Company Registration No 1541957

Cable & Wireless U.K.

Directors' report and financial statements

31 March 2012

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Directors' report

The Directors present their report and the audited financial statements for the year ended 31 March 2012

Principal activities and review of developments

The principal activity of the company is the supply of telecommunications services and equipment It is the Directors' intention to continue the business in line with current activities

Cable & Wireless U K is an unlimited company having a share capital

Business review

Cable & Wireless U K specialises in providing high quality communications services such as IP, data, voice and hosting to large enterprise customers This focus allows the Company to tailor services to address customer needs, making sure we deliver what these customers want

Trading in the year continued to be very difficult with enterprise customers seeking keen prices in traditional voice and data services We did, however, continue to secure a number of new contracts, including an initial three-year contract to provide a pan-European converged voice and data network

Despite the substantial cuts in the UK public sector during the year, which significantly reduced non-contracted revenue in this area, this channel saw strong growth year-on-year The improved performance has been largely driven by two specific projects, one in the hosting and applications space and one for the public safety radio communications network

	31 March 2012	31 March 2011
Margin (including network costs) percentage	29%	41%
Operating costs (excluding network costs) as a percentage of revenue	18%	22%
EBITDA* before exceptional items margin percentage	11%	18%

*EBITDA is revenue less operating costs before depreciation and amortisation

Financial performance

Key performance indicators

Measurement of how the Company is performing against its aims and strategies is currently based on three key performance indicators

Revenue in 2012 was £2,660 million compared with £2,008 million in 2011 There has been continued organic growth in the IP, data, hosting and applications products, which was partially offset by downward pressures on our traditional voice products

Margin, being revenue less outpayments and network costs fell by 6% to £766 million in the year to 31 March 2012 This is due to higher regulatory credits recognised in the prior year as well as faster than expected decline in margin from voice and legacy products

Pre-exceptional depreciation and amortisation has decreased to £264 million, a decline of £32 million from the prior year This reflects lower capital expenditure levels and certain assets becoming fully depreciated

A strategic review of the Company was carried out during the year which triggered a £254 million exceptional impairment of goodwill In addition a £42 million charge was recognised as certain obsolete tangible fixed assets were written down

Directors' report
(continued)

EBITDA before exceptional items as a percentage of revenue is 11% for the year ended 31 March 2012, a decline of 7% compared to the year ended 31 March 2011 This decrease is attributable to the impact of the prior year benefitting from property rebates paid on our network and a credit recognised in respect of the LTIP scheme to release previously accrued amounts, as well as costs of investment in our strategy to re-position the Company

A tax charge of £148 million (2011 credit of £70 million) to reduce the deferred tax asset was recognised due to the impact of the revised financial projections prepared following the strategic review of the Company carried out during the year and the rate at which the tax asset is expected to be utilised

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

Economic trading conditions continue to be a challenge Should the UK Government announce further spending cuts to address the UK public spending deficit this may impact business performance This could affect our growth and profitability as well as our ability to finance our business Senior leadership is closely involved in monitoring current economic trading conditions and putting in place actions to react to any identified changes

In the UK we are reliant on BT's network to deliver some services to our customers in a similar manner to all major telecom operators BT is also our largest competitor As BT is both the main competitor and main supplier to telecommunication operators, the regulator Ofcom, must regulate BT's practices to ensure that a fair and competitive environment is maintained Any failure of Ofcom to deliver a fair market could have a material effect on our results We engage with Ofcom to encourage balanced regulation and where appropriate we will appeal against decisions that are perceived to favour the interests of BT

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

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

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

We have extensive business continuity and disaster recovery plans, crisis management and emergency response teams and insurance cover in place We monitor network faults and ensure that serious service impacting incidents are escalated to senior management for customer liaison purposes and are technically resolved as quickly as possible We also strive constantly to improve our network and add resilience where issues are identified

The security of our customer's data is of importance We have significant volumes of sensitive data passing through our network The need to apply patches to software can be important to maintain the intergrity of the software's security regime to protect data from accidental loss or deliberate theft Should security measures fail or the software patch upgrades be inadequate and there is a breach that resulted in a loss of data, we would be exposed to significant contract-related and regulatory consequences Data security monitoring measures are in place and subject to frequent review to identify any apparent risks which are then remediated

Directors' report
(continued)

As a telecommunication provider in the enterprise and public sector markets we are dependent upon substantial contracts with large customers These contracts may have demanding performance criteria and/or high or unlimited liability limits We monitor key aspects of our significant contracts for operational delivery to ensure compliance in order to avoid financial penalties and ensure customer satisfaction

We are subject to regulation from a number of separate bodies Regulatory change is a continuing process Changes in laws, regulations or governmental policy affecting our activities and those of our competitors could significantly influence how we operate our business and introduce new products and services Changes could adversely affect our ability to set prices, enter new markets or control our costs We maintain regular dialogue and monitor the actual and potential changes to the regulatory framework under which we operate Negative impacting matters are responded to and appropriate actions taken to lessen the impact upon the business

Delivery of effective emergency call handling services is an Ofcom requirement for both our own customers and those for whom we provide emergency call handling services The risk relates to an inability to direct emergency services to the correct address should the caller be unable to identify from where they are calling Should significant error occur, it is possible that this may contribute to a loss of life that could significantly damage our reputation and result in Ofcom investigation and fines (currently set at a maximum level of 10% of turnover) We monitor delivery of emergency call handling services and where errors are identified they are investigated and remediation plans enacted Regular liaison with Ofcom ensures continuous dialogue and awareness of service delivery

Financial risk management
The Company is exposed to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk The Company has in place risk management programmes that seek to minimise potential adverse effects on the financial performance of the Company

Credit risk
Cash deposits, trade and other receivables 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 Company's financial instruments meet various criteria (stress tested Tier 1 capital and credit ratings), the hurdles are higher for investments with a term greater that three months than those of a term less than three months In addition, the maximum amount and duration of investment is determined by counterparty rating, the minimum acceptable short term rating being B (Standard & Poor and Fitch) or NP (Moody's)

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long term strategic funding requirements The Directors also regularly assess the balance of capital and debt funding of the Company

Interest rate risk
Interest rate risk is the risk the Company is impacted by changes in interest rates The Company is exposed to movements in interest rates on its surplus cash balances There were no interest rate derivatives in place as at 31 March 2012

Dividends
The Directors do not recommend the payment of a dividend (2011 £nil)

Directors' report
(continued)

Policy and practice on payment of creditors
The Company agrees payment terms with its suppliers when it enters into binding purchase contracts and seeks to abide fairly by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions

At the year end, there were 91 days (2011 110 days) worth of purchases in trade creditors

Directors of the Company
The Directors who held office during the year and subsequent to the year end were

I Gunatilleke (resigned 31 August 2011)

P S Davis

I J Gibson (resigned 13 September 2011)

H Copestick (Alternate Director to P S Davis)

A R Kinch (appointed 31 August 2011)

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Employees
The Company considers that the establishment of the right priorities and environment for people is essential for their performance and development and to the future of the Company

The Company has developed employment policies that comply with local requirements and meet relevant standards on the employment of people with disabilities Full and fair consideration is given to applicants with disabilities for employment and training, and career development is encouraged on the basis of aptitude and abilities It is the policy of the Company to retain employees who become disabled whilst in its service and to provide specialist training where appropriate

As a company within a global telecommunications group, great emphasis is placed on effective employee communications and direct employee communication programmes have been established The Company values the involvement of its employees and continues to keep them informed on matters affecting them as employees and factors relevant to the performance of the Company Employee representatives are consulted regularly on a wide range of issues affecting the current and future interests of employees

Political contributions
The Company made no political donations and did not incur any political expenditure during the year

Directors' report
(continued)

Disclosure of information to the auditor
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

By order of the Board

P S Davis
Director
Date 31 August 2012

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent Auditor's report to the members of Cable & Wireless U.K.

We have audited the financial statements of Cable & Wireless U K for the year ended 31 March 2012, set out on pages 8 to 38 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities, set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Peter Meehan (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date 31 August 2012

Profit and loss account
For the year ended 31 March 2012

	Note	2012 £m	2011 £m
Turnover	2	2,660	2,008
Operating costs before depreciation, amortisation and exceptional items	3	(2,365)	(1,643)
Exceptional operating costs	5	-	(16)
Other operating income		2	-
Total operating costs before depreciation and amortisation		(2,363)	(1,659)
Depreciation (including exceptional charge of £42m (2011 £nil))	3	(273)	(252)
Amortisation (including exceptional charge of £254m (2011 £nil))	3	(287)	(44)
Total operating costs		(2,923)	(1,955)
Operating (loss)/profit		(263)	53
Exceptional non-operating income/(costs)	5	1	(2)
Profit on sale of fixed assets		-	1
Interest receivable and similar income	6	11	26
Interest payable and similar charges	7	(9)	(10)
(Loss)/profit on ordinary activities before taxation		(260)	68
Taxation	8	(148)	70
(Loss)/profit for the financial year		(408)	138

Turnover and operating (loss)/profit derived wholly from continuing operations

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above and their historical cost equivalents

Statement of total recognised gains and losses
For the year ended 31 March 2012

	Note	2012 £m	2011 £m
(Loss)/profit for the financial year		(408)	138
Currency translation difference arising on consolidation of branch account		-	(1)
Actuarial (loss)/gain in the value of defined benefit retirement plans	22	(65)	49
Total recognised gains and losses relating to the year		(473)	186

Balance sheet
as at 31 March 2012

	Note	2012 £m	2011 £m
Fixed assets			
Intangible assets	9	414	701
Tangible assets	10	888	909
Investments	11	11	11
		1,313	1,621
Current assets			
Stocks	12	5	14
Debtors - including £82m (2011 £232m) due after more than one year	13	568	772
Cash at bank and in hand		12	55
		585	841
Creditors Amounts falling due within one year	14	(1,214)	(1,239)
Net current liabilities		(629)	(398)
Total assets less current liabilities		684	1,223
Creditors Amounts falling due after more than one year	14	(28)	(45)
Provisions for liabilities	16	(193)	(171)
Net assets excluding pension deficit		463	1,007
Net pension deficit	22	(10)	(87)
Net assets including pension deficit		453	920
Capital and reserves			
Called up equity share capital	17	347	347
Share premium account	18	42	42
Foreign exchange translation reserve	18	(2)	(2)
Profit and loss account	18	66	533
Total shareholders' funds		453	920

These accounts were approved by the Board of Directors on 31 August 2012 and signed on its behalf by

A R K

A R Kinch
Director

The notes on pages 12 to 38 form an integral part of these financial statements

Reconciliation of movements in shareholders' funds
For the year ended 31 March 2012

	2012 £m	2011 £m
(Loss)/profit attributable to the members of the company	(408)	138
Share based payments	6	7
Foreign exchange translation	-	(1)
Actuarial (loss)/gain in the value of defined benefit retirement plans	(65)	49
Net (reduction)/addition to shareholders' funds	(467)	193
Opening shareholders' funds at 1 April	920	727
Closing shareholders' funds at 31 March	453	920

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the Company as an individual undertaking and not about its group

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 4

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £629m (2011 £398m)

The Directors have reviewed the financial position of the Company, including the arrangements with Cable&Wireless Worldwide Group undertakings The directors have also considered the financial position of the Company's parent Cable & Wireless Worldwide plc and the Cable&Wireless Worldwide Group, including centralised treasury arrangements, the availability of a credit facility and at 31 March 2012, cash and cash equivalent balances of £106 million

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Cable & Wireless Worldwide plc, the Company's directors have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the Cable&Wireless Worldwide Group to continue as a going concern Accordingly they expect that the Company will be able to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements

Taxation

Taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Intangible fixed assets

Intangible fixed assets are recorded at cost and amortised on a straight line basis over their estimated useful lives, not exceeding 20 years The directors estimate the useful economic life of the goodwill relating to each acquisition on an individual basis Intangible fixed assets comprise goodwill arising on the acquisition of businesses

Notes to the financial statements

(continued)

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses The cost of fixed assets includes materials, direct labour and other incremental costs applicable to the design, construction and connection of the telecommunications networks and equipment Where the Company has a legal or constructive obligation to dismantle and remove its assets and restore the relevant sites, a provision is made for the estimated costs of the asset retirement obligation The present value of the asset retirement obligation is capitalised as part of the initial cost of the asset

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful lives as follows

Land and buildings:	
Freehold buildings	40 years
Leasehold land and buildings	up to 40 years or term of lease if less
Plant and equipment:	
Cables and other assets	up to 20 years
Network equipment	3 to 25 years
Ducting	40 years
Computer software:	
Computer software	3 - 5 years

Depreciation is not provided on freehold land, where the cost is distinguishable from the cost of the building thereon, or assets under construction

Asset impairment

Intangible and tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the fixed assets may not be recoverable Where an impairment indicator is identified, the carrying value of the income generating unit is compared with its recoverable amount Where the recoverable amount is less than the carrying value an impairment is recognised

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright The amount capitalised is the present value of the minimum lease payments payable during the lease term The corresponding leasing commitments are shown as obligations to the lessor Lease payments are split between capital and interest elements using the annuity method Depreciation on the relevant assets and interest are charged to the profit and loss account

All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term

Notes to the financial statements

(continued)

1 Accounting policies *(continued)*

Revenue recognition

Revenue, which excludes discounts and value added tax, represents the amount receivable in respect of services provided to customers and is accounted for on the accruals basis Revenue is only recognised when payment is probable

Revenue from services is recognised as the services are provided In respect of services invoiced in advance, amounts are deferred until provision of the service Revenue arising from the provision of other services, such as maintenance contracts, is recognised evenly over the periods in which the service is provided

Amounts payable by and to telecommunications operators for interconnection and transmission of content 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 In certain instances the Company uses estimates to determine the amount of income receivable from or payments 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 In a similar way, the Company enters into supply agreements In certain instances it uses estimates of price or usage to determine the expense charged in any period These estimates are periodically adjusted to reflect actual pricing or usage as such information becomes available or is agreed with suppliers Credits and charges on adjustments to both interconnect and other supply arrangements are taken to operating profit in the year in which the adjustments are made

Revenue from sales of telecommunication equipment is recognised on delivery to, and acceptance by, the customer as this is when the transfer of both significant risks and rewards of ownership and control is deemed to occur

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

Fixed asset investments

Investments are stated at cost less amounts written off for impairment

Notes to the financial statements
(continued)

1 Accounting policies *(continued)*

Pensions
Defined contribution pension plan
A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis The Company has no further payment obligations once the contributions have been paid The costs are recognised as staff costs as they are incurred

Defined benefit pension plan
A defined benefit plan is a pension plan that defines an amount of pension benefit 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 deficit recognised in the balance sheet in respect of the defined benefit 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 the scheme are calculated annually by independent actuaries using the projected unit 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 obligation

The Company 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 total recognised gains and losses Past service costs are recognised immediately in the profit and loss account, 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

Foreign currencies
Transactions in foreign currency are recorded in sterling at the rate of exchange ruling on the date of the transaction, except for those for which forward cover has been purchased All monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date and gains or losses on translation are dealt with through the profit and loss account

The assets and liabilities of overseas branches that have functional currency different to pounds sterling, are translated at the closing exchange rates Profit and loss accounts of such undertakings are translated at the average rates of exchange during the year Gains and losses arising on these translations are taken to reserves

Notes to the financial statements
(continued)

1 Accounting policies *(continued)*

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Cash flow statement
Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking A consolidated cash flow statement is included in the financial statements of Cable & Wireless Worldwide plc in which the Company is consolidated and which are publicly available from the address in note 25

Stock
Stock represents equipment and other items for resale and is stated at the lower of cost and net realisable value

Provisions
Provisions are liabilities of uncertain timing or amount They are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that a transfer of economic benefit 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 expenditure 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 profit and loss account Discount unwinding is recognised as an interest charge

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 or network assets 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

Share based payments
The Cable&Wireless Worldwide Group operates various equity-settled, share-based compensation plans The fair value of the Company employees' services received in exchange for the grant of shares in Cable & Wireless Worldwide plc 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 shares 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 shares that are expected to vest At each reporting date the Company revises its estimates of the number of shares that are expected to vest It recognises the impact of the revision of original non-market estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period

Notes to the financial statements

(continued)

2 Turnover

The Company's operations are all considered to fall into a single class of business, namely telecommunications, and accordingly no segmental analysis of operating profit or net assets is presented

In both the current and prior years, turnover was generated predominantly by operations in the United Kingdom, as determined by the location of the customer contract

3 Operating expenses

	2012 £m	2011 £m
Outpayments and network costs	1,894	1,194
Staff costs	260	248
Trading foreign exchange	1	(1)
Hire of other assets - land and buildings	47	43
Hire of plant and machinery	44	52
Other operating expenses	119	107
	2,365	1,643
Exceptional operating costs (note 5)	-	16
Other operating income	(2)	-
Depreciation of tangible assets	231	252
Amortisation of intangible assets	33	44
Exceptional depreciation and amortisation (note 5)	296	-
	2,923	1,955

Auditor's remuneration

	2012 £000	2011 £000
Audit of these financial statements	485	505

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent Cable & Wireless Worldwide plc

Notes to the financial statements
(continued)

4 Information regarding Directors and employees

The directors' remuneration for the year was as follows

	2012 £000	2011 £000
Remuneration of directors		
Aggregate emoluments	781	983
Termination payment	1,121	-
Company payments to defined contribution pension schemes	100	166
	2,002	1,149

There are 2 (2011 3) Directors accruing benefits under the Company's defined contribution pension scheme

The aggregate emoluments and amounts receivable under long term incentives schemes of the highest paid Director was £250,183 (2011 £444,838), and Company contributions of £34,605 (2011 £61,180) made to the defined contribution pension scheme on his behalf

The aggregate remuneration and associated costs of employees were

	2012 £m	2011 £m
Included in operating costs		
Salaries and wages	210	200
Share based payment (note 23)	6	7
Social security costs	28	26
Long Term Incentive Plan (credit)/charge	-	(9)
Defined benefit pension scheme (credit)/charge	(2)	7
Defined contribution pension scheme charge	18	17
	260	248

	2012 Number	2011 Number
The average monthly number of persons employed during the year was	5,284	5,246

Notes to the financial statements
(continued)

5 Exceptional items

	2012 £m	2011 £m
Operating items		
Restructuring and integration (i)	-	12
Provision for onerous network contracts (ii)	-	4
	-	16
Exceptional depreciation and amortisation		
Plant and equipment write-off (note 10)	42	-
Goodwill impairment (note 9)	254	-
	296	-
Non – operating items		
Write (back)/down of intercompany provisions	(1)	1
Impairment of investment in shares	-	1
	(1)	2
Total exceptional costs	295	18

(i) Exceptional costs in the prior period of £12m related to restructuring and THUS Group post acquisition integration, comprising £6m in respect of property costs, £9m of other costs and a credit of £3m in respect of redundancy

(ii) Exceptional costs of £4m in the prior year relate to operating and maintenance charges for onerous cable systems

6 Interest receivable and similar income

	2012 £m	2011 £m
Interest receivable from group undertakings	2	2
Foreign exchange gains arising on loans from group undertakings	9	22
Bank interest receivable	-	2
	11	26

Notes to the financial statements

(continued)

7 Interest payable and other similar charges

	2012 £m	2011 £m
Bank loans and overdrafts	1	1
Discount unwind	4	5
Finance charges payable on finance leases and hire purchase contracts	4	4
	9	10

8 Taxation

Analysis of charge/(credit) for the year

	2012 £m	2011 £m
Current tax		
UK Corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	146	(70)
Effect of changes in tax rates	2	-
Total deferred tax	148	(70)
Total tax on loss/profit on ordinary activities	148	(70)

Notes to the financial statements

(continued)

8 Taxation *(continued)*

Factors affecting current tax charge for the year

The current tax charge is higher than (2011 - lower than) the standard rate of corporation tax in the UK of 26% (2011 - 28%) The differences are explained below

	2012 £m	2011 £m
(Loss)/profit on ordinary activities before taxation	(260)	68
Corporation tax at standard rate	(68)	19
Capital allowances in excess of depreciation	(8)	(30)
Other timing differences	(14)	(10)
Group relief surrendered without payment	13	6
Permanent differences	77	15
Current tax for the period	-	-

Factors that may affect future tax charges

Deferred tax assets of £895m (2011 £835m) on timing differences resulting from depreciation in excess of capital allowances, £55m (2011 £34m) in respect of other timing differences and £8m (2011 £10m) for losses, have not been recognised, as these are not considered recoverable in the foreseeable future

A number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement Legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 has been enacted Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014, but these changes were not substantively ennacted at the balance sheet date and, therefore, are not reflected in these financial statements

Notes to the financial statements
(continued)

9 Intangible assets

	Goodwill £m
Cost	
At 1 April 2011	871
At 31 March 2012	871
Amortisation	
At 1 April 2011	170
Charge for the year	33
Writedown to recoverable amount	254
At 31 March 2012	457
Net book value	
At 31 March 2012	414
At 31 March 2011	701

Goodwill is amortised over a 20 year period All trade and businesses acquired that gave rise to goodwill in the Cable&Wireless Worldwide Group are included in Cable & Wireless U K

The impairment test carried out as at 31 March 2012 was performed incorporating the following assumptions

• Cash flows resulting from new investments were excluded from the value in use calculation The cash flow projections derived from the latest five year projections reflect management's expectations of levels of revenue, operating profits and capital expenditure together with working capital requirements and operating cash flows These key assumptions were determined using a combination of extrapolations of historical trends within the business, telecommunications industry estimates and in-house estimates of future performance
• Cash flows beyond the projected period were extrapolated using an estimated long term growth rate For this a rate of 0 5% was used to extrapolate the cash flows into perpetuity This growth rate was determined using long term historical growth rates (excluding the impact of investment), had been benchmarked and did not exceed the long term average growth rates for the telecommunications industry
• A pre-tax discount rate of 10 2% was used to discount projected cash flows The discount rate reflected the time value of money and was derived from the Company's pre-tax weighted average cost of capital The discount rate reflected the latest market assumptions of the risk free rate for 20 year UK government bonds, adjusted for an equity risk premium, the net cost of debt and market assumptions on th Company's cost of equity beta

The impairment of goodwill was classified as an exceptional amortisation charge as it arose as a result of a company-wide strategic review carried out during the year

Notes to the financial statements

(continued)

10 Tangible assets

	Land and buildings £m	Plant and equipment £m	Computer software £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2011	267	4,234	713	67	5,281
Additions	-	-	1	238	239
Movements in asset retirement obligations	9	4	-	-	13
Disposals	-	(210)	(109)	-	(319)
Transfers between categories	1	203	23	(227)	-
At 31 March 2012	277	4,231	628	78	5,214
Depreciation					
At 1 April 2011	222	3,476	674	-	4,372
Charge for the year	8	199	24	-	231
Disposals	-	(210)	(109)	-	(319)
Impairment	-	41	1	-	42
At 31 March 2012	230	3,506	590	-	4,326
Net book value					
At 31 March 2012	47	725	38	78	888
At 31 March 2011	45	758	39	67	909

Assets under construction are not depreciated

Included in the total net book value of plant and equipment is £84m (2011 £89m) in respect of assets held under finance leases Depreciation for the year on these assets was £24m (2011 £19m)

A £42m exceptional charge was recognised as certain obsolete assets related to discontinued products and services were written down as part of the Company-wide strategic review completed during the year

	2012 £m	2011 £m
The net book value of land and buildings comprised		
Freehold	9	9
Short leasehold	38	36
	47	45

Notes to the financial statements
(continued)

11 Fixed asset investments

	Subsidiary undertakings £m	Other investments £m	Total £m
Cost			
At 1 April 2011	44	1	45
Disposals	-	(1)	(1)
At 31 March 2012	44	-	44
Provision for impairment			
At 1 April 2011 and 31 March 2012	(33)	(1)	(34)
Eliminated on disposal	-	1	1
At 31 March 2012	(33)	-	(33)
Net book value			
At 31 March 2012	11	-	11
At 31 March 2011	11	-	11

Principal subsidiary undertakings

Details of principal operating subsidiary undertakings are given below

Subsidiary undertaking	Class	Ownership	Country of incorporation	Principal activities
Cable & Wireless Services (Ireland) Limited *	Ordinary	100%	Ireland	Telecommunications provider
Cable & Wireless (Ireland) Limited*	Ordinary	100%	Ireland	Telecommunications provider
Thus Limited	Ordinary	100%	England	Telecommunications provider

*Denotes indirect holding

A full list of all subsidiary undertakings will be included with the ultimate parent company's Annual Return

Notes to the financial statements
(continued)

12 Stock

	2012 £m	2011 £m
Work in progress	3	9
Network equipment, consumables and accessories held for resale	2	5
	5	14

13 Debtors

	2012 £m	2011 £m
Amounts falling due within one year:		
Trade debtors	244	357
Amounts owed by fellow group undertakings	83	7
Other debtors	5	9
Prepayments and accrued income	154	167
	486	540
Amounts falling due after more than one year		
Other debtors	10	12
Deferred tax assets	72	220
	82	232
	568	772

14 Creditors

	2012 £m	2011 £m
Amounts falling due within one year.		
Trade creditors	257	358
Net obligations under finance leases	34	32
Amounts owed to fellow group undertakings	550	413
Taxation and social security	45	39
Other creditors	2	4
Accruals and deferred income	326	393
	1,214	1,239

Deferred income is recognised in the profit and loss account over the relevant contractual term which may extend to more than one year

Notes to the financial statements
(continued)

14 Creditors *(continued)*

Amounts owed to fellow group undertakings includes a loan with Cable & Wireless Europe Holdings Limited which bears interest of LIBOR plus 3 50% The loan and any interest accrued thereon become repayable in full on the last day of each borrowing period or immediately upon demand by the lender

	2012 £m	2011 £m
Amounts falling due after more than one year:		
Net obligations under finance leases	28	45

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2012 £m	2011 £m
Within one year	34	32
In the second to fifth years	27	44
After more than five years	1	1
	62	77

15 Deferred tax

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

	2012 £m	2011 £m
Depreciation in excess of capital allowances	72	220
Total recognised deferred tax asset	72	220
At 1 April	(220)	(150)
Write-off/(recognition) of deferred tax assets (note 8)	146	(70)
Effect of change in tax rates on deferred tax asset (note 8)	2	-
At 31 March	(72)	(220)

Deferred tax assets have been recognised to the extent the Company has forecast sufficient profits in the foreseeable future against which to utilise these amounts

Deferred tax assets of £895m (2011 £835m) on timing differences resulting from depreciation in excess of capital allowances, £55m (2011 £34m) in respect of other timing differences and £8m (2011 £10m) for losses, have not been recognised, as these are not considered recoverable in the foreseeable future

Notes to the financial statements
(continued)

15 Deferred tax *(continued)*

The proposed reductions of the rate of corporation tax by 1% to 22% by 1 April 2014, as discussed in note 8, are expected to be enacted separately each year The effect of the further changes from 24% to 22%, if these applied to the measurement of deferred tax asset balances at the balance sheet date, would be to reduce the asset by £6m (being £3m recognised in 2013 and £3m recognised in 2014)

16 Provisions

	Redundancy £m (i)	Property £m (ii)	Network £m (iii)	Other £m (iv)	Asset retirement obligation £m (v)	Total £m
At 1 April 2011	2	58	3	9	99	171
Additions	21	7	-	4	11	43
Unused amounts released	(1)	(1)	(1)	(1)	-	(4)
Utilised	(7)	(13)	-	(1)	-	(21)
Discount unwind	-	1	-	-	3	4
At 31 March 2012	15	52	2	11	113	193

(i) Redundancy
The provision for the cost of redundancies announced during the year is expected to be utilised within twelve months of the balance sheet date

(ii) Property
A provision has been made for the best estimate of the unavoidable lease payments on vacant properties, being the difference between the rental due and any income expected to be derived from being sub-let The provision is expected to be utilised over the shorter of the period to exit and the lease contract life, being within the next 20 years

(iii) Network
A provision has been made for the best estimate of the unavoidable costs associated with redundant network capacity The provision is expected to be utilised over the shorter of the period to exit and the lease contract life

(iv) Other
This provision is related to restructuring costs and litigation and is expected to be utilised within twelve months of the balance sheet date

(v) Asset Retirement Obligation (ARO)
A provision has been made for the best estimate of the unavoidable cost associated with returning leasehold properties to their original state on exiting the property and retiring network assets from use The provisions for ARO will be utilised over a period of 20 years as property and network leases expire

Notes to the financial statements
(continued)

17 Share capital

Allotted, called up and fully paid shares

	2012		2011	
	No.	**£m**	**No**	**£m**
Ordinary shares of £0 10 (2011 £0 10) each	3,466,219,951	347	3,466,219,951	347

18 Reserves

	Share premium account £m	Foreign exchange translation reserve £m	Profit and loss account £m
At 1 April 2011	42	(2)	533
Loss for the year	-	-	(408)
Actuarial losses in the value of defined benefit retirement plans	-	-	(65)
Share based payments	-	-	6
At 31 March 2012	42	(2)	66

The share based payments amount of £6m (2011 £7m) is the credit in shareholders' equity matching to the fair value of equity instruments charged as an employee expense in the year to 31 March 2012 See note 23 for further details of the share based payment charges

19 Contingent liabilities

The Company and other fellow group companies, entered into a multi-currency revolving facility agreement with a consortium of banks The facility was secured by a fixed charge over shares held in certain subsidiaries including the Company and a floating charge over assets in certain subsidiaries including the assets of the Company No amounts were drawn down at 31 March 2012 (2011 £nil) and the facility was subsequently cancelled in July 2012

Notes to the financial statements
(continued)

20 Operating lease commitments

As at 31 March 2012 the Company had annual commitments under non-cancellable operating leases as follows

	2012		2011	
	Land and buildings	Other	Land and buildings	Other
	£m	£m	£m	£m
Leases which expire				
Within one year	10	19	8	20
Between two and five years	14	9	19	8
After five years	18	4	21	4
	42	32	48	32

21 Commitments

Capital commitments at the year end amounted to £33m (2011 £33m)

In addition to the capital commitments above the Company has a number of operating commitments arising in the normal course of business The most significant of these relate to network operation and maintenance costs, and outsourcing arrangements for the provision of certain services including information technology systems management In respect of operation and maintenance costs, in the event of the default of another party, the Company may be liable to additional contributions under the terms of the agreements

22 Pension schemes

The Company operates pension and other retirement schemes for its current and former employees These schemes include both defined benefit schemes, where retirement benefits are based on employees' remuneration and length of service, and defined contribution schemes, where retirement benefits reflect the accumulated value of agreed contributions paid by, and in respect of, employees Contributions to the defined benefit schemes are made in accordance with recommendations from independent actuaries who value the schemes

Defined contribution schemes

The pension cost for the year represents contributions payable by the Company to the schemes described in note 1 During the year these contributions amounted to £18m (2011 £17m) No amounts were outstanding at the end of the financial year in respect of this charge

Notes to the financial statements
(continued)

22 Pension schemes *(continued)*

Defined benefit schemes

Cable & Wireless Worldwide Retirement Plan

The Cable & Wireless Worldwide Retirement Plan (CWWRP) provides defined benefit and defined contribution arrangements for current and former employees of Cable & Wireless U K The CWWRP has been closed to new defined benefit members since its inception in 2010 No new defined benefit members have entered the predecssor scheme (Cable & Wireless Superannuation Fund), from which the CWWRP was established since 1998

The terms of the CWWRP Trust Deed allow the Trustee of the Company to call for a valuation at any time The first funding valuation of the CWWRP, as at 30 September 2010, has been completed and showed a past service deficit of £248 million As a result, a new funding plan has been agreed with the scheme Trustee which includes a payment of £100 million that was made during the year followed by further payments of £15 million in each of the next two financial years, £20 million per annum for the subsequent three years and a final payment of £12 million in 2017/18 A further £25 million deficit funding contribution was paid during the year under the preceding funding agreement The ongoing contribution rate includes an allowance of 3% of pensionable earnings for administration expenses, excluding the Pension Protection Fund (PPF) levy The PPF levy for 2012 was £0 3 million (2011 £0 3 million) The Company paid a total contribution rate of 35 6% until December 2011 and 24 7% thereafter to the CWWRP in respect of its current and former employees, being £13 million (2011 £9 million)

Other schemes

The Company operates the THUS Group plc Pension Scheme An independent actuarial valuation of the THUS Group plc Pension Scheme carried out with an effective date of 31 December 2008 showed a deficit of £2 million on a funding basis The Company made a one-off £1 million contribution on 31 March 2010 in order to fully fund this scheme on an continuing basis The funding valuation of the THUS Group scheme, as at 31 December 2011, is in progress

The Company also operates a further two small defined benefit pension schemes

Notes to the financial statements
(continued)

22 Pension schemes *(continued)*

FRS 17 valuation – CWWRP and other schemes
FRS 17 valuations of the defined benefit pension schemes operated by the Company have been updated to 31 March 2012 by qualified independent actuaries, Lane Clark & Peacock LLP

	2012				2011			
	CWWRP		THUS and other pension schemes		CWWRP		THUS and other pension schemes	
	Assets	Assumption	Assets	Assumption	Assets	Assumption	Assets	Assumption
	£m	%	£m	%	£m	%	£m	%
RPI inflation assumption		3 2		3 2		3 4		3 4
CPI inflation assumption		-		2 2		-		3
Salary increases		3 7		3 7		3 9		3 9
Pension increases		2 0 - 3 1		3 1		2 2 - 3 3		3 3
Discount rate		4 9		4 9		5 6		5 6
Long term expected rate of return on assets								
- Annuity policies	355	4 9	1	5	323	5 6	-	-
- Equities	534	7 8	78	7 8	557	8 1	72	8 1
- Bonds and gilts	400	3 5	33	4 7	182	4 5	32	5 3
- Property	31	5 0	-	-	32	6 7	-	6 7
- Cash and swaps	248	3 0	-	-	145	3 6	1	3 6
	1,568		112		1,239		105	

The assumptions regarding mortality in retirement for the CWWRP as at 31 March 2012 use the S1NA tables with a -1 0 year age rating, subject to improvements in line with the CMI 2009 projecions with a long term rate of improvement of 1 5% per annum for both males and females

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

	Age 60 in 2011 (years)	Age 60 in 2021 (years)	Age 60 in 2031 (years)
Male	28 2	29 5	30 7
Female	30 7	32 0	33 3

Notes to the financial statements
(continued)

22 Pension schemes *(continued)*

A one year increase in the life expectancy assumptions would have increased the CWWRP liabilities by approximately £32m as at 31 March 2012 The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £8m A 0 25% per annum decrease in the discount rate used to value the scheme liabilities would have increased the liabilities by around £85m The corresponding increase in the value of assets due to the change in the estimated value of the annuity policy is £14m A 0 25% per annum change in the assumed rate of salary increases would have changed the liabilities by around £5m

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

Inflation measure: CPI v RPI
In July 2010 the UK Government annouced that the Consumer Prices Index (CPI) should replace the Retail Prices Index (RPI) as the statutory minimum inflation measure to be used in determining pension increases, where the scheme rules and historic practice permits, for private sector defined benefit pension schemes The use of CPI rather than RPI to value deferred pensions and increases in the post-1988 Guranateed Minimum Pensions in payment for the CWWRP was communicated to members in April 2011 This has resulted in a reduction in the next obligation by £5m with the recognition of the credit to the income statement in accordance with guidance in UTIF Abstract 48

Further, under the Rules of the CWWRP, a member's pension is provided with inflationary increases between when they leave service and when they retire by at least the level required by statute For certain members this statutory 'underpin' in deferment applies and so the expected future level of their benefit has reduced The impact of the change in the inflation assumption for the underpin, of £16m, has been recognised as an actuarial gain in equity in the year ended 31 March 2012 following the introduction of the use of CPI from April 2011

The Company is still in the process of taking legal advice on this matter, being mindful of recent legal cases having been brought against the government's use of CPI as the measure for increases to public sector pensions, to determine whether the scheme rules of the CWWRP permit the use of CPI as an indexation measure for the remaining parts of the scheme In the case of this particular pension scheme the issue is complex and therefore the matter had not been concluded upon at 31 March 2012 As a result, the Company continued to use RPI as its best estimate of the appropriate indexation measure

Notes to the financial statements
(continued)

22 Pension schemes *(continued)*

The assets and liabilities of the defined benefit pension schemes are presented below

	2012			2011		
	CWWRP	THUS and other pension schemes	Total	CWWRP	THUS and other pension schemes	Total
	£m	£m	£m	£m	£m	£m
Total market value of assets	1,568	112	1,680	1,239	105	1,344
Present value of scheme liabilities	(1,518)	(120)	(1,638)	(1,317)	(112)	(1,429)
Excess of liabilities of funded obligations	50	(8)	42	(78)	(7)	(85)
Derecognition of scheme asset	(50)	-	(50)	-	-	-
Present value of unfunded obligations	-	(2)	(2)	-	(2)	(2)
Net pension deficit	-	(10)	(10)	(78)	(9)	(87)

The asset in the CWWRP scheme has not been recognised in accordance with the requirements of FRS 17, Retirement benefits

The amounts recognised in the profit and loss account are as follows

	2012			2011		
	CWWRP	THUS and other pension schemes	Total	CWWRP	THUS and other pension schemes	Total
	£m	£m	£m	£m	£m	£m
Current service cost	8	3	11	10	4	14
Interest cost	74	6	80	73	6	79
Expected return on plan assets	(81)	(7)	(88)	(78)	(6)	(84)
Curtailment gains	-	-	-	(1)	-	(1)
Past service costs	(5)	-	(5)	-	(1)	(1)
Total net cost	(4)	2	(2)	4	3	7

The actual return on defined benefit plan assets was a gain of £222m (2011 £49m)

Net actuarial losses amounting to £65 million (2011 gains of £49 million) have been recognised directly in equity and are presented in the statement of recognised gains and losses

Notes to the financial statements
(continued)

22 Pension schemes *(continued)*

Changes in the present value of scheme liabilities are as follows

			2012			2011
	CWWRP	THUS and other pension schemes	Total	CWWRP	THUS and other pension schemes	Total
	£m	£m	£m	£m	£m	£m
Opening scheme liabilities	(1,317)	(114)	(1,431)	(1,330)	(118)	(1,448)
Service cost	(8)	(3)	(11)	(10)	(4)	(14)
Interest cost	(74)	(6)	(80)	(73)	(6)	(79)
Actuarial (losses)/gains recognised in equity	(151)	2	(149)	73	11	84
Employee contributions	(1)	(1)	(2)	(1)	(1)	(2)
Curtailments	-	-	-	1	-	1
Past service costs	5	-	5	-	1	1
Benefits paid	28	-	28	23	3	26
Closing scheme liabilities	(1,518)	(122)	(1,640)	(1,317)	(114)	(1,431)

Changes in the fair value of scheme assets are as follows

			2012			2011
	CWWRP	THUS and other pension schemes	Total	CWWRP	THUS and other pension schemes	Total
	£m	£m	£m	£m	£m	£m
Opening scheme assets	1,239	105	1,344	1,196	96	1,292
Expected return	81	7	88	78	6	84
Actuarial gains/(losses) recognised in equity	137	(3)	134	(35)	-	(35)
Contributions by employer	138	2	140	22	5	27
Employee contributions	1	1	2	1	1	2
Benefits paid	(28)	-	(28)	(23)	(3)	(26)
Closing scheme assets	1 568	112	1,680	1,239	105	1,344

Notes to the financial statements
(continued)

22 Pension schemes *(continued)*

Experience gains for the period are as follows

	2011/12	2010/11	2009/10	2008/09	2007/08
	£m	£m	£m	£m	£m
Scheme liabilities	(1,640)	(1,431)	(1,448)	(71)	-
Scheme assets	1,680	1,344	1,292	67	-
Derecognition of scheme asset	(50)	-	-	-	-
Pension deficit	(10)	(87)	(156)	(4)	-
Experience (losses)/gains on scheme liabilities	1	(7)	2	1	-
Experience gains/(losses) on scheme assets	133	(38)	18	(7)	-

The best estimate of contributions for the year ended 31 March 2013 is

	CWWRP	THUS and other pension schemes
	£m	£m
Employer contributions	24	2
Employee contributions	1	-

23 Share-based payments

The total expense relating to share-based payments which are equity settled transactions was £6 million (2011 £7 million)

As the Company has taken advantage of the transitional provisions of FRS 20, the charge only includes grants made after 7 November 2002 that had not vested by 1 April 2005

Notes to the financial statements
(continued)

23 Share-based payments *(continued)*

Share awards

All share awards are in respect of equity shares of Cable & Wireless Worldwide plc The Company had the following share-based payment plans in operation during the year

Performance share plan (PSP)

Under the PSP, Executive Directors and other senior executives can receive awards of performance shares

The vesting of performance shares is subject to absolute TSR and/or EPS performance conditions A dividend award supplement operates on the PSP Dividends that would have been paid on the performance shares which vest will be regarded as having been reinvested in additional shares

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

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

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

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

Share purchase plan (SPP)

The SPP is an HM Revenue & Customs 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 one matching share for each partnership share purchased Under the SPP, the Company can offer employees up to £3,000 of free shares each tax year, which must be held by the employee for a minimum of three years Dividends on the partnership, matching and free shares are reinvested in additional dividend shares

Stock appreciation rights plan (SARs)

The SARs plan is used to replicate the benefits from the plans described above, but rewards are delivered as a cash equivalent SARs are used in countries where it is necessary or desirable not to use actual Cable & Wireless Worldwide plc Ordinary Shares to take account of local legislation

Notes to the financial statements
(continued)

23 Share-based payments *(continued)*

Share awards

The equity instrument awards associated with the Company employees can be summarized as follows

	PSP		RSP		SARs		SPP	
	Number of shares	WA fair value*	Number of shares	WA fair value*	Number of shares	WA fair value*	Number of shares	WA fair value*
At 1 April 2011	42,030,104	40	6,906,006	67	2,389,620	72	6,891,435	70
Granted	37,679,983	16	2,975,831	45	6,025,772	21	12,878,257	40
Forfeited	(30,250,168)	21	(1,530,382)	70	(503,187)	51	(1,033,934)	51
Vested	(797,415)	34	(1,033,139)	82	(271,901)	93	(265,130)	51
At 31 March 2012	48,662,504	34	7,318,316	55	7,640,304	32	18,470,628	50

*Weighted average fair value (pence/share)

Awards are satisfied by the group and parent company's employee share ownership trust (ESOT) by shares bought on the open market and also, where allowable by the plan rules, the issue of new shares to the trust At 31 March 2012 the ESOT held 38,268,749 shares (2011 26,763,027 shares) with a book value of £nil and a market value of £13 million, that had not yet vested under the above share award plans

Fair values

The Monte Carlo pricing model assumptions used in the pricing of the PSP grants in 2011/12 and 2010/11 were

	2012	2011
Weighted average share price (pence per share)	38	66
Dividend yield	0 0%	0 0%
Expected volatility	40 0%	37 6%
Risk-free interest rates	0 7%	1 1%
Expected life in years	3 0	3 0

Fair values for the RSP, SARs and SPP awards were determined using the market price of shares at the date of grant

Notes to the financial statements

(continued)

24 Related party transactions

Under FRS 8, the Company is exempt from the requirement to disclose transactions with wholly owned entities that are part of the Cable&Wireless Worldwide Group, as all of the Company's voting rights are controlled within the Group There are no transactions with any other related parties

25 Ultimate parent company and controlling party

The Company's immediate parent company is Cable & Wireless Waterside Holdings Limited, a company registered in England and Wales

The Directors regard Vodafone Group plc, a company registered in England and Wales, as the ultimate parent company and controlling party, following its acquisition of the Cable&Wireless Worldwide Group on 27 July 2012

The smallest and largest group in which the results of the Company are consolidated is that of Cable & Wireless Worldwide plc, the parent company The consolidated financial statements of Cable & Wireless Worldwide plc may be obtained from the Company Secretary, Cable & Wireless Worldwide plc, Waterside House, Longshot Lane, Bracknell, Berkshire, RG12 1XL