under which we operate. Negative impacting matters are responded to and appropriate actions taken to lessen the impact upon the business.

We engage in regular dialogue with the scheme Trustees who manage the scheme's assets with appropriate external advice.

OUR BOARD OF DIRECTORS.

01. John Pluthero^N Chairman and Chairman of the Nomination Committee

John Pluthero was appointed as a Director on 25 January 2010 and became Chairman on demerger. John served as an Executive Director of Cable and Wireless plc from November 2005 until the demerger and served as Executive Chairman of the Cable&Wireless Worldwide Group from April 2006, having previously been its Executive Director since November 2005. During the period from 12 November 2007 to 11 November 2008, John was also Executive Chairman of the Cable & Wireless Communications Group prior to the appointment of a Cable & Wireless Communications Group chief executive. From September 2002 until its acquisition by Cable and Wireless plc in November 2005, John was chief executive of Energis. He was founder and chief executive officer of Freeserve Limited (now part of Orange), leading it to its flotation, and prior to this, John held various strategy and operations positions within the Dixons Group Limited. John is a director of Merville Limited and is chairman of Essensys.

02. Jim Marsh Chief Executive Officer and Executive Director

Jim Marsh was appointed as a Director on 25 January 2010 and became Executive Director and Chief Executive Officer on demerger. Jim was on the Cable and Wireless plc board from 1 January 2010 until the demerger. Jim has also served as Chief Executive Officer and a member of the operating board of the Cable&Wireless Worldwide Group since April 2006. Prior to its acquisition by Cable and Wireless plc in November 2005, Jim was business development director of Energis. In this role, he oversaw the development and service of all of Energis' channels to market. Before joining Energis, Jim was chief operating officer at Atos KPMG Consulting, overseeing the consulting business across all its industry sectors. Prior to becoming a partner at KPMG in 1997, he was head of strategic planning at Boots the Chemists Limited.

03. John Barton^{ANR} Deputy Chairman and Senior Independent Director

John Barton was appointed as a Director on 25 January 2010 and became Deputy Chairman, Non-executive Director and Senior Independent Director on demerger. John served as a non-executive director of

Cable and Wireless plc from his appointment on 9 March 2009 until the demerger. John is chairman of Next plc and is non-executive director of WH Smith PLC. He was formerly chairman of Brit Insurance Holdings NV, Wellington Underwriting plc and Jardine Lloyd Thompson Group plc.

04. Clive Butler^{ANR} Non-executive Director and Chairman of the Remuneration Committee

Clive Butler was appointed as a Director on 25 January 2010 and became a Non-executive Director on demerger. Clive served as a non-executive director of Cable and Wireless plc from his appointment in May 2005 until the demerger. He was appointed as senior independent director of Cable and Wireless plc in July 2006 and chairman of Cable and Wireless plc's nominations committee in July 2007. Clive was corporate development director at Unilever plc, serving on its main board of directors from 1992 until his retirement in 2005. He also undertook the roles of personnel director and category director for the home and personal care division, having worked in a variety of marketing and general management roles since joining Unilever in 1970. From 1995-2003, Clive was a non-executive director of Lloyds TSB Group.

05. Penny Hughes^{ANR} Non-executive Director and Chairman of the Audit Committee

Penny Hughes was appointed as a Director on 25 January 2010 and became a Non-executive Director on demerger. Penny served as a non-executive director of Cable and Wireless plc from her appointment on 1 July 2009 until the demerger. Penny is a non-executive director of Home Retail Group plc and Royal Bank of Scotland Group plc, and chairs the remuneration committee at both companies, and Wm Morrison Supermarkets PLC where she chairs the corporate compliance and responsibility committee; she was also a non-executive director of Gap, Inc. until May 2009. Penny spent ten years with Coca-Cola, initially as marketing director, ending as president of Coca-Cola GB & Ireland, having started her career with Procter & Gamble Limited and then The Milk Marketing Board. Penny has held a number of non-executive roles on the boards of international businesses, including Reuters Limited, Vodafone Limited, Trinity Mirror plc and Body Shop International plc. She is president of the Advertising Association and a trustee of the British Museum.

06. Tim Weller Chief Financial Officer and Executive Director

Tim Weller was appointed as an Executive Director and Chief Financial Officer of the Company on 24 May 2010. Tim was previously chief financial officer of United Utilities Group PLC and served on its main board of directors since 2006. Prior to joining United Utilities Group PLC in 2006, Tim was group finance director at RWE Thames Water and also group finance director at RWE npower Holdings PLC (formerly Innogy Holdings PLC, the FTSE 100 company). Tim started his career at KPMG, becoming a partner in 1997 before joining the Granada Group PLC where he worked on the merger with Compass Group PLC and the subsequent demerger of Granada Media plc, after which he joined Innogy Holdings PLC. Tim has been a non-executive director of the Carbon Trust since 2007. The Carbon Trust is a not-for-profit company with the mission to accelerate the move to a low carbon economy. He was also appointed as an external non-executive director at BBC Worldwide in May 2010. Tim will leave the Company on the date of the Annual General Meeting (AGM) on 21 July 2011.

07. Ian Gibson Chief Financial Officer and Executive Director

Ian Gibson will be appointed as an Executive Director and Chief Financial Officer on 21 July 2011, the day of the AGM. Ian joined the Cable&Wireless Group in 1995 and has held a number of senior financial management positions including Deputy Chief Financial Officer since May 2010. In 2009 he was appointed as Acting Chief Financial Officer and played a leading role in the demerger and listing of Cable & Wireless Worldwide plc. During the period 2006 to 2009, Ian held the positions of chief financial officer of the broadband business unit and financial controller for the Cable&Wireless Europe, Asia and US business. Prior to that, he held a number of other senior management positions including director of group accounting services, head of group reporting and head of internal audit. Before joining the Cable & Wireless Group, Ian spent 12 years at Deloitte working in both the London and Toronto offices within the audit and forensic accounting teams.

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



- 01 JOHN PLUTHERO
- 02 JIM MARSH
- 03 JOHN BARTON
- 04 CLIVE BUTLER
- 05 PENNY HUGHES
- 06 TIM WELLER
- 07 IAN GIBSON



CORPORATE GOVERNANCE.



“The Board of Cable & Wireless Worldwide plc is committed to the highest standards of corporate governance and firmly believes that these standards form an essential underpinning to the Group’s business practices.”

John Pluthero
Chairman

As a UK Listed Company, Cable & Wireless Worldwide plc (the Company) is required to comply with Section 1 of the 2008 Combined Code on Corporate Governance (the Code). The Company is required to make certain statements relating to the way it is governed and explain where provisions of the Code have not been met. A full version of the Code can be found at www.frc.org.uk

The following sections of this Corporate Governance report set out how the Company applied the principles of the Code during the year ended 31 March 2011.

Compliance with the Combined Code

Throughout the year ended 31 March 2011, the Company fully complied with the provisions set out in Section 1 of the Code with the exceptions listed below:

A.7.1 of the Code provides that all Directors should be subject to election by shareholders at the first Annual General Meeting following their appointment. The Company’s Articles of Association (the Articles) provide that at the first two Annual General Meetings following the demerger, one-third of the Directors shall retire from office but shall be eligible for re-election. This provision was included in the Articles to allow for an even spread of Director re-appointments following demerger. In view of this, it is proposed that a further one-third of Directors will seek re-election at the Company’s second Annual General Meeting in 2011.

C.3.1 of the Code provides that the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience. The Board considers that there is a sufficient breadth of financial expertise across the Audit Committee and that, collectively, its members have the requisite skills and attributes to discharge its responsibilities properly. As a result, the Board has decided not to identify any one member as having such experience.

An updated version of the Code, the UK Corporate Governance Code, was introduced in May 2010. This new code applies to companies with accounting periods beginning on or after 29 June 2010. Cable & Wireless Worldwide plc is therefore required to comply with the new code from its accounting period beginning 1 April 2011. The Company aims to fully comply with the provisions of the new code at the appropriate time.

Board of Directors

The Board of Directors of Cable & Wireless Worldwide plc (the Board) is collectively responsible to the Company's shareholders for the success of the Group's business. This responsibility includes matters of strategy, performance, resources, standards of conduct and accountability.

The powers of Directors are set out in the Company's Articles, which are available on the Company's website. The Articles may be amended by way of a special resolution of the members of the Company. The Board may exercise all powers conferred on it by the Articles and in accordance with the Companies Act 2006, and other applicable legislation.

The Board has established a formal schedule of matters specifically reserved for its approval, a summary of which is set out below. The full schedule of matters reserved for the Board is available on the Company's website. The Board has delegated other specific responsibilities to its Committees and these are clearly defined within the respective Committee's terms of reference.

The Board is specifically responsible for the following key matters:

Matters reserved for the Board

- Approve the Group's business strategy and ensure that an effective management team and resources are in place to ensure the Group meets its objectives;
- Approve the Company's interim and final results, the interim management statements, the annual report and financial statements, and dividend policy and payments;
- Review, via the Audit Committee, the Group's internal controls and risk management systems, and approve Group-wide governance policies;
- Approve major changes to the Group's management or control structure;
- Review and approve the Group's budgetary requirements;
- Review the performance of the Board and the Company and ensure succession plans are in place for key individuals;
- Approve major press releases and documentation to be put to shareholders at the Annual General Meeting;
- Approve major contracts and expenditure; and
- Approve the appointment and removal of Directors and the Company Secretary.

Composition of the Board

The Board is made up of the Chairman, two Executive Directors and three independent Non-executive Directors. The Board believes that this balance allows for the promotion of high-quality discussion and consideration of key issues affecting the Company. The names and biographical details of each of the Directors are set out on page 38.

Tim Weller, who was appointed to the Board as an Executive Director and Chief Financial Officer on 24 May 2010, will leave the Company on 21 July 2011 as previously announced. At this time, Ian Gibson will be appointed as an Executive Director and Chief Financial Officer of the Company. Ian Gibson's biographical details are also set out on page 38.

Appointment, removal and re-election of Directors

The Board has established a formal, rigorous and transparent process for the selection and subsequent appointment of new Directors to the Board. This process is described in the Nomination Committee section on page 45 of this Report. The rules relating to the appointment and replacement of Directors are contained within the Articles. 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 that way retires and is submitted for election at the first Annual General Meeting (AGM) following their appointment.

The Articles provide that at each of the first two AGMs following the adoption of the Articles, one-third of the Directors who are then in office or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office but shall be eligible for election or re-election. Penny Hughes and John Pluthero retired from the Board and were elected at the 2010 AGM. In accordance with the Articles, Jim Marsh and John Barton will retire from the Board and submit themselves for election at the 2011 AGM. In addition, Ian Gibson, will be appointed by the Board as a Director on 21 July 2011 as previously announced, and will submit himself for election as a Director at the 2011 AGM.

Non-executive Directors

The independent Non-executive Directors bring external insight to the Board and its Committees' deliberations providing a wide range of knowledge and business experience from other sectors and businesses. They play an important role in the formulation and progression of the Board's agreed strategy, and review and monitor the performance of the executive management in the implementation of this strategy.

Non-executive Directors are appointed for an initial three year term, commencing with their election by shareholders at the first AGM following their appointment by the Board. Subsequent re-appointment is subject to a rigorous review by the Nomination Committee. As part of its annual review of corporate governance, the Board considered the independence of each Non-executive Director against criteria specified in the Code and determined that each remained independent in character and judgement. The terms and conditions of appointment of the Non-executive Directors, together with the service contracts for Executive Directors, are available for inspection at the Company's registered office during normal business hours, and at the AGM. During the year, the Non-executive Directors, including the Chairman, met independently of management.

Roles of the Chairman, Chief Executive Officer and Senior Independent Director

The roles and responsibilities of the Chairman and the Chief Executive Officer are separate, clearly established, set out in writing, and have been approved by the Board. The division of responsibilities schedule is available on the Company's website. The Chairman is responsible for the leadership and governance of the Board as a whole, and the Chief Executive Officer for the management of the Group, and the successful planning and implementation of Board strategy.

John Barton, the Company's Deputy Chairman and Senior Independent Director, is available to shareholders if they have concerns that contact through the normal channels has either failed to resolve a matter, or is deemed inappropriate.

Board meetings

The Board recognises the importance of holding regular scheduled meetings throughout the year. All Directors are expected to attend all Board and relevant Committee meetings. During the year, the Board met on 14 separate occasions. Each year at least one of the Board's meetings is held overseas to facilitate a better understanding of the Group's business functions within that area. During the year, the Board held one of its meetings in Singapore, which included items of business relating specifically to that area. Details of Board and principal Committee meeting attendance by Directors are set out in the following table.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total meetings held during the period 1 April 2010 to 31 March 2011	14	4	8	3
Chairman				
John Pluthero	14	–	–	3
Executive Directors				
Jim Marsh	14	–	–	–
Tim Weller*	13	–	–	–
Non-executive Directors				
John Barton	13	4	8	3
Clive Butler	13	4	8	3
Penny Hughes	13	4	8	3

– Director is not a Committee member.

* Tim Weller was appointed as a Director of the Company on 24 May 2010 and was eligible to attend 13 Board meetings during the year.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Companies Act 2006 and the Company's Articles allow the Board to authorise such conflicts of interest.

The Board has put in place effective procedures for managing and, where appropriate, approving conflicts or potential conflicts of interest. Under these procedures, Directors are required to declare all directorships or other appointments to companies which are not part of the Cable&Wireless Worldwide Group, as well as other situations which could give rise to a potential conflict. The Board will, where appropriate, authorise a conflict or potential conflict, and will impose all necessary restrictions and/or conditions where it sees fit. The Company's register of Directors' conflicts of interest is reviewed by the Board on a regular basis.

No Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

External appointments

The Board has approved an Executive Director External Directorships Policy, which allows Executive Directors to accept one other non-executive director position in a non-conflicting FTSE listed company, and any other positions in non-listed companies at the discretion of the Board. The Board firmly believes that such appointments broaden the experience and knowledge of the Executive Directors and are therefore beneficial to the Company. The appointment of Executive Directors to such positions is subject to Board approval. When determining whether to approve such a request, the Board will consider the likely time commitment involved. Executive Directors are allowed to retain the fees from their external appointments. External appointments held by Directors are set out in their biographies on page 38.

Induction, information and professional development

All new Directors appointed to the Board receive a comprehensive induction briefing tailored to meet their individual needs. Ongoing development and training is provided to Directors at Board meetings and, where appropriate, Committee meetings. During the year, Directors received regular updates and presentations including the following:

- Developments within the business and the markets where the business operates;
- Legal and regulatory matters; and
- Other matters that were deemed beneficial.

The Chairman, with assistance from the General Counsel and Company Secretary, is responsible for delivering an effective induction programme for newly appointed Directors. In addition, all Directors have full access to the advice and services of the General Counsel and Company Secretary, who is responsible for advising the Board on all legal and governance matters, and ensuring that the correct Board procedures are followed. Directors also have the option to seek independent professional advice at the Company's expense in respect of their duties as Directors.

Performance evaluation

An evaluation of the performance of the Board and each of its principal Committees was conducted during the year using comprehensive tailored questionnaires. The internal evaluation was facilitated by the General Counsel and Company Secretary. The Board questionnaire was completed by each Director and the principal Committee questionnaires were completed by the respective members of those Committees.

The questionnaires focused on the following key themes:

- Strategy;
- Risk management;
- Relations with shareholders;
- Board and Committee succession planning;
- Board and Committee composition; and
- Training.

The responses to the questionnaires formed the basis of separate reports which were considered at subsequent Board and Committee meetings. The evaluation process highlighted a small number of areas for enhancement relating to Board and Committee composition and succession planning, and these areas are being actively addressed.

As part of the overall evaluation process, the Chairman met with each Director to evaluate their individual performance, and the Non-executive Directors, led by the Senior Independent Director, met without the Chairman being present to evaluate the performance of the Chairman.

The overall conclusion from the evaluations was that the Chairman, individual Directors, the Board and its principal Committees operate effectively. The Board and its Committees will continue to review critically their respective effectiveness and development during the year ahead.

In accordance with the UK Corporate Governance Code 2010, the Company intends to undertake an external assessment of the Board, its Committees and individual Directors using an independent third-party every three years.

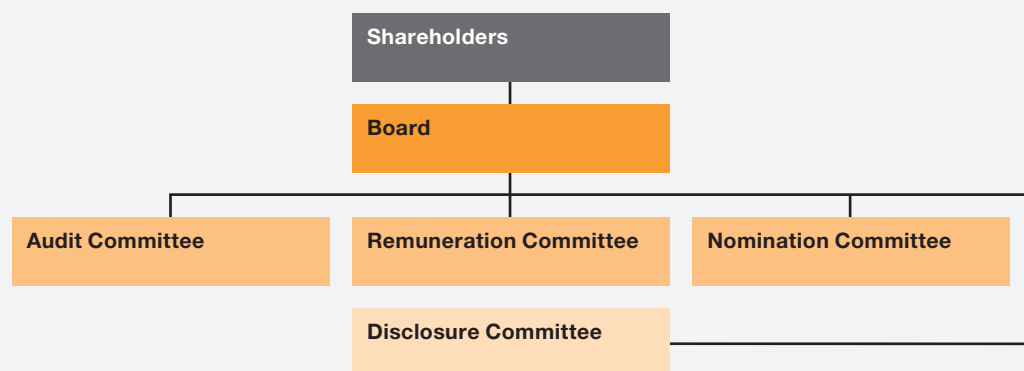
Directors' indemnities and protections

The Company maintains Directors' and Officers' Liability Insurance which provides appropriate cover for any legal action brought against its Directors and Officers. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 March 2011, and remain in force, in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors or employees of the Company. Copies of the indemnities granted are available for inspection at the Company's registered office in accordance with the Companies Act 2006.

Board Committees

In order for the Board to operate effectively, and to enable it to give the required amount of attention and consideration to matters reserved to it, it has delegated authority to its Committees to carry out certain tasks as defined in each of the Committee's terms of reference. The Board reviews the terms of reference of each of its Committees on an annual basis to ensure that they remain effective and are in line with best practice. The written terms of reference of the Audit, Remuneration and Nomination Committees are available on the Company's website. The minutes of Committee meetings are made available to the Board on a timely basis after each meeting. In addition, the Chairmen of each of the principal Committees provide updates to the Board at subsequent Board meetings.

Board governance structure



The Company's Board governance structure is set out above. Further details of each of the Board's Committees including membership and responsibilities are set out within the following Committee reports:

Audit Committee

Membership of the Committee

The members of the Committee are the independent Non-executive Directors listed below:

- Penny Hughes (Chairman)
- John Barton
- Clive Butler

Membership of the Committee is determined by the Board on the recommendation of the Nomination Committee. Only the members of the Committee have the right to attend Committee meetings although others including the Chief Financial Officer, the Risk Director, and the General Counsel and Company Secretary along with representatives of the external auditor are normally invited to each meeting.

Rule 7.1.1 of the Disclosure and Transparency rules requires at least one member of the Audit Committee to have competence in accounting and/or auditing and the Board is satisfied that the composition of the Audit Committee complies with that requirement.

Role and responsibilities of the Committee

The Committee is principally responsible for reviewing the integrity of the Company's financial reporting and effectiveness of the system of internal controls. In addition, the Committee is responsible for the Company's risk identification and management procedures as well as monitoring auditor independence.

The Committee's terms of reference were reviewed during the year to ensure that they remained fit for purpose and were in line with the Institute of Chartered Secretaries and Administrators' best practice guidelines. In accordance with its terms of reference, the Committee has delegated authority from the Board to:

- Monitor the integrity and accuracy of the Group's financial statements, including annual, half-year and interim management statements, and any formal announcement relating to the Company's financial performance;
- Review significant reporting issues, the consistency of accounting policies and disclosures, and any decisions requiring a major element of judgement;

- Assist the Board in meeting its responsibilities to create an effective system of internal control and compliance procedures, and risk management systems;
- Approve the internal audit programme and make any necessary recommendations to the Board;
- Consider the role and independence of the external auditor, and make the appropriate recommendations to the Board on the appointment or the re-appointment of the Group's external auditors; and
- Review the Group's processes for detecting and addressing fraud, bribery, misconduct and control weaknesses and consider reports on any such occurrence.

Key issues considered by the Committee

The Committee discharged its responsibilities through a series of meetings during the year. The Committee met four times during the year ended 31 March 2011 and attendance at these meetings is set out on page 42. The agenda for each meeting is prepared by the Committee Chairman in conjunction with other members of the Committee and the Committee Secretary as appropriate. At each scheduled meeting the Committee received reports from the Chief Financial Officer, the external auditors and the Risk Director along with twice-yearly litigation reports from the General Counsel and Company Secretary. In addition, at each of the scheduled meetings, the Committee met privately with the external auditors, and separately with the Risk Director, who is responsible for internal audit within the Group.

During the year ended 31 March 2011, the Committee's deliberations included the following key matters:

- Consideration and ongoing review of the Company's financial performance including a review of the full and half-year results, assisting the Board in assuring the integrity of the financial statements and related disclosures;
- Review of the Internal Audit function and effectiveness against the Internal Audit programme;
- Review of non-audit work carried out by the Group's external auditor and fees relating to this work in accordance with the Audit and Non-Audit fees Policy, to ensure the auditors independence and objectivity;
- Consideration and approval of the Group's compliance with the Combined Code on Corporate Governance and any explanations for non-compliance;

- Review of the Group's framework for the identification and control of major risks including risk policies and the Group's risk review process;
- Review of litigation matters affecting the Company;
- Review of confidential reporting procedures and fraud prevention arrangements within the Company, including the Company's policy relating to anti-bribery and corruption in readiness for the Bribery Act 2010 coming into force on 1 July 2011, and any instances of whistle-blowing during the year;
- Consideration of the effectiveness of the Committee and the appropriateness of its terms of reference; and
- Review of the external auditor, including performance, areas for improvement and level of audit fee.

Internal audit

The internal audit function, led by the Risk Director, is supported by a team of internal auditors that is augmented by specialists from PwC as required. This function has a formal charter approved by the Board that describes its purpose, authority and responsibility. The internal audit plan is approved by the Committee on an annual basis. Formal reports are submitted to Committee meetings, and views are also sought at private sessions between the Committee and the internal auditors. The Committee annually assesses the effectiveness of the internal audit function using a comprehensive evaluation questionnaire, which is facilitated by the General Counsel and Company Secretary.

External audit

KPMG Audit plc (KPMG) has been the external auditor of the Group since the demerger of Cable & Wireless Worldwide plc in March 2010 having previously been the external auditors of Cable and Wireless plc. The Committee manages the relationship with the external auditor on behalf of the Board and monitors their independence and objectivity along with the effectiveness of the external audit on an annual basis.

KPMG has expressed its willingness to be re-appointed as auditors of the Company. The Committee does not consider it necessary to re-tender for the audit work and has recommended to the Board that KPMG be re-appointed as the Company's auditors for a further year. The Board has accepted this recommendation and has proposed a resolution to shareholders at the 2011 AGM for the re-appointment of KPMG as auditors.

The external auditors are required to rotate the audit partners responsible for the Group audit every five years. The current lead partner has been in place for two years. The Company has not entered into a limitation of liability agreement with its auditors.

In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Statement 1 issued by the Accounting Practices Board, and as a matter of best practice, the external auditors have confirmed their independence as auditors of the Company in a letter addressed to the Board.

Audit and non-audit fees

The allocation of non-audit work is considered in accordance with the Group's Audit and Non-Audit Fees Policy, which was approved by the Committee in May 2010, and in line with National Association of Pension Funds guidance which recommends that non-audit fees should not exceed 100% of audit fees. The Audit and Non-Audit Fees Policy sets out a framework of pre-approved audit services and also services which are prohibited to be carried out by the auditor. The Committee maintains an overview of the ratio of audit fees to non-audit fees charged by the external auditor to ensure that its objectivity and independence is not put at risk. A summary of all non-audit fees is provided at each meeting of the Audit Committee. Having undertaken a full review of the non-audit services provided by the auditor during the year ended 31 March 2011, the Committee is satisfied that these services were provided effectively and did not prejudice the objectivity or independence of the auditor.

For the year ended 31 March 2011, the Committee approved fees of £1.7 million to KPMG, for audit services. In addition, the Committee approved fees of £0.4 million to KPMG for non-audit related work. Non-audit related work accounted for 24% of the total audit and audit related fees paid to the external auditor during the year. A breakdown of fees paid to the auditor is set out in note 6 on page 76.

Nomination Committee

Membership of the Committee

The members of the Committee are the independent Non-executive Directors listed below and the Chairman:

- John Pluthero (Chairman)
- Penny Hughes
- John Barton
- Clive Butler

Membership of the Committee is determined by the Board. The Committee meets at appropriate times during the year to discharge its responsibilities and met three times during the year ended 31 March 2011. Attendance at these meetings is set out on page 42. The agenda for meetings is prepared by the Committee Chairman in conjunction with other members of the Committee, and the Committee Secretary, as appropriate.

Role and responsibilities of the Committee

The Committee is responsible for making recommendations to the Board, within its agreed terms of reference, on appointments to the Board. The terms of reference of the Committee were reviewed during the year to ensure that they remained fit for purpose and were in line with the Institute of Chartered Secretaries and Administrators' best practice guidelines.

The key areas of responsibility within the Committee's scope include:

- Making recommendations to the Board on the appointment of additional or replacement Directors, following a rigorous and transparent process, which will include engagement with an appropriate executive search consultant, consideration of all suitable candidates and a robust interview process led by the Chairman;
- Devising and keeping under review succession planning arrangements for Directors and senior executives within the business;
- Ensuring the Chairman, Senior Independent Director and Non-executive Directors are able to give sufficient time to their role as required; and
- Regularly reviewing the structure, size and composition of the Board and its principal Committees and making recommendations to the Board of any proposed changes.

During the year ended 31 March 2011, the Committee's deliberations included the following matters:

- Reviewed and made recommendations on the appointment of Ian Gibson as a new Executive Director and Chief Financial Officer in replacement of Tim Weller who will leave the Company on 21 July 2011. The Committee's review included a comprehensive external benchmarking exercise to ensure that the Board had identified a suitable candidate with the necessary skills and experience for the role; and
- Reviewed the composition of the Board and considered the requirements for additional Directors.

Remuneration Committee Membership of the Committee

The members of the Committee are the independent Non-executive Directors listed below:

- Clive Butler (Chairman)
- Penny Hughes
- John Barton

Membership of the Committee is determined by the Board on the recommendation of the Nomination Committee. The Committee discharges its responsibilities through a series of Committee meetings held throughout the year. The Committee met eight times during the year ended 31 March 2011 and attendance at these meetings is set out on page 42. The agenda for meetings is prepared by the Committee Chairman in conjunction with other members of the Committee, and the Committee Secretary as appropriate.

Role and responsibilities of the Committee

The Committee makes recommendations to the Board, within its agreed terms of reference, on the framework of remuneration for the Chairman, Executive Directors, and a defined population of its senior executive management.

The terms of reference of the Committee were reviewed during the year to ensure that they remained fit for purpose and were in line with the Institute of Chartered Secretaries and Administrators' best practice guidelines. The terms of reference of the Committee are available on the Company's website.

The main responsibilities of the Committee and the activities undertaken throughout the year ended 31 March 2011 are set out in detail in the Remuneration Report on pages 48 to 55.

Disclosure Committee

The Board has delegated authority to the Disclosure Committee to assist it with the identification and consideration of disclosure matters relating to all market releases containing material financial information. The Disclosure Committee membership comprises senior management from the Finance, Legal and External Affairs functions, and is chaired by the Chief Financial Officer.

During the preparation of the Group's annual report, the Disclosure Committee met to obtain the necessary certifications from contributors following the document's review by the Audit Committee and subsequent approval by the Board.

Internal Control, Risk Management and Financial Reporting

The Board is responsible for the system of internal control and for reviewing its effectiveness on a continual basis. The 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 Company operates a risk management process, which identifies the key risks to its plans, their likelihood and impact and the actions being taken to manage those risks. A Group-wide risk register is reviewed by the Directors and presented to the Audit Committee on a bi-annual basis. Full details of the Company's risk management processes are set out below with the principal risks identified on pages 36 and 37.

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

The Group's key internal control and monitoring procedures include the following:

- Financial reporting: each year, an annual budget is agreed and approved by the Board. At each Board meeting, actual results are reviewed and reported against budget and, when appropriate, revised forecasts;
- Investment appraisal: the Group has clear policies for capital expenditure. These include annual budgets and detailed appraisal processes for such expenditure;
- Monitoring systems: internal controls are monitored through a programme of internal audits. The internal audit function reports to the Audit Committee on its examination and evaluation of the effectiveness and adequacy of systems of internal control; and
- Financial controls: the Company operates an annual controls self-assessment exercise to assist with embedding controls across the business. This requires management to assess the effectiveness of its fundamental operating controls over all aspects of its operations, in addition to financial controls. The results of this exercise are utilised by internal audit in planning its work for the forthcoming year.

Effectiveness of internal control

The Board has reviewed the effectiveness of the internal control systems in operation during the Group's financial year in accordance with the revised Turnbull guidance. The processes as set out above have been in place for the period 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.

Relations with shareholders

Shareholder engagement

The Board places a great deal of importance on maintaining a good relationship with its shareholders and has an ongoing active dialogue with shareholders through a programme of investor meetings. These meetings include formal presentations from the Chief Executive Officer and the Chief Financial Officer of the Group's full and half-year results.

The Chairman maintains a dialogue with shareholders on a variety of subjects including strategy, corporate governance and Directors' remuneration, and provides feedback to the Board on the topics raised in these meetings. Non-executive Directors are available to attend meetings with shareholders if requested to do so, and all Directors are expected to attend the AGM. The Board also receives reports of meetings with institutional shareholders together with regular market reports and brokers' circulars to enable it to obtain the required understanding of the views of shareholders.

John Barton, the Deputy Chairman and Senior Independent Director, is available to shareholders if they have concerns that contact through the normal channels has either failed to resolve a matter or is deemed inappropriate.

The AGM of the Company provides a good opportunity for shareholder engagement and, in particular, for the Chairman to explain how the Company has progressed during the year. It also provides shareholders with the opportunity to put questions to the Chairman of the Board, the Chairmen of the Audit, Remuneration and Nomination Committees, and the Senior Independent Director. At the meeting, a poll is conducted on each resolution although shareholders also have the opportunity to cast their votes by proxy, either electronically or by post. Following each general meeting, the results of the poll are published on the Company's website.

Exercise of rights of shares by Employee Share Trusts

The trustee of the Cable & Wireless Worldwide Share Ownership Trust is required to abstain from voting any shares in which it holds the whole of the beneficial interest at any general meeting, unless the Company directs that the trustee may vote. When the Company has directed the trustee to vote the shares in which the trustee holds the whole of the beneficial interest, the trustee may in its absolute discretion vote in any manner which it thinks fit or may abstain from voting.

The trustees of the Cable & Wireless Worldwide Share Ownership Trust exercise the voting rights on Cable & Wireless Worldwide plc 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.

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. Subject to shareholder approval, the Directors may operate scrip or dividend reinvestment plans, 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.

The Board has recommended a final dividend for the year ended 31 March 2011 of 3.0 pence per ordinary share. Subject to approval by shareholders at this year's AGM, the final dividend will be payable on 11 August 2011 to ordinary shareholders on the register at the close of business on 10 June 2011. If approved, this will equate to a total dividend of 4.5 pence per ordinary share for the year to 31 March 2011 when added to the interim dividend of 1.5 pence per ordinary share paid on 27 January 2011.

Significant shareholders

Notifications of the following material shareholdings had been received by the Company in accordance with the Disclosure and Transparency Rules as at 23 May 2011:

Name	No. of ordinary shares	% of share capital
Legal and General Investment Management Ltd	100,935,912	3.76%
BlackRock Inc.	145,568,734	5.43%
Prudential plc	181,126,169	6.75%
Newton Investment Management	203,610,016	7.59%
Sky Investment Counsel Inc.	234,772,209	8.76%
Orbis Investment Management Limited	387,781,951	14.46%

American Depositary Receipts

During the year, the Company established a sponsored Level I American Depositary Receipt (ADR) programme. An ADR is a security which has been created to permit US investors to hold shares in non-US companies and trade them on the 'Over The Counter' market in the US. Trading in ADRs, as opposed to ordinary shares, permits US residents to trade in US dollars in the US securities markets with US securities dealers, in the same way as they trade any US securities. Establishing an ADR programme enables the Company to access new pools of investor capital within the US and helps further build its North American shareholder base.

On behalf of the Board

Philip Davis

General Counsel and Company Secretary
23 May 2011

REMUNERATION REPORT.



“The Committee has looked to ensure that the remuneration arrangements continue to support our key corporate goals. In 2011 we have reduced incentive award levels, but retain a focus on driving performance and a significant weighting towards delivery over the longer term.”

Clive Butler
Chairman of the Remuneration Committee

This report sets out the policy and disclosures in relation to Directors’ remuneration. This report will be subject to an advisory vote at the AGM on 21 July 2011.

This report contains details of our Directors’ remuneration for 2010/11, future remuneration philosophy and policies, and information on the Remuneration Committee’s membership and terms of reference. The content has been prepared in accordance with the requirements of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and describes how the Company applies the principles of the Combined Code.

Remuneration Committee membership and terms of reference

The Committee comprises three Non-executive Directors, being Clive Butler (Committee Chairman), John Barton and Penny Hughes. The Board considers that all of the members of the Committee are independent in accordance with the Combined Code. The composition of the Committee has not altered since its inception on 26 January 2010.

The Committee makes recommendations to the Board, within agreed terms of reference, on the framework of remuneration for the Chairman, Executive Directors and other members of the senior team. The terms of reference for the Committee may be found on our website at www.cw.com.

The Board is responsible for approving recommendations from the Committee. In forming their recommendations, the Committee receives input and information from the Chairman, the Chief Executive, the People Director, Director of Reward & Policy and other executives. The Chairman, Executive Directors and any executives are absent from any discussion relating to their own remuneration or contractual arrangements.

The Committee has appointed independent consultants, Deloitte LLP, to provide advice on remuneration and share plans both for Executive Directors and the wider senior team. Other Deloitte departments also provided unrelated advisory services during the period.

Remuneration philosophy

Our overall aim is to ensure that our remuneration encourages, reinforces and rewards the delivery of shareholder value.

The Committee recognises that Cable&Wireless Worldwide is a people leveraged business, therefore the remuneration structure should attract, retain and motivate the best talent in order to deliver long-term shareholder value. This is underpinned by the following guiding principles:

- There should be a genuine alignment of the interests of the senior team and shareholders. Executive Directors will be encouraged to maintain a significant investment in the shares of the Company to align their interests with shareholder value;
- The majority of total remuneration for the senior team should be subject to the achievement of challenging performance targets;
- Total reward levels will reflect the markets in which we operate. The competitive position of the remuneration packages we provide will be regularly monitored by independent analysis against comparator groups of companies selected on the basis of relevant size, business and geographic focus;
- Base salaries and benefits will be set at the mid-market level of our comparator companies. However, some variances may occur to reflect executives' experience and expertise;
- An appropriate mix of short- and long-term incentives will be set so that the senior team are incentivised to deliver performance over both the short and long-term with greater emphasis on creating value over the longer term;
- The remuneration structure for Executive Directors should be consistent with that of other senior executives whilst also recognising their greater Group responsibilities; and
- All aspects of remuneration for the Executive Directors and other members of the senior team will be approved by the Committee.

A summary of Executive Directors' remuneration

Since the demerger of the Company from Cable and Wireless plc at the end of March 2010, the Committee has carried out a detailed review of the executive remuneration arrangements taking into account the evolution of the business in fluid market conditions.

The conclusion of the review is that the arrangements should reflect the Company's transition from focusing on 'turnaround' in the period to demerger, to a more mature business model. We have also taken full account of recent Company performance. During the year we consulted with shareholders on the key proposals, and further details of our revised policy are set out in the report below.

In summary, the Committee have decided to make the following key changes:

- Reduce the face value of performance share awards granted annually to 300% of salary for Executive Directors (compared to past practice of 400% of salary);
- Adjust the vesting schedule for the total shareholder return (TSR) element of performance share awards to be more in line with market practice;
- Re-calibrate the targets for the earnings per share (EPS) element of future performance share awards to ensure alignment with our updated business plans and to maintain a comparable level of stretch; and
- Revoke the one-off arrangement, namely the Exceptional Performance Award (EPA), which was discussed with shareholders last year.

The overall impact of these changes is to de-gear the remuneration package and reduce quantum.

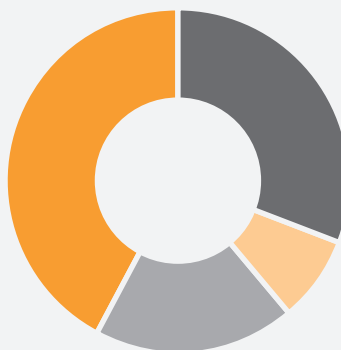
The remuneration structure for 2011/12 and beyond is as follows:

- Base salaries have been set based on market practice and reflect the responsibilities of the Executive Directors. Base salary levels will not be increased for 2011/12;
- The annual bonus potential remains unchanged at up to 100% of base salary for the achievement of stretch targets; and
- Long-term incentives will be awarded on an annual basis in the form of performance share awards.

The chart below illustrates the typical balance between the different elements of the remuneration package for Executive Directors.

Figures reflect payment potential for a 'target' level of performance achieved for the annual bonus plan and for the 'expected value' of performance shares to be granted in 2011/12.

Split of potential total remuneration 2011/12



- Salary **31%**
- Pension **8%**
- Performance-related annual bonus **19%**
- Performance-related long-term incentives **42%**

Base salary

Base salaries are set to competitive levels by reference to the equivalent roles in companies selected on the basis of comparable size, geographic spread and business focus. Individual salary decisions take into account personal contribution and business performance as well as general pay conditions of employees elsewhere in the Group.

The Executive Directors' annual base salaries will not be increased for 2011/12. Base salaries remain as follows:

	Salary
Jim Marsh	£650,000
Tim Weller	£500,000
Ian Gibson ¹	£400,000

¹ Ian Gibson will be appointed as a Director on 21 July 2011.

Pension and other benefits

Executive Directors, along with other employees are eligible to participate in the defined contribution section of the Cable & Wireless Worldwide Retirement Plan. The Company provides to Executive Directors employer pension contributions at the rate of 25% of base salary; individual Executive Directors can request to have a proportion or all of the employer contributions paid into the pension scheme, and any balance is paid as a taxable, non-bonusable cash allowance. Executive Directors are eligible to participate in employee benefit programmes including life, disability and health insurance plans. The value of these benefits is included in the Directors' remuneration table on page 53.

Annual bonus

The annual bonus plan is used to drive the achievement of short-term financial objectives.

Individual awards under the annual bonus scheme for 2011/12 will be based on the financial performance of the Group. The financial performance measures for 2011/12 are EBITDA and free cash flow. The maximum bonus opportunity for Executive Directors will remain unchanged at 100% of salary. The financial measures and targets within the bonus plans are reviewed annually by the Committee.

The bonus plan for 2010/11 was based on EBITDA and trading cash flow. Performance against the targets was assessed shortly after the year end and the Committee determined that no bonus will be paid to Executive Directors for 2010/11, reflecting business performance during this period.

Long-term incentives – performance share awards

Performance share awards are designed to reward the senior team for significant shareholder value creation and strong financial performance. Under the current remuneration policy Executive Directors are granted performance share awards each year which vest subject to achievement of performance conditions over a three year performance period.

Performance share awards granted to Executive Directors in 2011/12 will vest based on the achievement of absolute TSR performance (50% of the award) and cumulative EPS performance (50% of the award). These performance measures are considered to best align the interests of Directors and shareholders as they require creation of absolute shareholder value and strong financial performance.

As set out above, following a review of the remuneration policy, the Remuneration Committee have determined that the overall package should be de-g geared to align with the revised focus of the Company. Therefore it is proposed that awards to be granted to Executive Directors in 2011/12 will be capped at 300% of base

salary. This is a reduction from the previous policy of granting awards with a face value of 400% of salary.

The value of awards to Executive Directors in 2011/12 will be as follows:

	Value of shares at grant	
	Face value £m	'Expected value' ¹ £m
Jim Marsh	1.95	0.88
Tim Weller ²	n/a	n/a
Ian Gibson	1.20	0.54

¹ Assumes 'expected value' of circa 45% of face value.

² No award will be made to Tim Weller as he will be leaving on 21 July 2011.

The performance targets for the 2011 awards will be subject to the following absolute TSR and cumulative EPS targets. As a further safeguard, where appropriate the Committee may also adjust the vesting outcome of awards taking into account the underlying financial performance of the Company.

Absolute TSR

Compound absolute TSR growth over three years	Vesting % of the TSR element
20% p.a.	100%
Between 8% p.a. and 20% p.a.	Straight-line between these points
8% p.a.	25%

No shares will vest from the TSR portion of the award where compound per annum TSR growth over the three year performance period is below 8%. Recognising both the stretch of the targets and the reduction in the face value of the award, the Committee have determined that it would be appropriate to refine the vesting schedule for 2011/12 awards so that achievement of the threshold hurdle of 8% per annum TSR growth results in vesting of 25% of the award (2010 award: nil).

Cable&Wireless Worldwide TSR is share price growth adjusted for dividends and capital actions. For the purpose of these awards, TSR will be calculated using a one month average share price at the beginning and end of the performance period in order to moderate the effect of short-term share price volatility.

EPS

EPS metrics were introduced in 2010 to motivate senior executives towards increasing profitability of the business over the longer term thereby delivering sustained EPS growth for shareholders. The Committee have set cumulative EPS targets to ensure that executives are incentivised to deliver strong EPS performance in each year of the performance period.

Cumulative EPS over three years	Vesting % of the EPS element
20.5 pence	100%
Between 16.5 pence and 20.5 pence	Straight-line between these points
16.5 pence	25%

No shares will vest from the EPS portion of the award where the cumulative EPS over the three year performance period is below 16.5 pence.

In previous years, long-term share awards were granted under the Cable & Wireless Worldwide Incentive Plan (IP 2010). The IP 2010 was based on a legacy Cable and Wireless plc plan originally implemented in 2001. The IP 2010 is due to expire in July 2011 and consequently

shareholder approval will be sought at the 2011 AGM for a new share plan (the Cable & Wireless Worldwide Incentive Plan 2011).

Subject to shareholder approval, the 2011/12 performance share awards will be granted under the new plan. The provisions of the new plan are closely aligned with general best practice principles and recognise corporate governance developments since the legacy plan was implemented in 2001. The key terms of the replacement plan were discussed with shareholders during the year; further details are set out in the Notice to the AGM.

Legacy plans

Executive Directors continue to maintain interests under legacy long-term incentive arrangements granted in previous years.

(i) Long-Term Incentive Plan (LTIP)

The LTIP was originally implemented in 2006. The plan was structured to reward participants for the growth in value of the business from an adjusted base value at 1 April 2006. The final performance assessment for outstanding interests under this plan will be assessed after the publication of results for the 2010/11 financial year.

(ii) Exceptional Performance Awards (EPA)

In last year's Remuneration Report, the Committee indicated an intention to grant awards under a one-off structure (Exceptional Performance Awards). Following a review of the remuneration policy, and consideration of the Company's strategic priorities, the Committee have concluded that the EPA should be revoked. Therefore the EPA will be removed from the remuneration package and instead the annual grant of performance share awards will be the primary long-term incentive vehicle. Participants will not receive any compensation for the revocation of the EPA.

(iii) Historic Performance Share Awards

Details of historic awards to Executive Directors made under Cable and Wireless plc plans, which have been replaced by identical awards under equivalent Cable&Wireless Worldwide schemes as a result of the demerger, are summarised in the tables on pages 54 and 55.

Other share plans

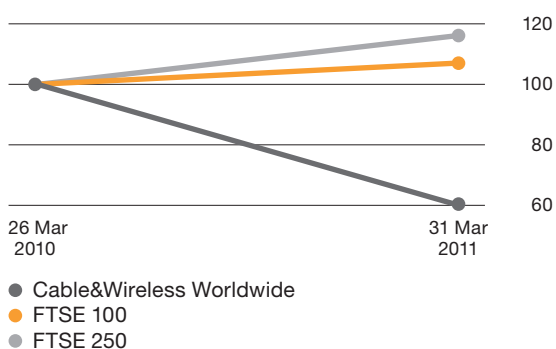
Executive Directors are eligible to participate in the Cable & Wireless Worldwide UK Share Purchase Plan on the same terms as other employees.

Performance graphs

The following graph shows the value, by 31 March 2011, of £100 invested in Cable & Wireless Worldwide plc at close of trading on 26 March 2010 (the date shares in Cable & Wireless Worldwide plc were admitted to the Official List) compared with the value of £100 invested in the FTSE 100 and £100 invested in the FTSE 250.

Total shareholder return

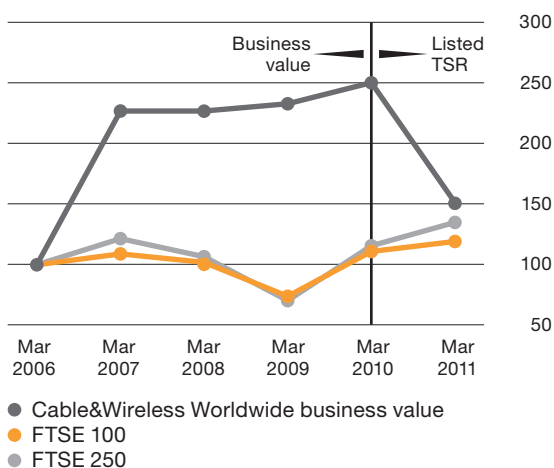
Value in £ from 26 March 2010 to 31 March 2011



The Committee considers the Cable&Wireless Worldwide business value derived for the purpose of the LTIP (as adjusted for cash flows to and from the corporate centre) to be the most representative equivalent to listed market value for the period prior to demerger. The following graph shows the change in value of a notional £100 holding in Cable&Wireless Worldwide over the four years from the start of the LTIP until the demerger and in Cable & Wireless Worldwide plc since demerger compared with the value of £100 invested in the FTSE 100 and £100 invested in the FTSE 250.

Cable&Wireless Worldwide business value compared to FTSE 100 and FTSE 250

Value in £ on 31 March 2011



Dilution

The Committee ensures that at all times the number of new shares which may be issued under any 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 2011, 6.05% of the issued share capital was available for issue under our share-based plans. The Committee includes in its calculation of the 10% dilution limit the number of shares issued to employees who worked within the Cable&Wireless Worldwide business prior to the demerger. Awards under the various share plans are funded by a mix of purchased and newly issued shares, as determined by the Committee. Newly issued shares are subject to the dilution limit outlined above. Purchased shares are held by the Cable & Wireless Worldwide Employee Share Ownership Trust which is subject to a holding limit of 5% of the issued ordinary share capital of the Company.

Executive Directors' service contracts

The Committee's policy is that Executive Directors' service contracts should include a maximum notice period of one year. However, a longer notice period may apply initially where this is required to secure the services of executives in exceptional circumstances, though in all cases the notice period will reduce to one year or less after two years. Executive Directors' service contracts continue until their normal retirement date.

	Date of contract	Notice period
Jim Marsh	26 January 2010	One year
Ian Gibson	26 April 2011	One year
Tim Weller	1 December 2009	Two years reducing to one year from 1 June 2011

The Executive Directors' contracts provide that, in the event of a change of control of the Company and an Executive Director's employment is adversely changed,

then he will receive a payment equal to the base salary for the notice period and a time pro-rated annual bonus.

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

On 11 March 2011 the Company announced that it had been agreed with the Chief Financial Officer, Tim Weller, that he would leave the Company on the day of the Annual General Meeting, 21 July 2011. The principal features of the agreement with Tim Weller are as follows:

(i) Base salary

At the time of agreement with Tim Weller his service contract included a two year notice period (applicable in the first year of his employment). Under the agreement Tim Weller will receive a one year payment in lieu of notice on leaving. Subject to an obligation on Tim Weller to find alternative employment in the meantime and thereby mitigate his loss, from January 2012 Tim Weller will receive monthly payments equivalent to his present monthly salary and benefits until August 2012. Should Tim Weller find equivalent alternative employment in the meantime no monthly payments will be paid; in the event of a less well paid position, the Company will pay the difference to the value of the monthly payment.

(ii) Annual bonus

No amount will be paid in respect of any annual bonus entitlement to Tim Weller for the year ended 31 March 2011 or for the years ending 31 March 2012 or 31 March 2013.

(iii) Long-term incentives

Tim Weller will forfeit the award of 2,966,038 performance shares which had a face value of £2.0 million when made to him in August 2010. He will remain eligible for any payment made on maturity of the Long Term Incentive Plan (LTIP) after the conclusion of the valuation period on or around 23 June 2011, in relation to which he retains 350 units in total as set out on page 54.

Directors' shareholdings

Cable&Wireless Worldwide operates a policy of encouraging Executive Directors to align their interests closely with those of shareholders by requiring them to build up and maintain a holding of ordinary shares. Where the relevant holding has not already been attained, it is required to be achieved through the retention of any net awards received from share plans which vest.

The existing requirement is to build and maintain a holding of shares worth at least two times the Director's base salary within five years of appointment.

Chairman

The Chairman's contract took effect on 26 March 2010 and contains a one year notice period. The contract provides that at the Company's absolute discretion it may terminate the contract on less than full notice by paying a sum equal to base salary in lieu of the unexpired part of the notice. The contract contains no other contractual entitlements on early termination or following a change of control. During the two year period to 26 March 2012 the Company will pay the Chairman an annual pension cash allowance equivalent to 25% of his annual base salary of £600,000. The Chairman will not receive any new awards under any of the Company's long-term incentive plans described above.

Non-executive Directors

The Non-executive Directors do not have service contracts with the Company, but instead have letters of appointment. Their fees are determined by the Board, within the limits set out in the Company's Articles of Association, with Non-executive Directors abstaining from any discussion or decision on their fees. Fee levels were last reviewed in March 2011. No changes were made to fee levels as a result of this review. The Non-executive Directors do not receive any incentive payments or pension provision. Annual fees payable to each Non-executive Director for 2011/12 are as follows:

	Base fee	Additional fee
John Barton	£65,000	£20,000 ¹
Clive Butler	£65,000	£20,000 ²
Penny Hughes	£65,000	£20,000 ³

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

Non-executive Directors are appointed for an initial three year term. After two three year terms, the continued appointment of any Non-executive Director may be extended on an annual basis at the invitation of the Chairman. Termination of the appointment may be earlier at the discretion of either party on one month's written notice. None of the Non-executive Directors are entitled to any compensation if their appointment is terminated. All appointments will be subject to re-election at the AGM in accordance with the Articles of Association.

External directorships

The Company allows Executive Directors to hold external directorships and retain the fees received from those roles.

Details of directorships held and the annual fees received for the 2010/11 financial year are given below:

	Annual fees
Tim Weller	
The Carbon Trust	£21,000
BBC Worldwide	£37,967

During 2010/11 the Chief Executive Officer held no such external directorships. This report, including the tables on pages 53 to 55, has been approved on behalf of the Board by:

Clive Butler

Chairman, Remuneration Committee
23 May 2011

Directors' remuneration

The following sections of the Directors' remuneration report have been subject to audit.

For the period 1 April 2010 to 31 March 2011

	Salaries and fees £000	Bonuses ¹ £000	Benefits in kind ² £000	Cash allowance £000	Total 2010/11 £000	Total 2009/10 (Pro forma basis ³) £000	Total 2009/10 (statutory basis ⁴) £000
Chairman							
John Pluthero	600	–	30	150 ⁵	780	785	11
Executive Directors							
Jim Marsh	650	–	44	86 ⁶	780	539	8
Tim Weller ⁷ (since 24 May 2010)	423	–	1	9 ⁸	433	–	–
Non-executive Directors							
John Barton	85	–	–	–	85	66	1
Clive Butler	85	–	–	–	85	86	1
Penny Hughes	85	–	–	–	85	49	1
	1,928	–	75	245	2,248	1,525⁹	22

- 1 No bonus was payable to Directors in respect of the 2010/11 financial year based on Company EBITDA and trading cash flow.
- 2 In compliance with the Companies Act 2006, 'Benefits in kind' include Company provided life assurance and travel.
- 3 In order to provide greater transparency of Directors' remuneration, the comparator year remuneration of the Cable&Wireless Worldwide Directors has been presented on a pro forma basis in addition to the statutory basis. This basis presents Directors' remuneration as if the Group had existed in its current form throughout the previous financial year, using amounts paid to the Directors for their services to the former Cable & Wireless Group as the basis of remuneration.
- 4 In accordance with the Companies Act 2006, Cable & Wireless Worldwide plc is required to present the comparator year Directors' remuneration from 24 September 2009 (the date of incorporation) through to 31 March 2010. The demerger of the Cable&Wireless Worldwide business from the Cable & Wireless Group took place on 26 March 2010. Prior to this date, the Directors were not remunerated for their role as Directors of Cable & Wireless Worldwide plc as this entity was unrelated to the Cable&Wireless Worldwide Group until this date.

- 5 Company pension contributions in 2010/11 have been paid to John Pluthero as an annual cash allowance.
- 6 Pension contributions in respect of Jim Marsh were paid in part as a cash allowance and part as employer contributions into the Company's defined contribution pension plan. Jim Marsh was paid a cash allowance in 2010/11 in lieu of provision of a company car.
- 7 Tim Weller's salary is shown prior to any salary sacrifice under his pension arrangements. Upon leaving employment, Tim Weller will receive a lump sum cash payment of £573,300. Subject to an obligation on him to find alternative employment in the meantime and thereby mitigate his loss, from January 2012 he will receive a further £382,000 in eight equal monthly payments. Should he find equivalent alternative employment in the meantime no monthly payments will be paid; in the event of a less well paid position, the Company will pay the difference to the value of the monthly payment.
- 8 Tim Weller was paid a cash allowance in 2010/11 in lieu of provision of a company car.
- 9 The aggregate emoluments of the Directors which include employer pension contributions were £2,385,310 (2009/10 – £1,587,731).

Directors' shareholdings

The beneficial interests of the Directors and their connected persons as notified to the Company in the ordinary shares of the Company were as follows:

For the period 1 April 2010 to 31 March 2011

	Shares held as at 1 April 2010 or date of appointment if later	Shares acquired	Shares held as at 31 March 2011
Chairman			
John Pluthero	2,777,932	485,912	3,263,844
Executive Directors¹			
Jim Marsh	651,559	–	651,559
Tim Weller (since 24 May 2010)	–	250,000	250,000
Non-executive Directors			
John Barton	100,000	100,000	200,000
Clive Butler	57,000	–	57,000
Penny Hughes	30,000	–	30,000

- 1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Cable & Wireless Worldwide Employee Share Ownership Trust (the Trust), the Chairman and Executive Directors are deemed to have an interest in all of the ordinary shares held by the Trust, which at 31 March 2011 amounted to 19,693,444 shares.

The information in the table above is accurate as at 23 May 2011.

LTIP

The table below discloses the LTIP amounts receivable and the qualifying period end date under the terms of the LTIP. The LTIP payments for Jim Marsh and John Pluthero that were receivable at 31 March 2010 were paid on 1 April 2010, within the period of the current report.

For the period 1 April 2010 to 31 March 2011

	LTIP interests at 1 April 2010 (units)	LTIP paid during the period £	LTIP interests awarded/ forfeited during the period (units)	LTIP interests at 31 March 2011 (units)	LTIP receivable at 31 March 2011 ⁴	LTIP receivable at 31 March 2010	Qualifying period end date
John Pluthero	2,000	1,889,252	–	2,000	–	1,889,252 ¹	23/06/11
Jim Marsh	1,688	1,987,500	175 ³	1,863	–	1,987,500 ²	23/06/11
Tim Weller	–	–	350 ⁴	350	–	–	23/06/11 ⁴

- 1 The figure represents 85% of the value of John Pluthero's units in the LTIP reward pool at 26 March 2010 minus the value of the payment made in May 2009.
- 2 The figure represents 100% of the value of Jim Marsh's 1,500 units in the LTIP reward pool at 26 March 2010 minus the value of the payment made in May 2009. There was no payout from the 188 units awarded on 10 June 2009.
- 3 Units were awarded in connection with the Exceptional Performance Award and have subsequently been forfeited in connection with the revocation of the EPA as set out on page 51.
- 4 200 units were awarded which were not subject to any encumbrance; 150 units awarded in connection with the EPA were subject to an encumbrance of £3,000 per unit, ensuring that no payment is made unless the value is in excess of £3,000 per unit, which would only be achieved if the average Cable & Wireless Worldwide plc share price between 25 May and 23 June 2011 (inclusive) was circa 80 pence or higher.

Notes

The LTIP, which ends in 2011, creates a reward pool for Executive Directors and senior management of the Group depending on the extent to which the business has grown in value from its adjusted base value at 1 April 2006. The final valuation will be based on the Company's average share price over the 30 consecutive days immediately following the announcement of the Company's annual results on 24 May 2011.

The base valuation at 1 April 2006 is adjusted over the performance period to create the LTIP hurdle as follows:

- (i) to reflect additional capital notionally treated as borrowed by the business;
- (ii) to reflect capital notionally treated as returned by the business; and
- (iii) increased by a hurdle rate being the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the growth in value over the adjusted base valuation goes into the reward pool. The LTIP is structured as a five year performance period until 2011 with payout opportunities at the end of years three, four and five ending in 2011.

In the event of a potential payment to an individual in excess of £20 million, the Committee will (other than in exceptional circumstances) defer any excess payment until 23 June 2012 or up to one year following a vesting event if earlier and make the payment in Cable & Wireless Worldwide plc shares rather than cash.

Directors' share options

No share options have been granted during the 2010/11 financial year.

Share options that were not exercised before the date of the Scheme Court Hearing on 19 March 2010 were adjusted by the Cable and Wireless plc Remuneration Committee so that, following the demerger, they continued in respect of one Cable & Wireless Communications Plc ordinary share and one Cable & Wireless Worldwide plc ordinary share for each Cable and Wireless plc ordinary share previously under option. All of these options were granted and vested over Cable and Wireless plc shares prior to the demerger.

For the period 1 April 2010 to 31 March 2011

	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2010	Granted between 1 April 2010 and 31 March 2011	Exercised	Lapsed, cancelled or forfeited	Cable & Wireless Worldwide shares under option at 31 March 2011
John Pluthero¹									
Unapproved	3/3/06	21/5/09 ²	2/3/13	107.40	1,135,941 ³	–	–	–	1,135,941³

- 1 A takeover, reconstruction or winding-up in relation to Cable & Wireless Communications Plc will not trigger the early lapse of share options held by employees within the Cable&Wireless Worldwide Group.
- 2 John Pluthero agreed to delay the date on which options were to become first exercisable from March 2009 to 21 May 2009. This was to avoid options becoming exercisable during a prohibited period.
- 3 Following the demerger, these shares are linked to an equal number of Cable & Wireless Communications Plc shares and cannot be exercised separately.

Notes

These are unapproved options originally issued over Cable and Wireless plc shares (see note 32 of the consolidated financial statements for details). The options vested based on the achievement of relative TSR performance conditions.

No amounts were paid by Directors for the award of the options listed in the tables above.

The closing mid-market price of a Cable & Wireless Worldwide plc ordinary share on 31 March 2011 was 52.45 pence. The highest closing mid-market price of a Cable & Wireless Worldwide plc ordinary share during the period was 93.00 pence and lowest closing mid-market price was 52.45 pence.

Directors' share awards
For the period 1 April 2010 to 31 March 2011

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Shares under award at 1 April 2010	Awarded between 1 April 2010 and 31 March 2011	Dividend shares added between 1 April 2010 and 31 March 2011 ¹	Shares vested	Shares under award at 31 March 2011
John Pluthero								
Performance Shares	02/06/2009 ²	02/06/2012 ³	83.32 ⁴	3,995,983	–	218,447	–	4,214,430
				3,995,983	–	218,447	–	4,214,430
Jim Marsh								
Performance Shares	25/11/2009 ²	25/11/2012 ³	85.39 ⁴	2,395,872	–	136,632	–	2,532,504
Performance Shares	06/08/2010	05/08/2013 ⁵	67.43	–	3,855,850	92,392	–	3,948,242
				2,395,872	3,855,850	229,024	–	6,480,746
Tim Weller								
Performance Shares	06/08/2010	05/08/2013 ⁵	67.43	–	2,966,038	71,071	–	3,037,109
				–	2,966,038	71,071	–	3,037,109

- In accordance with the terms of the awards, dividend shares are added to reflect notional dividend reinvestment during the period. Dividend shares vest on the same dates and in the same proportion as the awards to which they relate.
- Awards were originally granted by Cable and Wireless plc. Following the demerger, the Cable and Wireless plc performance shares that had not vested lapsed and were replaced by an award over Cable & Wireless Worldwide plc ordinary shares, having an equivalent value (determined by reference to the average closing price of Cable & Wireless Worldwide plc ordinary shares and Cable & Wireless Communications Plc ordinary shares over the five trading days commencing on the date of demerger). Immediately prior to the demerger, John Pluthero and Jim Marsh held awards over 2,478,783 and 1,486,204 Cable and Wireless plc shares respectively, which lapsed at demerger. Following the demerger, John Pluthero and Jim Marsh were granted replacement awards over 3,995,983 and 2,395,872 Cable & Wireless Worldwide plc shares respectively.
- Full vesting of the performance shares and any associated dividend shares will occur only if TSR performance is equal to 20% or more compound growth per annum. Where TSR performance is equal to 8% compound growth per annum, 25% of the performance shares will vest. The performance shares will vest pro-rata where TSR performance is more than 8% but less than 20% compound growth per annum. If the Group TSR is less than 8% compound growth per annum no performance shares will vest. Vesting must also be warranted by reference to the underlying financial performance during the performance period which will be determined by the Committee within 12 months of the end of the performance period.

- The market price on date of award has been adjusted to reflect the replacement at demerger of awards over Cable and Wireless plc shares with awards over Cable & Wireless Worldwide plc shares, having equivalent value (determined by reference to the average closing price of Cable & Wireless Worldwide plc ordinary shares and Cable & Wireless Communications Plc ordinary shares over the five trading days commencing on the date of demerger).
- The vesting of the performance shares and any associated dividend shares is subject to the achievement of absolute TSR performance (50% of the shares) and cumulative adjusted EPS performance (50% of the shares). Full vesting of the 50% TSR portion of the performance shares will only occur if TSR performance is equal to 20% or more compound growth per annum. Where TSR performance is less than or equal to 8% per annum no performance shares will vest. The performance shares will vest pro-rata where performance is more than 8% but less than 20% compound growth per annum. Vesting must also be warranted by reference to the underlying financial performance during the performance period which will be determined by the Committee within 12 months of the end of the performance period. Full vesting of the 50% EPS portion of the performance shares will vest where cumulative adjusted EPS is greater than 25.7 pence. 25% of the EPS dependant performance shares (12.5% of the total award) will vest where adjusted EPS is 15.6 pence. The performance shares will vest pro-rata where EPS is between 15.6 pence and 25.7 pence. No performance shares will vest if EPS is less than 15.6 pence.

Directors' pension benefits

Executive Directors are eligible to participate in the defined contribution section of the Company's pension plan.

Jim Marsh and Tim Weller participated in the defined contribution section of the Cable & Wireless Worldwide Retirement Plan. Participation for Tim Weller was on a salary sacrifice basis. In return for a salary reduction equivalent to 5% of basic salary, subject to the salary cap (£123,600 for the 2010/11 tax year), the Group contributed the equivalent amount plus 12.5% of his uncapped salary.

Name	Company pension contributions for the period 1 April 2010 to 31 March 2011
Jim Marsh	£85,652 ¹
Tim Weller	£52,083 ²

1 Jim Marsh elected to receive the remainder of his employer pension contribution entitlement as a taxable non-bonusable cash allowance.

2 These figures exclude the contributions relating to Tim Weller's salary reduction under the salary sacrifice arrangement.

John Pluthero received a taxable cash allowance equivalent to 25% of his basic salary in lieu of participation in the Company's pension plan.

OTHER STATUTORY INFORMATION.

There are a number of legal and regulatory requirements with which Cable & Wireless Worldwide plc must comply, such as the Companies Act 2006 and the Listing Rules and Disclosure and Transparency Rules. This section contains additional information, required by these laws and regulations to be included by the Directors in the Annual Report and Accounts.

Principal activities, business review and results

Cable & Wireless Worldwide plc, registered number 7029206, is a global telecommunications company. The Group's principal activities during the year are detailed on pages 2 to 37. Through this annual report, including the Chairman's and Chief Executive Officer's statements, the Chief Financial Officer's review, the Business Review and Strategy sections that precede this report, 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 60.

Share capital

As at 31 March 2011, the issued share capital of the Company was 2,678,782,250 ordinary shares of 5 pence each. Details of changes to ordinary shares issued and awards and options granted during the year are set out in notes 31 and 32 to the consolidated financial statements. No person holds securities in the Company carrying special voting rights with regard to control of the Company. 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. Each share (other than treasury shares) entitles the holder to one vote at general meetings of the Company on votes taken on a poll. The rights attaching to the ordinary shares are defined in the Company's Articles, which are available on the Company's website.

Authority to purchase shares

The Company received authority from shareholders at the 2010 AGM to purchase up to 262 million of its own shares, within certain limits as set out in the special resolution. The authority is due to expire at the 2011 AGM, where upon it is proposed that it will be renewed. Shares repurchased may be cancelled or retained as treasury shares. No shares were purchased under the authority granted at the 2010 AGM, nor did the Company acquire any of its shares by other means. Currently the Company holds no treasury shares.

Transfer of shares

Unless otherwise provided in the Articles or the terms of issue of any shares, any shareholder may transfer any or all of his shares. The Directors may decline to register the transfer of any shares in certificated form that are not fully paid up or otherwise in accordance with the Articles, provided that such refusal does not prevent dealings from taking place on an open and proper basis.

Branches

Cable&Wireless Worldwide, through various subsidiaries, has established branches in a number of different countries in which the business operates.

Winding up

If the Company is wound up, the liquidator may divide the whole or any part of the assets of the Company among the shareholders (subject to the passing of a resolution by a 75% majority vote of the shareholders). No shareholder can be compelled to accept any shares or other property which carries a liability.

Major acquisitions and disposals

Full details of acquisitions and disposals are disclosed in note 10 on page 77.

Events after the balance sheet date

No other significant events occurred after the balance sheet date of 31 March 2011 that had a material effect on the Group's financial position, results of operations or cash flows.

Related party transactions

Related party transactions are set out in note 35 to the Financial Statements on page 93.

Essential contractual arrangements

Given the scope and diversity of the Cable&Wireless Worldwide business activities, the Company does not consider there are persons with whom the Company has contractual or other arrangements, which are essential to the business of the Cable&Wireless Worldwide Group.

Significant contracts – change of control

The Group has a number of contracts that are subject to change of control clauses. These primarily relate to financing facilities, major customer contracts and licence agreements.

In particular, under the Group's £300 million revolving credit facility agreement, unless all the lenders agree otherwise, on a change of control the facility shall be cancelled in full and all outstanding amounts together with related charges become immediately due and payable.

Under the Company's £230 million 5.75% Convertible Bonds due in 2014, for a period of 60 days following a change of control of the Company (or, if later, notice thereof) the conversion price will be adjusted downwards in accordance with a formula resulting in straight-line amortisation of the conversion premium of the convertible bonds. In addition, on a change of control of the Company, each holder of convertible bonds may exercise their conversion rights or, instead, require the Company to redeem any convertible bond held by such holder at its principal amount, together with accrued and unpaid interest.

Under a contingent funding agreement with Cable & Wireless Worldwide Pension Fund Trustee Limited, the pensions trustees of the Cable & Wireless Retirement Plan have the right on a change of control to procure and call on a letter of credit up to £100 million or, if less, the value of any deficit in the plan at the date of the change of control.

At present, risks arising from a change of control are not considered to be significant. For change of control provisions in relation to Directors' service contracts, refer to the Directors' remuneration report on pages 48 to 55.

Creditor payment policy

When entering into purchase contracts, the Company agrees payment terms with its suppliers and draws their attention to such terms. The Company seeks to abide by those terms on timely submission of satisfactory invoices. During the year, the average number of days between the invoice date and the date of payment within the Group was 61 days. The Company does not have any trade payables.

Charitable and political donations

During the year ended 31 March 2011, the Group made charitable donations totalling £300,762. Further information relating to the Group's support for communities and social activities are set out in the Corporate Responsibility section on page 27.

It is not the Company's policy to incur political expenditure or to make political donations. In accordance with this policy, no donations were made in any EU member state for political purposes, as defined in Section 364 of the Companies Act 2006, during the year ended 31 March 2011.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have

adequate resources to continue in operational existence for the foreseeable future and, accordingly, they continue to adopt the going concern basis in preparing the financial accounts. For further information please refer to the Going Concern statement set out in note 2 of the accounts on page 65.

Business ethics

We place significant focus on Business Ethics and the associated attitudes and practices it encourages. In 2010 we launched Business Ethics into the organisation. This included the creation of a worldwide policy complimented by a mandatory e-learn course. To date 97% of colleagues have completed the course, and our unique approach was covered in *The Times* in November 2010. The Business Ethics policy is available on our website.

Employees

The Group is committed to the fair and equitable treatment of all its employees, irrespective of sex, race, age, religion or belief, disability, sexual orientation or marital status. To this end, policies have been put in place to ensure that this commitment is implemented at recruitment and continues throughout an individual's employment with the Group. Full and fair consideration is given to applicants with disabilities for employment and training, and career development is encouraged on the basis of aptitude and ability. It is the Group's policy to make all reasonable adjustments for employees and applicants with disabilities to enable them to maximise their potential.

The Group communicates with employees in many ways, including: regular briefings by management, newsletters, intranet sites, mobile phone broadcasts, video conferences and consultation forums. These communications help to achieve a common awareness amongst colleagues of the financial and operational performance of the Group. The Company consults employees on key matters affecting their interests through a formalised employee consultation forum.

The Group is committed to ensuring that employees share in its success. Colleagues are encouraged to participate in share purchase schemes and hold investments in the Company's shares.

Compensation for loss of office

Information relating to Directors' compensation for loss of office in the event of change of control is set out on page 51 of the Remuneration Report.

DIRECTORS' RESPONSIBILITIES.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- For the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 38, with the exception of Ian Gibson, who will be appointed as a Director on 21 July 2011, confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The financial statements, prepared in accordance with UK GAAP give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Jim Marsh
Chief Executive Officer
23 May 2011

Independent auditor's report to the members of Cable & Wireless Worldwide plc

We have audited the financial statements of Cable & Wireless Worldwide plc for the year ended 31 March 2011 set out on pages 60 to 102. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- The parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- Adequate accounting records have not been kept by the parent Company or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 57, in relation to going concern;
- The part of the corporate governance statement on page 40 in the annual report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

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

Chartered Accountants
15 Canada Square
London
E14 5GL
23 May 2011

Consolidated income statement

for the year ended 31 March 2011

	Note	2010/11			2009/10		
		Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items ¹ £m	Total £m
Revenue		2,257	–	2,257	2,265	–	2,265
Operating costs before depreciation and amortisation	6	(1,806)	(17)	(1,823)	(1,848)	(207)	(2,055)
Depreciation	17	(242)	–	(242)	(223)	–	(223)
Amortisation	16	(43)	–	(43)	(45)	–	(45)
Other operating income	7	4	–	4	–	–	–
Other operating expense	8	–	–	–	(1)	–	(1)
Total operating profit/(loss)		170	(17)	153	148	(207)	(59)
Gain/(loss) on sale of non-current assets	10	–	14	14	(1)	–	(1)
Finance income	11	3	–	3	2	–	2
Finance expense	11	(30)	–	(30)	(33)	(3)	(36)
Profit/(loss) before income tax		143	(3)	140	116	(210)	(94)
Income tax credit	12	69	–	69	95	–	95
Profit for the year		212	(3)	209	211	(210)	1
Profit attributable to:							
Owners of the parent		211	(3)	208	211	(210)	1
Non-controlling interests		1	–	1	–	–	–
		212	(3)	209	211	(210)	1
Earnings per share attributable to the owners of the parent during the year (pence per share)	13						
– basic				7.9p			0.0p
– diluted				7.7p			0.0p

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

The notes on pages 65 to 95 are an integral part of these financial statements.

Discontinued operations

There have been no discontinued operations during the periods presented.

Consolidated statement of comprehensive income

for the year ended 31 March 2011

	Note	2010/11 £m	2009/10 £m
Profit for the year		209	1
Other comprehensive income for the year:			
Actuarial gains/(losses) on retirement benefit obligations	30	55	(20)
Currency translation differences		(2)	60
Other comprehensive income for the year		53	40
Total comprehensive income for the year		262	41
Total comprehensive income attributable to:			
Owners of the parent		261	41
Non-controlling interests		1	–
		262	41

The notes on pages 65 to 95 are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 March 2011

	Note	31 March 2011 £m	31 March 2010 £m
ASSETS			
Non-current assets			
Intangible assets	16	919	932
Property, plant and equipment	17	983	974
Available-for-sale financial assets	19	–	1
Other receivables	20	24	24
Deferred tax asset	28	220	150
		2,146	2,081
Current assets			
Trade and other receivables	20	596	691
Inventories	21	47	17
Cash and cash equivalents	22	266	226
		909	934
Non-current assets classified as held for sale	23	2	–
		911	934
Total assets		3,057	3,015
LIABILITIES			
Current liabilities			
Trade and other payables	24	936	1,013
Loans and obligations under finance leases	25	30	25
Provisions	29	30	43
Current tax liabilities		12	13
		1,008	1,094
Net current liabilities		(97)	(160)
Non-current liabilities			
Trade and other payables	24	–	1
Loans and obligations under finance leases	25	245	221
Financial liabilities at fair value	26, 27	2	1
Provisions	29	155	160
Retirement benefit obligations	30	91	167
		493	550
Net assets		1,556	1,371
EQUITY			
Capital and reserves attributable to the owners of the parent			
Share capital	31	134	131
Share premium	31	56	56
Reserves		1,365	1,184
		1,555	1,371
Non-controlling interests		1	–
Total equity		1,556	1,371

The notes on pages 65 to 95 are an integral part of these financial statements. These financial statements on pages 60 to 95 were approved by the Board of Directors on 23 May 2011 and signed on its behalf by:

John Pluthero
Chairman

Tim Weller
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2011

	Share capital £m	Share premium £m	Foreign currency translation reserve £m	Capital and other reserves £m	Retained earnings £m	Total equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2009	131	1,605	(141)	–	(1,217)	378	–	378
Profit for the year	–	–	–	–	1	1	–	1
Actuarial losses on retirement benefit obligations	–	–	–	–	(20)	(20)	–	(20)
Currency translation differences	–	–	60	–	–	60	–	60
Total comprehensive income/(expense) for the year	–	–	60	–	(19)	41	–	41
Share-based payment expense	–	–	–	–	8	8	–	8
Issue of share capital (net of issue costs)	–	922	–	–	–	922	–	922
Recycling foreign exchange on recapitalisation of funding balance with Cable & Wireless Communications Plc	–	–	74	–	(74)	–	–	–
Equity component of the convertible bonds transferred on demerger	–	–	–	22	–	22	–	22
Court approved capital reduction	–	(2,471)	–	2,471	–	–	–	–
Total dividends and other transactions with Cable & Wireless Worldwide plc shareholders	–	(1,549)	74	2,493	(66)	952	–	952
Balance at 31 March 2010	131	56	(7)	2,493	(1,302)	1,371	–	1,371
Profit for the year	–	–	–	–	208	208	1	209
Actuarial gains on retirement benefit obligations	–	–	–	–	55	55	–	55
Currency translation differences	–	–	(2)	–	–	(2)	–	(2)
Total comprehensive income/(expense) for the year	–	–	(2)	–	263	261	1	262
Share-based payment expense	–	–	–	–	6	6	–	6
Issue of share capital (net of issue costs)	1	2	–	–	–	3	–	3
Equity component of the convertible bonds transferred	–	–	–	(2)	2	–	–	–
Transfer of capital reserve (note 31)	–	–	–	(1,085)	1,085	–	–	–
Dividends to shareholders	–	–	–	–	(117)	(117)	–	(117)
Shares allotted under scrip dividend scheme	2	(2)	–	–	31	31	–	31
Total dividends and other transactions with Cable & Wireless Worldwide plc shareholders	3	–	–	(1,087)	1,007	(77)	–	(77)
Balance at 31 March 2011	134	56	(9)	1,406	(32)	1,555	1	1,556

The notes on pages 65 to 95 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2011

	Note	2010/11 £m	2009/10 £m
Cash flows from operating activities			
Profit for the year		209	1
Adjustments for:			
Income tax credit	12	(69)	(95)
Depreciation	17	242	223
Amortisation	16	43	45
(Gains)/losses on sale of non-current assets	10	(14)	1
Net other operating (income)/expense		(4)	1
Finance income	11	(3)	(2)
Finance expense	11	30	36
Decrease in provisions		(22)	(8)
Employee benefits		(32)	102
Operating cash flows before working capital changes		380	304
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
Increase in inventories		(29)	(14)
Decrease in trade and other receivables		20	40
Decrease in trade and other payables		(42)	(66)
Cash generated from operations		329	264
Income taxes paid		(1)	(1)
Net cash from operating activities		328	263
Cash flows from investing activities			
Interest received		1	2
Proceeds on disposal of subsidiary		14	-
Purchase of non-current assets classified as held for sale		(2)	-
Decrease in available-for-sale financial assets		-	10
Proceeds on disposal of property, plant and equipment		4	1
Purchase of property, plant and equipment		(209)	(232)
Purchase of intangible assets		(30)	(25)
Net cash used in investing activities		(222)	(244)
Net cash flow before financing		106	19
Cash flows from financing activities			
Finance expense		(23)	(9)
Repayments of borrowings		(39)	(192)
Proceeds from borrowings		2	312
Demerger transaction costs		-	(21)
Repayments of funding loan with the Cable & Wireless Communications Group		-	(85)
Funding contributions from the Cable & Wireless Communications Group		79	55
Dividends paid		(86)	-
Proceeds from issue of ordinary shares		2	-
Net cash (used in)/from financing activities		(65)	60
Net increase in cash and cash equivalents		41	79
Cash and cash equivalents at 1 April		226	144
Exchange (losses)/gains on cash and cash equivalents		(1)	3
Cash and cash equivalents at 31 March	22	266	226

The notes on pages 65 to 95 are an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2011

1 General information

Cable & Wireless Worldwide plc (the Company) and its subsidiaries (together the Cable&Wireless Worldwide Group or the Group) form an international telecommunications group providing critical communications infrastructure and services for large users of telecommunications worldwide.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Cable&Wireless Worldwide 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 2011.

Group reorganisation and demerger

The Cable&Wireless Worldwide business was demerged from the Cable & Wireless Communications Group (formerly the Cable & Wireless Group), with effect from 26 March 2010. As a result of the demerger, the Cable&Wireless Worldwide business was transferred to a new ultimate parent company, Cable & Wireless Worldwide plc.

The acquisition by Cable & Wireless Worldwide plc was accounted for in accordance with the principles of reverse acquisition as set out in IFRS 3 *Business Combinations* and hence the consolidated income statement and consolidated statement of cash flows for the year ended 31 March 2010 were prepared as if the continuing operations of the Group were in existence for the whole of the period from 1 April 2009 to 31 March 2010.

Basis of preparation

These consolidated financial statements are presented in sterling (£) as this is the most representative currency of the Group's operations, and rounded to the nearest million.

They are prepared on the historical cost basis except for certain financial instruments held at fair value. The Directors have prepared the accounts on a going concern basis.

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 period in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accounting policies have been applied consistently by Group entities.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 22 to 25. The financial position of the Group, its cash flows and net debt are described in the business review on pages 28 to 35 and its liquidity management in note 38 to these financial statements.

The Directors believe that the Group's wide geographic spread, varying contract lengths and its monitoring and forecasting processes place it well to manage its business risks. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, 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 notes 25 and 33.

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

2.2 Application of recently issued International Financial Reporting Standards

The Group considered the implications, if any, of the following amendments to IFRS during the year ended 31 March 2011.

New and amended Standards and Interpretations endorsed by the European Union and adopted by the Group in 2010/11

The following amendments to existing standards and interpretations were also effective for the current period, but the adoption of these amendments to existing standards and interpretations did not have a material impact on the financial statements of the Group:

- Revised IAS 27 *Consolidated and Separate Financial Statements*;
- Amendments to IAS 32 *Classification of Rights Issues*;
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*;
- Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*;
- Revised IFRS 3 *Business Combinations*;
- IFRIC 17 *Distribution of Non-cash Assets to Owners*;
- IFRIC 18 *Transfers of Assets from Customers*; and
- Improvements to IFRS 2009.

New and amended Standards and Interpretations not adopted early by the Group

The Directors anticipate that the adoption of the following standards, interpretations and amendments to existing standards and interpretations in future periods, which were also in issue at the date of authorisation of these financial statements, will have no material impact on the financial statements of the Group:

- Improvements to IFRS 2010, effective for various dates, the earliest being annual periods beginning on or after 1 January 2011;
- Amendments to IFRS 7 *Financial Instruments: Disclosures on derecognition*, effective for annual periods beginning on or after 1 July 2011, subject to EU endorsement;
- IFRS 9 *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement;
- Revised IAS 24 *Related Party Disclosures*, effective for annual periods beginning on or after 1 January 2011;
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*, effective for annual periods beginning on or after 1 January 2011;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after 1 July 2010; and
- Amendments to IAS 12 *Income Taxes*, effective for annual periods beginning on or after 1 January 2012, subject to EU endorsement.

2.3 Basis of consolidation

The consolidated financial statements comprise a consolidation of the accounts of the Company and its subsidiary undertakings. The financial statements of the Group's main trading subsidiaries and joint ventures have been prepared to align with the Group's reporting date.

a) 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 so as 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.

The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

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

b) Non-controlling interest

From 1 April 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (revised), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

2.4 Segmental reporting

IFRS 8 *Operating Segments* requires disclosures in respect of the operating segments of the Group according to the 'management approach'. This approach reflects the type and extent of information presented to the chief operating decision-maker of the Group (the Cable&Wireless Worldwide Group Board).

The Board considers the results of the business as a whole when assessing the performance of the Group and making decisions about the allocation of resources. Accordingly, the Group discloses a single reportable operating segment. The results of this operating segment are reported in note 5 in a manner consistent with the internal reporting provided to the Board.

2.5 Foreign currency translation

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 in the income statement.

c) Foreign operations

The results and financial position of all the Group entities that have a functional currency different from the Cable&Wireless Worldwide Group's presentation currency of sterling 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 the income statement 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 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 reserve and any excess taken to the income statement.

There are no Group entities operating in a hyperinflationary economy.

2.6 Property, plant and equipment

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

The estimated costs of dismantling and removing assets and restoring sites 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 the income statement during the financial period in which they are incurred.

Interest costs relating to borrowings for major capital projects are capitalised as part of the cost of assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. The interest costs included are only those that are incurred up to the time that those projects are ready for service.

Depreciation is not recognised on freehold land or assets under construction. On other property, plant and equipment, depreciation is recognised on the difference between the cost of an item and its estimated residual value, 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 residual values and 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.

Gains and losses on the sale of property, plant and equipment are determined by reference to the proceeds and net book values. These gains and losses are recognised in the income statement.

Engineering spares held for use by the Group over a period exceeding one year are included in plant and equipment. They are stated at cost and include an appropriate allocation of labour and overheads. The cost is determined on a weighted average basis.

2.7 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary or joint venture. It is not amortised. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of joint ventures is included in the carrying value of those investments.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

2.7 Intangible assets continued

b) Other intangible assets

Costs that are directly associated with the purchase and implementation of identifiable 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.

Expenditure is only capitalised if costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete development and to use the asset.

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

Other intangible assets are stated at cost less amortisation on a straight-line basis over the following periods:

	Lives
Software	3 to 5 years
Licences	25 years or less if the licence term is shorter
Customer contracts	4 to 15 years
Other	3 to 5 years

2.8 Financial instruments

Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through the income statement, receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Group does not currently classify any assets as fair value through the income statement or held-to-maturity investments. The basis determining fair values is set out in note 2.9.

Management determines the classification of its financial assets at initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through the income statement.

Financial assets at fair value through the income statement

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category at inception 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 12 months of the reporting date. Purchases and sales of assets are recognised on the trade date (the date on which the Group commits to purchase or sell the asset).

Receivables

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. Receivables are included in current assets, except for those with maturities greater than one year after the reporting date (where they are classified as non-current assets). Receivables are included in trade and other receivables in the statement of financial position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest method less valuation allowance if necessary. A valuation allowance for receivables is established 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. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows (discounted at the effective interest rate).

Financial assets – recognition and measurement

Financial assets at fair value through the income statement are recognised and subsequently carried at fair value. Available-for-sale financial assets are recognised and subsequently carried at fair value. Receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

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

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

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured 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 in the income statement. Gains and losses on derivative instruments designated as hedge instruments are recognised in other comprehensive income when the hedge is deemed effective.

The Group does not hedge net investments in foreign operations.

Financial liabilities

Loans

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

Convertible bonds (bonds that can be converted into share capital at the option of the holder) issued by the Group are initially recognised at fair value. The bonds are separated into liability and equity components on initial recognition. The liability component is initially recognised at the fair value of a similar liability without an equity conversion option. The equity component represents the fair value of the bond less the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the bond is measured at amortised cost using the effective interest method. The equity component is not remeasured subsequent to initial recognition.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date (where they are classified as non-current liabilities).

Puttable instruments

Puttable instruments on non-controlling interests issued as part of a business combination are accounted for by the Group as a financial liability at fair value. The liability is based on the present value of the redemption amount as if the puttable instrument had been exercised at the reporting date. Movements in the value of the liability, dividends paid to non-controlling interests and the unwind of the discount on the fair value calculation are recognised in the income statement.

2.9 Fair value estimation for financial instruments

The fair value of financial instruments traded in active markets (such as publicly traded derivatives or trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for traded financial assets held by the Group is the current bid price. The appropriate quoted market price for traded financial liabilities is the current offer price.

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

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

2.10 Impairment of assets (excluding financial instruments)

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 cash generating units 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 which represent the estimated weighted average cost of capital for the business. The approach, assumptions and results of the impairment test are set out in note 15.

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

2.11 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. For materials and consumables, an allowance is made for obsolete and slow moving inventories as required.

2.12 Cash and cash equivalents

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

2.13 Share capital

Incremental costs directly attributable to the issue of new shares or standalone options are recognised in equity as a deduction from the issue proceeds.

2.14 Leases

Leases of property, plant and equipment in which the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the underlying liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in payables. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases comprising a lease of land and a lease of buildings within a single contract are split into the two component parts. The component parts for both land and buildings are then tested to determine whether each lease component is a finance or operating lease and treated accordingly.

All other leases are classified as operating leases and are not recognised in the statement of financial position. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease.

2.15 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 classified as non-current assets held for sale. With the exception of deferred tax assets, assets arising from employee benefits and financial instruments, these assets are classified as current and 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.

Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

2.16 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 pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense as they are incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 using the projected unit credit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid. The corporate bonds used have terms to maturity approximating the terms of the related pension liability.

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

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

The IAS 19 surplus or deficit of defined benefit funds is adjusted to reflect the future economic benefits available in the form of a cash refund or a reduction in future contributions, allowing for minimum funding contributions in accordance with IFRIC 14. Any adjustment to the surplus is recorded in other comprehensive income.

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 or share awards is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or share awards 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 or share awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of options or share awards that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the income statement, 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.

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 when it is demonstrably committed to the action leading to the employee's termination.

Bonus plans

The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Long Term Incentive Plan (LTIP)

The plan rewards Executive Directors and certain senior employees in the Cable&Wireless Worldwide Group. The plan is accounted for as an 'other long-term employee benefit' in accordance with IAS 19 *Employee Benefits*. The amount recognised as a liability represents the estimated present value of the obligation at the reporting date.

2.17 Tax

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

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, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 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. The discount rate is the pre-tax rate reflecting the assessment of the settlement date. Provision charges and reversals are recognised in the income statement. Discount unwinding is recognised as a finance expense.

Provisions are recognised for unavoidable lease payments in onerous contracts as the difference between the rentals due and any income expected to be derived from the vacant properties being sublet. Redundancy provisions, relating to both continuing and discontinued operations, comprise employee termination payments. Legal provisions comprise legal fees and, where appropriate, expected settlement costs.

2.19 Revenue recognition

Revenue, which excludes discounts, value added tax and similar sales taxes, represents the amount receivable in respect of services provided to customers. It includes sales to joint ventures but does not include sales by joint ventures 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 to and due from 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.

The Group earns revenue from the transmission of content and traffic on its network originated by third party providers. The Group assesses 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, 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 telecommunication equipment is recognised upon delivery to the customer.

The total consideration on arrangements with multiple revenue generating activities (generally the sale of telecommunications equipment and continuing services) is allocated to those components that are capable of operating independently based on the estimated fair value of the components. When the fair value of components cannot be assessed the revenue is spread over the term of the service.

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

2.20 Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

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

3 Critical accounting estimates and judgements

In the preparation of the consolidated financial statements, a number of estimates and assumptions have been made relating to the reporting of results of operations and the financial position 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 and judgements, which are those that are most important to the presentation of its consolidated financial position and results. These particular policies require subjective and complex judgements, often as a result of the need to make estimates about the effect of matters that are uncertain.

3.1 Depreciation of property, plant and equipment

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

3.2 Impairment of property, plant and equipment and intangible assets

The Directors assess the impairment of property, plant and equipment and intangible assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important and which 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 its 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.

In addition, the Directors test goodwill at least annually for impairment.

The identification of impairment indicators, the estimation of future cash flows and the determination of the recoverable amount for assets or cash generating units requires significant judgement. Note 15 sets out the assumptions and judgements used during these assessments.

3.3 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 presentation of revenue as principal or as agent in respect of income received from transmission of content provided by third parties.

3.4 Customer and supplier commitments

The nature of the telecommunications industry is such that estimates are often required to be made in relation to customer or supplier commitments, the final outcome of which may not be known for some time. The Group uses estimates of price or usage to determine the revenue and expense recognised in any period. These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed. As issues arise or are resolved, accruals are created or released as appropriate – the net impact of this is included in operating profit within the relevant line item.

3.5 Interconnection with other operators

As part of the normal course of business, the Group interconnects with other telecommunications operators. In certain instances it uses estimates to determine the amount of revenue receivable from or expense payable to these other operators. The prices at which these services are charged are sometimes regulated and may be subject to retrospective adjustment. Estimates are used in assessing the likely impact of these adjustments.

Adjustments to interconnect estimates are taken to operating profit in the period in which the adjustments are made.

3.6 Receivables allowance

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

3.7 Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

3.8 Provisions

A provision is recognised when there is a present (legal or constructive) obligation in respect of a past event as explained in the accounting policy in note 2.18. Judgement is required to quantify such amounts.

3.9 Pensions

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

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

The assumptions used by the Group are set out in note 30 and are estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice, but have been comparable to the median estimates in this regard used by FTSE 100 companies. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in note 30.

4 Demerger

At a General Meeting on 25 February 2010, the shareholders of Cable and Wireless plc approved the demerger of the Cable&Wireless Worldwide Group. On 26 March 2010 (the demerger date), the Cable&Wireless Worldwide businesses were transferred to an unrelated company, Cable & Wireless Worldwide plc, in return for the entire share capital of that company. As a result of the demerger, Cable & Wireless Worldwide plc became the ultimate parent company of the Cable&Wireless Worldwide subsidiaries. Trading of shares in Cable & Wireless Worldwide plc on the London Stock Exchange commenced on 26 March 2010.

The significant aspects of the demerger transaction were:

- long-term intercompany debt owed to the Cable & Wireless Group (now the Cable & Wireless Communications Group) of £931 million was capitalised prior to demerger;
- the convertible bond issued by Cable and Wireless plc (and subsequently transferred to Cable & Wireless Communications Plc) was transferred to Cable & Wireless Worldwide plc, along with proceeds of £230 million;
- the Cable & Wireless Communications Group agreed to transfer cash of £79 million primarily to settle the Cable&Wireless Worldwide portion of the 2009/10 final dividend of the Cable & Wireless Group (now Cable & Wireless Communications Group) on 1 April 2010. This was classified in other receivables at 31 March 2010; and
- plan assets and pension obligations of the Cable & Wireless Superannuation Fund relating to Worldwide employees with a net IAS 19 value of £141 million were transferred to the Cable&Wireless Worldwide Group.

5 Segment information

Reportable segments

The Cable&Wireless Worldwide Group is an international telecommunications service provider. It specialises in the provision of communication infrastructure and services to large users of telecommunications services across the UK and worldwide.

Across the UK and worldwide the Group operates as a single operating segment. The Cable&Wireless Worldwide Group Board considers the results of the business as a whole when assessing the performance of the business and making decisions about the allocation of resources. Accordingly, the Group had one reportable operating segment.

The results from continuing operations, in the format as provided to the Board for the years ended 31 March 2011 and 31 March 2010 are presented below:

	2010/11 £m	2009/10 £m
Revenue	2,257	2,265
Cost of sales	(1,192)	(1,190)
Gross margin	1,065	1,075
Pre-exceptional operating costs	(623)	(644)
EBITDA¹	442	431
LTIP credit/(charge)	9	(14)
Depreciation and amortisation	(285)	(268)
Net other operating income/(expense)	4	(1)
Group operating profit before exceptional operating costs	170	148
Exceptional operating costs (see note 6)	(17)	(207)
Total operating profit/(loss)	153	(59)
Loss on sale of non-current assets	-	(1)
Net finance expense	(27)	(31)
Non-operating exceptional items (see notes 10 and 11)	14	(3)
Profit/(loss) before income tax	140	(94)
Income tax credit	69	95
Profit for the year	209	1

¹ EBITDA is based on management reporting and is defined as earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income/expense, losses on sale of non-current assets and exceptional items (see note 39).

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

The additions to non-current assets during the year (excluding financial assets, deferred tax assets and defined benefit pension assets) were £286 million (2009/10: £279 million).

Additional information

Below is a summary of revenue and gross margin by market channels. Gross margin includes revenue and those costs directly attributable to specific revenue streams or customers. The gross margin does not include the costs of running and maintaining the network, including depreciation, which is the primary asset used across all market channels. Investment in the Group's network is not considered by the CODM based upon market channel or product. Further, the management, legal and operating structure of the Group is not organised around these market channels.

These analyses are not used by the Cable&Wireless Worldwide Group Board to allocate resources across the Group as a large proportion of the expenses of the Group are not customer specific. Accordingly, the Directors believe these market channels are not operating segments for the purposes of IFRS 8.

The analysis of gross margin by market channel is presented below as additional, non-GAAP information:

	UK Enterprise £m	UK Public Sector £m	Global £m	UK Mid-market £m	UK Carrier £m	Total £m
Year ended 31 March 2011						
Revenue	849	285	557	212	354	2,257
Cost of sales	(403)	(115)	(319)	(114)	(241)	(1,192)
Gross margin	446	170	238	98	113	1,065
Year ended 31 March 2010						
Revenue	837	285	552	242	349	2,265
Cost of sales	(391)	(117)	(320)	(124)	(238)	(1,190)
Gross margin	446	168	232	118	111	1,075

Group-wide information

The information on products and services, non-current assets and major customers across the Group required by IFRS 8 is presented below.

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

	31 March 2011 £m	31 March 2010 £m
United Kingdom	1,864	1,868
All other countries	71	62
Total	1,935	1,930

The revenue from external customers can be analysed by product as follows:

	2010/11 £m	2009/10 £m
Data and IP	999	978
Hosting and applications	263	240
Traditional voice (including legacy)	995	1,047
Total	2,257	2,265

Revenue by country can be classified as follows:

	2010/11 £m	2009/10 £m
United Kingdom	2,067	2,069
All other countries	190	196
Total	2,257	2,265

Revenue is allocated to a country based on the location of the customer contract. It does not follow necessarily that the international telecommunications traffic transiting the Group's networks originates in that location. The Group does not have access to information on the original source or ultimate destination of international telecommunications traffic.

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

6 Operating costs

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

	2010/11			2009/10		
	Pre- exceptional £m	Exceptional £m	Total £m	Pre- exceptional £m	Exceptional £m	Total £m
Outpayments and direct costs	1,192	–	1,192	1,190	–	1,190
Employee and other staff expenses	294	6	300	300	181	481
Operating lease rentals						
– networks	65	–	65	66	–	66
– property	49	4	53	59	7	66
Other administrative expenses	61	2	63	74	10	84
Network costs	101	5	106	111	9	120
Energy and other property costs	44	–	44	48	–	48
Operating costs before depreciation and amortisation	1,806	17	1,823	1,848	207	2,055
Depreciation of property, plant and equipment	242	–	242	223	–	223
Amortisation of intangible assets	43	–	43	45	–	45
Operating costs	2,091	17	2,108	2,116	207	2,323

Certain network operating lease rentals totalling £20 million were included within network costs in 2009/10. These have been re-presented to reflect a more accurate classification.

6 Operating costs continued

Exceptional items

Exceptional operating costs relate to the final stages of the business restructuring (£6 million) and THUS integration (£9 million) projects and demerger (£2 million).

Exceptional items within operating costs are disclosed below, while further information on other exceptional items is given in notes 10 and 11.

	Note	2010/11 £m	2009/10 £m
Exceptional items within operating costs			
Employee costs	(i)	6	38
Demerger pension costs	(ii)	–	143
Property costs	(iii)	4	7
Network costs	(iv)	5	9
Costs of demerger	(v)	2	10
Total exceptional operating costs		17	207

i) In 2010/11 the exceptional employee costs relate to the salary costs of employees working on the final stages of restructuring and integration programmes. In 2009/10 exceptional employee costs related primarily to redundancy costs from these programmes.

ii) The exceptional pension cost in 2009/10 resulted from the initial recognition of the Cable & Wireless Worldwide Retirement Plan defined benefit pension scheme and unfunded scheme as part of the demerger (refer to note 30 for further information).

iii) In 2010/11 and 2009/10 exceptional property costs related to vacant property provisions recognised and were net of £6 million (2009/10: £8 million) of provision releases.

iv) In 2010/11 and 2009/10 exceptional network costs related to provisions made for network costs from the business restructuring initiatives and other network costs associated with the integration of the THUS Group.

v) Exceptional demerger costs in 2010/11 and 2009/10 comprised professional fees and other costs associated with the demerger.

Auditor's remuneration

	2010/11 £m	2009/10 £m
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of the Group's accounts	0.9	1.0
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	0.6	0.5
Audit related regulatory reporting	0.2	0.2
Audit and audit related services	1.7	1.7
Tax services	0.1	0.2
Services related to corporate finance transactions	–	2.9
Other services	0.3	0.2
	2.1	5.0

Fees paid to KPMG for audit and other services to the Company are not disclosed in its individual accounts as the Group accounts are required to disclose such fees on a consolidated basis. Services relating to corporate finance transactions during 2009/10 were largely in relation to the demerger and have been offset against the share premium account as part of the demerger transaction.

7 Other operating income

In 2010/11 other operating income of £4 million related to gains on disposal of property, plant and equipment. There was no other operating income in 2009/10.

8 Other operating expense

There was no other operating expense in 2010/11. Other operating expense in 2009/10 of £1 million related to losses on disposal of property, plant and equipment.

9 Employee and other staff expenses

Costs of employees and contract staff of the Group

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

	2010/11 £m	2009/10 £m
Wages and salaries	307	282
Social security costs	28	29
Share-based payments	7	5
Long Term Incentive Plan	(9)	14
Pension expense:		
– defined benefit plans	7	4
– management charge for the Cable & Wireless Superannuation Fund pension plan	–	4
– other defined contribution plans	14	14
Temporary labour and recruitment	3	4
	357	356
Less: Staff costs capitalised	(63)	(56)
Staff costs	294	300

Wages and salaries includes redundancy costs of £13 million (2009/10: £1 million).

Exceptional employee and other staff expenses of £6 million (2009/10: £181 million) are set out in note 6.

Average number of employees

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

	2010/11	2009/10
Commercial	1,558	1,572
Customer services	3,123	3,311
Network operations	1,088	996
Support	570	633
Other	22	63
Total	6,361	6,575

During 2010/11 certain colleague teams reported into different functions from those in 2009/10. The numbers shown in the table above for 2009/10 have therefore been re-presented on the revised basis.

Key management's remuneration

Key management includes Directors and any senior employees that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of the Cable&Wireless Worldwide Group. Included in employee costs are key management expenses as follows:

	2010/11 £m	2009/10 £m
Salaries and other short-term employment benefits	4	3
Share-based payments	2	1
Long Term Incentive Plan	–	8
Total	6	12

Included in salaries and other short-term employment benefits in the table above are aggregate Directors' emoluments of £2 million (2009/10: £2 million).

In 2010/11 there was no LTIP charge. Accordingly, no remuneration has been attributed to LTIP units held by key management in the table above. Of the £8 million LTIP expense recognised for key management in 2009/10, £6 million was paid in April 2010 and the £2 million remaining related accrual has been released to the income statement in 2010/11.

10 Gains and losses on the sale of non-current assets

In 2010/11, an exceptional gain of £14 million arose on the sale of a subsidiary company with overseas tax losses that the Group would not have been able to utilise. In 2009/10 the loss on disposal of non-current assets of £1 million principally arose on the recycling of foreign currency translation reserve balances on the liquidation of subsidiaries.

11 Finance income and expense

	2010/11			2009/10		
	Pre-exceptional £m	Exceptional £m	Total £m	Pre-exceptional £m	Exceptional £m	Total £m
Finance income						
Interest on cash and deposits	1	–	1	–	–	–
Interest on receivables	2	–	2	2	–	2
Total finance income	3	–	3	2	–	2
Finance expense						
Bank charges and loan interest	9	–	9	9	–	9
Interest on funding loan with the Cable & Wireless Communications Group	–	–	–	14	–	14
Interest on convertible bond	17	–	17	–	–	–
Finance charges on leases	3	–	3	2	–	2
Capitalised financing costs written off	–	–	–	–	3	3
Unwinding of discounts on provisions	5	–	5	8	–	8
	34	–	34	33	3	36
Interest capitalised	(4)	–	(4)	–	–	–
Total finance expense	30	–	30	33	3	36

Exceptional finance expense of £3 million in 2009/10 related to accelerated amortisation of previously capitalised borrowing costs associated with the £200 million revolving credit facility repaid during that year.

12 Income tax credit

	2010/11 £m	2009/10 £m
Current tax charge		
Overseas tax	2	1
Adjustments relating to prior years	(1)	–
Total current tax charge	1	1
Deferred tax credit		
Origination and reversal of temporary differences	(81)	(96)
Effect of change in tax rates	11	–
Total deferred tax credit	(70)	(96)
Total income tax credit	(69)	(95)

There were no tax charges relating to exceptional items or items of other comprehensive income.

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2010/11 £m	2009/10 £m
Tax on profit/(loss) at UK corporation tax rate of 28% (28%)	39	(26)
Effect of overseas tax rates	1	1
Effect of disallowed expenditure	3	12
Movement in unrecognised temporary differences	(41)	14
Recognition of previously unrecognised deferred tax assets	(81)	(96)
Effect of change in tax rate from 28% to 26%	11	–
Adjustments relating to prior years	(1)	–
Tax credit	(69)	(95)

The main rate of corporation tax in the UK was reduced from 28% to 26% with effect from 1 April 2011. This change, announced in the Budget on 23 March 2011, was substantively enacted on 29 March 2011 following the conclusion of the Budget debates. This change is reflected in the measurement of deferred tax balances and the quantum of the deferred tax credit in these financial statements.

In addition to the change in the rate of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes were not substantively enacted at the balance sheet date and, therefore, are not reflected in these financial statements.

The effect of the reduction in the corporation tax rate from 26% to 25%, expected to take effect from 1 April 2012, if applied to the measurement of deferred tax asset balances at the balance sheet date would be to reduce the deferred tax asset recognised at the balance sheet date by £8 million. This decrease in the recognised deferred tax asset would be reflected in the income statement.

The proposed reductions of the rate of corporation tax by 1% per annum to 23% by 1 April 2014 are expected to be enacted separately each year. The effect of the further changes from 25% to 23%, if applied to the measurement of deferred tax asset balances at the balance sheet date, would be to reduce the asset by £17 million (being £9 million recognised in 2013 and £8 million recognised in 2014).

13 Earnings per share

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

	2010/11	2009/10
Profit for the year attributable to ordinary shareholders (£m)	208	1
Exceptional items (£m)	3	210
Profit for the year before exceptional items (£m)	211	211
Taxation	(69)	(95)
Profit for the year before tax and exceptional items (£m)	142	116
Weighted average number of ordinary shares outstanding (millions)	2,621	2,544
Dilutive effect of convertible bond (millions)	213	–
Dilutive effect of share awards (millions)	44	24
Number of ordinary shares used to calculate diluted earnings per share (millions)	2,878	2,568
Basic earnings per share (pence per share)	7.9	0.0
Pre-tax basic earnings/(loss) per share (pence per share)	5.3	(3.7)
Adjusted earnings per share (pence per share) ¹	8.0	8.3
Adjusted earnings before tax per share (pence per share) ¹	5.4	4.6
Diluted earnings per share (pence per share)	7.7	0.0
Pre-tax diluted earnings/(loss) per share (pence per share)	5.3	(3.7)
Adjusted diluted earnings per share (pence per share) ¹	7.8	8.2
Adjusted diluted earnings before tax per share (pence per share) ¹	5.4	4.5

1 Adjusted earnings per share is based on profit for the year before exceptional items.

14 Dividends declared and paid

	2010/11 £m	2009/10 £m
Final dividend in respect of the prior year	78	–
Interim dividend in respect of the current year	39	–
Total dividend paid	117	–

In respect of the year ended 31 March 2011, the Directors have proposed a dividend of 3.0 pence per share (2009/10: 3.0 pence per share), totalling £80 million (2009/10: £79 million), for approval by shareholders at the AGM to be held on 21 July 2011. 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 ending 31 March 2012.

The number of shareholders electing to take all or part of their dividends in shares varies from dividend to dividend. Shareholders elected to take shares in lieu of dividends totalling £13 million in respect of the 2009/10 final dividend and totalling £18 million in respect of the 2010/11 interim dividend. Consequently, new shares with a nominal value of £2 million were issued during 2010/11 to satisfy the shares taken in lieu of dividends.

The Cable & Wireless Worldwide Employee Share Ownership Plan Trust waived its right to dividends paid in the year on the shares held in the trust totalling £1 million.

15 Impairment review

The Group assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by accounting standards. Factors that are considered important, which could trigger an impairment review, are set out in note 3.2. The impairment reviews performed have not resulted in any impairment of property, plant and equipment and intangible assets (2009/10: no impairment).

Goodwill

Year ended 31 March 2011 and 2010

Goodwill acquired through business combinations is allocated for impairment testing purposes to individual cash-generating units (CGU), representing the lowest level at which goodwill is monitored by Group management. Goodwill in the Group of £799 million (31 March 2010: £800 million), which has arisen through various business combinations, has been allocated to two CGUs, being Cable&Wireless Worldwide (£789 million) and Apollo (£10 million), being the Group's 60% subsidiary that owns the Apollo Atlantic sub-sea cable system.

Cable&Wireless Worldwide CGU

The recoverable amount of goodwill has been determined using the value in use of the continuing operations of Cable&Wireless Worldwide based upon cash flow projections approved by the Board covering a five year period. Cash flows beyond the projected period are extrapolated using an estimated long-term growth rate. The key assumptions on which the projected cash flows are based include revenue and EBITDA growth and the level of capital expenditure required to maintain the network at its current level. These assumptions have been determined using a combination of extrapolations of historical trends within the business, industry estimates and in-house estimates of growth rates.

A long-term growth rate of 1% has been applied to extrapolate the cash flow projections into perpetuity. The growth rate has been determined using long-term historical growth rates of the CGU, which has been benchmarked to long-term average growth rates for the industry. A pre-tax discount rate of 9.1% has been used to discount projected cash flows of the CGU. The discount rate reflects the time value of money and is derived from the Group's pre-tax weighted average cost of capital. The discount rate reflects the latest market assumptions of the risk free rate, equity risk premium and the net cost of debt.

15 Impairment review continued

Impairment tests are carried out annually or more often when indicators show that assets may be impaired. The impairment test carried out has not resulted in an impairment of goodwill in the CGU for the year. The value in use would not support the carrying value of goodwill if earnings decreased or maintenance capital expenditure increased by more than £17 million per year; or the discount rate increased by more than 1.4 percentage points.

Property, plant and equipment and other intangibles

Year ended 31 March 2011 and 2010

No specific events or changes in circumstances in either year prompted an impairment review of property, plant and equipment and other intangible assets. The annual review of the carrying value of goodwill also considered the carrying value of property, plant and equipment and confirmed that it has not been impaired.

16 Intangible assets

	Goodwill £m	Software £m	Licences and operating agreements £m	Customer contracts and relationships £m	Total £m
Cost					
At 1 April 2009	784	684	26	145	1,639
Business combinations	17	–	–	–	17
Additions	–	25	–	–	25
Disposals	–	(4)	(19)	–	(23)
Exchange differences	(1)	–	–	–	(1)
At 31 March 2010	800	705	7	145	1,657
Additions	–	31	–	–	31
Exchange differences	(1)	–	–	–	(1)
At 31 March 2011	799	736	7	145	1,687
Amortisation and impairment					
At 1 April 2009	–	638	20	46	704
Charge for the year	–	25	2	18	45
Disposals	–	(4)	(19)	–	(23)
Exchange differences	–	(1)	–	–	(1)
At 31 March 2010	–	658	3	64	725
Charge for the year	–	30	1	12	43
At 31 March 2011	–	688	4	76	768
Net book value					
At 31 March 2011	799	48	3	69	919
At 31 March 2010	800	47	4	81	932

17 Property, plant and equipment

	2010/11				2009/10			
	Land and buildings £m	Plant and equipment £m	Assets under construction £m	Total £m	Land and buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost								
At 1 April	322	5,376	69	5,767	315	5,186	55	5,556
Additions	–	8	243	251	–	4	250	254
Interest on qualifying assets	–	–	4	4	–	–	–	–
Movements in asset retirement obligations	(2)	1	–	(1)	(1)	(1)	–	(2)
Disposals	(14)	(266)	–	(280)	(2)	(30)	–	(32)
Transfers between categories	4	229	(233)	–	12	224	(236)	–
Exchange differences	–	(5)	(1)	(6)	(2)	(7)	–	(9)
At 31 March	310	5,343	82	5,735	322	5,376	69	5,767
Depreciation								
At 1 April	268	4,525	–	4,793	262	4,346	–	4,608
Charge for the year	10	232	–	242	9	214	–	223
Disposals	(14)	(266)	–	(280)	(2)	(28)	–	(30)
Exchange differences	–	(3)	–	(3)	(1)	(7)	–	(8)
At 31 March	264	4,488	–	4,752	268	4,525	–	4,793
Net book value at 31 March	46	855	82	983	54	851	69	974

Included in the net book value of property, plant and equipment at 31 March 2011 is £80 million (31 March 2010: £38 million) of assets held under finance leases. Property, plant and equipment acquired during the year under finance leases totalled £58 million (2009/10: £21 million).

Additions during the year include own work capitalised during the construction of certain assets of £63 million (2009/10: £56 million). Disposals include amounts in respect of assets that have been retired with a cost of £275 million and net book value of £nil.

The interest rate applied in determining the amount of interest capitalised in 2010/11 was approximately 8%.

18 Investments in joint ventures

	2010/11 £m	2009/10 £m
Gross carrying amount		
At 1 April		
– Cost	5	5
– Share of post-acquisition reserves	(2)	(2)
	3	3
Derecognised on liquidation	(3)	–
At 31 March	–	3
Impairment allowance		
At 1 April	(3)	(3)
Provision release	3	–
At 31 March	–	(3)
Net carrying amount at 31 March	–	–

There were no results of joint ventures in the year (2009/10: £nil).

Investments in joint ventures are accounted for using the equity method. The carrying amount of the investments comprise the cost of the investment together with the Group's share of post-acquisition profit or loss less any impairment allowances.

On the demerger from the Cable & Wireless Communications Group, the Cable & Wireless brand was transferred to a joint venture entity owned by and for the continuing use of the Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc Groups. The joint venture did not trade during the year and has a gross carrying value of £nil (31 March 2010: £nil).

19 Available-for-sale financial assets

	2010/11 £m	2009/10 £m
At 1 April	1	11
Impairment	(1)	–
Reclassified to cash and cash equivalents	–	(10)
At 31 March	–	1

At 31 March 2011 available-for-sale financial assets comprised unlisted equity investments (31 March 2010: unlisted equity investments). These assets are measured at historic cost less accumulated impairment to date. The equity investments were fully impaired during the year.

20 Trade and other receivables

	31 March 2011 £m	31 March 2010 £m
Gross trade receivables	420	457
Valuation allowance	(23)	(33)
Net trade receivables	397	424
Other receivables	10	86
Prepayments and accrued income	186	177
Taxation and social security receivables	3	4
Trade and other receivables – current	596	691
Other receivables	4	5
Prepayments and accrued income	20	19
Other receivables – non-current	24	24
Total trade and other receivables	620	715

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's customer base is large and unrelated. Receivables predominantly relate to 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. There has been an economic downturn in markets in which the Group operates. This would indicate an increased credit risk on receivables that are neither past due nor impaired. However, management have assessed this risk and, after providing additional valuation allowance where necessary, continue to support the assessment of credit risk as low.

20 Trade and other receivables continued

An ageing analysis of the current net trade receivables that are not impaired is as follows:

	31 March 2011			31 March 2010		
	Net trade receivables (excluding interconnect) £m	Net interconnect receivables £m	Total net trade receivables £m	Net trade receivables (excluding interconnect) £m	Net interconnect receivables £m	Total net trade receivables £m
Not past due	143	68	211	144	89	233
Overdue 30 days or less	29	32	61	34	11	45
Overdue 31 to 60 days	13	9	22	12	9	21
Overdue 61 to 90 days	10	12	22	10	6	16
Overdue 91 days to 180 days	3	12	15	9	26	35
Overdue 181 days or more	2	64	66	4	70	74
Total overdue, not impaired	57	129	186	69	122	191
Current net trade receivables	200	197	397	213	211	424

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 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. Included within trade and other receivables are amounts relating to interconnection with other carriers of £197 million (31 March 2010: £211 million). In most circumstances, the Group also has a corresponding payable to the receivable counterparty.

An analysis of movements in the trade receivables valuation allowance for the year is as follows:

	2010/11 £m	2009/10 £m
At 1 April	33	31
Bad debts written off	(10)	(13)
Increase in allowance	–	15
At 31 March	23	33

21 Inventories

Inventories of £47 million (31 March 2010: £17 million) include capacity on sub-sea cable systems currently in the course of construction and held for resale of £41 million (2009/10: £15 million) and equipment, consumables and accessories held for sale. No inventory valuation allowance existed at 31 March 2011 or 31 March 2010.

The cost of equipment, consumables and accessories held for sale that were expensed within operating costs in 2010/11 was £18 million (2009/10: £11 million).

22 Cash and cash equivalents

	31 March 2011 £m	31 March 2010 £m
Cash at bank and in hand	98	51
Short-term deposits	168	175
Cash and cash equivalents	266	226

Cash and cash equivalents include cash at bank, short-term bank deposits and money market funds.

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 2011 was 0.46% (31 March 2010: 0.37%). At 31 March 2011 these deposits had an average maturity of 2 days (31 March 2010: 15 days).

23 Non-current assets classified as held for sale

The non-current asset classified as held for sale is a freehold property acquired during the period with a view to transacting a sale and leaseback. The property is carried at its expected disposal proceeds less costs of sale. A disposal plan was in place at 31 March 2011.

24 Trade and other payables

	31 March 2011 £m	31 March 2010 £m
Trade payables	381	398
Other taxation and social security costs	40	58
Accruals	204	236
Deferred income	306	317
Other payables	5	4
Trade and other payables – current	936	1,013
Other payables	–	1
Trade and other payables – non-current	–	1
Total trade and other payables	936	1,014

There is no material difference between the carrying value and fair value of trade and other payables presented. Of the total shown above, £426 million (31 March 2010: £460 million) are current financial liabilities (comprising trade payables, other taxation and social security costs and other payables) and £nil (31 March 2010: £1 million) are non-current financial liabilities. All current financial liabilities at 31 March 2011 and 31 March 2010 have contractual maturities less than three months. Of the deferred income shown above, £96 million (31 March 2010: £135 million) relates to contracts where revenue will be recognised after one year.

25 Loans and obligations under finance leases

	31 March 2011 £m	31 March 2010 £m
Loans		
Sterling £230 million convertible bonds due 2014	206	204
US dollar loans repayable at various dates within 12 months	1	7
Other currency loans repayable at various dates up to 2010	–	3
	207	214
Loans – current	1	10
Loans – non-current	206	204
Finance leases		
Obligations under finance leases	68	32
Obligations under finance leases – current	29	15
Obligations under finance leases – non-current	39	17
Loans and obligations under finance leases – current	30	25
Loans and obligations under finance leases – non-current	245	221

Loans

The contractual undiscounted cash flow profile of loans (including interest payable at rates prevailing at the reporting date) is as follows:

	31 March 2011 £m	31 March 2010 £m
Loans		
Due in less than one year	14	25
Due in more than one year but not more than two years	13	13
Due in more than two years but not more than five years	255	268
	282	306

Sterling revolving credit facilities

The Group has a sterling £300 million revolving credit facility repayable in 2013 of which £nil was drawn down at 31 March 2011. Up to £100 million of this facility may be utilised by letters of credit to the benefit of the trustees of the Cable & Wireless Worldwide Retirement Plan (see note 30). The facility also contemplates that the Group may enter into permitted bilateral facilities with the lenders of up to £75 million, subject to certain conditions. The facility is secured by way of guarantee from Cable & Wireless Worldwide plc and other Cable&Wireless Worldwide Group companies and security over assets of Cable&Wireless Worldwide Group.

Convertible bonds

The convertible bonds of £230 million are due in 2014. On 24 November 2010 the conversion price was adjusted from 111 pence to 108 pence pursuant to the terms and conditions of the Convertible Bonds on occurrence of certain corporate events, in this case being the payment of a cash dividend to shareholders. Each bond entitles the holder to convert the amount of such bond into fully paid ordinary shares of 5 pence each at a rate of 92,593 shares for each £100,000 held at the conversion price of 108 pence per ordinary share. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed on 24 November 2014 at their principal amount. The bonds carry a coupon of 5.75% per annum payable semi-annually in arrears (with the exception of a long first coupon in June 2010 and a short last coupon on the maturity date).

25 Loans and obligations under finance leases continued

The convertible bonds are senior debt obligations. They contain a negative pledge which provides that, so long as any of the convertible bonds remain outstanding, Cable & Wireless Worldwide plc and its principal subsidiaries will not create or permit to subsist security upon their respective assets to secure, guarantee or indemnify any other debt instruments which are listed or capable of being listed.

US dollar and other currency loans

The US dollar loan is due to a non-controlling interest in a subsidiary undertaking.

Obligations under finance leases

The repayment profile of obligations and the present value of future minimum finance lease repayments under non-cancellable finance lease agreements is as follows:

	Net finance lease liabilities		Minimum finance lease payments	
	31 March 2011 £m	31 March 2010 £m	31 March 2011 £m	31 March 2010 £m
Due not later than one year	29	15	33	16
Due later than one year, but not later than five years	38	15	40	18
Due in more than five years	1	2	1	2
Total	68	32	74	36
Less future finance charges on finance leases			(6)	(4)
Present value of finance lease liabilities			68	32

Fair values

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	31 March 2011 £m	31 March 2010 £m	31 March 2011 £m	31 March 2010 £m
Convertible bond	206	204	213	204
Finance leases	39	17	38	17
	245	221	251	221

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

26 Financial liabilities at fair value

At 31 March 2011 the Group had a liability of £2 million (31 March 2010: £1 million) relating to a put option in respect of a subsidiary, Cable & Wireless Networks India Private Ltd.

27 Financial instruments

The fair value hierarchy for instruments measured at fair value at 31 March 2011 is as follows:

	Note	At 31 March 2011			
		Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value:					
Equity investments	19	-	-	-	-
Liabilities measured at fair value:					
Put option relating to Cable & Wireless Networks India Private Ltd	26	-	-	2	2

The fair value hierarchy for instruments measured at fair value at 31 March 2010 is as follows:

	Note	At 31 March 2010			
		Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets measured at fair value:					
Equity investments	19	1	-	-	1
Liabilities measured at fair value:					
Put option relating to Cable & Wireless Networks India Private Ltd	26	-	-	1	1

Level 1 – Fair values measured using quoted prices (unadjusted) in active markets at the balance sheet date 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 or indirectly.

Level 3 – Fair values measured using inputs for the asset or liability that are not based on observable market data. The value of the put option was established by calculating the present value of the associated cash flows. The movement in the year was due to the unwinding of the discount used to establish the net present value.

28 Deferred tax

The movements in deferred tax assets and liabilities during the year are as follows:

	Capital allowances on non-current assets £m	Tax losses £m	Pensions £m	Other £m	Financial position offset £m	Total £m
Deferred tax assets	55	4	–	–	(5)	54
Deferred tax liabilities	(3)	–	–	(2)	5	–
At 1 April 2009	52	4	–	(2)	–	54
Amounts credited/(charged) to the income statement	95	(1)	–	2	–	96
At 31 March 2010	147	3	–	–	–	150
Deferred tax assets	150	3	–	–	(3)	150
Deferred tax liabilities	(3)	–	–	–	3	–
At 31 March 2010	147	3	–	–	–	150
Amounts credited/(charged) to the income statement	72	(2)	–	–	–	70
At 31 March 2011	219	1	–	–	–	220
Deferred tax assets	221	1	–	–	(2)	220
Deferred tax liabilities	(2)	–	–	–	2	–
At 31 March 2011	219	1	–	–	–	220

The expected utilisation of deferred tax assets and liabilities at 31 March 2011 is as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 March 2011 £m	31 March 2010 £m	31 March 2011 £m	31 March 2010 £m
Within one year	40	18	(2)	(1)
After one year	182	135	–	(2)
	222	153	(2)	(3)
Offset	(2)	(3)	2	3
Total	220	150	–	–

Deferred tax assets have not been recognised in respect of the following temporary differences (gross):

	Capital allowances available on non-current assets £m	Tax losses £m	Pensions £m	Other £m	Total £m
As at 31 March 2010	3,546	21,537	167	190	25,440
As at 31 March 2011	3,380	16,226	91	151	19,848

The principal temporary difference arising in the UK is in respect of capital allowances. If the corporation tax rate of 23%, as discussed in note 12, had been enacted at the balance sheet date, the unrecognised deferred tax asset in respect of the temporary difference existing at the balance sheet date would reduce from £879 million to £777 million.

Tax losses (recognised and unrecognised) expire as follows:

	31 March 2011 £m	31 March 2010 £m
Within 1 year	3	8
Within 3 years	7	5
Within 5 years	17	5
Within 10 years	79	88
After more than 10 years	30	11

Other tax losses totalling £16,090 million (31 March 2010: £21,420 million) are not subject to expiry.

The £16,226 million (31 March 2010: £21,537 million) gross losses include a UK capital loss of £5,197 million (31 March 2010: £5,197 million). Other losses principally arose in overseas holding companies of £10,294 million (31 March 2010: £15,547 million) in which the opportunity to realise benefits therefrom is considered remote and in overseas trading companies of £666 million (31 March 2010: £695 million) where no deferred tax asset is recognised due to uncertainty as to the availability of future taxable profits. Losses of £5,063 million in overseas holding companies were disposed of during the year.

Deferred tax is not provided on unremitted earnings of subsidiaries and branches where the Group controls the timing of remittance and remittance is not contemplated. No tax is expected to arise on distributions from Group entities and no temporary difference exists, except where withholding tax or other foreign tax could arise on the remittance. The aggregate amount of temporary differences associated with investments where no deferred tax liability is recognised is £nil (31 March 2010: £nil).

29 Provisions

	2010/11					2009/10				
	Property £m	Redundancy costs £m	Network and asset retirement obligations £m	Other £m	Total £m	Property £m	Redundancy costs £m	Network and asset retirement obligations £m	Other £m	Total £m
At 1 April	71	6	110	16	203	68	7	112	12	199
Additions from business combinations	-	-	-	-	-	7	-	-	-	7
Additional provisions	10	13	6	13	42	15	16	5	43	79
Amounts used	(14)	(14)	(6)	(15)	(49)	(15)	(15)	(8)	(32)	(70)
Unused amounts reversed	(6)	(2)	(1)	(6)	(15)	(8)	(2)	-	(7)	(17)
Effect of discounting	1	-	3	-	4	4	-	1	-	5
At 31 March	62	3	112	8	185	71	6	110	16	203
Provisions – current	16	3	3	8	30	16	6	5	16	43
Provisions – non-current	46	-	109	-	155	55	-	105	-	160

Property

Provision has been made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sub-let. The provision is expected to be used over the shorter of the period to exit and the lease contract life. This is expected to occur within the next 20 years.

Property provisions released during the year were as a result of the sub-letting of previously vacant properties or lease exits where dilapidations and other exit costs were less than previously provided for. Additional provisions and amounts reversed were all in respect of exceptional items.

Redundancy

In the periods presented, redundancy provisions included the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for during the year were non-exceptional in nature, relating to the cost of redundancies arising in the normal course of business. The provision is expected to be used within one year. Amounts reversed were previously set up as exceptional charges and were credited to exceptional items in the year.

Network and asset retirement obligations

In the periods presented, provision was made for the best estimate of the unavoidable costs associated with redundant leased network capacity. These provisions are 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, 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 arose. Amounts utilised in the periods presented related predominantly to cash expenditure against unavoidable costs associated with redundant network capacity.

Additional provisions and amounts reversed in the year that impacted the income statement were all in respect of exceptional items.

Other

Other provisions include the costs of integration of the THUS Group, business transformation initiatives and specific legal claims against the Group. Additional amounts charged in the year comprised £10 million in respect of exceptional items and £3 million of ordinary operating costs. Amounts reversed of £6 million were previously set up as non-exceptional charges.

30 Retirement benefits obligations

The Cable&Wireless Worldwide 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 recommendations from independent actuaries who value the schemes.

Demerger

Prior to demerger, a number of the Group's current and former employees participated in the defined benefit portion of the Cable & Wireless Superannuation Fund (CWSF), operated by the Cable & Wireless Group (now Cable & Wireless Communications Group). Amounts related to the defined benefit net expense or credit in the CWSF prior to the transfer were recharged to the Group by the Cable & Wireless Communications Group as Cable&Wireless Worldwide did not have a legal obligation to the CWSF for these amounts. These amounts have been recorded as though they were defined contribution expenses.

As a result of the demerger (see note 4), a portion of the assets and pension obligations of the CWSF were transferred to the Cable & Wireless Worldwide Retirement Plan (CWWRP), a new plan operated by the Cable&Wireless Worldwide Group. The obligations transferred to the Cable&Wireless Worldwide Group were determined based on members' last known employer. The plan assets transferred to the Cable&Wireless Worldwide Group were determined by reference to the obligations transferred. Under IAS 19, this resulted in defined benefit plan assets of £1.2 billion and defined benefit pension obligations of £1.3 billion being transferred to the Group on 26 March 2010.

Defined contribution schemes

The pension cost for the year for the Group schemes accounted for on a defined contribution basis was £14 million (2009/10: £18 million). In 2009/10 the total pension cost also included a net expense of £4 million in respect of management charges as a result of membership of the CWSF allocated historically to the Group.

Defined benefit schemes

The CWWRP provides defined benefit and defined contribution arrangements for current and former employees of the Cable&Wireless Worldwide Group. The CWWRP has been closed to new defined benefit members since its inception in 2010. No new defined benefit members have entered the CWSF since 1998.

The terms of the CWWRP Trust Deed allow the Trustee or the Company to call for a valuation at any time. The first funding valuation of the CWWRP, as at 30 September 2010, is in progress. In the meantime, the Group will make contributions to the CWWRP at the rate of 28.5% of pensionable earnings which applied in the CWSF prior to demerger. The contribution rate includes an allowance of 3% of pensionable earnings for administration expenses, excluding the Pension Protection Fund (PPF) levy. The PPF levy for 2010/11 was £0.3 million (2009/10: £0.3 million). The Group therefore paid a total contribution rate of 28.5% (2009/10: 28.5%) towards the CWWRP in respect of its current and former employees in 2010/11, or £9.1 million (2009/10: £9.4 million).

On demerger an interim funding agreement was reached with the CWWRP Trustee. As a result, the Group paid £11 million into the CWWRP in October 2010 and a further £25 million in April 2011. In addition, the Group made a £5 million cash contribution to the CWWRP on 31 March 2010.

A £100 million contingent funding agreement was agreed with the CWWRP Trustee in connection with the demerger, under which the Trustee can call for a letter of credit or cash escrow in certain circumstances, such as material deterioration in the financial performance of the business. A new funding agreement will be put in place following the finalisation of the 30 September 2010 funding valuation.

Other schemes

The Cable&Wireless Worldwide Group operates the THUS Group plc Pension Scheme. An independent actuarial valuation of the THUS Group plc Pension Scheme carried out with an effective date of 31 December 2008 showed a deficit of £2 million on a funding basis. Cable&Wireless Worldwide made a one-off £1 million contribution on 31 March 2010 in order to fully fund this scheme on a continuing basis.

The Group also operates defined benefit arrangements in Hong Kong and Ireland, unfunded liabilities in the UK relating to pension provision for former Directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap, and other small defined benefit and defined contribution pension arrangements in the UK.

IAS 19 valuation – Cable & Wireless Worldwide Retirement Plan (CWWRP) and other schemes

IAS 19 valuations of the defined benefit pension schemes operated by the Group have been updated to 31 March 2011 by qualified independent actuaries, Lane Clark & Peacock LLP.

The main financial assumptions applied and an analysis of the schemes' assets at 31 March 2011 and 31 March 2010 are as follows:

	31 March 2011				31 March 2010			
	CWWRP		Other schemes		CWWRP		Other schemes	
	Assets £m	Assumption %	Assets £m	Assumption %	Assets £m	Assumption %	Assets £m	Assumption %
Inflation assumption – RPI		3.4		3.4		3.6		3.2
Inflation assumption – CPI		2.7		2.7		n/a		n/a
Salary increases		3.9		3.7		4.1		4.1
Pension increases		2.2 – 3.3		3.2		2.3 – 3.5		3.4
Discount rate		5.6		5.6		5.5		5.4
Long-term expected rate of return by asset type								
– Annuity policies	323	5.6	–	–	332	5.5	–	–
– Equities	557	8.1	94	7.8	510	8.3	73	7.8
– Bonds and gilts	182	4.5	45	5.0	115	5.4	53	5.1
– Property	32	6.7	–	6.7	69	6.8	–	6.8
– Cash and swaps	145	3.6	1	3.7	170	3.9	4	4.0
	1,239		140		1,196		130	

The assumptions regarding mortality rates in retirement for the CWWRP include allowances for future mortality, improvements in line with medium cohort projections of the 1992 mortality series tables published by the Institute and Faculty of Actuaries, subject to a minimum annual rate of improvement of 1.5%. These are the mortality rates used for calculating the defined benefit obligation in the statement of financial position for the year ended 31 March 2011.

30 Retirement benefits obligations continued

Based on these assumptions, the life expectancy of scheme members are as follows:

	Age 60 in 2011 (years)	Age 60 in 2021 (years)	Age 60 in 2031 (years)
Male	28.1	29.3	30.6
Female	30.6	31.9	33.1

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.

A one year increase in the life expectancy assumptions would have increased the CWWRP liabilities by approximately £27 million as at 31 March 2011. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £7 million. A 0.25% pa decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around £73 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £12 million. A 0.25% pa change in the assumed rate of salary increases would have changed the liabilities by around £4 million.

Excluding the annuities, which are measured at the value of the obligation to which they relate, the overall expected rate of return for each pension scheme is a weighted average of the expected asset return for each asset class. The expected asset return for each asset class has been set as a best estimate of the long-term return that will be achieved for the particular asset class in the country in question having regard to investment yields on the measurement date.

The CWWRP is closed to new entrants. Under the projected unit credit method used for the valuation of liabilities, the current service cost is expected to increase when expressed as a percentage of pensionable payroll as the members of the scheme approach retirement.

The assets and liabilities of the defined benefit pension schemes operated by the Group are presented below:

	31 March 2011			31 March 2010		
	CWWRP £m	Other schemes £m	Total £m	CWWRP £m	Other schemes £m	Total £m
Total fair value of plan assets	1,239	140	1,379	1,196	130	1,326
Present value of funded obligations	(1,319)	(149)	(1,468)	(1,332)	(159)	(1,491)
Excess of liabilities for funded obligations	(80)	(9)	(89)	(136)	(29)	(165)
Present value of unfunded obligations	-	(2)	(2)	-	(2)	(2)
Net deficit	(80)	(11)	(91)	(136)	(31)	(167)
Liabilities						
Defined benefit pension plans in deficit	(80)	(11)	(91)	(136)	(31)	(167)
Assets						
Defined benefit pension plans in surplus	-	-	-	-	-	-

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. In addition, the Group may be required to recognise an additional liability to the extent that it is committed to a funding plan which may in the future push the scheme into an irrecoverable surplus. Any adjustment to the surplus is recorded in other comprehensive income. The effect of these adjustments (described as asset ceiling adjustments) was £nil as at 31 March 2011 and 31 March 2010.

The amounts recognised in the income statement in respect of defined benefit schemes are as follows.

	2010/11			2009/10		
	CWWRP £m	Other schemes £m	Total £m	CWWRP £m	Other schemes £m	Total £m
Current service cost	(10)	(4)	(14)	-	(3)	(3)
Interest cost	(73)	(8)	(81)	-	(7)	(7)
Past service cost on demerger	-	-	-	(141)	(2)	(143)
Expected return on plan assets	78	9	87	-	6	6
Gains on curtailment or settlement	1	-	1	-	-	-
Total net expense	(4)	(3)	(7)	(141)	(6)	(147)

The defined benefit expense has been included in employee benefit expenses (note 9).

The initial recognition of the CWWRP and unfunded scheme in 2009/10 was recorded as a past service cost of £143 million and treated as an exceptional item (see note 6).

The total amount recognised in the statement of comprehensive income in the current financial year and cumulatively to 31 March 2011 was a gain of £55 million (2009/10: loss of £20 million) and gain of £19 million (2009/10: loss of £36 million) respectively.

Changes in the fair value of defined benefit assets were as follows:

	2010/11			2009/10		
	CWWRP £m	Other £m	Total £m	CWWRP £m	Other £m	Total £m
Fair value of assets as at 1 April	1,196	130	1,326	–	96	96
Expected return	78	9	87	–	6	6
Actuarial (losses)/gains recognised in equity	(35)	–	(35)	–	25	25
Contributions by employer	22	6	28	5	7	12
Employee contributions	1	1	2	–	1	1
Assets acquired	–	–	–	–	–	–
Assets transferred on demerger (note 4)	–	–	–	1,191	–	1,191
Benefits paid	(23)	(5)	(28)	–	(4)	(4)
Exchange differences on foreign plans	–	(1)	(1)	–	(1)	(1)
Fair value of assets as at 31 March	1,239	140	1,379	1,196	130	1,326

Changes in the present value of the defined benefit obligations were as follows:

	2010/11			2009/10		
	CWWRP £m	Other £m	Total £m	CWWRP £m	Other £m	Total £m
Obligation at 1 April	(1,332)	(161)	(1,493)	–	(110)	(110)
Current service cost	(10)	(4)	(14)	–	(3)	(3)
Interest cost	(73)	(8)	(81)	–	(7)	(7)
Actuarial gains/(losses) recognised in equity	73	17	90	–	(45)	(45)
Employee contributions	(1)	(1)	(2)	–	(1)	(1)
Obligations acquired	–	–	–	–	–	–
Obligations transferred on demerger (note 4)	–	–	–	(1,332)	(2)	(1,334)
Settlements/curtailments	1	–	1	–	–	–
Benefits paid	23	5	28	–	4	4
Exchange differences on foreign plans	–	1	1	–	3	3
Obligation at 31 March	(1,319)	(151)	(1,470)	(1,332)	(161)	(1,493)

Experience gains for the period are as follows:

	31 March 2011		31 March 2010		31 March 2009		31 March 2008		31 March 2007	
	CWWRP £m	Other £m	CWWRP £m	Other £m	Other £m	Other £m	Other £m	Other £m	Other £m	
Plan assets	1,239	140	1,196	130	96	29	29			
Defined benefit pension plan obligations	(1,319)	(151)	(1,332)	(161)	(110)	(32)	(31)			
Deficit	(80)	(11)	(136)	(31)	(14)	(3)	(2)			
Experience (losses)/gains on plan assets	(35)	–	–	25	(8)	(4)	–			
Experience (losses)/gains on plan liabilities	(7)	(2)	–	3	–	–	2			

The best estimate of defined benefit contributions for 2011/12 is:

	CWWRP £m	Other £m	Total £m
Employer contributions	35*	4	39
Employee contributions	1	1	2

* Based on an employer contribution rate of 28.5% of pensionable earnings plus contributions due under the interim funding agreement and the estimated PPF levy payable in the year ending 31 March 2012.

Inflation measure: CPI v RPI

In July 2010 the UK Government announced that the Consumer Prices Index (CPI) should replace the Retail Prices Index (RPI) as the statutory minimum inflation measure to be used in determining pension increases, where the scheme rules and historic practice permits, for private sector defined benefit pension schemes. The Group is in the process of taking legal advice on this matter to determine whether the scheme rules of the CWWRP permit the use of CPI as an indexation measure. In the case of this particular pension scheme the issue is complex and therefore the matter had not been concluded upon at 31 March 2011. As a result, the Group continued to use RPI as its best estimate of the appropriate indexation measure.

The use of CPI for certain inflation assumptions for other schemes has resulted in a £4 million reduction of scheme liabilities recognised through other comprehensive income.

31 Share capital and reserves

	Number of shares	Share capital £m	Share premium £m
Issued, called-up and fully paid ordinary shares of 5 pence each			
At 1 April 2009	2,623,572,024	131	1,605
Issued under recapitalisation	1,000,000	–	922
Court approved capital reduction	–	–	(2,471)
At 31 March 2010	2,624,572,024	131	56
Issued under share schemes	10,333,826	1	2
Issued under scrip dividends	43,876,400	2	(2)
At 31 March 2011	2,678,782,250	134	56

The Company did not repurchase any shares in 2010/11 or 2009/10. The Company did not have any Treasury shares outstanding during the year (2009/10: nil).

The issue of shares in lieu of cash dividends (scrip dividend) is considered a bonus issue under the terms of the Companies Act 2006 and the nominal value of the shares is charged to the share premium account.

Foreign currency translation reserve

The foreign currency translation reserve contains exchange differences on translation of subsidiaries with a functional currency different to the presentation currency of the Group and exchange differences on intercompany funding loans to subsidiaries.

Capital reserve

The capital reserve was created as a result of a court approved capital reduction scheme in accordance with section 641 of the Companies Act 2006. This reserve 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. During the year the Board of Directors resolved that £1,085 million of the capital reserve be transferred to distributable reserves.

Other reserves

Other reserves include the equity portion of the convertible bonds which is transferred to retained earnings over the term of the bonds.

Capital management

The Group defines capital as net debt and shareholders equity. It does not have any externally imposed requirements for managing capital, other than those imposed by company law.

The Group manages its capital to maintain sufficient financial flexibility to achieve its strategic objectives and to minimise cost of finance, taking into account:

- the liquidity required in light of the projected funding requirements of the Group's operating businesses with an appropriate level of contingency;
- the level of financial strength required to maintain the Group's terms of trade taking account of its operational cash generation;
- the relative post-tax cost of debt and equity; and
- the extent to which external debt finance is, or is likely to be, available to the Group on acceptable terms.

In order to maintain or adjust capital structure, the Group may vary the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, or sell assets to reduce debt. The Articles of Association of the Company permit borrowing up to three times the adjusted capital and reserves of the Group. Further, relationships are maintained with a selected group of major international banks to ensure appropriate funding capacity is available.

The Group ensures that sufficient funds and distributable reserves are held to allow payments of projected dividends to shareholders. This process is managed through the Group's budget and longer-term forecasting process.

The Group is required to maintain a net debt to EBITDA ratio not exceeding 2:1, EBITDA to interest cover of at least 5:1 and to exceed specified minimum trading cash flow limits, in any given period under its revolving credit facilities.

32 Share-based payments

The total expense relating to share-based payments which are equity settled transactions was £6 million (2009/10: £8 million). In the prior year the expense included a charge of £3 million for the early vesting of share purchase plan awards on demerger and was classified in exceptional items (see note 6).

Share options

The Group did not have any outstanding share option awards over its own shares at 31 March 2011 (31 March 2010: nil).

At 31 March 2011 there were 1,262,810 (31 March 2010: 1,573,793) outstanding share options which were granted by Cable and Wireless plc prior to the demerger to senior Cable&Wireless Worldwide employees. All options had vested in full prior to the demerger. Post demerger, each of these options was redesignated as an option over a stapled unit of one share in Cable & Wireless Worldwide plc and one share in Cable & Wireless Communications Plc (an unrelated company). The Cable & Wireless Communications Plc group is obliged to settle the exercise of these options.

Other equity instrument awards

The Group had the following share-based payment plans in operation during the year.

Performance Share Plan (PSP)

Under the PSP, Executive Directors and other senior executives can receive awards of performance shares.

The vesting of performance shares is subject to absolute TSR and/or EPS performance conditions (see performance conditions for share-based awards in the Directors' Remuneration Report on pages 50 and 51). A dividend award supplement operates on the PSP. Dividends that would have been paid on the performance shares which vest will be regarded as having been reinvested in additional shares.

Restricted Share Plan (RSP)

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

Cable & Wireless Worldwide Share Purchase Plan (SPP)

The SPP is an HM Revenue & Customs approved share incentive plan. The plan allows employees to contribute up to a value of £1,500 or 10% of salary each tax year (whichever is the lower) to buy partnership shares in the Company; the Company will offer one matching share for each partnership share purchased. Under the SPP, the Company can offer employees up to £3,000 of free shares each tax year, which must be held by the employee for a minimum of three years. Dividends on the partnership, matching and free shares are reinvested in additional dividend shares.

Stock Appreciation Rights Plan (SARs)

SARs are used to replicate the benefits from the plans described above, but rewards are delivered as a cash equivalent. SARs are used in countries where it is necessary or desirable, taking local legislation into consideration, not to use actual Cable & Wireless Worldwide plc ordinary shares.

Share awards

The movements in awards under the Group's share award plans are as follows:

	PSP		RSP		SARs		SPP	
	Number of shares	Weighted average fair value (pence/share)	Number of shares	Weighted average fair value (pence/share)	Number of shares	Weighted average fair value (pence/share)	Number of shares	Weighted average fair value (pence/share)
At 1 April 2010	18,427,248	70	2,191,054	86	867,684	92	–	–
Granted	27,001,716	17	6,885,010	67	1,801,434	67	7,049,111	70
Forfeited	(3,398,860)	23	(208,664)	82	(82,768)	76	(24,689)	74
Vested	–	–	(1,961,394)	85	(196,730)	109	(132,987)	76
At 31 March 2011	42,030,104	40	6,906,006	67	2,389,620	72	6,891,435	70

All shares under the above share awards have an exercise price of £nil.

On 20 April 2010 The Cable and Wireless Employee Share Ownership Trust transferred 21,854,487 shares to the Cable&Wireless Worldwide Employee Share Ownership Trust (ESOT) as a consequence of the demerger. No consideration was paid to Cable & Wireless Communications Group for this transfer.

Awards are satisfied by the Group and the ESOT with shares bought on the open market and also, where allowable by the plan rules, through the issue of new shares to the ESOT. At 31 March 2011, the ESOT held 26,763,027 shares (31 March 2010: nil), with a book value of £nil and market value of £14 million, that had not yet vested under the above share award plans.

Fair values

The Monte Carlo pricing model assumptions used in the pricing of the PSP grants in 2010/11 (based on Cable & Wireless Worldwide plc shares) and 2009/10 (based on Cable and Wireless plc shares) were:

	2010/11	2009/10
Weighted average share price (pence per share)	66	140
Dividend yield	0.0%	6.2%
Expected volatility	37.6%	33.2%
Risk-free interest rates	1.1%	1.8%
Expected life in years	3.0	2.9

Fair values for the RSP, SARs and SPP awards were determined using the market price of shares at the date of grant.

33 Reconciliation of net debt

Funds are defined as cash at bank and in hand, money market funds and short-term deposits. Debt is defined as loans, bonds and finance lease obligations.

A reconciliation of net cash flow to movement in net debt is as follows:

	2010/11 £m	2009/10 £m
Increase in cash during the year	41	79
Decrease/(increase) in debt and lease financing	37	(97)
Cash inflow/(outflow) in net funds	78	(18)
Finance leases entered into during the year	(58)	(21)
Accretion of convertible bond liability	(3)	–
Conversion of trade payables to debt	(5)	–
Exchange differences	(1)	3
Movement in net funds in the year	11	(36)
Net (debt)/funds at 1 April	(20)	16
Net debt at 31 March	(9)	(20)

Analysis of changes in net debt:

	At 1 April 2010 £m	Cash flow £m	Finance leases entered into during the year £m	Other non-cash movements £m	At 31 March 2011 £m
Cash at bank and in hand	51	48	–	(1)	98
Short-term deposits	175	(7)	–	–	168
Cash and cash equivalents	226	41	–	(1)	266
Debt due within one year	(25)	20	(20)	(5)	(30)
Debt due after one year	(221)	17	(38)	(3)	(245)
Total debt	(246)	37	(58)	(8)	(275)
Total net debt	(20)	78	(58)	(9)	(9)

34 Commitments, guarantees and contingent liabilities

Commitments

The Group had capital commitments at the end of the financial year relating to the purchase of plant and equipment of £64 million (31 March 2010: £118 million). No provision has been made for these commitments.

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 operating lease expenditure related to the year ended 31 March 2011 is disclosed in note 6. The aggregate future minimum lease payments under non-cancellable operating leases are:

	31 March 2011 £m	31 March 2010 £m
No later than one year	101	121
Later than one year but not later than five years	178	198
Later than five years	237	263
Total minimum operating lease payments	516	582

Guarantees and contingent liabilities

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

	31 March 2011 £m	31 March 2010 £m
Trading guarantees	720	513
Other guarantees	49	59
Total guarantees	769	572

Trading guarantees principally comprise performance guarantees 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 expire either following the completion of the relevant guaranteed obligations or following the expiry of the relevant contract.

Historically, Cable and Wireless plc provided guarantees to third parties in respect of trading contracts between these third parties and the Cable&Wireless Worldwide Group. At 31 March 2011, these guarantees amounted to £11 million (31 March 2010: £378 million) and are included in the table above. The Cable&Wireless Worldwide Group has agreed a fee schedule with the Cable & Wireless Communications Group for the benefit of these guarantees post-demerger. Further, the Cable&Wireless Worldwide Group has indemnified the Cable & Wireless Communications Group for these guarantees.

Other guarantees include guarantees for financial obligations principally in respect of borrowings, property and other leases and letters of credit.

35 Related party transactions

Transactions with key management personnel

There were no material transactions with key management personnel except for those relating to remuneration (see notes 9 and 32), and shareholdings.

Transactions with the Cable & Wireless Communications Group prior to demerger

Cable & Wireless Communications Group companies were related parties of the Cable&Wireless Worldwide Group and its subsidiaries as they were wholly-owned subsidiaries of the Cable & Wireless Group prior to demerger on 26 March 2010.

The following sales and purchases and respective balances arose from transactions between the Cable&Wireless Worldwide Group and Cable & Wireless Communications Group companies prior to demerger.

	2009/10 £m
Sales to Cable & Wireless Communications Group companies	8
Purchases from Cable & Wireless Communications Group companies	(6)
Management charge for the Cable & Wireless Superannuation Fund pension plan	(4)
Interest on funding balance with the Cable & Wireless Communications Group	(14)
	31 March 2010 £m
Trade payables with Cable & Wireless Communications Group companies	(3)
Other receivables with Cable & Wireless Communications Group companies	79
Funding loan with the Cable & Wireless Communications Group	–

Other receivables at 31 March 2010 related to an amount of £79 million that was received from the Cable & Wireless Communications Group on 1 April 2010 to settle the Cable&Wireless Worldwide Group's portion of the 2009/10 final dividend of the former Cable & Wireless Group.

On demerger, the Cable & Wireless brand was transferred to a joint venture entity owned by and for the continuing use of the Cable&Wireless Worldwide Group and the Cable & Wireless Communications Group. See note 18 for further information.

The Group has also provided indemnities to the Cable & Wireless Communications Group for trading guarantees. See note 34 for further information.

Transactions with other related parties

There are no controlling shareholders of the Group.

Other than the parties disclosed above, the Group has no other material related parties.

36 Legal proceedings and agreements

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 contingent liabilities is required since the outcome of litigation is difficult to predict. The Group does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Group.

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

37 Subsidiaries and joint ventures

The Group comprises a large number of companies. The list below therefore only includes those subsidiary companies whose results or financial position, in the opinion of the Directors, principally affect the financial statements.

	Local currency	Voting rights and ownership percentage %	Class of shares	Country of incorporation	Nature of business
Subsidiaries					
Cable & Wireless U.K.	GBP	100	Ordinary	England	Telecommunications
Cable & Wireless UK Holdings Limited	GBP	100	Ordinary	England	Holding company
Cable & Wireless Europe Holdings Limited	GBP	100	Ordinary	England	Holding company
THUS Limited	GBP	100	Ordinary	England	Telecommunications
Cable & Wireless Global Network Limited	GBP	100	Ordinary	Ireland	Telecommunications
Joint venture					
Cable & Wireless Trade Mark Management Limited	GBP	50	Ordinary	England	Brand management

Full details of all subsidiary undertakings, joint ventures and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies in England and Wales.

38 Financial risk management

Treasury policy

The Cable&Wireless Worldwide 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 and, if necessary approved by, the Cable&Wireless Worldwide Group Board.

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 and borrowings are managed centrally by Treasury.

The Group may, from time to time, use derivatives such as forward foreign exchange contracts in the management of its foreign currency and interest rate exposures. The use of these instruments would be in accordance with strategies agreed by Treasury, subject to policies approved by the Board. Derivatives are not used for trading or speculative purposes and all derivative transactions and positions are monitored and reported to the Board on a regular basis. The Group may apply hedge accounting treatment on these derivative positions if appropriate, on a case by case basis.

Exchange rate risk

The Cable&Wireless Worldwide Group trades in several countries, however, the majority of the Group's revenue is earned in sterling. The Group's main foreign currency exposure relates to movements in exchange rates for foreign currency receipts and payments. Exchange risk is measured on the basis of net current or future foreign currency payments.

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 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. The reported results of the Group are translated at average rates of exchange prevailing during the year.

The carrying amounts of the Group's cash and cash equivalents, available-for-sale financial assets and borrowings are denominated in the following currencies:

	31 March 2011		31 March 2010	
	Financial assets £m	Borrowings £m	Financial assets £m	Borrowings £m
Sterling	228	274	178	236
US dollar and currencies linked to the US dollar	24	1	31	7
Euro	9	-	10	-
Other currencies	5	-	8	3
	266	275	227	246

At 31 March 2011 the Group's balances in foreign currencies primarily comprise intercompany loans which are considered to be part of the net investment in its subsidiaries. Any foreign exchange differences arising on such balances are recognised in reserves and recycled to the income statement on disposal of the net investment. Other monetary foreign currency assets and liabilities largely eliminate and hence, the net exposure to foreign exchange differences is minimal. No sensitivity analysis has therefore been prepared as the Group's results for the year would not have been materially impacted by a 10% change in foreign exchange rates.

Interest rate risk

At 31 March 2011 100% (31 March 2010: 95%) of the Group's borrowings 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 borrowings. 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, it has not been modelled.

The Cable&Wireless Worldwide Group is exposed to movements in interest rates on its surplus cash balances. A one percentage point increase in interest rates will have a £1.2 million impact on the income received from the average of the surplus cash balances of the Cable&Wireless Worldwide Group. The impact on equity is limited to the impact on the income statement.

There were no interest rate derivatives in place at 31 March 2011 (31 March 2010: none).

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 Group treasury policies, as approved by the Board, specify maximum exposure to one counterparty and the types of instruments that may be used for investment purposes. Management seeks to reduce risk by ensuring the counterparties to all but a small proportion of the Group's financial instruments are entities rated A1 short-term and/or AA – (or better) long-term by Standard & Poor's (or equivalent by Moody's and/or Fitch). The credit rating of these counterparties are monitored on a continuing basis.

Credit risk on receivables is discussed in note 20.

Liquidity risk

At 31 March 2011, the Group had cash and cash equivalents of £266 million. These amounts are highly liquid and are a significant component of the Group's overall liquidity and capital resources. An analysis of the maturity of Group's financial instruments is contained in notes 20, 22, 24 and 25.

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.

The majority of the Cable&Wireless Worldwide Group's cash is held centrally and is predominantly invested in short-term bank deposits.

39 Reconciliation of GAAP to non-GAAP items

	2010/11 £m	2009/10 £m
Total operating profit/(loss)	153	(59)
Depreciation and amortisation	285	268
LTIP (credit)/charge	(9)	14
Net other operating (income)/expense	(4)	1
Exceptional items	17	207
EBITDA	442	431

Company balance sheet

as at 31 March 2011

	Note	31 March 2011 £m	31 March 2010 £m
Fixed assets investments			
Investments in subsidiaries	6	2,375	2,907
Current assets			
Debtors	7	7	1
Current liabilities			
Creditors: amounts falling due within one year	8	(4)	(24)
Net current assets/(liabilities)		3	(23)
Total assets less current liabilities		2,378	2,884
Non-current liabilities			
Loans	9	(207)	(204)
Net assets		2,171	2,680
Capital and reserves			
Called-up share capital	10	134	131
Share premium account	10	56	56
Other reserves	10	1,406	2,493
Profit and loss account	10	575	–
Equity shareholders' funds		2,171	2,680

The accompanying notes on pages 98 to 102 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 96 to 102 were approved by the Board of Directors on 23 May 2011 and signed on its behalf by:

John Pluthero
Chairman

Tim Weller
Chief Financial Officer

Reconciliation of movements in equity shareholders' funds for the Company

for the year ended 31 March 2011

	24 September 2009 – 31 March 2010 £m	£m
Loss for the year	(432)	–
Dividends		
– interim in respect of the current year	(39)	–
– final in respect of the prior year	(78)	–
Shares allotted under scrip dividend scheme	31	–
Share-based payments	6	–
Issue of share capital	3	–
Share capital issued on acquisition of the Cable&Wireless Worldwide businesses	–	2,658
Reduction of share premium	–	(2,471)
Distributable reserves arising on reduction of share premium	–	2,471
Equity component of convertible bond transferred on demerger	–	22
(Decrease)/increase in equity shareholders' funds	(509)	2,680
Opening equity shareholders' funds	2,680	–
Closing equity shareholders' funds	2,171	2,680

The accompanying notes on pages 98 to 102 are an integral part of the financial statements of the Company.

Notes to the Company financial statements

for the year ended 31 March 2011

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 a going concern basis and on the historical cost basis where appropriate.

These financial statements set out the position of the Company and not the Cable&Wireless Worldwide 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 Cable&Wireless Worldwide Group consolidated financial statements contain a consolidated statement of cash flows. The Company has taken advantage of the exemption in FRS 1 *Cash flow statements* not to present its own cash flow.

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

1.2 Use of estimates

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

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

1.3 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 subsidiary may not be fully recoverable. Impairments are determined by comparing the carrying value of 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 the profit and loss account.

1.4 Financial instruments

Financial assets and liabilities

The Company classifies its financial assets into the following categories: financial assets at fair value through the profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the assets are held. The Company currently does not classify any financial assets as held-to-maturity investments, available-for-sale or fair value through the profit and loss. The basis of determining fair values is set out in note 1.5.

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

Debtors

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

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

Recognition and measurement

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.

Loans

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

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

Convertible bonds issued by the Company are initially recognised at fair value. These bonds are separated into a liability and equity component. The liability component is recognised at amortised cost using the effective interest method. The equity component represents the residual of the fair value of the bond less the liability component. The liability component is subsequently measured on an amortised cost basis.

1.5 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.

1.6 Tax

The charge for tax is based on the result for the period 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.

1.7 Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

1.8 Share-based payments

No charges are incurred by the Company for share-based payments. Instead, options and share awards granted to employees of its Group undertakings represent capital contributions to those undertakings. An addition to the Company's investments in Group undertakings is recognised with a corresponding increase in equity shareholders' funds.

The capital contribution is determined based on the fair value of the options and share awards at the date of grant and is recognised over the vesting period.

2 Company's profit and loss account

The Company has taken advantage of the exemption contained in section 408 of the Companies Act 2006 and has not presented its own profit and loss account. The Company's loss for the year ended 31 March 2011 was £432 million. The Company was incorporated on 24 September 2009. The profit for the period from incorporation to 31 March 2010 amounted to £nil.

3 Auditors' remuneration

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

4 Demerger

At a General Meeting on 25 February 2010, the shareholders of Cable and Wireless plc approved the demerger of the Cable&Wireless Worldwide business. On 26 March 2010 (the demerger date), the Cable&Wireless Worldwide business was transferred to an unrelated company, Cable & Wireless Worldwide plc, in exchange for the entire share capital of that company. As a result of the demerger, Cable & Wireless Worldwide plc became the ultimate parent company of Cable&Wireless Worldwide Group subsidiaries. Trading of shares in Cable & Wireless Worldwide plc on the London Stock Exchange commenced on 26 March 2010.

Refer to note 4 of the consolidated financial statements for further information.

5 Staff costs

The Executive Directors and the Chairman were the only employees of the Company during the current year and prior period. Information covering Directors' remuneration, interests in shares, share awards and pension benefits is set out in the Directors' remuneration report on pages 53 to 55. All remuneration relates to services provided to the Company's principal subsidiaries.

6 Fixed asset investments

	Subsidiary undertakings £m
Cost	
At 1 April 2010	2,673
Additions	7
At 31 March 2011	2,680
Loans	
At 1 April 2010	234
Additions	35
At 31 March 2011	269
Impairment	
Charge for year	(574)
At 31 March 2011	(574)
Net book value	
At 31 March 2011	2,375
At 31 March 2010	2,907

During the year the investment in subsidiary undertakings has been written down to its value in use. The value in use has been calculated by discounting forecast future cash flows for the next five years. A declining growth rate has been applied in years six to seven and a growth rate of 1% has been applied in perpetuity thereafter. A post tax discount rate of 8.9% has been used in the calculation.

7 Debtors

	31 March 2011 £m	31 March 2010 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	7	1
Total debtors	7	1

There is no material difference between the carrying value and fair value of debtors at 31 March 2011 or 31 March 2010.

8 Creditors

	31 March 2011 £m	31 March 2010 £m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	–	19
Accruals and deferred income	4	5
Total creditors	4	24

There is no material difference between the carrying value and fair value of creditors at 31 March 2011 or 31 March 2010.

9 Loans

	31 March 2011 £m	31 March 2010 £m
Convertible bonds	207	204
Total non-current loans	207	204

Details of the convertible bonds can be found in note 25 to the consolidated financial statements.

10 Called-up share capital and reserves

Allotted, called-up and fully paid shares

	31 March 2011 £m	31 March 2010 £m
2,678,782,250 (31 March 2010 – 2,624,572,024) ordinary shares of 5 pence each	134	131

	Share capital £m	Share premium £m	Capital and other reserves £m	Profit and loss account £m	Total £m
At 1 April 2010	131	56	2,493	–	2,680
Loss for the year	–	–	–	(432)	(432)
Dividends	–	–	–	(117)	(117)
Issue of share capital (net of issue costs)	1	2	–	–	3
Shares allotted under scrip dividend scheme	2	(2)	–	31	31
Share-based payments	–	–	–	6	6
Transfer of capital reserve	–	–	(1,085)	1,085	–
Equity component of convertible bonds transferred	–	–	(2)	2	–
At 31 March 2011	134	56	1,406	575	2,171

On 29 March 2010, the share premium relating to ordinary shares was reduced by £2,471 million by way of a court-approved capital reduction scheme in accordance with section 641 of the Act. This had the effect of creating a capital reserve of £2,471 million, which may be released, in whole or in part, to distributable reserves of the Company at the discretion (and upon the resolution) of the Board of Directors or a duly constituted committee of the Board of Directors.

During the year the Board of Directors resolved that £1,085 million of the capital reserve be transferred to distributable reserves.

11 Related party transactions

The Group consolidated financial statements contain related party transactions. Under FRS 8 *Related Party Disclosures*, the Company is exempt from the requirement to disclose transactions with wholly-owned Group undertakings.

Transactions with the Cable & Wireless Communications Group post-demerger

All transactions entered into are done so at arm's length and on commercial terms.

Transactions with key management personnel

There were no material transactions with key management personnel except for those relating to remuneration (see notes 9 and 32 of the consolidated financial statements) and shareholdings.

Transactions with other related parties

There are no controlling shareholders of the Company.

There have been no material transactions with the shareholders of the Company.

12 Subsidiaries and joint ventures

The Group comprises a large number of companies and it is not practical to include all of them in this list. The list of subsidiaries 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.

	Local currency	Ownership percentage %	Class of shares	Country of incorporation	Nature of business
Subsidiaries					
Cable & Wireless U.K.	GBP	100	Ordinary	England	Telecommunications
Cable & Wireless UK Holdings Limited	GBP	100	Ordinary	England	Holding company
Cable & Wireless Europe Holdings Limited	GBP	100	Ordinary	England	Holding company
THUS Limited	GBP	100	Ordinary	England	Telecommunications
Cable & Wireless Global Network Limited	GBP	100	Ordinary	Ireland	Telecommunications
Joint venture					
Cable & Wireless Trade Mark Management Limited	GBP	50	Ordinary	England	Brand management

Full details of all subsidiary undertakings, joint ventures and trade investments will be attached to the Company's Annual Return, to be filed with the Registrar of Companies in England and Wales.

13 Dividends

Details of the dividends declared and paid are set out in note 14 to the consolidated financial statements. The transfer of £1,085 million from the capital reserve to distributable reserves during the year provided the Company with sufficient distributable reserves to allow the payment of the final dividend in respect of the year ended 31 March 2010 and the interim dividend for the year ended 31 March 2011.

14 Commitments

The Company had no capital commitments at 31 March 2011 and 31 March 2010.

15 Guarantees and contingent liabilities

The Company had provided trading guarantees of £571 million at 31 March 2011 (31 March 2010: £125 million) and other guarantees of £28 million (31 March 2010: £nil).

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

Other guarantees comprise guarantees in respect of Group borrowings.

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

Profit forecast for Cable&Wireless Worldwide Group for the year ended 31 March 2011

The following information is repeated here in accordance with Listing Rule 9.2.18R.

On 20 July 2010, Cable & Wireless Worldwide plc issued its first quarter Interim Management Statement as follows:

“In the first quarter our major programmes and lines of business performed broadly in line with plan.

However, following the new Government’s Emergency Budget in late June, non-contracted spending in the UK public sector has slowed very significantly. Given the nature of our public sector business, this reduction will adversely impact trading in the current year. Nevertheless, we are supportive of the overall approach being adopted by Government and believe that our unique product set provides us with significant opportunity in this area over the medium term.

In light of the downturn in public sector activity, we have stepped up our cost reduction initiatives and now expect total operating expenditure to reduce year-on-year.

Overall, we expect somewhat slower growth in EBITDA for the full year, with our forecast now around the lower end of the range of expectations. Our expectations for operating cash flow have moved in line with the change in EBITDA outlook.”

At the time the announcement above was made, we observed an external outlook EBITDA range of £452 million to £484 million with a consensus of £472 million.

On 16 November 2010 Cable & Wireless Worldwide plc announced its results for the six months ended 30 September 2010 which included the following statement in the Chief Executive’s Review:

Outlook

“The broader trends show an industry in transition to technologies and services which play to our strengths. This is encouraging and gives me confidence well beyond this year. The convergence of mobile and fixed line communications, the growing demands for bandwidth and the increasingly global nature of large enterprises all lend themselves well to our business model and strategy. In the UK public sector the signing of our Memorandum of Understanding (MOU) with the Government has also created a real opportunity to develop our presence in this market.

The strong finish to the first six months gives us good momentum moving into the second half of the year. Sales wins from the second half of 2009/10 are now being delivered and generating margin, we have already contracted additional project work and identified further opportunities in the near term which we now need to deliver. Overall we remain comfortable with full year expectations.”

At the time the announcement above was made, we observed an external outlook EBITDA consensus of £446 million.

On 17 February 2011, Cable & Wireless Worldwide plc issued its third quarter Interim Management Statement as follows:

“Today Cable & Wireless Worldwide Plc confirms that the business continues to trade in the current year in line with expectations.

The Company continued to make progress through the second half in delivering its objectives for the current year, with further contract wins in UK enterprise and UK public sector and the renewal of important contracts in the Global business.

The Company will release its full year results for the 2010/11 year on 24 May 2011.”

At the time the announcement above was made, we observed an external outlook EBITDA consensus of £445 million.

On 24 March 2011 Cable & Wireless Worldwide PLC issued its pre-close statement which included the following statement:

“Today Cable & Wireless Worldwide plc confirms that the business continues to trade in the current year in line with expectations.”

Actual outturn

As set out on page 30, EBITDA of the Cable & Wireless Worldwide plc Group for the year ended 31 March 2011 was £442 million.

SHAREHOLDER INFORMATION.

Contact information and financial calendar

Registrar

If you have any queries regarding your shareholding in Cable & Wireless Worldwide plc, please contact:

Equiniti, Aspect House,
Spencer Road, Lancing,
West Sussex BN99 6DA

Telephone 0871 384 2104* (UK shareholders)
+44 (0)121 415 7047 (overseas shareholders)

Shareholders can email the Registrar for assistance with any queries at: cableandwirelessworldwide@equiniti.com, and can also view up-to-date information about their shareholdings at www.shareview.co.uk.

THUS Group plc shareholders

If you have not yet completed your Form of Acceptance relating to your shares in THUS Group plc, please contact:

The Dissentients Department:
Capita Registrars,
The Registry, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

or call them on 0870 664 0300 (UK shareholders)
+44 (0)20 8639 3399 (overseas shareholders).

ShareGift

If you have a small number of shares with a value that makes them uneconomic to sell, you may wish to consider donating them to charity. ShareGift is a registered charity (no. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. Further information about ShareGift and the charities it supports is available at www.ShareGift.org or by contacting them at:

17 Carlton House Terrace,
London SW1Y 5AH

Telephone +44 (0)20 7930 3737

Registered Office and Company Secretary

The Company's Registered Office and Head Office are both at:

Liberty House,
76 Hammersmith Road
London W14 8UD

Telephone: +44 (0) 1344 713 000

Philip Davis is the General Counsel & Company Secretary.

Investor relations

Investor relations enquiries may be directed to:

Liberty House,
76 Hammersmith Road
London W14 8UD

Kieran McKinney is the Director of Investor Relations.

Telephone +44 (0) 208 243 4700
Email IR@cw.com

Financial calendar

Ex-dividend date	8 June 2011
Record date	10 June 2011
AGM	21 July 2011
Payment of final dividend	11 August 2011
Announcement of interim results	17 November 2011

Alternative format

If you would like this annual report and accounts or any other shareholder documentation in an appropriate alternative format, please send a request to companysecretary@cw.com.

Demerger information and apportionment of tax base cost

At a general meeting of Cable and Wireless plc on 25 February 2010, shareholders approved the demerger of the Cable&Wireless Worldwide Group. The board of Cable and Wireless plc set up a sub-committee to ensure the demerger process was carefully managed and completed in accordance with the agreed timetable. The key steps required to implement this proposal included the insertion of a new holding company, Cable & Wireless Communications Plc, between Cable and Wireless plc and its shareholders via a scheme of arrangement; a reduction of share capital of Cable & Wireless Communications Plc in order to facilitate the demerger and provide potentially distributable reserves for the Cable & Wireless Communications Group; the demerger of Cable&Wireless Worldwide in return for the issue of Cable & Wireless Worldwide plc ordinary shares; and a reduction of capital of Cable & Wireless Worldwide plc to provide potentially distributable reserves for the Cable&Wireless Worldwide Group.

The demerger became effective and the Company was admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 26 March 2010.

As part of the demerger, the Cable and Wireless Communications Group transferred to the Company the proceeds and obligations under £230 million 5.75% Convertible Bonds due in 2014. The bonds were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 31 March 2010. The Company also increased the facility limit under its revolving credit facility to £300 million. Further details of which are shown in Note 25 to the consolidated financial statements.

Based on the share prices of Cable and Wireless Communications plc and Cable & Wireless Worldwide plc on 26 March 2010, a shareholder's base cost in Cable & Wireless plc shares for UK capital gains tax purposes are allocated 37.78% to Cable and Wireless Communications plc and 62.22% to Cable & Wireless Worldwide plc. The closing mid-market price of Cable & Wireless plc's shares on 31 March 1982 was 243 pence. When adjusted for subsequent bonus issues and share splits, this corresponds to a price of 40.5 pence for each share still held immediately prior to demerger.

Dividends

The Directors have recommended a final dividend for the year ended 31 March 2011 of 3.0 pence per ordinary share. Subject to approval at the 2011 AGM, the final dividend will be payable on 11 August 2011 to ordinary shareholders on the register at the close of business on 10 June 2011. If approved this will equate to a total dividend of 4.5 pence per ordinary share for the year ended 31 March 2011, when added to the interim dividend of 1.5 pence per ordinary share paid on 27 January 2011.

The Company also offers a scrip dividend scheme. Those shareholders who had registered for the Cable&Wireless Worldwide scrip dividend scheme prior to 14 July 2011 will receive scrip dividends. Shareholders who have not received a mailing and wish to join the scrip dividend scheme should return a completed mandate form to the Registrar, Equiniti. Copies of the mandate form, and the scrip dividend brochure can be obtained from Equiniti (UK callers: 0871 384 2104*, overseas callers +44 (0) 121 415 7047) or from the Company's website.

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*.

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*. By receiving your dividends in this way you can avoid the risk of cheques getting lost in the post. It is also now possible for shareholders in over 30 countries worldwide to benefit from a similar service. Further information can be obtained from www.shareview.co.uk or by calling +44 (0)121 415 7047.

Distribution and classification of Cable & Wireless Worldwide plc shareholdings

Shares at 31 March 2011	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	65,380	67.45	27,498,349	1.03
1,001 – 10,000	28,751	29.66	75,281,787	2.81
10,001 – 100,000	2,208	2.28	52,453,016	1.96
100,001 – 1,000,000	380	0.39	135,316,980	5.05
1,000,001 and over	218	0.22	2,388,232,118	89.15
Total	96,937	100.00	2,678,782,250	100.00

At 23 May 2011, the Company had 96,143 shareholders on record.

Electronic communication

Together with Equiniti, Cable & Wireless Worldwide plc is able to offer shareholders the option to manage their shareholding online and receive communications from the Company electronically as an alternative to receiving documents through the post. To make use of this facility, please register at www.shareview.co.uk following the onscreen instructions.

Unsolicited mail

In limited circumstances, company law permits people unconnected with the Company to request a copy of or to access our share register. However, when receiving such requests, Equiniti will follow best practice as set out in the guidance issued by the Institute of Chartered Secretaries and Administrators, to enquire as to what the intended purpose is to receive a copy or access the register, to ensure that such a request is proper and to protect the privacy of the shareholders. However, as a consequence, there may be occasions where shareholders might receive unsolicited mail, including mail from unauthorised investment firms. For more information on unauthorised investment firms targeting UK investors, you should visit the website of the Financial Services Authority at: (www.money.made.clear.fsa.gov.uk/guides/staying_safe/staying_safe_against_scams).

If you wish to limit the amount of unsolicited mail you receive, please contact:

The Mailing Preference Service,
DMA House, 70 Margaret Street, London W1W 8SS

Telephone 0845 703 4599
Online www.mpsonline.org.uk

Documents on display

Shareholders can view the service contracts of Executive Directors and the letters of appointment of Non-executive Directors at the Company's Registered Office. Shareholders may also obtain copies of the Company's Articles of Association at the Company's Registered Office or from its website.

*Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.



Cable&Wireless Worldwide
Liberty House
76 Hammersmith Road
London W14 8UD
Telephone: +44 (0) 1344 713 000
www.cw.com
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