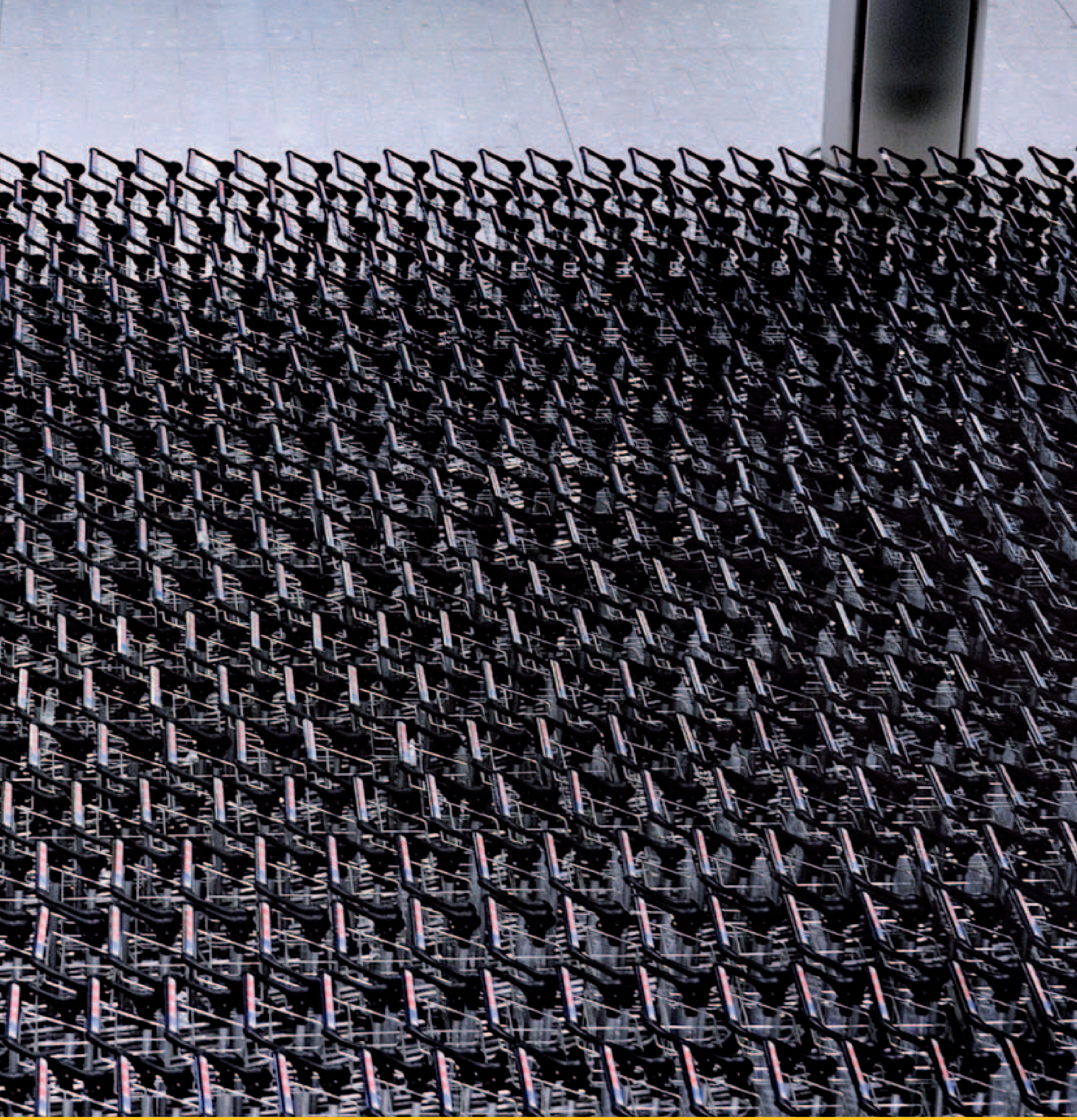


MISSION CRITICAL COMMUNICATIONS

2009/10 Annual Report

Cable&Wireless Worldwide

Definitions
This Annual Report of Cable & Wireless Worldwide plc has been prepared in accordance with English legal and Listing Rules requirements. The Annual Review for the year ended 31 March 2010 is published as a separate document.

The Cable&Wireless Worldwide Group demerged from the Cable & Wireless Communications Group (formerly the Cable & Wireless Group) with effect from 26 March 2010 (the Demerger). Unless otherwise stated in this Annual Report, the terms 'Cable&Wireless Worldwide', the 'Group', 'Cable&Wireless Worldwide Group', 'it', 'we', 'us' and 'our' refer to Cable & Wireless Worldwide plc and its subsidiaries collectively. 'THUS' means the business of THUS Limited, which is focussed on the mid-market and THUS Group means THUS Group plc and its subsidiaries and subsidiary undertakings. The term 'Company' refers to Cable & Wireless Worldwide plc. The terms 'Cable & Wireless' and 'Cable & Wireless Group' refer to the former Cable and Wireless plc and its subsidiaries collectively. The terms 'Cable & Wireless Communications' and 'Cable & Wireless Communications Group' refer to Cable & Wireless Communications Plc and its subsidiaries collectively.

Cable&Wireless Worldwide prepares its financial information in accordance with International Financial Reporting Standards (IFRSs) applicable for use in the European Union (EU). The Company prepares its financial information in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP). Unless otherwise indicated, any reference in this report to financial statements is to the consolidated financial statements of Cable&Wireless Worldwide on pages 58 to 104 of this report.

References to a year in this report are, unless otherwise indicated, references to the Group's financial year ending 31 March of that year. In this report, financial and non-financial information is, unless otherwise indicated, stated on the basis of the Group's financial year. The Company's financial year is the period from incorporation on 24 September 2009 to 31 March 2010.

Information has been updated to the most practical date prior to the approval date of the document, being 24 May 2010.

Cautionary statement regarding forward looking statements
This Annual Report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be

WELCOME

Welcome to the first annual report of Cable & Wireless Worldwide plc as an independent business, following our demerger from Cable and Wireless plc on 26 March 2010.

Our goal is to create sustainable, long term shareholder value by becoming the first choice for mission critical communications. To do this we have a vision of the next generation communications provider.

Our proposition is a compelling mix of global reach in the form of an intercontinental network, coupled with the ability to host and deliver applications that our customers want. This is backed by an obsession for customer service that is shared by every colleague throughout our business.

…BECAUSE IT MATTERS

FOR FURTHER INFORMATION PLEASE VISIT WWW.CW.COM/REPORTS

affected by other factors that could cause actual results, and Cable&Wireless Worldwide's plans and objectives, to differ materially from those expressed or implied in the forward looking statements. Furthermore, nothing in this Annual Report should be construed as a profit forecast.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Summaries of the potential risks faced by Cable&Wireless Worldwide are set out on pages 30 to 31.

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

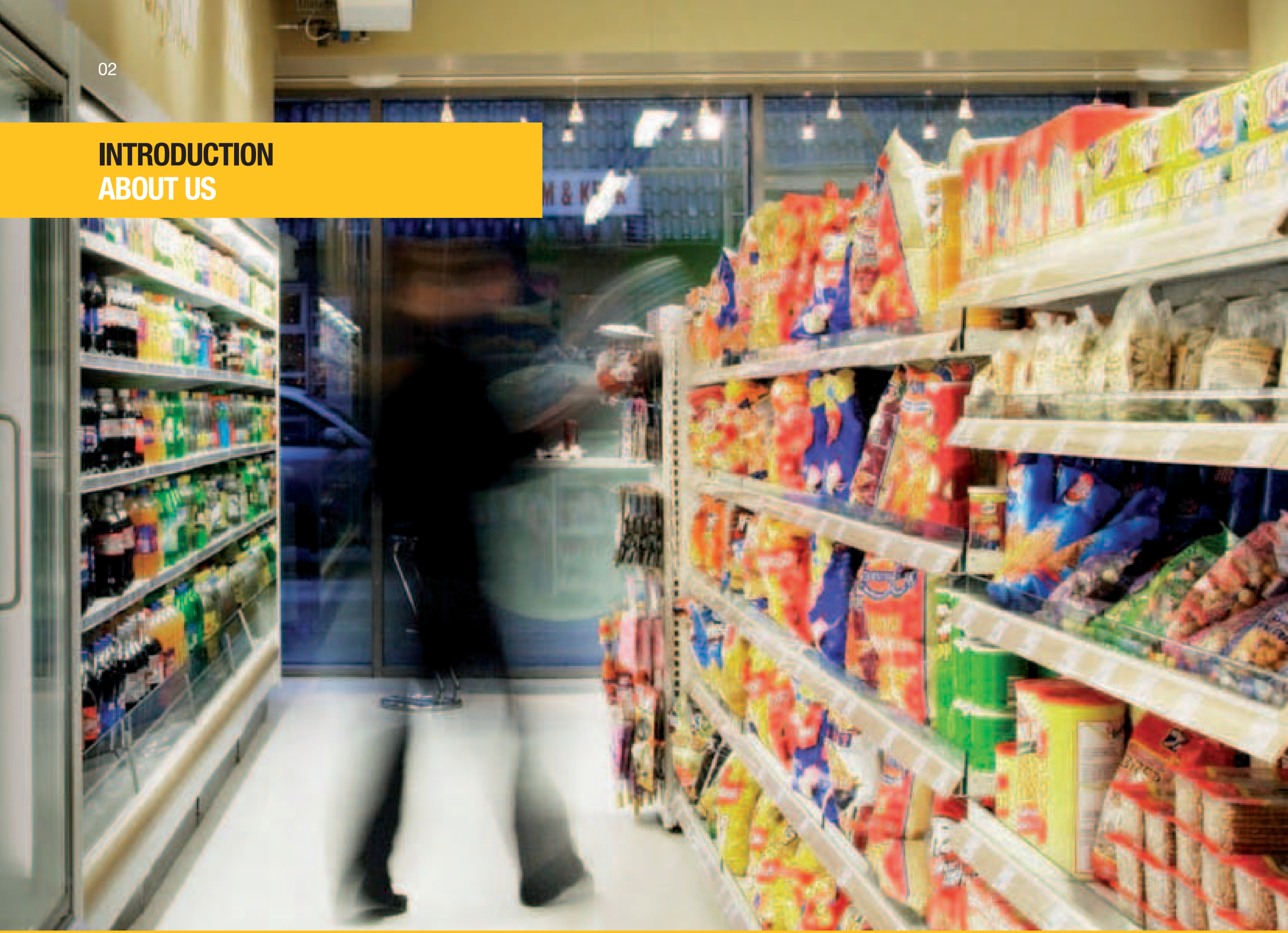
Cable&Wireless Worldwide undertakes no obligation to revise or update any forward looking statement contained within this Annual Report, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by applicable laws or regulation.

Companies Act 2006
Pages 6 to 31 constitute the Chairman's statement and business review of Cable & Wireless Worldwide plc and, pages 40 to 41 constitute the corporate governance statement of Cable & Wireless Worldwide plc and, for the purposes of section 463 of the Companies Act 2006, are incorporated by reference into the Directors' report set out on pages 34 to 39 and shall be deemed to form part of that report.

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

English law
Pages 6 to 56 inclusive consist of a Directors' report that has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

INTRODUCTION
ABOUT US



THE RIGHT PRODUCTS

Today we are one of the world's leading communications companies specialising in providing mission critical communication services.

We work with large enterprises, as well as the public sector and carriers both in the UK and globally to provide a range of high quality managed voice, data and IP based services and applications. We also serve the UK mid-market, directly through THUS and indirectly through our reseller partners, with a range of voice, hosting and connectivity services tailored to their needs.

Our strategic product set of data, IP, hosting and application services continues to become an ever increasing part of our business.

DRIVEN BY AN OBSESSION FOR THE CUSTOMER

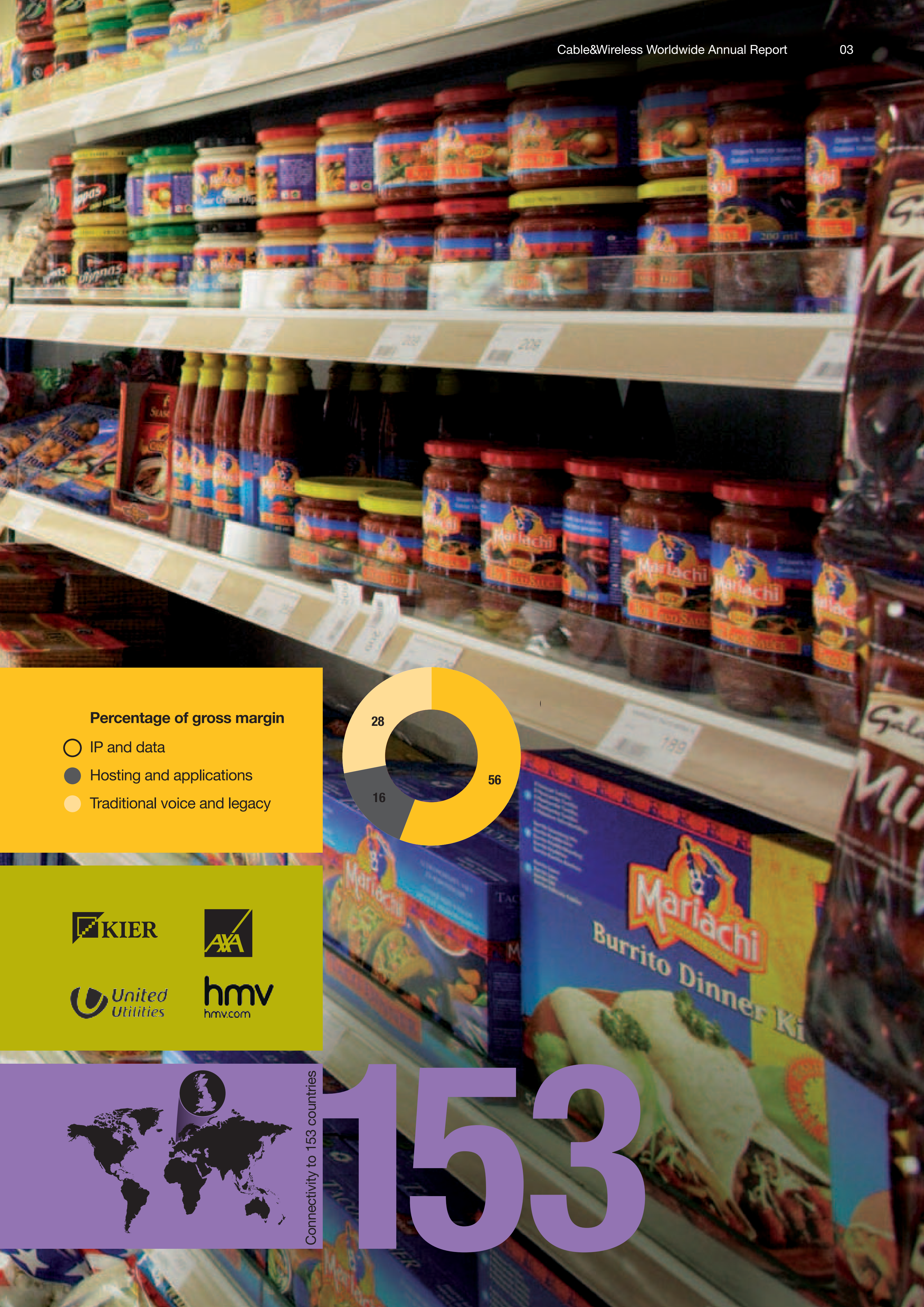
At Cable&Wireless Worldwide we have put customers at the heart of our strategy, creating intimate working relationships through a detailed understanding of their business.

Many of the products and services we provide are typically tightly integrated into our customers' operational activity. A deep understanding of the ways in which our services are used, how they contribute to the success of their business (and therefore to ours), and how they might be developed to generate additional value is one of the ways in which we differentiate ourselves.

THE CAPABILITY TO DELIVER

We continue to expand our network and technologies to improve capability to meet customer demand, both in the United Kingdom and in our global footprint.

We operate the UK's biggest fibre network dedicated to business users of telecommunications and can provide connectivity to 153 countries. Our network reaches far beyond the UK, spanning approximately 500,000 km including interests in more than 69 major global cable systems. With full resiliency on key routes, this is an unmatched asset for our business and our customers. Our extensive UK and global network, together with our product suite and service focus, positions us to successfully exploit growing markets and to build on our track record of increasing market share in the UK and overseas.



Percentage of gross margin

- IP and data
- Hosting and applications
- Traditional voice and legacy

Connectivity to 153 countries

153

INTRODUCTION
HIGHLIGHTS

£2,265M

£2,265 MILLION REVENUE
Increasing proportion from our strategic products: IP, data, hosting and applications

+14%

14% GROSS MARGIN INCREASE
Growth in strategic products and the full year impact of the acquisition of THUS Group

£431M

£431 MILLION EBITDA
Up 32% on last year with EBITDA margin now 19% of revenue*

£71M

£71 MILLION TRADING CASH FLOW
Showing significant growth in the year, up from £13 million in 2008/09*

8.3P

8.3 PENCE ADJUSTED EPS
Before exceptional items

*For definitions of EBITDA and trading cash flow see pages 18 and 29.

INTRODUCTION
MISSION CRITICAL COMMUNICATIONS

Our world is more connected than ever before.

Communications technology is driving new behaviours fuelled by a desire for constant connectivity and integration. Businesses are increasingly dependent on networks and technology just to operate. They need a partner who can deliver a fast, flexible, total solution underpinned by exceptional service if they want to stay ahead of the competition.

Cable&Wireless Worldwide aims to become the first choice for mission critical communications by making integrated communications a reality. Our customers rely on the telecommunications infrastructure and services that we provide in order to operate their businesses every day.

'CABLE&WIRELESS WORLDWIDE HAS BEEN CONSISTENTLY RELIABLE AND THEY ALWAYS DELIVER WHAT THEY SAY THEY WILL.'

ERIC NEVILLE, IT DIRECTOR, RYANAIR

RYANAIR

Cable&Wireless Worldwide delivers mission critical communications to Ryanair, one of Europe's leading airlines. It manages Ryanair's entire European telecommunication network including all airports, bases, data centres and corporate offices. Cable&Wireless Worldwide provides an 'always-on communications' network that supports passengers from online booking to airport check in.

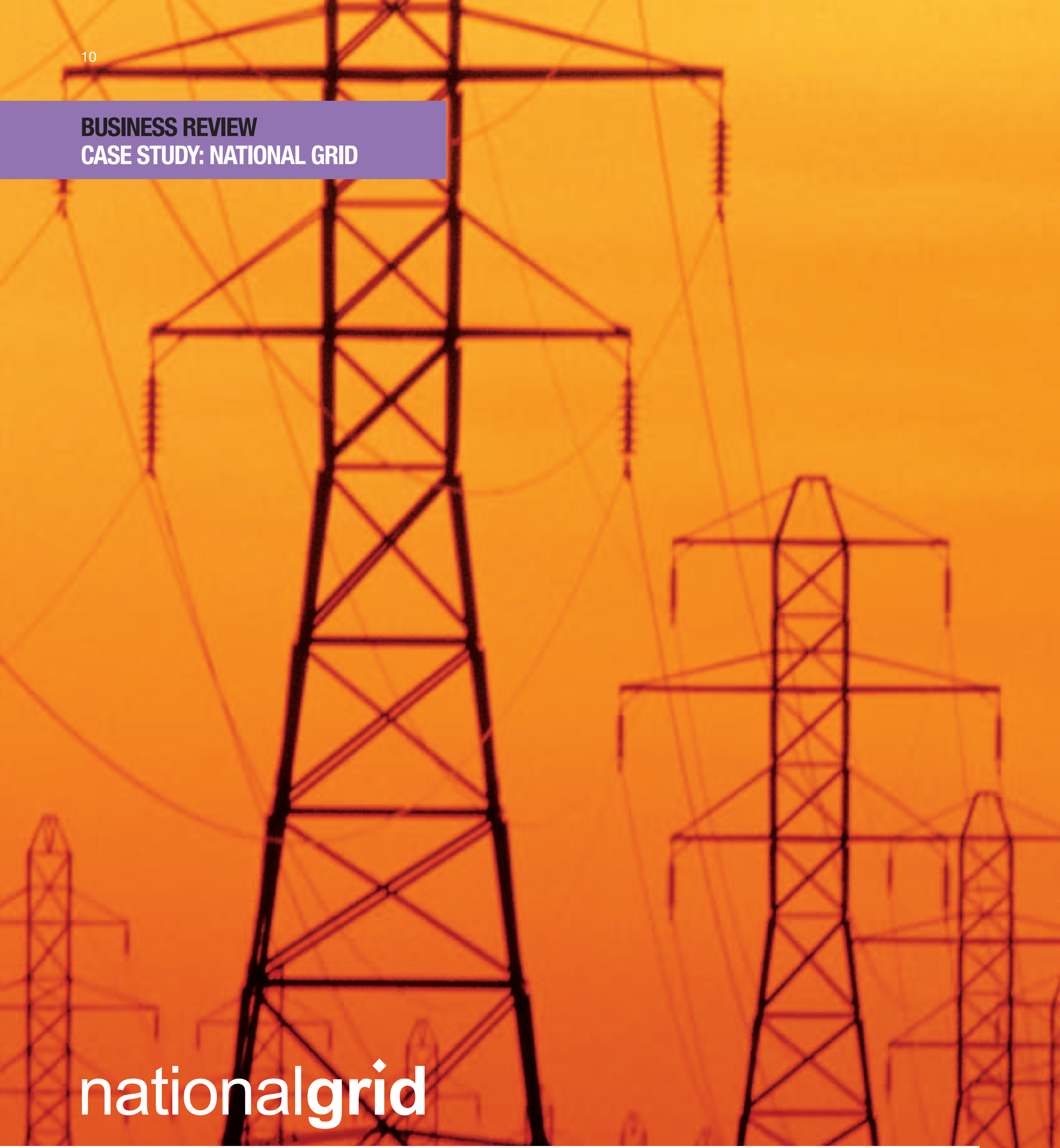
FIVE-YEAR, €15 MILLION CONTRACT CONNECTING 180 AIRPORTS IN 26 COUNTRIES SUPPORTING 60 MILLION PASSENGERS ON MORE THAN 850 ROUTES

‘WE TRUST CABLE&WIRELESS WORLDWIDE TO DELIVER THE BEST SOLUTION FOR US THAT MEETS OUR NEEDS AND WE TRUST THEM TO BE THERE WHEN WE NEED THEM.’

NIALL QUINN, DIRECTOR OF UK PROCUREMENT AND COMMERCIAL SERVICES, AVIVA

Cable&Wireless Worldwide has worked in partnership with Aviva for more than a decade to deliver advanced voice and data managed services. Key data services include IPVPN, LAN and wireless LAN. Additionally, Aviva trusts Cable&Wireless Worldwide to manage its external email, internet access, remote access and security as well as its business critical data centres, e-commerce and mainframe infrastructures.

70+ SEPARATE SERVICES, 29 ARE DATA NETWORK SERVICES SUPPORTING MORE THAN 75,000 SERVICE END POINTS WITH IN EXCESS OF 5,000 NETWORK DEVICES



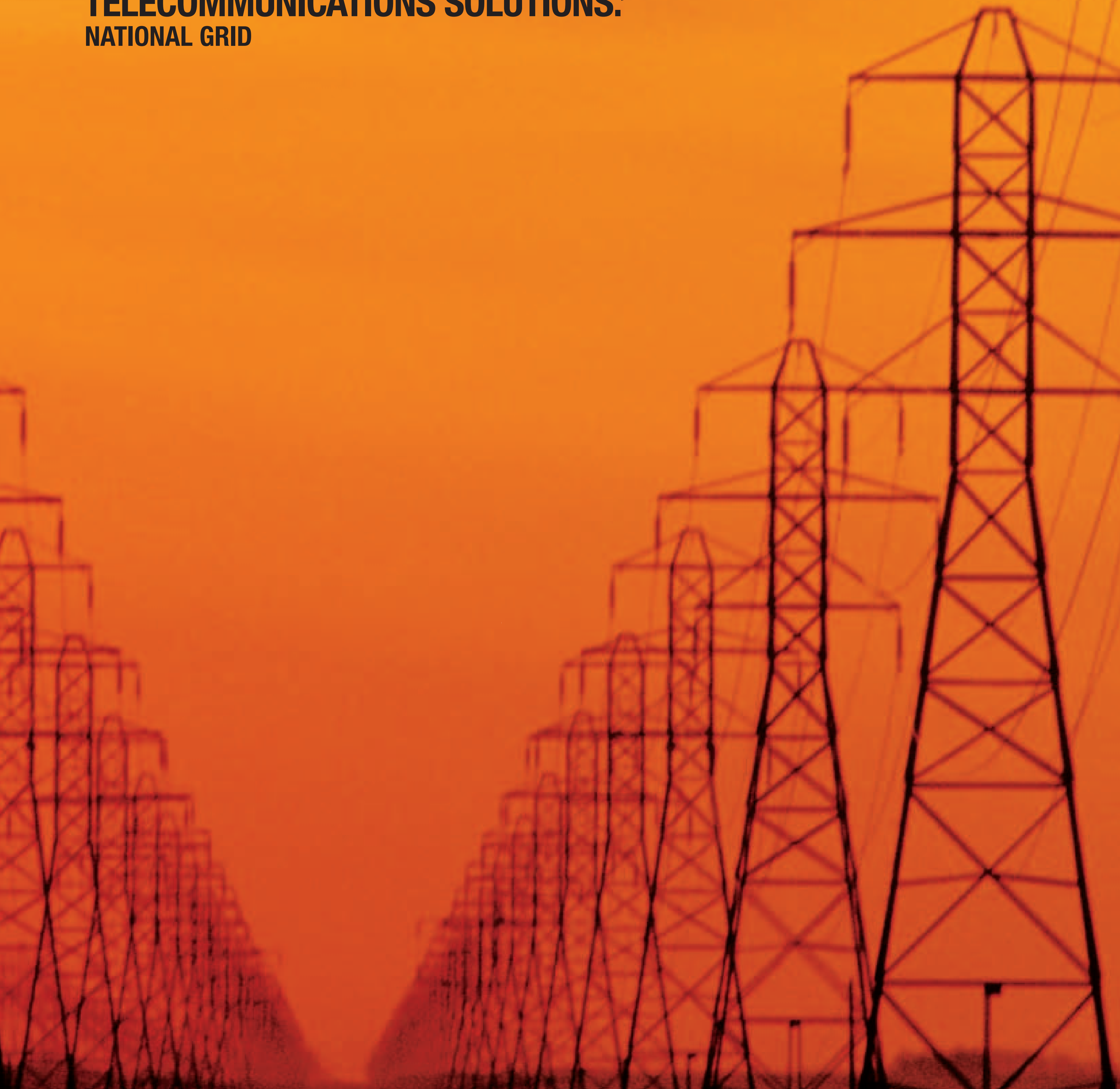
Cable&Wireless Worldwide is responsible for designing, delivering and managing a dedicated Next-Generation Operational Telecommunications Network (OpTel NGN) to support National Grid's Network Infrastructure and Operational Systems. Cable&Wireless Worldwide provides them with a complete, managed next-generation network service.

15 YEAR, £207 MILLION CONTRACT

NATIONAL GRID IS AN INTERNATIONAL ELECTRICITY AND GAS COMPANY AND ONE OF THE LARGEST INVESTOR-OWNED ENERGY COMPANIES IN THE WORLD.

'THE SAFE TRANSMISSION OF ELECTRICITY OVER NATIONAL GRID'S NETWORK IS DEPENDENT ON CABLE&WIRELESS WORLDWIDE'S OPERATIONAL TELECOMMUNICATIONS SOLUTIONS.'

NATIONAL GRID



'THE MARKET OPPORTUNITY IS THERE AND WE WILL SIMPLY CONTINUE TO FOCUS ON RELENTLESS EXECUTION.'

Friday 26 March 2010 is now a date to add to the long and impressive history of Cable & Wireless. Our demerger from Cable and Wireless plc on that date marked the beginning of the latest chapter in our 140 year history.

When I joined this business more than four years ago, such a milestone seemed a very long way away. For many years previously, Cable&Wireless Worldwide had struggled to define a role for itself in the rapidly changing communications industry – it had stuttered, if not stumbled.

The process of regeneration started with Sir Richard Lapthorne's arrival in 2003. By the time of demerger the Cable & Wireless group had been transformed. Contingent liabilities were avoided, the envelope of our activities sharpened, the share price trebled and the Cable & Wireless group returned firmly to profit. This was a successful period in the Cable & Wireless group's history and I would like to extend my thanks and best wishes for the future to Sir Richard and the continuing board of Cable & Wireless Communications.

Our turnaround was about getting things done – execution. Little had I realised that such an approach played handsomely to our greatest strength, our people. Passionate and talented yes, but more impressive by far was their unified commitment to restoring the fortunes and reputation of the business.

This turnaround has been defined by the rapidly improving outcome for three constituencies: customers, shareholders and colleagues.

If customers don't see an improvement then it isn't happening, if shareholders don't see an improvement they don't let you play (it's their money after all) and if there's nothing in it for colleagues, then our key asset literally walks out the door.

Our statistics tell our story

The faith our customers place in us continues to increase. We have not lost a major enterprise customer since the start of 2006. The average contract length for these customers has increased by 22% and half of our gross margin now comes from customers who trust us to provide a managed service.

Over the last four years we have led the delivery of significant value for shareholders, as part of the broader group. The total shareholder return for Cable and Wireless plc was almost 65%, against 39% for the FTSE Global Telecoms Index and just 12% for the broader FTSE 100.

Colleagues in the business have become increasingly engaged in the turnaround over the years, evidenced by the fact that the attrition rate has halved over four years as our colleagues have led our customer service renaissance.

That's not at all bad when you consider that for the last 20 months of this journey we've been tip-toeing our way through the sharpest recession in a generation, a crunch whose full consequences are still playing out.

But, if our turnaround is now largely complete, the logical question is, "where next?".

As we look forward, we do so knowing that our operating environment – regulation, competition, technology trends, demand levels – is encouraging. Certainly the rapid movements towards ever more bandwidth and network-centric applications, such as cloud computing, offer very real drivers for future growth. The market opportunity is there and we will simply continue to focus on relentless execution.

Somebody once said that you cannot please all of the people all of the time. This is particularly true of the investment universe. It can be difficult to reconcile the myriad of opinions and requests, and the flavour of the day changes before your very eyes. We have consistently delivered against one simple mantra: if it doesn't create sustainable, long term, shareholder value then we will not do it. Our record to date, the best predictor of our future behaviour and performance, stands up to the closest scrutiny.

My role as a FTSE Chairman is new to me and I am intent on serving the Board, this business and its shareholders to the best of my abilities. We take up our new challenges well equipped for the task and with momentum on our side, as our results from the past 12 months demonstrate.

Our Non-executive Directors, John Barton, Clive Butler and Penny Hughes, offer insight and robust challenge, borne out of experience. The Executive management team is a mix of those fire-tested by the turnaround of this business plus the fresh eyes and insight of Tim Weller who joined as Chief Financial Officer in May. We also start our new existence with a strong balance sheet and good liquidity.

Many of our achievements to date have been delivered with a business which has been constrained by its own past mediocrity – we have been swimming against the tide. This is no longer the case. The industry trends and the business transformation over the last few years open up a wealth of opportunities both in the UK and beyond.

So, it is with great excitement and no lack of ambition that we look to the future. We are seeking to secure our market positions, to exploit the opportunities we have built for ourselves and to create a better outcome for customers, shareholders and colleagues alike.

John Pluthero
Chairman

'WE DIFFERENTIATE OURSELVES THROUGH OUR CUSTOMER SERVICE. THIS HAS BEEN THE BEDROCK OF OUR TRANSFORMATION AND WILL REMAIN SO.'

I am pleased that we generated strong results yet again and made real strategic progress. Not only did we deliver our cash and EBITDA guidance once again, but we also completed our demerger from Cable and Wireless plc. This is a very proud moment that has been years in the making. I see this as our coming of age, having spent four years on the turnaround of our business, and we now have the opportunity to show the world our true capability and potential.

Our primary market remains UK enterprise and public sector, where we continued to improve our market share. These customers are increasingly dependent on communications to ensure the smooth running of their business. Increasingly, they are seeing the value, reliability and scalability that our fully managed service proposition offers. It's this realisation that a communications partner can add value that is driving our sales momentum and, in certain sectors, we now have clear market leadership.

It's not just the UK where we work with large enterprise customers. Our global network has already given us market advantage in certain geographies. We believe our network is still under-exploited, particularly given the rapid increase in data and explosive demand for bandwidth that is taking place at present.

This is why we continued to make targeted investment in our network, through both the coming year's completion of the Europe/India Gateway and our involvement in the West Africa Cable System. These investments strengthen our position in a number of emerging markets. Continuing the disciplined investment strategy of our turnaround, we've already underpinned the economics with the forward sale of a proportion of the capacity.

Our direct mid-market business, THUS, is already the professional brand in mid-market data. We are committed to this market and to establishing ourselves as the clear winner in the mid-market data space. In doing this we will also continue to work with our indirect reseller customers to build a significant wholesale business.

We have our carrier business – the wholesale operation that's important to any telecoms company in order to achieve the best network economics. Within this we have a fast growing line of business which is wholesale consumer broadband, supporting significant industry players such as Tesco Broadband and Virgin Media.

From a product perspective, the growing demand for global bandwidth plays well to our extensive next-generation network reach and global Multi Service Platform (MSP). The significant interest in cloud computing offers us the opportunity to combine our high quality network and data centres with our managed services ethos. As cloud computing moves from a fringe activity to an accepted norm, our scale and expertise in hosting positions us strongly for the future.

We are well positioned for future growth and in terms of our priorities for the year ahead, they break down into three areas:

Uniqueness
We differentiate ourselves through our customer service. This has been the bedrock of our transformation and will remain so. Customers will always be at the heart of everything we do.

Growth
The delivery of profitable revenue growth remains a priority, with improvements in the economic conditions, a strong sales performance last year and growing demand across all our core markets.

Cash
Sustainable cash flow that's delivered through continued margin growth, continued opex reduction and increasingly better capex utilisation. The growth in cash generation will outstrip earnings growth, as we concentrate on improving our processes and pursue additional operating cost savings and as the exceptional cash charges reduce rapidly; we currently expect these to reduce by around 75% over the next two years.

We've improved all aspects of our business and have achieved a scale that allows us to progress rapidly and I believe that the telecommunications environment is beginning to favour fixed line operators, with the demand for bandwidth outstripping anything that can be provided by the mobile spectrum. In addition, the growing convergence of fixed and mobile is allowing enterprise customers to consolidate their requirements into a single, robust, fixed line solution.

Outlook
Market conditions are improving and we are experiencing good momentum in our core business segments and key areas of future growth, both in the UK and globally. We already generate 72% of our margin from data and 86% of our sales pipeline is in our higher margin strategic product set. We also see further scope for operating efficiencies and a steep downward trajectory for cash exceptional charges. Taking all of these factors together, we remain confident in meeting expectations for cash and EBITDA generation for 2010/11.

In summary, it is a very exciting time for Cable&Wireless Worldwide. Yet again, we've delivered on our commitment to our shareholders and our customers, and we will continue to do so. With the turnaround complete and the demerger now history, this really is our moment to build on our success, grow our business and deliver our full potential.

J W Marsh

Jim Marsh
Chief Executive Officer

BUSINESS REVIEW
Q&A WITH THE CHIEF EXECUTIVE

Q. HOW DOES CABLE&WIRELESS WORLDWIDE DIFFERENTIATE ITSELF?

Jim: Our passion for the customer is our differentiator. We have clearly established our capabilities, we have a leading product set and an exciting roadmap along with a great depth of network, but it is our approach to serving the customer which truly differentiates us.

We build a solution that really meet the needs of our customers – customers who consider their telecommunications infrastructure to be critical to their business success – and we provide the dedicated support required to give customers confidence in the solution.

Q. WHAT PLEASES YOU MOST ABOUT THE LAST 12 MONTHS IN CABLE&WIRELESS WORLDWIDE?

Jim: Clearly the demerger at the end of March was a historic milestone in the history of this business, but what pleased me most is that Cable&Wireless Worldwide proved itself strong through the most difficult macro-economic conditions in my lifetime. We once again delivered on our promises with record profitability and cash generation. The progress that we've made over the last twelve months is testament to the four years of very hard work by all of the colleagues who have transformed this business.

Q. HAVE THE RECESSIONARY HEADWINDS EASED?

Jim: It's early days but the signs are very encouraging. Voice minutes have stabilised and there are signs that corporate spending is beginning to recover from the levels during the last 12 months. It is important to note that at Cable&Wireless Worldwide we don't need a huge recovery to meet our expectations. There is a massive amount of market share to go after in the UK, both through new customer wins and through increasing the 'share of wallet' in our current customer base where we already provide services to 76 of the companies in the FTSE 100.

Q. ARE YOU SATISFIED WITH YOUR DELIVERY OF PROFIT AND CASH?

Jim: Yes. We delivered what we promised – that is satisfying. But there is no level of profit with which we will ever be entirely satisfied. We were frustrated that just as the business was positioning itself for growth we were hit by the recession. However, this business is now very well placed to take advantage of the changes in the industry and to increase profit and cash rapidly.

Q. WHAT ARE THE MAIN INDUSTRY THEMES WHICH ARE AFFECTING THE BUSINESS?

Jim: The industry themes and trends are very positive for Cable&Wireless Worldwide. Enterprise customers are becoming increasingly dependent on their communications infrastructure and are increasingly choosing their supplier on criteria beyond price. We believe this favours Cable&Wireless Worldwide due to our concentration on delighting our customers through our differentiated solutions and service ethos. Our Fixed Mobile Convergence product is capitalising on the shift from mobile to fixed line telecommunications, driven by the explosive demand for bandwidth. There is an increasing demand for fully outsourced managed hosted services – what is commonly referred to as 'cloud computing'. Although it is still in its early stages we believe the winners here will have strong capability in fixed line network and in hosting – this places Cable&Wireless Worldwide in the vanguard.

Q. WHAT ARE YOUR PLANS IN THE MID-MARKET?

Jim: I am very encouraged by the quality of the mid-market business we acquired through the acquisition of THUS Group, and having carried out a thorough assessment, we are fully committed to growing our presence in the mid-market in the UK. This is a £5 billion market with high margins and low capital requirements. We have both the network and the product suite to be a winner here.

Q. WHAT IS THE OUTLOOK FROM HERE FOR TOP LINE REVENUE?

Jim: Growing top line revenue is one of my three priorities and it is a proof point we still need to and will achieve. Short term however, the voice market remains uncertain and, although it is lower margin, revenue is sensitive to this so I wouldn't want to make any predictions. In our key data strategic product set we expect to grow revenue in 2010/11 and beyond.

Q. WHAT NEXT FOR THE BUSINESS?

Jim: More of the same. The industry trends are beginning to favour Cable&Wireless Worldwide. The opportunity set is expanding. We will continue to focus on growing our share of the enterprise market by delivering a better quality of proposition and service to customers. I have clearly set out my priorities: uniqueness, growth and cash. We have a differentiated proposition and we will continue to put further, clear blue water between us and the competition. I believe we can deliver truly profitable top line growth. Cash generation is the ultimate measure of success; we will seek to deliver increasing sustainable cash flows from this business.

UNDERSTANDING OUR BUSINESS PERFORMANCE

Group revenue for the period was broadly flat at £2,265 million (2008/09: £2,268 million) as recessionary and regulatory impacts were offset by the full year effect of the acquisition of the THUS Group. EBITDA[1] was up by 32% at £431 million (2008/09: £326 million) and adjusted operating cash flow[2] was an inflow of £81 million, up by £91 million on the prior year (2008/09: £10 million outflow).

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

1 Earnings before interest, tax, depreciation and amortisation, long term incentive plan (LTIP) charge and net other operating income or expense, profit or loss on disposal of non-current assets and exceptional items.
2 For a reconciliation of adjusted operating cash flow, see page 29.
3 Cost of sales does not include unallocatable network costs.

UK enterprise

	2009/10 £m	2008/09 £m	Change %
Revenue	**837**	827	1%
Cost of sales[3]	**(391)**	(422)	(7)%
Gross margin	**446**	405	10%
Gross margin %	**53%**	49%	

Source: Management information

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

We continued to grow our share of this market, which we estimate now to be approximately 19%. Revenue increased to £837 million (2008/09: £827 million), with gross margin increasing by £41 million to £446 million. We further improved our sales success with increasing sales of our strategic product set (consisting of IP, data, hosting and applications) compared with the prior year.

Our continued focus on delivering great service has encouraged customers to look to us to provide a broader range of services, deeper into their organisations. This includes innovative products such as Fixed Mobile Convergence (FMC). FMC allows organisations to integrate their fixed line, data and mobile communications. We are now actively rolling this out across four important UK enterprise customers. We are seeing a greater number of our customers opting for a full managed service.

21%
INCREASE IN QUALIFIED PIPELINE FOR UK ENTERPRISE

12%
REDUCTION IN SALES CYCLE FOR BIG ENTERPRISE DEALS

There have been some notable contract wins this year. We announced a £207 million contract with National Grid to deliver a telecommunications network to support the transmission of electricity in the UK over the next 15 years. We extended our contract with Tesco to include provision of the network to support their ambitions in consumer broadband in the UK. In March we announced an extension to the current United Utilities contract, now a £30 million, five year deal, to provide converged voice and data network services to its 300 UK sites, including data centres and contact centres.

We also strengthened our market share in the banking and insurance sector with recent wins. This included a 4,000 site retail branch network and large contact centre transformations.

We continued to make inroads into multi-site retail with the completion of a 500 site retail store network and the commencement of a rollout of the new Wide Area Network (WAN) and business grade broadband connecting 600 UK retail stores, key distribution sites and a warehouse operation for HMV.

We anticipate that in the coming year an increasing number of businesses will begin making decisions that were previously on-hold as a result of the recession. We have already announced the three year contract with PZ Cussons to provide a global WAN connecting its offices in Europe, Asia and Africa. This contract once again demonstrates the importance of our global network even where the customer is based in the UK.

UK public sector

	2009/10 £m	2008/09 £m	Change %
Revenue	**285**	268	6%
Cost of sales	**(117)**	(121)	(3)%
Gross margin	**168**	147	14%
Gross margin %	**59%**	55%	

Source: Management information

The UK public sector channel includes central and local government organisations like the Ministry of Justice as well as other significant service providers such as the NHS and the police service.

UK public sector revenues increased by £17 million in 2009/10, despite increasing challenges to government expenditure, while gross margin rose by £21 million.

We sold a larger proportion of our strategic product set which significantly improved the average gross margin percentage. During the second half of the year, there was also higher demand for project and professional services work across the public sector. Our public sector customers are increasingly utilising the full range of our integrated services, enabling them to achieve greater operational efficiency.

Our ability to provide highly secure communication networks resulted in significant new deals in the criminal justice sector, including Managed Video Conferencing (MVC) for the Office for Criminal Justice Reform, and managed telephony with Her Majesty's Courts Service. We helped the police service deliver a number of projects, including mobile data initiatives, which improve officers' abilities to share information while out on patrol.

In the health service, we successfully implemented and continue to manage NHSmail, the secure email service for NHS staff.

32%

INCREASE IN EBITDA

60%

OF THUS REVENUE FROM DATA SERVICES

UK carrier

	2009/10 £m	2008/09 £m	Change %
Revenue	**349**	369	(5)%
Cost of sales	**(238)**	(254)	(6)%
Gross margin	**111**	115	(3)%
Gross margin %	**32%**	31%	

Source: Management information

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

The UK carrier market was hit hard by the economic downturn, which drove down wholesale call volumes by around 5%, with a corresponding impact on revenues and margins. Regulatory changes in the UK reduced termination rates for mobile calls and non-geographic number ranges, creating downward pressure on revenues. Margins were not significantly affected by these changes as these costs are passed through to customers. We delivered a number of major network outsource deals during the period and as a result of our ability to take on significant migrations, together with our extensive network coverage, delivered savings for the end customer. This offset most of the regulatory and other factors impacting revenue.

Through this difficult climate we still carried approximately 70% of all calls made from mobiles that terminate on UK geographic numbers and have been successful in diversifying away from voice products by providing hosted services (infrastructure and hosting space) to mobile operators for their key mobile applications. We also provide the network services that underpin the mobile operators UK and overseas contact centres.

During the year, Tesco announced its intention to move into consumer broadband and chose Cable&Wireless Worldwide to provide the network infrastructure to support this initiative. This is expected to go live in the first quarter of 2010/11.

Mid-market

	2009/10 £m	2008/09 £m	Change %
Revenue	**242**	212	14%
Cost of sales	**(124)**	(129)	(4)%
Gross margin	**118**	83	42%
Gross margin %	**49%**	39%	

Source: Management information

Mid-market is comprised of customers who resell our products to small or medium size businesses. This includes our direct THUS business.

In the year we increased revenue by 14% to £242 million and grew gross margin by 42% to £118 million. We have also increased our pipeline by about a third over the last 12 months.

Declining voice revenues were offset by strong performance across data products, which delivered steady growth across our core connectivity products. In 2009/10 we also completed a £3.2 million per annum network outsource deal with one of our existing large resellers, which completed mid year. This contract will last four years and we expect to see further incremental project work as part of the deal.

The voice market continued to consolidate, which created some pricing pressures. However, our strategy of improving our product mix towards higher margin data products helped us raise our gross margin in the year.

We spent some time during the year assessing the mid-market business that came with our acquisition of THUS Group and have been pleased with the strength of the business. This business is 60% data – and the average customer size places it towards the higher end of the SME market.

In THUS we upgraded around half of our Demon internet customers onto ADSL2+ services, doubling the bandwidth to the customers at no extra charge. We also on-shored Demon customer service support, further enhancing the customer experience.

72%
OF MARGIN FROM STRATEGIC PRODUCTS

50%
OF MARGIN FROM CUSTOMERS TAKING MANAGED SERVICES

Global

Global enterprise

	2009/10 £m	2008/09 £m	Change %
Revenue	**184**	181	2%
Cost of sales	**(85)**	(96)	(11)%
Gross margin	**99**	85	16%
Gross margin %	**54%**	47%	

Global carrier

	2009/10 £m	2008/09 £m	Change %
Revenue	**368**	411	(10)%
Cost of sales	**(235)**	(301)	(22)%
Gross margin	**133**	110	21%
Gross margin %	**36%**	27%	

Global total

	2009/10 £m	2008/09 £m	Change %
Revenue	**552**	592	(7)%
Cost of sales	**(320)**	(397)	(19)%
Gross margin	**232**	195	19%
Gross margin %	**42%**	33%	

Source: Management information

Global comprises enterprise customers where our main relationship is outside the UK, in EMEA, Asia, India and the US and international fixed line carriers and mobile operators.

Our total global revenue declined to £552 million from £592 million in 2008/09. This decline reflects the general fall in international voice traffic and our managed reduction of low margin international voice contracts, partially offset by growth in data products in both the global carrier and enterprise markets.

The reduction in call volumes and an increase in sales within our strategic product set led to an increase in global enterprise revenue and margin. This included solutions such as our Managed Video Conferencing applications that are proving popular with customers such as large multinational banks. This product capitalises on the trend of businesses wishing to reduce their carbon footprint and lower their international travel costs. We expect this growth to continue.

We had several noteworthy contract wins during the year. These included a €15 million, five year contract with Ryanair to manage the airline's entire business critical European telecommunication network, covering all airports, data centres and corporate offices.

In Apollo Submarine Cable Systems Limited, a company we own in partnership with Alcatel, through which we provide transatlantic cable capacity linking the US to Europe, revenue grew by 38% to £11 million and gross margin by £4 million to £10 million.

We also made progress in strengthening our core capability and reducing the cost of delivering global solutions. In May 2009 we announced our role in a consortium which is laying the West Africa Cable System (WACS) that will provide the first ever submarine connections to Namibia, the Democratic Republic of the Congo and Togo.

The new cable system will ensure that the necessary submarine resilience for existing international services is in place and also enable us to exploit de-regulating markets. We successfully pre-sold a significant proportion of our allocated capacity to a number of internet content providers to underpin our investment. WACS is due to become operational in Q4 2011. We also saw further progress with our investment in the Europe/India Gateway (EIG), which is due to complete towards the end of 2010/11, again with significant sales of capacity prior to commissioning.

24%

OF REVENUE FROM OUR GLOBAL BUSINESS

16%

MARGIN GROWTH IN GLOBAL ENTERPRISE

‘REDUCING EMISSIONS AND COSTS THROUGH CARBON AND ENERGY MANAGEMENT IS A PRIORITY.’

We are committed to becoming a sustainable business. We have set out our progress against our sustainable business principles.

Seek continual improvement in our environmental performance
Reducing emissions and costs through carbon and energy management is a priority. Our carbon footprint in the UK and Northern Ireland, externally verified for the fourth consecutive year by the Edinburgh Centre for Carbon Management using the Greenhouse Gas methodology, is 239,679 tonnes of CO_2e compared with 205,885 tonnes CO_2e for the last financial year. The increase is due to the inclusion of electricity consumption at the THUS sites and improvements to the monitoring and reporting of consumption. With more than 90% of our carbon footprint attributable to network electricity usage, we have set a target to reduce carbon emissions per unit of network traffic and data storage by 20% by April 2015 (from a 2009/10 baseline).

We recognise the importance of best practice in environmental management systems and we have set a target to achieve ISO 14001 in the UK by April 2011 and across our global operations by April 2013.

Cable&Wireless Worldwide is in scope for the new UK Carbon Reduction Commitment (Energy Efficiency) scheme, which will require us to report our carbon footprint and to purchase the equivalent number of carbon allowances annually. We have focused on improving our carbon management strategies this year to ensure that we are fully prepared for the scheme.

Energy consumption in the UK

	2009/10	2008/09[1]
Electricity[2] (kWh)	**403,681,907**	330,889,809
Natural gas[3] (kWh)	**17,294,554**	18,290,586

1 The 2008/09 figures exclude THUS and landlord sites.
2 Used to power our network, to provide support services such as network cooling, and in our offices; inclusive of landlord and unmetered sites.
3 Used to heat our offices.

The closure of our largest earth satellite station at Thameside and the associated move to a new site has provided four times the capacity in a quarter of the original floor space. The addition of a living roof will help to insulate the building as well as attract wildlife.

The introduction of a Workforce Management System for our field engineers during the year is delivering benefits both in terms of reducing CO_2 emission per fault and improving the well-being of engineers by enabling them to spend less time on the road for each fault attended.

The amount of waste recycled has increased from 15% of office waste last year to 28% of waste, including office waste and installation packaging from network sites, recycled this financial year.

Facilitate and encourage responsible and innovative product and service design
IP, data, hosting and applications are intensive users of energy. Energy efficiency measures and maintenance improvements have contributed to the higher operational efficiency of equipment. Developments in reporting and alarm systems have also contributed to reductions in energy surges often associated with fault repair.

28%
OF OUR WASTE HAS BEEN RECYCLED THIS YEAR

We are one of the first telecommunications companies to achieve the BS 25999 standard for business continuity which reflects our commitment to provide service continuity and reduce risks for customers. A commitment to security is also reflected by achieving ISO 27001 accreditation, the international best practice standard for Information Security Management Systems.

Our Managed Video Conferencing solution has expanded globally with our partner Regus opening sites in 14 of the world's business capitals including Mumbai, Shanghai and Singapore which offer businesses a real alternative to travel.

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

Colleagues' determined and committed approach to their day jobs is replicated in their enthusiasm to support charitable events and their local communities. The Radio 2 Children in Need appeal in November was a great example of colleagues volunteering their technical expertise and time to provide the phone lines and take calls from donors.

Télécoms Sans Frontières remains a key partner for us globally as does Christel House, supported by Cable&Wireless Worldwide in India. At Christel House, Class 4B continues to receive funding for a holistic education to provide skills for everyday life as well as academic teaching.

The Advanced Apprenticeship Scheme and Graduate programmes have expanded by 50% and 20% respectively this year. These programmes underpin our support for the UK government's 'Backing Young Britain' campaign which, at its core, is about providing opportunities for young people.

Our sponsorship of Get Safe Online underpins the importance of delivering online security to our customers and, more widely, promoting it in society. THUS Limited, as the consumer facing part of the business, is also a member of the Internet Watch Foundation.

Uphold fundamental human rights and respect cultures, customs and values in dealing with colleagues and others who are affected by our activities

We recognise the growing importance of good business ethics to the wider economy and society. We are finalising a new mandatory online business ethics training module which will help to ensure that colleagues understand what is expected of them and in turn the support available. Online learning is an important development tool for colleagues across the global business. The number of training hours including e-learning was 14 hours per colleague in 2009/10.

We were the first telecommunications company to assist our partners, the Royal Society for the Prevention of Accidents (RoSPA) and the National Examination Board for Occupational Safety & Health (NEBOSH) with the International Working Safely award which aims to provide colleagues with an overall awareness of the health and safety standards and legislation in their respective countries.

In addition, Cable&Wireless Worldwide was awarded the RoSPA Gold Award for Occupational Health and Safety reflecting our continuing commitment to protecting the health and well-being of our colleagues and others.

In 2009, with more than 6,000 colleagues in the business, eight incidents were reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) and there were no fatalities.

BUSINESS REVIEW
CHIEF FINANCIAL OFFICER'S REVIEW

Having recently joined Cable&Wireless Worldwide, I am pleased to be commenting on an impressive set of results. Despite the global economic downturn, gross margin has grown and EBITDA increased. Overall, EBITDA has increased by £105 million to £431 million.

Revenue from the strategic product set of IP, data, hosting and applications increased during the year and now represents 54% of our total revenue, up from 46% in the previous year. Traditional voice (including legacy) revenue declined as a result of lower call volumes. These products were also adversely impacted by regulatory decisions and competitive pricing pressure.

The total revenue figure is largely unchanged from the previous year; however, gross margin increased as a larger proportion of our sales came from our strategic product set.

Operating costs have increased year-on-year, due to including a full year of THUS Group costs. This was partially offset by savings made as part of ongoing operating cost reduction initiatives and integration synergies.

Trading cash inflow increased by £58 million to £71 million and we ended the financial year with net debt of only £20 million.

During the year, £54 million of exceptional charges were incurred including £31 million to achieve synergies following the THUS Group acquisition and £23 million of restructuring costs from transformational programmes. In addition, an exceptional pension expense of £143 million was charged representing our share of the pension

'I AM LOOKING FORWARD TO THE JOURNEY AHEAD. THE DRIVE AND AMBITION OF COLLEAGUES HAS BEEN EVIDENT FROM MY FIRST CONTACT WITH CABLE&WIRELESS WORLDWIDE.'

deficit on the defined benefit scheme that transferred from Cable and Wireless plc on demerger. Other exceptional costs of the demerger were £13 million.

Capital expenditure for the year was £279 million. This comprised £144 million directly related to the delivery of specific customer contracts and £87 million to develop new capability. The remaining £48 million related to cost reduction efforts and maintenance.

The demerger from Cable and Wireless plc was completed on 26 March 2010. We begin life after demerger with good liquidity and a strong balance sheet. This includes more than £500 million of cash and available facilities.

The Board recommends a final dividend of 3.0 pence per share which, subject to shareholder approval, will be paid on 12 August 2010.

On a personal note, I am looking forward to the journey ahead. The drive and ambition of colleagues has been evident from my first contact with Cable&Wireless Worldwide. I have confidence that they will continue to show the same level of dedication and commitment in the next part of the organisation's development.

Ti Weller

Tim Weller
Chief Financial Officer

Group results

The Group results presented below should be read in conjunction with the Group's consolidated income statement, statement of financial position and statement of cash flows and related notes on pages 58 to 104. To help explain the movements in revenue and margin during the year, we have provided an analysis by product. We do not manage our business or allocate resources by product line.

	2009/10			2008/09		
	Pre-exceptionals £m	**Exceptional items[1] £m**	**Total £m**	Pre-exceptionals £m	Exceptional items[1] £m	Total £m
IP and data	978	–	978	812	–	812
Hosting and applications	240	–	240	224	–	224
Traditional voice and legacy	1,047	–	1,047	1,232	–	1,232
Revenue	**2,265**	**–**	**2,265**	2,268	–	2,268
Cost of sales	(1,190)	–	(1,190)	(1,323)	–	(1,323)
Gross margin	**1,075**	**–**	**1,075**	945	–	945
Operating costs (excluding LTIP charge)	(644)	(54)	(698)	(619)	(76)	(695)
EBITDA	**431**	**(54)**	**377**	326	(76)	250
LTIP charge	(14)	–	(14)	(17)	–	(17)
Demerger costs	–	(10)	(10)	–	–	–
Pension obligations on demerger	–	(143)	(143)	–	–	–
Depreciation and amortisation	(268)	–	(268)	(212)	–	(212)
Net other operating expense	(1)	–	(1)	–	–	–
Total operating profit/(loss)	**148**	**(207)**	**(59)**	97	(76)	21
Net finance expense	(31)	(3)	(34)	(85)	–	(85)
Loss on sale of non-current assets	(1)	–	(1)	(1)	–	(1)
Profit/(loss) before income tax	**116**	**(210)**	**(94)**	11	(76)	(65)
Income tax credit	95	–	95	33	–	33
Profit/(loss) for the year	**211**	**(210)**	**1**	44	(76)	(32)
Capital expenditure[2]			**(279)**			(265)
Earnings/(loss) per share attributable to equity holders (pence)[3]	8.3	(8.3)	0.0	1.8	(3.1)	(1.3)
Adjusted earnings/(loss) per share from continuing operations attributable to equity holders excluding LTIP charge (pence)[3]	8.8	(8.3)	0.5	2.5	(3.1)	(0.6)

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

2 Balance sheet capital expenditure excluding asset retirement obligations and fair value adjustments to intangible assets.

3 Using weighted average number of shares of 2,544 million (2008/09: 2,486 million).

Cable&Wireless Worldwide key performance indicators

	2009/10	2008/09
IP, data, hosting and applications as a percentage of revenue	**54%**	46%
Gross margin percentage	**47%**	42%
Operating costs as a percentage of revenue (before exceptional items)	**28%**	27%
Operating costs as a percentage of revenue (after exceptional items)	**31%**	31%
EBITDA margin percentage (before exceptional items)	**19%**	14%
EBITDA margin percentage (after exceptional items)	**17%**	11%
EBITDA annualised synergies achieved following the acquisition of THUS	**£69m**	£23m
Exceptional costs incurred to achieve synergies	**£31m**	£30m

Cable&Wireless Worldwide does not currently monitor business performance through the use of non-financial KPIs. The development of relevant non-financial KPIs is being considered.

Analysis of results

Total revenue

Revenue in 2009/10 was £2,265 million, broadly flat on the prior year (2008/09: £2,268 million). Continued organic growth in our IP, data, hosting and applications products together with the full year contribution of THUS increased revenue by £314 million. This growth was offset by downward pressures on our voice and legacy products.

Total gross margin

Gross margin for 2009/10 was £1,075 million, an increase of 14% on the prior year (2008/09: £945 million). Organic growth in our strategic products together with a full year of THUS revenues across all products contributed £142 million to the increase. In addition, synergy benefits, the regulatory Partial Private Circuit (PPC) rebate and continued initiatives to reduce cost of sale led to a £53 million improvement in gross margin. This growth was partially offset by the reduction in traditional voice volumes.

Gross margin as a percentage of revenue increased from 42% to 47% reflecting the continued change in our product mix towards higher margin IP, data, hosting and applications products, together with the recognition of synergies from the THUS acquisition, cost of sale initiatives and the partial recognition of the PPC rebate this financial year (£12 million).

£m	IP and data	Hosting and applications	Traditional voice (incl. legacy)	Total
FY 2009/10				
Revenue	978	240	1,047	2,265
Gross margin	605	174	296	1,075
Gross margin %	62%	73%	28%	47%
FY 2008/09				
Revenue	812	224	1,232	2,268
Gross margin	468	148	329	945
Gross margin %	58%	66%	27%	42%

IP and data – revenue and gross margin

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

IP and data revenue increased by 20% to £978 million in 2009/10 (2008/09: £812 million). The £166 million increase in revenue came about as a result of increasing demand for our strategic product set in addition to a full year of THUS.

IP and data gross margin was £605 million, 62% of revenue and £137 million higher than the prior year (2008/09: £468 million). Organic growth together with a full year of THUS revenues contributed £94 million to the increase in gross margin. Cost saving initiatives and synergies following the acquisition of THUS of £31 million together with the partial recognition of the PPC rebate in the first half of the financial year (£12 million) also contributed to the increase in margin.

Hosting and applications – revenue and gross margin

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

Hosting and applications revenue increased by 7% to £240 million in 2009/10 (2008/09: £224 million). The increase in customers with storage and hosting requirements together with a full year of THUS revenues drove growth of £45 million. This was offset by a reduction in lower margin hosting equipment sales of £29 million.

Hosting and applications gross margin increased by 18% to £174 million (2008/09: £148 million). The ongoing movement towards managed hosting, continued growth in our hosting customer base and the inclusion of a full year of THUS drove £22 million of margin improvement. Initiatives to reduce costs of sale contributed £10 million to the increase in gross margin, partially offset by the £6 million reduction as a result of lower equipment sales.

Hosting and applications gross margin percentage increased to 73%, compared with 66% in 2008/09.

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

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

Traditional voice revenue decreased by 15% to £1,047 million in 2009/10 (2008/09: £1,232 million).

The market for traditional voice products experienced a number of downward revenue pressures during 2009/10. The recession resulted in a lower volume of wholesale voice traffic which, together with continued pricing pressures, accounted for a £94 million decrease in revenue. Reductions in regulated rates on mobile termination and non-geographic number ranges had a negative impact of £55 million. In addition, we removed unprofitable international voice (£60 million) and UK reseller (£34 million) traffic from our network with little impact on gross margin. Revenue from legacy products decreased by £46 million. These movements were partly offset by including a full year of THUS revenues.

Traditional voice gross margin decreased by £33 million to £296 million compared with 2008/09. The reduction in voice minutes contributed £29 million to the decrease in margin, together with a £29 million decline from legacy products. The inclusion of a full year of THUS gross margin partially offset this decrease in margin.

Traditional voice gross margin percentage increased to 28%, compared with 27% in 2008/09, driven primarily by the reduction in low margin traffic.

Operating costs before exceptional items

Total operating costs were £644 million in 2009/10, an increase of £25 million on 2008/09, reflecting the inclusion of a full year of THUS operating costs, partially offset by operating cost synergies from the THUS integration programme and continued cost reduction programmes within the existing Cable&Wireless Worldwide business.

EBITDA

Cable&Wireless Worldwide EBITDA was £431 million in 2009/10, an increase of £105 million on 2008/09.

EBITDA as a percentage of revenue has improved from 14% to 19%. This increase reflects the growth in revenue of higher margin IP, data, hosting and applications products and the success of our cost reduction activities, including the THUS integration programme.

Long term incentive plan (LTIP) charge
The LTIP charge for 2009/10 was £14 million (£17 million in 2008/09). At 31 March 2010, Cable&Wireless Worldwide had a LTIP pool of £60 million whilst total payments made over the life of the scheme to 31 March 2010 were £48 million. On 1 April 2010, a payment was made under the scheme to participants totalling £9 million, which compares to a payment of £35 million made in May 2009. All payments are inclusive of National Insurance charges.

Capital expenditure and depreciation and amortisation
Capital expenditure of £279 million is £14 million higher than 2008/09, driven by an increase in capital expenditure on specific customer contracts. Expenditure on customer contracts accounted for 52% of this spend, with another 31% being spent on new capability and the development of new products. The remaining capital expenditure was associated with maintaining our properties and network (10%) and capital expenditure relating to cost reduction programmes, including the integration of THUS (7%).

Depreciation and amortisation is £268 million for 2009/10 compared with £212 million in 2008/09, reflecting £18 million of depreciation and amortisation associated with the THUS acquired asset base and £38 million of depreciation on additions during the year.

Operating profit
The operating profit before exceptional items was £148 million (2008/09: £97 million). The operating result after exceptional items was a loss of £59 million (2008/09: £21 million operating profit).

Net finance expense before exceptional items
Net finance expense was £31 million. Finance income was £2 million in 2009/10 and £3 million in 2008/09.

Finance expense of £33 million is £55 million lower than in 2008/09. This reduction is attributable to a reduction in the interest charged on the loan balance with Cable and Wireless plc of £60 million as a result of transactions leading up to the demerger, offset by higher third party interest expense of £3 million and additional finance charges recognised on the unwind of the discount on provisions of £2 million. The increase in third party interest during 2009/10 reflects a full year of interest expense on the £200 million revolving credit facility, which was obtained in the final quarter of the 2008/09 financial year.

Income tax credit
The tax credit of £95 million (2008/09: £33 million) comprises a £96 million credit in respect of previously unrecognised UK deferred tax assets (2008/09: £37 million) and a charge of £1 million (2008/09: £4 million) for overseas taxes.

In addition to the recognised deferred tax asset in respect of capital allowances of £150 million (2008/09: £54 million), an additional £1 billion deferred tax asset is not recognised (2008/09: £1 billion). A further £201 million deferred tax asset (2008/09: £213 million) is not recognised in respect of overseas tax losses which should be available for offset against future overseas trading profits if they were to become available.

Pensions
As at 31 March 2010, the defined benefit section of the Cable & Wireless Worldwide Retirement Plan (CWWRP) had an IAS 19 deficit of £136 million (2008/09: £nil). This plan was created as part of the demerger and has the same benefits and powers as those of the Cable & Wireless Superannuation Fund (CWSF). The transfer of assets and obligations to the Cable&Wireless Worldwide Group from the CWSF was completed on 26 March 2010.

To ensure that the expected security of any member's benefits was not adversely affected by the demerger, Cable&Wireless Worldwide paid £5 million cash on 31 March 2010 into the CWWRP in order to fund the members obligations being transferred.

Exceptional items
Exceptional charges of £210 million consist of £143 million as a result of the recognition of the net deficit of the defined benefit element of the Cable & Wireless Worldwide Retirement Plan and the UK unfunded plan onto the balance sheet, £54 million of exceptional operating costs and £13 million of demerger related costs. Exceptional operating costs are split as follows:

Costs of £31 million have been incurred in achieving synergies following the acquisition of THUS Group. The integration process is now substantially complete.

Restructuring costs of £23 million – we have continued to rationalise the cost base of the business as we aim to reach the most efficient operating model. These costs include staff costs of £13 million relating to redundancies; property exit costs of £4 million incurred as a result of making best use of our property estate; and third party costs of £6 million relating to one-off costs as a result of in-sourcing contracts as we continue to improve service to customers.

The £13 million of demerger related costs include £3 million of previously capitalised finance costs in respect of raising the £200 million revolving credit facility that was repaid prior to demerger.

Cash exceptionals were £70 million in 2009/10 (2008/09: £71 million). We expect cash exceptionals to reduce over the next three years as lease payments on unutilised properties and network come to an end and we reach the end of our transformational programmes. We expect the profile to be as follows:

Income statement exceptionals (based on management information)

	Actual			Forecast		
£m	2007/08[1]	2008/09	2009/10	2010/11	2011/12	2012/13
Energis	40	46	23	14	–	–
THUS	–	30	31	8	–	–
	40	**76**	**54**	**22**	**–**	**–**
Demerger – pension	–	–	143	–	–	–
Demerger – other	–	–	13	1	–	–
Total	**40**	**76**	**210**	**23**	**–**	**–**

Cash exceptionals (based on management information)

	Actual			Forecast		
£m	2007/08[1]	2008/09	2009/10	2010/11	2011/12	2012/13
Energis	56	57	32	22	13	12
THUS	–	14	38	11	2	2
Demerger	–	–	–	5	–	–
Total	**56**	**71**	**70**	**38**	**15**	**14**

1 Excludes £53 million profit on sale and leaseback of properties

THUS integration
The integration of THUS Group is now substantially complete, with the synergies realised and the cost to achieve these savings in line with expectations.

Total annualised synergies have reached £87 million, comprising £69 million recurring EBITDA synergies and total avoided capital expenditure of £18 million. In this financial year we have recognised incremental EBITDA synergies of £59 million and £18 million of capex savings. The EBITDA synergies recognised this financial year were split between cost of sales (£12 million) and operating costs (£47 million).

Total recognised costs to achieve the THUS Group integration have reached £85 million, split £61 million exceptional items, and £24 million capital expenditure. In this financial year we have recognised £31 million and £15 million respectively.

Dividend
The Board of Cable & Wireless Worldwide plc recommends a dividend of 3.0 pence per share. Subject to shareholder approval at the Annual General Meeting in July, the final dividend will be paid on 12 August.

This dividend has been funded by a cash transfer from Cable & Wireless Communications Plc on 1 April 2010.

For the year 2010/11 the Board intends to recommend a dividend of 4.5 pence per share, to be split approximately one third as the interim and two thirds as the final. This is, as normal, subject to shareholder approval, satisfactory financial performance and the availability of sufficient distributable reserves. Beyond 2010/11 the Board intends that dividends should grow, at a rate which allows for the anticipated investment requirements of the business and allows earnings and cash flow covers to increase.

Reconciliation of EBITDA to net cash flow before financing activities (based on management accounts)

	For year ended 31 March 2010 £m
EBITDA	**431**
Exceptional items[1]	**(64)**
EBITDA less exceptional items	**367**
Movement in exceptional provisions	**(6)**
Capital expenditure	**(279)**
Income taxes paid	**(1)**
Adjusted operating cash flow	**81**
Movement in working capital and other	**(10)**
Trading cash inflow	**71**
LTIP payments	**(35)**
Demerger costs	**(3)**
Pension schemes cash funding	**(14)**
Net cash inflow before financing activities	**19**

1 Operating exceptional items excluding pension obligations on demerger

We generated £81 million of adjusted operating cash flow in 2009/10, up £91 million from 2008/09. This includes the £70 million outflow on exceptional items and provisions related to the restructuring of the existing Cable&Wireless Worldwide business and the integration of THUS Group.

We recognised £279 million in capital expenditure on the balance sheet and we paid £257 million in cash capital expenditure in the period.

In addition, we had a net £10 million outflow from movements in working capital and other leading to a trading cash inflow of £71 million for the year, compared with £13 million in 2008/09.

Group cash and debt

	As at 31 March 2010 £m	As at 31 March 2009 £m
Cash and cash equivalents	**226**	144
Debt due in less than 1 year	**(25)**	(18)
Debt due in more than 1 but less than 2 years	**(10)**	(10)
Debt due in more than 2 but less than 5 years	**(209)**	(98)
Debt due in more than 5 years	**(2)**	(2)
Total debt	**(246)**	(128)
Total net (debt)/cash	**(20)**	16

Net cash/(debt) reconciliation (based on management accounts)

	Total net cash /(debt) £m
As at 31 March 2009	16
Trading cash flow[1]	71
LTIP payments	(35)
Third party interest, debt and other	(75)
Exchange movements	3
As at 31 March 2010	**(20)**

1 Before £35 million of LTIP payments.

During the year to 31 March 2010, the business moved from a net cash position of £16 million to a closing net debt position of £20 million. This reflected a trading cash inflow of £71 million, the LTIP payment of £35 million, £75 million of payments in third party interest, debt and other, and a £3 million benefit from exchange rate movements.

At 31 March 2010, we had £226 million of cash and short term deposits and £246 million of debt. The £246 million debt includes the debt element of the £230 million convertible bond.

Liquidity (based on management accounts)

	As at 31 March 2010 £m
Cash and short-term deposits	226
Medium term committed undrawn bank facilities[2]	305
Short-term debt	(25)
Total	**506**

2 Includes £300 million UK revolving multi-currency facilities and £5 million India facility

BUSINESS REVIEW
RISK OVERVIEW

Whilst confident in our ability to continue to deliver the performance of recent years there are, like any business, a number of potential risks to achieving our strategic goals. Many of these risks are shared by all businesses, such as competition and the economic climate as well as social, ethical and environmental risks, and some are more specific to our business.

We have identified the following key risks that could affect our future success. In addition to the other information contained in this Annual Report, investors in Cable&Wireless Worldwide should consider these risks carefully.

Our business is dependent upon substantial contracts with large customers. These contracts may have stringent performance criteria and high or unlimited liability limits should we fail to deliver on the performance criteria, as well as customer credit risk. We have appropriate measurement and monitoring systems in place to review delivery of the agreed performance criteria, and these are reviewed by operational management to identify issues promptly to ensure remediation plans can be effected. Potential exposure to customer credit risk is regularly reviewed to identify possible issues early to allow action to be taken to protect our position.

Our strategy is to serve the largest users of telecommunication services in the UK and internationally. To achieve this, we're transforming our service quality (with increased automation), our go to market capability (with new products and services) and our economics. The integration of the THUS Group (acquired October 2008) into our existing business continues to create value and generate significant cost synergies. Implementing business transformation and integrating an acquired business is complex, time-consuming and expensive. Such activities are vulnerable to issues such as poor data integrity and associated processes that can jeopardise our customer solutions and reduce the speed of the overall process. If we fail to execute our plans properly, our operations and results may be adversely affected. That's why we have established detailed transformation programmes with key milestones, designed to ensure we achieve our aims.

Our main defined benefit pension scheme, based in the UK, is well managed and measures have been taken to reduce financial risk exposures. However, the value of the scheme's assets and liabilities is affected by market movements and we may also have to make additional contributions to the scheme if the scheme assumptions change. We engage in regular dialogue with the scheme trustees who manage the scheme's assets with appropriate external advice.

We are dependent on our colleagues for our future success. From 2006 we have rewarded and retained our key senior managers through long term incentive plans linked to our business performance. In order to retain these individuals and their valuable skills and experience, we have developed long term incentive proposals. We believe that these schemes are well positioned to deliver increased value to our shareholders. However, if these incentive schemes are not effective, we may not achieve our strategic goals which could have an adverse effect on our results and reputation. We manage this risk with clear governance structures, which review strategy and performance formally, to help us create value.

Our global network is a critical asset, enabling us to provide customers with efficient and extensive telecommunication services. We operate, manage, bill and support these services, and manage our financial information, with our IT systems. Like other telecoms operators, our network and IT systems are vulnerable to interruption and damage from natural disasters, fire, security breaches, terrorist action, human error and other factors outside of our control. If we were to experience full or partial network or IT failure we might lose customers or receive claims from customers based on loss of service, affecting our reputation and results. We have business continuity and disaster recovery plans, crisis management and emergency response teams and insurance cover in place. In addition, we strive constantly to improve our network and add resilience where issues are identified.

Our financing agreements mean that we are subject to certain financial and other covenants. If we're unable to meet these covenants, we may have to repay facilities early, adversely affecting our cash position. We monitor covenant positions against our forecasts and budgets to ensure that we continue to operate within our covenant limits.

Some of our back office processes have been outsourced to areas of the world that could suffer from political instability or poor infrastructure. We monitor the service delivery in each instance and will take appropriate action should there be a drop in operational performance.

The risk of litigation from customers and competitors is always present, as it is for most large organisations. Unfavourable outcomes could significantly affect our financial performance or reputation. Where and when litigation is brought against us, we defend our position robustly using appropriate legal advice and services.

It is important to ensure that we maintain the security of our customers' data, especially where services are delivered outside the UK. If the large amounts of sensitive data passing through our network were to fall into the wrong hands, we would be exposed to significant legal and regulatory consequences. We take data security seriously and have various security mitigation initiatives in place to further reduce the risk.

Despite our best endeavours it could be possible for third parties to use our networks for illegal activities which are beyond our control. These fraudulent or illegal activities could negatively impact on our reputation or results.

We make a number of estimates and assumptions relating to the reporting of our operating results and our financial condition when preparing the consolidated financial statements. Our results may differ significantly from these estimates under different assumptions and conditions. In particular, some of our accounting policies require subjective and complex judgements about the effect of matters that are often uncertain. We have outlined the Group's critical accounting policies in note 3 to the consolidated financial statements in order to help users of our accounts understand the basis for forming these judgements.

Like all major telecoms operators in the UK, we are reliant on the network of BT Group plc (BT) to deliver some services to our customers. BT is also our largest competitor with more than 50% share of our core market of enterprise customers. Because BT is both the main competitor and main supplier to telecommunications operators in the UK, the regulator, Ofcom, must regulate BT's practices adequately to ensure that a fair competitive environment is maintained. If it does not, we may be unable to compete effectively, which could have a material effect on our results. We engage with Ofcom to encourage balanced regulation and appeal against decisions that are perceived to favour the interests of BT.

BT has announced its intention to invest in next-generation access. The timing of the introduction of BT's next-generation access products and what impact these will have is unclear at this stage. We are actively engaging with Ofcom as regulation will be a key factor in shaping these new arrangements.

Like most businesses, we are exposed to the current poor economic environment. Should these conditions continue or worsen, it could affect our growth and profitability as well as our ability to finance our business and pay dividends. We monitor key recession indicators closely and have plans in place to address any sustained impact of the downturn. In addition, we have raised sufficient debt to meet our medium term liquidity needs and continue to maintain good relationships with our core banks.

Running our network and data centres makes us a large consumer of power, specifically electricity. Therefore the recent volatility in worldwide energy prices impacts on our cost base and should these costs increase significantly, it may have an adverse effect on our results.

We provide mobile services as part of our Fixed Mobile Convergence product and use other wireless devices as part of our network. There have been some concerns expressed that mobile phones and transmitters may pose long term health risks. If these claims are proven, we might lose a strategic revenue stream or be exposed to litigation.
We continue to keep abreast of research in this field.

GOVERNANCE
BOARD OF DIRECTORS

John Pluthero N
Chairman and Chair of the Nomination Committee

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

Jim Marsh
Chief Executive Officer and Executive Director

Jim Marsh was appointed as a Director on 25 January 2010 and became Executive Director and Chief Executive Officer on Demerger. Jim was on the Cable and Wireless plc board from 1 January 2010 until the Demerger. Jim has also served as Chief Executive Officer and a member of the operating board of the Cable&Wireless Worldwide Group since April 2006. Prior to its acquisition by Cable and Wireless plc in November 2005, Jim was business development director of Energis. In this role, he oversaw the development and service of all of Energis' channels to market. Before joining Energis in 2004, Jim was chief operating officer at Atos KPMG Consulting, overseeing the consulting business across all its industry sectors. Prior to becoming a partner at KPMG in 1997, he was head of strategic planning at Boots the Chemists Limited.

John Barton ANR
Deputy Chairman and Senior Independent Director

John Barton was appointed as a Director on 25 January 2010 and became Deputy Chairman, Non-executive Director and Senior Independent Director on Demerger. John served as a non-executive director of Cable and Wireless plc from his appointment on 9 March 2009 until the Demerger. John has been chairman of Next plc since 2006, having joined their board of directors in 2002, and was deputy chairman from 2004. He is also the chairman of Brit Insurance Holdings plc and a non-executive director of WH Smith PLC. John was formerly the chief executive of JIB Group PLC and chairman of Jardine Lloyd Thompson Group plc and Wellington Underwriting plc.

Clive Butler ANR

Non-executive Director and Chair of the Remuneration Committee

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

Penny Hughes ANR

Non-executive Director and Chair of the Audit Committee

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

Post year end appointment

Tim Weller

Chief Financial Officer and Executive Director

On 24 May 2010, Tim Weller was appointed as an Executive Director and Chief Financial Officer. Tim was previously chief financial officer of United Utilities Group PLC and served on its main board of directors since 2006. Prior to joining United Utilities Group PLC in 2006, Tim was group finance director at RWE Thames Water and also group finance director at RWE npower Holdings PLC (formerly Innogy Holdings PLC, the FTSE 100 company). Tim started his career at KPMG, becoming a partner before joining the Granada Group PLC in 1997 where he worked on the merger with Compass Group PLC and the subsequent demerger of Granada Media plc, after which he joined Innogy Holdings PLC.

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

GOVERNANCE
DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements for the year ended 31 March 2010.

Principal activities, business review and results
The Group's principal activities are set out on pages 2 to 5. Through this Annual Report, including the Chairman's statement and the business review section (pages 6 to 31) that precede this report and the corporate governance statement which follows this report, the Board seeks to present a balanced and clear assessment of the Group's activities, position and prospects. Each of these sections is incorporated by reference into this Directors' report. The Group's results for the financial year are shown in the consolidated income statement on page 58.

Change of name
The Company was incorporated with the name Project Swan No.1 Limited with registered number 7029206 on 24 September 2009 and changed its name to Cable & Wireless Worldwide Limited on 13 January 2010. The Company re-registered as a public limited company and changed its name to Cable & Wireless Worldwide plc on 27 January 2010.

Demerger
At a general meeting of Cable and Wireless plc on 25 February 2010, shareholders approved the demerger of the Cable&Wireless Worldwide Group. The board of Cable and Wireless plc set up a sub-committee to ensure the demerger was carefully managed and completed in accordance with the agreed timetable. The key steps required to implement this proposal included the insertion of a new holding company, Cable & Wireless Communications Plc, between Cable and Wireless plc and its shareholders via a scheme of arrangement; a reduction of share capital of Cable & Wireless Communications Plc in order to facilitate the demerger and provide potentially distributable reserves for the Cable & Wireless Communications Group; the demerger of Cable&Wireless Worldwide in return for the issue of Cable & Wireless Worldwide plc ordinary shares; and a reduction of capital of Cable & Wireless Worldwide plc to provide potentially distributable reserves for the Cable&Wireless Worldwide Group.

The Demerger became effective and the Company was admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 26 March 2010.

As part of the Demerger, the Cable & Wireless Communications Group transferred to the Company the proceeds and obligations under £230 million 5.75% Convertible Bonds due in 2014. The bonds were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 31 March 2010. The Company also increased the facility limit under its revolving credit facility to £300 million. Further details are shown in Note 24 to the consolidated financial statements.

This report has been prepared following the Demerger and includes information in respect of the period up to and including 26 March 2010 when Cable and Wireless plc (now Cable & Wireless Limited) and, from 19 March 2010, Cable & Wireless Communications Plc, were respectively the holding company of the Cable&Wireless Worldwide Group.

Directors
At 31 March 2010 our Board comprised the Chairman, one Executive Director and three Non-executive Directors, all of whom were former directors of Cable and Wireless plc. Biographies of those Directors including details of their committee memberships are shown on pages 32 and 33. On 24 May 2010, the Board increased to six members when Tim Weller joined as an Executive Director and Chief Financial Officer. His biographical details are set out on page 33.

The following also served as Directors of the Company during the financial period under review:

Alnery Incorporations No. 1 Limited was appointed as a Director on 24 September 2009 and resigned on 25 January 2010;

Alnery Incorporations No. 2 Limited was appointed as a Director on 24 September 2009 and resigned on 25 January 2010; and

Craig Morris was appointed as a Director on 24 September 2009 and resigned on 25 January 2010.

At the 2010 Annual General Meeting (AGM), Tim Weller will offer himself for election in accordance with Article 86 of the Articles of Association having been appointed to the Board since the Demerger. John Pluthero and Penny Hughes will retire by rotation at the AGM in accordance with Article 87 of the Company's Articles of Association and will offer themselves for re-election.

Directors' interests and indemnities
The interests of the Directors and their connected persons in the shares of Cable & Wireless Worldwide plc, along with details of their share options, are contained in the Directors' remuneration report set out on pages 44 to 55.

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

The Company has granted indemnities in favour of its Directors against personal financial exposure that they may incur in the course of their professional duties as directors of the Company and/or any subsidiaries (as applicable). These indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006 (the Companies Act). They have been in force since 26 January 2010 and remain in force.

Dividends
The Directors have recommended a final dividend for the year ended 31 March 2010 of 3.00 pence per ordinary share. Subject to approval at the AGM, the final dividend will be payable on 12 August 2010 to ordinary shareholders on the register at the close of business on 11 June 2010.

In the Company's prospectus dated 2 February 2010, the Company announced its intention to pay such a final dividend and explained that when aggregated with the interim dividend of 3.16 pence per share paid by Cable and Wireless plc on 22 January 2010 and the final dividend of 3.34 pence per share expected to be declared by Cable & Wireless Communications Plc, the resultant notional full year dividend for a former holder of Cable and Wireless plc shares (assuming they have retained the shares in the Company and Cable & Wireless Communications pursuant to the Demerger) is 9.50 pence per ordinary share.

Share capital and treasury shares
As at 31 March 2010 the called-up share capital of the Company was 2,624,572,024 ordinary shares of 5 pence each and the Company did not hold any ordinary shares in treasury. Details of changes to the ordinary shares issued and awards and options granted during the year are shown at note 30 and 31 to the consolidated financial statements. No person holds securities in the Company carrying special voting rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Company's shareholders
As of 24 May 2010 the Company had been notified of the following substantial holdings of voting rights in the issued share capital of the Company: Newton Investment Management Limited (11.9%); Franklin Mutual Advisers LLC (9.24%); Orbis Holdings Limited and its controlled undertakings (6.84%); Prudential plc group of companies (5.52%); and Legal & General Group Plc (3.75%).

Ethics
Cable&Wireless Worldwide's success flows from its commitment to sound business conduct and the relationships it has with key stakeholders (shareholders, employees, customers, business partners and suppliers), governments and regulators, communities and society, and the environment. The Group seeks to conduct its operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. The Group respects the legitimate interests of all those with whom it has relationships. The Group's ethics policy applies to all Cable&Wireless Worldwide companies and employees. Where Cable&Wireless Worldwide operates in conjunction with business partners and third parties, it aims to promote the application of this policy.

Charitable and political donations
During the year ended 31 March 2010, the Group gave £198,768 to charitable organisations including £136,019 to organisations in the United Kingdom. More information about the Group's support of the communities in which it operates is set out on page 23.

The Company does not make political donations and has no intention of making donations to what are generally regarded as political parties or political organisations within the European Union. As a precautionary measure and in the light of the wide definitions of European Union political organisations for the purposes of the Companies Act, a resolution to permit the Company to make political donations and incur political expenditure not exceeding £100,000 is included as a resolution for the AGM. The purpose of the resolution is to ensure that the Company does not unintentionally breach the Companies Act. Subject to shareholder approval, this resolution will remain in force until 20 July 2014 or the 2014 AGM, whichever is the earlier.

Supplier payment policy and creditors
The policy of the Company and its principal operating companies is to agree terms of payment prior to commencing trade with a supplier and to abide by those terms on the timely submission of satisfactory invoices. Statements on the operating companies' payment of suppliers are contained in their financial statements. The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the period from incorporation on 24 September 2009 to 31 March 2010 and the amounts owed to its creditors as at 31 March 2010 was nil days as calculated in accordance with the requirements of the Companies Act.

Employee diversity
The Group's employment policies comply with local requirements and meet relevant standards on employment of people with disabilities. Full and fair consideration is given to applicants with disabilities for employment and training, and career development is encouraged on the basis of aptitude and ability. It is Group policy to make all reasonable adjustments for employees and applicants with disabilities to enable them to maximise their potential.

Employee involvement
The Group communicates with employees in many ways, including regular briefings by management, newsletters, intranet sites, mobile phone broadcasts, video conferences and consultation forums. These communications help to achieve a common awareness amongst colleagues of the financial and operational performance of the Group.

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

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

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

Annual General Meeting
The AGM will be held at 2pm on Wednesday 21 July 2010 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. A letter from the Board of Directors and the Notice of Meeting accompany this report, together with notes explaining the business to be transacted at the meeting.

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

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

We operate a risk management process, which identifies the key risks to our plans, their likelihood and impact and the actions being taken to manage those risks. A Group-wide risk register is reviewed by the Directors and presented to the Audit Committee on a rolling 12 month basis. The principal risks identified are set out on pages 30 to 31.

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

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

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

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

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

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

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

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

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

In the event of a change of control, these clauses may require consideration to determine their impact on the Group. At present, risks arising from a change of control are not considered to be significant. The Group will take appropriate action to mitigate any risks arising from these events should they occur. For change of control provisions in relation to the LTIP and Directors' service contracts, refer to the Directors' remuneration report on pages 44 to 55.

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

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

Voting: Each share (other than treasury and redeemable preference shares) allows the holder to have one vote at general meetings of the Company on votes taken on a poll.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Articles provide that at each of the first two AGMs following the adoption of the Articles, one third of the Directors who are then in office or, if their number is not three or a multiple of three, the number nearest to one third shall retire from office but shall be eligible for reappointment.

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

Powers of Directors
The powers of the Directors are determined by UK legislation and the Company's Articles. As provided in the Articles, the Directors may exercise all the Company's powers provided that the Articles or applicable legislation do not stipulate that any such powers must be exercised by the members. The Directors have been authorised to issue and allot ordinary shares, pursuant to Articles 7, 11 and 12. The powers under Article 12 are referred to shareholders at the AGM for renewal. Shareholders are also requested to give the Directors power to make market purchases of shares at each AGM. Any shares purchased may be cancelled or held as treasury shares.

Conflicts of interest
From 1 October 2008, there has been a requirement that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Directors of public companies may authorise conflicts and potential conflicts, where appropriate, if a company's Articles of Association permit. The Company's Articles contain this authority.

Procedures have been put in place for the disclosure by Directors of any such conflicts and also for the consideration and authorisation of these conflicts by the Board. These procedures allow for the imposition of limits or conditions by the Board when authorising any conflict, if they think this is appropriate. These procedures are duly followed to approve appropriate conflicts and are now included as a regular standing item for consideration by the Board at its meetings.

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 6 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 26 to 29. Further, note 39 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Directors believe that the Group's wide geographic spread, varying contract lengths and robust monitoring and forecasting processes place it well to manage its business risks in the current uncertain economic conditions. In addition, 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 note 24 to the consolidated financial statements.

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.

By order of the Board

Philip Davis
General Counsel and Company Secretary
26 May 2010

GOVERNANCE
CORPORATE GOVERNANCE REPORT

Our Board is committed to maintaining high standards of corporate governance, responsibility and risk management.

Our key policies and practices are set out in this governance report as well as in the reports of the Audit Committee on pages 42 and 43 and Remuneration Committee on pages 44 to 55. Together these reports provide shareholders with an insight into how our Board and senior management run the business.

The disclosures that fulfil the requirements of a corporate governance report under the Disclosure and Transparency Rules are contained in the Directors' report in the sections headed *Share capital and treasury shares, Company's shareholders, Appointment and replacement of Directors* and *Powers of Directors* on pages 35 to 39 and are incorporated into this corporate governance statement by reference.

Board composition and attendance

At 31 March 2010 our Board comprised the Chairman, one Executive Director and three Non-executive Directors, including the Senior Independent Director, all of whom were former directors of Cable and Wireless plc. Biographies of the Directors, including details of their committee memberships, are shown on pages 32 to 33. In May 2010 the Board increased to six members when Tim Weller joined as an Executive Director and Chief Financial Officer.

Half of the Board are Non-executive Directors, all of whom the Board consider to be independent in character and judgement. Collectively, our Non-executive Directors bring a wide range of skills and business experience to Cable&Wireless Worldwide and their contribution to Board decision-making is a considerable factor in achieving our strategic aims.

The Non-executive Directors are initially appointed for a three year term. The terms and conditions of appointment of the Non-executive Directors, together with service contracts for Executive Directors, are available for inspection by shareholders at our registered office during normal business hours and at our AGM.

The Cable and Wireless plc board held nine scheduled meetings during 2009/10. In addition, other meetings were held at short notice to consider matters which could not be held over until the next scheduled board meeting. Details of Directors' attendance at scheduled board and committee meetings are shown in the table below.

Cable and Wireless plc board and committee meeting attendance

Board	Committee	Audit Committee	Remuneration Committee	Nomination Committee
Chairman				
John Pluthero	9/9	–	–	–
Executive Director				
Jim Marsh[1]	2/2	–	–	–
Non-executive Directors				
John Barton	7/9	3/5	5/7	–
Clive Butler	9/9	5/5	7/7	4/4
Penny Hughes[2]	7/7	3/3	5/5	–

– Director is not a Committee member.
1 Jim Marsh was appointed to the board on 1 January 2010.
2 Penny Hughes was appointed to the board on 1 July 2009 and to the Audit and Remuneration Committees on 17 July 2009.

For the purposes of the Demerger, the Board met on three occasions during the period under review. Details of Directors' attendance at scheduled board and committee meetings are shown in the table below:

Cable&Wireless Worldwide Board and committee meeting attendance

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Chairman				
John Pluthero	3/3	–	–	None
Executive Director				
Jim Marsh	3/3	–	–	–
Non-executive Directors				
John Barton	3/3	1/1	1/1	None
Clive Butler	3/3	1/1	1/1	None
Penny Hughes	3/3	1/1	1/1	None

– Director is not a Committee member.

Role of the Board

The Board of Cable&Wireless Worldwide sets the strategic aims of the Group and is collectively responsible for matters of strategy, performance, resources, standards of conduct and accountability.

Matters reserved for the Board include: Group strategy; corporate governance; financial reporting and controls; budgets and operating plans; acquisitions and disposals; appointments to the Board, Committees and some senior executive positions; Director and senior executive remuneration; delegation of authority; customer contracts; and expenditure over a certain financial limit. Other specific responsibilities are delegated to the Committees, each with clearly defined terms of reference.

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

The Chairman, in consultation with the Company Secretary and Executive Directors, sets the agenda for Board meetings and full and timely information is provided to all Board and Committee members prior to meetings. Formal minutes recording decisions of all Board and Committee meetings are prepared and circulated to each Director as appropriate.

If a Director objects to a particular proposal, this is recorded in the minutes of the relevant meeting. During the year ended 31 March 2010 there were no such objections.

Jim Marsh, as Chief Executive Officer of Cable&Wireless Worldwide, has overall responsibility for the day-to-day management of the business.

The Senior Independent Director
John Barton was appointed Senior Independent Director on 26 March 2010. The Senior Independent Director is available to meet shareholders on request and is the designated point of contact for shareholders to raise any concerns where contact through the normal channels of the Chairman or Executive Directors has failed to resolve or where contact is inappropriate.

In fulfilment of the obligations under the Combined Code, the Chairman (or as appropriate the Senior Independent Director and other Directors) will maintain sufficient contact with major shareholders to understand their issues and concerns and give feedback to the Board on any matters raised.

Committees of the Board
Membership of the Audit and Remuneration Committees is entirely composed of Non-executive Directors. The reports of the Audit Committee and Remuneration Committee are set out on pages 42 and 43 and 44 to 55 respectively.

A Nomination Committee has been established by Cable&Wireless Worldwide. It is chaired by John Pluthero and the other members are John Barton, Penny Hughes and Clive Butler. John Pluthero will not chair any meeting at which his own successor as Chairman is under review; such meetings will be chaired by the Deputy Chairman. The majority of the members are independent Non-executive Directors. The Nomination Committee has not met during the period under review but intends to meet during the coming year to review the composition of the Board, including the range and experience of its members, its structure and its size. Formal procedures are in place for the nomination, selection, training and evaluation of Directors as well as succession planning.

The induction of new Board members is undertaken by the Company Secretary at the request of the Chairman, who retains responsibility for the induction process. It includes meetings with senior management. Meetings with major shareholders may be arranged on request.

All Directors have access to the advice of the Company Secretary as well as appropriate training and briefings. Additionally, any Director may take independent professional advice on any matter at the Company's expense in the furtherance of their duties.

Performance evaluation
The Chairman plans to lead an internal performance evaluation of the Board and its Committees in the form of a detailed questionnaire. The findings will be collated by the Company Secretary and presented to the Board for consideration.

During the year, the Non-executive Directors will meet privately, both with and without the Chairman being present, to consider management performance and succession issues. The Non-executive Directors will also appraise the Chairman's performance and carefully review the relationship between the Chairman and the Executive Directors to ensure that the Board structure and relationships continue to promote the creation of shareholder value.

Compliance with the Combined Code on Corporate Governance (the Code)
The Board is committed to ensuring the highest standards of corporate governance are maintained and that the Company complies with the Code. A full version of the Code can be found at www.frc.org.uk. The Board confirms that the Company has, throughout the period under review, complied with all provisions set out in Section One of the Code except as set out below:

A.2.2 of the Code provides that the chairman should on appointment meet certain independence criteria. John Pluthero, the Chairman of Cable&Wireless Worldwide, is not treated as independent as he was, when originally appointed to the board of Cable and Wireless plc, an executive director. The Board has considered this carefully but, given his role prior to the Demerger as Executive Chairman of Cable&Wireless Worldwide and the nature and importance of his contribution to Cable&Wireless Worldwide, the Board believes that his appointment as Chairman is in the best interests of Cable&Wireless Worldwide and its shareholders as a whole notwithstanding his previous executive role. Whilst the Board is satisfied that he will bring independence of judgement to the Board, Cable&Wireless Worldwide is also confident that John Barton as Senior Independent Director and Deputy Chairman will, with the other Non-executive Directors, provide a strong and clearly independent perspective for the Board which will complement the experience of John Pluthero as well as Jim Marsh, Tim Weller and the executive team.

A.7.1 of the Code provides that all directors should be subject to election by shareholders at the first annual general meeting after their appointment. The Articles provide that, at the first two Annual General Meetings following the Demerger, one third of the directors shall retire from office but shall be eligible for re-appointment. This provision was included in the Articles as a result of the Demerger to provide an even spread of director re-appointments and hence not all directors are standing for re-appointment at the Annual General Meeting.

Rule 7.1.1 of the Disclosure and Transparency Rules requires at least one member of the Audit Committee to have competence in accounting and/or auditing and the Board is satisfied that the composition of the Audit Committee complies with that requirement. However, it is a separate provision of C.3.1 of the Combined Code that at least one member of the Audit Committee should have recent and relevant financial experience. The Board considers that there is sufficient breadth of financial expertise across the Audit Committee and that, collectively, its members have the requisite skills and attributes to discharge its responsibilities properly. As a result the Board has decided not to identify any one member as having such experience.

By order of the Board

Philip Davis
General Counsel and Company Secretary
26 May 2010

REPORT OF THE AUDIT COMMITTEE

This report sets out the membership, purposes and activities of the Audit Committee during the year.

Membership and terms of reference

The Audit Committee (the Committee) is comprised solely of the Non-executive Directors: Penny Hughes (Committee Chair), John Barton and Clive Butler. Following the re-registration of the Company as a public limited company on 25 January 2010, the Committee has held one meeting but, going forward, it plans to meet at least four times a year.

The Chief Financial Officer, the Risk Director and the General Counsel will also be invited to attend all Committee meetings. In May and November when the full year and half year results are considered, the Chairman and Executive Directors are invited to attend.

The Audit Committee's responsibilities include:

- assisting the Board in meeting its responsibilities to create an effective system of internal control and compliance;
- ensuring accurate external financial reporting including the Board's obligations prescribed by law, under the Combined Code and under the UK Listing Authority Listing Rules;
- reviewing and challenging, where necessary, the actions and judgements of management in relation to the full year and half year financial statements before submission to the Board;
- reviewing and approving the internal audit programme;
- overseeing, reviewing and monitoring management's conduct;
- recommending for shareholder approval the appointment, re-appointment and removal of the external auditors;
- monitoring and reviewing the external auditor's independence and the effectiveness of the audit process; and
- reviewing, monitoring and reporting on the Group's policies and processes for effective risk management.

The Committee's full terms of reference are published on our website (www.cw.com).

Disclosure Committee

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

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

Meetings

The agenda for meetings is prepared by the Committee Chair in conjunction with other members of the Committee as appropriate. At each scheduled meeting the Committee receives reports from the Chief Financial Officer, the external auditor and the Risk Director together with twice yearly litigation reports from the General Counsel. As mentioned above, the Committee held one meeting for the period under review. The principal activities of the Committee at this meeting were:

- Evaluating systems, procedures and controls of the Cable&Wireless Worldwide Group in preparation for the Company being demerged and becoming a listed entity in its own right;
- reviewing and agreeing upon an annual Committee work programme;
- considering reports from the Chief Financial Officer and KPMG Audit Plc (KPMG) on the 2009/10 audit process and annual financial report;
- considering a review of the Company's existing corporate governance and financial reporting procedures and their effectiveness;
- reviewing a report on the work of internal audit for 2009/10 and considering an internal audit plan for 2010.

The Company's whistle-blowing policy and procedures enable staff, in confidence via an externally managed Ethics hotline and an internal audit "drop box" to raise concerns about possible improprieties in financial reporting or other matters. The Committee receives reports on whistle-blowing and is satisfied that appropriate procedures are in place to ensure that the investigations are proportionate and independent and that appropriate follow-up action is taken.

Internal audit

The internal audit function, led by the Risk Director, is supported by a team of auditors based in the UK. The function has a formal charter approved by the Board that describes its purpose, authority and responsibility. Its audit plan is approved by the Audit Committee annually.

External audit

KPMG has acted as auditor of Cable and Wireless plc since 1991 and the Company has opted to retain KPMG as its auditor. The Committee intends to evaluate KPMG's tenure annually and is not restricted by any contractual obligations in its choice of auditors. The Board has accepted the Committee's recommendation that KPMG should be reappointed for 2010/11. This recommendation was based on a detailed review of the Cable and Wireless plc 2008/09 audit which demonstrated overall satisfaction with the performance of KPMG as external auditor. The review included a survey of Cable and Wireless plc Audit Committee members and key personnel involved in the audit, discussions with KPMG, senior management and internal audit, as well as an analysis of KPMG's capabilities and independence.

The audit engagement partner assigned on Demerger had previously been involved in the audit of Cable and Wireless plc. He will be responsible for the engagement in the future within the applicable guidelines.

The Committee will establish a policy to maintain the independence of the external auditor and its personnel, governing the provision of audit and non-audit services provided by the auditor and its associates. The policy will clearly identify permitted and prohibited services and set out the procedure to be followed for the approval of all audit and non-audit services. All engagements with an expected fee in excess of £250,000 require the prior approval of the Chair of the Audit Committee.

For the year ended 31 March 2010 fees for audit services were £1.5 million together with fees for audit-related regulatory reporting of £0.2 million and non-audit work of £3.3 million (of which £2.9 million represents service related to corporate finance transaction the majority of which was related to the Demerger). The nature of the services provided is set out in note 6 to the consolidated financial statements. There is no limitation of liability in the terms of appointment of KPMG as auditor to the Company.

The Audit Committee report was approved by the Board on 26 May 2010 and signed on its behalf by:

Penny Hughes
Chair, Audit Committee

GOVERNANCE
DIRECTORS' REMUNERATION REPORT

This report sets out the policy and disclosures in relation to Directors' remuneration. This report will be subject to an advisory vote at the AGM on 21 July 2010.

The Companies Act 2006 requires information to be provided on Directors' remuneration for the period since incorporation of Cable & Wireless Worldwide plc on 24 September 2009 to 31 March 2010. We have also presented Directors' remuneration information for the year ended 31 March 2010 (with comparatives where appropriate) based on the Directors' remuneration of Cable & Wireless Worldwide plc Directors in respect of their service to Cable and Wireless plc (now Cable & Wireless Limited), from 1 April 2009 to 25 March 2010, and Cable & Wireless Worldwide plc, from 26 March 2010 to 31 March 2010). The Remuneration Committee believes this provides more useful information than that required by the Companies Act alone.

Our overall aim is to ensure that our remuneration encourages, reinforces and rewards the delivery of outstanding shareholder value. This approach was a key ingredient in the success of the Cable & Wireless Group and will continue to drive our performance as Cable&Wireless Worldwide.

This report also includes details of our Directors' remuneration for 2010/11 and information on the Remuneration Committee's membership and terms of reference, and remuneration philosophy and policies going forward.

Remuneration Committee membership and terms of reference

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

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

The Board is responsible for approving recommendations from the Committee. In forming their recommendations, the Committee receives input and information from the Chairman, the People Director, Director of Reward & Policy and other executives. The Committee has appointed independent consultants, Deloitte LLP, to provide advice on remuneration and share plans both for Executive Directors and the wider senior team. Other Deliotte departments also provided unrelated advisory services during the period.

The Chairman, Executive Directors and any executives attending a meeting are absent from any discussion relating to their own remuneration or contractual arrangements.

Remuneration philosophy

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

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

Summary of Executive Directors' remuneration

As part of the Demerger, shareholders approved the continuation of the Cable and Wireless plc incentive framework through the implementation of replacement Cable & Wireless Worldwide plc incentive plans.

The remuneration structure is as follows:

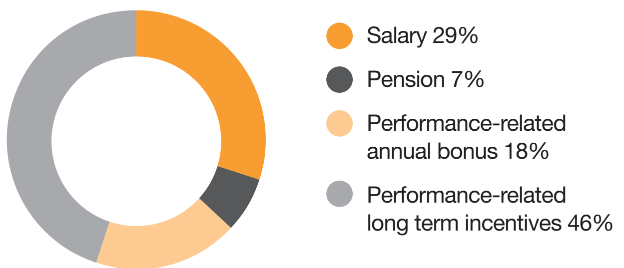
- Base salaries have been set based on the market and to reflect the new responsibilities of Executive Directors;
- The Executive Directors' 2010/11 annual bonus potential remains at up to 100% of base salary for the achievement of stretch targets;
- Executive Directors and other members of the senior team will receive annual awards of performance shares. These shares will vest from 2013 onwards subject to the achievement of stretching total shareholder return (TSR) and earnings per share (EPS) targets as outlined below;
- The Long Term Incentive Plan (LTIP) originally established by Cable and Wireless plc for Executive Directors and other members of the senior team will end in 2011; and
- In order to incentivise Executive Directors to double the Company's share price between 2011 and 2014, the Committee intends to grant Exceptional Performance Awards (EPAs).

At the time of reporting, the Committee is consulting with key shareholders about the rationale behind the remuneration arrangements, in particular, details around the performance shares and EPAs. As part of an ongoing commitment to maintain open dialogue with key shareholders on remuneration, the Committee intends to consult on any substantial changes to remuneration in the future.

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

Figures reflect payment potential for a 'target' level of performance achieved for the annual bonus plan and for the 'expected value' of performance shares to be granted in 2010/11.

Split of potential total remuneration 2010/11



Base salary
The Executive Directors' annual base salaries for 2010/11 are as set out below:

	Salary
Jim Marsh	£650,000
Tim Weller	£500,000[1]

1 Tim Weller took up appointment as Chief Financial Officer on 24 May 2010, therefore his 2010/11 salary will be pro-rated accordingly.

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

Pension and other benefits
Executive Directors, along with other employees are eligible to participate in the defined contribution section of the Cable & Wireless Worldwide Retirement Plan. However, they may instead choose to receive a cash allowance of 25% of their base salary, in lieu of participation in the pension scheme.

Executive Directors are eligible to participate in employee benefit programmes including life, disability and health insurance plans. The value of these benefits is included in the Directors' remuneration table on page 50.

Annual bonus
Individual awards under the annual bonus scheme for 2010/11 will be based on the financial performance of the Group, using business specific targets together with personal performance targets. The financial performance measures for 2010/11 are EBITDA and trading cash flow. Targets will be stretching with a threshold that exceeds the 2009/10 performance.

The maximum bonus opportunity for Executive Directors will be 100% of salary and 'target' financial performance will generate a bonus payment of 60% of the maximum.

The financial measures and targets within the bonus plans will be reviewed annually by the Committee.

Long term incentive awards

The Company's long-term incentive awards are designed to reward the senior team for exceptional shareholder value creation and strong financial performance. Further details are provided below.

(i) Performance Share Plan (PSP)
Awards of performance shares made in 2010/11 will vest three years after grant subject to the stretching absolute TSR and EPS performance targets described below. These performance measures are considered to best align the interests of Directors and shareholders as they require creation of absolute shareholder value and strong financial performance.

It is intended that awards will be granted annually and will be capped at 400% of base salary. Annual PSP awards scheduled to be granted in 2011/12 will be scaled back by 100% of salary for recipients who receive the proposed Exceptional Performance Awards (see below).

The Committee has determined that the value of awards to Executive Directors in 2010/11 will be as follows:

	Value of shares at grant	
	Face value £m	'Expected value'[1] £m
Jim Marsh	2.6	1.0
Tim Weller	2.0	0.8

1 Assumes 'expected value' of circa 40% of face value.

Awards to be granted in 2010/11 will vest based on the achievement of absolute TSR performance (50% of the award) and EPS growth (50% of the award).

For the 50% of an award linked to TSR growth no shares will vest where compound per annum TSR growth over the three year performance period is at or below 8%. Where compound TSR growth per annum is between 8% and 20%, shares will vest proportionately on a sliding scale between 0% and 100%. Shares will vest in full where compound TSR growth per annum over the performance period is 20% or more. This constitutes a change from the vesting schedule used for awards granted prior to the Demerger. For those awards, 25% of the shares vested at 8% compound TSR growth per annum.

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

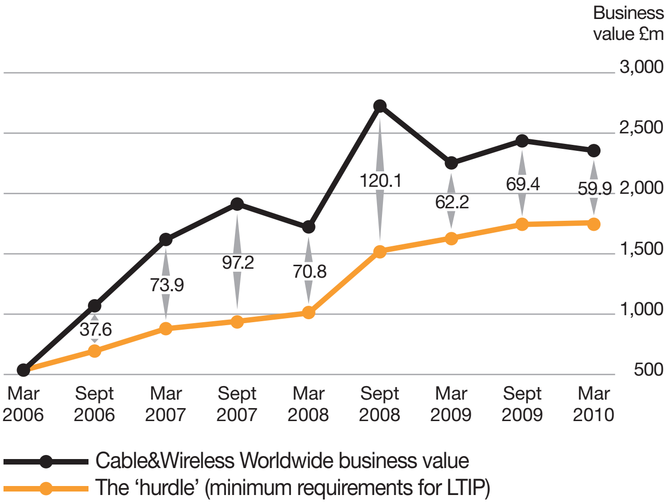
The Committee will determine the performance conditions applicable to the other 50% of an award linked to EPS growth before such awards are granted. It is intended that 25% vesting will arise at the threshold level and 100% vesting will only apply for sustained outstanding performance. The Committee is currently consulting with shareholders in respect of EPS targets.

The Committee will also consider whether underlying financial performance over the full three-year period warrants release of the shares and will scale back the number of shares that vest if appropriate.

(ii) Long Term Incentive Plan (LTIP)
The LTIP creates a reward pool for Executive Directors and senior management of the Group depending on the extent to which the business has grown in value from its adjusted base value at 1 April 2006. This plan directly aligns the senior team's incentives with shareholder interests. It only rewards participants if shareholder value has increased substantially.

The graph below shows the change in the value of the total LTIP pool since 1 April 2006. At 31 March 2010, the total LTIP pool was £60 million.

LTIP value compared to business value
Value in £m on 31 March and 30 September



The base valuation at 1 April 2006 is adjusted over the performance period to create the LTIP hurdle as follows: (i) to reflect additional capital notionally treated as borrowed by the business; (ii) to reflect capital notionally treated as returned by the business; and (iii) increased by a hurdle rate being the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). The cost of capital is carried continuously.

If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the growth in value over the adjusted base valuation goes into the reward pool.

John Pluthero and Jim Marsh hold 20% and 17% of the units in the Cable&Wireless Worldwide LTIP respectively. Tim Weller will be awarded 200 units on appointment, representing 2% of the LTIP units.

In the event of a potential payment to an individual in excess of £20 million, the Committee will (other than in exceptional circumstances) defer any excess payment until 31 March 2012 or up to one year following a vesting event if earlier and make the payment in Cable & Wireless Worldwide plc shares rather than cash.

Measurement of the size of the reward pool is generally carried out biannually to coincide with the Company's accounting period ends.

The LTIP is structured as a five year performance period until 2011 (or until an earlier vesting event) with payout opportunities at the end of years three, four and five ending in 2011. Shareholder approval is being sought at the AGM for a change to the valuation period in 2011 to ensure that the final valuation date post-dates the publication of the Company's annual results. Further details are provided in the explanatory circular accompanying the AGM notice.

As set out in the shareholder documentation at the time of Demerger, it is intended to utilise a proportion of unallocated LTIP units to form the basis of the Exceptional Performance Awards described below.

(iii) Exceptional Performance Awards (EPAs)
The Committee intends to grant Exceptional Performance Awards to the Chief Executive Officer and Chief Financial Officer. These awards are intended to incentivise exceptional long-term growth in shareholder value, ensure senior executive continuity beyond the Demerger and develop a package capable of securing long-term senior executive retention. To reflect the potential value to participants of the EPAs, the 2011/12 grant of performance shares to the relevant individuals will be scaled back by 100% of salary.

It is intended that awards of currently unallocated units under the Cable&Wireless Worldwide LTIP would be made as EPAs on the following basis:

- Jim Marsh, Chief Executive Officer – 175 units
- Tim Weller, Chief Financial Officer – 150 units

The LTIP units granted to Tim Weller would be structured so that he would only receive the growth in the value of units from the date of his appointment.

The LTIP units would be valued in March 2011 but no cash payment would be made. Instead the value of the units would be satisfied by a grant of restricted shares awarded under the Cable&Wireless Worldwide IP 2010 which would vest in November 2014 subject to continued employment. Participants would receive a matching performance award which would vest in November 2014 if the price of Cable & Wireless Worldwide plc ordinary shares for a sustained period in 2014 is at least twice the average share price when the awards are granted in 2011.

In order for EPAs to vest, participants will have to increase their personal investment in Cable & Wireless Worldwide plc ordinary shares over the next three years to two times their base salary.

The Committee is currently consulting with shareholders in respect of the proposed EPAs and further details on the terms of the award will be provided in the 2011/12 Directors' remuneration report.

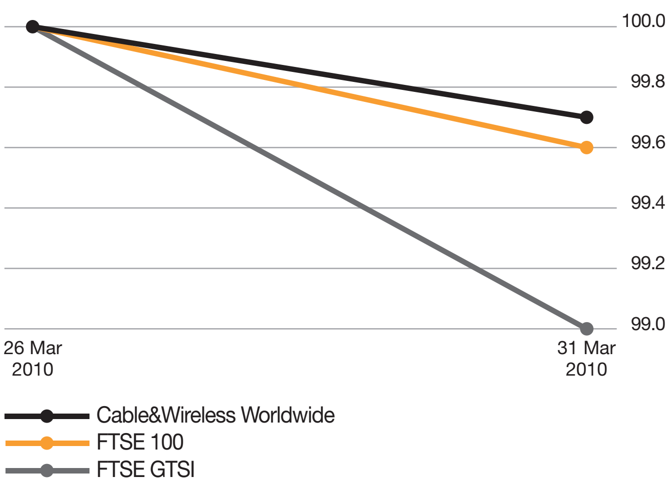
Payments to the participants will be scaled back if the Committee is not satisfied that there has been an improvement in the underlying financial performance of the business.

iv) Other Share Plans
The Group operates a number of other share plans. Details of historic awards to Executive Directors made under Cable and Wireless plc plans, which have been replaced by identical awards under equivalent Cable&Wireless Worldwide schemes as a result of the Demerger, are summarised in the tables on pages 53 to 55.

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

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

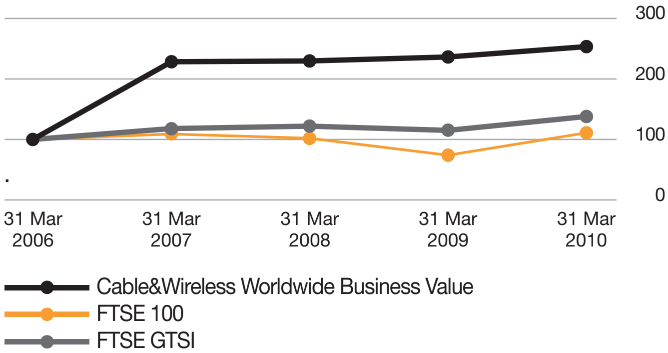
Total shareholder return
Value in £ from 26 March 2010 to 31 March 2010



Graph is required for statutory purposes, note that it only shows a five day period.

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

Performance chart – Worldwide business value compared to FTSE 100 and FTSE GTSI
Value in £ from 31 March 2006 to 31 March 2010



Dilution

The Committee ensures that at all times the number of new shares which may be issued under any share option or share-based plans, including all-employee plans, does not exceed the dilution limit of 10% of the Company's issued share capital over any ten year rolling period. As at 31 March 2010, 7.53% of the issued shared capital was available for issue under our share-based plans.

The Committee includes in its calculation of the 10% dilution limit the number of shares issued to employees who worked within the Cable&Wireless Worldwide business prior to the Demerger.

Awards under the various share plans are funded by a mix of purchased and newly issued shares, as determined by the Committee. Newly issued shares are subject to the dilution limit outlined above. Purchased shares are held by the Cable & Wireless Worldwide Employee Share Ownership Trust which is subject to a holding limit of 5% of the issued ordinary share capital of the Company.

Executive Directors' service contracts

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

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

The Executive Directors' contracts provide that, in the event of a change of control of the Company and an Executive Director's employment is adversely changed, then he will receive a payment equal to the base salary for the notice period and a time pro-rated annual bonus.

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

Directors' shareholdings

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

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

At 31 March 2010, John Pluthero and Jim Marsh had shareholdings of circa four and one times their base salaries respectively.

Chairman
The Chairman's contract took effect on 26 March 2010 and contains a one year notice period. The contract provides that at the Company's absolute discretion it may terminate the contract on no or less than full notice by paying a sum equal to base salary in lieu of the unexpired part of the notice. The contract contains no other contractual entitlements on early termination or following a change of control. As set out in the Prospectus at the time of Demerger, during the two year period to 26 March 2012 the Company will pay the Chairman an annual pension cash allowance equivalent to 25% of his annual base salary of £600,000.

Non-executive Directors
The Non-executive Directors do not have service contracts with the Company, but instead have letters of appointment. Their fees are determined by the Board, within the limits set out in the Company's Articles of Association, with Non-executive Directors abstaining from any discussion or decision on their fees. Fee levels were last reviewed at the date of demerger to take into account the market in general and the roles of the Non-executive Directors at Cable&Wireless Worldwide. No changes were made to base fee levels as a result of that review, but additional fees were allocated dependent on the Non-executive Directors' new roles. The Non-executive Directors do not receive any incentive payments or pension provision.

Annual fees payable to each Non-executive Director for 2010/11 are as follows:

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

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

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

External directorships
The Company allows Executive Directors to hold external directorships and retain the fees received from those roles. During 2009/10 neither the Chairman or the Chief Executive Officer held any such external directorships.

This report, including the tables on pages 50 to 55, has been approved on behalf of the Board by:

Clive Butler
Chairman, Remuneration Committee
26 May 2010

Directors' remuneration

In accordance with the Companies Act 2006, Cable & Wireless Worldwide plc is required to present the Directors' remuneration from 24 September 2009 (the date of incorporation) through to 31 March 2010. The Demerger of the Cable&Wireless Worldwide business from the Cable & Wireless Group took place on 26 March 2010. Prior to this date, the Directors were not remunerated for their role as Directors of Cable & Wireless Worldwide plc as this entity was unrelated to the Cable&Wireless Worldwide Group until this date.

In order to provide a historical track record and greater transparency of Directors' remuneration, the remuneration of the Cable&Wireless Worldwide Directors has been presented on a proforma basis in addition to the statutory basis. This basis presents Directors' remuneration as if the Group had existed in its current form throughout the year, using amounts paid to the Directors for their services to the former Cable & Wireless Group as the basis of remuneration.

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

For the proforma period 1 April 2009 to 31 March 2010

	Salaries and fees £	Bonuses[1] £	Benefits in kind[2] £	Cash allowance £	**Total 2009/10 £**	Total 2008/09 £
Chairman						
John Pluthero	600,000	–	34,582	150,000[3]	**784,582**	1,301,979
Executive Director[4]						
Jim Marsh	500,000[5]	–	28,640	10,800[6]	**539,440**	716,198
Non-executive Directors						
John Barton	65,000	–	701	–	**65,701**	4,189
Clive Butler	85,000	–	732	–	**85,732**	87,883
Penny Hughes (since 1 July 2009)	48,750	–	378	–	**49,128**	–
Total	1,298,750	–	65,033	160,800	**1,524,583**[7]	2,110,249

Note
1 No bonus was payable to Directors in respect of the 2009/10 financial year based on the EBITDA of the Cable&Wireless Worldwide business.
2 In compliance with the Companies Act 2006, 'Benefits in kind' include Company provided life assurance and travel.
3 Company pension contributions in 2009/10 have been paid to John Pluthero as an annual cash allowance. Pension contributions in respect of Jim Marsh were paid as employer contributions into the Company's defined contribution pension plan.
4 Tim Weller was not employed until 24 May 2010 and therefore received no remuneration from the Company during the 2009/10 financial year.
5 Jim Marsh's salary is shown prior to any salary sacrifice under pension arrangements.
6 Jim Marsh was paid a cash allowance in 2009/10 in lieu of provision of a company car.
7 The aggregate emoluments of the Directors which include employer pension contributions were £1,587,731 (2008/09 – £2,164,569).

For the statutory period 24 September 2009 to 31 March 2010

	Salaries and fees £	Bonuses[1] £	Benefits in kind[2] £	Cash allowance £	**Total for 24 September 2010 to 31 March 2010 £**
Chairman					
John Pluthero (since 25 January 2010)	8,695	–	568	2,180[3]	**11,443**
Executive Director[4]					
Jim Marsh (since 25 January 2010)	7,246[6]	–	471	174[7]	**7,891**
Non-executive Directors					
John Barton (since 25 January 2010)	942	–	12	–	**954**
Clive Butler (since 25 January 2010)	1,232	–	12	–	**1,244**
Penny Hughes (since 25 January 2010)	942	–	6	–	**948**
Directors on incorporation					
Alnery Incorporations No. 1 Limited (24 September 2009 to 25 January 2010)	–	–	–	–	**–**
Alnery Incorporations No. 2 Limited (24 September 2009 to 25 January 2010)	–	–	–	–	**–**
Craig Morris (24 September 2009 to 25 January 2010)	–	–	–	–	**–**
Total	**19,057**	–	**1,069**	**2,354**	**22,480**[5]

1 No bonuses were payable during the period.
2 In compliance with the Companies Act 2006, 'Benefits in kind' include Company provided life assurance and travel.
3 Company pension contributions in 2009/10 have been paid to John Pluthero as an annual cash allowance. Pension contributions relating to Jim Marsh were paid as employer contributions into the Company's defined contribution pension plan.
4 Tim Weller was not employed until 24 May 2010 and therefore received no remuneration from the Company during the 2009/10 financial year.
5 The aggregate emoluments of the Directors which include employer pension contributions were £23,386.
6 Jim Marsh's salary is shown prior to any salary sacrifice under pension arrangements.
7 Jim Marsh was paid a cash allowance in 2009/10 in lieu of provision of a company car.

Directors' shareholdings

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

For the proforma period 1 April 2009 to 31 March 2010

	Cable and Wireless plc shares held as at 1 April 2009	Cable and Wireless plc shares acquired	Cable and Wireless plc shares held as at 25 March 2010	Cable & Wireless Worldwide plc shares held as at 26 March 2010	Cable & Wireless Worldwide plc shares acquired	**Cable & Wireless Worldwide plc shares held as at 31 March 2010**
Chairman						
John Pluthero	1,600,334	1,177,598	2,777,932	2,777,932	–	**2,777,932**
Executive Director[1]						
Jim Marsh	288,446[2]	116,613	405,059	405,059	246,500	**651,559**
Non-executive Directors						
John Barton	50,000	–	50,000	50,000	50,000	**100,000**
Clive Butler	57,000	–	57,000	57,000	–	**57,000**
Penny Hughes (since 1 July 2009)	–	–	–	–	30,000	**30,000**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Cable & Wireless Worldwide Employee Share Ownership Trust (the Trust), the Executive Directors are deemed to have an interest in all of the ordinary shares held by the Trust, which at 31 March 2010 amounted to nil shares (following the year end, 21,854,487 shares were transferred to the Trust from the Cable & Wireless Employee Share Ownership Trust as a consequence of Demerger).
2 On his appointment to the board of Cable and Wireless plc on 1 Jan 2010, Jim Marsh held 405,059 ordinary shares.

For the statutory period 24 September 2009 to 31 March 2010

	Shares allocated on incorporation on 24 September 2009	Cable & Wireless Worldwide plc shares allocated on Demerger as at 26 March 2010	Cable & Wireless Worldwide plc shares acquired/ (disposed)	**Cable & Wireless Worldwide plc shares held as at 31 March 2010**
Chairman				
John Pluthero (since 25 January 2010)	–	2,777,932	–	**2,777,932**
Executive Director[1]				
Jim Marsh (since 25 January 2010)	–	405,059	246,500	**651,559**
Non-executive Directors				
John Barton (since 25 January 2010)	–	50,000	50,000	**100,000**
Clive Butler (since 25 January 2010)	–	57,000	–	**57,000**
Penny Hughes (since 25 January 2010)	–	–	30,000	**30,000**
Directors on incorporation				
Alnery Incorporations No. 1 Limited (24 September 2009 to 25 January 2010)[2]	1	–	(1)	**–**
Alnery Incorporations No. 2 Limited (24 September 2009 to 25 January 2010)	–	–	–	**–**
Craig Morris (24 September 2009 to 25 January 2010)	–	–	–	**–**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Cable & Wireless Worldwide Employee Share Ownership Trust (the Trust), the Executive Directors are deemed to have an interest in all of the ordinary shares held by the Trust, which at 31 March 2010 amounted to nil shares (following the year end, 21,854,487 shares were transferred to the Trust from the Cable & Wireless Employee Share Ownership Trust as a consequence of Demerger).

2 Alnery Incorporations No. 1 Limited was issued with 1 share in Cable & Wireless Worldwide, then known as Project Swan No. 1 Limited, which was then transferred on 25 January 2010.

The information in these tables remains accurate as at 25 May 2010.

LTIP

The table below discloses the LTIP amounts receivable and the qualifying period end date under the existing terms of the LTIP, as described on pages 46 to 47.

For the proforma period 1 April 2009 to 31 March 2010

	LTIP interests at 1 April 2009 (units)	LTIP paid during the period £	LTIP interests awarded/ forfeited during the period (units)	LTIP interests at 31 March 2010 (units)	**LTIP receivable at 31 March 2010 £**	LTIP receivable at 31 March 2009 £	Qualifying period end date
Jim Marsh	1,500	6,997,500	188[1]	1,688	**1,987,500**[2]	6,997,500	31/03/11
John Pluthero	2,000	8,293,748	–	2,000	**1,889,252**[3]	9,330,000[4]	31/03/11

1 Jim Marsh was awarded 188 additional units in the LTIP on 10 June 2009. This award is structured so that he will only receive the value in excess of £2,000 per unit and will payout in full in 2011.

2 The figure represents 100% of the value of Jim Marsh's 1,500 units in the LTIP reward pool at 26 March 2010 minus the value of the payment made in May 2009. There was no payout from the 188 units awarded in 2009/10.

3 The figure represents 85% of the value of John Pluthero's units in the LTIP reward pool at 26 March 2010 minus the value of the payment made in May 2009.

4 The figure represents 75% of the value of John Pluthero's units in the LTIP reward pool. The actual cash paid was £8,293,748, which represented 66.67% of the value of his units.

For the statutory period 24 September 2009 to 31 March 2010

	LTIP interests at 24 September 2009 (units)	LTIP interests awarded/ forfeited during the period (units)	LTIP interests allocated on Demerger as at 26 March 2009 (units)	LTIP interests awarded/ forfeited during the period (units)	LTIP interests at 31 March 2010 (units)	**LTIP receivable at 31 March 2010 £**	Qualifying period end date
Jim Marsh	–	–	1,688	–	1,688	**1,987,500**[1]	31/03/11
John Pluthero	–	–	2,000	–	2,000	**1,889,252**[2]	31/03/11

1 The figure represents 100% of the value of Jim Marsh's 1,500 units in the LTIP reward pool minus the value of the payment made in May 2009. There was no payout from the 188 units awarded in 2009/10.

2 The figure represents 85% of the value of John Pluthero's units in the LTIP reward pool minus the value of the payment made in May 2009.

Directors' share options

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

For the proforma period 1 April 2009 to 31 March 2010

	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2009	Granted between 1 April 2009 and 31 March 2010	Exercised	Lapsed, cancelled or forfeited	**Cable & Wireless Worldwide shares under option at 31 March 2010**
John Pluthero[1]									
Approved	03/03/06	21/05/09[2]	02/03/13	107.40	27,932	–	(27,932)[4]	–	**–**
Unapproved	03/03/06	21/05/09[2]	02/03/13	107.40	1,135,941[3]	–	–	–	**1,135,941**[3]
					1,163,873	–	(27,932)	–	**1,135,941**

1 A takeover, reconstruction or winding-up in relation to Cable & Wireless Communications Plc will not trigger the early lapse of share options held by employees within the Cable & Wireless Worldwide Group.

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

3 Following the demerger, these shares are linked to an equal number of Cable & Wireless Communications Plc shares and cannot be exercised separately.

4 The market price on the date of exercise of John Pluthero's share options was 143.9 pence.

For the statutory period 24 September 2009 to 31 March 2010

	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 24 September 2009	Granted between 24 September 2009 and 31 March 2010	Exercised	Lapsed, cancelled or forfeited	**Cable & Wireless Worldwide shares under option at 31 March 2010**
John Pluthero[1]									
Approved	03/03/06	21/05/09[2]	02/03/13	107.40	27,932	–	(27,932)	–	**–**
Unapproved	03/03/06	21/05/09[2]	02/03/13	107.40	1,135,941[3]	–	–	–	**1,135,941**[3]
					1,163,873	–	(27,932)	–	**1,135,941**

1 A takeover, reconstruction or winding-up in relation to Cable & Wireless Communications Plc will not trigger the early lapse of share options held by employees within the Cable&Wireless Worldwide Group.

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

3 Following the Demerger, these shares are linked to an equal number of Cable & Wireless Communications Plc shares and cannot be exercised separately.

Notes

These are HMRC approved and unapproved options originally issued over Cable and Wireless plc shares (see note 31 of the consolidated financial statements for details). The options vested based on the achievement of relative TSR performance conditions.

No amounts were paid by Directors for the award of the options listed in the tables above. The closing mid market price of a Cable & Wireless Worldwide plc ordinary share on 31 March 2010 was 92.00 pence.

The highest closing mid market price of a Cable & Wireless Worldwide plc ordinary share during the period was 92.25 pence and lowest closing mid market price was 90.30 pence.

Directors' share awards

Share awards that did not vest before the date of the Demerger lapsed and were replaced by an award over Cable & Wireless Worldwide plc ordinary shares, having an equivalent value (determined by reference to the average closing price of Cable & Wireless Worldwide plc ordinary shares and Cable & Wireless Communications Plc ordinary shares over the five trading days commencing on the date of Demerger) and vesting on the same date as the original award. These awards were granted under the Cable & Wireless Worldwide Incentive Plan 2010 (IP2010). The performance conditions applicable to the original awards were measured by reference to the TSR of the Cable&Wireless Worldwide business, and therefore the performance conditions continue by reference to the TSR of Cable&Wireless Worldwide Group following the Demerger. The replacement awards are subject to the rules of the IP2010.

Immediately prior to the Demerger, John Pluthero and Jim Marsh held awards over 2,478,783 and 1,486,204 Cable and Wireless plc shares respectively, which lapsed at Demerger. Following the Demerger, on 13 May 2010 John Pluthero and Jim Marsh were granted replacement awards over 3,995,983 and 2,395,872 Cable & Wireless Worldwide plc shares respectively.

For the proforma period 1 April 2009 to 31 March 2010

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Cable and Wireless plc shares under award at 1 April 2009	Awarded between 1 April 2009 and 31 March 2010	Shares vested	Change in share awards on conversion to Cable & Wireless Worldwide awards	**Cable & Wireless Worldwide plc shares under award at 31 March 2010**
John Pluthero								
Restricted Shares[MS]	03/03/06	21/05/09[1]	107.40	1,000,000[2]	–	(1,000,000)	–	**–**
Performance Shares	03/03/06	21/05/09[1]	107.40	232,774[3]	–	(232,774)	–	**–**
Performance Shares[DS]	11/08/06	21/05/09[1]	109.20	6,608[3]	–	(6,608)	–	**–**
Performance Shares[DS]	19/01/07	21/05/09[1]	158.35	2,498[3]	–	(2,498)	–	**–**
Performance Shares[DS]	10/08/07	21/05/09[1]	198.46	4,867[3]	–	(4,867)	–	**–**
Performance Shares[DS]	25/01/08	21/05/09[1]	181.22	3,211[3]	–	(3,211)	–	**–**
Performance Shares[DS]	08/08/08	21/05/09[1]	155.16	7,501[3]	–	(7,501)	–	**–**
Performance Shares[DS]	23/01/09	21/05/09[1]	145.18	4,537[3]	–	(4,537)	–	**–**
Performance Shares	02/06/09	02/06/12	134.32	–	2,322,811[4]	–	1,421,735[5]	**3,744,546[5]**
Performance Shares[DS]	07/08/09	02/06/12	128.30	–	102,652[4]	–	62,830[5]	**165,482[5]**
Performance Shares[DS]	22/01/10	02/06/12	137.66	–	53,320[4]	–	32,635[5]	**85,955[5]**
				1,261,996	2,478,783	(1,261,996)	1,517,200[5]	**3,995,983**
Jim Marsh								
Performance Shares	25/11/09	25/11/12	137.66	–	1,452,854[4]	–	889,256[5]	**2,342,110[5]**
Performance Shares[DS]	22/01/10	25/11/12	137.66	–	33,350[4]	–	20,412[5]	**53,762[5]**
				–	1,486,204	–	909,668	**2,395,872**

DS Dividend Shares
MS Matching Shares

1 John Pluthero agreed to delay the vesting of awards which were due to vest during March 2009. This was to avoid shares vesting during a prohibited period.
2 These shares were delivered to the John Pluthero at the third anniversary of grant, as he had remained an employee of the Group and retained beneficial ownership of the shares purchased. Performance conditions applied and vesting occurred as the TSR performance of the Cable & Wireless Group exceeded the upper quartile measured against the constituents of the FTSE GTSI.
3 Full vesting of the performance shares, and any associated dividend reinvestment shares, occurred as TSR performance of Cable and Wireless plc exceeded the upper quartile when compared against the FTSE GTSI during the performance period.
4 Full vesting of the performance shares and any associated dividend reinvestment shares, will occur only if TSR performance is equal to 20% or more compound growth per annum during the performance period starting on 1 April 2009 and ending on 31 March 2012. Where TSR performance is equal to 8% compound growth per annum, 25% of the performance shares will vest. The performance shares will vest pro-rate where TSR performance is more than 8% but less than 20% compound growth per annum. If the Group TSR is less than 8% compound growth per annum no performance shares will vest. Vesting must also be warranted by reference to the underlying financial performance during the performance period which will be determined by the Committee within 12 months of the end of the performance period.
5 Following the Demerger, the Cable and Wireless plc performance shares that had not vested lapsed and were replaced by an award over Cable & Wireless Worldwide plc ordinary shares, having an equivalent value (determined by reference to the average closing price of Cable & Wireless Worldwide plc ordinary shares and Cable & Wireless Communications Plc ordinary shares over the five trading days commencing on the date of Demerger).

For the statutory period 24 September 2009 to 31 March 2010

The Directors' entitlement to share awards in Cable & Wireless Worldwide plc arose on the acquisition of the Cable&Wireless Worldwide business by Cable & Wireless Worldwide plc 26 March 2010. The Directors' existing awards over shares in Cable and Wireless plc under the Cable & Wireless Incentive Plan 2001 were converted into equivalent awards over shares in Cable & Wireless Worldwide plc. These outstanding awards lapsed and were regranted on identical terms under the Cable & Wireless Worldwide Incentive Plan 2010 on 13 May 2010.

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Cable & Wireless Worldwide plc shares under award at 24 September 2009	Cable & Wireless Worldwide shares allocated on Demerger (26 March 2010)	Shares vested	Shares lapsed, cancelled or forfeited	**Cable & Wireless Worldwide shares under award at 31 March 2010**
John Pluthero								
Performance Shares	02/06/09	02/06/12	83.32[3]	–	3,744,546[2]	–	–	**3,744,546**
Performance Shares[DS]	07/08/09	02/06/12	79.59[3]	–	165,482[2]	–	–	**165,482**
Performance Shares[DS]	22/01/10	02/06/12	85.39[3]	–	85,955[2]	–	–	**85,955**
				–	3,995,983	–	–	**3,995,983**
Jim Marsh								
Performance Shares	25/11/09	25/11/12	85.39[3]	–	2,342,110[2]	–	–	**2,342,110**
Performance Shares[DS]	22/01/10	25/11/12	85.39[3]	–	53,762[2]	–	–	**53,762**
				–	2,395,872	–	–	**2,395,872**

DS Dividend Shares

1 On 26 March 2010, Cable & Wireless Worldwide plc was listed on the London Stock Exchange.
2 Full vesting of the performance shares and any associated dividend reinvestment shares, will occur only if TSR performance is equal to 20% or more compound growth per annum during the performance period starting on 1 April 2009 and ending on 31 March 2012. Where TSR performance is equal to 8% compound growth per annum, 25% of the performance shares will vest. The performance shares will vest pro-rate where TSR performance is more than 8% but less than 20% compound growth per annum. If the Group TSR is less than 8% compound growth per annum no performance shares will vest. Vesting must also be warranted by reference to the underlying financial performance during the performance period which will be determined by the Committee within 12 months of the end of the performance period.
3 The market price on date of award has been adjusted to reflect the replacement at Demerger of awards over Cable and Wireless plc shares with awards over Cable & Wireless Worldwide plc shares, having equivalent value (determined by reference to the average closing price of Cable & Wireless Worldwide plc ordinary shares and Cable & Wireless Communications Plc ordinary shares over the five trading days commencing on the date of Demerger).

Directors' pension benefits

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

Prior to the Demerger, Jim Marsh participated in the defined contribution section of the Cable & Wireless Superannuation Fund. Following Demerger, his participation and pension benefits automatically transferred to the newly-established Cable & Wireless Worldwide Retirement Plan, which provides defined contribution arrangements on the same basis as applied under the Cable & Wireless Superannuation Fund. Participation in both plans was on a salary sacrifice basis. In return for a salary reduction equivalent to five per cent of basic salary, subject to the salary cap (£123,600 for the 2009/10 tax year), the Group contributed the equivalent amount plus 12.5% of his uncapped salary. The normal retirement age is 65.

Name	Company pension contributions for the proforma period of 1 April 2009 to 31 March 2010	Company pension contributions for the statutory period of 24 September 2009 to 31 March 2010
Jim Marsh	£63,148[1]	£906[1]

1 These figures exclude the contributions relating to Jim Marsh's salary reduction under the salary sacrifice arrangement.

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

GOVERNANCE
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements (Group and Company) in accordance with applicable laws and regulations.

English company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law. Further, they have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law (UK GAAP). The financial statements are required by law to give a true and fair view of the assets, liabilities and financial position of the Group and the Company and of the Group's income statement for that period.

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, with regard to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for the system of internal control for safeguarding the assets of the Company and the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

A copy of the financial statements of the Company is posted on the Cable & Wireless Worldwide plc website (www.cw.com). The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website. Information published on the Company's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement pursuant to the Disclosure and Transparency Rules

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

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

Disclosure of information to auditors

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

By order of the Board

Philip Davis
General Counsel and Company Secretary
26 May 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CABLE & WIRELESS WORLDWIDE PLC[1]

We have audited the consolidated financial statements of Cable & Wireless Worldwide plc for the year ended 31 March 2010 set out on pages 58 to 104. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Respective responsibilities of Directors and auditors
As explained more fully in the statement of Directors' responsibilities set out on page 56, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated 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 web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements
In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and 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 consolidated financial statements are prepared is consistent with the consolidated 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 Company or returns adequate for our audit have not been received from branches not visited by us; 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 39, in relation to going concern; and
- the part of the corporate governance statement on pages 40 to 41 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter
We have reported separately on the Company financial statements of Cable & Wireless Worldwide plc for the period from incorporation on 24 September 2009 to 31 March 2010.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
26 May 2010

1 Formerly Cable & Wireless Worldwide Limited, formerly Project Swan No. 1 Limited.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2010

	Note	2009/10 Pre-exceptional items £m	2009/10 Exceptional items[1] £m	2009/10 Total £m	2008/09 Pre-exceptional items £m	2008/09 Exceptional items[1] £m	2008/09 Total £m
Revenue		**2,265**	**–**	**2,265**	2,268	–	2,268
Operating costs before depreciation and amortisation	6	**(1,848)**	**(207)**	**(2,055)**	(1,959)	(76)	(2,035)
Depreciation	17	**(223)**	**–**	**(223)**	(174)	–	(174)
Amortisation	16	**(45)**	**–**	**(45)**	(38)	–	(38)
Other operating income	7	**–**	**–**	**–**	1	–	1
Other operating expense	8	**(1)**	**–**	**(1)**	(1)	–	(1)
Total operating profit/(loss)		**148**	**(207)**	**(59)**	97	(76)	21
Losses on sale of non-current assets	10	**(1)**	**–**	**(1)**	(1)	–	(1)
Finance income	11	**2**	**–**	**2**	3	–	3
Finance expense	11	**(33)**	**(3)**	**(36)**	(88)	–	(88)
Profit/(loss) before income tax		**116**	**(210)**	**(94)**	11	(76)	(65)
Income tax credit	12	**95**	**–**	**95**	33	–	33
Profit/(loss) for the year attributable to the owners of the parent		**211**	**(210)**	**1**	44	(76)	(32)
Earnings per share attributable to the owners of the parent during the year (pence per share)	13						
– basic				**0.0p**			(1.3)p
– diluted				**0.0p**			(1.3)p

1 Further detail on exceptional items is set out in note 6 and in the relevant note for each item. Exceptional items of £210 million include £143 million relating to the pension liability assumed on demerger, £13 million of other demerger related exceptional items and £54 million of transformation and integration exceptional costs.

The notes on pages 63 to 104 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 2010

	Note	2009/10 £m	2008/09 £m
Profit/(loss) for the year		**1**	(32)
Other comprehensive income for the year:			
Actuarial losses in the value of defined benefit retirement plans	29	**(20)**	(7)
Exchange differences on translation of foreign operations		**60**	(115)
Other comprehensive income/(expense) for the year		**40**	(122)
Income tax relating to components of other comprehensive income	12	**–**	–
Other comprehensive income/(expense) for the year, net of tax		**40**	(122)
Total comprehensive income/(expense) for the year attributable to the owners of the parent		**41**	(154)

The notes on pages 63 to 104 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2010

	Note	**31 March 2010 £m**	31 March 2009 £m
ASSETS			
Non-current assets			
Intangible assets	16	**932**	935
Property, plant and equipment	17	**974**	948
Available-for-sale financial assets	19, 26	**1**	11
Other receivables	20	**24**	26
Deferred tax asset	27	**150**	54
		2,081	1,974
Current assets			
Trade and other receivables	20	**691**	685
Inventories	21	**17**	3
Cash and cash equivalents	22	**226**	144
		934	832
Total assets		**3,015**	2,806
LIABILITIES			
Current liabilities			
Trade and other payables	23	**1,013**	1,091
Loans and obligations under finance leases	24	**25**	18
Provisions	28	**43**	43
Current tax liabilities		**13**	13
		1,094	1,165
Net current liabilities		**(160)**	(333)
Non-current liabilities			
Trade and other payables	23	**1**	6
Loans and obligations under finance leases	24	**221**	110
Financial liabilities at fair value	25, 26	**1**	1
Provisions	28	**160**	156
Retirement benefit obligations	29	**167**	14
Funding loan from the Cable & Wireless Communications Group	4	**–**	976
		550	1,263
Net assets before funding loan from the Cable & Wireless Communications Group		**1,371**	1,354
Net assets		**1,371**	378
EQUITY			
Capital and reserves attributable to the owners of the parent			
Share capital	30	**131**	131
Share premium	30	**56**	1,605
Reserves	30	**1,184**	(1,358)
Total equity		**1,371**	378

The notes on pages 63 to 104 are an integral part of these financial statements. These financial statements on pages 58 to 62 were approved by the Board of Directors on 26 May 2010 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 2010

	Share capital £m	Share premium £m	Foreign currency translation reserve £m	Capital and other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 April 2008	127	255	(26)	–	(1,184)	(828)
Loss for the year	–	–	–	–	(32)	(32)
Net actuarial losses recognised (net of tax)	–	–	–	–	(7)	(7)
Exchange differences on translation of foreign operations	–	–	(115)	–	–	(115)
Total comprehensive expense for the year	–	–	(115)	–	(39)	(154)
Share-based payment expenses	–	–	–	–	6	6
Issue of share capital	4	1,350	–	–	–	1,354
Total dividends and other transactions with Cable & Wireless Worldwide plc shareholders	4	1,350	–	–	6	1,360
Balance at 31 March 2009	131	1,605	(141)	–	(1,217)	378
Profit for the year	–	–	–	–	1	1
Net actuarial losses recognised (net of tax)	–	–	–	–	(20)	(20)
Exchange differences on translation of foreign operations	–	–	60	–	–	60
Total comprehensive income/(expense) for the year	**–**	**–**	**60**	**–**	**(19)**	**41**
Share-based payment expenses	–	–	–	–	8	8
Issue of share capital (net of issue costs)	–	922	–	–	–	922
Recycling of foreign exchange on recapitalisation of funding balance with Cable & Wireless Communications Plc	–	–	74	–	(74)	–
Equity element of the convertible bond transferred on demerger	–	–	–	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**
Balance at 31 March 2010	**131**	**56**	**(7)**	**2,493**	**(1,302)**	**1,371**

The Cable&Wireless Worldwide Group does not have any non-controlling interests.

The notes on pages 63 to 104 are an integral part of these financial statements.

Share premium of £922 million arose on the recapitalisation of the Cable&Wireless Worldwide Group on demerger, through the capitalisation of the funding loan and other balances from Cable & Wireless Communications Group.

On 29 March 2010 a court approved reduction of capital became effective which 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.

On 25 May 2010, a duly constituted committee of the Board of Directors approved the release of £85 million, being an amount sufficient to allow payment of the proposed dividend.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Note	2009/10 £m	2008/09 £m
Cash flows from operating activities			
Profit/(loss) for the year		**1**	(32)
Adjustments for:			
Income tax credit	12	**(95)**	(33)
Depreciation	17	**223**	174
Amortisation	16	**45**	38
Losses on sale of non-current assets	10	**1**	1
Net other operating expense		**1**	–
Finance income	11	**(2)**	(3)
Finance expense	11	**36**	88
(Decrease)/increase in provisions		**(8)**	6
Employee benefits		**102**	(7)
Operating cash flows before working capital changes		**304**	232
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
Increase in inventories		**(14)**	–
Decrease in trade and other receivables		**40**	40
Decrease in trade and other payables		**(66)**	(30)
Cash generated from operations		**264**	242
Income taxes paid		**(1)**	–
Net cash from operating activities		**263**	242
Cash flows from investing activities			
Interest received		**2**	4
Purchase of available-for-sale financial assets		**–**	(1)
Decrease in available-for-sale financial assets		**10**	–
Proceeds on disposal of property, plant and equipment		**1**	1
Purchase of property, plant and equipment		**(232)**	(226)
Purchase of intangible assets		**(25)**	(19)
Acquisition of subsidiaries (net of cash received)		**–**	(327)
Net cash used in investing activities		**(244)**	(568)
Net cash flow before financing		**19**	(326)
Cash flows from financing activities			
Finance expense		**(9)**	(5)
Repayments of borrowings		**(192)**	(125)
Proceeds from borrowings		**312**	100
Demerger transaction costs		**(21)**	–
Repayments of funding loan with the Cable & Wireless Communications Group		**(85)**	(22)
Funding contributions from the Cable & Wireless Communications Group		**55**	501
Net cash from financing activities		**60**	449
Net increase in cash and cash equivalents		**79**	123
Cash and cash equivalents at 1 April		**144**	19
Exchange gains on cash and cash equivalents		**3**	2
Cash and cash equivalents at 31 March	22	**226**	144

The notes on pages 63 to 104 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2010

1 General information

Cable & Wireless Worldwide plc (the Company) (formerly Cable & Wireless Worldwide Limited, formerly Project Swan No. 1 Limited) 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 2010.

The financial statements have been presented as a continuation of the Cable&Wireless Worldwide business which was previously wholly owned by the Cable & Wireless Group (now the Cable & Wireless Communications Group). In preparing these IFRS financial statements, the Group has measured its assets and liabilities based on the amounts that were included in the Cable and Wireless plc consolidated financial statements. Since no consolidated financial statements were previously prepared for the Cable&Wireless Worldwide business, no reconciliations to previous GAAP have been presented.

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 demerger was effected by a three part transaction which involved the following:

- The entire share capital of Cable and Wireless plc was cancelled and shareholders were given one ordinary share and one B share in Cable & Wireless Communications Plc for every share of Cable and Wireless plc held.
- The entire share capital of Cable & Wireless UK Holdings Limited, the parent entity of the Cable&Wireless Worldwide group of companies, was transferred to Cable & Wireless Worldwide plc, an unrelated company.
- In return for the share capital of Cable & Wireless UK Holdings Limited, Cable & Wireless Worldwide plc issued one ordinary share in itself of 5 pence to the holder of each Cable & Wireless Communications Plc B share prior to their cancellation as part of this transaction.

Shares in Cable & Wireless Worldwide plc were admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange's main market for listed securities on 26 March 2010.

See note 4 for further detail on significant aspects and transactions of the demerger.

As Cable & Wireless Worldwide plc did not have the power to govern the financial and operating policies of the Cable&Wireless Worldwide Group companies, the acquisition has been accounted for in accordance with the principles of reverse acquisition as set out in IFRS 3 *Business Combinations*. This had the effect that the legal acquirer, Cable & Wireless Worldwide plc being treated for accounting purposes to have been acquired by its legal subsidiary, Cable & Wireless UK Holdings Limited, for the purposes of these consolidated financial statements.

The accounting principles that apply and the impact on these consolidated financial statements as a result of adopting this reverse acquisition accounting basis are set out in each applicable note to these consolidated financial statements. In addition, the income statement of the Group has been prepared as if the continuing operations of the Group were in existence for the whole of the period from 1 April 2008 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 (see page 39 of the Directors' report for further detail).

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

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the 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.

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 2010.

New and amended Standards and Interpretations endorsed by the European Union and effective for the Group at dates from 1 April 2009 adopted by the Group in 2009/10

Title	EU effective date	Description	Impact on the Group
Amendments to IAS 1 *Presentation of Financial Statements: A Revised Presentation*	Annual periods beginning on or after 1 January 2009.	The amendments affect the presentation of owner changes in equity and introduce the concept of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.	These are presentation amendments only and did not have a material impact on the results or position of the Group.
Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*	Annual periods beginning on or after 1 January 2009.	The amendments require some puttable financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity.	These amendments did not have an effect on the Group.
IFRS 8 *Operating Segments*	Annual periods beginning on or after 1 January 2009.	The IFRS requires disclosures in respect of the operating segments of the Group. This standard requires segmental disclosures presented on the basis upon which management views the Group.	This is a presentation standard only and did not have a material impact on the Group.
Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	Annual periods beginning on or after 1 January 2009.	The amendment removes the concept of pre- and post-acquisition reserves from IFRS.	The amendments did not have a material impact on the Group.
Amendments to IFRS 7 *Improving Disclosures about Financial Instruments*	Annual periods beginning on or after 1 January 2009.	This amendment contains further disclosure requirements to enhance the information available to investors about fair value measurement and liquidity risk associated with an entity's financial instruments.	This is a disclosure standard only and did not have a material impact on the Group.
IFRIC 12 *Service Concession Arrangements*	Annual periods beginning on or after 29 March 2009.	The interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements.	The Group does not have any public-to-private service concession arrangements.
IFRIC 14 *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Annual periods beginning on or after 1 January 2009.	IFRIC 14 clarifies three issues: – how entities should determine the limit placed by IAS 19 *Employee Benefits* on the amount of a surplus in a pension plan they can recognise as an asset; – how a minimum funding requirement affects that limit; and – when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under IAS 19.	This interpretation did not have a material impact on the Group.
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	Annual periods beginning on or after 1 October 2008.	This Interpretation provides guidance on the nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated, where in the group a hedging instrument can be held and which amounts should be reclassified from equity to the income statement as reclassification adjustments on disposal of the foreign operation.	This amendment did not have a material impact on the Group.
Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*	Annual periods ending on or after 30 June 2009.	These amendments allow the reassessment of embedded derivatives on reclassification of financial instruments out of the fair value through the income statement category.	The amendments did not have a material impact on the Group.
Improvements to IFRS 2008	Various dates, earliest is annual periods beginning on or after 1 January 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	These improvements did not have a material impact on the Group.

New and amended Standards and Interpretations endorsed by the European Union and not yet adopted by the Group

Title	IASB or EU effective date (if later)	Description	Expected adoption date and impact on the Group
Revised IAS 27 *Consolidated and Separate Financial Statements*	Annual periods beginning on or after 1 July 2009.	The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions.	The Group will adopt for 2010/11. This amendment is consistent with current Group policy.
Amendments to IAS 32 *Classification of Rights Issues*	Annual periods beginning on or after 1 February 2010.	The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.	The Group will adopt for 2010/11. These amendments are not expected to have a material impact on the Group.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items*	Annual periods beginning on or after 1 July 2009.	The amendment clarifies how existing hedge accounting principles should be applied to the designation of a one-sided risk in a hedged item and to inflation in a hedged item.	The Group will adopt for 2010/11. These amendments are not expected to have a material impact on the Group.
Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*	Annual periods beginning on or after 1 January 2010.	These amendments clarify the scope of IFRS 2 and its interaction with other standards. They also address how an entity should account for some share-based payments in its own financial statements if its parent or another entity in the Group will pay for goods or services that it has received.	The Group will adopt for 2010/11. These amendments are not expected to have a material impact on the Group.
Revised IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2009.	The main changes in the revised IFRS 3 include the separate accounting of acquisition related costs, changes to business combinations achieved in stages and changes to the accounting for business combinations where less than 100% of the equity is acquired.	These changes will be effective for businesses purchased by the Group after 31 March 2010. As such, no assessment can be determined of their impact.
IFRIC 17 *Distribution of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009.	This interpretation applies to non-cash dividends excluding those controlled by the same party before and after the transaction. It clarifies the recognition and measurement of non-cash dividends payable.	The Group will adopt for 2010/11. This interpretation is not expected to have a material impact on the Group.
IFRIC 18 *Transfers of Assets from Customers*	Annual periods beginning on or after 1 November 2009.	The IFRIC clarifies how existing IFRS are applied to agreements in which an entity receives an asset from a customer which it then uses to connect the customer to a network to provide ongoing access to goods or services.	The Group will adopt for 2010/11. This interpretation is not expected to have a material impact on the Group.
Improvements to IFRS 2009	Various dates, earliest is annual periods beginning on or after 1 July 2009.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	The Group will adopt for 2010/11. These improvements are not expected to have a material impact on the Group.

2.2 Application of recently issued International Financial Reporting Standards continued

New and amended Standards and Interpretations not yet adopted by the European Union and the Group

Title	IASB effective date	Description	Expected adoption date (subject to European Union endorsement) and impact on the Group
IFRS 9 *Financial Instruments*	Annual periods beginning on or after 1 January 2013.	This IFRS simplifies the classification, recognition and measurement requirements for financial assets, financial liabilities and some contracts to buy or sell non-financial items.	The Group will adopt for 2013/14. This IFRS replaces parts of IAS 39 and is not expected to have a material impact on the Group.
Revised IAS 24 *Related Party Disclosures*	Annual periods beginning on or after 1 January 2011.	The revisions provide an exemption from disclosure requirements for transactions between state-controlled entities and removes some inconsistencies.	The Group will adopt for 2011/12. These revisions are not expected to have a material impact on the Group.
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	Annual periods beginning on or after 1 January 2011.	The amendments permit entities to treat an early payment of a contribution to cover minimum funding requirements as an asset.	The Group will adopt for 2011/12. These amendments are consistent with current Group policy.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	Annual periods beginning on or after 1 July 2010.	This IFRIC provides guidance on accounting for 'debt to equity swaps' where a debtor extinguishes the liability fully or partially by issuing equity instruments to the creditor.	The Group will adopt for 2011/12. This IFRIC is not expected to have material impact on the Group.
Improvements to IFRS 2010	Various dates, earliest is annual periods beginning on or after 1 January 2011.	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRS.	The Group will adopt for 2011/12. These improvements are not expected to have a material impact on the Group.

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 directly 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) Joint ventures

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Joint ventures are entities over which the Group exercises joint control. The Group's investment in joint ventures may include goodwill (net of any accumulated impairment loss) identified on acquisition. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's investment.

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 (those that take six months or more to complete) 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.

2.6 Property, plant and equipment continued

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 assets under construction. They are stated at cost and include an appropriate allocation of labour and overheads. The cost is determined on a weighted average basis. Allowance is made for deterioration and obsolescence.

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.

b) Other intangible assets

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

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 of 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
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.

The Group does not hedge net investments in foreign operations and does not hold any hedging instruments.

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.

2.8 Financial instruments continued

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 together with dividends paid to non-controlling interests are recognised as adjustments to goodwill with the unwind of the discount on the fair value calculation being 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, provision 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. These payments are split between capital and interest elements using the annuity method. 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 part for buildings is then tested to determine whether the lease is a finance or operating lease and treated accordingly.

Leases of land and 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 directly in equity.

2.16 Employee benefits continued

Share-based compensation

The Group operates various equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, which excludes the impact of any non-market vesting conditions (for example, service, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original non-market estimates, if any, in the 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. Termination benefits falling due more than a year after reporting date are discounted to present value.

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 of the Group 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.

The LTIP creates a reward pool over a five year period from 1 April 2006 (or until a vesting event, if earlier) depending on the extent to which the business has grown in value from its base valuation at the start of the period (this period was changed from four to five years in July 2009).

Base valuations are adjusted over the performance period i) to reflect additional capital notionally treated as borrowed by the business, ii) to reflect capital notionally treated as returned by the business; and iii) increased by the notional weighted average cost of capital of the business (which will be at least 8% per annum compounded). If the business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool. To the extent that the business' value exceeds its adjusted base valuation at the end of the performance period, 10% of the excess growth in value goes into the reward pool.

Part of the reward pool was paid to participants up to the end of year three (31 March 2009), with a portion payable (less payments made at end of year three) to participants at the end of year four (31 March 2010) and the balance in full at the end of year five (31 March 2011). Measurement of the size of the reward pool is carried out every six months to correspond with the Group's reporting periods. However, apart from awards held by participants who ceased employment as 'good leavers', no awards vested until the end of year three. In the event of a potential payment to an individual in excess of £20 million, the deferral period would be extended until 31 March 2012 or for a period of up to one year following a vesting event, if earlier.

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

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 telecom equipment and ongoing service) 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 can not 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.

2.22 Transactions with holders of non-controlling interests

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

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 Valuation of assets for purchase accounting

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

3.2 Depreciation of property, plant and equipment

The Group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives 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.

3.3 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.

3.4 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.

3.5 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 credit worthiness 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.

3.6 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.

3.7 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.

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

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

3.9 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.

3.10 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.

3.11 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 29 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 other FTSE 100 companies. Changes to these assumptions could materially affect the size of the defined benefit schemes' liabilities and assets disclosed in note 29.

3.12 Fair value estimation
The basis of determining fair values is set out in note 2.9. Where market values are not available, fair values are based on valuation methodologies which require inputs and forecasts to be made. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

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 and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes 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.

3.13 Long Term Incentive Plan (LTIP)

The charge calculated in accordance with IAS 19 *Employee Benefits* requires estimates of the valuation of the Group to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective. Please see pages 46 to 47 of the Remuneration report for further information.

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 (see note 2.1 for details of the demerger transactions). 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 (31 March 2009 – £976 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 is 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.

Prior to demerger, the Cable & Wireless Group provided funding to entities in the Cable&Wireless Worldwide Group. These loans were interest bearing, but were not expected to be repaid, and were recorded within the financial statements of Cable & Wireless Communications Plc as part of its investment in Cable&Wireless Worldwide subsidiaries. On demerger, these loans were capitalised and not repaid.

Due to the requirements of IFRS, the balance of these loans with the Cable & Wireless Group (now Cable & Wireless Communications Group), were required to be shown as a non-current liability until demerger and then credited to equity post-demerger. The interest expense on the funding balance was recognised through the income statement. The expense in 2009/10 was £14 million (2008/09 – £74 million). The balance was not secured on any of the Group's assets and was denominated in Sterling.

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 plc Board considered 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 2010 and 31 March 2009 are presented below:

	2009/10 £m	2008/09 £m
Revenue	**2,265**	2,268
Cost of sales	**(1,190)**	(1,323)
Gross margin	**1,075**	945
Pre-exceptional operating costs	**(644)**	(619)
EBITDA[1]	**431**	326
LTIP charge	**(14)**	(17)
Depreciation and amortisation	**(268)**	(212)
Net other operating expense	**(1)**	–
Group operating profit	**148**	97
Exceptional operating costs (see note 6)	**(207)**	(76)
Total operating (loss)/profit	**(59)**	21
Loss on sale of non-current assets	**(1)**	(1)
Net finance expense	**(31)**	(85)
Non-operating exceptional items (see note 11)	**(3)**	–
Loss before income tax	**(94)**	(65)
Income tax credit	**95**	33
Profit/(loss) for the year	**1**	(32)

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 40).

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 £279 million (2008/09 – £484 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. 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 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**

Year ended 31 March 2009	UK Enterprise £m	UK Public Sector £m	Global £m	UK Mid-market £m	UK Carrier £m	Total £m
Revenue	827	268	592	212	369	2,268
Cost of sales	(422)	(121)	(397)	(129)	(254)	(1,323)
Gross margin	405	147	195	83	115	945

5 Segment information continued

Group-wide information

The information on products and services, non-current assets and major customers across the Group required by IFRS 8 are 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 2010 £m	31 March 2009 £m
United Kingdom	1,868	1,858
All other countries	62	51
Total	1,930	1,909

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

	2009/10 £m	2008/09 £m
Data and IP	978	812
Hosting and applications	240	224
Traditional voice (including legacy)	1,047	1,232
Total	2,265	2,268

Revenue by country can be classified as follows:

	2009/10 £m	2008/09 £m
United Kingdom	2,069	2,067
All other countries	196	201
Total	2,265	2,268

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:

	2009/10			2008/09		
	Pre-exceptional £m	Exceptional £m	Total £m	Pre-exceptional £m	Exceptional £m	Total £m
Outpayments and direct costs	1,190	–	1,190	1,323	–	1,323
Employee and other staff expenses	300	181	481	305	39	344
Operating lease rentals						
– networks	46	–	46	39	–	39
– property	59	7	66	51	17	68
Other administrative expenses	74	10	84	57	6	63
Network costs	131	9	140	126	14	140
Property and utility costs	48	–	48	58	–	58
Operating costs before depreciation and amortisation	1,848	207	2,055	1,959	76	2,035
Depreciation of property, plant and equipment	223	–	223	174	–	174
Amortisation of intangible assets	45	–	45	38	–	38
Operating costs	2,116	207	2,323	2,171	76	2,247

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

Exceptional items

Exceptional items relate to the demerger (£153 million) and the ongoing programme of restructuring the Group's operations including the integration of the THUS Group (including redundancy, vacant property and onerous network costs) (£31 million) and other integration projects (£23 million).

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

	Note	2009/10 £m	2008/09 £m
Exceptional items within operating costs			
Employee costs (excluding pension costs)	(i)	**38**	39
Pension costs	(ii)	**143**	–
Property costs	(iii)	**7**	17
Network and other costs	(iv)	**9**	20
Costs of demerger	(v)	**10**	–
Total exceptional operating costs		**207**	76

i) Exceptional employee costs principally related to redundancy costs arising from the restructuring of the Cable&Wireless Worldwide Group's operations (excluding demerger) and THUS Group post acquisition integration. These costs were net of a £2 million provision release (2008/09 – £2 million) and a redundancy related pension curtailment credit of £1 million (2008/09 – credit of £4 million).

ii) The exceptional pension cost results 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 29 for further information).

iii) Exceptional property costs relate to vacant property provisions recognised and were net of £8 million (2008/09 – £14 million) of provision releases.

iv) Exceptional network costs in 2009/10 relate to the provision for network costs from business transformation initiatives and other network costs associated with the integration of the THUS Group. In 2008/09, network and other costs related to £14 million of network costs and £6 million of other costs.

v) Exceptional demerger costs in 2009/10 relate to professional fees and other costs associated with demerger and establishing a head office function.

Auditor's remuneration

	2009/10 £m	2008/09 £m
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of the Group's accounts	**1.0**	0.8
Audit services in respect of prior years – in respect of the Group's accounts	**–**	–
Audit of the Group's annual accounts	**1.0**	0.8
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	**0.5**	0.7
Audit services in respect of prior years – in respect of other statutory accounts	**–**	–
Audit related regulatory reporting	**0.2**	0.1
Audit and audit related services	**1.7**	1.6
Tax services	**0.2**	0.4
Services related to corporate finance transactions	**2.9**	–
Other services	**0.2**	0.5
	5.0	2.5

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 are 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

There was no other operating income in 2009/10. In 2008/09, other operating income of £1 million related to the sale of a database and gains on disposal of property, plant and equipment.

8 Other operating expense

In 2009/10 and 2008/09 other operating expense 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:

	2009/10 £m	2008/09 £m
Wages and salaries	**282**	288
Social security costs	**29**	27
Share-based payments	**5**	6
Long Term Incentive Plan	**14**	17
Pension expense/(credit):		
■ defined benefit plans	**4**	2
■ management charge/(credit) for the Cable & Wireless Superannuation Fund pension plan	**4**	(10)
■ other defined contribution plans	**14**	12
Temporary labour and recruitment	**4**	7
	356	349
Less: Staff costs capitalised	**(56)**	(44)
Staff costs	**300**	305

Exceptional employee and other staff expenses of £181 million (2008/09 – £39 million) are set out in note 6.

Average number of employees

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

	2009/10	2008/09
Commercial	**1,572**	1,699
Customer services	**2,742**	1,998
Network operations	**1,275**	1,170
Support	**923**	502
Other	**63**	236
Total	**6,575**	5,605

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:

	2009/10 £m	2008/09 £m
Salaries and other short-term employment benefits	**3**	3
Post-employment benefits	**–**	–
Termination benefits	**–**	–
Share-based payments	**1**	1
Long Term Incentive Plan	**8**	8
Total	**12**	12

Included in salaries and other short term employment benefits in the table above are aggregate Directors emoluments of £2 million (2008/09 – £2 million).

10 Losses on the sale of non-current assets

In 2009/10 and 2008/09 the losses on disposal of non-current assets principally arose on the recycling of foreign currency translation reserve balances on liquidation of subsidiaries.

11 Finance income and expense

	2009/10			2008/09		
	Pre-exceptional £m	Exceptional £m	Total £m	Pre-exceptional £m	Exceptional £m	Total £m
Finance income						
Interest on cash and deposits	–	–	–	3	–	3
Interest on receivables	2	–	2	–	–	–
Total finance income	2	–	2	3	–	3
Finance expense						
Interest on bank loans	9	–	9	6	–	6
Interest on funding loan with the Cable & Wireless Communications Group	14	–	14	74	–	74
Finance charges on leases	2	–	2	2	–	2
Capitalised financing costs written off	–	3	3	–	–	–
Unwinding of discounts on provisions	8	–	8	6	–	6
Total finance expense	33	3	36	88	–	88

Exceptional finance expense of £3 million relates to accelerated amortisation of previously capitalised borrowing costs associated with the £200 million revolving credit facility repaid during the year.

12 Income tax credit

	2009/10 £m	2008/09 £m
Current tax charge		
UK tax at 28%	–	–
Overseas tax	1	–
Adjustments relating to prior years	–	4
Total current tax charge	1	4
Deferred tax credit		
Origination and reversal of temporary differences	(96)	(37)
Total deferred tax credit	(96)	(37)
Total income tax credit	(95)	(33)

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 loss before tax is as follows:

	2009/10 £m	2008/09 £m
Continuing operations		
Tax on loss at UK corporation tax rate of 28%	(26)	(18)
Effect of overseas tax rates	1	(1)
Effect of disallowed expenditure	12	13
Effect of changes in unrecognised deferred tax assets	(82)	(31)
Adjustments relating to prior years	–	4
Tax credit	(95)	(33)

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.

As a result of the demerger Cable & Wireless Worldwide plc became the new parent of the Cable&Wireless Worldwide businesses. Therefore, the weighted average number of ordinary shares outstanding has been calculated using the number of ordinary shares issued by Cable & Wireless Worldwide plc to the shareholders of Cable & Wireless Communications Plc at the date of the demerger (26 March 2010) and adjusted for:

- movements in the number of ordinary shares of Cable and Wireless plc in the period prior to 19 March 2010 and Cable & Wireless Communications Plc for the period from 19 March 2010 to demerger; and
- movements in the number of ordinary shares outstanding from the demerger date to 31 March 2010 using the actual number of ordinary shares of Cable & Wireless Worldwide plc outstanding during that period.

	2009/10	2008/09
Profit/(loss) for the financial year attributable to ordinary shareholders (£m)	**1**	(32)
Weighted average number of ordinary shares outstanding (millions)	**2,544**	2,486
Dilutive effect of share options (millions)	**24**	26
Number of ordinary shares used to calculate diluted earnings per share (millions)	**2,568**	2,512
Basic earnings per share (pence per share)	**0.0**	(1.3)
Diluted earnings per share (pence per share)	**0.0**	(1.3)

14 Dividends declared and paid

In respect of the year ended 31 March 2010, the Directors have proposed a dividend of 3.00 pence per share, totalling £79 million, for approval by shareholders at the AGM to be held on 21 July 2010. These financial statements do not reflect the proposed dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 March 2011.

The Cable & Wireless Worldwide Employee Share Ownership Plan Trust waived its right to dividends on the shares held in the trust.

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 3.3.

Goodwill

Year ended 31 March 2010 and 2009

A review of the carrying value of goodwill has been performed at each year end. In performing these reviews, the recoverable amount of goodwill has been determined by reference to the higher of the fair value less costs to sell and the value in use of the continuing operations of the related businesses. The value in use was the higher of these two measures in both years and no impairments were required in any of the periods presented.

At 31 March 2010, the Cable&Wireless Worldwide Group allocated goodwill to one group of cash generating units as this represented the lowest level within the entity at which goodwill was monitored. This is because it generated revenue through an integrated network for which the Group is unable to identify relevant cash flows separately. Goodwill of £800 million was allocated this group of cash generating units (CGUs) at 31 March 2010 (31 March 2009 - £784 million). A discounted cash flow analysis was performed using the Board approved five year business projection which was extended using a terminal value growth rate of 1% and a pre-tax discount rate of 9% (31 March 2009 - 10%). The terminal growth rate was determined using long term historical growth rates of the group of CGUs, which have been benchmarked to long term average growth rates of the industry. The discount rate reflects the current market assessment of the risk free rate and equity risk premium of the Group and have been benchmarked against published industry data.

The other key assumptions on which the projected cash flows are based relate to EBITDA growth and the level of capital expenditure required to maintain the network at its current level. These assumptions were determined using a combination of long-term trends, industry forecasts and in-house estimates. The value in use would not support the carrying value of the goodwill if earnings decreased or maintenance capital expenditure increased by more than £60 million per year; or the discount rate increased by more than 3 percentage points.

Property, plant and equipment and other intangibles

Year ended 31 March 2010 and 2009

There were no events or changes in circumstances during the year to indicate that the carrying value of property, plant and equipment and other intangible assets had 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 2008	431	665	21	130	1,247
Business combinations	350	–	5	15	370
Additions	–	16	–	–	16
Exchange differences	3	3	–	–	6
At 31 March 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**
Amortisation and impairment					
At 1 April 2008	–	619	17	31	667
Charge for the year	–	21	2	15	38
Exchange differences	–	(2)	1	–	(1)
At 31 March 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**
Net book value					
At 31 March 2010	**800**	**47**	**4**	**81**	**932**
At 31 March 2009	784	46	6	99	935

17 Property, plant and equipment

	2009/10				2008/09			
	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	**315**	**5,186**	**55**	**5,556**	302	4,849	73	5,224
Additions	**–**	**4**	**250**	**254**	1	73	172	246
Movements in asset retirement obligations	**(1)**	**(1)**	**–**	**(2)**	3	5	–	8
Business combinations	**–**	**–**	**–**	**–**	11	191	–	202
Disposals	**(2)**	**(30)**	**–**	**(32)**	(30)	(207)	(3)	(240)
Transfers between categories	**12**	**224**	**(236)**	**–**	11	178	(189)	-
Exchange differences	**(2)**	**(7)**	**–**	**(9)**	17	97	2	116
At 31 March	**322**	**5,376**	**69**	**5,767**	315	5,186	55	5,556
Depreciation								
At 1 April	**262**	**4,346**	**–**	**4,608**	269	4,297	–	4,566
Charge for the year	**9**	**214**	**–**	**223**	6	168	–	174
Disposals	**(2)**	**(28)**	**–**	**(30)**	(30)	(207)	–	(237)
Exchange differences	**(1)**	**(7)**	**–**	**(8)**	17	88	–	105
At 31 March	**268**	**4,525**	**–**	**4,793**	262	4,346	–	4,608
Net book value at 31 March	**54**	**851**	**69**	**974**	53	840	55	948

Included in the net book value of property, plant and equipment at 31 March 2010 is £38 million (31 March 2009 – £19 million) of assets held under finance leases.

Additions during the year include own work capitalised during the construction of certain assets of £56 million (2008/09 – £44 million).

18 Investments in joint ventures

	2009/10 £m	2008/09 £m
Gross carrying amount		
At 1 April		
– Cost	**5**	12
– Share of post-acquisition reserves	**(2)**	(17)
	3	(5)
Transfer to subsidiary undertaking	**–**	8
At 31 March	**3**	3
Impairment allowance		
At 1 April and 31 March	**(3)**	(3)
Net carrying amount at 31 March	**–**	–

There are no results of joint ventures in the year (2008/09 - £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.

There were no significant restrictions on joint ventures' ability to transfer funds to the Group. The joint ventures had no significant contingent liabilities to which the Group was exposed, nor has the Group any significant contingent liabilities in relation to its interests in joint ventures. The Group's joint ventures did not discontinue any operations during any of the periods presented.

On 1 April 2008 the Group gained control of Apollo Submarine Cable Systems Limited which was previously accounted for as a joint venture (see note 34).

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 and Cable&Wireless Worldwide Groups (see note 36).

19 Available-for-sale financial assets

	2009/10 £m	2008/09 £m
At 1 April	**11**	–
Additions	**–**	1
Reclassified to cash and cash equivalents	**(10)**	–
Business combinations	**–**	10
At 31 March	**1**	11

At 31 March 2010 available-for-sale financial assets primarily comprised cash held as collateral and equity investments (31 March 2009 – cash held as collateral and equity investments). These assets are measured at fair value based on observable market data. During the year, the cash held as collateral was reclassified to cash as the collateral was no longer required.

20 Trade and other receivables

	31 March 2010 £m	31 March 2009 £m
Gross trade receivables	**457**	506
Valuation allowance	**(33)**	(31)
Net trade receivables	**424**	475
Other receivables	**86**	52
Prepayments and accrued income	**177**	156
Taxation and social security receivables	**4**	2
Trade and other receivables – current	**691**	685
Other receivables	**5**	5
Prepayments and accrued income	**19**	21
Other receivables – non-current	**24**	26
Total trade and other receivables	**715**	711

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

Concentrations of credit risks with respect to trade receivables are small as the Group customer base is large and unrelated. Receivables predominantly relate to Governments and corporate entities as well as other telecoms 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 quality as low risk.

20 Trade and other receivables continued

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

	31 March 2010			31 March 2009		
	Trade and other receivables (excluding interconnect) £m	Interconnect receivables £m	Total trade and other receivables £m	Trade and other receivables (excluding interconnect) £m	Interconnect receivables £m	Total trade and other receivables £m
Not yet due	230	89	319	179	76	255
Overdue 30 days or less	34	11	45	52	27	79
Overdue 31 to 60 days	12	9	21	20	4	24
Overdue 61 to 90 days	10	6	16	11	9	20
Overdue 91 days to 180 days	9	26	35	18	29	47
Overdue 181 days or more	4	70	74	–	102	102
Current net trade and other receivables	**299**	**211**	**510**	280	247	527

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 £211 million (31 March 2009 – £247 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 period is as follows:

	2009/10 £m	2008/09 £m
At 1 April	31	40
Bad debts written off	(13)	(9)
Increase/(decrease) in allowance	15	(1)
Exchange differences	–	1
At 31 March	**33**	31

All trade transactions with joint ventures arose in the normal course of business and primarily related to fees for use of the Cable&Wireless Worldwide Group's products and services, network and access charges. There were no material transactions with joint ventures during the year ended 31 March 2010.

21 Inventories

Inventories represent equipment, consumables and accessories held for sale. It also includes capacity on sub-sea cable systems currently in the course of construction and held for resale of £15 million (2008/09 - £nil).

Inventories of £17 million (31 March 2009 – £3 million) are presented net of an allowance of £nil (31 March 2009 – £2 million) made against slow moving or obsolete items.

The cost of equipment, consumables and accessories held for sale that were expensed within operating costs in 2009/10 was £11 million (2008/09 – £6 million).

22 Cash and cash equivalents

	31 March 2010 £m	31 March 2009 £m
Cash at bank and in hand	51	74
Short-term deposits	175	70
Cash and cash equivalents	226	144

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 2010 was 0.37% (31 March 2009 – 0.45%). At 31 March 2010 these deposits had an average maturity of 15 days (31 March 2009 – 5 days).

The maximum exposure to credit risk for cash and cash equivalents is equal to the carrying value.

23 Trade and other payables

	31 March 2010 £m	31 March 2009 £m
Trade payables	**398**	438
Other taxation and social security costs	**58**	36
Accruals	**236**	308
Deferred income	**317**	289
Other payables	**4**	20
Trade and other payables – current	**1,013**	1,091
Accruals	**–**	6
Other payables	**1**	–
Trade and other payables – non-current	**1**	6
Total trade and other payables	**1,014**	1,097

There is no material difference between the carrying value and fair value of trade and other payables presented.

24 Loans and obligations under finance leases

	31 March 2010 £m	31 March 2009 £m
Loans		
Sterling £200 million revolving credit facility repaid in 2010	**–**	95
Sterling £230 million convertible bonds due 2014	**204**	–
US dollar loans repayable at various dates up to 2010	**7**	8
Other currency loans repayable at various dates up to 2010	**3**	3
	214	106
Loans – current	**10**	8
Loans – non-current	**204**	98
Finance leases		
Obligations under finance leases	**32**	22
Obligations under finance leases – current	**15**	10
Obligations under finance leases – non-current	**17**	12
Loans and obligations under finance leases – current	**25**	18
Loans and obligations under finance leases – non-current	**221**	110

There is no material difference between the carrying value and fair value of loans and obligations under finance leases presented.

24 Loans and obligations under finance leases continued

Loans

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

	31 March 2010 £m	31 March 2009 £m
Loans		
Due in less than one year	**31**	9
Due in more than one year but not more than two years	**22**	14
Due in more than two years but not more than five years	**278**	106
Total loans	**331**	129
Less future finance charges on loans	**(117)**	(23)
Total loans	**214**	106

Sterling revolving credit facilities

The Cable&Wireless Worldwide Sterling £200 million revolving credit facility (£99 million drawn down at 31 March 2009, £95 million net of directly attributable costs) was repaid during the year.

During the year, the Group obtained a Sterling £300 million revolving credit facility repayable in 2013 of which £nil was drawn down at 31 March 2010. 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 29). 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 due in 2014 of £230 million were issued by Cable and Wireless plc on 24 November 2009. These bonds were subsequently transferred to Cable & Wireless Communications Plc on 19 March 2010 before being transferred to Cable & Wireless Worldwide plc (the ultimate parent of the Cable&Wireless Worldwide Group) on 26 March 2010 as part of the demerger. The convertible bonds were separated into their loan and equity components being £208 million of loan and £22 million of equity. Directly attributable transaction costs of £4 million were capitalised against the loan component as part of this transaction.

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 90,090 shares for each £100,000 held at an initial conversion price of 111 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).

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 secured by way of a guarantee from Cable & Wireless Worldwide plc and other Cable&Wireless Worldwide Group companies. The other currency loan is secured over assets and receivables of Cable & Wireless Networks India Private Ltd.

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 2010 £m	31 March 2009 £m	**31 March 2010 £m**	31 March 2009 £m
Due in less than one year	**15**	10	**16**	11
Due in more than one year but not more than two years	**10**	7	**11**	7
Due in more than two years but not more than five years	**5**	3	**7**	3
Due in more than five years	**2**	2	**2**	2
Total	**32**	22	**36**	23
Less future finance charges on finance leases			**(4)**	(1)
Present value of finance lease liabilities			**32**	22

Interest rates

Interest is payable on loans and obligations under finance leases falling due after more than five years at a rate of 10%.

The weighted average effective interest rates at the reporting date were as follows:

		31 March 2010		31 March 2009	
	Type	**Currency**	**Interest rate %**	Currency	Interest rate %
Sterling secured £300 million facility repayable in 2013	Floating	**GBP**	**4.0**	–	–
Sterling secured £200 million facility repaid in 2010	Floating	**–**	**–**	GBP	4.0
Convertible bonds repayable in 2014	Fixed	**GBP**	**5.8**	–	–
US dollar loans repayable at various dates up to 2010	Floating	**USD**	**3.6**	USD	3.6
Other currency loans repayable at various dates up to 2010	Floating	**Other**	**3.9**	Other	5.7
Obligations under finance leases	Fixed	**GBP**	**6.7**	GBP	7.1

25 Financial liabilities at fair value

At 31 March 2010 and 31 March 2009, the Group had a liability of £1 million relating to a put option in respect of a subsidiary, Cable & Wireless Networks India Private Ltd.

26 Financial instruments

The fair value hierarchy for instruments measured at fair value 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	25	–	–	**1**	**1**

Level 1- Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly.
Level 3 - Fair values measured using inputs for the asset or liability that are not based on observable market data.

27 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	19	2	1	–	(5)	17
Deferred tax liabilities	(1)	–	(1)	(3)	5	–
At 1 April 2008	18	2	–	(3)	–	17
Amounts credited to the income statement	34	2	–	1	–	37
At 31 March 2009	52	4	–	(2)	–	54
Deferred tax assets	55	4	–	–	(5)	54
Deferred tax liabilities	(3)	–	–	(2)	5	–
At 31 March 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**

The expected utilisation of deferred tax assets and liabilities at 31 March 2010 is as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 March 2010 £m	31 March 2009 £m	**31 March 2010 £m**	31 March 2009 £m
Within one year	**18**	2	**(1)**	(2)
After one year	**135**	57	**(2)**	(3)
	153	59	**(3)**	(5)
Offset	**(3)**	(5)	**3**	5
Total	**150**	54	**–**	–

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 2009	3,753	18,126	13	57	21,949
As at 31 March 2010	**3,546**	**21,537**	**167**	**190**	**25,440**

Tax losses (recognised and unrecognised) expire as follows:

	31 March 2010 £m	31 March 2009 £m
Within 1 year	8	13
Within 3 years	5	13
Within 5 years	5	15
Within 10 years	88	81
After more than 10 years	11	48

Other tax losses are not subject to expiry.

The £21,537 million (31 March 2009 - £18,126 million) gross losses include a UK capital loss of £5,197 million (31 March 2009 - £5,192 million). Other losses principally arose in overseas holding companies of £15,547 million (31 March 2009 - £12,096 million) in which the opportunity to realise benefits therefrom is considered remote and in overseas trading companies of £695 million (31 March 2009 - £736 million) where no deferred tax asset is recognised due to uncertainty as to the availability of future taxable profits.

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, and for those interests in joint ventures where it has been determined that no additional tax will arise. The aggregate amount of temporary differences associated with investments where no deferred tax liability is recognised is £nil (31 March 2009 - £nil). Following the change in the UK tax treatment of dividends on 1 July 2009, 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.

28 Provisions

	2009/10					2008/09				
	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	68	7	112	12	199	61	5	64	11	141
Additions from business combinations	7	–	–	–	7	1	–	34	1	36
Additional provisions	15	16	5	43	79	31	23	25	17	96
Amounts used	(15)	(15)	(8)	(32)	(70)	(16)	(19)	(11)	(17)	(63)
Unused amounts reversed	(8)	(2)	–	(7)	(17)	(14)	(2)	(6)	–	(22)
Effect of discounting	4	–	1	–	5	3	–	6	–	9
Exchange differences	–	–	–	–	–	2	–	–	–	2
At 31 March	71	6	110	16	203	68	7	112	12	199
Provisions – current	16	6	5	16	43	16	7	8	12	43
Provisions – non-current	55	–	105	–	160	52	–	104	–	156

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

Redundancy
In the periods presented, redundancy provisions included the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for and spent during the periods primarily related to the restructuring of the Group's business subsequent to the acquisition of THUS Group plc in October 2008. The provision is expected to be used within one year.

28 Provisions continued

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 was also made for the best estimate of the asset retirement obligation associated with office sites, technical sites, domestic and sub-sea cabling. This provision was 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.

Other

Other provisions included the costs of integration of the THUS Group, business transformation initiatives and specific legal claims against the Group.

29 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 to be transferred to the Cable&Wireless Worldwide Group will be determined by reference to the obligations transferred. Under IAS 19, this results 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. Due to the timing of this transfer, no information regarding movements in the CWWRP from 26 March 2010 to 31 March 2010 has been presented as this does not result in material or useful information. Similarly, no comparative information has been presented.

Defined contribution schemes

The pension cost for the year for the Group schemes accounted for on a defined contribution basis was £18 million (2008/09 – £2 million). Of this amount, a net expense of £4 million (2008/09 – net credit of £10 million) related to expenses and credits recognised in respect of management charges as a result of membership of the CWSF allocated historically to the Group. A further £14 million expense (2008/09 – £12 million expense) represented other defined contributions made in respect of Cable&Wireless Worldwide members of the CWSF.

The pre-exceptional defined contribution pension cost has been included in employee benefit expenses (note 9).

Defined benefit schemes

As part of the demerger, Cable&Wireless Worldwide established the CWWRP to administer the plan assets and pension obligations transferred to the Cable&Wireless Worldwide Group from the CWSF. This plan provides defined benefit and defined contribution arrangements for current and former employees of the Cable&Wireless Worldwide Group. These arrangements are provided on the same basis as under the CWSF, operated by the Cable & Wireless Group (now Cable & Wireless Communications Group). The CWRRP 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 assets of the CWWRP include an appropriate share of the bulk annuity policy that was purchased by the Trustee of the CWSF in 2008/09. These annuity policies are treated as pension assets and match the respective pensioner obligations which have been transferred to the CWWRP.

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 is due to take place in 2010/11. 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 2009/10 was £0.3 million. The Group therefore paid a total contribution rate of 28.5% towards the CWSF in respect of its current and former employees in 2009/10, or £9.4 million.

In July 2009, an interim funding agreement was reached with the CWSF Trustee whereby additional contributions were to be paid to the CWSF in anticipation of the 31 March 2010 actuarial valuation. This agreement was replaced with two interim funding agreements, one for CWSF and one for CWWRP, on demerger. As a result, the Group will pay £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.

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 an ongoing 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 2010 by qualified independent actuaries. Lane Clark & Peacock LLP prepared the valuation for the CWWRP and unfunded arrangements in the UK. Towers Watson & Co prepared the valuation for the THUS Group scheme, and reviewed the IAS 19 valuations prepared for all other schemes.

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

	31 March 2010				31 March 2009	
	CWWRP		**Other schemes**		Other schemes	
	Assets £m	**Assumption %**	**Assets £m**	**Assumption %**	Assets £m	Assumption %
Inflation assumption		**3.6**		**3.2**		2.3
Salary increases		**4.1**		**4.1**		4.0
Pension increases		**2.3 – 3.5**		**3.4**		3.0
Discount rate		**5.5**		**5.4**		5.7
Long-term expected rate of return on plan assets						
– Annuity policies	**332**	**5.5**	**–**	**–**	–	–
– Equities	**510**	**8.3**	**73**	**7.8**	54	7.5
– Bonds and gilts	**115**	**5.4**	**53**	**5.1**	40	4.7
– Property	**69**	**6.8**	**–**	**6.8**	–	–
– Cash and swaps	**170**	**3.9**	**4**	**4.0**	2	3.0
	1,196		**130**		96	

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 2010.

Based on these assumptions, the life expectancy of pensioners aged 60 are as follows:

	On 31 March 2010 (years)	On 31 March 2020 (years)	On 31 March 2030 (years)
Male	27.8	29.3	30.8
Female	29.1	30.7	32.3

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.

29 Retirement benefits obligations continued

A one year increase in the life expectancy assumptions would have increased the CWWRP liabilities by approximately £31 million as at 31 March 2010. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £8 million. A 0.25% pa decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around £77 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £13 million. A 0.25% pa change in the assumed rate of salary increases would have changed the liabilities by around £5 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 2010	31 March 2009
	CWWRP £m	**Other schemes £m**	**Total £m**	Other schemes £m
Total fair value of plan assets	**1,196**	**130**	**1,326**	96
Present value of funded obligations	**(1,332)**	**(159)**	**(1,491)**	(110)
Excess of liabilities for funded obligations	**(136)**	**(29)**	**(165)**	(14)
Present value of unfunded obligations	**–**	**(2)**	**(2)**	–
Net deficit	**(136)**	**(31)**	**(167)**	(14)
Liabilities				
Defined benefit pension plans in deficit	**(136)**	**(31)**	**(167)**	(14)
Assets				
Defined benefit pension plans in surplus	**–**	**–**	**–**	–

Included within the Other schemes liabilities is an amount of £nil (2008/09 - £nil) to cover the cost of former Directors' pension entitlements.

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 directly in equity. The effect of these adjustments (described as asset ceiling adjustments) was £nil as at 31 March 2010 and 31 March 2009.

The amounts recognised in the income statement in respect of defined benefit schemes are as follows. Due to the timing of the transfer, no information regarding movements in the CWWRP from 26 March 2010 to 31 March 2010 has been presented.

			2009/10	2008/09
	CWWRP £m	**Other schemes £m**	**Total £m**	Other schemes £m
Current service cost	**–**	**(3)**	**(3)**	(2)
Interest cost	**–**	**(7)**	**(7)**	(4)
Past service cost on demerger	**(141)**	**(2)**	**(143)**	–
Expected return on plan assets	**–**	**6**	**6**	4
Losses on curtailment or settlement (excluding demerger)	**–**	**–**	**–**	(5)
Total net expense	**(141)**	**(6)**	**(147)**	(7)

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

The actual return on the other scheme defined benefit plan assets was a gain of £31 million (2008/09 – loss of £4 million). The main factor in this increase is the experience gains which arose from an increase in asset values in the period due to improving financial market conditions.

The initial recognition of the CWWRP has been recorded as a past service cost of £141 million and treated as an exceptional item (see note 6).

This amount equates to the difference between the estimated IAS 19 value of the plan assets and pension obligations transferred as part of the demerger. It is recognised as a past service cost since this obligation relates entirely to service periods prior to the transfer to the CWWRP.

The total amount recognised in the statement of comprehensive income in the current financial year and cumulatively to 31 March 2010 was a loss of £20 million (2008/09 – loss of £7 million) and loss of £36 million (2008/09 – loss of £16 million) respectively.

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

			2009/10	2008/09
	CWWRP £m	**Other £m**	**Total £m**	Other £m
Fair value of assets as at 1 April	**–**	**96**	**96**	29
Expected return	**–**	**6**	**6**	4
Actuarial gains/(losses) recognised in equity	**–**	**25**	**25**	(8)
Contributions by employer	**5**	**7**	**12**	3
Employee contributions	**–**	**1**	**1**	1
Assets acquired	**–**	**–**	**–**	63
Assets transferred on demerger (note 4)	**1,191**	**–**	**1,191**	–
Benefits paid	**–**	**(4)**	**(4)**	(2)
Exchange differences on foreign plans	**–**	**(1)**	**(1)**	6
Fair value of assets as at 31 March	**1,196**	**130**	**1,326**	96

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

			2009/10	2008/09
	CWWRP £m	**Other £m**	**Total £m**	Other £m
Obligation at 1 April	**–**	**(110)**	**(110)**	(32)
Current service cost	**–**	**(3)**	**(3)**	(2)
Interest cost	**–**	**(7)**	**(7)**	(4)
Actuarial (losses)/gains recognised in equity	**–**	**(45)**	**(45)**	1
Employee contributions	**–**	**(1)**	**(1)**	(1)
Obligations acquired	**–**	**–**	**–**	(63)
Obligations transferred on demerger (note 4)	**(1,332)**	**(2)**	**(1,334)**	–
Settlements/curtailments	**–**	**–**	**–**	(6)
Benefits paid	**–**	**4**	**4**	3
Exchange differences on foreign plans	**–**	**3**	**3**	(6)
Obligation at 31 March	**(1,332)**	**(161)**	**(1,493)**	(110)

Experience gains for the period are as follows:

		31 March 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
	CWWRP £m	**Other £m**	Other £m	Other £m	Other £m	Other £m
Plan assets	**1,196**	**130**	96	29	29	27
Defined benefit pension plan obligations	**(1,332)**	**(161)**	(110)	(32)	(31)	(32)
Deficit	**(136)**	**(31)**	(14)	(3)	(2)	(5)
Experience gains/(losses) on plan assets	**–**	**25**	(8)	(4)	–	3
Experience gains on plan liabilities	**–**	**3**	–	–	2	–

29 Retirement benefits obligations continued

The best estimate of defined benefit contributions for 2010/11 is:

	CWWRP £m	Other £m	Total £m
Employer contributions	21*	6	27
Employee contributions	2	1	3

* 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 2010.

30 Share capital and other reserves

The ultimate parent company of the Group, Cable & Wireless Worldwide plc, was incorporated on 24 September 2009.

As discussed in note 2.1, during the period Cable & Wireless Worldwide plc became the ultimate parent of the Cable&Wireless Worldwide Group. This transaction has been accounted for using the principles of reverse acquisitions.

The main principles used in the presentation of share capital and other reserves for the Cable&Wireless Worldwide Group were as follows:

- The equity instruments of Cable & Wireless Worldwide plc were initially recognised at their fair value on the date of the demerger.
- The movements in share capital prior to 26 March 2010 reflect the movements in the share capital of Cable & Wireless UK Holdings (the former parent of the companies that form part of the Cable&Wireless Worldwide Group). However, share capital for these prior year share issues has been restated using the nominal value of Cable & Wireless Worldwide plc shares at 5 pence each in order to present the movements as though the Cable&Wireless Worldwide Group had been in existence in its current form since 1 April 2008. The difference arising on this restatement has been included in the share premium.
- Any difference between the fair value of these instruments on the date of the demerger and the historical cost of the instruments on issue in Cable & Wireless UK Holdings were recorded in retained earnings.

See note 10 to the financial statements of the Company for further information on the shares issued by the Cable & Wireless Worldwide plc since its incorporation.

	Number of shares	£m
Issued, called-up and fully paid ordinary shares of 5 pence each		
At 1 April 2008	2,539,624,386	127
Issued under recapitalisation	83,947,638	4
At 31 March 2009	2,623,572,024	131
Issued under recapitalisation	1,000,000	–
At 31 March 2010	**2,624,572,024**	**131**

The Company did not repurchase any shares in 2008/09 or 2009/10. The Company did not have any Treasury shares outstanding during the year (2008/09 - nil).

In accordance with the Company's Articles of Association, each share (other than those held in treasury) entitles the holder to one vote at General Meetings of Cable & Wireless Worldwide plc. The Company's shareholders can declare dividends by passing an ordinary resolution but the payment cannot exceed the amount recommended by the Directors. There are no restrictions on the repayment of capital other than those imposed by law. For further information refer to pages 37 to 38 of the Directors' report.

On 26 March 2010 Cable & Wireless Worldwide plc issued 2,624,572,024 ordinary shares of 5 pence each receiving in consideration the business and brand of the Cable&Wireless Worldwide business. This resulted in share capital of £131 million and share premium of £2,527 million (net of issue costs of £14 million). On 29 March a court approved reduction in share capital took place reducing the share premium balance to £56 million.

The Group defines capital as share capital, share premium, other reserves (including capital reserve, fair value reserve and foreign currency translation reserve) and retained earnings. It does not have any externally imposed requirements for managing capital, other than those imposed by company law.

The Group manages its net assets in such a way as to optimise the weighted average cost of debt and equity taking into account:

a) the liquidity required in the 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.

The Articles of Association of the Company permit borrowing up to three times the adjusted capital and reserves of the Group.

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.

Foreign currency translation reserve
The foreign currency translation reserve contains exchange differences on the translation of subsidiaries with a functional currency different to the presentation currency of the Group.

31 Share-based payments

Prior to the demerger, a number of Cable&Wireless Worldwide Group employees participated in share-based payment schemes of the Cable & Wireless Group (now Cable & Wireless Communications Group, an unrelated company). As part of the demerger, the majority of these schemes were rolled over into Cable&Wireless Worldwide Group equivalent share-based payment schemes.

Awards made prior to demerger were granted over Cable and Wireless plc shares. Therefore, some of the information relating to these awards may not be comparable.

Share option schemes
The Group does not currently have any outstanding share option awards over its own shares (2008/09 - nil). There are 1,573,793 outstanding share option awards relating to options granted by Cable and Wireless plc to senior Cable&Wireless Worldwide employees prior to demerger which the Group is obliged to settle. These options were originally issued over Cable and Wireless plc shares at exercise prices between 100-149 pence (1,285,941 options) and 150-199 pence (287,852 options). All options have vested in full. Post-demerger, these options have been 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 liability for these stapled unit options is classified as an other payable and amounts to £nil million.

Other equity instrument awards
Performance Share Plan (PSP)
Under the PSP, Executive Directors and other senior executives can receive awards of performance shares at nil cost.

The vesting of performance shares is subject to relative Cable & Wireless Worldwide plc TSR performance conditions (see performance conditions for share-based awards on pages 46 and 47). 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 re-invested in additional shares.

Prior to demerger, PSP awards by Cable&Wireless Worldwide employees were subject to relative TSR performance of Cable and Wireless plc. Post-demerger, these have been adjusted to be an award over Cable & Wireless Worldwide plc ordinary shares of an equivalent value.

TSR is the main performance measure used in share plans where performance conditions apply as it provides an objective external measure of financial performance. The Remuneration Committee will also consider the underlying financial performance of the Company at the end of the performance period.

The Remuneration Committee considers that it is important to measure and reward relative performance against an appropriate set of companies. The Company's relative TSR performance is assessed against a comparative group comprising the FTSE Global Telecoms Sector Index (FTSE GTSI), which provides a global benchmark of independently selected industry peers. Awards vest depending upon the Company's TSR ranking relative to the comparative group at the end of a single three year performance period.

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

Restricted shares are also used to award matching shares with performance conditions to Executive Directors who invested their own funds into Company shares. Attainment of these matching shares is dependent on the Executive Director continuing to hold the invested shares and on meeting the required TSR performance conditions (if applicable). 100% of any shares awarded under this plan vest after three years.

31 Share-based payments continued

Prior to demerger, RSP awards held by Cable&Wireless Worldwide employees were made in respect of shares in Cable and Wireless plc. Post-demerger, these awards have been adjusted to be an award over Cable & Wireless Worldwide plc ordinary shares of an equivalent value.

Stock appreciation rights plan (SARs)

The SARs plan is used to replicate exactly the plans described above, but rewards are delivered as a cash equivalent. It is used in exceptional cases for countries in which tax or legal issues preclude the use of real shares or share options.

Cable & Wireless Worldwide Share purchase plan (SPP)

The Company also offers its employees, who are chargeable to income tax under Section 15 Income Tax (Earnings and Pensions) Act 2003, the Cable&Wireless Worldwide share purchase plan which is a Revenue approved share incentive plan. Under the SPP, employees can contribute up to a value of £1,500 or 10% of salary each tax year (whichever is the lower), to buy partnership shares in the Company, and the Company will offer a match of one share for each partnership share purchased.

Share awards

The equity instrument awards of the Group can be summarised as follows:

Awards granted to employees of Cable&Wireless Worldwide during 2009/10 and 2008/09

	Awards of Cable & Wireless Worldwide plc shares granted between 26 March 2010 and 31 March 2010			**Awards of Cable and Wireless plc shares granted between 1 April 2009 and 26 March 2010**			Awards of Cable and Wireless plc shares granted during 2008/09		
Award	**Shares**	**Weighted average fair value (pence/share)**	**Features incorporated schemes**	**Shares**	**Weighted average fair value (pence/share)**	**Features incorporated in schemes**	Shares	Weighted average fair value (pence/share)	Features incorporated in schemes
PSP	**–**	**–**	**–**	**11,685,032**	**70**	**TSR**	–	–	–
RSP	**1,916,304**	**86**	**–**	**434,488**	**129**	**–**	581,059	150	–
SARs	**–**	**–**	**–**	**589,039**	**142**	**–**	479,406	136	–
SPP scheme (matching shares)	**–**	**–**	**–**	**1,709,051**	**140**	**–**	1,306,472	156	–

The Monte Carlo pricing model assumptions used in the pricing of the PSP grants (based on Cable and Wireless plc shares) in 2009/10 and 2008/09 were:

	2009/10	2008/09
Weighted average share price (pence per share)	**140**	142
Dividend yield	**6.2%**	5.5%
Expected volatility	**33.2%**	31.0%
Risk-free interest rates	**1.8%**	3.0%
Expected life in years	**2.9 years**	3 years

A summary of the outstanding share awards at 31 March 2010 is as follows:

	31 March 2010		
Award	**Number of shares outstanding**	**Weighted average fair value (pence/share)[1]**	**Weighted average remaining life (rounded to nearest year)**
PSP	**18,427,248**	**70**	**3**
RSP	**2,191,054**	**86**	**1**
SARs	**867,684**	**92**	**2**

1 The fair value of share awards made in respect of shares in Cable and Wireless plc has been adjusted in line with the conversion of share awards into Cable & Wireless Worldwide plc awards. This adjustment was based on the proportion of value of Cable & Wireless Worldwide plc to the combined value of Cable & Wireless Worldwide plc and Cable & Wireless Communications Plc for the five trading days post-demerger.

The total expense relating to share-based payments which are equity settled transactions was £8 million (2008/09 – £6 million). In 2009/10, this expense included £3 million related to early vesting of share purchase plan awards on demerger, which is shown in exceptional items in note 6.

32 Reconciliation of net funds

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 funds is as follows:

	2009/10 £m	2008/09 £m
Increase in cash during the year	**79**	123
(Increase)/decrease in debt and lease financing	**(97)**	25
Cash (outflow)/inflow in net funds	**(18)**	148
Finance leases entered into during the year	**(21)**	(12)
Net debt of businesses acquired	**–**	(119)
Exchange differences	**3**	(1)
Movement in net funds in the year	**(36)**	16
Net funds at 1 April	**16**	–
Net (debt)/funds at 31 March	**(20)**	16

Analysis of changes in net funds:

	At 1 April 2009 £m	Cash flow £m	Finance leases entered into during the year £m	Exchange movements £m	**At 31 March 2010 £m**
Cash at bank and in hand	74	(26)	–	3	**51**
Short-term deposits	70	105	–	–	**175**
Cash and cash equivalents	144	79	–	3	**226**
Debt due within one year	(18)	1	(8)	–	**(25)**
Debt due after one year	(110)	(98)	(13)	–	**(221)**
Total debt	(128)	(97)	(21)	–	**(246)**
Total net funds	16	(18)	(21)	3	**(20)**

33 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 £118 million (31 March 2009 – £86 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 Group leases land and buildings and networks under various lease agreements. The leases have varying terms, escalations, clauses and renewal rights.

The operating lease expenditure related to the year ended 31 March 2010 is disclosed in note 6. The aggregate future minimum lease payments under non-cancellable operating leases are:

	31 March 2010 £m	31 March 2009 £m
No later than one year	**121**	114
Later than one year but not later than five years	**198**	230
Later than five years	**263**	209
Total minimum operating lease payments	**582**	553

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 2010 £m	31 March 2009 £m
Trading guarantees	**513**	400
Other guarantees	**59**	73
Total guarantees	**572**	473

Trading guarantees principally comprise performance bonds for contracts concluded in the normal course of business, guaranteeing that the Group will meet its obligations to complete projects in accordance with the contractual terms and conditions. The nature of contracts includes projects, service level agreements, installation of equipment, surveys, purchase of equipment and transportation of materials. The guarantees 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 2010, these guarantees amounted to £378 million (31 March 2009 – £462 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.

34 Business combinations and acquisitions of non-controlling interests

There were no subsidiaries acquired during 2009/10.

THUS Group

On 1 October 2008, Cable & Wireless obtained control of THUS Group plc (THUS Group) for a total consideration of £343 million. The consideration comprised £336 million to acquire the entire share capital of THUS Group and £7 million of direct costs.

The acquisition is summarised below:

	Provisional amounts at 31 March 2009 £m	Final amounts at 30 September 2009 £m
Consideration paid	343	343
Goodwill arising on acquisition	341	358
Fair value of net assets acquired	2	(15)
Cash outflows on acquisition	343	343
Less: cash acquired	(13)	(13)
Net cash outflow on acquisition	330	330

The Directors made a provisional assessment of the fair values of the assets and liabilities at 31 March 2009. This assessment was updated at 30 September 2009 to adjust for new information regarding the previously assessed balances. The fair values, both provisional and final, were as follows:

	Book value £m	Alignment of accounting policy £m	Fair value adjustments £m	Provisional fair value at 31 March 2009 £m	Adjustments £m	Adjusted fair value at 30 September 2009 £m
Property, plant and equipment	282	–	(80)	202	–	202
Purchased goodwill	50	–	(50)	–	–	-
Customer contracts and relationships	–	–	15	15	–	15
Trademarks and other intangibles	8	–	(3)	5	–	5
Trade and other receivables	130	5	(29)	106	(4)	102
Inventories	7	–	(7)	–	–	–
Deferred tax	56	(56)	–	–	–	–
Defined benefit pension scheme	4	(4)	–	–	–	–
Cash and cash equivalents	13	–	–	13	–	13
Available-for-sale financial assets	10	–	–	10	–	10
Trade and other payables	(111)	(64)	(28)	(203)	(6)	(209)
Loans and other borrowings	(113)	–	–	(113)	–	(113)
Provisions	–	(33)	–	(33)	(7)	(40)
Total	**336**	**(152)**	**(182)**	**2**	**(17)**	**(15)**

Goodwill arising on the acquisition of THUS Group included the value of expected synergies resulting from the integration into the existing Cable&Wireless Worldwide business, the value of the workforce and other intangible assets that did not meet the recognition criteria set out in IAS 38 *Intangible Assets* as they were unable to be separately identified.

In 2008/09, THUS Group contributed £237 million to Group revenue and a loss of £17 million to Group profit from the date of acquisition. If the acquisition had occurred on 1 April 2008 the contribution to Group revenue would have been £518 million and the contribution to Group profit would have been a loss of £34 million.

Apollo
On 1 April 2008 the Group gained full management control of Apollo Cable Submarine Systems Limited ('Apollo') which was previously accounted for as a joint venture. Goodwill arising on this business combination amounted to £9 million. The net liabilities acquired were £9 million (including £4 million of cash and cash equivalents). In 2008/09, Apollo contributed £7 million to revenue and £nil to profit after tax. On 13 November 2008 the Group increased its effective interest in Apollo from 55% to 60% for consideration of £nil. This transaction resulted in £nil of minority interest transferred to retained earnings and a £nil increase in other reserves.

35 Related party transactions

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.

The following sales and purchases and respective balances have arisen from transactions between the Cable&Wireless Worldwide Group and Cable & Wireless Communications Group companies.

	2009/10 £m	2008/09 £m
Sales to Cable & Wireless Communications Group companies	**8**	7
Purchases from Cable & Wireless Communications Group companies	**(6)**	(6)
Management (charge)/credit for the Cable & Wireless Superannuation Fund pension plan	**(4)**	10
Interest on funding balance with the Cable & Wireless Communications Group	**(14)**	(74)

	31 March 2010 £m	31 March 2009 £m
Trade payables with Cable & Wireless Communications Group companies	**(3)**	(3)
Other receivables with Cable & Wireless Communications Group companies	**79**	37
Funding loan with the Cable & Wireless Communications Group	**–**	(976)

Other receivables relates 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.

In accordance with the demerger terms, Cable & Wireless Communications Group has agreed to transfer 22 million shares held by the Cable&Wireless Employee Share Ownership Trust to the Cable & Wireless Worldwide Employee Share Ownership Trust. This transfer will occur in May 2010. The shares received will be included in equity.

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 36 for further information.

The Group has also provided indemnities to the Cable & Wireless Communications Group for trading guarantees. See note 33 for further information.

Transactions with key management personnel
There were no material transactions with key management personnel except for those relating to remuneration (see notes 9 and 31), and shareholdings.

Transactions with other related parties
There are no controlling shareholders of the Group.

There have been no material transactions with the shareholders of the Company. Other than the parties disclosed above, the Group has no other material related parties.

36 Licences

In a number of countries the Group holds licences to operate. These licences take a variety of forms and their terms, rights and obligations vary significantly. The Group assumes that it will renew licences as they expire. Previous history indicates this is the most likely outcome.

There were no significant changes to the terms of the Group's licences and operating agreements in the periods presented.

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 and Cable&Wireless Worldwide Groups. As part of this transfer, Cable&Wireless Worldwide received a royalty free licence granting full rights to use the Cable & Wireless brand held by the joint venture in the Group's jurisdictions.

37 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 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.

38 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 therefore only includes those 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.

39 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 Treasury, within specified financial limits for each type of transaction and counterparty.

To the extent that subsidiaries undertake treasury transactions, these are governed by Group policies and delegated authorities. Material subsidiary positions are monitored by Treasury. Where appropriate, transactions are reported to the 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 from time to time 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 currently does not hold any hedging instruments.

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 2010		31 March 2009	
	Financial assets £m	**Borrowings £m**	Financial assets £m	Borrowings £m
Sterling	**178**	**204**	138	95
US dollar and currencies linked to the US dollar	**31**	**7**	1	8
Euro	**10**	**–**	8	–
Other currencies	**8**	**3**	8	3
	227	**214**	155	106

Interest rate risk
At 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. The Treasury function may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate. There were no interest rate derivatives in place as at 31 March 2010.

A one percentage point lowering of interest rates will have a £2 million impact on the income received from the surplus cash balances of the Cable&Wireless Worldwide Group and a £nil impact on borrowings with floating interest rates. The impact on equity is limited to the impact on the income statement.

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. Management seeks to reduce this 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 is monitored on a continuing basis.

The types of instrument used for investment of funds are prescribed in Group treasury policies approved by the Board. These policies contain limits on exposure to any one counterparty.

Credit risk on receivables is discussed in note 20.

Liquidity risk
At 31 March 2010, the Group had cash and cash equivalents of £226 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 and 22 to 24.

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.

40 Reconciliation of GAAP to non-GAAP items

	2009/10 £m	2008/09 £m
Total operating (loss)/profit	**(59)**	21
Depreciation and amortisation	**268**	212
LTIP charge	**14**	17
Net other operating expense	**1**	–
Exceptional items	**207**	76
EBITDA	**431**	326

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CABLE & WIRELESS WORLDWIDE PLC[1]

We have audited the parent company financial statements of Cable & Wireless Worldwide plc for the period from incorporation on 24 September 2009 to 31 March 2010 set out on pages 106 to 112. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 56, the Directors are responsible for the preparation of the Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Company 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 web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010;
- have been properly prepared in accordance with UK GAAP as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 39, in relation to going concern; and
- The part of the Corporate Governance Statement on pages 40 to 41 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the consolidated financial statements of Cable & Wireless Worldwide plc for the year ended 31 March 2010.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
26 May 2010

1 Formerly Cable & Wireless Worldwide Limited, formerly Project Swan No. 1 Limited.

COMPANY BALANCE SHEET

as at 31 March 2010

	Note	31 March 2010 £m
Fixed assets investments		
Investments in subsidiaries	6	**2,907**
Current assets		
Debtors	7	**1**
Current liabilities		
Creditors: amounts falling due within one year	8	**(24)**
Net current liabilities		**(23)**
Total assets less current liabilities		**2,884**
Non-current liabilities		
Loans	9	**204**
Net assets		**2,680**
Capital and reserves		
Called-up share capital	10	**131**
Share premium account	10	**56**
Other reserves	10	**2,493**
Profit and loss account	10	**–**
Equity shareholders' funds		**2,680**

The accompanying notes on pages 108 to 112 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 106 and 107 were approved by the Board of Directors on 26 May 2010 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 period 24 September 2009 to 31 March 2010

	24 September 2009 - 31 March 2010 £m
Profit for the period	–
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
Increase in equity shareholders' funds	2,680
Opening equity shareholders' funds	–
Closing equity shareholders' funds	2,680

The accompanying notes on pages 108 to 112 are an integral part of the financial statements of the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the period 24 September 2009 to 31 March 2010

1 Statement of accounting policies

Cable & Wireless Worldwide plc (the Company) (formerly Cable & Wireless Worldwide Limited, formerly Project Swan No. 1 Limited) was incorporated on 24 September 2009.

1.1 Basis of preparation

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

These financial statements set out the position of the Company and not the Cable&Wireless 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.

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.

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.

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 Pensions

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

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 profit for the period from incorporation to 31 March 2010 of the Company amounted to £nil million.

3 Remuneration of Directors

Information covering Directors' remuneration, interests in shares, share options and pension benefits is set out in the Directors' remuneration report on pages 44 to 55.

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 numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the period since incorporation was:

	24 September 2009 - 31 March 2010
Average number of persons employed by the Company	**3**

Directors were not paid for their services to the Company until 26 March 2010. For the five day period, the Directors' employment costs were £nil million. Refer to page 51 of the Directors' remuneration report for further information.

6 Fixed asset investments

	Subsidiary undertakings £m
Cost	
At 24 September 2009	–
Additions	2,673
At 31 March 2010	**2,673**
Loans	
At 24 September 2009	–
Additions	234
At 31 March 2010	**234**
Net book value	
At 31 March 2010	**2,907**

7 Debtors

	31 March 2010 £m
Amounts falling due within one year	
Amounts owed by subsidiary undertakings	**1**
Total debtors	**1**

There is no material difference between the carrying value and fair value of debtors at 31 March 2010.

8 Creditors

	31 March 2010 £m
Amounts falling due within one year	
Amounts owed to subsidiary undertakings	**19**
Accruals and deferred income	**5**
Total creditors	**24**

There is no material difference between the carrying value and fair value of creditors at 31 March 2010.

9 Loans

	31 March 2010 £m
Convertible bonds	204
Total non-current loans	**204**

The convertible bonds due in 2014 of £230 million were issued by Cable and Wireless plc on 24 November 2009 and transferred to the Company on the date of demerger. These bonds were separated into loans and equity of the Group as £208 million of loans and £22 million of equity. Directly attributable transaction costs of £4 million were capitalised against the loan component as part of this transaction.

Further details can be found in note 24 of the consolidated financial statements.

10 Called-up share capital and reserves

The Company was incorporated on 24 September 2009. On incorporation, the Company's authorised share capital was £1 consisting of one ordinary share of £1.

On 25 January 2010, the Company issued one ordinary share of £1 and two redeemable preference shares of £25,000 each. The ordinary share was issued to the subscribers to the memorandum of association and paid up in full in cash. The preference shares were allotted for cash and remained unpaid (by virtue of the holder giving an undertaking to pay up each share to such amount pursuant to sections 583(2) and 583(3) of the Companies Act 2006 (the "Act")). On the same date, the existing ordinary shares of £2 were subdivided into 40 ordinary shares of 5 pence each.

On 26 March 2010, the Company issued 2,624,571,984 ordinary shares of 5 pence each at a premium of 97 pence per share, less issue costs of £14 million, to the public shareholders of Cable & Wireless Communications Plc in return for the receipt of the entire share capital of Cable & Wireless UK Holdings Limited.

On 29 March 2010, the share premium relating to the 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.

On 25 May 2010, a duly constituted committee of the Board of Directors approved the release of £85 million, being an amount sufficient to allow payment of the proposed dividend.

On 31 March 2010, the preference shares were redeemed pursuant to Article 8 of the Articles.

Allotted, called-up and fully paid

	31 March 2010 £m
2,624,572,024 ordinary shares of 5 pence each	131

	Share capital £m	Share premium £m	Capital and other reserves £m	Profit and loss account £m	Total £m
At incorporation on 24 September 2009	–	–	–	–	–
Share capital issued on acquisition of Cable&Wireless Worldwide business	131	2,527	–	–	2,658
Profit for the period	–	–	–	–	–
Reduction of capital	–	(2,471)	2,471	–	–
Equity component of convertible bonds	–	–	22	–	22
At 31 March 2010	**131**	**56**	**2,493**	**–**	**2,680**

11 Related party transactions
Under FRS 8 *Related Party Disclosures*, the Company is exempt from the requirement to disclose transactions with entities that are wholly owned.

Transactions with the Cable & Wireless Communications Group post-demerger

All transactions entered into are done so at arms 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 31 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 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 ventures					
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
Refer to note 14 in the consolidated financial statements.

14 Commitments
The Company had no capital commitments at 31 March 2010.

15 Guarantees and contingent liabilities
The Company had provided trading guarantees of £125 million at 31 March 2010.

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.

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.

EXTRACTS FROM THE CABLE & WIRELESS WORLDWIDE PLC PROSPECTUS (UNAUDITED)

The following information was included in the Cable & Wireless Worldwide plc prospectus issued on 2 February 2010, and is repeated here in accordance with Listing Rule 9.2.18. This information has been extracted without amendment from pages 70 and 143 to 144 of the Cable & Wireless Worldwide plc prospectus. For a full understanding, it should only be read in conjunction with that document. This prospectus can be obtained from the Company Secretary or from www.cw.com.

Capitalisation and indebtedness

The following table sets out the unaudited capitalisation and indebtedness of the Cable&Wireless Worldwide Group. The financial information in this table as at 30 November 2009 has been extracted without material adjustment from the unaudited accounting records of the Cable&Wireless Worldwide Group.

	As at 30 November 2009 £m
Current debt	
Loans (guaranteed)	6
Finance leases (secured)	11
Total current debt	17
Non-current debt	
Loans (guaranteed)	1
Loans (secured)	97
Finance leases (secured)	15
Total non-current debt	113
Total debt	130
Analysis of debt	
Total secured	123
Total guaranteed	7
	130
Liquidity	
Cash and cash equivalents	109
Total	109
Current debt	(17)
Net current cash	92
Non-current debt	(113)
Net debt	(21)

As at 31 December 2009, the Cable&Wireless Worldwide Group had cash and cash equivalents of £91 million, debt of £116 million (of which £81 million was drawn down under its bank facilities) and undrawn facilities of £126 million.

Profit forecast for the Cable&Wireless Worldwide Group for the year ended 31 March 2010

On 5 November 2009, Cable and Wireless plc published its Interim Results for the six months ended 30 September 2009. The Interim results contained the following statements in respect of the Cable & Wireless Group:

"With EBITDA growth of 44% in the first half, the Cable&Wireless Worldwide Group business is performing well as we continue to increase margin from our strategic product set and reduce costs in the face of a global recession which has led to lower traditional voice revenue and less discretionary project work. We continue to expect that the Cable&Wireless Worldwide Group 2009/10 EBITDA will be approximately £430 million. We have reclassified £20 million of cost to achieve the THUS Group synergies from exceptionals to capital expenditure, reflecting a change in how the costs are expected to arise. We have reduced our expected Cable&Wireless Worldwide Group P&L exceptional costs for 2009/10 by £15 million to £55 million, reflecting the reclassification of THUS Group costs to achieve, partially offset by bringing forward £5 million of exceptional restructuring costs from 2010/11. Overall, the Cable&Wireless Worldwide Group's cash guidance remains unchanged."

Accordingly, on the basis of preparation, and based on the principal assumptions set out below, the Directors forecast that for the year ending 31 March 2010, the post-exceptional EBITDA (as defined below) of the Cable&Wireless Worldwide Group will be approximately £375 million. The statements above regarding post-exceptional EBITDA in 2009/10 represent a profit forecast under the Prospectus Rules. The Directors have considered the above statement and continue to believe that it is valid based on the assumptions below.

The Directors do not expect the full year tax profile for the Cable&Wireless Worldwide Group to be materially different from that set out in the income statement for the Cable&Wireless Worldwide Group for the six months ended 30 September 2009.

Basis of preparation

The Directors confirm that the profit forecast described in the section entitled "Profit forecast for the Cable&Wireless Worldwide Group for the year ended 31 March 2010" (the Profit Forecast), has been properly compiled on the basis of the assumptions stated below and using accounting policies which are in accordance with IFRS, as adopted in the EU, and is consistent with those adopted by the Cable&Wireless Worldwide Group in the preparation of the accounts.

The Profit Forecast is based upon the audited consolidated results for the six months ended 30 September 2009, the results shown by unaudited management accounts for the three months ended 31 December 2009 and the Directors' forecast of the results for the three month period ending 31 March 2010.

Post-exceptional EBITDA represents earnings before interest, tax, depreciation and amortisation, LTIP credit/charge and net other operating income/expense. The Profit Forecast does not include any costs related to the demerger.

The Profit Forecast is stated on the basis of the EBITDA after exceptional items rather than profit before tax due to the extent of existing guidance which has been provided to the market by Cable and Wireless plc on both EBITDA and exceptional items. Guidance on the EBITDA performance of the Cable&Wireless Worldwide Group has been provided for a number of years as it represents the measure on which management consistently assess the performance of the business and it is also the measure on which both shareholders and analysts attach greatest significance. During the course of 2009, Cable and Wireless plc also provided guidance on the level of exceptional items in the Cable&Wireless Worldwide Group. Accordingly, the Directors consider EBITDA after exceptional items to be the most appropriate basis to present the Profit Forecast.

Principal assumptions

The Profit Forecast has been prepared on the basis of the following principal assumptions:

Assumptions within the control or influence of the Directors

There will be no material acquisitions and disposals during the financial year ending 31 March 2010 other than those already reported.

Assumptions outside the control or influence of the Directors

The main assumptions outside the control of the Directors are:

- there will be no material changes to the general trading and economic conditions in each of the markets or jurisdictions in which the Cable&Wireless Worldwide Group operates from that which is currently prevailing and/or anticipated by the Directors, which would cause a material change in levels of demand;
- there will be no material litigation or customer dispute that may arise in the period other than those that are currently prevailing and/or anticipated by the Directors;
- there will be no change to legislation or regulatory environments in the jurisdictions in which the business operates that would materially impact on the Cable&Wireless Worldwide Group's operations, or its accounting policies;
- there will be no major disruption to the business of the Cable&Wireless Worldwide Group, its suppliers or customers due to natural disaster, terrorism, extreme weather conditions, industrial disruption, civil disturbance or government action;
- there will be no material changes in interest, inflation or exchange rates;
- there will be no material change in the present management or control of the Cable&Wireless Worldwide Group or its existing operational strategy; and
- the Cable&Wireless Worldwide Group will continue to enjoy the goodwill and confidence of present and potential customers, and of its strategic partners.

SHAREHOLDER INFORMATION
USEFUL INFORMATION

Registrar
If you have any queries regarding your shareholding in Cable & Wireless Worldwide plc, please contact:

Equiniti,
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA
United Kingdom
Telephone: 0871 384 2104[1] (UK shareholders)
+44 (0)121 415 7052 (overseas shareholders)

Shareholders can view up-to-date information about their shareholding at www.shareview.co.uk.

THUS Group plc shareholders
If you have not yet completed your Form of Acceptance relating to your shares in THUS Group plc, please contact:

The Dissentients Department,
Capita Registrars,
The Registry,
34 Beckenham Road,
Beckenham,
Kent BR3 4TU
United Kingdom
email: dissentients@capitaregistrars.com
or call them on 0871 664 0300[2] (UK shareholders)
+44 (0)20 8639 3399 (overseas shareholders).

ShareGift
If you have a small number of shares whose value makes them uneconomic to sell, you may wish to consider donating them to charity. ShareGift is a registered charity (no. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. Further information about ShareGift and the charities it supports is available at www.ShareGift.org or by contacting them at:

17 Carlton House Terrace,
London SW1Y 5AH
United Kingdom

Registered Office and Company Secretary
The Company's Registered Office and Head Office is:

Liberty House,
76 Hammersmith Road,
London W14 8UD
United Kingdom
Telephone: +44 (0)1344 713 000
email: companysecretary@cw.com

Philip Davis is the General Counsel and Company Secretary.

Investor Relations
Enquiries may be directed to:

Liberty House,
76 Hammersmith Road,
London W14 8UD
United Kingdom

Kieran McKinney is the Director of Investor Relations.
Telephone: +44 (0) 208 243 4700
email: IR@cw.com

Financial calendar

Ex-dividend date	9 June 2010
Record date	11 June 2010
AGM	21 July 2010
Payment of final dividend	12 August 2010
Announcement of interim results 2010/11	9 November 2010

Dividends
The Directors have recommended a dividend for the year ended 31 March 2010 of 3.00 pence per ordinary share. Subject to approval at the AGM, the dividend will be payable on 12 August 2010 to ordinary shareholders on the register at the close of business on 11 June 2010.

In the Company's prospectus dated 2 February 2010, the Company announced its intention to pay such a dividend and explained that when aggregated with the interim dividend of 3.16 pence per share paid by Cable and Wireless plc on 22 January 2010 and the dividend of 3.34 pence per share expected to be declared by Cable & Wireless Communications Plc, the resultant notional full year dividend for a former holder of Cable and Wireless plc shares (assuming they have retained the shares in the Company and Cable & Wireless Communications pursuant to the Demerger) is 9.50 pence per ordinary share.

Subject to approval at the AGM, Cable & Wireless Worldwide plc intends to offer a scrip dividend scheme. Save for the CREST shareholders referred to below, if you have already registered for the Cable and Wireless plc scrip dividend scheme then you need do nothing, as you will automatically continue to receive scrip dividends under the new Cable&Wireless Worldwide Scrip Dividend Scheme. If you are a CREST shareholder who has previously submitted an evergreen CREST Dividend Election Input Message for the Cable and Wireless plc scrip then you will need to make a new election if you wish to join the Cable&Wireless Worldwide Scrip Dividend Scheme for the dividend (and all future dividends) by submitting a CREST Dividend Input Message prior to 5pm on Monday 19 July 2010.

If you do not currently receive scrip dividends but would like to join the Cable&Wireless Worldwide scrip dividend scheme for the dividend (and all future dividends) then please complete and return the mandate form enclosed with this Annual Report to the Registrar, Equiniti, prior to 5pm on Monday 19 July 2010. Additional copies of the mandate form and the scrip dividend brochure can be obtained from Equiniti (UK callers: 0871 384 2268[1], overseas callers +44 (0) 121 415 7173) or from the Company's website.

If your dividend is paid directly into your bank or building society, you will receive one consolidated tax voucher each year, which is sent to you in January at the time that the interim dividend is paid. If you would prefer to receive a tax voucher with each dividend, please contact our shareholder helpline on 0871 384 2104[1].

If your dividend is not currently paid direct to your bank or building society and you would like to benefit from this service, please contact our shareholder helpline on 0871 384 2104[1]. By receiving your dividends in this way you can avoid the risk of cheques getting lost in the post. It is also now possible for shareholders in over 30 countries worldwide to benefit from a similar service. Further information can be obtained from www.shareview.co.uk or by calling +44 (0)121 415 7052.

Apportionment of tax base cost in Cable and Wireless plc shares
Based on the share prices of Cable & Wireless Communications Plc and Cable & Wireless Worldwide plc on 26 March 2010, a shareholder's base cost in Cable and Wireless plc shares for UK capital gains tax purposes will be allocated 37.78% to Cable & Wireless Communications Plc and 62.22% to Cable&Wireless Worldwide plc.

March 1982 value
The closing mid-market price of Cable and Wireless plc's shares on 31 March 1982 was 243 pence. When adjusted for subsequent bonus issues and share splits, this corresponds to a price of 40.5 pence for each share still held immediately prior to the Demerger.

Cable & Wireless Worldwide plc trading market
The Company's shares are traded on the London Stock Exchange. As at 31 March 2010, the Company had a market capitalisation of approximately £2,415 million.

At year end, the Company was 93 out of 100 in the FTSE 100. The high and low middle market quotations for the ordinary shares on the London Stock Exchange as reported on its Daily Official List. For the period from 26 March 2010 to 31 March 2010 were 98.5 pence and 86.8 pence respectively.

LSE ticker: CW.
ISIN: GB00B5WB0X89

Distribution and classification of Cable & Wireless Worldwide plc shareholdings

Shares at 31 March 2010	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	68,890	67.48	29,243,608	1.11
1,001 – 10,000	30,457	29.83	78,133,646	2.98
10,001 – 100,000	2,078	2.04	48,790,738	1.86
100,001 – 1,000,000	395	0.39	142,603,417	5.43
1,000,001 and over	270	0.26	2,325,800,615	88.62
Total	102,090	100.00	2,624,572,024	100.00

Electronic communication
Together with Equiniti, Cable & Wireless Worldwide plc is able to offer shareholders the option to manage their shareholding online and receive communications from the Company electronically as an alternative to receiving documents through the post. To make use of this facility, please register at www.shareview.co.uk following the onscreen instructions.

Unsolicited mail
Company law allows people unconnected with the Company to obtain a copy of our share register. As a consequence, shareholders may receive unsolicited mail, including mail from unauthorised investment firms. For more information on unauthorised investment firms targeting UK investors, you should visit the website of the Financial Services Authority (www.moneymadeclear.org.uk).

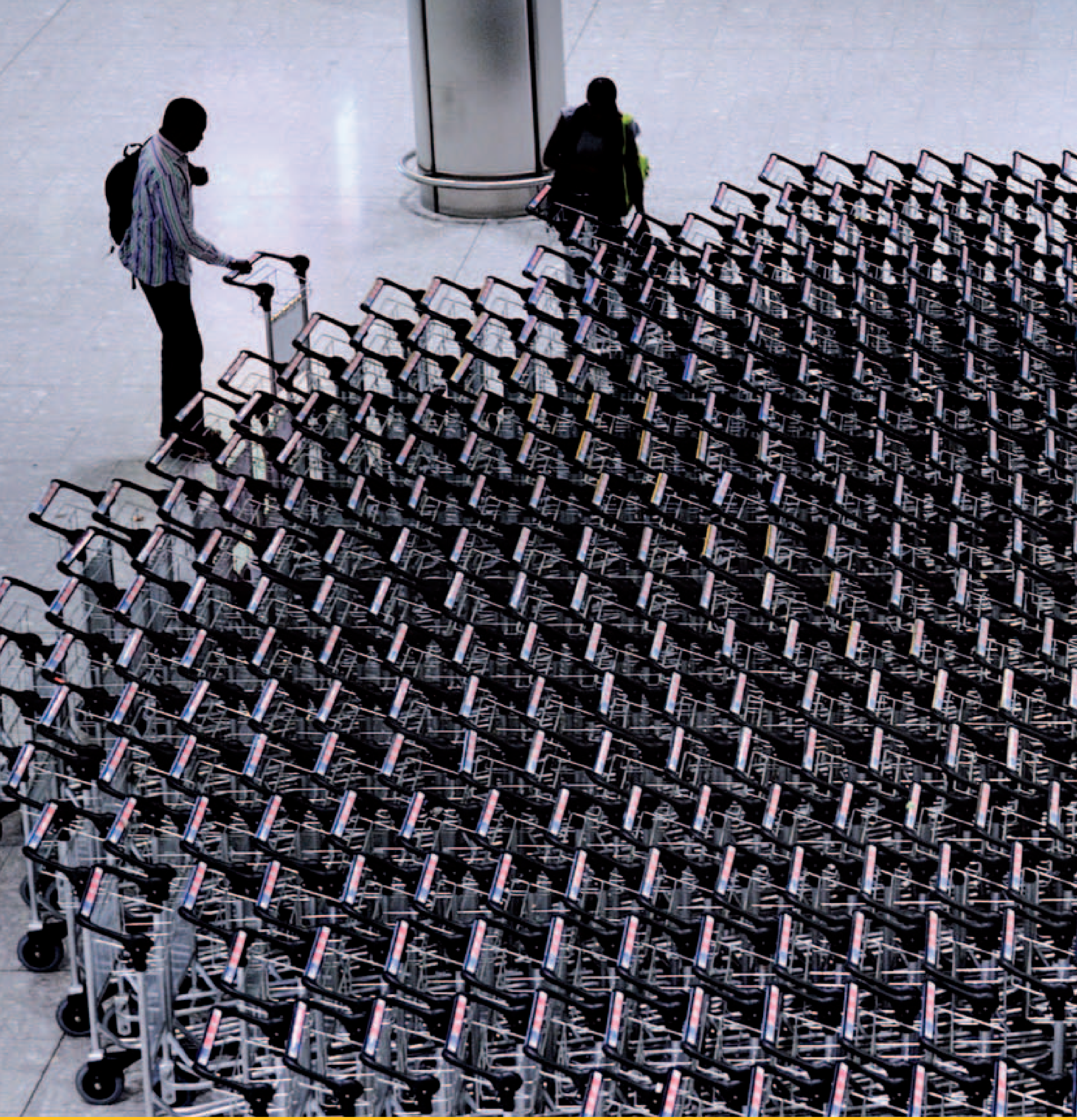
If you wish to limit the amount of unsolicited mail you receive, please contact:

The Mailing Preference Service,
DMA House,
70 Margaret Street,
London W1W 8SS
United Kingdom
Telephone: 0845 703 4599
Online www.mpsonline.org.uk

Documents on display
Shareholders can view the service contracts of Executive Directors and letters of appointment of Non-executive Directors at the Company's Registered Office. Shareholders may also obtain copies of the Company's Articles of Association at the Company's Registered Office or on the website (www.cw.com).

Alternative format
If you would like this Annual Report and Accounts or any other shareholder documentation in an appropriate alternative format, please send a request to companysecretary@cw.com.

1 Calls to this number are charged at 8p per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.
2 Calls to this number are charged at 10p per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.



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