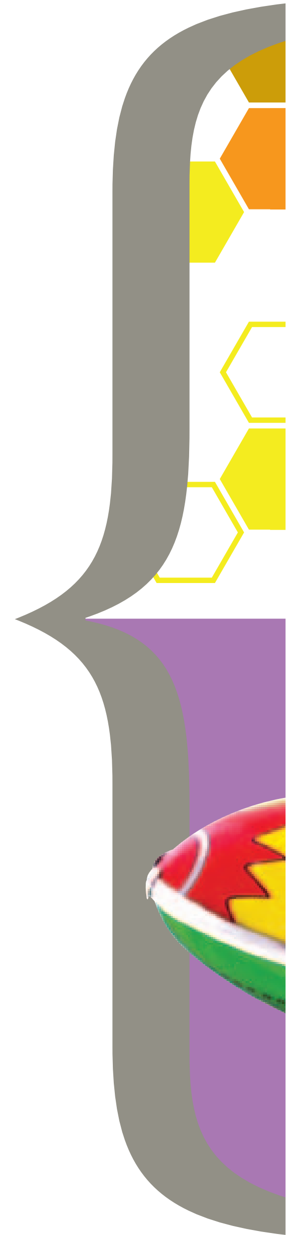
Two businesses. One goal.



CABLE & WIRELESS

2008/09 Annual report

CWI
(formerly International)

We're transforming our business and delivering improving results.

To find out more go to:
> Page 08

WORLDWIDE
(FORMERLY EUROPE, ASIA & US)

OUR FOCUS ON GREAT CUSTOMER SERVICE IS CONTINUING TO DELIVER.

To find out more go to:
> Page 20

We have one goal – to create sustainable shareholder value.
We've continued our progress this year – our two businesses have performed well and are growing in profitability.

delivering

£822m +36%
EBITDA

£422m +37%
Group profit before tax and exceptional items

8.50p +13%
Recommended full year dividend per share

Definitions
This Annual Report of Cable and Wireless plc has been prepared in accordance with English legal and Listing Rules requirements. The Annual Review for the year ended 31 March 2009 is published as a separate document.

Unless otherwise stated in this Annual Report, the terms 'Cable & Wireless', the 'Group', 'Cable & Wireless Group', 'it', 'we', 'us' and 'our' refer to Cable and Wireless plc and its subsidiaries collectively. The term 'Company' refers to Cable and Wireless plc.

Cable & Wireless 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 on pages 63 to 119 of this report.

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

EBITDA is defined as earnings before interest, tax, depreciation and amortisation, Long Term Incentive Plan (LTIP) charge and net other operating income and expense. Unless otherwise stated, EBITDA excludes exceptional items.

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

As the US dollar is the dominant currency for the CWI business, its results are reported in the CWI section in US dollars to give a better reflection of its underlying performance. The average US$:£ exchange rate for 2008/09 was 1.7581 compared to 2.0041 for 2007/08. To aid understanding of trading performance, some CWI commentary refers to changes in terms of constant currency. Constant currency change is based on the restatement of comparatives at 2008/09 average exchange rates.

Information has been updated to the most practical date prior to the approval date of the document, being 20 May 2009.

Cautionary statement regarding forward looking statements
This Annual Report contains forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'will', 'may', 'should', 'would', 'could' or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable & Wireless' 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 are set out on pages 37 to 38.

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

Cable & Wireless 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 38 constitute the Chairman's statement and business review of Cable and Wireless 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 42 to 45 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 and Wireless 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 60 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.

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Introduction
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Shareholder information

Two businesses

Cable & Wireless is one of the world's leading telecommunications companies. We operate through two standalone businesses – CWI and Worldwide – with a small Central team as portfolio manager.

CWI > Page 08

CWI owns and operates **full service telecommunications** businesses through four regional operations in the Caribbean, Panama, Macau and Monaco & Islands.

At a glance
We are the leading telecommunications provider in the majority of our markets. We offer mobile, broadband and domestic and international fixed line services to homes, small and medium-sized enterprises, corporate customers and governments.

Mission and strategy
Our mission is to own and operate world class telecoms businesses through our four self-sustaining and profitable regional operations, with the added scale of a strong central owner.

We are focused on generating even more value from our operations through four levers – transformation; performance improvement; synergies and expertise; and growth.

Highlights of the year

- EBITDA up 11% to US$921 million
- An increasingly efficient business with improving gross margin and EBITDA margin
- 'One Caribbean' transformation programme delivering
- Panama mobile market share growing despite further competition
- Macau concession renewal agreed subject to the ratification process

WORLDWIDE > Page 20

WORLDWIDE IS A GLOBAL COMMUNICATIONS BUSINESS PROVIDING MISSION CRITICAL TELECOMS TO LARGE ORGANISATIONS.

At a glance
We specialise in providing high quality communication services such as IP, data, voice and hosting to the largest users of telecoms services. We provide connectivity to 153 countries. Our core markets are the UK, Asia, Middle East and Africa.

Mission and strategy
Our mission is to be the first choice for providing mission critical telecoms services to the largest organisations in our chosen markets.

We aim to deliver this strategy by specialising in large customers; delivering market-leading capability; giving the best customer service; and offering customers the best value.

Highlights of the year

- Acquisition and successful integration of Thus
- Increased share of the UK enterprise market to 19%
- EBITDA growth of 49% including Thus and 36% excluding Thus
- Positive trading cash flow, the first for many years
- More than 150 customers now using our Multi Service Platform

Chairman's review

Richard Lapthorne
Chairman

2008/09 has been a year in which Cable & Wireless has stood out from the pack. Amid difficult economic conditions for all businesses we have achieved a healthy set of results.

The economic conditions and state of the credit and equity markets over the past 12 months are unprecedented. I have seen several recessions, but none that has affected each region of the world simultaneously. In these situations, management quality becomes an even greater differentiator between companies than usual.

I am pleased to report that the management teams of both our businesses have performed well. Our Worldwide business has increased its EBITDA by 49% (36% from the underlying business before the Thus acquisition). It has moved into positive trading cash flow and is successfully executing the integration of Thus. CWI has also taken a substantial step forward in terms of profitability, producing double-digit growth in EBITDA. It is tackling the cost base of its Caribbean operation through its 'One Caribbean' programme, and has grown its market-leading mobile position in Panama despite further competition. Both Worldwide and CWI have been prepared to take difficult decisions in these challenging times, ensuring that we continue to deliver for our shareholders. And so, I am delighted to be able to recommend a 13% increase in our full year dividend to 8.50 pence per share.

Whilst our trading position is in good health, the current volatility of the financial markets provides no basis for proper financial planning. Consequently, we have postponed, but not cancelled, our plans for value realisation until we can foresee a sustained period of normality returning to the financial markets.

Our Long Term Incentive Plan (LTIP) has been a key ingredient in our success over the last three years as the fifth best performer in the FTSE 100 and the second best performer in the FTSE Global Telecoms Sector Index. It has proven to be effective in motivating our senior management and aligning their interests with our shareholders. The Board has recently proposed new executive incentive arrangements to ensure we retain our best managers and keep them focused on delivering for shareholders beyond 2009. Under these proposals, the LTIP will be extended by one year to 2011.

In these markets, corporate governance has also proved to be a key differentiator. The dislocation in credit and equity markets is bringing about a major rethink of corporate governance in Western markets. This is a process the Board of Cable & Wireless welcomes. Our Board has applied a rigorous system of governance for several years. In addition to reporting against the guidelines of the Combined Code for corporate governance, our Senior Independent Director also prepares a report describing the corporate governance and behaviours of the Board (on page 48), something we believe adds significant transparency in our reporting to shareholders.

Finally, I would like to thank all of my fellow Board Directors for their service this year and, most importantly, extend my congratulations to all employees. Their work has delivered for our shareholders, of which they should all feel proud.

Healthy performance, strong governance.

We are delivering

Our profitability is growing
EBITDA up 36% to £822 million

We are delivering for our shareholders
Fifth best performer in the FTSE 100 over the last three years

Our dividend is increasing
Recommended full year dividend of 8.50 pence per share, up 13%

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Business review

A review of our two businesses – CWI and Worldwide – and our financial performance during the year.

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CWI

We own and operate **full service telecommunications** businesses through four regional operations:

1. Caribbean
2. Panama
3. Macau
4. Monaco & Islands

CWI
Chief Executive's review

Tony Rice
Chief Executive
CWI

Cable & Wireless International, now rebadged as CWI Group, enters the new financial year as a business in strong shape with a clear vision for the future.

Over the past eighteen months we have arranged CWI into four distinct regional operations – Caribbean, Panama, Macau and Monaco & Islands. This structure has enabled us to empower the local management teams, with the centre acting as a portfolio manager focused on delivering the best value for our shareholders. Each business has developed a strategy tailored to its local marketplace and from the centre we aim to provide the businesses with the tools and support they need to achieve their goals. I am very pleased to report that all four operations have embraced this approach. This is evident in our results with an 11% increase in EBITDA, 13% in constant currency terms.

In the Caribbean, the progress we have made since launching our 'One Caribbean' transformation programme is gratifying. In bringing 13 individual businesses together under one management structure, the programme has delivered reductions in operating costs and complexity as well as, more recently, service improvements. Over the coming year, the programme is focused on further performance improvements.

Cable & Wireless Panama has maintained its leading market position and grown revenue and profits despite the entry of two new mobile competitors. This is testament to how well prepared we were for the new entrants – we will continue to be as vigilant as the new financial year progresses.

In Macau, a slowdown in the local economy due to the restriction of tourist visitors from China and continuing competition has not prevented CTM from once again delivering good margins. I am delighted that we have agreed an extension of our concession agreement, subject to ratification.

And finally, across the diverse portfolio of our Monaco & Islands operation, we have seen strong local financial performance, particularly from Monaco domestic and Seychelles, as the regional management team has got to grips with the intricacies of a diverse geographic portfolio.

All four regional operations are also responding to my challenge of identifying future growth opportunities. While the current economic climate poses issues to all marketplaces in some way, the opportunities in each of our businesses significantly outweigh these challenges. Each business is examining initiatives to reduce costs further and extend their existing services and products. A recent example has been the mobile broadband service developed by our Macau business, successfully exploiting our 3G network in the territory.

In all, as the new Chief Executive of CWI, I am pleased to be leading a business in strong shape into the new financial year.

A business in **strong** shape

+13%

EBITDA at constant currency

Our mission... world class telecoms businesses

Market leader in

20 of 26
mobile markets

27 of 34
broadband markets

25 of 34
fixed line markets

Our mission is to own and operate world class telecoms businesses. Our businesses will be world class in terms of:

- **the products we offer;**
- **the service levels we provide;**
- **the training, career development and engagement of our people; and**
- **our financial performance.**

What we do

CWI (formerly International) owns and operates full service telecommunications businesses providing mobile, broadband and domestic and international fixed line services to homes, small and medium-sized enterprises, corporate customers and governments.

The business is managed as four regional operations – Caribbean, Panama, Macau and Monaco & Islands – each of which is self-sustaining, profitable and cash-generative in its own right. From our centre in London, we provide the businesses with the tools and support they need to achieve their goals, while driving improvements and identifying synergies as well as developing new growth opportunities.

Caribbean

Our Caribbean operation covers: Jamaica, Barbados, the Leeward Islands (Anguilla, Antigua, Montserrat, St Kitts & Nevis), Windward Islands (Dominica, Grenada, St Lucia, St Vincent and the Grenadines) and the Offshore Financial Centres (British Virgin Islands, Cayman Islands and Turks & Caicos Islands). We are the market leader in fixed line and broadband in all 13 markets and the leading mobile operator in nine.

In 2008 we launched our 'One Caribbean' transformation programme, bringing together our 13 Caribbean subsidiaries under one management structure with a new common brand, LIME (Landline, Internet, Mobile, Entertainment). LIME is the only full service telecommunications provider across the Caribbean, providing customers with mobile, broadband, and domestic and international fixed line services, as well as supplying several of the region's largest enterprises with all their telecom needs. Our single-business structure allows us to deliver cost savings, better service and regional pricing and propositions. The opportunity to offer customers a single bill and, where we are able, bundled propositions is a significant competitive advantage.

Panama

Our Panama operation is the standout telecoms provider in its market. Our mobile market leadership position has grown over the past year, despite the introduction of further competition. We are the market leader in fixed line with approximately 90% market share and in broadband with approximately 60% market share. We are also the market leader in the enterprise telecom sector, winning several large government contracts in the past year, including the contract to supply the communications platform for a new 911 emergency service. We are also the regional leader in carrier services, helping to make Panama a hub of telecommunications in the Latin America region.

Macau

CTM, our operation in Macau, delivers the full suite of telecommunications services, including the exclusive provision of broadband and domestic fixed line services. With approximately 40% market share and nearly 400,000 customers, we continue to lead what is one of the world's most competitive mobile markets. During 2007/08, we launched Macau's first 3G mobile network and by 31 March 2009, 40% of our mobile customer base was using our 3G services. We have recently agreed a renewal of CTM's concession agreement with the Macau Government, subject to the ratification process.

Monaco & Islands

Our Monaco & Islands operation has four distinct clusters – Monaco Telecom (MT); Channel Islands, Isle of Man & Bermuda (CIIMB); Indian Ocean including the Seychelles and Maldives; and South Atlantic & Diego Garcia. The operation has businesses in 22 markets at varying stages of development.

MT enjoys a strong position in Monaco, including the exclusive rights to provide fixed line and broadband services. MT has also expanded its operations internationally into developing markets such as Afghanistan, Algeria and West Africa and is a partner in On Air, the world's first in-flight mobile phone service launched by Ryanair in 2009.

In CIIMB we are continuing to develop our enterprise services – for example, in 2008/09 we built our tenth data centre in Bermuda in response to high global demand for these services. In December 2008, our business in the Maldives was granted a 15 year extension to its operating licence by the Communications Authority of the Maldives.

Our growth drivers

We are well positioned to take advantage of a number of key growth trends across our markets and product segments.

As the leading mobile operator in the majority of our markets, we benefit from the development of mobile technology and the increased level of mobile usage and network traffic this generates. Devices such as the BlackBerry and iPhone are leading to the creation of new mobile broadband and mobile software applications, many of which are able to be downloaded online, over a mobile network.

In some of our markets, particularly in the Caribbean, broadband penetration to homes and small businesses is still relatively low. Penetration in most of these markets is expected to grow in the coming years, in line with increasing access to computers and the introduction of mobile broadband services. As demand grows in these markets, our business will benefit significantly as the primary broadband provider and a leading mobile player.

We also have a number of natural defences against any downturn in our markets. Our revenue by product, geography and customer type are well diversified ensuring that the business is not heavily exposed to any single business line. By geography, the largest portion of revenue – about 40% – is drawn from our Caribbean operation, which is undergoing a transformation programme targeted at improving cost, efficiency and service. This programme is already starting to improve our financial performance, demonstrated by the US$29 million (at constant currency) reduction in operating costs in that operation in the last year with further improvement expected in the coming years.

11m
subscribers

Our strategy is driven by four levers

- Transformation
- Performance improvement
- Synergies and expertise
- Growth

Our competitive position
CWI is a strong competitor in all of our markets. We are the market leader in 20 of the 26 markets in which we offer mobile services, 27 of the 34 markets in which we offer broadband and 25 of the 34 in which we offer fixed line services. In our smallest markets we are often the sole provider of telecoms.

We have actively embraced the entry of competition in our former monopoly markets. We have altered our business model and strategy in line with liberalising markets to ensure we continue to provide customers with the best products and services available in each territory. Our competitors tend to be local or regional in nature, such as Jersey Telecom in the Channel Islands or Digicel in the Caribbean and Panama. Unlike these competitors, we are able to bring global scale and experience to bear in these markets as well as the competitive advantage of a bundled proposition. We also compete effectively against major global telecoms companies in a small number of our markets, such as Telefónica in Panama.

In 2008/09, our Panama operation faced the entry of two new mobile competitors but, through superior service and operations, it has grown its market leadership position and increased revenue and profits as the market has expanded with the new competition.

Our strategy and objectives
Our strategy is to manage four self-sustaining and profitable operations, with a strong centre to drive outstanding levels of performance from each one. Individual businesses aim to be world class, competitive enterprises in their own right, with the added scale of a strong central owner.

The evolution of this strategy began 18 months ago, with a focus on 'fixing the basics' – transforming our underperforming businesses and ensuring all businesses had the tools to compete in a liberalised market. Over the past year we have progressed this strategy while ensuring that we are ready for any impact of the current economic climate.

Looking ahead, we will generate further value from our existing operations, driving our strategy through the following four levers:

Transformation Each individual business will operate as a fully competitive enterprise, focused on meeting customer demand with excellent service and efficient operations. Transformation programmes will be undertaken to ensure our people, culture, processes and technology are all geared towards these aims.

Performance improvement Constant performance improvement measures will be put in place in each of our operations and in our London centre to meet the twin goals of increasing revenue and reducing costs.

Synergies and expertise We will seek synergies between the businesses and identify opportunities to share knowledge and expertise. This will enable us to compete more effectively and take advantage of our global scale.

Growth We will develop organic growth opportunities in our existing businesses and in time consider expanding beyond our existing businesses into other value-creating opportunities.

These levers will apply differently to each of our businesses reflecting the different stages they are at in their journey to becoming world class telecommunications businesses.

One Caribbean – 13 islands, one business

LIME

In September 2008, we launched our 'One Caribbean' transformation programme to bring together our 13 subsidiaries in the region and create the first full service telecoms provider in the Caribbean.

We rebranded the single business as LIME (Landline, Internet, Mobile, Entertainment) and the new brand was launched in November 2008 with an extensive marketing campaign and the launch of a new regional website.

The new branding is one of many initiatives of the 'One Caribbean' programme which brings our businesses together into a single operating structure, with pan-Caribbean customer propositions and a single set of results. We've launched our first regional services like Home Rate Roaming, are developing a regional shared services centre for finance and technology and consolidated our call centre services.

Our initiatives are focused on improving our cost, efficiency and customer service levels, leveraging our economies of scale. The benefits we can achieve from working as one business instead of 13 are great – not only will they lead to a reduced cost base but a more efficient business means faster response times for our customers.

It's still early days for what is a long term programme but we are already seeing the benefits in our results – both financially and in our customer service metrics. And things will continue to improve.

www.time4lime.com

Our strategy is clear and we're delivering

CWI income statement

	2008/09 US$m	2007/08 US$m	Change[1] %	Constant currency change[1,2] %
Caribbean	**975**	1,021	(5)	(3)
Panama	**667**	617	8	8
Macau	**302**	291	4	4
Monaco & Islands[3]	**506**	526	(4)	0
Other[4]	**(3)**	7	nm	nm
Total revenue	**2,447**	2,462	(1)	1
Cost of sales	**(791)**	(847)	7	5
Gross margin	**1,656**	1,615	3	4
Operating costs (excluding LTIP charge)	**(735)**	(785)	6	4
EBITDA[5]	**921**	830	11	13
LTIP charge	**–**	(16)	nm	nm
Depreciation and amortisation	**(294)**	(284)	(4)	(5)
Net other operating (expense)/income	**(3)**	3	nm	nm
Operating profit before joint ventures	**624**	533	17	18
Share of profit after tax of joint ventures	**60**	77	(22)	(20)
Operating profit before exceptional items	**684**	610	12	13
Exceptional items	**(87)**	(101)	14	7
Total operating profit	**597**	509	17	17
Capital expenditure	**(337)**	(381)	12	9
Headcount (full time equivalents at 31 March)	**6,962**	8,048	13	13

nm represents % change not meaningful.
1 Positive percentages represent improvement.
2 Constant currency change is based on the restatement of comparatives at 2008/09 average exchange rates.
3 Islands comprises operations in Bermuda, the Channel Islands, Isle of Man and the Indian, Atlantic and Pacific Oceans.
4 Other includes intra CWI revenue adjustments and movements in centrally held accruals.
5 Earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income and exceptional items.

CWI customer numbers

	As at 31 March 2009 (000)	As at 31 March 2008 (000)
Total active[1] GSM mobile customers	**8,688**	6,350
Subsidiaries	4,141	3,342
Joint ventures	4,547	3,008
Total broadband customers	**553**	466
Subsidiaries	476	434
Joint ventures	77	32
Total fixed line connections	**1,825**	1,875
Subsidiaries	1,476	1,522
Joint ventures	349	353

1 An active customer is defined as one having performed a revenue-generating event in the previous 60 days.

EBITDA

+13%

at constant currency

38%

of revenue, up from 34%

Our EBITDA increased to US$921 million with EBITDA growth in all four operations. To aid understanding of the trading performance, the commentary focuses on changes at constant currency.

Caribbean

Our Caribbean operation has delivered EBITDA growth of 16% to US$337 million led by the significant progress of our 'One Caribbean' transformation programme. This programme is bringing together our 13 Caribbean subsidiaries under one management structure with a new common brand called LIME (Landline, Internet, Mobile, Entertainment). The aim is to improve service to customers, reduce costs and improve efficiency. This project began in 2008/09 and we are making good progress, including a headcount reduction of 21% by 31 March 2009.

Revenue decreased by 3% to US$975 million in 2008/09 due to lower traffic, particularly in prepaid mobile and international voice, reflecting a softening of demand and lower tourist numbers in the Caribbean islands.

Despite this fall in revenue, gross margin grew by 2% to US$718 million, representing a four percentage point increase to 74% of revenue. We reduced cost of sales by 15% following the fall in interconnect and mobile termination rates, as well as lower customer equipment costs.

We also reduced our operating costs by 7% to US$381 million as a result of the 'One Caribbean' programme, including savings generated from an integrated pan-Caribbean advertising and marketing approach and the decrease in headcount. Our aim is to reduce headcount to 2,500 by March 2010.

The EBITDA increase of 16% to US$337 million represents a six percentage point increase in EBITDA margin to 35%. This includes a 34% increase in Jamaica's EBITDA to US$63 million, as gross margins were restored and operating costs reduced after the poor performance in 2007/08.

Panama

Our operation in Panama has continued to perform strongly with EBITDA up 9% to US$276 million as we grew our mobile market share in an expanding market despite increased levels of competition. According to the IMF World Economic Outlook published in April 2009, Panama's gross domestic product is expected to grow by 3% in 2009, despite the global recession.

Revenue grew by 8% to US$667 million driven by mobile and enterprise services. Mobile revenue increased by 12% to US$301 million following the addition of nearly 700,000 customers in the year reflecting our superior customer service and enhanced product offerings.

Enterprise, data and other revenue increased by 30% to US$125 million as we rolled out large government contracts including those for video surveillance, e-learning and the 911 emergency services centre.

We've continued to improve service and reduce costs

Gross margin increased by 10% to US$441 million and improved by one percentage point to 66% of revenue reflecting the growth in revenue and improvements in the product mix.

Panama's operating costs increased by 13% to US$165 million as we invested in service and distribution in preparation for the entry of additional mobile competition. US$5 million of non-recurring cost occurred in the first half of 2008/09 and our operating costs returned to more sustainable levels in the second half as cost saving initiatives (including a 4% reduction in headcount) began to take effect.

As well as increasing EBITDA by 9% to US$276 million in 2008/09, we have maintained our EBITDA margin at 41%.

Macau

CTM, our business in Macau, has continued to perform strongly with EBITDA up 12% to US$139 million, largely driven by improving product mix. We have agreed an extension of our concession agreement with the government, which is now going through the ratification process.

Total revenue increased by 4% to US$302 million, despite the economy slowing due to the restriction in visitor numbers to the region. The revenue growth was driven by increases in mobile and broadband revenue of 9% and 13% respectively.

The growth in mobile and broadband revenue was partially offset by a US$4 million decline in enterprise revenue to US$51 million as a number of high profile hotel and casino projects were put on hold.

Our gross margin increased by 8% to US$192 million representing 64% of revenue, up from 61% in 2007/08, largely driven by the increased demand for our mobile data and value added services – 40% of our mobile customers in Macau are using 3G compared with 14% in 2007/08.

We reduced our operating costs by 2% to US$53 million and by one percentage point to 18% of revenue.

EBITDA grew by 12% to US$139 million representing 46% of revenue compared with 43% in 2007/08.

Monaco & Islands

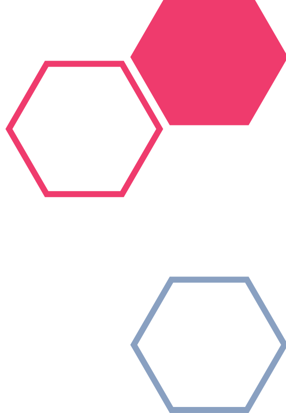
At constant currency, EBITDA in our Monaco & Islands portfolio increased by 5% to US$137 million as the businesses increased their focus on improving margins. Monaco & Islands includes Monaco, the Channel Islands and Isle of Man, Bermuda, Seychelles, the South Atlantic Region and Diego Garcia, which operate in a number of non-US dollar currencies. This operation has therefore been the most affected by the movements in foreign exchange rates during the year.

Revenue was stable at US$506 million in 2008/09 as the growth in mobile (12%) and broadband revenue (16%) was offset by a decline in international voice and enterprise, data and other revenue.

Gross margin grew by 3% to US$305 million as we benefited from a shift in product mix from lower margin international management contracts within enterprise, data and other towards higher margin mobile and broadband products.

Operating costs increased by 1% to US$168 million mainly due to the costs associated with the launch of residential fixed line services in the Isle of Man in August 2008.

The EBITDA increase of 5% to US$137 million represents a one percentage point increase in EBITDA margin to 27%.



CWI exchange rate movements

	2008/09	2007/08
Sterling:US dollar		
Average	**0.5688**	0.4990
Year end	**0.6898**	0.5001

911 emergency services launched in Panama

In February 2009, our team in Panama completed a US$28 million project to develop the platform for the first 911 emergency services call centre in Panama.

In partnership with MER Security and Communications Systems, Cable & Wireless Panama won the bid for the project against four other international companies and developed the entire system in just five months.

Cable & Wireless Panama has a long history of supporting medical services in Panama, including the Telemedicine service launched in 2007/08.

In 2008/09 this contract helped to grow Cable & Wireless Panama's enterprise services revenue to US$125 million from US$96 million in the prior year.

Exceptional items

We incurred net exceptional charges of US$87 million in 2008/09, comprising US$101 million of restructuring costs, partially offset by a US$14 million credit primarily from the restructuring of the Jamaican retirement funds.

Capital expenditure and depreciation and amortisation

Capital expenditure was US$337 million, a 9% reduction from 2007/08 and below 14% of revenue. Our investment focused on supporting our transformation activities, including investments in our IT systems to ensure that the cost and headcount efficiency programmes are sustainable. We also continued to upgrade and expand our networks to enable improved mobile, broadband and enterprise services.

Depreciation and amortisation increased by 5% in 2008/09 to US$294 million due to the increase in our capital expenditure in recent years.

CWI exchange rate movements

During the year, there was extreme volatility in foreign exchange rates with strengthening of the US dollar against sterling and other currencies. About a quarter of CWI's EBITDA arises from non-US dollar currencies, most of which have depreciated against the US dollar notably sterling, the Seychelles rupee and the Jamaican dollar. Translation of these currencies into US dollars gave rise to an adverse foreign currency translation of US$12 million in 2008/09.

Reconciliation of CWI EBITDA to net cash flow before financing

	2008/09[1] US$m
EBITDA[2]	**921**
Exceptional items	**(87)**
EBITDA[2] less exceptional items	**834**
Movement in exceptional provisions	**(4)**
Movement in working capital and other provisions	**(18)**
Income taxes paid	**(110)**
Purchase of property, plant, equipment and intangible assets	**(357)**
Investment income	**37**
Trading cash inflow	**382**
Acquisitions and disposals	**(16)**
Contribution to pension buy-in	**(4)**
Net cash inflow before financing activities	**362**

1 Based on our management accounts.
2 Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income.

We generated a trading cash inflow of US$382 million in 2008/09. Following a US$16 million outflow from acquisitions and disposals, predominantly dividends paid to minority shareholders in Monaco Telecom, and a US$4 million contribution to the pension buy-in for the main UK defined benefit scheme, our net cash inflow before financing was US$362 million.

The US$91 million outflow for exceptional items and provisions relates largely to restructuring charges associated with business transformation, primarily the 'One Caribbean' programme.

We reported a US$18 million outflow due to the movement in working capital and other provisions, a US$41 million improvement on our position in the first half of 2008/09.

We paid US$110 million of income tax in 2008/09 and invested US$357 million in capital expenditure.

Investment income of US$37 million includes US$30 million of dividends received from joint ventures and US$8 million of interest from third parties.

Making a positive contribution locally

Our corporate responsibility activities generally take place at a local level, based on the needs of our individual markets

This report demonstrates our progress against the four corporate responsibility principles we agreed in 2007/08 and highlights just a few examples of how these principles were implemented at a local level across our various markets.

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

As one of the largest businesses in many of the countries in which we operate, we play an important role in the local economy as a whole. So whilst our services directly contribute to the economic conditions of these countries, we also invest in social development, such as health, education, sport and culture. In the past 12 months, we have given US$3.5 million to community initiatives through an array of different activities, for example:

Health In 2008/09 our Panama operation contributed specialised telemedicine equipment, this time to the Chicho Fábrega Hospital in the province of Veraguas. This equipment is used by neonatal units at hospitals in the interior of Panama. Telemedicine uses telecommunication networks to transfer medical information and to examine patients remote from the main hospital.

Education This year we gave scholarships to 15 students at the Macau University of Science and Technology, the Macau Polytechnic Institute and the University of Macau in recognition of the students' outstanding performance.

Sport Continuing our three year sponsorship, LIME has given almost J$7 million to the Inter-schools Secondary Schools Association Athletic Championships.

2 Seek continuous improvement in our environmental performance

As a major energy consumer in our markets, we're conscious of our use of this vital resource. Across our business, our annual carbon footprint is estimated to be 122,000 tonnes of carbon dioxide emissions (scope one and two). And in calendar year 2008 we used approximately 200 million kWh of electricity, 5.4 million litres of fuel and 95 million litres of water.

Alternative energy In more remote areas of our business such as the Maldives, we use self-powering energy units to extend our network coverage. During the year, we've conducted further alternative energy studies in the Caribbean and identified suitable sites for wind turbines with payback periods of up to three years for 500kW wind turbines and up to five years for smaller 5kW remote wind powered units. All of which will help us work towards reducing our power consumption.

Our focus for 2009/10

Improving our environmental performance and enhancing our community involvement

Recycling In the Caribbean we've introduced targets to reduce paper wastage by 15%, improve our recycling volumes each year and we are raising environmental awareness through our 'LIME Go Green' programme. We're encouraging our customers to switch to online billing and to recycle their old mobile phones and telephone directories.

Reducing travel We have a programme underway to look at the travel patterns of our employees across CWI. Last year our short-haul flights contributed 700 tonnes of CO_{2e} and our long-haul flights a further 2,500 tonnes. Our aim is to reduce travel during 2009/10 by introducing high definition video conferencing and encouraging our colleagues to change their travel patterns.

The paperless office In Macau we are extending our paperless office programme, providing customers with direct access to their accounts with nearly 20,000 customers opting to receive electronic bills.

3 Respect cultures, values and human rights throughout our operations

We aim to conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees and the communities in which we operate.

Integrity award In 2008 we received 'The Hong Kong and Macau Merchants of Integrity Award' for the ongoing charitable work of our Macau business. The activities of our community volunteer team include collecting and recycling clothes for distribution to the poor in China and providing Christmas gift packs to local children and the underprivileged.

Internet safety Cable & Wireless Panama Foundation, ASSA, Microsoft and the Ricky Martin Foundation launched a 'Surf the web safely' campaign in Panama in October 2008. This campaign is especially designed for children and their parents and focuses on three major areas of internet safety – basic security, personal security and family security.

Membership of the UN Global Compact In Panama we continue to be members of the UN Global Compact, a worldwide voluntary policy initiative for businesses committed to upholding principles in the areas of human rights, labour, environment and anti-corruption. We are also on the Board of Directors of the UN Global Compact Panama Network.

4 Nurture best practice in our activities

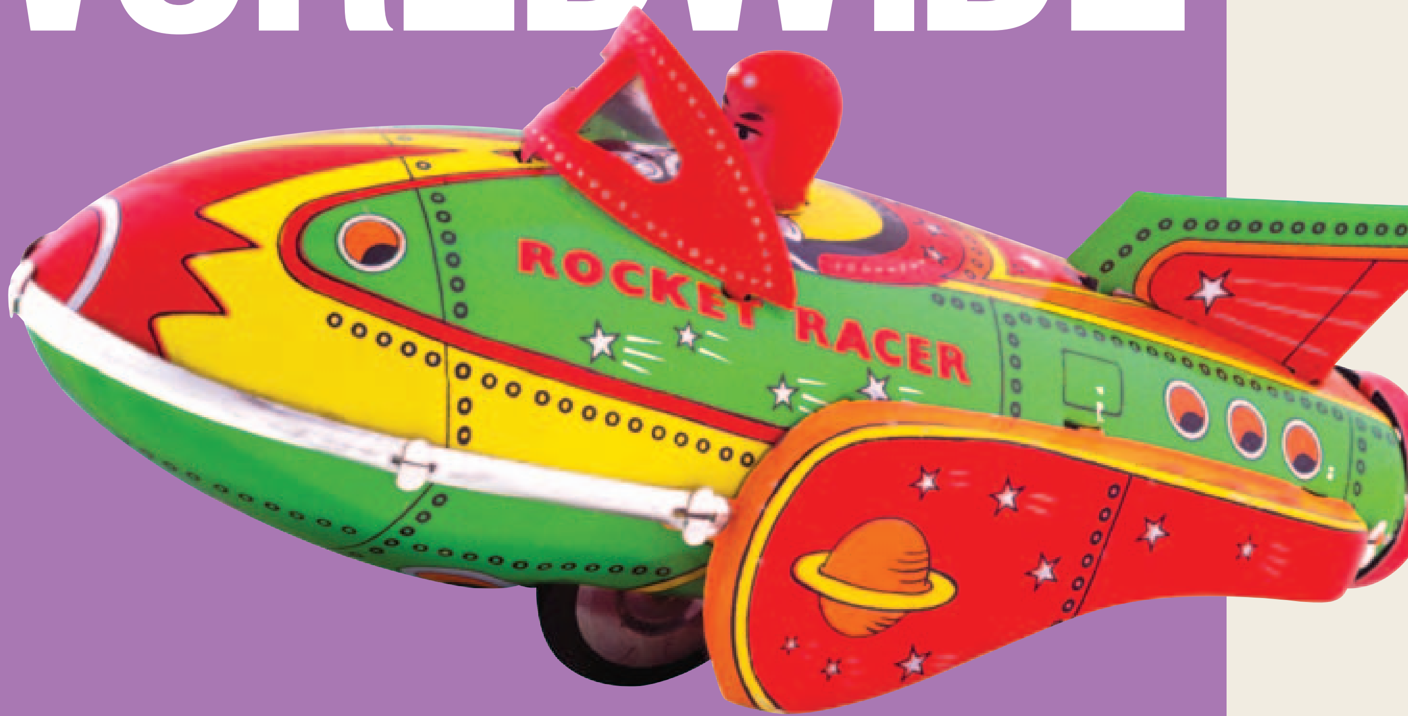
CWI operates telecoms businesses around the world. A key role of the London headquarters is to ensure that we share best practice around the businesses, developing further what is good and removing what isn't. This principle applies to all aspects of our business, for example:

Colleague engagement Our annual Gallup poll of all CWI employees has shown substantial improvement. In particular our colleague engagement ratio has increased to 44%, up from 33% last year. Improving colleague engagement further is a key element of our 'One Caribbean' transformation programme.

Supply chain resilience In 2007/08, we introduced a comprehensive supply chain audit process of our Tier One and Tier Two suppliers using international standards. More recently, we have introduced a risk assessment process of our strategic suppliers to extend our understanding of their operations and measure solvency and financial health in the light of the current economic downturn.

RIDDOR Our 2008 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) total for colleagues taking three days off for minor work related injuries was 19. There were no serious injuries or fatalities.

WORLDWIDE



WORLDWIDE PROVIDES GREAT CUSTOMER SERVICE AND TAILORED SOLUTIONS TO MANY OF THE WORLD'S LARGEST ORGANISATIONS

John Pluthero
Executive Chairman
Worldwide

We've come a long way in the last three years. We've reached the point where we're providing mission critical telecoms for many of the world's largest organisations.

Back in November 2005, when Cable & Wireless acquired Energis, nobody could have predicted the conditions we find in today's marketplace: a global downturn, a new competitive landscape and customers looking to us as the industry's safe pair of hands.

Yet this is where we are, and we're well positioned to take advantage of the opportunities that these conditions present. We've now completed the bulk of our turnaround and are a far fitter, leaner and more competitive business as a result. We now have market-leading capability – our Multi Service Platform is live and being used by more than 150 customers – whilst our fixed mobile convergence product gives our customers a powerful new telecoms solution with the potential to help drive down their costs.

We're expanding in key areas around the globe in response to customer demand, which is why we've changed our name to Worldwide – it better reflects both our reach and our aspirations. And our acquisition of Thus during the year has given us additional scale in the UK enterprise market and significant cost saving opportunities from the integration.

All of our work has delivered EBITDA growth in 2008/09 of £107 million to £326 million, of which £29 million is from Thus. Our EBITDA margin continues to expand and now stands at 14%, up at least two percentage points in each of the last four half years. And we shouldn't forget that we have achieved a full year of positive trading cash flow, despite the cost of integrating Thus – the first for many years.

However, none of our success means we're immune to the current economic environment. During the coming year our attention will be on discipline, prudence and controlling our costs – something we've had a lot of practice at over the last three years. Some of our customers are having to resize their aspirations, and when they feel pain, so do we. But with the plans that we have in place – a firm hand on costs and a business model our customers love – we're better placed than many to weather the current economic climate.

My aim for the future of this business is clear – we're going to be the first choice for providing mission critical telecoms to large organisations.

Finally, I must thank our colleagues. Their dedication, talent and commitment is what drives us forward. Their ingenuity and innovation allow us to offer new capability, and their knowledge and foresight keep us ahead of the competition around the world. Three years of delivery have restored their ambition and belief in our business, and that's an asset that will provide a handsome return in the years to come.

WE'VE COME A LONG WAY IN THE LAST THREE YEARS... AND THERE'S MORE TO GO FOR

GREAT SERVICE, TAILORED SOLUTIONS

WORLDWIDE IS A GLOBAL COMMUNICATIONS BUSINESS THAT PROVIDES MISSION CRITICAL TELECOMS TO MANY OF THE WORLD'S LARGEST ORGANISATIONS.

What we do
Worldwide (formerly Europe, Asia & US) specialises in providing high quality communications services such as IP, data, voice and hosting to large enterprise and global carrier customers. This focus allows us to tailor our services to address their needs, making sure we deliver what these customers need – day in, day out.

We operate around the globe, providing connectivity to 153 countries. Our core markets are the UK, Asia, Middle East and Africa. We have a particular strength in helping UK and European businesses expand into emerging markets, including India and South East Asia, as well as helping many of the rapidly growing businesses in these markets expand into developed markets in Europe and the US.

In January 2009, we became the first international telecoms provider to gain all the required security clearances from the Indian Government's Department of Telecommunications, allowing us to deliver our IP-based solutions directly in India. During the year, we also increased our capability in the Middle East, responding to customer demand with new points of presence in Dubai, Abu Dhabi and Bahrain.

Whilst many of the economies we operate in have been slowing recently, our leading indicators of recession remain healthy as the work we've done over the past three years has positioned us well - we have a high proportion of long term contracted revenue, a powerful product portfolio and a large market to shoot for. Our strength across Asia is playing a part in our continued success, as businesses look to capitalise on the growth still present in these developing economies.

Many of our customers are household names such as Adidas, the BBC and Morrisons. Our acquisition of Thus in October 2008 gave us even greater scale with a number of new enterprise and Government customers including Scottish Power and HSBC.

Since this acquisition, we have transformed Thus into a business focused entirely on the £5.5 billion a year mid market sector and transferred around 600 enterprise customers to Worldwide. The integration is delivering significant cost savings from network and property rationalisation, removal of duplicate capabilities and one set of product development. Thus now operates as a separate business, with Worldwide providing network services.

153
COUNTRIES CONNECTED BY OUR GLOBAL NETWORK

As the complexity of communications technology increases, customers are increasingly looking to consolidate their disparate telecoms activity into fewer suppliers. Our focus and experience with large businesses means we're the partner of choice for Chief Information Officers and Chief Technology Officers who want to get on with improving their businesses. Certain customers like Tesco and Aviva trust us to run their entire telecoms estate.

Our Multi Service Platform (MSP) is at the core of many of our customer solutions. It's a highly advanced IP-based network supporting more than 150 customers. Customers' competitive advantage often relies on bandwidth-hungry, business critical applications such as Oracle and SAP. Our MSP has been designed to work with these applications, allowing customers to replace their legacy networks with a single, responsive, flexible and scalable solution – which also takes cost out of their businesses.

Our capability also includes the only operational GSM-based fixed mobile convergence (FMC) solution in the UK. Simply put, FMC allows mobile phone calls made on a company's premises to be routed through their data network, rather than via a mobile operator's. There are a number of advantages for businesses in doing this: it means customers will only receive one bill from one partner; it allows them to keep their existing handsets and BlackBerrys; and most importantly, with 50% of all business mobile calls made in the office, it offers the opportunity for considerable cost savings.

Hosting continues to be another important part of the wide range of services we offer, with customers increasingly asking us to manage their data centres on their behalf.

Our growth drivers

Since we set out our strategy more than three years ago, our vision to be the first choice for mission critical telecoms for the world's largest organisations is at the heart of everything we do. In this economic environment, success comes from being able to stand head and shoulders above the competition – offering customers compelling service and capability. This has driven our success and it's what will continue to drive us forward as we seek to be the number one in our chosen markets.

Consistently great customer service

In an industry that often emphasises technology rather than customers, no wonder 'telecoms' is sometimes a byword for poor service. We're changing that, because we know that large organisations demand and need high quality service from the telecoms that we provide.

We've done a lot in the last three years and our customers tell us they like what they see. For example, with many of our customers, a key measure of our service is how we deal with any issues that arise. We've been working hard to make sure that, when there's a problem, we fix it quickly and keep our customer informed. Over the last year, we've increased the amount of faults fixed within our service level agreement to 88% and the number of faults fixed at first point of contact by 65%.

But we know our customers are looking for more. They want a communications provider that's not just looking to maintain delivery times, but actively looking to reduce them. That's why our CEO announced to the business in November 2008 that we're re-engineering the way we deliver new orders, to give us a better, more scalable process.

And we're not just changing our structure and processes. Our colleagues are the most important part of great customer service. We have a culture where everyone is encouraged to 'think customer', where they understand how critical our services are to customers and where they'll go the extra mile to make sure they give a consistently great service experience.

OUR STRATEGY

- SPECIALISING IN LARGE CUSTOMERS
- DELIVERING MARKET-LEADING CAPABILITY
- GIVING THE BEST CUSTOMER SERVICE
- OFFERING CUSTOMERS BEST VALUE

Customer-driven global growth
In the current economic environment, many customers are looking to emerging markets for their future success. Our capability in many of these markets across Asia, but particularly in India, is perfectly placed to help them do this.

We've also continued to expand our partnerships with local telecoms suppliers. For example, during the last year we've signed an agreement with Telecom Italia Sparkle, giving us enhanced reach around the Mediterranean Basin, and strengthened our partnership with Vietnam Data Communication.

Like our recent expansion in the Middle East, we're adding capability where our customers need it and where we know there will be a return on our investment.

Capability that solves customers' business issues
Our innovative capability will continue to attract new customers and win more business from existing ones. Our ability to offer products like the UK's first 'on demand' IP contact centre for Thames Water will continue to differentiate us from our competitors. Our FMC solution is unique to the UK market and has been adopted by customers such as Tesco. It offers customers the chance to develop more productive ways of working and opens up to us a corporate mobile market that's estimated to be worth £500 million per year.

Many of our solutions can be used by our customers to reduce the amount of money they're spending, for example, our managed video conferencing solution offers the chance to reduce travel costs and increase productivity.

Our competitive position
We operate both in the UK and in markets across the globe. Internationally, we compete against the domestic telecoms incumbent in each country, as well as a number of other global competitors, like AT&T, BT, Orange and Verizon. In the UK, whilst there are a number of competitors, the choice for large customers often comes down to us or BT.

We continue to be well positioned in our chosen markets. Our market specialisation gives us a focus that most of our competitors, operating across a variety of market segments, cannot match. It allows us to develop network, product and service solutions specifically tailored to large organisations.

Our brand is strong and recognisable to decision makers around the globe, but particularly in markets like the UK and India where we've been serving customers for more than 100 years. More importantly, our brand stands for one thing above all else – a commitment to great service.

Finally, our ability to supply connectivity into 153 countries, our MSP IP-based network and our capability to route traffic both ways around the world gives us a competitive advantage over many of our rivals.

Our strategy and objectives
The success of our business during the last three years is down to the consistent focus on our strategy – we want to be the first customer-defined communications services business in the world with the ambition to be the number one in our chosen markets. We aim to do this by:

Specialising in large customers
Our focus on large enterprise, carrier and reseller customers means we have knowledge and experience of our customers that few can match. By focusing only on this market, we can deliver an unparalleled customer experience. This market provides us with the richest product set, has high operational barriers to entry for our competitors and is one we've many years' experience in serving.

Delivering market-leading capability
Our capability is customer, rather than technology, led. It's designed to help our customers solve their business issues and make sure they can succeed, even in the challenging markets they're experiencing today.

Giving the best customer service
We're changing the game in an industry that's been synonymous with poor service. Customer service is our number one priority and we're continuing to develop a service-focused culture throughout our business.

Offering customers best value
We're creating a proposition that's valued by our customers and economic for us. Our aim is to give our customer the choice between great service – and everyone else.

THUS ACQUISITION

ACCELERATING OUR STRATEGY

The acquisition of Thus in October 2008 was a way of accelerating our strategy by acquiring a significant number of large enterprise customers.

These customers include major enterprises like:

- HSBC We manage their IP virtual private network to connect 2,600 sites, including data centres, their head office and branches across the UK; and
- Scottish Power We provide them with managed solutions to deliver voice and data throughout the UK.

Our acquisition is also producing savings in outpayments, operating costs and capital expenditure. In 2008/09, we have delivered EBITDA synergies of £8 million and by 2011/12 we expect total EBITDA and capital expenditure synergies of £90 million per annum.

These savings will be achieved though greater integration of the two businesses, for example, by interconnecting the two networks to increase our direct presence in Scotland and expand our capacity. We'll also make substantial savings by closing down some of Thus' platforms, systems and processes and migrating customers on to our Multi Service Platform (MSP). In turn, this will allow us to focus on a single MSP-driven product set and processes that will help drive further operating efficiencies.

600
LARGE CUSTOMERS ACQUIRED

£90M
TOTAL ANNUAL SYNERGIES EXPECTED

CAPITALISING ON OUR TURNAROUND SUCCESS

Worldwide income statement

	2008/09 £m	2007/08 £m	Change[1] %	Change (excluding Thus)[1] %
IP, data and hosting	**987**	774	28	17
Traditional voice	**1,121**	1,071	5	(2)
Legacy products	**81**	96	(16)	(18)
Total Worldwide enterprise revenue	**2,189**	1,941	13	5
Mid market	**79**	–	nm	nm
Total revenue	**2,268**	1,941	17	5
Cost of sales	**(1,323)**	(1,138)	(16)	(4)
Gross margin	**945**	803	18	5
Operating costs (excluding LTIP charge)	**(619)**	(584)	(6)	6
EBITDA[2]	**326**	219	49	36
LTIP charge	**(17)**	(19)	11	11
Depreciation and amortisation	**(212)**	(157)	(35)	(23)
Net other operating income	**–**	2	nm	nm
Operating profit before joint ventures	**97**	45	116	93
Share of loss after tax of joint ventures	**–**	(1)	nm	nm
Operating profit before exceptional items	**97**	44	120	98
Exceptional items	**(76)**	13	nm	nm
Total operating profit	**21**	57	(63)	(39)
Capital expenditure	**(265)**	(221)	(20)	(9)
Headcount (full time equivalents at 31 March)	**6,717**	5,019	(34)	(5)

nm represents % change not meaningful.
1 Positive percentages represent improvement.
2 Earnings before interest, tax, depreciation and amortisation, LTIP charge, net other operating income and exceptional items.

Worldwide key performance indicators

	2008/09	2007/08
IP, data and hosting as a percentage of revenue	**45%**[1]	40%
Gross margin percentage	**42%**	41%
Operating costs as a percentage of revenue	**27%**	30%
EBITDA margin percentage	**14%**	11%
EBITDA synergies achieved following the acquisition of Thus	**£8m**	n/a
Exceptional costs incurred to achieve synergies	**£30m**	n/a

1 Calculated on the basis of total Worldwide enterprise revenue.

49%
EBITDA GROWTH INCLUDING THUS

Revenue

We grew our revenue in 2008/09 by 17% to £2,268 million compared with 2007/08. This increase comprises £90 million of revenue growth and £237 million from Thus (after £11 million of eliminations).

Excluding Thus, revenue in 2008/09 increased by 5%. We continue to see good demand for our higher margin IP, data and hosting products from our core market of large enterprise customers with this revenue increasing by £132 million compared with 2007/08. This growth has been partially offset by lower revenue from traditional voice and legacy products.

During 2008/09 we successfully implemented a number of major contracts including fixed mobile convergence for Tesco, the roll out of local loop unbundling for Virgin Media and the deployment of Microsoft Exchange for NHSMail which went live in February 2009.

Since our interim results announcement in November, we have won a number of significant contracts including:

- Centrica A five year £79 million contract to provide a next generation telecoms network for their UK operations;
- Lloyds TSB Asset Finance A three year multi-million pound contract to deliver a next generation call centre;
- Morrisons A three year multi-million pound contract to provide a managed voice and data network solution to connect 114,000 employees at over 430 UK sites;
- Regus A five year joint initiative to install our market-leading high definition video conferencing suites for Regus in its premier locations around the world. We expect this joint initiative to generate revenue of approximately £32 million over five years; and
- UK Government We are a key member of the consortium of companies, led by Lockheed Martin UK, providing services to the Office for National Statistics to support the 2011 Census.

In January 2009 we became the first overseas carrier in India to obtain full network security clearance from the Indian Government allowing us to deliver our IP-based solutions directly in India.

IP, data and hosting

IP, data and hosting grew by £213 million to £987 million in 2008/09, representing 45% of our total enterprise revenue, excluding mid market revenue, of £2,189 million.

Excluding revenue from Thus and eliminations, IP, data and hosting revenue grew by 17% to £906 million. Our Multi Service Platform (MSP) is now used by over 150 customers and extends well beyond the UK having been launched in the Middle East, India, the Far East and North America.

A number of our market-leading products are delivered over the MSP including our managed high definition video conferencing, IP contact centres, IP voice and fixed mobile convergence. The MSP also enables our customers to run and manage their own business applications such as EPOS, CRM, Oracle and SAP.

Traditional voice

Traditional voice revenue increased by £50 million to £1,121 million. Excluding eliminations and revenue from Thus of £75 million, traditional voice revenue fell by £25 million. This reduction reflects some price erosion and our customers' continuing migration to IP voice services.

OUR FOCUS ON LARGE ENTERPRISE CUSTOMERS IS DELIVERING GREAT RESULTS

MORRISONS

We provide a managed voice and data network solution across Morrisons' 430 UK sites.

Our managed IP virtual private network solution, running on our Multi Service Platform (MSP), connects Morrisons stores, petrol stations, distribution centres and data centres to its corporate headquarters. It's more than quadrupled their previous capacity and enabled the deployment of a suite of business critical applications. We also provide Morrisons with our Applications Performance Management suite giving Morrisons a clear view of their network performance which helps them manage bandwidth use and reduce cost.

Gary Barr, IT Director, Morrisons, said: "When we were looking to upgrade our network, we wanted a supplier who demonstrated not only an understanding of our business, but also had innovative and flexible solutions to give us the tools to streamline our processes and operations – Cable & Wireless met these criteria exactly."

"CABLE & WIRELESS MET OUR CRITERIA EXACTLY"

Legacy products
Revenue from our legacy products declined by £15 million to £81 million. Excluding revenue from Thus of £2 million, revenue from legacy products reduced by 18%.

Mid market
This represents the revenue from our Thus mid market business which amounted to £79 million.

Gross margin
Gross margin increased by £142 million in 2008/09 to £945 million, comprised of £42 million of growth and £100 million from Thus. Excluding Thus, the increase of £42 million is due to revenue growth and continued improvement in product mix. Gross margin as a percentage of revenue increased to 42% from 41% reflecting a growing proportion of higher margin IP, data and hosting revenue.

Operating costs
Operating costs in 2008/09 increased by £35 million to £619 million. The increase comprises £71 million from Thus, partially offset by a £36 million reduction in costs in our existing business.

Excluding Thus, the operating cost fall of £36 million to £548 million is due to the delivery of a number of cost saving initiatives including the renegotiation of network maintenance contracts and rationalisation of our network. These cost reductions have been partly offset by an increase in energy charges of £11 million in the second half of the year.

At 31 March 2009, there were 6,717 colleagues in the business. Excluding Thus colleagues, the total was 5,248, an increase of 5% compared with the 2007/08 level. This increase reflects colleagues transferred to us from customers as we win more managed service contracts as well as a significant move towards insourcing key service activities.

EBITDA
EBITDA before exceptionals increased by £107 million to £326 million in 2008/09. The increase comprises £78 million from improved performance and £29 million from Thus (including £8 million of integration synergies).

Though we are not immune to the current economic climate, most of our recession indicators remain healthy and any declines have been offset by growth in demand for our cost out propositions, for example high definition video conferencing and fixed mobile convergence, and our increasing market share.

During the year, our EBITDA margin improved by three percentage points to 14% compared with 2007/08. Excluding Thus, EBITDA margin rose by four percentage points to 15%.

Exceptional items
Net exceptional charges in 2008/09 were £76 million.

Excluding Thus integration costs of £30 million, net exceptional charges totalled £46 million compared with net exceptional income of £13 million in 2007/08. The £46 million charge relates to redundancies, property rationalisation and other transformation costs as we continue to restructure the Worldwide business.

WE GENERATED POSITIVE TRADING CASH FLOW FOR THE FIRST FULL YEAR IN MANY YEARS

Capital expenditure and depreciation and amortisation
Capital expenditure of £265 million is £44 million higher than 2007/08 and represents 12% of revenue. This increase over our guidance of approximately 10% of revenue is predominantly due to the purchase of additional international capacity and the £9 million of cost to achieve the Thus integration from investment in additional capacity required for the migration of Thus' enterprise customers onto Worldwide's network.

Capital expenditure related to customer specific contracts was 44% of total capital expenditure, reflecting our recent success in winning IP, data and hosting contracts.

Depreciation and amortisation was £212 million for 2008/09, compared with £157 million in 2007/08. Excluding Thus, depreciation was £193 million in 2008/09, an increase of £36 million reflecting the level of capital expenditure in recent years.

Reconciliation of Worldwide EBITDA to net cash flow before financing

	2008/09 [1] £m
EBITDA[2]	**326**
Exceptional items	(76)
EBITDA[2] less exceptional items	**250**
Movement in exceptional provisions	5
Movement in working capital and other provisions	(4)
Purchase of property, plant, equipment and intangible assets	(245)
Investment and other income	7
Trading cash inflow	**13**
Acquisitions and disposals	(331)
Contribution to pension buy-in	(8)
Net cash outflow before financing activities	**(326)**

1 Based on our management accounts.
2 Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income.

We generated a trading cash inflow of £13 million in 2008/09 – a trading cash inflow of £35 million excluding Thus.

After the £330 million expenditure to acquire Thus and an £8 million outflow in respect of the pension buy-in for the main UK defined benefit scheme, we had a net cash outflow before financing of £326 million.

Exceptional items and the movement in exceptional provisions of £71 million, are largely attributable to restructuring costs and the costs of the Thus integration.

Cash capital expenditure of £245 million reflects a mix of investments in both customer and infrastructure projects.

EBITDA UP
£78M
EXCLUDING THUS

FOCUS ON SUSTAINABILITY

THIS YEAR WE HAVE CONTINUED TO INVEST IN A RANGE OF SUSTAINABLE BUSINESS PROGRAMMES DIRECTED BY OUR FOUR PRINCIPLES INTRODUCED LAST YEAR. WE HIGHLIGHT OUR PROGRESS AGAINST EACH PRINCIPLE.

1 Seek continual improvement of our environmental performance
We continue to focus on reducing the effects of our operations on the environment. Our calendar year 2007 carbon footprint was 190,000 tonnes of carbon dioxide (scope one and two and some scope three greenhouse gas emissions) as externally verified by The Edinburgh Centre for Carbon Management. For 2008/09, we are preparing for the UK Government's Carbon Reduction Commitment Reporting process and will continue to disclose our footprint through the Carbon Disclosure Project once the assessment is complete.

In calendar year 2008 we used approximately 331 million kWh of electricity and 18 million kWh of natural gas, compared with 310 million kWh and 15 million kWh respectively in calendar year 2007. This increase primarily reflects the growth of our business, particularly in hosting and managed services. We have recently engaged Waterscan to monitor our water use.

Major energy efficiency programmes Our continuing programme to introduce more energy efficient equipment into our operating infrastructure should yield energy savings of 23 million kWh by 2009/10.

Travel Last year we worked with the Energy Saving Trust to review our fleet including company owned vehicles, grey fleet (business miles driven in colleague-owned cars) and hire vehicles. We identified that we used approximately 420,000 litres of fuel for business travel in 2008. Using the results of this review, a task force has been set up to help reduce our travel emissions. We now encourage car sharing via our Lift Share scheme with guaranteed car parking spaces.

We estimate that during calendar year 2008 our short-haul business flights contributed 100 tonnes of CO_{2e} and our long-haul business flights contributed a further 1,250 tonnes.

Reuse and recycling Last year we introduced a new process to assess all recovered equipment for reuse or resale through an approved partner – 96% of the 33.5 tonnes of electrical waste were recycled. This cuts down our waste and generates an income from the resale market. In calendar year 2008 we recycled or reused 384 tonnes of office waste which equates to about 15% of our total 2,600 tonnes of office waste.

KEY HIGHLIGHTS

384
TONNES OF OFFICE WASTE REUSED OR RECYCLED

90%
OF COLLEAGUES ACCESSED OUR AWARD-WINNING E-LEARNING FACILITY

The data in this section refers primarily to the UK and Ireland.

2 Facilitate and encourage responsible and innovative product and service design

We are a leading provider of innovative new capabilities which aim to improve business performance, reduce carbon emissions and lower costs for our customers.

Helping to reduce our customers' carbon footprint Increasingly, customers want to reduce their costs as well as their carbon emissions. Our high definition video conferencing services are a very effective way to communicate without travelling, lowering both cost and emissions. Similarly, fixed mobile convergence eliminates duplication from needing to manufacture both mobile and fixed line equipment while digital signage for retailers does away with the traditional paper approach.

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

Our community agenda is primarily driven by our colleagues. This creates a positive relationship with our local communities and means that many of these activities are led by colleague volunteers. A few examples are described below.

Community support Children in Need is a regular event for us, when we provide not only our telephone services but also volunteers to man the phones throughout the event. During our Christmas charitable appeal, colleagues voted to support Crisis, Great Ormond Street Children's Hospital, The Muscular Dystrophy Campaign and World Vision. A particularly successful community programme was delivered by field engineering colleagues who gave six weeks of computer training to women from the Westminster Children's Society nurseries.

We continue to support Télécoms Sans Frontières, a partnership now in its seventh year. And this is our third year working with Christel House, a learning centre for underprivileged children in Bangalore, India, where we provide funding for their computer laboratory and the students' IT education.

Internet safety Our contribution to the Get Safe Online programme supports a UK Government initiative promoting online safety awareness to children and their parents. We also continue to donate to the Internet Watch Foundation, a specialist charity helping to police the internet against abusive content.

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

We aim to conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our colleagues and the communities in which we operate.

Suppliers Sustainable procurement is now integral to our supplier tendering process and our procurement policy has been updated to reflect this. Our procurement questionnaire reflects international standards and covers a range of important issues such as human rights, climate change and integrity.

Education This year we launched our Advanced Apprenticeship scheme and were pleased with the high level of skills demonstrated by applicants. Each apprentice will spend two years with us, receive a nationally recognised qualification and be offered a permanent position. Our apprenticeship scheme is supported and recognised by the Learning and Skills Council.

In 2008/09, 5,300 colleagues accessed our online learning facility, gaining us awards from E-Learning Age and World of Learning.

RIDDOR Under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations we can report a figure of zero for calendar year 2008.

Photograph taken by Lee Thorne, as part of a colleague involvement initiative.

Group Finance Director's review

Tim Pennington
Group Finance Director

We have made significant improvements in our financial performance over the last few years and this year, despite the economic environment, has been no exception.

During the year, revenue increased from £3,152 million to £3,646 million, pre-exceptional EBITDA from £605 million to £822 million and profit before exceptional items and income tax was up 37% to £422 million.

Three factors have had an impact on our results. Firstly, we acquired Thus, adding £248 million (£237 million after eliminations) to revenue and £29 million to EBITDA whilst adding a new dimension to our Worldwide business. Secondly, we benefited from the unprecedented volatility in currencies during the year, with foreign currency translation increasing CWI revenue by £150 million and EBITDA by £50 million.

Thirdly, our performance continues to improve. Our underlying revenue grew by £107 million during the year. Underlying gross margin increased due to rising sales, improving product mix and from programmes to reduce cost of sales. Our focus on reducing our cost base in both businesses has been very successful with £55 million taken out of our operating costs in the year. Worldwide's underlying operating costs decreased by £36 million from further efficiencies and CWI reduced their operating costs by £19 million as the 'One Caribbean' transformation programme started to kick in.

Group EBITDA before exceptional items increased by £217 million (36%) to £822 million in the year. There was a £138 million increase due to improved performance in Worldwide (£78 million) and CWI (£60 million), £50 million from the beneficial effect of foreign currency translation in CWI and £29 million from the acquisition of Thus. Our pre-exceptional EBITDA margin has increased by four percentage points to 23%.

The Group had a trading cash inflow of £207 million. After taking into account the acquisition of Thus, the payment of dividends to shareholders and currency effects, the Group moved from a net cash position of £243 million to a net debt position of £377 million. Nevertheless, our liquidity and balance sheet remain strong.

During the year, we worked with our pension fund Trustees to successfully complete a buy-in of the pensioner element of our main UK pension scheme with Prudential Insurance. This buy-in effectively removed the risks relating to the UK pensioner element of the scheme, representing approximately half of the scheme's liabilities.

Our pre-exceptional earnings per share increased from 7.9 pence to 13.0 pence as a result of the improved performance of the business and the factors outlined above. Post-exceptional earnings per share decreased from 6.8 pence to 5.8 pence as performance was offset by exceptional restructuring costs together with the mark to market effect of forward foreign exchange contracts.

The Board is proposing a final dividend of 5.67 pence per share, which together with the interim dividend of 2.83 pence per share, represents a 13% increase on the 2007/08 full year dividend.

At a time when the economic environment is challenging, our performance has continued to improve.

Financial performance review

Group performance

	2008/09			2007/08		
	Pre-exceptional items £m	**Exceptional items[1] £m**	**Total £m**	Pre-exceptional items £m	Exceptional items[1] £m	Total £m
Revenue	**3,646**	**–**	**3,646**	3,152	–	3,152
Cost of sales	(1,759)	–	(1,759)	(1,543)	–	(1,543)
Gross margin	**1,887**	**–**	**1,887**	1,609	–	1,609
Operating costs (excluding LTIP charge)	(1,065)	(133)	(1,198)	(1,004)	(53)	(1,057)
EBITDA[2]	**822**	**(133)**	**689**	605	(53)	552
LTIP charge	(17)	–	(17)	(27)	–	(27)
Depreciation and amortisation	(379)	–	(379)	(299)	(37)	(336)
Net other operating (expense)/income	(2)	–	(2)	5	53	58
Group operating profit/(loss)	**424**	**(133)**	**291**	284	(37)	247
Share of profit after tax of joint ventures	34	–	34	37	–	37
Total operating profit/(loss)	**458**	**(133)**	**325**	321	(37)	284
Net finance expense	(46)	(56)	(102)	(22)	(10)	(32)
Gain on sale of non-current assets	7	–	7	1	–	1
Gain on termination of operations	3	–	3	8	6	14
Profit/(loss) before income tax	**422**	**(189)**	**233**	308	(41)	267
Income tax (expense)/credit	(24)	7	(17)	(56)	9	(47)
Profit/(loss) for the year from continuing operations	**398**	**(182)**	**216**	252	(32)	220
Profit for the year from discontinued operations	10	–	10	–	–	–
Profit/(loss) for the year	**408**	**(182)**	**226**	252	(32)	220
Attributable to equity holders of the Company	322	(179)	143	191	(27)	164
Attributable to minority interests	86	(3)	83	61	(5)	56
Profit/(loss) for the year	**408**	**(182)**	**226**	252	(32)	220

The consolidated income statement of the Group, which is prepared in accordance with IFRSs applicable for use in the EU, from which the information above is extracted is included in the consolidated financial statements on page 63.

1 Exceptional items comprise items considered exceptional by virtue of their size, nature or incidence and include restructuring and impairment charges, provision charges and credits and profits and losses on disposal of non-current assets and foreign exchange contracts.
2 Earnings before interest, tax, depreciation and amortisation, Long Term Incentive Plan (LTIP) charge and net other operating income/expense.

The commentary that follows refers to the Group's results before exceptional items, highlighting the effect on the results from performance, the acquisition of Thus and the impact of foreign currency translation on the results of CWI (the impact of foreign currency translation on the results of Worldwide and Central was not material).

Group results before exceptional items

Group revenue grew by £494 million (16%) to £3,646 million in 2008/09 due to growth in both Worldwide and CWI (£107 million), Worldwide's acquisition of Thus (six months revenue to 31 March 2009 of £237 million after £11 million of eliminations) and the beneficial effect of foreign currency translation on CWI revenue (£150 million).

Of the £107 million growth in underlying revenue, Worldwide's revenue grew by £90 million, as we continue to win and deliver significant new IP, data and hosting contracts to our enterprise customers. CWI's revenue grew by £13 million, predominantly due to Panama as our mobile revenue grew despite the entry of two additional mobile competitors in the year.

The £278 million increase in Group gross margin to £1,887 million is due to £83 million of growth from Worldwide and CWI, £100 million of additional gross margin from Thus and £95 million from the beneficial effect of foreign currency translation on CWI gross margin.

We improved Group gross margin as a percentage of revenue by one percentage point to 52%.

In 2008/09, Group operating costs increased by 6% (£61 million) to £1,065 million. This masks a £55 million reduction in operating costs in Worldwide and CWI. Worldwide's acquisition of Thus increased operating costs by £71 million and the adverse effect of foreign currency translation on CWI operating costs was an increase of £45 million.

Of the £55 million reduction in underlying operating costs, there was a £36 million decrease in Worldwide as a result of our focus on improving efficiency through key initiatives such as optimising our network costs. We reduced our operating costs in CWI by £19 million as the 'One Caribbean' transformation programme started to take effect.

In the year, we reduced Group operating costs as a percentage of revenue by three percentage points to 29%.

In 2008/09, our operating costs benefited from an IAS 19 net pension credit of £12 million in relation to the main UK defined benefit scheme; £8 million in Worldwide and £4 million in CWI compared with £14 million and £5 million in 2007/08 respectively.

EBITDA
Group EBITDA increased by £217 million (36%) to £822 million with the £138 million improvement in the performance of Worldwide (£78 million) and CWI (£60 million) being the largest contributing factor. Worldwide's acquisition of Thus and the first six months of integration synergies contributed an additional £29 million of EBITDA and the beneficial effect of foreign currency translation in CWI increased EBITDA by £50 million.

We have improved the Group EBITDA margin by four percentage points to 23% reflecting rising profitability in both businesses.

Long Term Incentive Plan (LTIP) charge
The LTIP charge for 2008/09 is £17 million, all of which was incurred by Worldwide. The 2009 payment of £32 million (£30 million in Worldwide and £2 million in CWI) will be made to participants in the plan. For more details on the calculation of the LTIP pool, please refer to pages 52 to 53.

Depreciation and amortisation
Depreciation and amortisation has increased by £80 million in the year to £379 million. This includes a £45 million increase following the recent levels of capital expenditure, a £19 million depreciation charge on the acquired Thus fixed assets and the effect of foreign currency translation on CWI of £16 million.

Share of profit after tax of joint ventures
Our share of profit after tax of joint ventures decreased by £3 million to £34 million.

Net finance expense
The £46 million net finance expense for the year is £24 million higher than 2007/08 and consists of finance income of £29 million (£53 million in 2007/08) and finance expense of £75 million (£75 million in 2007/08). The decrease in finance income relates to lower average cash balances and reduced interest rates.

Profit from discontinued operations
The profit of £10 million from discontinued operations includes the reversal of unutilised provisions relating to previously discontinued businesses including the Group's former US operations.

Group exceptional items

	2008/09 £m
Operating items	
CWI and Worldwide restructuring	(95)
Thus integration charges	(30)
Onerous property lease obligation	(8)
Exceptional items within total operating profit	**(133)**
Non-operating items	
Losses on foreign exchange contracts	(56)
Exceptional items below total operating profit	**(56)**
Total exceptional items before tax	**(189)**
Tax credit on exceptional items	7
Total exceptional items	**(182)**

The CWI transformation programme continued with gross restructuring costs of £57 million primarily relating to our 'One Caribbean' transformation programme, the streamlining of our London office including a 27% reduction in headcount, and efficiency programmes in Panama and Monaco & Islands. These costs were partially offset by a £8 million exceptional net gain primarily from the restructuring of the Jamaican retirement funds. A £7 million tax credit was recorded against the CWI restructuring charges.

Restructuring costs of £46 million relating to Worldwide's transformation programme were recognised in the period. These primarily comprised property and network rationalisation (£32 million) and redundancies (£12 million). Exceptional costs of £30 million were incurred in relation to the integration of Thus into our Worldwide business, £24 million of these were recognised in Thus and £6 million in the existing Worldwide business.

During the period, Central recognised a one-off charge of £8 million in relation to an onerous property lease.

The Group recognised an exceptional finance expense of £56 million from the IAS 39 marking to market of forward exchange contracts used for hedging purposes. In 2008/09, we entered into US$815 million of forward contracts at average US dollar to sterling exchange rates of between 1.72 and 1.86 to lock in the sterling value of our forecast cash repatriation from overseas operations and drawdowns on the Group's US$415 million bank facility. £31 million of the finance expense results from the expiry of US$590 million of contracts in 2008/09, offsetting some of the foreign currency translation benefit in 2008/09. The remaining £25 million relates to the marking to market at the year end US dollar to sterling exchange rate of 1.4498 of US$225 million of open forward contracts to hedge 2009/10 cash repatriation. In accordance with the Board's policy on hedging and derivatives, we hedge only transaction exposure at the point we have good visibility of the transaction flows.

Taxation

	2008/09 £m	2007/08 £m
Taxation before exceptional items		
Profit on ordinary activities before taxation	**422**	308
Tax charge on ordinary activities	**(24)**	(56)
Effective tax rate	**6%**	18%
Taxation after exceptional items[1]		
Profit on ordinary activities before taxation	**233**	267
Tax charge on ordinary activities	**(17)**	(47)
Effective tax rate	**7%**	18%

1 Excluding discontinued operations.

The principal reason for the movement in the effective tax rate is an increased UK deferred tax asset recognition in the current year.

The Group charge of £17 million (2007/08 – £47 million) comprises a £37 million credit in respect of previously unrecognised UK deferred tax assets (£7 million for 2007/08), a charge of £61 million (£63 million in 2007/08) for overseas taxes and a credit of £7 million on exceptional items (2007/08 – credit of £9 million). During the year we paid £65 million of income taxes to governments around the world. This amount is different to the charge for overseas taxation principally due to the timing of current tax payments under overseas tax laws.

Group exchange rate movements

	2008/09	2007/08
US$:£		
Average	**1.7581**	2.0041
Year end	**1.4498**	1.9997

During the year, we saw extreme volatility in foreign exchange rates with strengthening of the US dollar against sterling and other currencies. These movements have had a significant effect on our 2008/09 financial performance.

2008/09 Group EBITDA includes £50 million net benefit from foreign currency translation of CWI's EBITDA, predominantly due to the 12% depreciation of the average sterling rate against the average US dollar rate for 2008/09, as approximately three quarters of CWI's EBITDA comes from US dollar or US dollar linked economies. The majority of this strengthening of the US dollar occurred in the last six months of the financial year with the consequence that the average translation rate was 1.7581 whilst the closing rate was 1.4498.

The strengthening of the dollar against sterling also resulted in an exceptional charge of £56 million relating to US dollar forward contracts and an increase in reported net debt of £46 million, primarily from revaluing US dollar cash and debt in sterling.

Group earnings per share

	Before exceptional items £m	Exceptional items £m	Total £m
Profit for the year attributable to equity holders of the Company	**322**	**(179)**	**143**
Profit for the year from continuing operations attributable to equity holders of the Company excluding LTIP charge	**329**	**(179)**	**150**
Earnings/(losses) per share attributable to the equity holders of the Company during the year (pence)	**13.0p**	**(7.2)p**	**5.8p**
2007/08 (pence)	7.9p	(1.1)p	6.8p
Earnings/(losses) per share from continuing operations attributable to the equity holders of the Company during the year excluding LTIP charge (pence)	**13.2p**	**(7.2)p**	**6.0p**
2007/08 (pence)	9.0p	(1.1)p	7.9p

Reconciliation of Group EBITDA to net cash flow before financing activities

	2008/09[1] £m
EBITDA[2]	**822**
Exceptional items	**(133)**
EBITDA[2] less exceptional items	**689**
Movement in exceptional provisions	**11**
Movement in working capital and other provisions	**(21)**
Income taxes paid	**(65)**
Investment income	**39**
Purchase of property, plant, equipment and intangible assets	**(449)**
Other income	**3**
Trading cash inflow	**207**
Acquisitions and disposals	**(340)**
Contribution to pension buy-in	**(10)**
Net cash outflow before financing activities	**(143)**

1 Based on our management accounts.
2 Earnings before interest, tax, depreciation and amortisation, LTIP charge and net other operating income.

The Group trading cash inflow was £207 million including a £218 million inflow from CWI and a £13 million inflow from Worldwide, partially offset by a £24 million outflow in Central.

The net cash outflow in Central of £24 million predominantly relates to operating costs and working capital outflows, offset by interest income.

The Group net cash outflow before financing activities was £143 million following £340 million of cash outflow on acquisitions, principally relating to the acquisition of Thus, and the £10 million cash contribution to the pension buy-in.

Group cash and debt

	As at 31 March 2009 £m	As at 31 March 2008 £m
Cash and cash equivalents	**545**	699
Debt due in:		
less than 1 year	**(90)**	(59)
more than 1 but less than 2 years	**(64)**	(24)
more than 2 but less than 5 years	**(615)**	(215)
more than 5 years	**(153)**	(158)
Total debt	**(922)**	(456)
Total net (debt)/cash	**(377)**	243

The Group's net debt at 31 March 2009 of £377 million can be analysed between our businesses as follows:

	As at 31 March 2009		
	CWI £m	Worldwide £m	Central £m
Cash and cash equivalents	113	144	288
Debt due in:			
less than 1 year	(72)	(18)	–
more than 1 but less than 2 years	(20)	(9)	(35)
more than 2 but less than 5 years	(43)	(99)	(473)
more than 5 years	(5)	(2)	(146)
Total debt	(140)	(128)	(654)
Total net (debt)/cash	**(27)**	**16**	**(366)**

The movement in Group's net cash and debt can be reconciled as follows:

	£m
At 31 March 2008	**243**
Trading cash flow	207
Dividends	(224)
Acquisitions and disposals	(459)
Third party debt and interest	(91)
Pension contribution and other	(7)
Exchange movements	(46)
At 31 March 2009	**(377)**

In the year, the Group moved from a net cash position of £243 million to a closing net debt position of £377 million. During the year, we had a trading cash inflow of £207 million and paid £224 million in dividends (£147 million to shareholders and £77 million to minorities). The £459 million movement in net debt from acquisitions and disposals mainly relates to the £330 million purchase of the entire share capital of Thus, as well as the £113 million payment to refinance Thus' debt and other related charges. The £91 million movement in third party debt and interest comprises £79 million of interest paid and £12 million of finance lease payments. There was a £10 million outflow relating to the purchase of the bulk annuity policy for the main UK defined benefit pension scheme, offset by £3 million of other income. The effect of translating our non-sterling cash and debt balances, principally US dollars, into sterling increases our net debt by £46 million.

As at 31 March 2009, we had £545 million of cash and cash equivalents and undrawn credit facilities of over £100 million, following the arrangement of a £200 million facility in Worldwide, of which we have drawn down £99 million.

Pensions

As at 31 March 2009, the main UK defined benefit scheme had an IAS 19 deficit of £32 million compared with a surplus of £375 million at 31 March 2008, mainly as a result of lower asset values. The IAS 19 valuation uses a discount rate of 6.7%. In the prior year, we applied the asset ceiling provisions of IAS 19 and reduced the surplus to nil on the balance sheet. A full actuarial valuation of the main UK defined benefit scheme as at 31 March 2007 was completed in March 2008 and, following a cash contribution of £19 million, the scheme was fully funded on an ongoing basis.

In September 2008, the Pension Trustees of the main UK defined benefit scheme agreed a buy-in of the UK pensioner element of the scheme with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy which effectively matches the scheme's liabilities to the approximately 5,000 UK pensioners, thereby materially reducing the scheme's and shareholders' exposure to future risks relating to the pensioner element of the scheme. The pensioner liabilities and the matching annuity policy remain within the scheme.

The fund assets at 31 March 2009 were invested 50% in the bulk annuity policy described above, 31% in equities, and 19% in bonds, property, swaps and cash.

We have unfunded pension liabilities in the UK of £19 million (£20 million at 31 March 2008). Other defined benefit schemes have a net IAS 19 deficit of £7 million (£6 million surplus at 31 March 2008).

Risk overview

We've made good progress over the last few years, and we're confident in our ability to keep up this momentum. However, like any business, we face a number of potential risks in achieving our strategic goals. Some 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 Group.

Our Directors 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 should consider these risks carefully.

Group-wide risks

Like most businesses, we are exposed to the current economic environment. This could affect our growth and profitability as well as our ability to finance our business and pay dividends. However, we're confident that our Group structure – two separate businesses with distinct products, services and geographies – helps reduce our exposure. Both our businesses 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.

Our financing agreements mean that we're 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.

We believe that with our Group structure and incentive schemes, we are well positioned to deliver increased value to our shareholders. However, if this structure and 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, including Operating Boards for each business that review strategy and performance formally, to help us create value for the Group as a whole.

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 are affected by market movements and we may also have to make additional contributions to the scheme if the scheme's assumptions change. We engage in regular dialogue with the scheme Trustees who manage the scheme's assets with appropriate external advice. We purchased annuities for all of our UK pensioner liabilities during the year, significantly reducing the risk relating to these obligations.

We generate a significant proportion of our profits outside the UK. These profits and associated investments are exposed to exchange rate fluctuations which affect our results and financial condition. Often the effects of exchange rate movements naturally offset in the short term. We use foreign exchange hedging contracts (see note 44 to our consolidated financial statements) and where appropriate, we borrow locally (or in linked currencies) in order to match operating and financing cash flows.

The risk of litigation from customers and competitors is always present, as it is for most large organisations. Regions such as Panama and the Caribbean are especially litigious. 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.

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.

We operate in many international locations, and our profits are taxed according to the differing tax laws of these jurisdictions. As a result, our effective tax rate could be altered by changes in legislation, management assessments or in the geographical allocation of our income and expense. An alteration in this rate would influence our financial results and so we constantly monitor actual and proposed changes to legislation to anticipate any tax effects.

We're dependent on our employees for our future success. From 2006 we have rewarded and retained our key senior managers through long term incentive plans linked to our two businesses or Group performance. In order to retain these individuals and their valuable skills and experience, we have developed long term incentive proposals including a one year extension of the existing LTIP and will be asking shareholders to approve these proposals at the 2009 AGM.

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 are confident that we have appropriate business continuity and disaster recovery plans, crisis management and emergency response teams and insurance cover. In addition, we strive constantly to improve our network and add resilience where issues are identified.

Many of our business strategies rely on mobile telecommunications technology. 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.

Risks specific to CWI
Our CWI businesses are transforming themselves into competitive enterprises to respond to the liberalisation of our markets – putting in place initiatives to enhance the customer experience and improve cost efficiency. A key initiative is our 'One Caribbean' programme in which we're bringing together 13 subsidiaries under one management structure with one brand and a common set of products and services. While we're confident that this programme will help us achieve our goals, it involves managing 13 sets of stakeholders, and as with all business transformation initiatives, implementation is complex, time consuming and expensive. To counter this, we're driving the initiatives through detailed transformation programmes with key milestones and objectives.

Competition continues to increase in some of our markets, notably Panama. Our revenue and margins may be adversely affected by new entrants taking market share and pushing prices down through aggressive pricing. We prepared well for the new competition in Panama by differentiating ourselves from the competition through marketing promotions and focusing on excellent customer service and network coverage. In many markets, we are the only company to offer a full service proposition. In addition, we share competitor analysis across our businesses to help us preempt the effect of competitors' actions.

New revenue sources, such as mobile value added services, managed services and enterprise solutions, are crucial to our growth strategy. If these fail to develop as well as we're expecting, our revenue may fall as our other core services reach full market penetration. We're confident in our new product development and marketing strategies and the improvements we've made to the way new products are introduced and are developing CWI-wide product implementation strategies to ensure our new revenue sources are as successful as we can make them.

We believe we have all of the necessary regulatory licences and concessions we need to operate in our markets. If we fail to renew our licences when necessary, we would not be able to operate in certain locations. To address this risk, we actively work with governments and regulatory bodies to help them deliver a regulatory environment that best suits the needs of consumers and local governments whilst enabling continuing stability for, and investment in, our business.

Our joint ventures contributed £34 million to our profit this year. However, without management control, we are often unable to influence their performance or ensure that they do not underperform. To minimise underperformance, we're maintaining regular dialogue with key stakeholders, actively engaging with local management and seeking to be involved operationally. We also seek to gain management control wherever possible.

Risks specific to Worldwide
The strategy of the Worldwide business 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. Furthermore in October 2008, we acquired Thus and are now integrating it into our existing business to create value and generate significant cost synergies. Implementing a 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've established detailed transformation programmes with key milestones, designed to ensure we achieve our aims.

It's 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. To increase security further, we've started an IT security mitigation programme to review our offshore operating model and implement onshore controls and business support processes.

Like all major telecoms operators in the UK, we're reliant on BT's network to deliver some services to our customers. BT is also our largest competitor with over 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 doesn't, 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 is due to introduce its next generation network (21CN) and next generation fibre roll out. This network and fibre roll out is likely to lead to a substantial change in commercial relationships between telecommunications operators' networks, as well as to the terms on which services are delivered. The timing of the introduction of BT's 21CN and what impact these new commercial arrangements will have on us is unclear at this stage. We are actively engaging with Ofcom as regulation will be a key factor in shaping these new arrangements.

Governance
How we manage our business including Board committees and Directors' biographies and remuneration.

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Board of Directors

Richard Lapthorne N

Chairman of Cable and Wireless plc

Richard Lapthorne was appointed as Group Chairman in January 2003. From 1999 to May 2003 Richard was Chairman of Amersham plc (now GE Healthcare) having joined its Board as a Non-executive Director in 1988. He was Finance Director of British Aerospace plc from July 1992 and Vice Chairman from April 1998 until his retirement in 1999. Richard is a Non-executive Director of Calibre Audio Library, Tommy's The Baby Charity and is HM The Queen's Trustee at The Royal Botanic Gardens, Kew. He was Non-executive Chairman of New Look Group and Morse plc until November 2007 and February 2008 respectively. On 1 June 2009, Richard will be appointed as Non-executive Chairman of the McLaren Group and Non-executive Director of McLaren Automotive.

John Pluthero

Executive Chairman, Worldwide

John Pluthero was appointed as Executive Chairman of Worldwide in April 2006 having previously been Executive Director of that business. During the period from 12 November 2007 to 11 November 2008, John was also Executive Chairman of CWI prior to the appointment of a Chief Executive. From September 2002 until its acquisition by Cable and Wireless plc in November 2005, John was Chief Executive of the Energis Group. He was founder and CEO of Freeserve (now part of Orange UK), leading it to its flotation, and prior to this, John held various strategy and operations positions within the Dixons Group. John is a Director of Merville Ltd.

Tony Rice

Chief Executive, CWI

Tony Rice was appointed as Chief Executive, CWI on 11 November 2008, moving from his role as Group Finance Director, a position he held from March 2006, having been a Non-executive Director since January 2003. Tony was Chief Executive of Tunstall Holdings Ltd from March 2002 until its sale in September 2005 and he continued as a Non-executive Director of that company until April 2008. Tony was previously Group Treasurer and then Group MD, Commercial Aircraft of British Aerospace plc. Tony is a Non-executive Director of Punch Taverns plc and was appointed as Chairman of Alexander Mann Solutions on 28 July 2008. He was a Trustee of Help the Aged until 1 April 2009.

Simon Ball AR

Non-executive Director

Simon Ball was appointed a Non-executive Director in May 2006 and is a member of the Audit and Remuneration Committees. On 11 November 2008, Simon became an Investor Director on the Worldwide and CWI Operating Boards. Simon was Group Finance Director for 3i Group plc until November 2008 having served on its main Board since April 2005. In this capacity, he was a member of the Management and Investment Committees, responsible for financial management and coordinating strategic direction. Prior to this, Simon held a series of senior finance and operational roles at Dresdner Kleinwort Benson, served as Group Finance Director for the Robert Fleming Group and was Director General, Finance for the Department for Constitutional Affairs.

John Barton AR

Non-executive Director

John Barton was appointed a Non-executive Director on 9 March 2009 and is a member of the Audit and Remuneration Committees. John has been Chairman of Next PLC since 2006 having joined their Board 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

Senior Independent Director; Chairman of the Nominations Committee

Clive Butler was appointed a Non-executive Director in May 2005 and is the nominated Senior Independent Director. Clive is Chairman of the Nominations Committee and a member of the Audit and Remuneration Committees. Clive was Corporate Development Director at Unilever plc, serving on its main board 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.

Tim Pennington

Group Finance Director and Chief Financial Officer, CWI

Tim Pennington was appointed as Group Finance Director on 11 November 2008 having joined CWI as Chief Financial Officer on 23 September 2008. Previously, Tim was CFO and an Executive Director of Hutchison Telecommunications International Ltd, the Hong Kong based global telecoms group. During this time he managed that company's successful dual listing on the Hong Kong and New York Stock Exchanges. Tim was also Finance Director of Hutchison 3G (UK) (Hutchison Whampoa's UK mobile business) and has corporate finance experience with HSBC Investment Bank and Samuel Montagu & Co.

George Battersby

Executive Director, Human Resources

George Battersby was appointed as Executive Director, Human Resources in July 2004. Prior to joining Cable and Wireless plc, George was an Executive Director of Amersham plc (now GE Healthcare) responsible for human resources, pensions, health and safety and environment. Previously he held senior HR positions in a number of FTSE 100 companies, including Group HR Director appointments at Laporte plc and Fisons plc. George is a Non-executive Director and Chairman of the Remuneration Committee at Hogg Robinson Group plc and was appointed to the Board of Ofsted on 4 June 2008. He was previously Senior Independent Director and Remuneration Committee Chairman of SHL plc.

Kate Nealon [ANR]

Non-executive Director; Chair of the Remuneration Committee

Kate Nealon was appointed a Non-executive Director in January 2005 and is Chair of the Remuneration Committee. She is also a member of the Audit and Nominations Committees. Kate was Group Head of Legal and Compliance at Standard Chartered plc until 2004 having previously practised international banking and regulatory law in New York. Kate is a Non-executive Director of Shire plc, a senior associate of the Judge Business School at Cambridge University and a member of the Advisory Council of the Institute of Business Ethics. She was also a Non-executive Director of HBOS plc until 16 January 2009.

Kasper Rorsted [ANR]

Non-executive Director; Chairman of the Audit Committee

Kasper Rorsted was appointed a Non-executive Director in May 2003 and is Chairman of the Audit Committee. He is also a member of the Nominations and Remuneration Committees. Kasper is CEO of Henkel KGaA, Germany. Prior to joining Henkel in April 2005, Kasper was Senior Vice President and General Manager, EMEA for Hewlett Packard and held various senior management positions with Compaq. Kasper was appointed as a Non-executive Director of Danfoss A/S, Denmark on 24 April 2009 and was a Non-executive Director of Ecolab, Inc. USA until July 2008.

[A] Denotes membership of Audit Committee
[N] Denotes membership of Nominations Committee
[R] Denotes membership of Remuneration Committee

Directors' report

The Directors present their Annual Report together with the audited financial statements for the year ended 31 March 2009.

Principal activities, business review and results

The Group's principal activities are detailed on pages 4 to 5. Through this Annual Report, including the Chairman's statement and the business review section (pages 6 to 38) that precede 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 63.

Directors

The names and biographical details of the Directors are set out on pages 40 to 41. All of these Directors were in office throughout the year apart from Tim Pennington, who joined the Board on 11 November 2008 as Group Finance Director, and John Barton, who joined the Board on 9 March 2009 as a Non-executive Director. Agnès Touraine resigned as a Non-executive Director on 19 May 2009. She joined the Board in January 2005 and was a member of the Audit and Remuneration Committees.

At the 2009 Annual General Meeting (AGM), Richard Lapthorne, who has opted to seek re-election at each AGM, will retire and offer himself for re-appointment. Simon Ball, John Pluthero and Kasper Rorsted will each retire by rotation at the 2009 AGM in accordance with Article 87 of the Company's Articles of Association and will offer themselves for re-election. Tim Pennington and John Barton will also retire at the AGM and offer themselves for election in accordance with Article 86 of the Articles of Association having been appointed to the Board since the last AGM.

The interests of the Directors and their connected persons in the shares of Cable and Wireless plc, along with details of their share options, are contained in the Directors' remuneration report set out on pages 50 to 59.

No Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year. Richard Lapthorne and Tony Rice, together with Tony Rice's spouse, purchased bonds issued by the Company during the period. For further information, refer to note 40 of the consolidated financial statements.

The Company has granted indemnities in favour of its Directors (and former Directors who held office during the year) and certain Directors and former Directors of its subsidiaries against personal financial exposure that they may incur in the course of their professional duties as Directors of the Company and/or any subsidiaries (as applicable). These indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006 (the 2006 Act). They were in force throughout the year and are still in force.

Dividends

The Directors recommend a final dividend of 5.67 pence per ordinary share payable on 7 August 2009 to ordinary shareholders on the register at the close of business on 5 June 2009. An interim dividend of 2.83 pence per ordinary share was paid on 23 January 2009, resulting in a total dividend of 8.50 pence per ordinary share for the financial year.

Share capital and treasury shares

The authorised and called-up share capital of the Company, together with details of shares allotted during the year, are shown in note 32 to the consolidated financial statements. No additional treasury shares were acquired during the year. 12.5 million treasury shares were transferred to the Cable and Wireless plc Employee Share Ownership Trust to fulfil the requirements of the Company's employees' share schemes. At 31 March 2009, a total of 33.2 million (2007/08 – 45.7 million) ordinary shares were held in treasury, representing 1.3% (2007/08 – 1.8%) of called-up share capital.

Company's shareholders

As at 20 May 2009, the Company has been notified of the following substantial holdings of voting rights in the issued share capital of the Company: Newton Investment Management Limited (13.030%); Orbis Investment Management Limited (4.9980%); and Legal & General Investment Management Limited (4.0700%).

Ethics

Cable & Wireless' 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's ethics policy applies to all Cable & Wireless companies and employees. Where Cable & Wireless operates in conjunction with business partners, third parties or in joint venture arrangements where it does not have management control, it aims to promote the application of this policy. 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.

Charitable and political donations

During the year ended 31 March 2009, the Group gave £2.1 million (2007/08 – £1.5 million) to charitable organisations including £120,000 (2007/08 – £120,000) to the Porthcurno Trust, a charitable organisation in the United Kingdom. More information about the Group's support of the communities in which it operates is set out on pages 18 to 19 and 30 to 31.

The Company does not make political donations and has no intention of making donations to what are generally regarded as political parties within the European Union. As a precautionary measure and in the light of the wide definitions of European Union political organisations for the purposes of the 2006 Act, a resolution to permit the Company to make political donations and incur political expenditure was passed at the 2008 AGM. The purpose of the resolution was to ensure that the Company did not unintentionally breach the 2006 Act. This resolution will remain in force until 17 July 2012 or the 2012 AGM, whichever is the earlier.

Supplier payment policy
The Company agrees payment terms with suppliers when it enters into purchase contracts and it seeks to abide fairly by these agreed terms. The average number of days between the invoice date and the date of payment by the Company (calculated by reference to the amount owed to suppliers at the year end as a proportion of the amount invoiced by suppliers during the year) was 27 days (2007/08 – 18 days).

Employee diversity
The Group's employment policies comply with local requirements and meet relevant standards on employment of disabled people. Full and fair consideration is given to disabled applicants for employment and training, and career development is encouraged on the basis of aptitude and ability. It is Group policy to retain employees who become disabled whilst in its service and to provide specialist training where appropriate.

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

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

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

Annual General Meeting
The AGM will be held at 11.00am on Friday 17 July 2009 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. Details of the resolutions to be proposed at the AGM are given in the Notice of 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 Group's system of internal control and for reviewing its effectiveness on a continual basis. The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The concept of reasonable assurance recognises that the cost of control procedures should not exceed the expected benefits.

The Group operates a risk management process, under which both businesses identify the key risks to their plans, their likelihood and impact and the actions being taken to manage those risks. Consolidated risk registers for CWI and Worldwide are reviewed by their respective Operating Boards and these risk registers, together with a Central risk register, are presented to the Audit Committee on a rolling 12 month basis. The principal risks identified by the Group are set out on pages 37 to 38.

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 risk and performance indicators. The Group's key internal control and monitoring procedures include the following:

- Financial reporting: Each year, an annual budget is agreed and approved by the Board. At each 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: The Group has dedicated resource to embed processes and controls across the businesses. It operates a number of additional self-assessment exercises, which include monthly certification of compliance with key financial controls and an annual controls self-assessment. 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 financial year in accordance with the revised Turnbull guidance. The processes as set out above have been in place for the year under review and up to the date of this Annual Report. Where appropriate, necessary action has been or is being taken to remedy any failings and weaknesses identified as significant during this review.

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

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 and concession agreements.

In particular, under the Group's £200 million revolving 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 Group's US$415 million revolving facilities agreement, on a change of control the lenders are not obliged to fund any further sums and, if the majority lenders require, on not less than ten days notice, the facility shall be cancelled and all outstanding loans together with related charges become immediately due and payable.

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, refer to the Directors' remuneration report on pages 50 to 59.

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. The Company intends to alter its Articles at the 2009 AGM, and further details of the proposal are set out in the AGM Notice.

Voting Each share (other than those held in treasury) allows the holder to have one vote at general meetings of the Company on votes taken on a poll.

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 given notice demanding payment, stating the amount due and that the shares will be sold on non-payment; and (iii) the money has not been paid within 14 clear days of the service of the notice.

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

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

Sanctions Unless the Directors decide otherwise, a shareholder shall not be entitled to vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or exercise any other right conferred by membership in relation to general meetings if the shareholder has not paid all amounts relating to those shares which are due at the time of the meeting, or if the shareholder is given a notice following a failure by that shareholder or someone who appears to be interested in the shares to comply with a notice under section 793 of the 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; and (iii) during the 12 year period and for three months after the notice, the Company has not heard from the shareholder or any person entitled to sell the shares.

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

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

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

US Holders The Directors may require a shareholder or other person appearing to be interested in shares, to disclose

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

Disputes Any disputes between a shareholder and the Company and/or the Directors arising out of or in connection with the Articles shall be exclusively and finally resolved under the Rules of Arbitration of the International Chamber of Commerce, as amended from time to time, in accordance with the Articles.

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 must be approved by shareholders in accordance with the legislation in force from time to time.

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 also provide that at every AGM, 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 require them to cease to be a Director; (v) they have missed Directors' meetings for a continuous period of six months without permission and the other Directors resolve that they shall cease to be a Director; (vi) a bankruptcy order is made against them, or they make an arrangement or composition with their creditors; (vii) they are prohibited from being a Director by law; or (viii) they cease to be a Director under 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 9-10 and have authority to make market purchases of shares pursuant to Article 6. The powers under Article 10 are referred to shareholders at the AGM for renewal. Shareholders are also requested to renew the Directors' power to make market purchases of shares at each AGM. Any shares purchased may be cancelled or held as treasury shares.

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 and shareholders have approved appropriate amendments. At the Company's AGM in 2008, the shareholders gave this approval.

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 were duly followed to approve appropriate conflicts following the enactment of the conflict provisions in October 2008, 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 overviews on pages 10 to 17 and 22 to 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial performance review on pages 33 to 36. Further, note 44 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 and associated covenants can be found in note 27 to the consolidated financial statements.

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

By order of the Board

Nick Cooper
Group General Counsel and Company Secretary
20 May 2009

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 page 49 and Remuneration Committee on pages 50 to 59. Furthermore, our independent Non-executive Directors prepare a report describing the corporate governance and behaviours of the Board on page 48. Together these reports provide shareholders with an insight into how our Board and senior management run the business to increase shareholder value.

Board composition and attendance

At 31 March 2009 our Board comprised the Chairman, four Executive Directors and six Non-executive Directors, including the Senior Independent Director. Biographies of the continuing Directors, including details of their committee memberships, are shown on pages 40 to 41.

Throughout the year, the majority of the Board were 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 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 with an expectation that they will continue for a further three year term. Kasper Rorsted will complete his second three year term on 23 May 2009. After a review of his role and contribution to the Board, the Chairman has invited him to continue with his appointment for a further period of 12 months, in accordance with his letter of appointment.

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.

Board meeting attendance

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Chairman				
Richard Lapthorne	9/9	–	–	4/4
Executive Directors				
George Battersby[1]	6/9	–	–	–
Tim Pennington[2]	4/4	–	–	–
John Pluthero	9/9	–	–	–
Tony Rice	9/9	–	–	–
Non-executive Directors				
Simon Ball	8/9	3/5	5/6	–
John Barton[3]	1/1	0/1	1/1	–
Clive Butler	9/9	5/5	6/6	4/4
Kate Nealon	9/9	5/5	6/6	4/4
Kasper Rorsted	8/9	5/5	6/6	4/4
Agnès Touraine	8/9	4/5	4/6	–

– Director is not a Committee member.
1 George Battersby was unable to attend three meetings due to illness.
2 Tim Pennington was appointed on 11 November 2008.
3 John Barton was appointed on 9 March 2009.

The Board held nine scheduled meetings during 2008/09. 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.

Role of the Board

The Board of Cable & Wireless 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 control; 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; and 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 2009, as for previous years, there were no such objections.

Cable & Wireless continues to be organised as two separate businesses – CWI (formerly International) and Worldwide (formerly Europe, Asia & US) – each with their own Operating Board that meets monthly and focuses on the issues relevant to that business.

John Pluthero, as Executive Chairman of Worldwide, has overall responsibility for the day-to-day management of this business. John and Jim Marsh, Worldwide's Chief Executive, are members of the Worldwide Operating Board along with other senior members of the Worldwide executive team and four Investor Directors appointed by the Board.

John Pluthero was also responsible for the day-to-day management of CWI until November 2008 when Tony Rice was appointed as Chief Executive, reporting to Richard Lapthorne. Tim Pennington joined CWI as its Chief Financial Officer on 23 September 2008 and he continues in this role in addition to his appointment as Group Finance Director from 11 November 2008. Richard, Tony and Tim are all members of the CWI Operating Board along with other members of the CWI executive team and two Investor Directors appointed by the Board.

Separate schedules of reserved matters have been adopted by both Operating Boards and the Board may also delegate power to the Investor Directors to grant approval on any matter otherwise reserved for the Board.

The Senior Independent Director
Clive Butler was appointed Senior Independent Director in June 2006. The Senior Independent Director is available to meet shareholders on request and is the designated point of contact for shareholders to raise any concerns which contact through the normal channels of the Chairman or Executive Directors has failed to resolve or for which contact is inappropriate.

As part of our ongoing commitment to regular dialogue with our investors, the Senior Independent Director, along with the Chairman, attended several meetings with investment managers during the year. Additionally, in April 2008 the Company invited a number of institutional investors to a roundtable meeting with the Senior Independent Director, the Chairman and other Executive and Non-executive Directors to review Cable & Wireless corporate governance structures.

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 49 and 50 to 59 respectively.

The Nominations Committee, chaired by Clive Butler (Senior Independent Director), met on four occasions during the 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. In accordance with these procedures, and with the advice of external recruitment consultants, the following changes to the Board were made at the recommendation of the Nominations Committee:

- Tim Pennington was appointed as an Executive Director on 11 November 2008; and
- John Barton was appointed as a Non-executive Director on 9 March 2009.

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 of both CWI and Worldwide. 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
As in the previous year, the Chairman led an in-house performance evaluation of the Board and its Committees in the form of a detailed questionnaire. The findings were collated by the Company Secretary and presented to the Board for consideration.

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

Compliance with the Combined Code on Corporate Governance (the Code)
Throughout the year ended 31 March 2009, we complied with all provisions set out in Section One of the Code.

By order of the Board

Nick Cooper
Group General Counsel and Company Secretary
20 May 2009

Statement from the independent Non-executive Directors

Since April 2006, Cable & Wireless has operated a governance system where the activities of the Group are divided into two businesses (CWI and Worldwide) with a Central function acting as a portfolio manager. The two businesses are headed by Executive Directors reporting to the Chairman of Cable and Wireless plc with senior members of the Central function sitting as Investor Directors on the Operating Boards of each business. The two Operating Boards meet monthly to focus on the issues in that business. The Group Board sits above the Operating Boards to ensure that the strategies of both businesses deliver shareholder value for the Group as a whole, while at the same time ensuring a high standard of corporate governance.

In the last 12 months the system has been subjected to its most rigorous test since inception. Cable & Wireless had been pursuing its plans for value realisation which could have resulted in a separation of the two businesses. Although these plans were put on hold in November 2008 due to unprecedented conditions in the credit and equity markets, internal planning had reached an advanced stage. This resulted in some disruption to the businesses and within the senior management team. This situation gave rise to a significant task for the Chairman to re-focus the Group as a whole on 'business as usual', to continue to perform well against its objectives in a deteriorating economic environment and, crucially, to underpin and strengthen the current organisational and governance structure. The Chairman addressed the latter issue by appointing Simon Ball, Non-executive Director, as an Investor Director on the Operating Board of each business in a non-executive capacity, giving the Board additional insight into the operation of each business, thereby increasing visibility of the Group's operations.

In addition, there were a number of significant management changes during the year. John Pluthero, who started the year as the Executive Chairman of both businesses, stepped down from his CWI role to focus purely on the Worldwide business. Tony Rice, previously Managing Director, Central and Group Finance Director, was appointed as Chief Executive of CWI, relinquishing his Central responsibilities. The role of Group Finance Director is now held by Tim Pennington. Tim, along with Nick Cooper, the Group General Counsel and Company Secretary, is one of two people in the senior management structure who carry out two separate roles, one for Central and one for CWI. In March 2009, John Barton joined the Group Board as a Non-executive Director and a member of the Audit and Remuneration Committees. Agnès Touraine left the Group Board on 19 May 2009 and we thank her for her contribution which will be missed.

Despite the volatility of the markets and the knock-on effect on the strategic plans for the Group, the Independent Directors are of the belief that the Company's governance system has stood up well to the challenges it has faced through the year. The successful operation of the system depends almost entirely on all participants being fully aware of their roles within the overall system and by the transparency offered by the system to the Non-executive Directors. Despite a number of significant senior changes during the year, this principle has remained paramount and has reinforced our belief that the system remains the most effective system for Cable & Wireless in its current form.

Turning now to the four questions posed annually as part of Cable and Wireless plc's approach to measuring effective corporate governance:

1 What is the quality of the relationship between the Chairman and the Executive Directors?
During the year the Chairman has facilitated a significant management change whereby John Pluthero has returned to focus exclusively on the Worldwide business, as was always the intention, and Tony Rice has been appointed as the Chief Executive of CWI. This has involved a significant amount of the Chairman's time including chairing the CWI Operating Board on a temporary basis to ensure that Tony's introduction into the CWI business could be managed seamlessly. Despite the significant disruption which this type of management change can have, the relationship between the Chairman and the Executive Directors has been maintained and remains strong.

2 How open are the Executive Directors with the Board?
The Executive Directors are very open with the Board. At each Group Board meeting, the Board receives detailed reports and verbal updates from the respective Executive Directors of Worldwide and CWI and on occasions from members of their team. This is supplemented by minutes and reports from the Investor Directors in relation to important matters which are dealt with at the Operating Boards. The ability of the Non-executive Directors to receive feedback from both the heads of business and the Investor Directors is a crucial check and balance which is designed to provide the Independent Directors with more protection than a traditional governance system would offer.

3 What is the visibility of checks and balances between the Executive Directors?
Checks and balances between Executive Directors are a key feature of the system. Executive Directors sit on the Group and the two Operating Boards, side by side, but playing different roles. It is the role of the heads of each business to be accountable for the performance of their businesses whilst at the same time the Investor Directors challenge and hold them to account. The system has been further strengthened by the appointment of Simon Ball as an Investor Director. In his extended role Simon offers a further challenge to the Executive Directors when they are performing their roles and provides enhanced visibility to the Non-executive Directors who do not attend the Operating Board meetings.

4 Have all questions asked by the Independent Directors in Board and Committee Meetings been appropriately addressed?
Questions asked by the Independent Directors have been properly addressed and they are satisfied that they have been dealt with professionally throughout the year.

The Independent Directors are satisfied that the Company's corporate governance controls have been effective throughout the year ended 31 March 2009.

Clive Butler
Senior Independent Director
20 May 2009

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 members of the Audit Committee (the Committee) during the year consisted solely of the Non-executive Directors: Kasper Rorsted (Committee Chairman), Simon Ball, John Barton (from 9 March 2009), Clive Butler, Kate Nealon and Agnès Touraine.

The Group Finance Director, Group Financial Controller and Head of Internal Audit are also 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.

During the year, the Committee undertook a review of its objectives and terms of reference. Following that review, the Committee's objectives were confirmed as: assisting the Board in meeting its responsibilities to create an effective system of internal control and compliance; providing accurate external financial reporting; overseeing, reviewing and monitoring management's conduct; and reporting of effective risk management. The Committee's full terms of reference are published on our website (www.cw.com).

The Board has satisfied itself that at least one member of the Audit Committee has recent and relevant experience and is confident that the collective experience of the members enables them to act as an effective Audit Committee.

Meetings

The Audit Committee held five scheduled meetings during the year ended 31 March 2009. An additional meeting was held in April 2008 to consider any issues which arose during the course of the 2007/08 full year audit.

The agenda for meetings is prepared by the Committee Chairman in conjunction with the Group Finance Director, Group Financial Controller and the external auditor. At each scheduled meeting the Committee receives reports from the Group Finance Director, the external auditor and the Head of Internal Audit together with biannual litigation reports from the Group General Counsel. In addition, during the year ended 31 March 2009 the Committee considered the business set out below, making recommendations to the Board where appropriate:

- Preliminary results and press release for the year ended 31 March 2008; the 2007/08 Annual Report together with the Directors' statement on compliance with Turnbull guidance on internal controls and risk management;
- Interim results and press release for the six months ended 30 September 2008;
- Review of risk management within Worldwide, CWI and the Central function;
- Disaster recovery procedures for the Caribbean operation;
- Review of the Group's insurance cover;
- Review of the effectiveness of the internal and external auditors;
- Self-evaluation of the effectiveness of the Committee;
- Review of the Group's accounting and tax policies; and
- Review of key corporate governance developments.

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.

Internal audit

The Internal Audit function, led by the Head of Internal Audit, is supported by a team of auditors based in the UK and Jamaica. 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 Audit Plc (KPMG) has acted as auditor since 1991. The Committee evaluates 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 2009/10. This recommendation was based on a detailed review of the 2007/08 audit which demonstrated overall satisfaction with the performance of KPMG as external auditor. The review included a survey of 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 responsible for the 2008/09 audit was assigned in 2005/06. A new audit engagement partner was assigned on 1 April 2009 and will be responsible for the engagement in future.

The Committee has established 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 clearly identifies permitted and prohibited services and sets 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 Chairman of the Audit Committee.

For the year ended 31 March 2009 the Committee approved fees for audit services of £3.8 million together with fees for audit-related regulatory reporting of £0.4 million and non-audit work of £5.1 million. 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.

Kasper Rorsted
Chairman, Audit Committee
20 May 2009

Directors' remuneration report

This report sets out the policy and disclosures in relation to Directors' remuneration. As usual, this report will be subject to an advisory vote at the AGM on 17 July 2009.

Our overall aim is to ensure that our remuneration encourages, reinforces and rewards the delivery of outstanding shareholder value. This approach has been a key ingredient in our success as the fifth best performer in the FTSE 100 and the second best performer in the FTSE Global Telecoms Sector Index over the last three years (the period of our existing remuneration structure).

In addition to the disclosures for 2008/09, this report includes details of our Executive Directors' remuneration for 2009/10. This includes a one year extension of the existing Long Term Incentive Plan (LTIP) with delayed payments in earlier years for which we will be seeking shareholder approval at the AGM, and incorporating the best elements of the LTIP into more conventional share plans already approved by shareholders.

Membership and terms of reference

During the year ended 31 March 2009, the Remuneration Committee comprised all the Non-executive Directors: Kate Nealon (Chair), Simon Ball, Clive Butler, Kasper Rorsted, Agnès Touraine and, from 9 March 2009, John Barton.

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

During the year, the Board approved all recommendations from the Committee without amendment. In forming their recommendations, the Committee received input and information from the Chairman, the Group Human Resources Director, the Group Director of Performance and Reward and other Executives. The Committee has appointed independent consultants, Hewitt New Bridge Street (HNBS), to provide advice on remuneration and share plans both for Executive Directors and the wider senior management population. In addition, HNBS provide us with measurement of our relative total shareholder return (TSR) performance. HNBS's terms of engagement are available on request from the Company Secretary. PricewaterhouseCoopers advises the Committee on the six monthly valuation of the LTIP.

The Chairman, Executive Directors and any executives attending a meeting abstain from any discussion on their own remuneration.

Remuneration philosophy

Our overall aim is to ensure that our remuneration encourages, reinforces and rewards the delivery of outstanding shareholder value, underpinned by the following guiding principles:

- There should be a genuine alignment of management and shareholder interests;
- The majority of total remuneration for senior managers should only be receivable as a result of achieving demanding performance targets;
- The reward structures should reflect the different characteristics and strategies of the two operating businesses – CWI and Worldwide – as well as the Group as a whole;
- Total reward levels should reflect the markets in which we operate. Our competitive position is regularly monitored by independent analysis against comparator groups of companies selected on the basis of relevant size, business and geographic focus;
- Fixed salaries and benefits should be set at the mid market level compared with similar companies to ensure they remain appropriately competitive;
- An appropriate mix of short and long term incentives should be set so that Directors are incentivised to maximise performance over both the short and medium to long term; and
- The remuneration structure for Directors should be consistent with that of other senior managers whilst also recognising their greater Group responsibilities.

Summary of Executive Directors' remuneration

The existing remuneration structure for Executive Directors and other senior management was implemented on 1 April 2006 following the creation of two independent businesses (CWI and Worldwide) within Cable & Wireless. It was an innovative scheme designed to reinforce the new strategy and organisation, with a greater proportion of performance-related pay to fixed pay. Key features of this remuneration structure were: the grant of one-off long term incentive awards in 2006/07 with no further awards to be granted (other than following role changes) in 2007/08 or 2008/09; base salaries were frozen from 1 April 2006 until 1 April 2009; and the maximum annual bonus opportunity was reduced from 150% to 100% of base salary.

The three year period has now elapsed and accordingly the Committee, with the assistance of HNBS, has undertaken a review to determine future remuneration arrangements. Following this review, and following consultation with major shareholders and their representative bodies, the Committee has agreed a remuneration structure for 2009/10 and beyond. The key features of this new structure are as follows:

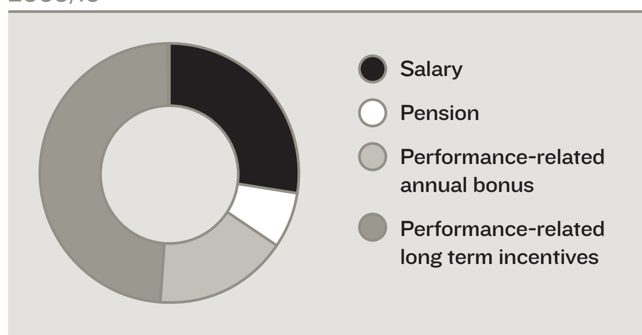
- In a move towards more conventional incentive arrangements, Executive Directors and other senior management will receive annual awards of performance shares under the existing Cable & Wireless Incentive Plan 2001 (IP2001). These shares will start to vest from 2012 onwards subject to achievement of stretching performance targets.
- Subject to shareholder approval at the forthcoming AGM, the Long Term Incentive Plan (LTIP) applying to Executive Directors and other senior management in the two businesses will be extended from four to five years until 31 March 2011 with delayed payments in 2009 and 2010. This will provide a seamless transition from the LTIP into the new incentive arrangements which begin to vest, subject to performance, from 2012. This extension also reflects the delay in our value realisation timetable caused by the unprecedented turmoil in the credit and equity markets.

- The Executive Directors' base salaries (unchanged since 2006 and now well below market levels) will be frozen for a further year until 1 April 2010 when they will be reset to mid market levels. There will be no change to the annual bonus structure which will remain below market levels at 100% of base salary.
- Shareholding guidelines for Executive Directors will be increased from two times to four times base salary.

The chart below illustrates the average proportion of Executive Directors' potential remuneration for 2009/10 that will be performance-related.

Figures reflect payment potential for a 'target' level of performance achieved for the annual bonus plan and for the 'fair value' of performance shares to be granted in 2009/10.

Split of potential total remuneration
2009/10



Base salary

As outlined above, the Committee has decided to freeze base salaries for the Executive Directors for a fourth year. Accordingly, salaries for 2009/10 remain unchanged at the following levels:

	Salary
George Battersby	£420,000
Tim Pennington	£400,000
John Pluthero	£600,000
Tony Rice	£600,000

Base salaries will be increased to market levels from 1 April 2010 by reference to the mid market level of equivalent roles in companies selected on the basis of comparable size, geographic spread and business focus. Individual salary decisions will take into account personal contribution and business performance.

Pension and other benefits

Executive Directors are not members of any Cable & Wireless pension scheme but instead receive a defined contribution allowance of 25% of their base salary.

The 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 56.

Annual bonus

Individual awards under the annual bonus scheme for 2009/10 will be based solely on financial performance, using business specific (Group, CWI or Worldwide as relevant) targets. The maximum bonus opportunity for all Executive Directors will be unchanged from the last three years at 100% of salary and 'target' financial performance will continue to generate a bonus payment of 60% of maximum. Bonuses will be paid in cash following the end of the financial year.

The financial measures and targets within the bonus plans are reviewed annually by the Committee and reflect the differing nature of the businesses.

Long term incentive awards

As outlined above, in 2009/10 Executive Directors will receive awards of performance shares under arrangements already approved by shareholders and, subject to shareholder approval at the AGM, the LTIP will be extended by one year to 2011 with delayed payments in 2009 and 2010. Details of these two long term incentive arrangements are outlined below.

i) Performance share plan

These shares will be awarded under the Performance Share section of IP2001, and based on an annual Cable & Wireless share award capped at four times the Director's market salary with three year vesting from 2012 onwards and subject to stretching performance targets detailed below.

The Committee has determined that the value of awards to Executive Directors in 2009/10 will be as follows:

	Value of shares at grant	
	Face value £m	'Fair value'[1] £m
George Battersby	1.76	0.7
Tim Pennington	1.76	0.7
John Pluthero	3.12	1.2
Tony Rice	2.80	1.1

1 Assumes 'fair value' of 38% of face value which is the estimated value of these awards at grant based on conditions prevailing at the date of this report.

These awards will vest based on the achievement of absolute total shareholder return of each business or the Group (as relevant to each Executive Director) above a minimum threshold. Awards will have a three year performance period.

The vesting schedule for awards to be granted in 2009/10 will be as follows:

Total Shareholder Return (TSR) over performance period	% of awards vesting
20% compound p.a. or higher	100%
Between 8% compound p.a. and 20% compound p.a.	Straight line between 25% and 100%
8% compound p.a.	25%
Less than 8% compound p.a.	0%

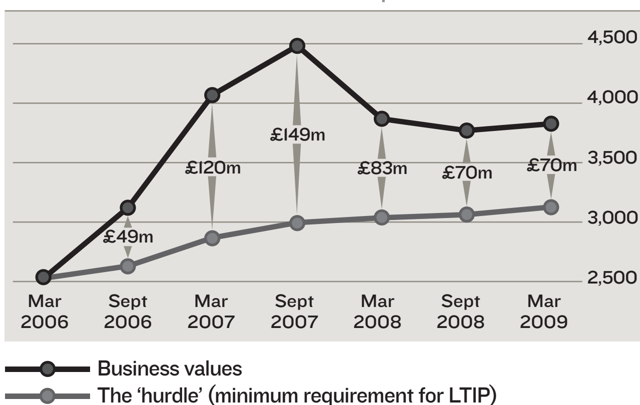
Cable & Wireless TSR is share price growth adjusted for dividends and capital actions. Business TSR is the increase in value of each business adjusted for cash flows rather than dividends and capital actions. For the purpose of these awards, TSR will be calculated using a one month average share price at the beginning and end of the performance period in order to moderate the effect of short term share price volatility.

Irrespective of potential vesting arising from the above schedule, the Committee will also consider whether underlying financial performance over the full three year period warrants release of the shares and will reduce the vesting percentage if appropriate. This test will be based upon EBITDA growth, use of debt, portfolio strategy, pace and the quality and quantity of EBITDA at the end of the relevant measurement period. In this regard, the relevant business to be reviewed by the Committee will be CWI for Tony Rice, Worldwide for John Pluthero, the overall Group for George Battersby and 50:50 overall Group and CWI for Tim Pennington.

ii) LTIP
The LTIP creates a reward pool for each of the two businesses (CWI and Worldwide) depending on the extent to which the businesses have grown in value from their adjusted base values at 1 April 2006. This plan directly aligns management incentives with shareholder interests so that it only pays out if shareholder value has increased substantially.

The graph below shows the increase in business values since 1 April 2006 and the corresponding value of the total LTIP pool. At 31 March 2009, the total LTIP pool is £70 million or 6% of the increase in business values. Of this pool, £8 million is attributed to CWI and £62 million to Worldwide.

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



The base valuations at 1 April 2006 are 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).

If a business' value is lower than its adjusted base valuation at the end of the performance period, there will be no reward pool for that business. To the extent that a 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.

Tony Rice holds units worth 10% of the reward pool for CWI with zero value at the date of his appointment on 11 November 2008. John Pluthero holds units worth 20% of the reward pool for Worldwide plus units worth 10% of the reward pool for CWI, less the payment made to the former Chief Executive of CWI, Harris Jones, in respect of these 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 2011 or up to one year following a vesting event if earlier and make the payment in Cable & Wireless shares rather than cash.

Measurement of the size of the reward pools is generally carried out as at every September and March coinciding with the Company's accounting period ends. Apart from good leavers, nothing vests to the participants until the end of year three (31 March 2009).

The LTIP is currently structured as a four year performance period until 31 March 2010 (or until a vesting event, if earlier) with 75% of the reward pool ordinarily being payable to participants at the end of year three (31 March 2009), and 100% payable (less payments made at the end of year three) at the end of year four (31 March 2010). Tony Rice's award is currently structured with full vesting at the end of year four (31 March 2010) with payment of 50% deferred for a further year.

To provide a seamless transition from the LTIP into the more conventional share plans outlined above and to ensure that management remain absolutely focused on increasing shareholder value, it is proposed that:

- The LTIP performance period is extended by one year until 31 March 2011 which will represent the final valuation point.
- Payments in 2009 and 2010 will be delayed. In particular:
  - John Pluthero, Executive Chairman of Worldwide, has agreed to delay his payment schedule from 75% in 2009 and the balance in 2010 to one of 67% in 2009; 85%, less payments made in 2009, in 2010; and the balance in 2011.
  - Tony Rice, Chief Executive of CWI, has agreed to delay his vesting schedule from 100% in 2010 to 85% in 2010 (50% paid immediately and 35% deferred for a further year) and the balance in 2011.
- 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.

These proposed changes have been discussed with the Company's major shareholders and their representative bodies.

Following a takeover of the Company, a sale of either business or a demerger, the LTIP will vest in full. The value of a business following the accelerated vesting will be determined by the Committee by reference to the overall market capitalisation of the Company on the vesting date. Participants will receive the full value of their awards following the vesting event, but the Committee has discretion to defer payment of up to 50% of the award for up to six months in the case of a sale and up to 12 months in the case of a demerger.

Irrespective of the above, payments to John Pluthero and Tony Rice will be scaled back if the Committee is not satisfied that there has been an improvement in the underlying financial performance of the business or if the Group's TSR is not positive over the performance period.

iii) Other share plans
Cable & Wireless operates a number of other share plans. Details of historic awards granted under these plans to Executive Directors are summarised in the tables on pages 57 to 59.

The following summarises the vesting schedules for those other outstanding share awards granted to Executive Directors previously that are subject to a TSR performance condition.

	Performance shares %	Deferred STIP %	Restricted shares %	Share options %
Below median	0	0	0	0
Median	33.33	25	25	33.33
Upper quartile	100	100	100	100

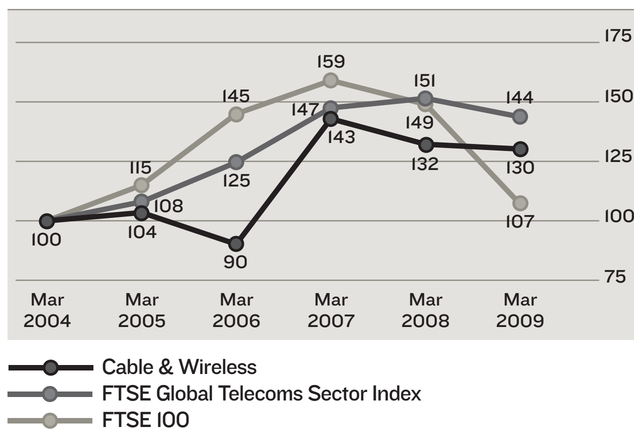
For Worldwide employees, part of an employee's annual cash bonus may be deferred into Cable & Wireless shares. These shares may be supplied through the Cable & Wireless Employee Share Ownership Trust or newly issued within the dilution limits in the existing share plans.

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

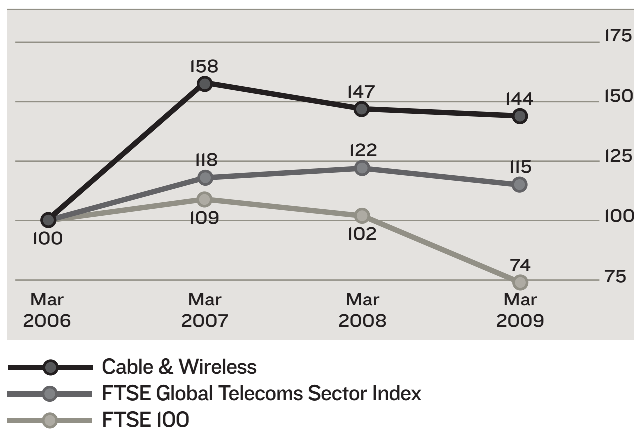
Performance graphs
The following graph shows the change in value of a £100 holding in Cable & Wireless ordinary shares over five years against the FTSE Global Telecoms Sector Index (FTSE GTSI) and against a broad equity market index. The FTSE 100 index was considered by the Committee to be the most relevant index for this purpose as Cable & Wireless has been a constituent of the index for the majority of the five year period. A similar graph over a three year period has also been presented as the Committee believes this period is more relevant to our incentive plans.

Over a five year period, Cable & Wireless has increased total shareholder return by 30%. Over a three year period, from the start of the LTIP, total shareholder return has increased by 44% – the fifth best performer in the FTSE 100.

Total shareholder return (5 year)
Value in £ on 31 March



Total shareholder return (3 year)
Value in £ on 31 March



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 2009, 4.98% of the issued shared capital was available for issue under our share-based plans.

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 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
George Battersby	27 July 2004	One year
Tim Pennington	11 November 2008	One year
John Pluthero	11 November 2005	One year
Tony Rice	30 March 2006	One year

The Executive Directors' contracts provide that, in the event of a change of control of the Company and a 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. 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 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 twice the Director's base salary. The Committee has reviewed this requirement and has determined that the shareholding requirement should be increased to shares worth four times' salary.

Currently, the Chairman and Tony Rice have shareholdings of over fourteen and eight times their base salary respectively, John Pluthero has a shareholding of more than five times his base salary and George Battersby has a shareholding of over three times his base salary.

Chairman

The Chairman's contract is effective from 6 June 2007 with 12 months' notice on either side and the requirement to stand for annual re-election at the AGM. There are no contractual entitlements on early termination or following a change of control. His annual fee of £386,000 is fixed until at least 2010.

As disclosed in last year's remuneration report, the Chairman was awarded 5.5 million Cable & Wireless shares under the IP2001 in June 2007 with vesting of the award subject to demanding performance conditions. Zero shares vest for TSR at or below the mid point of the comparator group of companies in the FTSE GTSI, through to 100% vesting for performance in the top 10% of this comparator group, on a straight line scale. The award is based on a three year performance period, starting from the date of the award on 6 June 2007. Vesting of the award will be deferred for one year if earlier vesting would otherwise be triggered by an event such as a sale of a business or demerger. The award is also conditional upon the Chairman's retention of his personal holding of 3.5 million Cable & Wireless shares for the duration of the performance period and a positive TSR for Cable & Wireless over the performance period.

In order to align the Chairman's share award with the extension of the LTIP, it is proposed that the performance period is extended by one year from June 2010 to June 2011. In doing so, neither the quantum nor the performance conditions change.

Non-executive Directors

The Non-executive Directors do not have service contracts with the Company, but instead have letters of appointment. Their fees are determined by the Board, within the limits set out in the Company's Articles of Association, with Non-executive Directors abstaining from any discussion or decision on their fees. Fee levels were last reviewed in February 2009 to take into account the market in general and the roles of the Non-executive Directors at Cable & Wireless. No changes were made to fee levels as a result of that review. The Non-executive Directors do not receive any incentive payments or pension provision.

Annual fees payable to each Non-executive Director for 2009/10 are as follows:

	Base fee	Additional fees
Simon Ball	£65,000	£100,000[1]
John Barton	£65,000	–
Clive Butler	£65,000	£20,000[2]
Kate Nealon	£65,000	£20,000[3]
Kasper Rorsted	£65,000	£25,000[4]
Agnès Touraine	£65,000[5]	–

1 Additional fee for acting as Investor Director on each of the CWI and Worldwide Operating Boards. The time commitment required for each of these two additional roles is approximately equal to the time commitment required of a plc Non-executive Director.
2 Additional fee for role as Senior Independent Director.
3 Additional fee for role as Chair of the Remuneration Committee.
4 Additional fee for role as Chairman of the Audit Committee.
5 Agnès Touraine resigned as a Non-executive Director on 19 May 2009.

Non-executive Directors are appointed for an initial three year term with the expectation that a further three year term will follow. After two three year terms, the continued appointment of any Non-executive Director may be extended on an annual basis 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.

Kate Nealon was appointed for a second three year term commencing on 18 January 2008 and Clive Butler was appointed for a second three year term commencing on 1 May 2008. Simon Ball was appointed for a second three year term commencing on 1 May 2009. Kasper Rorsted will come to the end of his second three year term of appointment on 23 May 2009. Following a review of his effectiveness and commitment to his role, the Chairman has invited Kasper Rorsted to continue in his appointment for a further 12 months in accordance with the terms of his letter of appointment. John Barton joined the Board for a three year term on 9 March 2009 and will be subject to election at the forthcoming AGM. Agnès Touraine stepped down as a Non-executive Director on 19 May 2009.

External directorships

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

Details of directorships held and the annual fees received for the financial year 2008/09 are given below:

	Annual fees
George Battersby	
Non-executive Director and Chairman of the Remuneration Committee of Hogg Robinson Group plc	£35,000
Board of Ofsted (from 4 June 2008)	£4,080
John Pluthero	
Director of Merville Ltd	No fee
Tony Rice	
Non-executive Director of Punch Taverns plc	£42,000
Chairman of Alexander Mann Solutions (from 28 July 2008)	£25,000

This report, including the tables on pages 56 to 59, has been approved on behalf of the Board by:

Kate Nealon
Chair, Remuneration Committee
20 May 2009

Directors' remuneration

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

	Salaries and fees £	Bonuses [2] £	Benefits in kind [3] £	Pension cash allowance [4] £	**Total 2008/09 £**	Total 2007/08 £
Chairman						
Richard Lapthorne	386,000	–	67,901	–	**453,901**	482,001
Executive Directors						
George Battersby	420,000	284,760	2,719	105,000	**812,479**	803,979
Tim Pennington	156,667	160,767 [5]	1,460	39,167	**358,061**	–
John Pluthero	600,000	509,400	42,579	150,000	**1,301,979**	1,255,294
Tony Rice	600,000	413,400	39,457	150,000	**1,202,857**	1,154,570
Non-executive Directors						
Simon Ball	104,167	–	3,189	–	**107,356**	66,418
John Barton	4,185	–	4	–	**4,189**	–
Clive Butler	85,000	–	2,883	–	**87,883**	79,547
Kate Nealon	85,000	–	3,189	–	**88,189**	79,547
Kasper Rorsted	90,000	–	9,621	–	**99,621**	95,870
Agnès Touraine	65,000	–	12,314	–	**77,314**	68,586
Total	2,596,019	1,368,327	185,316	444,167	**4,593,829** [1]	4,085,812

1 The aggregate emoluments of the Directors which include employer pension contributions were £4,593,829 (2007/08 – £9,958,897). Continuing costs for salaries/fees for the Board in 2009/10 will be £2,896,000 (salaries/fees for 2008/09 were £2,596,019).
2 Directors' bonuses for the 2008/09 financial year were based on profit related to the individual Director's areas of responsibility. These profit measures were partially achieved and resulted in the bonus payments outlined above. The maximum bonus potential available was 100% of salary for achievement of all measures.
3 Benefits in kind include Company provided life assurance, professional advice and chauffeur travel.
4 Company pension contributions in 2008/09 have been paid to the Directors as an annual cash allowance. An amount of £19.0 million (2007/08 – £13.1 million) is included in the provisions to cover the cost of former Directors' pension entitlements.
5 Tim Pennington's bonus has been calculated with reference to his date of appointment to CWI on 1 September 2008. He was subsequently appointed as a Director on 11 November 2008.

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:

	As at 1 April 2008 or date of appointment if later	Shares acquired	**As at 31 March 2009**
Chairman			
Richard Lapthorne	3,500,000	112,786	**3,612,786**
Executive Directors [1]			
George Battersby [2]	360,059	86,665	**446,724**
Tim Pennington [2]	975	36	**1,011**
John Pluthero	1,600,334	–	**1,600,334**
Tony Rice [2]	3,500,855	1,163	**3,502,018**
Non-executive Directors			
Simon Ball	190,000	–	**190,000**
John Barton	–	50,000	**50,000**
Clive Butler	57,000	–	**57,000**
Kate Nealon	34,960	–	**34,960**
Kasper Rorsted	190,000	–	**190,000**
Agnès Touraine	10,000	–	**10,000**

1 In addition, as potential beneficiaries from outstanding awards which may be satisfied by shares held by the Cable & Wireless 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 2009 amounted to 28,322,351 shares.
2 Included in the shares acquired during the year are shares purchased under the deferred short term incentive plan (Deferred STIP) and/or Cable & Wireless Share Purchase Plan as well as any dividends received on the purchased shares which are converted into additional shares.

LTIP

As required by the Companies Act 1985, 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 52 to 53, the Committee is proposing to extend the LTIP by one year to 31 March 2011 and reduce the payments at 31 March 2009 and 31 March 2010, subject to shareholder approval at the AGM on 17 July 2009.

	LTIP interests at 1 April 2008 (units)	LTIP interests awarded during the period (units)	LTIP interests forfeited during the period (units)	LTIP interests at 31 March 2009 (units)	**LTIP receivable at 31 March 2009 £**	Qualifying period end date
John Pluthero	3,000	–	–	3,000	**9,330,000**[1]	31/03/10[2]
Tony Rice	–	1,000	–	1,000	**–**	31/03/10[3]

1 This amount reflects 75% of the value of John Pluthero's units in the LTIP reward pools at 31 March 2009. However, under proposals to extend the LTIP and reduce payments outlined on pages 52 to 53, John Pluthero will be entitled to £8.3 million. This lower amount will be paid at the end of May 2009. For further information on the terms of the LTIP scheme and John Pluthero's participation in it, please see pages 52 to 53.

2 Before any amendment to the existing plan, 75% of the reward pools are payable at the end of year three (31 March 2009) and 100% is payable (less payments already made) at the end of year four (31 March 2010).

3 Before any amendment to the existing plan, 100% of the reward is payable at the end of year four (31 March 2010).

Directors' share options

Name and scheme	Grant date	Date from which first exercisable	Date of expiry of option	Exercise price (pence)	Shares under option at 1 April 2008 (or date of appointment if later)	Granted between 1 April 2008 and 31 March 2009	Exercised	Lapsed, cancelled or forfeited	**Shares under option at 31 March 2009**
George Battersby									
SOP Approved	3/8/04	3/8/07	2/8/11	108.00	21,991[1]	–	–	–	**21,991**
SOP Unapproved	3/8/04	3/8/07	2/8/11	108.00	620,077[1]	–	–	–	**620,077**
SOP Unapproved	25/8/05	25/8/08	24/8/12	153.90	568,551[2]	–	–	266,708	**301,843**
SOP Unapproved	2/6/06	2/6/09	1/6/13	101.25	4,148,148	–	–	–	**4,148,148**
					5,358,767	–	–	266,708	**5,092,059**
John Pluthero									
SOP Approved	3/3/06	21/5/09[3]	2/3/13	107.40	27,932	–	–	–	**27,932**
SOP Unapproved	3/3/06	21/5/09[3]	2/3/13	107.40	1,135,941	–	–	–	**1,135,941**
					1,163,873	–	–	–	**1,163,873**
Tony Rice									
SOP Approved	30/3/06	21/5/09[3]	29/3/13	110.50	27,260	–	–	–	**27,260**
SOP Unapproved	30/3/06	21/5/09[3]	29/3/13	110.50	5,424,807	–	–	–	**5,424,807**
					5,452,067	–	–	–	**5,452,067**

1 Award granted on 3 August 2004 partially vested on 3 August 2007. Cable & Wireless TSR was 76% which was a ranking of 9th out of 24. This equated to 79.17% of the award vesting.

2 Award granted on 25 August 2005 partially vested on 25 August 2008. At the time, Cable & Wireless TSR was 30.1%, which was a ranking of 12th out of 27. This equated to 53.09% of the award vesting.

3 John Pluthero and Tony Rice have 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.

Notes

These are Inland Revenue approved and unapproved grants made under the Cable & Wireless Share Option Plan 2001 (SOP) (see note 34 of the consolidated financial statements for details). The vesting of options awarded under the SOP is subject to relative TSR performance conditions, see page 53 for details.

No amounts were paid by Directors for the award of the options listed in the table above. The closing mid market price of an ordinary share on 31 March 2009 was 139.50 pence.

The highest closing mid market price of an ordinary share during the year was 179.10 pence and lowest closing mid market price was 116.20 pence.

All Directors' share options will be time pro rated up to their termination date and will continue to be subject to TSR performance conditions up to the end of the performance period.

Directors' share awards

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Shares under award at 1 April 2008 (or date of appointment if later)	Awarded between 1 April 2008 and 31 March 2009	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2009**
Chairman								
Richard Lapthorne								
Restricted Shares	6/6/07	5/6/10	194.80	5,500,000 [1]	–	–	–	**5,500,000**
				5,500,000	–	–	–	**5,500,000**
Executive Directors								
George Battersby								
Performance Shares	25/8/05	25/8/08	153.90	113,710 [2]	–	60,368	53,342	**–**
Deferred STIP [MS]	30/9/05	1/10/08	146.30	258,373 [3]	–	64,593	193,780	**–**
Deferred STIP [MDS]	27/1/06	1/10/08	114.80	3,046 [3]	–	761	2,285	**–**
Performance Shares [DS]	27/1/06	25/8/08	114.80	1,340 [2]	–	711	629	**–**
Restricted Shares [MS]	30/3/06	21/5/09 [5]	108.98	917,570 [4]	–	–	–	**917,570**
Deferred STIP [MDS]	11/8/06	1/10/08	109.20	7,334 [3]	–	1,833	5,501	**–**
Performance Shares [DS]	11/8/06	25/8/08	109.20	3,228 [2]	–	1,713	1,515	**–**
Deferred STIP [MDS]	19/1/07	1/10/08	158.35	2,773 [3]	–	693	2,080	**–**
Performance Shares [DS]	19/1/07	25/8/08	158.35	1,220 [2]	–	648	572	**–**
Deferred STIP [MDS]	10/8/07	1/10/08	198.46	5,402 [3]	–	1,350	4,052	**–**
Performance Shares [DS]	10/8/07	25/8/08	198.46	2,377 [2]	–	1,262	1,115	**–**
Deferred STIP [MDS]	25/1/08	1/10/08	181.22	3,564 [3]	–	891	2,673	**–**
Performance Shares [DS]	25/1/08	25/8/08	181.22	1,568 [2]	–	832	736	**–**
Deferred STIP [MDS]	8/8/08	1/10/08	155.16	–	8,326 [3]	2,081	6,245	**–**
Performance Shares [DS]	8/8/08	25/8/08	155.16	–	3,664 [2]	1,945	1,719	**–**
Share Purchase Plan [MS]	8/5/07	8/5/10	189.43	792	–	–	–	**792**
Share Purchase Plan [MS]	6/5/08	6/5/11	151.95	–	987	–	–	**987**
				1,322,297	12,977	139,681	276,244	**919,349**
Tim Pennington								
Restricted Shares [MS]	30/9/08	30/9/11	167.26	179,361 [6]	–	–	–	**179,361**
Performance Shares	11/11/08	1/11/11	134.76	–	1,187,295 [7]	–	–	**1,187,295**
Share Purchase Plan [MS]	07/10/08	7/10/11	153.75	975	–	–	–	**975**
				180,336	1,187,295	–	–	**1,367,631**

Directors' share awards continued

Name and scheme	Award date	Vesting date	Market price on date of award (pence)	Shares under award at 1 April 2008 (or date of appointment if later)	Awarded between 1 April 2008 and 31 March 2009	Shares vested	Shares lapsed, cancelled or forfeited	**Shares under award at 31 March 2009**
John Pluthero								
Restricted Shares MS	3/3/06	21/5/09 [5]	107.40	1,000,000 [4]	–	–	–	**1,000,000**
Performance Shares	3/3/06	21/5/09 [5]	107.40	232,774 [2]	–	–	–	**232,774**
Performance Shares DS	11/8/06	21/5/09 [5]	109.20	6,608 [2]	–	–	–	**6,608**
Performance Shares DS	19/1/07	21/5/09 [5]	158.35	2,498 [2]	–	–	–	**2,498**
Performance Shares DS	10/8/07	21/5/09 [5]	198.46	4,867 [2]	–	–	–	**4,867**
Performance Shares DS	25/1/08	21/5/09 [5]	181.22	3,211 [2]	–	–	–	**3,211**
Performance Shares DS	8/8/08	21/5/09 [5]	155.16	–	7,501 [2]	–	–	**7,501**
Performance Shares DS	23/1/09	21/5/09 [5]	145.18	–	4,537 [2]	–	–	**4,537**
				1,249,958	12,038	–	–	**1,261,996**
Tony Rice								
Restricted Shares MS	30/3/06	21/5/09 [5]	108.98	1,000,000	–	–	–	**1,000,000**
Restricted Shares MS	30/3/06	21/5/09 [5]	108.98	2,000,000 [4]	–	–	–	**2,000,000**
Share Purchase Plan MS	8/5/07	8/5/10	189.43	792	–	–	–	**792**
Share Purchase Plan MS	6/5/08	6/5/11	151.95	–	987	–	–	**987**
				3,000,792	987	–	–	**3,001,779**

DS Dividend Shares
MDS Matching Dividend Shares
MS Matching Shares

1 Full vesting of the restricted shares only occurs if the TSR performance of the Group is in the top 10% when compared with the FTSE GTSI, on a straight line scale. No shares vest for TSR at or below the mid point of the comparator group of companies.

2 See page 53 for details of TSR performance conditions required for full vesting of shares.

3 Deferred STIP matching shares are based on one matching share for two purchased shares for median TSR performance, rising to two matching shares for one purchased share for performance at upper quartile or above. No matching shares are awarded for below median performance. A dividend award supplement also operates on the plan. Dividends that would have been paid on purchased shares and the actual award of matching shares during the performance period are reinvested in additional shares.

4 Subject to the Director remaining an employee of the Group and retaining beneficial ownership of the shares purchased as per below, the shares under award will be delivered to the Director at the third anniversary of grant:
- George Battersby purchased 275,000 ordinary shares on 30 March 2006
- John Pluthero purchased 1,000,000 ordinary shares on 3 March 2006
- Tony Rice purchased 1,000,000 ordinary shares on 30 March 2006

Performance conditions apply to these shares and vesting will only occur if the TSR performance of the Group meets or exceeds the upper quartile measured against the constituents of the FTSE GTSI.

5 George Battersby, John Pluthero and Tony Rice have 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.

6 One half of Tim Pennington's Restricted Shares will vest on 30 September 2009 with the remaining half vesting on 30 September 2011.

7 Full vesting of the award will only occur if the TSR performance of the Company exceeds the median TSR of the FTSE GTSI by 12% compound or more per annum. Where TSR performance meets the median, one third of the award will vest.

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 1985 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 and Wireless 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 40 to 41, 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 234ZA of the Companies Act 1985) 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

Nick Cooper
Group General Counsel and Company Secretary
20 May 2009

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For the Group and Company including reports from the independent auditor.

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

We have audited the consolidated financial statements of Cable and Wireless plc for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Cable and Wireless plc for the year ended 31 March 2009 and on the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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
The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' responsibilities on page 60.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the consolidated financial statements. The information given in the Directors' report includes that specific information presented in the Operating and financial review that is cross referred from the Business review section of the Directors' report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements.

It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

Opinion
In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the consolidated financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

20 May 2009

Consolidated income statement

For the year ended 31 March 2009

	Note	2008/09 Pre-exceptional items £m	2008/09 Exceptional items[1] £m	2008/09 Total £m	2007/08 Pre-exceptional items £m	2007/08 Exceptional items[1] £m	2007/08 Total £m
Continuing operations							
Revenue	5	**3,646**	**–**	**3,646**	3,152	–	3,152
Operating costs before depreciation and amortisation	6	**(2,841)**	**(133)**	**(2,974)**	(2,574)	(53)	(2,627)
Depreciation and impairment	17,19	**(316)**	**–**	**(316)**	(252)	(37)	(289)
Amortisation	18	**(63)**	**–**	**(63)**	(47)	–	(47)
Other operating income	7	**2**	**–**	**2**	9	53	62
Other operating expense	8	**(4)**	**–**	**(4)**	(4)	–	(4)
Group operating profit/(loss)		**424**	**(133)**	**291**	284	(37)	247
Share of post-tax profit of joint ventures	20	**34**	**–**	**34**	37	–	37
Total operating profit/(loss)		**458**	**(133)**	**325**	321	(37)	284
Gains and losses on sale of non-current assets	10	**7**	**–**	**7**	1	–	1
Gain on termination of operations	11	**3**	**–**	**3**	8	6	14
Finance income	12	**29**	**–**	**29**	53	–	53
Finance expense	12	**(75)**	**(56)**	**(131)**	(75)	(10)	(85)
Profit/(loss) before income tax		**422**	**(189)**	**233**	308	(41)	267
Income tax (expense)/credit	13	**(24)**	**7**	**(17)**	(56)	9	(47)
Profit/(loss) for the year from continuing operations		**398**	**(182)**	**216**	252	(32)	220
Discontinued operations							
Profit for the year from discontinued operations	14	**10**	**–**	**10**	–	–	–
Profit/(loss) for the year		**408**	**(182)**	**226**	252	(32)	220
Attributable to:							
Equity holders of the Company		**322**	**(179)**	**143**	191	(27)	164
Minority interest		**86**	**(3)**	**83**	61	(5)	56
		408	**(182)**	**226**	252	(32)	220
Earnings per share attributable to the equity holders of the Company during the year (pence per share)	15						
– basic				**5.8p**			6.8p
– diluted				**5.7p**			6.6p
Earnings per share from continuing operations attributable to the equity holders of the Company during the year (pence per share)	15						
– basic				**5.4p**			6.8p
– diluted				**5.3p**			6.6p
Earnings per share from discontinued operations attributable to the equity holders of the Company during the year (pence per share)	15						
– basic				**0.4p**			–
– diluted				**0.4p**			–

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

The notes on pages 67 to 119 are an integral part of these financial statements.

Consolidated balance sheet

As at 31 March 2009

	Note	31 March 2009 £m	31 March 2008 £m
ASSETS			
Non-current assets			
Intangible assets	18	**1,191**	807
Property, plant and equipment	19	**2,053**	1,488
Investments in joint ventures	20	**225**	142
Available-for-sale financial assets	21	**38**	27
Deferred tax asset	29	**64**	26
Retirement benefit assets	31	**27**	32
Other receivables	22	**52**	60
		3,650	2,582
Current assets			
Inventories	23	**23**	17
Trade and other receivables	22	**973**	856
Cash and cash equivalents	24	**545**	699
		1,541	1,572
Non-current assets held for sale	25	**1**	5
		1,542	1,577
Total assets		**5,192**	4,159
Current liabilities			
Trade and other payables	26	**1,509**	1,219
Financial liabilities at fair value	28	**25**	59
Current tax liabilities		**124**	130
Loans and obligations under finance leases	27	**90**	59
Provisions	30	**108**	92
		1,856	1,559
Net current (liabilities)/assets		**(314)**	18
Non-current liabilities			
Trade and other payables	26	**11**	40
Financial liabilities at fair value	28	**140**	73
Loans and obligations under finance leases	27	**832**	397
Deferred tax liabilities	29	**37**	30
Provisions	30	**186**	135
Retirement benefit obligations	31	**85**	46
		1,291	721
Net assets		**2,045**	1,879
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	32	**643**	634
Share premium	33	**197**	156
Reserves	33	**988**	897
		1,828	1,687
Minority interest	35	**217**	192
Total equity		**2,045**	1,879

The notes on pages 67 to 119 are an integral part of these financial statements. These financial statements on pages 63 to 66 were approved by the Board of Directors on 20 May 2009 and signed on its behalf by:

Richard Lapthorne Chairman **Tim Pennington** Group Finance Director

Consolidated statement of recognised income and expenses

For the year ended 31 March 2009

	Note	2008/09 £m	2007/08 £m
Actuarial losses in the value of defined benefit retirement plans	31	**(76)**	(100)
Exchange differences on translation of foreign operations		**315**	(8)
Exchange differences relating to hedging instrument		**(45)**	–
Fair value gains on available-for-sale assets	21	**–**	2
Tax on items taken directly to or transferred from equity		**–**	11
Amounts recognised directly in equity		**194**	(95)
Profit for the year		**226**	220
Total recognised income and expense for the year		**420**	125
Attributable to:			
Equity holders of the Company		**271**	81
Minority interest		**149**	44
		420	125

The notes on pages 67 to 119 are an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2009

	Note	**2008/09 £m**	2007/08 £m
Cash flows from operating activities			
Cash generated from continuing operations	36	**669**	504
Cash generated from discontinued operations	36	**–**	–
Income taxes paid		**(65)**	(46)
Net cash from operating activities		**604**	458
Cash flows from investing activities			
Continuing operations			
Finance income		**22**	49
Other expense		**(2)**	–
Dividends received		**17**	15
Increase in available-for-sale financial assets		**–**	(10)
Purchase of available-for-sale financial assets		**(1)**	–
Proceeds on disposal of non-current assets held for sale		**–**	93
Proceeds on disposal of property, plant and equipment		**3**	5
Purchase of property, plant and equipment		**(413)**	(342)
Purchase of intangible assets		**(36)**	(63)
Disposal of subsidiaries and minority interests		**6**	–
Acquisition of subsidiaries (net of cash received) and minority interests	39	**(343)**	(74)
Net cash used in continuing operations		**(747)**	(327)
Discontinued operations		**–**	–
Net cash used in investing activities		**(747)**	(327)
Net cash flow before financing		**(143)**	131
Cash flows from financing activities			
Continuing operations			
Dividends paid to shareholders		**(147)**	(138)
Dividends paid to minority interests		**(77)**	(58)
Repayments of borrowings		**(169)**	(258)
Finance expense		**(79)**	(49)
Proceeds from borrowings		**417**	12
Proceeds on issue of shares on settlement of share options		**5**	14
Purchase of shares for share awards		**(2)**	(2)
Net cash used in continuing operations		**(52)**	(479)
Discontinued operations		**–**	–
Net cash used in financing activities		**(52)**	(479)
Net decrease in cash and cash equivalents		**(195)**	(348)
Cash and cash equivalents at 1 April		**699**	1,043
Exchange gains on cash and cash equivalents		**41**	4
Cash and cash equivalents at 31 March	24	**545**	699

The notes on pages 67 to 119 are an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2009

1 General information

Cable and Wireless plc (the Company) and its subsidiaries (together Cable & Wireless or the Group) is an international telecommunications company incorporated and domiciled in the United Kingdom. It operates through two standalone businesses – CWI and Worldwide.

CWI operates integrated telecommunications companies offering mobile, broadband and domestic and international fixed line services to residential and business customers. It has four major operations being the Caribbean, Panama, Macau and Monaco & Islands.

Worldwide provides enterprise and carrier solutions to the largest users of telecoms services around the globe. During the year, Worldwide acquired 100% of the share capital of Thus Group plc (Thus) (refer to note 39 for more information).

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 March 2009.

These financial statements are presented in Sterling (£) and rounded to the nearest million. They are prepared on the historical cost basis except for certain financial instruments held at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell. The Directors have prepared the accounts on a going concern basis (see page 45 of the Directors' report for further detail).

The preparation of financial statements in accordance with IFRSs 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 IFRSs during the year ended 31 March 2009.

New and amended Standards and Interpretations effective at dates from 1 April 2008 adopted by the Group

Title	Effective date	Description	Impact on the Group
Amendments to IAS 39 & IFRS 7 *Reclassification of Financial Instruments*	1 July 2008	The amendments allow an entity to reclassify certain non-derivative financial assets out of the fair value through the income statement category in particular circumstances, and to transfer certain financial assets from the available-for-sale category to the loans and receivables category.	This amendment did not have a material impact on the Group.
Amendments to IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations*	Annual periods beginning on or after 1 January 2008	The amendment clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, which results in the acceleration of the charge.	This amendment did not have a material impact on the Group.

New and amended Standards and Interpretations endorsed by the European Union and adopted early by the Group

Title	Effective date	Description	Impact on the Group
Amendments to IAS 23 *Borrowing Costs*	Annual periods beginning on or after 1 January 2009	The amendments remove the option to expense interest on qualifying assets.	This amendment was consistent with current Group policy.
IFRIC 13 *Customer Loyalty Programmes*	Annual periods beginning on or after 1 July 2008	The IFRIC clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer should be allocated between the components of the arrangement in proportion to their fair values.	This interpretation did not have a material impact on the Group.

2.2 Application of recently issued International Financial Reporting Standards continued

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

Title	Effective date	Description	Expected adoption date and impact 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.	The Group will adopt this standard for 2009/10. It will 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 1 January 2009	The amendment removes the concept of pre- and post-acquisition reserves from IFRSs.	The Group will adopt for 2009/10. The amendments will not have a material 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.	The Group will adopt for 2009/10. These amendments will not have a material impact on the Group.
Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*	Annual periods beginning 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.	The Group will adopt for 2009/10. The amendments do not affect the Group.
IFRIC 12 *Service Concession Arrangements*	Annual periods beginning on or after 1 January 2008 (but adoption was deferred by EU Commission Regulation)	The interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements.	The Group will adopt for 2009/10. The Group is considering the implications of this interpretation.
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 2008 (but adoption was deferred by EU Commission Regulation)	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 will not have a material impact on the Group. Given the adoption extension from the EU, the Group will adopt for 2009/10.
Improvements to IFRS	Annual periods beginning on or after 1 January 2009	The Improvements to IFRS contains miscellaneous necessary but non-urgent amendments to IFRSs.	The Group will adopt for 2009/10. The improvements are not expected to have a material impact on the Group.

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

Title	Effective date	Description	Expected adoption date (subject to European Union endorsement) and 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.	No assessment can be determined of the impact as it relates to prospective transactions.The Group will adopt for the 2010/11 year.
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.	This amendment is consistent with current Group policy and will be adopted in 2009/10.
Amendment 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.	This amendment will be adopted in 2009/10 and will not have a material impact on the Group.
Amendment 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 amendment requires additional disclosures only and will not have a material impact on the Group when adopted in 2009/10.
Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives*	Annual periods beginning on or after 30 June 2009	The amendments clarify that on reclassification of a financial asset out of the 'fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.	This amendment will be adopted in 2009/10 and will 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 will be adopted in 2009/10 and will not have a material impact on the Group.
IFRIC 17 *Distributions of Non-cash Assets to Owners*	Annual periods beginning on or after 1 July 2009	The Interpretation requires dividends payable to be recognised when they are no longer at the discretion of the entity, and measured at the fair value of the assets to be distributed. The entity must review and adjust this carrying amount at each reporting date (recognising changes in equity as adjustments in the amount of the distribution) and at the settlement date (recognising differences between the dividend payable and the assets distributed in the income statement).	This amendment will be adopted in 2009/10 and will not have a material impact on the Group.
IFRIC 18 *Transfers of Assets from Customers*	Annual periods beginning on or after 1 July 2009	This IFRIC clarifies how existing IFRSs are applied to agreements in which an entity receives an item of property, plant and equipment from a customer (or cash to construct such item) which it then uses to connect the customer to a network or provide ongoing access to goods or services. In particular, initial recognition and measurement, accounting for the transfer and recognition of revenue are clarified.	The Group will adopt for 2009/10. The Group is considering the implications of this Interpretation.

2.3 Basis of consolidation
The consolidated financial statements comprise a consolidation of the accounts of the Company and its subsidiaries and include the Group's share of the results and net assets of its joint ventures. The accounts 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.

2.3 Basis of consolidation continued

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 includes goodwill (net of any accumulated impairment loss) identified on acquisition. Accounting policies of joint ventures have been conformed 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 directly in Group reserves. 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 interest or participation (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 interest or participation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segmental reporting

The Group discloses its primary segment reporting by business segment. The Directors consider that this is the most appropriate distinction between the source and nature of risks and returns associated with its activities. A business segment is defined as a component of the Group engaged in providing services that are subject to risks and returns that are different from those of other business segments. Revenues and expenses are allocated to business segments based on the type of service to which they relate. Assets, liabilities and capital expenditure are allocated to particular business segments if they substantially relate to a single identifiable segment. Assets and capital expenditure that relate to a range of services falling under different business segments are reported as unallocated.

The Group discloses its secondary segment reporting by geographical segment. A geographical segment is defined as a component of the Group engaged in providing services within a particular economic environment that is subject to risks and returns different from those of segments operating in other economic environments. Revenues are allocated to geographical segments based on the location where the telecommunication services are delivered. Assets, liabilities and capital expenditure are allocated to geographical segments based on their location.

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 Group's presentation currency are translated into Sterling 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 shareholder's equity. Where net investments are matched in whole or in part by foreign currency borrowings and the hedge is effective, the exchange differences arising on the retranslation of such borrowings are also recorded as movements on the Group's translation reserves 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 made to finance separately identifiable 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.

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. Provision 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 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.

2.7 Intangible assets continued

Other intangible assets are amortised over their respective lives. The useful lives of licences (including concessions to provide telecommunication services) are determined based on the terms of the agreements (including renewal periods if there is evidence to support renewal by the Group without significant cost).

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, 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 Group currently does not classify any assets as 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 in this category are classified as current assets if they are either held for trading or are expected to be realised within one year of the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Purchases and sales of investments are recognised on 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. They are included in current assets, except for those with maturities greater than one year after the balance sheet date (where they are classified as non-current assets). Receivables are included in trade and other receivables in the balance sheet.

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Amortised cost is determined using the effective interest method less an allowance for impairment if necessary. An allowance for impairment of 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). The allowance is initially recognised in the income statement.

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 plus any directly attributable transaction costs. Receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets not carried at fair value through the income statement are initially recognised at fair value plus directly attributable transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the 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 only hedges net investments in foreign operations. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of cash flows of hedged items.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges by recognising any gain or loss on the hedging instrument relating to the effective portion of the hedge in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

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

Loans are classified as current liabilities unless the 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 assets).

Puttable instruments
Puttable instruments on minority interests issued as part of a business combination are accounted for by the Group as a financial liability. The liability is based on the present value of the redemption amount as if the puttable instrument had been exercised at the balance sheet date. Movements in the value of the liability together with dividends paid to minority 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 balance sheet 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 forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

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 estimated impairments) 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).

2.10 Impairment of assets (excluding financial instruments) continued

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 respective businesses. The approach, assumptions and results of the impairment test are set out in note 17.

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 balance sheet at fair value. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

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. Incremental costs directly attributable to the issue of new shares or standalone options for the acquisition of a business are included in the cost of acquisition.

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 balance sheet. 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 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 balance sheet.

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 into a separate entity. 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 when they are due. 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 balance sheet 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 recognised as the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. 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 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 recognised income and expenses. 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.

When defined benefit funds have an IAS 19 surplus, they are recorded at the lower of that surplus and the future economic benefits available in the form of a cash refund or a reduction in future contributions. Any adjustment to the surplus is recorded directly in equity.

Other post-employment obligations
Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are dealt with in the same way as for defined benefit pension schemes. Independent qualified actuaries value these obligations annually. Current service costs are charged to the income statement.

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 balance sheet 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 balance sheet 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.

Cash Long Term Incentive Plan
The Group operates a Cash Long Term Incentive Plan. The plan rewards Executive Directors responsible for, and certain senior employees in, CWI and Worldwide. 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 balance sheet date.

The LTIP creates a reward pool over a four 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. 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).

2.16 Employee benefits continued

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.

75% of the reward pool is payable to participants at the end of year three (April 2009), and 100% payable (less payments made at end of year three) to all participants at the end of year four (April 2010). Measurement of the size of the reward pool is carried out every six months to correspond with the Group's accounting periods. However, apart from good leavers nothing vests to the participants until the end of year three.

Proposals regarding changes to the LTIP are outlined in the Directors' Remuneration report on pages 50 to 59.

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 balance sheet 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 balance sheet 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 balance sheet 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

Group 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. Revenue from service contracts that cover periods of greater than 12 months is recognised in the income statement in proportion to the services delivered at the reporting date. 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.

Mobile revenue comprises amounts charged to customers in respect of monthly access charges, airtime usage, messaging, and the provision of other mobile telecommunications services. This includes data services and information provision and revenue from the sale of equipment, including handsets.

Mobile monthly access charges are invoiced and recorded as part of a periodic billing cycle. Airtime, either from contract customers as part of the invoiced amount or from prepaid customers through the sale of prepaid cards, is recorded in the period in which the customer uses the service. Unbilled revenue resulting from mobile services provided to contract customers from the billing cycle date to the end of each period is accrued. Unearned monthly access charges relating to periods after each accounting period are deferred.

The Group earns revenue from the transmission of content and traffic on its network originated by third party providers. 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 indicators:

- whether the Group holds itself out as an agent;
- establishment of the price;
- provision of customer remedies;
- performance of part of the service; 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.

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 Dividend income
Dividend income is recognised when the right to receive payment is established. Dividend income is included within finance income.

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

2.22 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.

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 condition of the Group. Results may differ significantly from those estimates under different assumptions and conditions. The Directors consider that the following discussion addresses the Group's most critical accounting policies, which are those that are most important to the presentation of its consolidated financial condition 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.

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 Impairment of receivables
The allowance for impairment of 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 Cable & Wireless 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 balance sheet 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 Cable & Wireless are set out in note 31 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 31.

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 balance sheet 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 fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

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 Cash Long Term Incentive Plan (LTIP)

The charge calculated in accordance with IAS 19 *Employee Benefits* requires estimates of the valuation of CWI and Worldwide to determine the obligation for the LTIP. The estimates require the use of a number of assumptions which, by their nature, are subjective.

Proposals regarding changes to the LTIP are outlined in the Directors' remuneration report on pages 50 to 59.

4 Segment information

Primary reporting format – business segments

Cable & Wireless is an international telecommunications service provider. During the year Cable & Wireless operated two primary business segments – CWI and Worldwide.

The CWI business operates integrated telecommunications companies offering mobile, broadband, domestic and international fixed line services to residential and business customers. It has four major operations being the Caribbean, Panama, Macau and Monaco & Islands.

The Worldwide business provides enterprise and carrier solutions to the largest users of telecoms services around the globe. This business now incorporates Thus, which was acquired on 1 October 2008.

Continuing operations

The segment results for the years ended 31 March 2009 and 31 March 2008 are presented below:

2008/09	CWI £m	Worldwide £m	Other[1] and eliminations £m	Total £m
Continuing operations				
Revenue	**1,392**	**2,268**	**(14)**	**3,646**
Pre-exceptional operating costs	**(1,037)**	**(2,171)**	**(14)**	**(3,222)**
Exceptional operating costs	**(49)**	**(76)**	**(8)**	**(133)**
Group operating profit/(loss)	**306**	**21**	**(36)**	**291**
Share of post-tax profit of joint ventures	**34**	**–**	**–**	**34**
Total operating profit/(loss)	**340**	**21**	**(36)**	**325**
Other income				**10**
Net finance expense				**(102)**
Profit before income tax				**233**
Tax				**(17)**
Profit for the year from continuing operations				**216**
2007/08				
Continuing operations				
Revenue	1,229	1,941	(18)	3,152
Pre-exceptional operating costs	(963)	(1,896)	(9)	(2,868)
Exceptional operating (costs)/income	(50)	13	–	(37)
Group operating profit/(loss)	216	58	(27)	247
Share of post-tax profit/(loss) of joint ventures	38	(1)	–	37
Total operating profit/(loss)	254	57	(27)	284
Other income				15
Net finance expense				(32)
Profit before income tax				267
Tax				(47)
Profit for the year from continuing operations				220

1 Other includes Central expenses.

Inter-segment sales are not significant and are charged at arm's length prices.

The segment assets and liabilities, capital expenditure and other items as at and for the years ended 31 March 2009 and 31 March 2008 are:

2008/09	CWI £m	Worldwide £m	Other[1] and eliminations £m	Total £m
Continuing operations				
Segment assets	**1,860**	**2,715**	**392**	**4,967**
Joint ventures	**225**	**–**	**–**	**225**
Total assets	**2,085**	**2,715**	**392**	**5,192**
Total liabilities	**(772)**	**(1,434)**	**(941)**	**(3,147)**
Capital expenditure	**(192)**	**(265)**	**–**	**(457)**
Acquisitions	**(7)**	**(571)**	**–**	**(578)**
Depreciation and amortisation	**(167)**	**(212)**	**–**	**(379)**
Increase/(decrease) in provisions	**15**	**58**	**(6)**	**67**
2007/08				
Continuing operations				
Segment assets	1,537	1,859	621	4,017
Joint ventures	150	(8)	–	142
Total assets	1,687	1,851	621	4,159
Total liabilities	(686)	(1,053)	(541)	(2,280)
Capital expenditure	(190)	(221)	–	(411)
Acquisitions	(12)	(9)	–	(21)
Depreciation and amortisation	(142)	(157)	–	(299)
Impairment	(37)	–	–	(37)
Increase/(decrease) in provisions	48	(9)	(32)	7

1 Other includes Central and non-operating assets and liabilities.

Other and eliminations includes assets and liabilities held centrally by the Group, primarily cash and borrowings, and other non-operating items including tax balances.

Discontinued operations
Discontinued operations represent those businesses which have been disposed of or are classified as held for sale at the year end. There were no businesses held for sale at 31 March 2009 (31 March 2008 – none).

Details of the results of discontinued operations in prior periods are set out in note 14.

A profit of £10 million (see note 14) relating to discontinued operations for the year ended 31 March 2009 is recorded in the Other and eliminations segment (2007/08 – £nil).

4 Segment information continued

Secondary reporting format – geographical segments
Cable & Wireless is an international telecommunications company with continuing operations in six geographical segments: Worldwide (global), Caribbean, Panama, Macau, Monaco and Rest of the World (ROW).

The segment results for the years ended 31 March 2009 and 31 March 2008 are presented below:

2008/09	Caribbean £m	Panama £m	Macau £m	Monaco £m	ROW £m	Worldwide £m	Other[1] and eliminations £m	Total £m
Continuing operations								
Revenue	**554**	**379**	**172**	**164**	**123**	**2,268**	**(14)**	**3,646**
Operating costs	**(432)**	**(266)**	**(114)**	**(144)**	**(81)**	**(2,171)**	**(14)**	**(3,222)**
Exceptional operating costs	**(39)**	**(3)**	**–**	**–**	**(7)**	**(76)**	**(8)**	**(133)**
Group operating profit/(loss)	**83**	**110**	**58**	**20**	**35**	**21**	**(36)**	**291**
Share of post-tax profit/(loss) of joint ventures	**17**	**–**	**–**	**(2)**	**19**	**–**	**–**	**34**
Total operating profit/(loss)	**100**	**110**	**58**	**18**	**54**	**21**	**(36)**	**325**
Other income								**10**
Net finance expense								**(102)**
Profit before income tax								**233**
Tax								**(17)**
Profit for the year from continuing operations								**216**
2007/08								
Continuing operations								
Revenue	510	308	145	145	121	1,941	(18)	3,152
Operating costs	(421)	(218)	(100)	(129)	(95)	(1,896)	(9)	(2,868)
Exceptional operating (costs)/income	(44)	–	–	(2)	(4)	13	–	(37)
Group operating profit/(loss)	45	90	45	14	22	58	(27)	247
Share of post-tax profit/(loss) of joint ventures	21	–	–	2	15	(1)	–	37
Total operating profit/(loss)	66	90	45	16	37	57	(27)	284
Other income								15
Net finance expense								(32)
Profit before income tax								267
Tax								(47)
Profit for the year from continuing operations								220

1 Other includes Central and non-operating assets.

Inter-segment sales are not significant and are charged at arm's length prices.

The segment assets and liabilities, capital expenditure and other items as at and for the years ended 31 March 2009 and 31 March 2008 are:

2008/09	Caribbean £m	Panama £m	Macau £m	Monaco £m	ROW £m	Worldwide £m	Other[1] and eliminations £m	Total £m
Continuing operations								
Segment assets	**817**	**446**	**143**	**318**	**136**	**2,715**	**392**	**4,967**
Joint ventures	**146**	**–**	**–**	**10**	**69**	**–**	**–**	**225**
Total assets	**963**	**446**	**143**	**328**	**205**	**2,715**	**392**	**5,192**
Total liabilities	**(218)**	**(196)**	**(47)**	**(217)**	**(94)**	**(1,434)**	**(941)**	**(3,147)**
Capital expenditure	**(86)**	**(47)**	**(20)**	**(11)**	**(28)**	**(265)**	**–**	**(457)**
Acquisitions	**–**	**–**	**–**	**(7)**	**–**	**(571)**	**–**	**(578)**
Depreciation and amortisation	**(68)**	**(44)**	**(21)**	**(17)**	**(17)**	**(212)**	**–**	**(379)**
Increase/(decrease) in provisions	**16**	**3**	**–**	**(2)**	**(2)**	**58**	**(6)**	**67**
2007/08								
Continuing operations								
Segment assets	652	314	103	313	155	1,859	621	4,017
Joint ventures	93	–	–	10	47	(8)	–	142
Total assets	745	314	103	323	202	1,851	621	4,159
Total liabilities	(205)	(141)	(34)	(211)	(95)	(1,053)	(541)	(2,280)
Capital expenditure	(88)	(52)	(18)	(4)	(28)	(221)	–	(411)
Acquisitions	–	–	–	(12)	–	(9)	–	(21)
Depreciation and amortisation	(59)	(37)	(17)	(14)	(15)	(157)	–	(299)
Impairment	(37)	–	–	–	–	–	–	(37)
Increase/(decrease) in provisions	9	1	–	1	37	(9)	(32)	7

1 Other includes Central and non-operating assets and liabilities.

Revenue is allocated to segments based on the location where the telecommunication services were delivered. It does not follow necessarily that the international telecommunication 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 all international telecommunication traffic.

Other and eliminations includes assets and liabilities held centrally by the Group, primarily cash and borrowings, and other non-operating items including tax balances.

Discontinued operations

There was no revenue nor segment assets relating to discontinued operations for the years ended and as at 31 March 2009 and 31 March 2008.

5 Revenue

	2008/09 £m	2007/08 £m
Continuing operations		
Sales of telecommunication services and related operations	**3,583**	3,095
Sales of telecom equipment and accessories	**63**	57
Total revenue	**3,646**	3,152

There was no revenue from discontinued operations during the current and the prior year.

6 Operating costs

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

	2008/09			2007/08		
	Pre-exceptional £m	**Exceptional £m**	**Total £m**	Pre-exceptional £m	Exceptional £m	Total £m
Outpayments and direct costs	**1,759**	**–**	**1,759**	1,541	–	1,541
Employee and other staff expenses	**501**	**73**	**574**	480	44	524
Operating lease rentals						
– networks	**52**	**–**	**52**	23	–	23
– property	**64**	**25**	**89**	65	–	65
– plant and equipment	**1**	**–**	**1**	1	–	1
Other administrative expenses	**163**	**21**	**184**	189	1	190
Network costs	**201**	**14**	**215**	201	2	203
Property and utility costs	**100**	**–**	**100**	74	6	80
Operating costs before depreciation and amortisation	**2,841**	**133**	**2,974**	2,574	53	2,627
Depreciation and impairment of property, plant and equipment	**316**	**–**	**316**	252	37	289
Amortisation of intangible assets	**63**	**–**	**63**	47	–	47
Operating costs	**3,220**	**133**	**3,353**	2,873	90	2,963

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

Exceptional items

In 2008/09, exceptional items mainly relate to the continuing programme of restructuring the Group's operations including the integration of Thus and the 'One Caribbean' programme (including redundancy, vacant property and onerous network costs). Exceptional items within operating costs are disclosed below while further information on exceptional items can be found in notes 7, 11 and 12.

	Note	**2008/09 £m**	2007/08 £m
Exceptional items within operating costs			
Staff costs	(i)	**73**	44
Property costs	(ii)	**25**	6
Other costs	(iii)	**35**	6
Legal costs	(iv)	**–**	11
Gain on Seychelles cash repatriation	(v)	**–**	(14)
Impairment of assets	(vi)	**–**	37
Total exceptional operating costs		**133**	90

i) Staff costs principally relate to redundancy costs arising from the restructuring of the Group's operations in continuing businesses.

In 2008/09, the expenses relate to CWI (£34 million net of £8 million of gains from restructuring post-retirement plans in Jamaica and Barbados – see note 31) and Worldwide (£39 million net of a £2 million provision release – see note 30) and include redundancy related pension curtailment losses of £4 million. In 2007/08 the expenses related to CWI (£14 million) and Worldwide (£30 million net of a £1 million provision release (see note 30) and a redundancy related pension curtailment credit of £2 million).

ii) Property costs in 2008/09 include provisions relating to vacant property in Worldwide (£17 million net of £14 million of provision releases – see note 30) and in Central (£8 million). In 2007/08, property costs included provisions relating to vacant property in Worldwide and was net of £4 million of provision releases (see note 30).

iii) Other costs in 2008/09 relate to the provision for network costs of £14 million (net of £6 million of provision releases – see note 30) and other restructuring costs of £6 million in Worldwide and £15 million of restructuring charges relating to the 'One Caribbean' programme in CWI. Other costs in 2007/08 related to the provisions for onerous network costs and other restructuring costs in CWI (£2 million) and Worldwide (£4 million).

As a consequence of (i) to (iii) above, in 2008/09 an exceptional tax credit of £7 million was recognised.

iv) In 2007/08, the Group received a legal claim from Digicel, a competitor in the Caribbean. Exceptional legal costs related to the legal and other fees for the Group's defence against the claim. No provision for settlement has been made.

v) In 2007/08, the Group concluded a transaction to repatriate £24 million of funds from the Seychelles that had previously been blocked due to exchange controls. The gain arising on the release of allowances held against these funds was £14 million. As a consequence of this transaction, there was a £5 million tax charge on the exceptional amount.

vi) In 2007/08, an impairment review was conducted by Cable & Wireless Jamaica Ltd which resulted in an impairment of mobile network assets by £37 million (see note 17).

Auditor's remuneration

The remuneration of the auditor and its associates for services provided to the Group during the year was £9.4 million including £0.1 million relating to the prior year (2007/08 – £4.8 million including £0.3 million relating to 2006/07).

	2008/09 £m	2007/08 £m
Audit services		
Statutory audit services – in respect of the Group's accounts	**2.3**	1.9
Audit services in respect of prior years – in respect of the Group's accounts	**–**	0.2
Audit of the Group's annual accounts	**2.3**	2.1
Amounts receivable by auditors and their associates:		
Statutory audit services – in respect of other statutory accounts	**1.5**	1.1
Audit services in respect of prior years – in respect of other statutory accounts	**0.1**	0.1
Audit related regulatory reporting	**0.4**	0.4
	4.3	3.7
Tax services – compliance	**0.3**	0.4
Tax services – advisory	**0.2**	0.1
Services related to corporate finance	**3.9**	–
Other services	**0.7**	0.6
	9.4	4.8

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.

7 Other operating income

In 2008/09, other operating income related to gains on disposal of property, plant and equipment of £1 million and the sale of a database for £1 million.

In 2007/08, other operating income related to gains on disposal of property, plant and equipment of £5 million and cash received in respect of hurricane insurance claims of £4 million. Exceptional other operating income related to the sale and leaseback of nine freehold properties in the Worldwide business in April 2007. The disposal of these properties for £88 million resulted in a profit of £53 million.

8 Other operating expenses

The other operating expense of £4 million (2007/08 – £4 million) relates to £2 million (2007/08 – £2 million) of losses on disposal of property, plant and equipment and £2 million (2007/08 – £2 million) of costs relating to hurricane damage.

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:

	2008/09 £m	2007/08 £m
Wages and salaries	**486**	437
Social security costs	**35**	32
Share-based payments	**13**	16
Cash Long Term Incentive Plan	**17**	27
Pension (credit)/expense		
■ defined benefit plans	**(14)**	(21)
■ defined contribution plans	**18**	15
Temporary labour and recruitment	**18**	22
	573	528
Less: Staff costs capitalised	**(72)**	(48)
Staff costs	**501**	480

Exceptional employee and other staff expenses of £73 million (2007/08 – £44 million) are set out in note 6.

Average number of employees

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

	2008/09	2007/08
CWI		
■ CWI headquarters	**109**	151
■ Caribbean	**3,196**	3,964
■ Panama	**1,900**	1,885
■ Macau	**903**	919
■ Monaco	**434**	502
■ Rest of the World	**672**	685
Total CWI	**7,214**	8,106
Worldwide	**5,605**	5,318
Other	**89**	86
Total Group	**12,908**	13,510

There were no employees in discontinued operations.

Key management's remuneration

Key management includes Directors and any senior staff that have regular access to inside information and have the power to make managerial decisions affecting the future development and business prospects of Cable & Wireless. Remuneration of key management is set out below:

	2008/09 £m	2007/08 £m
Salaries and other short-term employment benefits	**6**	8
Post-employment benefits	**1**	1
Termination benefits	**1**	3
Share-based payments	**5**	7
Cash Long Term Incentive Plan	**7**	15
Total	**20**	34

Directors' remuneration is disclosed in the Directors' remuneration report on pages 50 to 59. Excluding Directors, key management expenses of £7 million (2007/08 – £10 million) were included in staff costs during the year.

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

	2008/09			2007/08		
	Pre-exceptional £m	Exceptional £m	Total £m	Pre-exceptional £m	Exceptional £m	Total £m
Gains and losses on the sale of non-current assets	**7**	**–**	**7**	1	–	1

Gains and losses on the sale of non-current assets arise on the sale of businesses that do not meet the definition of discontinued operations or investments.

In 2008/09, the gain on disposals of non-current assets of £7 million principally arose on the recycling of foreign currency translation reserve balances on liquidation of subsidiaries.

In 2007/08, the gain on disposals of non-current assets of £1 million reflected the release of a provision related to the sale of the Group's interest in Bahrain Telecommunications Company BSC (Batelco).

11 Gain on termination of operations

	2008/09			2007/08		
	Pre-exceptional £m	Exceptional £m	Total £m	Pre-exceptional £m	Exceptional £m	Total £m
Gain on termination of operations	**3**	**–**	**3**	8	6	14

The pre-exceptional gain on termination of operations in both periods presented relates to the results of the activities of the Group's former insurance operation, Pender Insurance Limited (Pender), which ceased taking on new business in April 2003.

The 2007/08 exceptional gain of £6 million arose from the resolution of claims and other matters in respect of Pender.

12 Finance income and expense

	2008/09			2007/08		
	Pre-exceptional £m	Exceptional £m	Total £m	Pre-exceptional £m	Exceptional £m	Total £m
Finance income						
Interest on cash and deposits	**23**	**–**	**23**	52	–	52
Investment income	**–**	**–**	**–**	1	–	1
Foreign exchange gains on deposits	**6**	**–**	**6**	–	–	–
Total finance income	**29**	**–**	**29**	53	–	53
Finance expense						
Interest on bank loans	**22**	**–**	**22**	13	–	13
Interest on other loans	**28**	**–**	**28**	46	–	46
Finance charges on leases	**2**	**–**	**2**	2	–	2
Unwinding of discounts on provisions	**7**	**–**	**7**	8	–	8
Unwinding of discount on Monaco put option liability	**14**	**–**	**14**	8	–	8
Impairment of financial asset	**4**	**–**	**4**	–	–	–
Losses on derivative foreign exchange contracts	**–**	**56**	**56**	–	–	–
Loss on convertible bonds repurchase	**–**	**–**	**–**	–	10	10
	77	**56**	**133**	77	10	87
Less: Interest capitalised	**(2)**	**–**	**(2)**	(2)	–	(2)
Total finance expense	**75**	**56**	**131**	75	10	85

Tax relief of £nil is available on interest capitalised in the year ended 31 March 2009 (2007/08 – £1 million). Interest has been capitalised within property, plant and equipment at a rate of 5% (2007/08 – 7%).

12 Finance income and expense continued

During the period, the Group entered into various foreign exchange contracts to lock in the Sterling cash value of the forecast cash repatriations from foreign operations as well as that of the drawdowns on the Group's $415 million bank facility (see note 27). This resulted in an exceptional finance expense of £56 million from expiry of these contracts during the year and re-measuring open contracts to fair value at year end.

During 2007/08, convertible bonds with a par value of £138 million were repurchased for cash of £190 million. This resulted in an exceptional loss of £10 million being the difference between the carrying value and the fair value of the underlying debt component of the repurchased bonds. For further information, refer to note 27.

13 Income tax expense

	2008/09 £m	2007/08 £m
Current tax charge – continuing operations		
UK tax at 28% (2007/08 – 30%)	**24**	63
Double tax relief	**(24)**	(63)
	–	–
Overseas tax	**61**	63
Adjustments relating to prior years	**(11)**	(1)
Total current tax charge – continuing operations	**50**	62
Deferred tax credit – continuing operations		
Origination and reversal of temporary differences	**(33)**	(13)
Adjustments relating to prior years	**–**	(2)
Total deferred tax credit – continuing operations	**(33)**	(15)
Total tax charge – continuing operations	**17**	47

There was a £nil tax charge relating to discontinued operations (2007/08 – £nil).

The £17 million (2007/08 – £47 million) tax charge is net of a £7 million (2007/08 – £14 million) credit in respect of the exceptional operating costs included in note 6. In 2007/08 it was also net of a £5 million charge for Seychelles withholding tax on dividends remitted.

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

	2008/09 %	2007/08 %
UK statutory tax rate	**28.0**	30.0
Effect of overseas tax rates	**(4.1)**	(5.7)
Effect of accounting for joint ventures	**(4.1)**	(3.3)
Effect of branches and intra-group dividends less double tax relief	**10.7**	7.8
Net effect of disallowed expenditure/(income not taxable)	**2.4**	(3.7)
Effect of other temporary differences	**1.7**	–
Effect of changes in unrecognised deferred tax assets	**(23.1)**	(6.7)
Adjustments relating to prior years	**(4.5)**	(0.8)
Effective tax rate	**7.0**	17.6

14 Discontinued operations

There were no businesses discontinued during the year (2007/08 – none).

In 2008/09, the net profit of £10 million from discontinued operations relates to the reversal of unutilised provisions (see note 30) relating to the Group's former US operations and businesses disposed of in prior periods.

In 2007/08, the net profit of £nil from discontinued operations included the reversal of unutilised provisions of £5 million relating to the Group's former US operations and businesses disposed of in prior periods and the write-off of a £5 million receivable relating to the Group's former US operations.

15 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.

	2008/09 £m	2007/08 £m
Profit for the financial year attributable to ordinary shareholders	**143**	164
Weighted average number of ordinary shares outstanding (millions)	**2,486**	2,424
Dilutive effect of share options (millions)	**26**	42
Number of ordinary shares used to calculate diluted earnings per share (millions)	**2,512**	2,466
Basic earnings per share (pence per share)	**5.8p**	6.8p
Diluted earnings per share (pence per share)	**5.7p**	6.6p
Continuing operations		
Profit (and adjusted profit) from continuing operations for the financial year attributable to shareholders	**133**	164
Basic earnings per share from continuing operations (pence per share)	**5.4p**	6.8p
Diluted earnings per share from continuing operations (pence per share)	**5.3p**	6.6p
Discontinued operations		
Profit (and adjusted profit) from discontinued operations for the financial year attributable to shareholders	**10**	–
Basic earnings per share from discontinued operations (pence per share)	**0.4p**	–
Diluted earnings per share from discontinued operations (pence per share)	**0.4p**	–

The convertible bonds (extinguished in 2007/08) were excluded from the number of ordinary shares used to calculate diluted earnings per share in that year as they were not dilutive.

16 Dividends declared and paid

	2008/09 £m	2007/08 £m
Final dividend in respect of the prior year	**123**	100
Interim dividend in respect of the current year	**71**	61
Total dividend paid	**194**	161

During the year ended 31 March 2009 the Group declared and paid a final dividend of 5.00 pence per share (2007/08 – 4.15 pence per share) in respect of the year ended 31 March 2008. The Group also declared and paid an interim dividend of 2.83 pence per share (2007/08 – 2.50 pence per share) in respect of the year ended 31 March 2009.

In respect of the year ended 31 March 2009, the Directors have proposed a final dividend of 5.67 pence per share (2007/08 – 5.00 pence per share), totalling £142 million (2007/08 – £123 million), for approval by shareholders at the AGM to be held on 17 July 2009. 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 2010.

The number of shareholders electing to take all or part of their dividends in shares varies from dividend to dividend. 12,057 shareholders (2007/08 – 12,379 shareholders) owning 558 million shares (2007/08 – 708 million shares) elected to take the interim dividend wholly or partly in shares. 12,138 shareholders (2007/08 – 12,531 shareholders) owning 613 million shares (2007/08 – 122 million shares) elected to take the 2007/08 final dividend wholly or partly in shares. Consequently, total shares were issued with a value of £47 million (2007/08 – £23 million). The Cable & Wireless Employee Share Ownership Plan Trust waived its right to dividends on the shares held in the trust.

17 Impairment review

The Group reviews goodwill for impairment annually. The Group assesses the carrying amount of property, plant and equipment and intangible assets (except goodwill) for indications of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable by sale or through use. Factors that are considered important, which could trigger an impairment review, are set out in note 3.3.

Goodwill

A review of the carrying value of goodwill has been performed as at 31 March 2009. In performing this review, 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. No impairment was required. The significant balances of goodwill and the Group's assessment are discussed below.

Worldwide

Including the acquired Thus business, which has been integrated into Worldwide during the period, Worldwide has one cash generating unit on a forward looking basis. It generates revenue through an integrated network for which the business is unable to identify relevant cash flows separately. Goodwill of £784 million (31 March 2008 – £431 million) was allocated to this business at 31 March 2009. A discounted cash flow analysis was performed using a five year business projection which was extended using a terminal value growth rate of 1% and a pre-tax discount rate of 10%. This analysis indicated that the carrying value of the goodwill was supported and no impairment charge was required. The key assumptions on which the projected cash flows are based relate to revenue growth and the level of capital expenditure required to maintain the network at its current level. These assumptions have been determined using a combination of long-term trends, industry forecasts and in-house estimates.

The goodwill's value in use would not support the carrying value of the goodwill if earnings decreased or maintenance capital expenditure increased by more than £50 million per year; or the discount rate increased by more than 6 percentage points.

Monaco Telecom

Goodwill of £121 million was allocated to Monaco Telecom at 31 March 2009 (31 March 2008 – £108 million). Three relevant cash generating units were identified for the purposes of assessing the carrying value of Monaco Telecom's network assets (domestic – including the cable television business, international business and other services). Goodwill has been allocated to this group of cash generating units based on the proportionate fair value of net assets at the time of acquisition. The value in use was determined for each cash generating unit separately by discounting future cash flows (based on the businesses projections extrapolated at long-term growth rates of between 0% and 5%) at pre-tax discount rates of between 8% and 18% (dependent on the risk adjusted cost of capital of different parts of the business). No impairment was required.

The key assumptions in the calculation of value in use relate to revenue growth, operating margin and the level of maintenance capital expenditure required to maintain the network at its current level. Monaco Telecom operates under an exclusive concession in Monaco and management's forecasts were based on historical experience for the business.

The goodwill's value in use would not support the carrying value of the goodwill if earnings decreased or maintenance capital expenditure increased by more than £14 million per year; or the discount rate increased by more than 9 percentage points.

Property, plant and equipment and other intangibles

Year ended 31 March 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.

Year ended 31 March 2008

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, except as noted below:

Cable & Wireless Jamaica

A review of the carrying value of the property, plant and equipment of Cable & Wireless Jamaica Ltd, a subsidiary of the Group, was conducted at year end in the light of the poor trading performance during the year.

The value in use was determined for each of the four cash generating units of the business (mobile, fixed, data and internet) by discounting estimated future cash flows (based on the company's five year forecast) at a US dollar equivalent pre-tax discount rate of 11.7%. Revenue was adjusted by a terminal growth rate of 0% to 2% depending on the cash generating unit. Maintenance capital expenditure was assumed at an average of 5% of revenue in perpetuity and operating costs were estimated to remain at broadly the same level throughout the projection (before inflation). These assumptions reflected the introduction of competition in the local market.

As a result of the review, an impairment charge of £37 million was recognised in Cable & Wireless Jamaica Ltd and recorded in the Group's income statement for 2007/08.

18 Intangible assets

	Goodwill £m	Software £m	Licences and concessions £m	Customer contracts and relationships £m	Other £m	Total £m
Cost						
At 1 April 2007	523	678	74	132	33	1,440
Business combinations	19	–	–	–	–	19
Additions	–	51	15	–	2	68
Disposals	–	(1)	–	–	–	(1)
Transfers between categories	–	(4)	4	–	–	–
Transfers from property, plant and equipment	–	7	–	–	–	7
Exchange differences	7	(2)	9	–	5	19
At 31 March 2008	549	729	102	132	40	1,552
Business combinations	353	–	1	15	5	374
Additions	–	33	1	–	2	36
Disposals	–	(5)	–	–	(1)	(6)
Exchange differences	13	14	23	(1)	9	58
At 31 March 2009	**915**	**771**	**127**	**146**	**55**	**2,014**
Amortisation and impairment						
At 1 April 2007	–	640	11	17	27	695
Charge for the year	–	24	5	13	5	47
Disposals	–	(1)	–	–	–	(1)
Exchange differences	–	(1)	2	1	2	4
At 31 March 2008	–	662	18	31	34	745
Charge for the year	–	34	7	15	7	63
Disposals	–	(5)	–	–	(1)	(6)
Exchange differences	–	11	4	–	6	21
At 31 March 2009	**–**	**702**	**29**	**46**	**46**	**823**
Net book value						
At 31 March 2009	**915**	**69**	**98**	**100**	**9**	**1,191**
At 31 March 2008	549	67	84	101	6	807

Goodwill balances can be summarised as follows:

	Reporting segment	At 1 April 2007 £m	Additions £m	Foreign exchange movements £m	At 31 March 2008 £m	Additions £m	Foreign exchange movements £m	**At 31 March 2009 £m**
Energis	Worldwide	421	10	–	431	–	–	**431**
Thus (see note 39)	Worldwide	–	–	–	–	341	–	**341**
Apollo (see note 39)	Worldwide	–	–	–	–	9	3	**12**
Monaco Telecom	CWI	102	(1)	7	108	4	9	**121**
Connecteo (see note 39)	CWI	–	10	–	10	(1)	1	**10**
Total		**523**	**19**	**7**	**549**	**353**	**13**	**915**

Monaco Telecom

Goodwill in connection with the Group's investment in Monaco Telecom SAM increased by £13 million during the year (2007/08 – £6 million increase). The goodwill balance increased as a result of the payment of dividends to the minority interest, exchange movements and changes in the fair value of the put option.

As part of the acquisition of Monaco Telecom a put option was issued (see note 28). Changes in the fair value of this put option are treated as contingent consideration and adjusted against goodwill. During the year, this change in the fair value of the put option resulted in a £7 million reduction in goodwill (2007/08 – £12 million reduction). A cash dividend of £11 million (2007/08 – £11 million) was paid to the Principality of Monaco during the year. This dividend reflected an increase in the Group's investment in Monaco Telecom and therefore an increase to goodwill. The goodwill balance was also increased by £9 million as a result of exchange movements during the year (2007/08 – £7 million increase).

18 Intangible assets continued

Energis contingent consideration

As part of the Energis acquisition on 11 November 2005, Cable & Wireless agreed to pay contingent consideration of between £nil and a maximum of £80 million. The amount of contingent consideration was linked to the Company's share price and was to be satisfied, at the Group's option, in either cash or shares of the Company. Payments were based on a ratio of £1.25 million for every one penny by which the maximum three-month volume weighted average Cable and Wireless plc share price exceeded the reference price of 135 pence. Any payments were to begin in March 2008 and were payable monthly until December 2008. Any payments were based upon Cable & Wireless' volume weighted average share price for the three months prior to any relevant payment date.

In 2008/09, no additional goodwill was recognised in connection with the contingent consideration since the payment criteria were not met. In 2007/08, an additional £10 million of goodwill was recognised due to contingent consideration. In March 2008, the Group paid £49 million satisfying the contingent consideration under this agreement which has now expired.

19 Property, plant and equipment

				2008/09				2007/08
	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	**505**	**6,834**	**145**	**7,484**	461	6,583	204	7,248
Additions	**1**	**80**	**340**	**421**	2	26	309	337
Movements in asset retirement obligations	**6**	**5**	**–**	**11**	6	–	–	6
Business combinations	**11**	**193**	**–**	**204**	–	2	–	2
Disposals	**(33)**	**(302)**	**(3)**	**(338)**	(3)	(93)	(1)	(97)
Transfers between categories	**19**	**305**	**(324)**	**–**	42	316	(358)	–
Transfer to intangibles	**–**	**–**	**–**	**–**	–	–	(7)	(7)
Exchange differences	**71**	**713**	**27**	**811**	(3)	–	(2)	(5)
At 31 March	**580**	**7,828**	**185**	**8,593**	505	6,834	145	7,484
Depreciation								
At 1 April	**339**	**5,657**	**–**	**5,996**	315	5,468	–	5,783
Charge for the year	**27**	**289**	**–**	**316**	11	241	–	252
Impairment	**–**	**–**	**–**	**–**	–	37	–	37
Disposals	**(32)**	**(300)**	**–**	**(332)**	(2)	(90)	–	(92)
Transfers between categories	**–**	**–**	**–**	**–**	11	(11)	–	–
Exchange differences	**42**	**518**	**–**	**560**	4	12	–	16
At 31 March	**376**	**6,164**	**–**	**6,540**	339	5,657	–	5,996
Net book value at 31 March	**204**	**1,664**	**185**	**2,053**	166	1,177	145	1,488

Included in the net book value of property, plant and equipment at 31 March 2009 is £25 million (2007/08 – £14 million) of assets held under finance leases.

Additions during the year include interest and own work capitalised during the construction of certain assets of £2 million (2007/08 – £2 million) and £72 million (2007/08 – £49 million) respectively.

20 Investments in joint ventures

	2008/09 £m	2007/08 £m
Gross carrying amount		
At 1 April		
– Cost	**63**	63
– Share of post-acquisition reserves	**125**	100
	188	163
Share of post-tax profit	**32**	37
Dividends	**(17)**	(15)
Transfer to subsidiary undertaking	**8**	–
Exchange differences	**58**	3
At 31 March	**269**	188
Impairment allowance		
At 1 April	**(46)**	(46)
Impairment charge	**–**	(1)
Impairment allowance release	**2**	1
At 31 March	**(44)**	(46)
Net carrying amount at 31 March	**225**	142

The Group's total interest in its joint ventures is presented below:

	31 March 2009 £m	31 March 2008 £m
Non-current assets	**222**	237
Current assets	**145**	107
Current liabilities	**(96)**	(89)
Non-current liabilities	**(46)**	(113)
Share of net assets	**225**	142

	2008/09 £m	2007/08 £m
Revenue	**232**	190
Operating costs	**(191)**	(148)
Operating profit	**41**	42
Net interest financing costs	**–**	(1)
Share of profit before tax	**41**	41
Taxation charge	**(7)**	(4)
Dividends paid to Group companies	**(17)**	(15)
Share of retained profit	**17**	22

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 are no significant restrictions on joint ventures' ability to transfer funds to the Group. The joint ventures have no significant contingent liabilities to which the Group is exposed, nor has the Group any significant contingent liabilities in relation to its interests in joint ventures. The Group's joint ventures have not discontinued any operations during the year ended 31 March 2009 (2007/08 – none).

On 1 April 2008 the Group gained full management control of Apollo Submarine Cable Systems Limited which was previously accounted for as a joint venture (see note 39).

21 Available-for-sale financial assets

	2008/09 £m	2007/08 £m
At 1 April	**27**	15
Business combinations	**10**	–
Additions	**1**	10
Fair value gain recorded in equity	**–**	2
At 31 March	**38**	27

At 31 March 2009 available-for-sale financial assets primarily comprise UK Government gilts and cash held as collateral (2007/08 – UK Government gilts and cash held as collateral). These assets are measured at fair value based on observable market data.

22 Trade and other receivables

	31 March 2009 £m	31 March 2008 £m
Gross trade receivables	**697**	639
Valuation allowance	**(69)**	(72)
Net trade receivables	**628**	567
Other receivables	**70**	87
Prepayments and accrued income	**262**	193
Taxation and social security receivables	**10**	6
Amounts receivable from joint ventures	**3**	3
Trade and other receivables – current	**973**	856
Other receivables	**30**	33
Prepayments and accrued income	**22**	27
Trade and other receivables – non-current	**52**	60
Total trade and other receivables	**1,025**	916

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 at 31 March 2009.

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

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

	31 March 2009 £m	31 March 2008 £m
Not yet due	**336**	312
Overdue 30 days or less	**117**	101
Overdue 31 to 60 days	**41**	40
Overdue 61 to 90 days	**29**	41
Overdue 91 days to 180 days	**58**	43
Overdue 181 days or more	**117**	117
Current net trade and other receivables	**698**	654

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 receivables are amounts relating to interconnection with other carriers of £256 million (2007/08 – £244 million).

There are no amounts held as collateral for trade and other receivables balances.

An analysis of the trade receivables valuation allowance for the period is as follows:

	31 March 2009 £m	31 March 2008 £m
At 1 April	**72**	98
Bad debts written off	**(29)**	(36)
Increase in allowance	**17**	6
Exchange differences	**9**	4
At 31 March	**69**	72

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

23 Inventories

Inventories represent equipment, consumables and accessories held for sale.

Inventories of £23 million (2007/08 – £17 million) are presented net of an allowance of £5 million (2007/08 – £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 2008/09 was £86 million (2007/08 – £79 million). During the year, the Group recorded no additional inventory valuation allowances (2007/08 – £nil).

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

24 Cash and cash equivalents

	31 March 2009 £m	31 March 2008 £m
Cash at bank and in hand	**177**	106
Short-term bank deposits	**368**	593
Cash and cash equivalents	**545**	699

Cash and cash equivalents include cash at bank, 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 2009 was 0.45% (31 March 2008 – 5.1%). At 31 March 2009 these deposits had an average maturity of 5 days (31 March 2008 – 42 days).

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

25 Non-current assets held for sale

As at 31 March 2009, bonds of £1 million (2007/08 – £5 million) were classified as non-current assets held for sale. During the period, the £5 million bonds held at 31 March 2008 were impaired, resulting in a £4 million finance expense and reduction in their carrying value to £1 million.

26 Trade and other payables

	31 March 2009 £m	31 March 2008 £m
Trade payables	**550**	441
Other taxation and social security costs	**51**	57
Accruals	**517**	463
Deferred income	**324**	193
Other payables	**67**	65
Trade and other payables – current	**1,509**	1,219
Accruals	**10**	40
Other creditors	**1**	–
Trade and other payables – non-current	**11**	40
Total trade and other payables	**1,520**	1,259

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

27 Loans and obligations under finance leases

	31 March 2009 £m	31 March 2008 £m
Loans		
Sterling unsecured bonds repayable in 2012 and 2019	**342**	308
Sterling secured loans repayable in 2012	**124**	–
US$415 million secured loan repayable in 2010 ($50 million) and 2011 ($365 million)	**283**	–
US dollar and currencies linked to the US dollar loans repayable at various dates up to 2013	**114**	81
Other currency loans repayable at various dates up to 2038	**37**	48
	900	437
Loans – current	**80**	45
Loans – non-current	**820**	392
Finance leases		
Obligations under finance leases	**22**	19
Obligations under finance leases – current	**10**	14
Obligations under finance leases – non-current	**12**	5
Loans and obligations under finance leases – current	**90**	59
Loans and obligations under finance leases – non-current	**832**	397

At 31 March 2009, the following Group borrowings were secured:

a) The Sterling £200 million loan facility repayable in 2012 (of which £99 million was drawn down at 31 March 2009) is secured by way of guarantee from Cable and Wireless plc and security over Worldwide assets;

b) The $415 million US dollar loan repayable in 2011 is secured over CWI's holdings in Panama and Caribbean subsidiaries;

c) £29 million of the Group's Sterling secured loans is secured on the Group owned 2019 bonds; and

d) £21 million of the other currency loans are secured over some of CWI's operating subsidiaries' assets.

The Sterling bonds have a fair value of £319 million at 31 March 2009 (31 March 2008 – £304 million). This value has been determined by reference to market values obtained from third parties. For all other financial liabilities the carrying amount approximates to fair value.

The repayment profile of loans (including interest payable at rates prevailing at the balance sheet date) is as follows:

	31 March 2009 £m	31 March 2008 £m
Loans		
Due in less than one year	**134**	82
Due in more than one year but not more than two years	**108**	55
Due in more than two years but not more than five years	**688**	296
Due in more than five years	**214**	235
Total loans	**1,144**	668
Less future finance charges on loans	**(244)**	(231)
Total loans	**900**	437

The repayment profile of obligations under finance leases is as follows:

	Net finance lease liabilities		Minimum finance lease payments	
	31 March 2009 £m	31 March 2008 £m	**31 March 2009 £m**	31 March 2008 £m
Due in less than one year	**10**	14	**11**	15
Due in more than one year but not more than two years	**7**	3	**7**	3
Due in more than two years but not more than five years	**3**	2	**3**	2
Due in more than five years	**2**	–	**2**	–
Total	**22**	19	**23**	20
Less future finance charges on finance leases			**(1)**	(1)
Present value of finance lease liabilities			**22**	19

Interest is payable on loans and obligations under finance leases falling due after more than five years at rates of between 0.00% and 10.03%.

During the period, the Group arranged:

a) A three year secured bank facility of US$415 million, repayable in 2010 ($50 million) and 2011 ($365 million), which was drawn down in full;

b) A three year secured bank facility of £200 million, repayable in 2012, of which £99 million has been drawn down; and

c) A £29 million loan facility secured by the 2019 bonds held by the Group. This loan is repayable in February 2012.

The agreements for the US$415 million and £200 million facilities entered into during the year contain financial and other covenants which are standard to these type of arrangements.

In addition, the Group has the following significant borrowings:

a) £200 million listed bond due in 2012 with a balance outstanding at 31 March 2009, net of costs, of £195 million (2007/08 – £161 million). Interest is payable at 8.750% per annum. During the year ended 31 March 2009, bonds with a par value, net of costs, of £36 million were re-issued by Cable and Wireless plc for £34 million net proceeds.

b) £200 million listed bond due in 2019 with a balance outstanding at 31 March 2009, net of costs, of £147 million (2007/08 – £147 million). Interest is payable at 8.625% per annum. During the year ended 31 March 2008, the Group repurchased but did not cancel £32 million of this bond at an average price of 102.1 pence.

c) £116 million (2007/08 – £81 million) of loans in or linked to the US dollar are held by various subsidiaries across the Group, with the majority in Panama. The loans are repayable over a period up to 2038.

27 Loans and obligations under finance leases continued

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

	31 March 2009		31 March 2008	
	Currency	Interest rate %	Currency	Interest rate %
Sterling unsecured bonds repayable in 2012 and 2019 and Sterling secured facilities	**GBP**	**7.7**	GBP	8.7
US dollar and currencies linked to the US dollar loans and facilities repayable at various dates up to 2013	**USD**	**3.4**	USD	4.6
Other currency loans repayable at various dates up to 2038	**Other**	**7.9**	Other	12.0
Obligations under finance leases	**GBP**	**8.3**	GBP	8.4

Convertible unsecured bond

On 16 July 2003, £257,714,000 of 4% convertible unsecured bonds were issued at par. Each bond entitled the holder to convert the amount of such bond into fully paid ordinary shares of 25 pence each at an amended rate of 689.655 ordinary shares for each £1,000 held at an initial conversion price of 145 pence per ordinary share at any time prior to 9 July 2010. Full conversion of the bonds would have resulted in an additional 177,733,748 shares being issued.

During 2007/08, all of the convertible bonds in issue at 31 March 2007 (carrying value of £213 million) were either repurchased or converted.

Convertible bonds with a par value of £138 million were repurchased for cash of £190 million. At the time of repurchase, the debt component of these convertible bonds had a carrying value of £117 million. The fair value of the debt component of these bonds at the date of repurchase was £127 million. This transaction resulted in an exceptional finance expense of £10 million (see note 12). The difference between the fair value of the debt component and the cash consideration (£63 million) was allocated to the repurchase of the equity component of the convertible bond.

The remaining convertible bonds, with a par value of £120 million, were converted into 83 million ordinary shares (including 29 million treasury shares). The debt component of these convertible bonds had a carrying value of £103 million.

In April 2005, a cash settlement feature within the convertible bonds was removed. The liability relating to this cash settlement feature was reclassified to equity at its fair value at that time (£47 million). As a result of extinguishing the convertible bonds, this amount was reclassified to retained earnings.

The movements on the convertible bonds in the prior period were as follows:

	£m
Liability component at 1 April 2007	213
Interest expense	7
Liability component of convertible bonds repurchased or converted	(220)
Liability component at 31 March 2008	–

Interest expense on the bond was calculated on the effective yield basis by applying the effective interest rate (10.7%) for an equivalent non-convertible bond to the liability component of the convertible bond.

28 Financial liabilities at fair value

	At 31 March 2009			At 31 March 2008		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Forward exchange contracts	**25**	**–**	**25**	–	–	–
Put option relating to Monaco Telecom	**–**	**139**	**139**	59	73	132
Other put option	**–**	**1**	**1**	–	–	–
Total financial liabilities at fair value	**25**	**140**	**165**	59	73	132

Forward exchange contracts
At 31 March 2009 the Group had forward exchange contracts to sell US$225 million (£155 million), in order to lock in the Sterling proceeds of forecast US dollar repatriation (2007/08 – US$50 million (£25 million) hedging US dollar exposures). The Group did not apply hedge accounting to these contracts and as such they were revalued to fair value through the income statement. A US$0.10 movement in the US$/£ exchange rate would have an impact of approximately £11 million on the income statement and balance sheet as a result of changes in the fair value of these contracts.

Monaco Telecom put option
A put option is held by the minority shareholder of Monaco Telecom, the Principality of Monaco (the Principality). This put option is measured at fair value using inputs that are not based on publicly observable market data. The liability for the put option represents 45% of the market value of Monaco Telecom. This market value has been determined by taking an average of published broker valuations for the business and attributing 45% of that value to the put option. The brokers have valued the business using a combination of discounted cash flow analysis and EBITDA multiples factoring in the expected growth and risk of the business. A £10 million movement in the value of the put would have a £1 million impact on the income statement.

The Group considers there to be only a remote likelihood of this put option being exercised, however, IAS 32 *Financial Instruments: Presentation* requires the present value of the amount payable to be recognised as a liability regardless of the probability of exercise, as this is not within the Group's control. As this put option was issued as part of a business combination, any change in remeasuring the derivative to fair value is recorded as an adjustment to goodwill (refer to note 18).

The put option held by the Principality is exercisable in two tranches. The first tranche enables the Principality to put 20% of the shares of Monaco Telecom to the Group from six months prior to 18 June 2011, 2014 and 2017. The second tranche enables the Principality to put 25% of the shares of Monaco Telecom to the Group three years after the first tranche has been exercised.

During the period, the value of the put option increased by £14 million due to discount unwinding (see note 12). This increase was offset by a £7 million reduction as a result of fair value and foreign exchange movements. This reduction was recognised against goodwill (see note 18).

29 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	Balance sheet offset £m	Total £m
Deferred tax assets	34	12	–	3	(21)	28
Deferred tax liabilities	(54)	–	(18)	(8)	21	(59)
At 1 April 2007	(20)	12	(18)	(5)	–	(31)
Profit and loss credit	2	9	3	1	–	15
Tax charged to equity	–	–	11	–	–	11
Exchange differences	3	(1)	–	(1)	–	1
At 31 March 2008	(15)	20	(4)	(5)	–	(4)
Deferred tax assets	30	20	1	1	(26)	26
Deferred tax liabilities	(45)	–	(5)	(6)	26	(30)
At 31 March 2008	(15)	20	(4)	(5)	–	(4)
Profit and loss credit	21	10	–	2	–	33
Tax charged to equity	–	–	(1)	–	–	(1)
Exchange differences	(5)	3	1	–	–	(1)
At 31 March 2009	**1**	**33**	**(4)**	**(3)**	**–**	**27**
Deferred tax assets	63	33	5	4	(41)	64
Deferred tax liabilities	(62)	–	(9)	(7)	41	(37)
At 31 March 2009	**1**	**33**	**(4)**	**(3)**	**–**	**27**

29 Deferred tax continued

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

	Capital allowances available on non-current assets £m	Tax losses £m	Pensions £m	Other £m	Total £m
As at 31 March 2008	3,721	14,697	22	118	18,558
As at 31 March 2009	**3,928**	**21,035**	**63**	**156**	**25,182**

Tax losses expire as follows:

	31 March 2009 £m	31 March 2008 £m
Within 1 year	**13**	11
Within 3 years	**13**	22
Within 5 years	**19**	5
Within 10 years	**81**	70
After more than 10 years	**48**	40

Other tax losses are not subject to expiry.

The £21,035 million (2007/08 – £14,697 million) tax losses include UK capital losses of £8,027 million (2007/08 – £2,635 million). Other losses principally arise in overseas holding companies and the opportunity to realise benefits from them is considered remote.

Deferred tax is not provided on unremitted earnings of subsidiaries and joint ventures where the Group controls the timing of remittance and it is probable that the temporary difference will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries, branches and joint ventures for which deferred tax liabilities have not been recognised is £695 million (2007/08 – £475 million). These temporary differences relate to unremitted earnings.

30 Provisions

	2008/09					2007/08				
	Property £m	Redundancy costs £m	Network and asset retirement obligations £m	Legal and other £m	Total £m	Property £m	Redundancy costs £m	Network and asset retirement obligations £m	Legal and other £m	Total £m
At 1 April	**69**	**12**	**81**	**65**	**227**	82	7	77	60	226
Additions from businesses acquired	**1**	**–**	**34**	**1**	**36**	–	–	–	–	–
Additional provision	**40**	**61**	**28**	**39**	**168**	10	35	10	33	88
Amounts used	**(19)**	**(50)**	**(11)**	**(42)**	**(122)**	(19)	(28)	(13)	(15)	(75)
Unused amounts reversed	**(17)**	**(2)**	**(9)**	**(15)**	**(43)**	(6)	(2)	–	(14)	(22)
Effect of discounting	**3**	**–**	**7**	**–**	**10**	2	–	6	–	8
Exchange differences	**2**	**3**	**2**	**11**	**18**	–	–	1	1	2
At 31 March	**79**	**24**	**132**	**59**	**294**	69	12	81	65	227
Provisions – Current	**20**	**24**	**14**	**50**	**108**	17	12	14	49	92
Provisions – Non-current	**59**	**–**	**118**	**9**	**186**	52	–	67	16	135

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.

Property provisions released included £14 million (2007/08 – £4 million) relating to Worldwide following the reassessment of its onerous rental leases and dilapidations provisions (see note 6) and £3 million (2007/08 – £2 million) in respect of the Group's former US operations (see note 14).

Redundancy
Provision has been made for the employee related costs of redundancies announced or for which Cable & Wireless is demonstrably committed prior to the reporting date. Amounts provided for and spent in the year primarily relate to the restructuring in Worldwide and CWI.

Redundancy cost provisions released in 2008/09 relate to Worldwide (see note 6).

In 2007/08, redundancy cost provisions released related to CWI (£1 million) and Worldwide (£1 million) (see note 6).

Network and asset retirement obligations
Provision has been made for the best estimate of the unavoidable costs associated with redundant leased network capacity. The provision is expected to be used over the shorter of the period to exit and the lease contract life.

Provision has been made for the best estimate of the asset retirement obligation associated with office sites, technical sites, domestic and subsea cabling. This provision is expected to be used at the end of the life of the related asset on which the obligation arises. Amounts utilised in the year related predominantly to cash expenditure against unavoidable costs associated with redundant network capacity.

Network and asset retirement obligations provision releases in 2008/09 relate to the reassessment of amounts in respect of exiting network sites and onerous network contracts in Worldwide (£6 million) and CWI (£3 million) (see note 6).

Other
Other provisions include amounts relating to specific legal claims against the Group and amounts relating to specific claims held against the Group's former insurance operation, Pender, and other restructuring costs.

Other provisions released in 2008/09 include an amount of £7 million in Central in relation to disposals made in previous years (see note 14), and £2 million in Central following a reassessment of provisions made in respect of the Group's former insurance operation, Pender (see note 11). In addition, provisions of £6 million were released in CWI following the resolution of claims and other risks.

In 2007/08, other provisions released included an amount of £6 million in Central following a reassessment of provisions made in respect of the Group's former insurance operation, Pender (see note 11), and £3 million in Central following a reassessment of provisions relating to disposals made in previous years (see note 14). In addition, provisions of £4 million and £1 million were released in CWI and Worldwide respectively following resolution of claims.

31 Retirement benefits obligations

The Company and its principal subsidiaries operate pension and other retirement schemes, which cover the majority of employees in the Group. These schemes include both defined benefit schemes, where retirement benefits are based on employees' remuneration and length of service, and defined contribution schemes, where retirement benefits reflect the accumulated value of agreed contributions paid by, and in respect of, employees. Contributions to the defined benefit schemes are made in accordance with the recommendations of independent actuaries who value the schemes. The main UK defined benefit scheme was closed to new members in 1998.

Defined contribution schemes
The pension cost for the year for the defined contribution schemes of the Group was £18 million (2007/08 – £15 million), of which £11 million (2007/08 – £12 million) was for the main UK scheme.

Defined benefit schemes
Main UK scheme – funding valuation
The latest triennial actuarial valuation was carried out by Watson Wyatt Limited as at 31 March 2007. The projected unit credit method was used and the principal actuarial assumptions adopted were that the annual rate of inflation would be 3.1% and that future increases in pensionable earnings would be 4.1% per annum; investments held in respect of pensions before they become payable would average 6.2% annual rate of return; investments held in respect of pensions after they become payable would average 4.9% annual rate of return; and pensions would increase at an annual rate of 3.0% for fixed guarantee pensions and 3.1% for inflation related pensions. As at 31 March 2007, the value of the assets represented approximately 99% of the actuarial value of benefits due to members calculated on the basis of pensionable earnings and service at 31 March 2007 on an ongoing basis and allowing for projected increases in pensionable earnings.

The assumptions regarding current mortality rates in retirement were set having regard to the actual experience of the Fund's pensioners and dependents over the five years ended 31 March 2007. In addition, allowance was made 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%.

31 Retirement benefits obligations continued

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

	On 31 March 2009 (years)	On 31 March 2019 (years)	On 31 March 2029 (years)
Male	27.7	29.1	30.6
Female	29.0	30.5	32.0

The defined benefit actuarial funding deficit was £15 million at 31 March 2007 on the basis of the funding assumptions adopted by the actuary. On 28 March 2008, Cable & Wireless made a £19 million contribution to the scheme. This was calculated on the basis of the £15 million deficit at 31 March 2007, together with the interest cost that accrued on this amount during the year and the back-dating of the increased employer's contribution rate to the valuation date. As a result of the £19 million contribution, the scheme was fully funded on an ongoing basis, based on the 2007 valuation.

The actuarial valuation showed that based on long-term financial assumptions the contribution rate required to meet the future benefit accrual was 33.2% of pensionable earnings (28.5% employer's and 4.7% employee's). This contribution rate will be reviewed when the next scheduled triennial independent actuarial valuation is carried out, as at 31 March 2010. The terms of the Cable & Wireless Superannuation Fund Trust Deed also allow the Trustees or the Company to call for a valuation at any time. The future service contribution rate includes an allowance of 3% for administration expenses, excluding the Pension Protection Fund (PPF) levy. The PPF levy for 2008/09 was £314,000 (2007/08 – £339,000). Cable & Wireless therefore paid a total contribution rate of 29.4% in 2008/09, or £10.6 million (2007/08 – 29.3% or £11.8 million).

The Group has agreed to provide certain financial information on a semi-annual basis to allow the Trustees to monitor the Group's financial performance. If the Group's projected EBITDA and the cash and committed facilities (net of any prior ranking creditors) available to the Group fall below agreed levels the Group will provide security to the Trustees in the form of an escrow arrangement or bank letter of credit for an amount equal to the shortfall against the agreed level of cash and committed facilities (net of any prior ranking creditors).

During the year, the Pension Trustees of the main UK defined benefit scheme agreed a buy-in of the UK pensioner element of the scheme with Prudential Insurance. The buy-in involved the purchase of a bulk annuity policy by the scheme under which Prudential Insurance assumed responsibility for the benefits payable to the scheme's UK pensioners with effect from 1 August 2008. The pensioner liabilities and the matching annuity policy remain within the scheme. The premium for the annuity policy was approximately £1 billion which the scheme settled with a combination of cash and assets including an additional Group contribution of £10 million.

Main UK scheme and other schemes – IAS 19 valuation

The IAS 19 valuations of the major defined benefit schemes and medical plans operated by the Group have been updated to 31 March 2009 by qualified independent actuaries. Watson Wyatt Limited prepared the valuation for the main UK scheme, the Thus scheme acquired during the year and unfunded schemes, and reviewed the IAS 19 valuations prepared for all other schemes. Other schemes include unfunded liabilities in the UK relating to pension provisions for former Directors and other senior employees in respect of their earnings in excess of the previous Inland Revenue salary cap and the Thus scheme. Also included are the Group's overseas schemes in Macau, Jamaica, Barbados, Guernsey, Hong Kong and Ireland.

The main financial assumptions applied in the valuations and an analysis of schemes' assets are as follows:

	2008/09				2007/08			
	Main UK scheme		Other schemes		Main UK scheme		Other schemes	
	Assets £m	Assumption %	Assets £m	Assumption %	Assets £m	Assumption %	Assets £m	Assumption %
Inflation assumption		**3.0**		**4.3**		3.5		4.9
Salary increases		**3.5**		**5.5**		4.0		6.5
Pension increases		**2.2-3.0**		**4.5**		2.3-3.4		4.9
Discount rate		**6.7**		**7.9**		6.8		8.3
Medical cost trends for post-retirement medical plans				**9.7**				9.8
Long-term expected rate of return on plan assets								
■ Annuity policies	**825**	**6.7**	**44**	**8.0**	–	–	–	–
■ Equities	**519**	**8.0**	**100**	**8.1**	944	8.0	88	8.1
■ Bonds and gilts	**51**	**5.6**	**96**	**5.6**	500	5.2	73	5.1
■ Property	**76**	**6.5**	**38**	**8.5**	125	7.0	45	8.4
■ Cash and swaps	**190**	**3.3**	**–**	**–**	546	4.4	21	4.3
	1,661		**278**		2,115		227	

Assumptions used by the actuary are best estimates from a range of possible actuarial assumptions, which may not necessarily be borne out in practice. The assumptions shown above for Other schemes represent a weighted average of the assumptions used for the individual schemes.

A one year increase in the life expectancy assumptions would have increased the main UK scheme liabilities by approximately £34 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £21 million. A 0.25% decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around £82 million. The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £26 million. A 0.25% change in the assumed rate of salary increases would have changed the liabilities by around £4 million.

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

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

During the period, the defined benefit and retirement medical plans of Cable & Wireless Jamaica were restructured in order to reduce financial risk materially. The restructure involved the purchase of annuities for all of the defined benefit obligations, a change in member benefits and the transfer of all of the retirement medical plan obligations to a third party insurer. The restructure resulted in a curtailment gain of £10 million. The transfer of the retirement medical plan obligations resulted in a settlement loss of £3 million. The curtailment gain and settlement loss have been recorded as a net exceptional gain of £7 million. There was also an exceptional curtailment gain in Barbados of £1 million in the period. Refer to note 6.

The assets and liabilities of the defined benefit schemes and post-retirement medical plans operated by the Group are presented below:

	31 March 2009			31 March 2008			31 March 2007		
	Main UK scheme £m	**Other schemes £m**	**Total £m**	Main UK scheme £m	Other schemes £m	Total £m	Main UK scheme £m	Other schemes £m	Total £m
Total fair value of plan assets	**1,661**	**278**	**1,939**	2,115	227	2,342	2,079	210	2,289
Present value of funded obligations	**(1,693)**	**(271)**	**(1,964)**	(1,740)	(175)	(1,915)	(2,036)	(162)	(2,198)
Excess of (liabilities)/assets of funded obligations	**(32)**	**7**	**(25)**	375	52	427	43	48	91
Present value of unfunded obligations	**–**	**(24)**	**(24)**	–	(36)	(36)	–	(40)	(40)
Effect of asset ceiling	**–**	**(9)**	**(9)**	(375)	(30)	(405)	–	(23)	(23)
Net (deficit)/surplus	**(32)**	**(26)**	**(58)**	–	(14)	(14)	43	(15)	28
Liabilities									
Defined benefit pension plans in deficit	**(32)**	**(48)**	**(80)**	–	(30)	(30)	–	(33)	(33)
Post-retirement medical plans (unfunded)	**–**	**(5)**	**(5)**	–	(16)	(16)	–	(14)	(14)
Total	**(32)**	**(53)**	**(85)**	–	(46)	(46)	–	(47)	(47)
Assets									
Defined benefit pension plans in surplus	**–**	**27**	**27**	–	32	32	43	32	75
Actuarial gains/(losses) on plan liabilities	**97**	**13**	**110**	346	(2)	344	77	3	80
Actuarial (losses)/gains on plan assets	**(538)**	**(46)**	**(584)**	(63)	1	(62)	32	5	37

Included within these liabilities is an amount of £13 million (2007/08 – £13 million) 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. Any adjustment to the surplus is recorded directly in equity. The effect of these adjustments (described as asset ceiling adjustments) was £9 million as at 31 March 2009 (31 March 2008 – £405 million).

31 Retirement benefits obligations continued

The amounts recognised in the income statement are as follows:

	31 March 2009			31 March 2008		
	Main UK scheme £m	Other £m	Total £m	Main UK scheme £m	Other £m	Total £m
Current service cost	**(8)**	**(5)**	**(13)**	(10)	(6)	(16)
Interest cost	**(116)**	**(20)**	**(136)**	(106)	(15)	(121)
Expected return on plan assets	**136**	**27**	**163**	135	20	155
Gains on curtailment or settlement	**2**	**2**	**4**	2	3	5
Total net credit	**14**	**4**	**18**	21	2	23

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

The actual return on plan assets was a loss of £421 million (2007/08 – gain of £93 million). The two main factors in this experience loss arose from the difference between the purchase cost of the annuity for the main UK scheme and the IAS 19 value of the liabilities covered by the policy at the valuation date and a reduction in asset values in the period due to adverse financial market conditions.

Net actuarial losses amounting to £474 million (2007/08 – gains of £282 million) have been recognised directly in equity and are presented in the statement of recognised income and expenses.

In 2008/09, a gain of £396 million (2007/08 – loss of £382 million) was recognised in the statement of recognised income and expenses due to the change in asset ceilings. This was further increased by a £2 million exchange gain on the Jamaica defined benefit pension asset ceiling amount (2007/08 – £nil).

The total amount recognised in the statement of recognised income and expenses in the current financial year and cumulatively to 31 March 2009 is a loss of £76 million (2007/08 – loss of £100 million) and loss of £4 million (2007/08 – gain of £72 million) respectively.

Changes in the present value of the defined benefit and post-retirement medical plan obligations are as follows:

	2008/09			2007/08		
	Main UK scheme £m	Other £m	Total £m	Main UK scheme £m	Other £m	Total £m
Obligation at 1 April	**(1,740)**	**(211)**	**(1,951)**	(2,036)	(202)	(2,238)
Service cost	**(8)**	**(5)**	**(13)**	(10)	(6)	(16)
Interest cost	**(116)**	**(20)**	**(136)**	(106)	(15)	(121)
Actuarial gains/(losses) recognised in equity	**97**	**13**	**110**	346	(2)	344
Employee contributions	**(2)**	**(3)**	**(5)**	(2)	(2)	(4)
Obligations extinguished	**–**	**20**	**20**	–	–	–
Obligations acquired	**–**	**(62)**	**(62)**	–	–	–
Settlements	**–**	**(10)**	**(10)**	–	–	–
Curtailments	**2**	**12**	**14**	2	3	5
Benefits paid	**74**	**9**	**83**	66	10	76
Exchange differences on foreign plans	**–**	**(38)**	**(38)**	–	3	3
Obligation at 31 March	**(1,693)**	**(295)**	**(1,988)**	(1,740)	(211)	(1,951)

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

	2008/09			2007/08		
	Main UK scheme £m	**Other £m**	**Total £m**	Main UK scheme £m	Other £m	Total £m
Fair value of assets as at 1 April	**2,115**	**227**	**2,342**	2,079	210	2,289
Expected return	**136**	**27**	**163**	135	20	155
Actuarial (losses)/gains recognised in equity	**(538)**	**(46)**	**(584)**	(63)	1	(62)
Contributions by employer	**20**	**8**	**28**	28	7	35
Employee contributions	**2**	**3**	**5**	2	2	4
Assets divested	**–**	**(32)**	**(32)**	–	–	–
Assets acquired	**–**	**63**	**63**	–	–	–
Benefits paid	**(74)**	**(9)**	**(83)**	(66)	(10)	(76)
Exchange differences on foreign plans	**–**	**37**	**37**	–	(3)	(3)
Fair value of assets as at 31 March	**1,661**	**278**	**1,939**	2,115	227	2,342

Experience gains for the period are as follows:

	31 March 2009		31 March 2008		31 March 2007	
	Main UK scheme £m	**Other £m**	Main UK scheme £m	Other £m	Main UK scheme £m	Other £m
Defined benefit and post-retirement medical plan obligations	**(1,693)**	**(295)**	(1,740)	(211)	(2,036)	(202)
Plan assets	**1,661**	**278**	2,115	227	2,079	210
(Deficit)/surplus excluding the effects of the asset ceiling	**(32)**	**(17)**	375	16	43	8
Experience gains/(losses) on plan liabilities	**20**	**1**	14	(8)	(7)	5
Experience (losses)/gains on plan assets	**(538)**	**(46)**	(63)	1	32	5

	31 March 2006		31 March 2005	
	Main UK scheme £m	Other £m	Main UK scheme £m	Other £m
Defined benefit and post-retirement medical plan obligations	(2,067)	(238)	(1,787)	(206)
Plan assets	1,978	236	1,611	215
(Deficit)/surplus excluding the effects of the asset ceiling	(89)	(2)	(176)	9
Experience (losses)/gains on plan liabilities	(15)	(14)	36	(9)
Experience gains on plan assets	206	–	43	15

The best estimate of contributions for 2009/10 is:

	Main UK scheme £m	Other £m	Total £m
Employer contributions	10*	14	24
Employee contributions	2	3	5

* Based on an employer contribution rate of 28.5% of pensionable salaries plus the estimated PPF levy payable in the year ending 31 March 2010.

The pension disclosures above include two post-retirement medical plans in Barbados. A change in the assumed medical cost trend of 1% would have no material effect on the aggregate of current service costs and interest costs and would change the accumulated defined benefit obligation by £1 million.

32 Share capital

	31 March 2009 £m	31 March 2008 £m
Authorised	**875**	875
2008/09 – 3,500,000,000 ordinary shares of 25 pence each		
(2007/08 – 3,500,000,000 ordinary shares of 25 pence each)		
Issued, called-up and fully paid	**643**	634
2008/09 – 2,571,465,533 ordinary shares of 25 pence each		
(2007/08 – 2,536,623,051 ordinary shares of 25 pence each)		

	Number of shares	£m
Issued, called-up and fully paid		
At 1 April 2007	2,460,483,642	615
Allotted under share options schemes	10,439,382	3
Allotted under scrip dividends	12,343,480	3
Allotted under convertible bonds	53,356,547	13
At 31 March 2008	2,536,623,051	634
Allotted under share options schemes	4,186,233	1
Allotted under scrip dividends	30,656,249	8
At 31 March 2009	**2,571,465,533**	**643**

The aggregate nominal value of the shares allotted in the year was £9 million (2007/08 – £19 million). The Company did not repurchase any shares in 2008/09 or 2007/08.

No treasury shares were cancelled during the year ended 31 March 2009. 12 million treasury shares were transferred to the ESOP trust on 13 February 2009.

The nominal value and market value of treasury shares held at 31 March 2009 (excluding those held by the ESOP trust) was £8 million (2007/08 – £11 million) and £46 million (2007/08 – £68 million) respectively. The ESOP Trust has waived its right to dividends.

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 and Wireless 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 48 to 49 of the Directors' report.

Allotments of ordinary shares of 25 pence each were made during the year in respect of the following:

	31 March 2009		31 March 2008	
	Number of allotted shares	Gross consideration received £	Number of allotted shares	Gross consideration received £
Savings Related Share Option Scheme	**1,730,501**	**1,252,134**	5,085,150	2,506,801
Global Savings Related Share Option Scheme	**1,274,225**	**772,580**	1,461,876	1,066,300
Share Option Plan – Approved	**50,847**	**55,999**	166,781	194,162
Share Option Plan – Unapproved	**1,130,660**	**1,212,829**	3,725,575	3,998,381
Scrip dividends[1]	**30,656,249**	**–**	12,343,480	–
Convertible bonds[2]	**–**	**–**	53,356,547	–
Total	**34,842,482**	**3,293,542**	76,139,409	7,765,644

1 Shares with a cash equivalent value of £47 million (2007/08 – £23 million) were issued during the year as payment for dividends by scrip. This was a non-cash transaction.
2 Shares with a cash equivalent value of £106 million were issued during 2007/08 as part of the conversion of bonds. This was a non-cash transaction.

The Group defines capital as share capital, share premium, special reserve, other reserves (including capital reserve, minority interest transaction reserve, fair value reserve, foreign currency translation reserve and hedging reserve), minority interest 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 balance sheet 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.

This strategy is unchanged from the prior year.

The Articles of Association of the Company permit borrowing up to two and a half times the 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.

33 Share premium and other reserves

	Share premium £m	Special reserve £m	Foreign currency translation and hedging reserve £m	Fair value reserve £m	Capital and other reserves £m	Retained earnings £m	Total £m
At 31 March 2007	56	1,672	(130)	3	152	(687)	1,066
Cash received in respect of employee share schemes	–	–	–	–	–	6	6
Own shares purchased	–	–	–	–	–	(2)	(2)
Fair value gain on available-for-sale assets	–	–	–	2	–	–	2
Acquisition of minority interest	–	–	–	–	(4)	–	(4)
Tax on items in equity	–	–	–	–	–	11	11
Profit for the year	–	–	–	–	–	164	164
Net actuarial losses recognised (net of deferred taxation)	–	–	–	–	–	(98)	(98)
Foreign currency translation reserve	–	–	2	–	–	–	2
Share-based payment costs	–	–	–	–	–	16	16
Conversion of convertible bonds	75	(88)	–	–	–	124	111
Repurchase and conversion of convertible bonds	–	–	–	–	(47)	(38)	(85)
Dividends	–	–	–	–	–	(161)	(161)
Shares allotted under share option schemes	5	(8)	–	–	–	8	5
Shares allotted under scrip dividend scheme	20	(23)	–	–	–	23	20
At 31 March 2008	156	1,553	(128)	5	101	(634)	1,053
Cash received in respect of employee share schemes	–	–	–	–	–	2	2
Own shares purchased	–	–	–	–	–	(2)	(2)
Acquisition of minority interest	–	–	–	–	1	–	1
Profit for the year	–	–	–	–	–	143	143
Net actuarial losses recognised (net of deferred taxation)	–	–	–	–	–	(75)	(75)
Foreign currency translation reserve	–	–	204	–	–	–	204
Share-based payment costs	–	–	–	–	–	12	12
Dividends	–	–	–	–	–	(194)	(194)
Shares allotted under share option schemes	2	(3)	–	–	–	3	2
Shares allotted under scrip dividend scheme	39	(47)	–	–	–	47	39
At 31 March 2009	**197**	**1,503**	**76**	**5**	**102**	**(698)**	**1,185**

Special reserve
The special reserve relates to the cancellation of the share premium account at February 2004 which was approved by the Company at the 2003 AGM and confirmed by the Court in February 2004. It is reduced from time to time by the amount of any increase in the paid-up share capital and share premium account of the Company after 20 February 2004 resulting from the issue of new shares for cash or other new consideration or upon a capitalisation of distributable reserves. The special reserve will not be treated as realised profits of the Company until any debt or claim against the Company outstanding as at 20 February 2004 has been repaid or remedied.

33 Share premium and other reserves continued

Foreign currency translation and hedging reserve
The foreign currency translation and hedging reserve contains exchange differences on the translation of subsidiaries with a functional currency different to the presentation currency of the Group. It also includes cumulative exchange differences arising on the translation of hedging instruments.

Other reserves
In 2008/09, other reserves included a capital redemption reserve of £105 million (2007/08 – £105 million) and a reserve relating to transactions with minority interests of £3 million (2007/08 – £4 million).

34 Share-based payments
Share option schemes
The share option schemes operating as at 31 March 2009 or having options outstanding as at this date, are as follows:

Cable & Wireless Savings related share option scheme and Cable & Wireless Global savings related share option scheme
Under the Cable & Wireless Savings related share option scheme (SAYE scheme), UK employees were invited to enter a savings contract with a bank to save regular monthly sums of between £5 and £250 for a period of either three, five or seven years. At the end of the savings contract, the participant receives interest from the bank on their savings. The savings and the interest may then be used to exercise an option over ordinary shares of the Company, which are issued at a discount of 20% to the market value of the Company's ordinary shares at the date of grant. The Company extended the SAYE scheme to its overseas employees by the Cable & Wireless Global savings related share option scheme (GSAYE scheme). The GSAYE scheme was last offered in December 2004. In various of the Group's territories (excluding the UK) it operated along similar lines to the SAYE scheme with local variations to accommodate local legal and tax considerations.

Cable & Wireless Revenue approved share option scheme and Cable & Wireless Senior employees' share option scheme
Prior to July 2001, Cable & Wireless granted share options under the Cable & Wireless Senior employees' share option scheme (SESOS) and the Cable & Wireless Revenue approved share option scheme (RESOS). Options awarded under these plans between June 1999 and July 2001 are subject to performance conditions based on the TSR performance of Cable and Wireless plc relative to the FTSE 100 Index, underpinned by real growth in EBITDA and revenue. TSR is share price growth adjusted for dividends and capital actions. TSR performance is averaged over a three month period at the beginning and end of the performance period. This moderates the effect of short-term share price volatility. For full vesting, the TSR performance of Cable and Wireless plc must achieve at least upper quartile level against the FTSE 100 between the third and fifth anniversaries of the date of grant. Half vesting applies for TSR at the median level, with a sliding scale between median and upper quartile. If the performance conditions are not met by the fifth anniversary of the date of grant, the options lapse. As at the date of this report, none of these options have achieved their performance conditions.

Options granted under RESOS and SESOS before June 1999 became exercisable if growth in the Company's published earnings per share (excluding exceptional items) measured over any period of three consecutive financial years, commencing not earlier than the financial year in which the option was granted, exceeded by not less than 6% of the percentage growth of the Retail Price Index over the same three year period. All such options became exercisable in full. No further grants will be made under the RESOS and SESOS plans.

Cable & Wireless Share option plan (approved and unapproved)
The level of any share option award is determined by the Remuneration Committee each year by reference to total remuneration within a market peer group, subject to an overriding annual limit of ten times salary for Executive Directors.

The vesting of share options awarded to the Executive Directors and to all employees outside the US is subject to relative TSR performance conditions. For options granted before May 2004, full vesting occurs only if the TSR performance of the Company meets or exceeds the upper quartile between the third and fifth anniversaries of the date of grant. Where TSR performance meets the median, 50% of the initial award vests. A sliding scale operates between median and upper quartile, and nothing vests for TSR performance below the median. If performance conditions have not been met by the fifth anniversary of the date of grant, the option lapses. For options granted from May 2004, the re-testing of performance conditions for share options granted from that date will cease. If performance conditions for these options have not been met by the third anniversary of the date of grant the option lapses. For options granted from June 2005, 33.33% of options vest where TSR performance meets the median and if the Remuneration Committee is satisfied that the underlying financial performance of the Group warrants the release of the shares.

Performance conditions are applied in determining the level of awards to employees in the US, but do not normally apply to the vesting of such awards. In addition, 25% of awards to employees in the US vest on the first anniversary of the date of the grant with a further 25% on each subsequent anniversary. These terms reflect normal practice in the US.

The Cable & Wireless Employee Share Ownership Plan (ESOP) Trust

The Cable & Wireless ESOP Trust is a discretionary trust, which has been funded by loans from the Company to acquire shares in Cable and Wireless plc. At 31 March 2009 the Trust holds 28,322,351 (2007/08 – 26,859,407) shares with a cost of £59 million (2007/08 – £73 million) and a market value of £40 million (2007/08 – £40 million).

The costs of running the Trust are included in the income statement as they accrue. The Trustees of the plan may notionally allocate ordinary shares in the Company annually to Executive Directors or other senior executives and other key staff. Shares are held in trust until such time as they may be transferred to employees in accordance with the terms of the performance share plan, the restricted share plan, the deferred short-term incentive plan (details of which are given below) and the share option plan. The shares will be provided from existing ordinary shares in issue acquired by the Trustees. Surplus shares may be held to satisfy future awards. The Trust has waived its rights to dividends. At 31 March 2009, there were 1,594,367 shares under contingent awards in relation to the performance share plan, 22,506,754 shares under restricted share awards in relation to the restricted share plan, 118,614 shares under the stock appreciation rights plan, and 6,279,112 shares under options in relation to the share option plan.

Other equity instrument awards

Deferred short-term incentive plan (Deferred STIP)

The deferred STIP is designed to encourage participants to invest in shares to align their interests more closely with those of shareholders. Under this plan any bonus deferred is used to purchase shares in the Company, which are held in trust for three years before being released to the participant.

Participants may also be awarded up to two matching shares for every one purchased share based on the relative TSR performance of the Company measured over a three year period (see performance conditions for share-based awards on page 53). A dividend award supplement also operates on the deferred STIP. Dividends that would have been paid on the purchased shares and the actual award of matching shares during the performance period are reinvested in additional shares.

For the 2005/06 financial year, Executive Directors were able to elect to pay up to two thirds of any net annual bonus and senior executives could elect to pay up to one third of any net bonus into the deferred STIP. Conditional matching shares were awarded on a gross basis, i.e. for every £100 of net bonus invested in the deferred STIP, participants have the potential to receive matching shares with a face value on grant of £333. No award has been made under the deferred STIP since 30 September 2005.

Deferred bonus scheme

Executive Directors and selected senior executives were able voluntarily to defer between 10% and 50% of their post-tax senior management bonus to purchase shares in the Company, which will be held in trust. Half of the purchased shares will be held in trust for a two year deferral period and the remaining half will be held in trust for a three year deferral period. Participants will be awarded matching shares when the purchased shares vest at the end of the deferral periods.

No award has been made under the deferred bonus scheme since June 2004.

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 TSR performance conditions (see performance conditions for share-based awards on page 53). 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.

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.

Performance conditions for share-based awards

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.

34 Share-based payments continued

Cash-based awards

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.

Other schemes

Cable & Wireless 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 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.

Shares are held in a UK resident trust and can be withdrawn from the trust at any time, but there may be pay as you earn taxation and national insurance contributions payable in such events if the shares have not been held in the trust for five years. Dividends on the partnership and matching shares are reinvested in additional dividend shares.

High Performance Incentive Plan (HPIP)

The HPIP provides for share awards at nil cost to senior managers in CWI. It is a three year incentive plan and the scheme is worth up to 100% of a participant's salary at the date they entered the plan.

The awards are based on performance in years one and two that then vest after years two and three respectively, with the financial year 2006/07 being year one. The performance targets are based on EBITDA and cash flow. On vesting the shares are worth the greater of the prevailing market value and the grant price.

A relatively small element of the HPIP is formed as a 'Phantom' HPIP whereby the payments under the plan are made in cash rather than in shares.

Share options

Options are exercised on a regular basis throughout the year. Options exercised during the year ended 31 March 2009 resulted in 6 million shares (2007/08 – 14 million shares) being issued at the average exercise price of 89 pence each (2007/08 – 84 pence each). The related market weighted average share price at the time of the exercise was 158 pence per share (2007/08 – 169 pence per share).

Movements in the number of share options granted to employees of the Group and outstanding, together with their related weighted average exercise prices are shown below:

	2008/09		2007/08	
	Average exercise prices (pence/share)	**Options (000)**	Average exercise prices (pence/share)	Options (000)
At 1 April	**106**	**38,607**	116	63,225
Forfeited	**83**	**(190)**	165	(8,115)
Exercised	**89**	**(6,157)**	84	(14,305)
Expired	**131**	**(426)**	321	(2,198)
At 31 March	**110**	**31,834**	106	38,607
Exercisable	**119**	**17,871**	104	12,042

Share options outstanding at the end of the year have the following exercise prices:

Range of exercise prices (pence)	31 March 2009 Number of options outstanding	31 March 2009 Weighted average exercise price (pence/share)	31 March 2009 Weighted average remaining life (rounded to nearest year)[1]	31 March 2008 Number of options outstanding	31 March 2008 Weighted average exercise price (pence/share)	31 March 2008 Weighted average remaining life (rounded to nearest year)[1]
0 – 49	**807,562**	**37**	**1**	2,367,297	37	1
50 – 99	**316,844**	**90**	**2**	2,068,067	90	1
100 – 149	**27,526,753**	**107**	**4**	30,934,523	107	4
150 – 199	**3,170,735**	**154**	**3**	3,172,097	154	4
250 – 299	**9,945**	**275**	**0**	10,599	275	1
350 – 399	**–**	**–**	**–**	6,876	358	1
600 – 1,250	**1,835**	**982**	**1**	48,036	717	0

1 Weighted average remaining life relates to legal life of options not expected life.

There were no share options granted in 2008/09 (2007/08 – none). The Group computed the fair value of share option awards using the Monte Carlo pricing model. The expected volatility was determined based on the statistical analysis of daily share prices over a historical period equal to the expected lives of the options. Performance and other market conditions attached to awards were reflected in the calculation of fair value as part of the Monte Carlo simulations.

Other awards granted during 2008/09

Award	2008/09 Shares	2008/09 Weighted average fair value (pence/share)	2008/09 Features incorporated in schemes	2007/08 Shares	2007/08 Weighted average fair value (pence/share)	2007/08 Features incorporated in schemes
RSP	**4,534,692**	**132**	**–**	7,604,396	114	TSR conditions
HPIP	**–**	**–**	**–**	240,693	193	–
Cash Settled 'Phantom' HPIP	**–**	**–**	**–**	538,465	148	–
SARs	**5,030,930**	**136**	**–**	368,667	182	–
SPP scheme (matching shares)	**1,386,389**	**156**	**–**	1,208,361	184	–
PSP	**1,187,295**	**71**	**TSR conditions**	–	–	–

The PSP grants made during the period have performance criteria attached. A fair value exercise was completed at 31 March 2009 for grants made during 2008/09 using the Monte Carlo method. None of the restricted share plan grants made during the period had TSR conditions applicable (2007/08 – 5.5 million of 7.6 million).

In the SPP scheme, shares are bought each month by the Halifax Corporate Trust on behalf of the Company, to match the investment of the employees. Matching shares are awarded to the employee after three years, or earlier if a good leaver.

The Monte Carlo pricing model assumptions used in the pricing of the PSP grants in 2008/09 and the restricted share plan grants in 2007/08 were:

	2008/09	2007/08
Weighted average share price (pence per share)	**142**	195
Dividend yield	**5.5%**	3.0%
Expected volatility	**31.0%**	25.6%
Risk-free interest rates	**3.0%**	5.1%
Expected life in years	**3 years**	3 years

No share-based payment arrangements were modified during the period.

The total expense relating to share-based payments which are equity settled transactions was £13 million (2007/08 – £16 million).

35 Minority interests

	2008/09 £m	2007/08 £m
Balance as at 1 April	**192**	209
Share of total recognised income and expenditure for the year	**149**	44
Dividends paid	**(123)**	(58)
Disposals	**(1)**	(3)
Balance as at 31 March	**217**	192

36 Cash flows from operating activities

Reconciliation of net profit to net cash inflow from operating activities:

	Note	2008/09 £m	2007/08 £m
Continuing operations			
Profit for the year		**216**	220
Adjustments for:			
Tax expense	13	**17**	47
Depreciation	17,19	**316**	289
Amortisation	18	**63**	47
Gain on termination of operations	11	**(2)**	(9)
Gains and losses on sale of non-current assets	10	**(7)**	(1)
Loss/(gain) on disposal of property, plant and equipment		**2**	(56)
Finance income	12	**(29)**	(53)
Finance expense	12	**131**	85
Decrease in provisions		**(3)**	(9)
Employee benefits		**2**	5
Defined benefit pension scheme buy-in contribution	31	**(10)**	–
Defined benefit pension scheme top-up contribution	31	**–**	(19)
Defined benefit pension scheme other contributions	31	**(18)**	(16)
Share of post-tax results of joint ventures	20	**(34)**	(37)
Operating cash flows before working capital changes		**644**	493
Changes in working capital (excluding effects of acquisition and disposal of subsidiaries)			
(Increase)/decrease in inventories		**(6)**	6
Decrease /(increase)in trade and other receivables		**85**	(5)
(Decrease)/increase in payables		**(54)**	5
Decrease in other assets		**–**	5
Cash generated from continuing operations		**669**	504
Discontinued operations			
Profit for the year		**10**	–
Adjustments for:			
Decreases in provisions and changes in working capital		**(10)**	–
Cash generated from discontinued operations		**–**	–
Cash generated from operations		**669**	504

37 Reconciliation of net funds

Net funds are defined as cash at bank and in hand, money market funds, short-term deposits, loans, bonds and finance lease obligations. Debt is defined as loans, bonds and finance lease obligations.

A reconciliation of net cash flow to movement in net funds is as follows:

	2008/09 £m	2007/08 £m
Decrease in cash during the year	**(195)**	(348)
(Increase)/decrease in debt and lease financing	**(248)**	246
Cash outflow in net funds	**(443)**	(102)
Conversion of debt to equity	**–**	22
Finance leases entered into during the year	**(12)**	(9)
Net funds of businesses acquired	**(119)**	–
Exchange differences	**(46)**	5
Movement in net funds in the year	**(620)**	(84)
Net funds at 1 April	**243**	327
Net funds at 31 March	**(377)**	243

Analysis of changes in net funds:

	At 31 March 2008 £m	Cash flow £m	Finance leases entered into during the year £m	Acquisitions £m	Exchange movements £m	**At 31 March 2009 £m**
Cash at bank and in hand	106	45	–	–	26	**177**
Short-term deposits	593	(240)	–	–	15	**368**
	699	(195)	–	–	41	**545**
Debt due within one year	(59)	(2)	(4)	(6)	(19)	**(90)**
Debt due after one year	(397)	(246)	(8)	(113)	(68)	**(832)**
Total debt	(456)	(248)	(12)	(119)	(87)	**(922)**
Total net funds	243	(443)	(12)	(119)	(46)	**(377)**

38 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 £114 million (2007/08 – £70 million). No provision has been made for these commitments. £20 million (2007/08 – £13 million) of these commitments relate to the Group's share of the capital commitments of its joint ventures.

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 2009 is disclosed in note 6. The aggregate future minimum lease payments under operating leases are:

	31 March 2009 £m	31 March 2008 £m
No later than one year	**139**	114
Later than one year but not later than five years	**295**	134
Later than five years	**243**	200
Total minimum operating lease payments	**677**	448

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 2009 £m	31 March 2008 £m
Trading guarantees	**400**	102
Other guarantees	**97**	57
Total guarantees	**497**	159

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

Other guarantees include guarantees for financial obligations principally in respect of borrowings, property and other leases and letters of credit.

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

In addition the Group, as is considered standard practice in such agreements, has 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 Group also gives warranties and indemnities in relation to certain agreements including facility sharing agreements. Some of these agreements do not contain liability caps.

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

39 Business combinations and acquisitions of minority interests

Thus

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

The acquisition is summarised below:

	£m
Consideration paid	343
Goodwill arising on acquisition	341
Fair value of net assets acquired	2
Cash outflows on acquisition	343
Less: cash acquired	(13)
Net cash outflow on acquisition	**330**

From the date of its acquisition on 1 October 2008, Thus contributed £237 million to Group revenue and a loss of £17 million to Group profit. 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.

The Directors have made a provisional assessment of the fair values of the assets and liabilities. The fair values, which will be finalised in the year ending 31 March 2010, are as follows:

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

The acquiree's carrying amounts were previously recorded in accordance with IFRSs.

Goodwill arising on the acquisition of Thus includes the value of expected synergies resulting from the integration into the existing Worldwide business, and workforce valuations and other intangible assets that do not meet the recognition criteria set out in IAS 38 *Intangible assets.*

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. In 2008/09, Apollo contributed £7 million to revenue and £nil to profit. 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.

39 Business combinations and acquisitions of minority interests continued

Connecteo Group
In January 2008, the Group purchased a 49% stake in the Connecteo Group and gained management control of the holding company for cash consideration of £7 million. In January 2009, the Group paid £4 million for a further 16% interest in the Connecteo Group. The Connecteo Group provides satellite, data and internet services in Benin, Burkina Faso, Cameroon, Guinea, Niger and Senegal.

On acquisition, the Directors performed a preliminary assessment of the fair values of the assets and liabilities acquired as property, plant and equipment (£2 million) and net working capital liabilities (£1 million). The excess of consideration over the fair value of the acquired assets and liabilities was allocated to goodwill.

In 2008/09, subsequent to this preliminary valuation of goodwill and intangibles, an exercise was conducted to identify and value any further intangibles at the date of acquisition. This resulted in the recognition of an additional £1 million of licence intangible assets and a corresponding reduction in goodwill.

The contribution from Connecteo to revenues and profit from the date of acquisition to 31 March 2008 was less than £1 million and £nil respectively. If the acquisition had occurred on 1 April 2007 the contribution to Group revenue would have been £3 million and the contribution to profit would have been £nil.

During 2008/09, the Connecteo Group increased its effective interest in its subsidiaries during the period. This transaction resulted in a decrease of £1 million of minority interest and a £1 million increase in other reserves.

St Kitts
On 21 September 2007, the Group purchased an additional 17% shareholding in Cable & Wireless St Kitts and Nevis Limited (St Kitts) for cash consideration of £7 million. The shares were previously held by the Government of the Federation of St Kitts & Nevis (the Federation). As a result of the acquisition, the Group's effective interest in St Kitts was increased from 65% to 82%. This transaction has resulted in a £3 million reduction in minority interests and a £4 million increase in other reserves during 2007/08. As part of the purchase agreement with the Government, the Group offered 5% of the shares acquired to residents of the Federation which were subscribed in full, reducing the Group's effective interest to 77%.

40 Related party transactions

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

The Group received dividends of £17 million from joint ventures (2007/08 – £15 million) during the year ended 31 March 2009 (see note 20). In 2008/09, joint ventures owed £3 million (2007/08 – £3 million) in respect of trading balances.

Transactions with key management personnel
During the year, two Directors of Cable & Wireless purchased bonds issued by Cable & Wireless. These bonds were purchased for £2,371,691 on the open market (including £118,980 of accrued interest) and had a nominal value of £2,630,000. The interest earned on those bonds during the year was £60,732 of which £54,607 remained unpaid at year end.

During the year, the spouse of a Director of Cable & Wireless purchased bonds issued by Cable & Wireless. These bonds were purchased for £437,178 on the open market (including £38,180 of accrued interest) and had a nominal value of £480,000. The interest earned on those bonds during the year was £3,743 of which £681 remained unpaid at year end.

There were no other material transactions with key management personnel except for those relating to remuneration (see notes 9 and 34), 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.

41 Licences and concessions

In a number of countries the Group holds licences or concessions 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. Were renewal not to occur, in most cases the business or its assets would be transferred to the new operator or government at fair or net book value. In a small number of locations, transfer is at a value below net book value. In these places the Group monitors closely the likelihood of licence renewal to ensure that should a licence not be renewed, the business' assets have been written down to their recoverable value at the point of transfer.

There were no significant changes to the terms of the licences held by the Group's subsidiaries during the year. In December 2008, the licence held by the Group's joint venture in the Maldives was extended until 2023. Further, the Group has agreed with the Government an extension to its concession agreement in Macau until 2021, subject to regulatory approval.

42 Legal proceedings

In the ordinary course of business, the Group is involved in litigation proceedings, regulatory claims, investigations and reviews. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Accordingly, significant management judgement relating to 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.

In July 2007, Cable & Wireless received a claim from a Caribbean competitor, Digicel, which the Group believes is without foundation and which is being vigorously defended. The claim alleges that Cable & Wireless delayed Digicel's entry into seven Caribbean markets by not providing interconnection between their networks and the Group's on a timely basis. Based on legal advice, Cable & Wireless expects to defend this claim successfully. The trial started on 5 May 2009.

43 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	Issued share capital (million)	Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Subsidiaries						
Cable & Wireless UK	GBP	3,466	100	Ordinary	England	UK
Cable & Wireless Jamaica Ltd	J$	16,817	82	Ordinary	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	Balboa	316	49	Ordinary	Panama	Panama
Companhia de Telecomunicacoes de Macau, SARL[2]	Pataca	150	51	Ordinary	Macau	Macau and China
Cable & Wireless (Barbados) Ltd	B$	72	81	Ordinary	Barbados	Barbados
Cable and Wireless (West Indies) Ltd	GBP	5	100	Ordinary	England	Caribbean
Monaco Telecom SAM[3,4]	Euro	2	49	Ordinary	Monaco	Monaco
Thus Group plc	GBP	46	100	Ordinary	Scotland	Scotland
Joint ventures						
Telecommunications Services of Trinidad and Tobago Ltd[3]	T$	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago
Dhivehi Raajjeyge Gulhun Private Ltd[2]	Rufiya	190	45	Ordinary	Maldives	Maldives

1 The Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.
2 This company has a financial year end of 31 December due to the requirements of the shareholders' agreement.
3 This company is audited by a firm other than KPMG and its international member firms.
4 The Group holds an economic interest of 55% in Monaco Telecom SAM via an agreement.

Cable and Wireless plc does not have any direct investment in the above subsidiaries and joint ventures.

43 Subsidiaries and joint ventures continued

On 18 June 2004 Cable & Wireless acquired 55% of Monaco Telecom, a Monaco based telecommunication service provider, from Vivendi Universal. Simultaneously with the acquisition, Cable & Wireless transferred legal ownership of 6% of the shares of Monaco Telecom to an unrelated third party. Cable & Wireless contractually retained voting and economic rights in the shares as part of the arrangement. In addition, the 6% interest is subject to certain put and call options that, together with the retained voting and economic rights, provide full management control of Monaco Telecom to Cable & Wireless.

Cable & Wireless has also entered into a shareholders' agreement with the Principality of Monaco, which contains, among other provisions, a prohibition on either Cable & Wireless or the Principality (subject to certain limited exceptions) selling their shares in Monaco Telecom for five years, mutual pre-emption rights on transfer of shares and certain other limited rights in favour of the Principality. The Principality has a put option entitling it to put its 45% shareholding in Monaco Telecom to Cable & Wireless at certain times after 1 January 2008. The exercise price under the put option is fair market value, taking into account the nature of the minority stake in Monaco Telecom.

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.

44 Financial risk management

Treasury policy

The Group's treasury operations are managed on the basis of policies and authorities approved by Cable and Wireless plc's Board of Directors. Day to day management of treasury activities is delegated to the Group Finance Director and the Director of Treasury and Corporate Finance, 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 the Central treasury function. Where appropriate, transactions are reported to the Board. All subsidiaries are required to report details of their cash and debt positions to Central Treasury on a monthly basis.

The key responsibilities of Central Treasury include funding, investment of cash and the management of interest rate and foreign currency risk. The majority of the Group's cash resources and borrowings are managed centrally.

The Group uses derivatives including forward foreign exchange contracts, interest rate swaps, cross-currency swaps and options in the management of its foreign currency and interest rate exposures. The use of these instruments is in accordance with strategies agreed from time to time by the Treasury Management Committee (comprising the Group Finance Director, Group Financial Controller, Director of Treasury and Corporate Finance and other senior financial managers as required) and 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.

Exchange rate risk

The Group trades in many countries and a large portion of its revenue is generated in US dollars or currencies linked to the US dollar. The Group is exposed to movements in exchange rates in relation to foreign currency receipts and payments, dividend income from foreign subsidiaries, reported profits of foreign subsidiaries and the net asset carrying value of foreign investments. Exchange risk is measured on the basis of forecast cash repatriation from foreign subsidiaries.

Where appropriate the Group manages its exposure to movements in exchange rates on a net basis and uses forward foreign exchange contracts and other derivative and financial instruments to reduce the exposures created where currencies do not naturally offset in the short term. The Group will undertake hedges to minimise the exposure to individual transactions that create significant foreign exchange exposures for the Group where appropriate. Where possible, overseas subsidiaries are financed in their domestic currency to minimise the impact of translation of foreign currency denominated borrowings.

During the year, the US dollar strengthened significantly, outside the Group's planning range and below its recent trading range. As a result, the Group increased its forward cover compared with prior periods to lock in the Sterling proceeds from US dollar repatriation and the drawdown of a new $415 million bank facility. As the US dollar continued to strengthen, this resulted in exceptional losses of £56 million (see note 12) as the contracts were exercised or marked to market at 31 March 2009. At 31 March 2009 the Group had forward exchange contracts to sell US$225 million (£155 million) (2007/08 – US$50 million (£25 million) hedging US dollar exposures). The Group did not apply hedge accounting to these contracts and as such they were revalued to fair value through the income statement.

The reported profits of the Group are translated at average rates of exchange prevailing during the year. Overseas earnings are predominantly in US dollars or currencies linked to the US dollar. In broad terms, based on the 2008/09 mix of profits, the impact of a unilateral 10% weakening of Sterling would have been to increase operating profit before exceptional items by approximately £32 million and increase total equity by £124 million. The Group had approximately £338 million of net financial liabilities denominated in US dollar or US dollar linked currencies at the end of the year.

As part of the overall policy of managing the exposure arising from foreign exchange movements relating to the net carrying value of overseas investments, the Group may, from time to time, elect to match certain foreign currency liabilities against the carrying value of foreign investments.

44 Financial risk management continued

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 2009		31 March 2008	
	Financial assets £m	Borrowings £m	Financial assets £m	Borrowings £m
Sterling	453	466	474	308
US dollar and currencies linked to the US dollar	91	397	142	81
Euro	22	–	49	–
Other currencies	17	37	61	48
	583	900	726	437

Interest rate risk
The Group is exposed to movements in interest rates on its surplus cash balances and variable rate loans although there is a degree of offset between the two. The Central 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 2009. A one percentage point increase in interest rates will have a £5 million impact on the interest receivable by the Group on surplus cash balances and a £5 million impact on the interest payable on the floating rate borrowings of the Group.

45% of the Group's borrowings are 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, the exposure to fair value loss has not been presented.

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 A-1 short-term and/or AA- 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 22.

Liquidity risk
Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group manages liquidity risk with the use of robust forecasts to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions. These forecasts take account of reasonably possible downsides against expected outcomes so as to ensure adequate contingency levels are maintained.

Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure that covenant compliance targets and medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements. The Directors also continually assess the balance of capital and debt funding of the Group.

At 31 March 2009, Cable & Wireless had cash and cash equivalents of £545 million (2007/08 – £699 million). These amounts are highly liquid and are comprise the vast majority of the Group's overall liquidity and capital resources. An analysis of the maturity of our receivables and borrowings is contained in notes 22 and 27 respectively. Approximately 53% of the Group's cash is held centrally and is invested predominantly in short-term bank deposits.

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

We have audited the parent company financial statements of Cable and Wireless plc for the year ended 31 March 2009 which comprise the Company balance sheet, the reconciliation of movements in equity shareholders' funds for the Company and related notes. These parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration report that is described as having been audited.

We have reported separately on the consolidated financial statements of Cable and Wireless plc for the year ended 31 March 2009.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities on page 60.

Our responsibility is to audit the parent company financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the parent company financial statements. The information given in the Directors' report includes that specific information presented in the Annual Report that is cross referred from the principal activities, business review and results section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2009;
- the parent company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

20 May 2009

Company balance sheet

As at 31 March 2009

	Note	31 March 2009 £m	31 March 2008 £m
Fixed assets investments			
Investments in subsidiaries	6	**19,912**	19,831
Investments in joint ventures	6	**4**	4
Financial assets			
Held to maturity investments	7	**53**	–
Available-for-sale financial assets	7	**27**	27
		19,996	19,862
Current assets			
Debtors: due within one year	8	**34**	61
Available-for-sale financial assets	7	**285**	554
Cash at bank and in hand		**5**	15
		324	630
Current liabilities			
Creditors: amounts falling due within one year	9	**15,383**	15,424
Liabilities at fair value through the income statement	10	**25**	–
		15,408	15,424
Net current liabilities		**15,084**	14,794
Total assets less current liabilities		**4,912**	5,068
Loans	11	**224**	161
Provisions for liabilities and charges	12	**21**	31
Retirement benefit obligations	13	**19**	20
		264	212
Net assets		**4,648**	4,856
Capital and reserves			
Called-up share capital	14	**643**	634
Share premium account	15	**197**	156
Reserves	15	**3,808**	4,066
Equity shareholders' funds		**4,648**	4,856

The accompanying notes on pages 123 to 134 are an integral part of the financial statements of the Company.

The financial statements of the Company on pages 121 to 122 were approved by the Board of Directors on 20 May 2009 and signed on its behalf by:

Richard Lapthorne Chairman **Tim Pennington** Group Finance Director

Reconciliation of movements in equity shareholders' funds for the Company

For the year ended 31 March 2009

	2008/09 £m	2007/08 £m
(Loss)/profit for the financial year	**(75)**	15
Dividends – interim in respect of the current year	**(71)**	(61)
– final in respect of the prior year	**(123)**	(100)
Cash received in respect of employee shares	**2**	6
Own shares purchased	**(2)**	(2)
Fair value gain on available-for-sale asset	**–**	2
Actuarial gain in the value of defined benefit retirement plans	**–**	3
Share-based payment costs	**12**	16
Conversion of convertible bonds	**–**	111
Repurchase and conversion of convertible bonds	**–**	(85)
Shares allotted under share option schemes	**2**	5
Shares allotted under scrip dividend schemes	**39**	20
Other recognised losses relating to the year	**(1)**	–
New share capital issued	**9**	19
Decrease in equity shareholders' funds	**(208)**	(51)
Opening equity shareholders' funds	**4,856**	4,907
Closing equity shareholders' funds	**4,648**	4,856

The accompanying notes on pages 123 to 134 are an integral part of the financial statements of the Company.

Notes to the financial statements

For the year ended 31 March 2009

1 Statement of accounting policies

1.1 Basis of preparation

The Company's financial statements have been prepared in accordance with accounting standards applicable under generally accepted accounting principles in the United Kingdom and the provisions of the Companies Act. 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 Group (the Group) which it heads. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The Company is exempt from adopting FRS 29 *Financial Instruments: Disclosures.* As such, 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 that 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 and joint ventures

Investments in subsidiaries are included in the balance sheet at valuation. This valuation has been performed using a discounted cash flow based valuation on a triennial basis. The Directors believe this method is the most appropriate method of valuation for these assets. Investments in joint ventures are included in the balance sheet at cost.

1.4 Financial instruments

Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through the income statement, 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. 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 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 in this category are classified as current assets if they are either held for trading or are expected to be realised within a year of the balance sheet date.

Available-for-sale financial assets

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

Receivables

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

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

1.4 Financial assets and liabilities continued

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

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

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

The Company 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 instrument increases in a later period.

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

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

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

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

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

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

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

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

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

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

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

1.8 Share-based compensation

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

Share-based expenses relating to grants of the Company's equity made to employees of subsidiary companies are recognised in the income statement of the subsidiary. The Company recognised these as increases in the investment in the subsidiary with a corresponding increase recognised in reserves.

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

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

1.9 Employee Share Ownership Plan (ESOP) and purchase of own shares by the Company

The financial statements of the Company include the assets and related liabilities of the Group's Employee Share Ownership Plan Trust (the Trust), which holds shares for the Group's ESOP. Under the requirements of UITF 38 *Accounting for ESOP trusts*, the shares held by the Trust are stated at cost and deducted from shareholders' funds.

Shares purchased by the Company are held as treasury shares at cost and deducted from shareholders' funds until they are cancelled, sold for cash or transferred out of treasury pursuant to an employees' share scheme. Treasury shares do not carry voting rights and no dividends will be paid on these shares.

2 Company's profit and loss account and cash flow statement

The Company has taken advantage of the exemption contained in section 230 of the Companies Act 1985 and has not presented its own profit and loss account. The loss for the year of the Company amounted to £75 million (2007/08 – profit of £15 million).

The Company has taken advantage of the exemption contained in FRS 1 (revised) *Cash Flow Statements* and has not presented its own cash flow statement, as its cash flows are included in the consolidated cash flow statement of the Group, set out on page 66.

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 50 to 59.

4 Staff numbers and costs

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

	2008/09	2007/08
Average number of persons employed by the Company	**76**	72

The costs for the year were:

	2008/09 £m	2007/08 £m
Wages and salaries	**12**	12
Share-based payments	**5**	6
Social security costs	**1**	1
Other pension costs	**2**	2
	20	21

5 Employee share schemes

The details of share option schemes and other share-based plans are disclosed in note 34 to the consolidated financial statements. The cost of such options and awards is borne by participating businesses and the Company has borne its charge as set out in note 4. Movements in the number of share options outstanding and their related weighted average exercise prices are presented below:

	31 March 2009		31 March 2008	
	Weighted average exercise price (pence/share)	Number of options (000)	Weighted average exercise price (pence/share)	Number of options (000)
Outstanding at 1 April	110	25,396	111	31,329
Forfeited in the period	–	–	132	(2,304)
Exercised in the period	112	(996)	107	(3,596)
Lapsed in the period	705	(6)	298	(33)
Outstanding at 31 March	110	24,394	110	25,396
Exercisable at 31 March	118	11,888	115	4,766

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

6 Fixed asset investments

	Joint ventures £m	Subsidiary undertakings £m	Total £m
Cost/valuation			
At 1 April 2008	8	17,915	17,923
Additions	–	8	8
At 31 March 2009	**8**	**17,923**	**17,931**
Loans			
At 1 April 2008	–	11,280	11,280
Additions	–	76	76
At 31 March 2009	**–**	**11,356**	**11,356**
Provisions and amounts written off			
At 1 April 2008	(4)	(9,364)	(9,368)
Additions	–	(3)	(3)
At 31 March 2009	**(4)**	**(9,367)**	**(9,371)**
Net book value			
At 31 March 2009	**4**	**19,912**	**19,916**
At 31 March 2008	4	19,831	19,835

The Company's investment in joint ventures comprised £4 million of unlisted shares (2007/08 – £4 million of unlisted shares).

7 Financial assets

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

	Eurobonds £m	Cash collateral £m	UK Government gilts £m	Short-term deposits £m	Total £m
At 1 April 2008	5	10	17	549	581
Disposals	–	–	–	(265)	(265)
Impairment recorded in income statement	(4)	–	–	–	(4)
At 31 March 2009	**1**	**10**	**17**	**284**	**312**
Current portion	1	–	–	284	285
Non-current portion	–	10	17	–	27

During the year, the Company acquired £53 million (2007/08 – none) of listed bonds from a subsidiary undertaking. The carrying amount of these bonds at 31 March 2009 was £53 million. They have been classified as held to maturity.

8 Debtors

	2008/09 £m	2007/08 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**17**	52
Other taxation and social security	**5**	4
Other debtors	**6**	4
Prepayments and accrued income	**6**	1
Total debtors	**34**	61

There is no material difference between the carrying value and fair value of debtors at 31 March 2009.

9 Creditors

	2008/09 £m	2007/08 £m
Amounts falling due within one year		
Trade and other creditors	**3**	5
Amounts owed to subsidiary undertakings	**15,264**	15,300
Other taxation and social security	**91**	99
Accruals and deferred income	**25**	20
Total creditors	**15,383**	15,424

There is no material difference between the carrying value and fair value of creditors at 31 March 2009.

10 Financial liabilities at fair value through the income statement

The fair value of the Company's derivative financial liabilities was £25 million (2007/08 – £nil).

At 31 March 2009 the Company held forward exchange contracts to sell US$225 million (£155 million), to lock in the proceeds of forecast US dollar repatriation (2007/08 – US$50 million (£25 million) hedging US dollar exposures). The Company did not apply hedge accounting to these contracts and as such they were revalued to fair value through the income statement.

11 Non-current loans

a) Facility

A £29 million loan facility is secured by bonds held by the Company with a carrying amount of £53 million. These bonds were issued by Cable and Wireless International Finance BV (a subsidiary).

b) Sterling bond

The Sterling bond is a £200 million listed bond due in 2012 with a balance at 31 March 2009, net of costs, of £195 million (2007/08– £161 million). Interest is payable at 8.75% per annum.

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

c) Convertible unsecured bonds

On 16 July 2003, £257,714,000 of 4% convertible unsecured bonds were issued at par. Each bond entitled the holder to convert the amount of such bond into fully paid ordinary shares of 25 pence each at an amended rate of 689.655 ordinary shares for each £1,000 held at an initial conversion price of 145 pence per ordinary share at any time prior to 9 July 2010. Full conversion of the bonds would have resulted in an additional 177,733,748 shares being issued.

During 2007/08, all of the convertible bonds in issue at 31 March 2007 were either repurchased or converted (carrying value of £213 million). These bonds, repayable in 2010, had a par value of £258 million.

In the year ended 31 March 2008, convertible bonds with a par value of £138 million were repurchased for cash of £190 million. At the time of repurchase, the debt component of these convertible bonds had a carrying value of £117 million. The fair value of the debt component of these bonds at the date of repurchase was £127 million. This transaction resulted in a loss of £10 million. The difference between the fair value of the debt and the cash consideration (£63 million) was allocated to the repurchase of the equity component of the convertible bonds.

The remaining convertible bonds, with a par value of £120 million, were converted into 83 million ordinary shares (including 29 million treasury shares). The debt component of these convertible bonds had a carrying value of £103 million.

In April 2005, a cash settlement feature within the convertible bonds was removed. The liability relating to this cash settlement feature was reclassified to equity at its fair value at that time (£47 million). As a result of extinguishing the convertible bonds, this amount was reclassified to retained earnings.

The movements in the convertible bonds in the prior period were as follows:

	£m
Liability component at 1 April 2007	213
Interest expense	7
Liability component of convertible bonds repurchased or converted	(220)
Liability component at 31 March 2008	**–**

Interest expense on the bond was calculated on the effective yield basis by applying the effective interest rate (10.7%) for equivalent non-convertible bonds to the liability component of the convertible bond.

12 Provisions for liabilities and charges

	Note	At 31 March 2008 £m	Additions £m	Unused amounts reversed £m	Amounts used £m	**At 31 March 2009 £m**
Property	(i)	4	8	(3)	(2)	**7**
Other	(ii)	27	1	(11)	(3)	**14**
		31	9	(14)	(5)	**21**

i) Property
Provision has been made for the lower of the best estimate of the unavoidable lease payments or cost of exit in respect of vacant properties. Unavoidable lease payments represent the difference between the rentals due and any income expected to be derived from the vacant properties being sub-let. The addition of £8 million in the year relates to an onerous property lease. The provision is expected to be utilised over the lease contract life. The amount reversed in the year of £3 million relates to amounts no longer required in respect of lease obligations of the Group's former US operations.

ii) Other
Other provisions include amounts relating to specific legal claims against the Company and amounts relating to acquisitions and disposals of Group companies and investments. The increase in Other provisions of £1 million reflects restructuring costs. The release in Other relates to provisions for transaction costs for disposed businesses no longer required of £6 million, £1 million relating to amounts no longer required in respect of the Group's former US operations in respect of other claims, £2 million in respect of the Group's former insurance operation no longer required and £2 million in respect of a supplier claim settled in the year.

13 Pension scheme

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

The latest triennial actuarial valuation was carried out by Watson Wyatt as at 31 March 2007. The ordinary contribution for the year was £10 million (2007/08 – £9 million). A further contribution of £10 million was made in September 2008 as part of the UK pensioner buy-in transaction. In 2007/08, a contribution of £19 million was made in order to fund the scheme fully on an actuarial basis based on the March 2007 valuation. It has been agreed that an employer contribution rate of 28.5% (2007/08 – 28.5%) of pensionable pay will be made from 1 April 2007. Further details of the scheme are set out in note 31 of the consolidated financial statements.

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

The major assumptions used in this valuation at the end of the year were:

	2008/09 %	2007/08 %
Inflation assumption	**3.0**	3.5
Rate of increase in salaries	**3.5**	4.0
Rate of increase in pensions in payment and deferred pensions*	**2.2 to 3.0**	2.3 to 3.4
Discount rate applied to scheme liabilities	**6.7**	6.8

* In excess of any Guaranteed Minimum Pension element.

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

13 Pension scheme continued

Scheme assets and liabilities

The fair value of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	At 31 March 2009			At 31 March 2008		
	Unfunded schemes £m	**Funded schemes £m**	**Total £m**	Unfunded schemes £m	Funded schemes £m	Total £m
Equities	**–**	**519**	**519**	–	944	944
Bonds and gilts	**–**	**51**	**51**	–	500	500
Insurance policies	**–**	**825**	**825**	–	–	–
Property	**–**	**76**	**76**	–	125	125
Cash	**–**	**190**	**190**	–	546	546
Total market value of assets	**–**	**1,661**	**1,661**	–	2,115	2,115
Present value of scheme liabilities	**(19)**	**(1,690)**	**(1,709)**	(20)	(1,736)	(1,756)
(Deficit)/surplus in the scheme – pension (liability)/asset	**(19)**	**(29)**	**(48)**	(20)	379	359
Effect of asset ceiling	**–**	**–**	**–**	–	(379)	(379)
Net pension liability	**(19)**	**(29)**	**(48)**	(20)	–	(20)

Long-term rate of return

	At 31 March 2009 %	At 31 March 2008 %
Equities	**8.0**	8.0
Bonds and gilts	**5.6**	5.2
Insurance policies	**6.7**	–
Property	**6.5**	7.0
Cash	**3.3**	4.4

Movement in (deficit)/asset during the year

	At 31 March 2009			At 31 March 2008		
	Unfunded schemes £m	**Funded schemes £m**	**Total £m**	Unfunded schemes £m	Funded schemes £m	Total £m
(Deficit)/surplus in scheme at 31 March	**(20)**	**–**	**(20)**	(22)	54	32
Current service cost	**–**	**(8)**	**(8)**	–	(10)	(10)
Company contributions paid	**1**	**20**	**21**	1	28	29
Curtailment gain	**–**	**1**	**1**	–	1	1
Other finance (cost)/income	**(1)**	**17**	**16**	(2)	30	28
Actuarial gain/(loss)	**1**	**(59)**	**(58)**	3	(103)	(100)
Deficit in scheme at 1 April	**(19)**	**(29)**	**(48)**	(20)	–	(20)

14 Called-up share capital

	31 March 2009 £m	31 March 2008 £m
Authorised		
3,500,000,000 ordinary shares of 25 pence each (2007/08 – 3,500,000,000 ordinary shares of 25 pence each)	**875**	875
Allotted, called-up and fully paid		
2,571,465,533 ordinary shares of 25 pence each (2007/08 – 2,536,623,051 ordinary shares of 25 pence each)	**643**	634

Purchases and allotments of ordinary shares of 25 pence each were made during the year in respect of the following:

	Number of shares allotted	Gross consideration received £
Savings Related Share Option Scheme	1,730,501	1,252,134
Global Savings Related Share Option Scheme	1,274,225	772,580
Share Option Plan – Approved	50,847	55,999
Share Option Plan – Unapproved	1,130,660	1,212,829
Scrip dividends[1]	30,656,249	–
Total	**34,842,482**	**3,293,542**

1 Shares with a cash equivalent value of £47 million (2007/08 – £23 million) were issued during the year as payment for dividends by scrip. This represents a non-cash transaction.

For more information on called-up share capital refer to note 32 in the consolidated financial statements.

15 Reserves

	Share premium £m	Special reserve £m	Revaluation reserve £m	Other reserves £m	Fair value reserve £m	Profit and loss account £m	Total £m
At 1 April 2008	156	1,553	87	169	5	2,252	4,222
Loss for the year	–	–	–	–	–	(75)	(75)
Dividends	–	–	–	–	–	(194)	(194)
Amounts received in respect of employee share schemes	–	–	–	–	–	2	2
Own shares purchased	–	–	–	–	–	(2)	(2)
Other recognised losses relating to the year	–	–	–	–	–	(1)	(1)
Share-based payment costs	–	–	–	7	–	5	12
Shares allotted under share option schemes	2	(3)	–	–	–	3	2
Share allotted under scrip dividend schemes	39	(47)	–	–	–	47	39
At 31 March 2009	**197**	**1,503**	**87**	**176**	**5**	**2,037**	**4,005**

The aggregate nominal value of the shares allotted in the year was £9 million (2007/08 – £19 million). The nominal and market value of treasury shares at 31 March 2009 were £15 million and £86 million (2007/08 – £11 million and £68 million) respectively. Included in treasury shares are 28 million (2007/08 – 27 million) shares acquired by the Cable & Wireless ESOP Trust (the Trust) for consideration of £59 million (2007/08 – £73 million). The nominal value and market value of the Trust's shares held at 31 March 2009 were £7 million and £40 million (2007/08 – £7 million and £40 million) respectively. All shares in the Trust are held to satisfy the Company's obligation in respect of share options granted.

15 Reserves continued

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

Other reserves include a capital redemption reserve of £105 million (2007/08 – £105 million), £20 million (2007/08 – £20 million) relating to unrealised gains on disposal of investments and £51 million (2007/08 – £44 million) relating to rights granted to equity instruments of the Company to the employees of subsidiaries of the Company.

16 Deferred taxation

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

As at 31 March 2009, the Company had unrecognised deferred tax timing differences in the UK relating to capital allowances of £7 million (2007/08 – £27 million) and other timing differences of £65 million (2007/08 – £67 million).

17 Currency analysis

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

	31 March 2009		31 March 2008	
	Financial assets £m	**Borrowings £m**	Financial assets £m	Borrowings £m
Sterling	**362**	**224**	462	161
US dollar	**7**	**–**	129	–
Euro	**1**	**–**	5	–
	370	**224**	596	161

18 Related party transactions

Under FRS 8 *Related Party Disclosures*, the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless Group, or investees of the Group qualifying as related parties, as all of the Company's voting rights are controlled within the Group.

Transactions with joint ventures

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

The Company received dividends of £3 million from joint ventures (2007/08 – £4 million) for the year ended 31 March 2009.

Transactions with other related parties

There are no controlling shareholders of the Company.

During the year, two Directors of Cable & Wireless purchased bonds issued by Cable & Wireless. These bonds were purchased for £2,371,691 on the open market (including £118,980 of accrued interest) and had a nominal value of £2,630,000. The interest earned on those bonds during the year was £60,732 of which £54,607 remained unpaid at year end.

During the year, the spouse of a Director of Cable & Wireless purchased bonds issued by Cable & Wireless. These bonds were purchased for £437,178 on the open market (including £38,180 of accrued interest) and had a nominal value of £480,000. The interest earned on those bonds during the year was £3,743 of which £681 remained unpaid at year end.

There were no other material transactions with key management personnel except for those relating to remuneration and shareholdings.

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

19 Subsidiaries and joint ventures

	Local currency	Issued share capital (million)	Ownership percentage %	Class of shares	Country of incorporation	Area of operation
Subsidiaries						
Cable & Wireless UK	GBP	3,466	100	Ordinary	England	UK
Cable & Wireless Jamaica Ltd	J$	16,817	82	Ordinary	Jamaica	Jamaica
Cable & Wireless Panama, SA[1]	Balboa	316	49	Ordinary	Panama	Panama
Companhia de Telecomunicacoes de Macau, SARL[2]	Pataca	150	51	Ordinary	Macau	Macau and China
Cable & Wireless (Barbados) Ltd	B$	72	81	Ordinary	Barbados	Barbados
Cable and Wireless (West Indies) Ltd	GBP	5	100	Ordinary	England	Caribbean
Monaco Telecom SAM[3,4]	Euro	2	49	Ordinary	Monaco	Monaco
Thus Group plc	GBP	46	100	Ordinary	Scotland	Scotland
Dhivehi Raajjeyge Gulhun Private Ltd[2]	Rufiya	190	45	Ordinary	Maldives	Maldives
Joint ventures						
Telecommunications Services of Trinidad and Tobago Ltd[3]	T$	283	49	Ordinary	Trinidad and Tobago	Trinidad and Tobago

1 The Group regards this company as a subsidiary because it controls the majority of the Board of Directors through a shareholders' agreement.
2 This company has a financial year end of 31 December due to the requirements of the shareholders' agreement.
3 This company is audited by a firm other than KPMG and its international member firms.
4 The Group holds an economic interest of 55% in Monaco Telecom SAM via an agreement.

Cable and Wireless plc does not have any direct investment in the above subsidiaries and joint ventures.

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

Full details of all subsidiary undertakings, 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.

20 Dividends

Refer to note 16 in the consolidated financial statements.

21 Commitments

The Company had no capital commitments at the end of 2008/09 or 2007/08.

22 Guarantees and contingent liabilities

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

	31 March 2009 £m	31 March 2008 £m
Trading guarantees	**399**	102
Other guarantees	**401**	203
Total guarantees	**800**	305

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

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

The principal other guarantees given by the Company are for the £200 million 2019 bond issued by Cable & Wireless International Finance BV and the £99 million drawn down under Worldwide's £200 million bank facility.

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

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

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

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

Shareholder information

What shareholders need to know to manage their shareholding in Cable & Wireless.

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Useful shareholder information

Registrar

If you have any queries regarding your shareholding in Cable and Wireless plc, please contact:

Equiniti,
Aspect House,
Spencer Road,
Lancing,
West Sussex BN99 6DA
Telephone 0871 384 2104* (UK shareholders)
+44 (0)121 415 7047 (overseas shareholders)

Shareholders can 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
or call them on 0870 664 0300 (UK shareholders)
+44 (0)20 8639 3399 (overseas shareholders).

ShareGift

If you have a small number of shares whose value makes them uneconomic to sell, you may wish to consider donating them to charity. ShareGift is a registered charity (no. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. Further information about ShareGift and the charities it supports is available at www.ShareGift.org or by contacting them at:
17 Carlton House Terrace,
London SW1Y 5AH
Telephone +44 (0)20 7930 3737

Registered Office and Company Secretary

The Company's Registered Office and Head Office is:
3rd Floor, 26 Red Lion Square,
London WC1R 4HQ
Telephone +44 (0)20 7315 4000

Nick Cooper is the Group General Counsel and Company Secretary.

Investor Relations

Enquiries may be directed to:
Director, Investor Relations,
3rd Floor, 26 Red Lion Square,
London WC1R 4HQ
Telephone +44 (0)20 7315 4000
Email investor-relations.c&wplc@cw.com

Financial calendar

Ex-dividend date	3 June 2009
Record date	5 June 2009
Last date for election to join scrip dividend	10 July 2009
AGM	17 July 2009
Payment of final dividend	7 August 2009
Announcement of interim results 2009/10	5 November 2009

Dividends

The table below sets out the Sterling amounts of the interim, final and total gross dividends paid per ordinary share.

	Pence per ordinary share		
Year ended	Interim	Final	Total
31 March 2008	2.50	5.00	7.50
31 March 2009	2.83	5.67	8.50

Cable and Wireless plc offers a scrip dividend scheme in respect of the final dividend. Those shareholders who have already elected to join the scheme will automatically have their final dividend sent to them in this form. Shareholders wishing to join the scheme for the final dividend, and all future dividends, should return a completed mandate form to the Registrar, Equiniti, by 10 July 2009. Copies of the mandate form, and the scrip dividend brochure, can be obtained either from Equiniti or from our website (www.cw.com).

If your dividend is paid directly into your bank or building society, you will receive one consolidated tax voucher each year, which is sent to you in January at the time that the interim dividend is paid. If you would prefer to receive a tax voucher with each dividend, please contact our shareholder helpline on 0871 384 2104*.

If your dividend is not currently paid direct to your bank or building society and you would like to benefit from this service, please contact our shareholder helpline on 0871 384 2104*. By receiving your dividends in this way you can avoid the risk of cheques getting lost in the post. It is also now possible for shareholders in over 30 countries worldwide to benefit from a similar service. Further information can be obtained from www.shareview.co.uk or by calling +44 (0)121 415 7047.

Cable and Wireless plc trading market

The Company's shares are traded on the London Stock Exchange. As at 31 March 2009, the Company had a market capitalisation of approximately £3,541 million.

The table below details the position in the FTSE 100 and the high and low middle market quotations for the ordinary shares on the London Stock Exchange as reported on its Daily Official List.

	Position in the FTSE 100 at the year end	Pence per ordinary share	
Year ended		High	Low
31 March 2009	51st	179.10	116.20
31 March 2008	68th	201.50	136.50

LSE ticker: CW.
ISIN: GB0001625572

Distribution and classification of Cable & Wireless shareholdings

Shares at 31 March 2009	Number of accounts	% of total	Number of shares	% of total
Up to 1,000	72,633	68.28	30,929,251	1.20
1,001 - 10,000	31,073	29.21	77,342,102	3.01
10,001 – 100,000	1,922	1.81	47,376,884	1.84
100,001 – 1,000,000	463	0.43	177,395,265	6.90
1,000,001 and over	288	0.27	2,238,422,031	87.05
Total	106,379	100.0	2,571,465,533	100.0

At 20 May 2009, the Company had 106,073 shareholders on record.

Electronic communication

Together with Equiniti, Cable and Wireless 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.fsa.gov.uk/guides/staying_safe/staying_safe_against_scams).

If you wish to limit the amount of unsolicited mail you receive, please contact:

The Mailing Preference Service,
DMA House,
70 Margaret Street,
London, W1W 8SS
Telephone 0845 703 4599
Online www.mpsonline.org.uk

Documents on display

Shareholders can view the service contracts of Executive Directors and letters of appointment of Non-executive Directors at the Company's Registered Office. Shareholders may also obtain copies of the Company's Memorandum and Articles of Association at the Company's Registered Office or on the website (www.cw.com).

* Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

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