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 Pre-exceptional items £m	2010/11 Exceptional items £m	2010/11 Total £m	2009/10 Pre-exceptional items £m	2009/10 Exceptional items[1] £m	2009/10 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)
EBITDA[1]	**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:

Year ended 31 March 2011	**UK Enterprise £m**	**UK Public Sector £m**	**Global £m**	**UK Mid-market £m**	**UK Carrier £m**	**Total £m**
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	UK Enterprise £m	UK Public Sector £m	Global £m	UK Mid-market £m	UK Carrier £m	Total £m
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

	Pre-exceptional £m	Exceptional £m	2010/11 Total £m	Pre-exceptional £m	Exceptional £m	2009/10 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 occurance 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:

		At 31 March 2011			
	Note	**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:

		At 31 March 2010			
	Note	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 established 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
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 curency 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:

a) the liquidity required in light of the projected funding requirements of the Group's operating businesses with an appropriate level of contingency;
b) the level of financial strength required to maintain the Group's terms of trade taking account of its operational cash generation;
c) the relative post-tax cost of debt and equity; and
d) 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

	2010/11 £m	24 September 2009 – 31 March 2010 £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.