CABLE AND WIRELESS plc

INTERIM RESULTS
8 NOVEMBER 2005

CABLE & WIRELESS NOW WELL POSITIONED FOR THE NEXT PHASE OF DEVELOPMENT

Highlights

* Group revenue of £1,481 million - up by 1 percent over prior year at constant currency.
* Operating profit before joint ventures, associates, exceptional items and excluding Bulldog, of £136 million. Operating profit before joint ventures, associates, exceptional items, including Bulldog, of £87 million.
* Profit before tax and exceptional items from continuing operations, excluding Bulldog, of £185 million. Profit before tax and exceptional items from continuing operations, including Bulldog of £134 million.
* Profit before tax of £126 million.
* National Telco revenue of £595 million - up 11 percent against prior year at constant currency, driven primarily by mobile and broadband.
* National Telco operating margins and free cash flow stable against prior year.
* UK profitability adversely affected by shift to IP services from higher margin legacy products and shift in revenue mix to wholesale services.
* Disposed of Spanish retail and Sakhalin fixed and mobile businesses and announced the disposal of the Group's stake in MobileOne for a total consideration of approximately £75 million.
* Announced acquisition of Energis for approximately £630 million cash and up to £80 million deferred consideration. Transaction approved by Office of Fair Trading ('OFT') on 25 October 2005.
* Bulldog:

Local Loop Unbundling ('LLU') completed in 408 exchanges. Plans in place to extend rollout to 800 exchanges by September 2006.

Ofcom investigation into customer service issues closed.

* Declared interim dividend of 1.40 pence per share, up 21 percent against prior year interim dividend.
* Share repurchase programme resumed.

This announcement contains forward-looking statements that involve inherent risks and uncertainties. We have identified certain important factors that may cause actual results to differ materially from those contained in such forward-looking statements. See those that appear, or are referred to, in the cautionary statement included at the beginning of the company's most recent Annual Report filed on Form 20-F.

RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

Total Group result - continuing operations - pre exceptionals*	H1 2005/6	H1 2004/5
	£m	£m
Revenue	1,481	1,469
Operating profit before joint ventures and associates	87	128
Total operating profit	114	153
Profit before tax	134	175
Profit after tax	114	143

Earnings per share before amortisation of acquired		
Intangibles	3.7 pence	4.9 pence
Net cash	1,208	1,332
Cash capital expenditure	210	116

* Exceptional items comprise restructuring items, impairment charges and profit on disposal of non current assets. These items are considered significant by virtue of their size, nature or incidence.

Total Group result - after exceptionals	H1 2005/6
	£m
Revenue	1,481
- change from prior year at constant currency	1%
Operating profit before joint ventures and associates	68
- change from prior year at constant currency	31
Total operating profit	95
Profit before tax	126
Profit after tax	106

Profit for the period	125
Basic earnings per share	4.0 pence
Diluted earnings per share	3.8 pence
Dividend per share	1.40 pence

The consolidated income statement, cash flow statement and balance sheet, drawn up in accordance with IFRS, from

which this information is extracted, are set out in the attachments.

Commenting on the performance of the Group, Cable & Wireless Chairman,

Richard Lapthorne, said:

'The company is continuing to manage its way through a series of steps to create a sustainable future both in its overseas business and in the changing UK environment.

'In June 2003 I reported that, following the Chief Executive's strategic review, the Board had agreed that the Group should withdraw from the US, improve operations in the UK business and build on our National Telco businesses. I said then that, on the basis of implementing those plans, our expectation was to create a business with a turnover of around £3.5 billion producing double digit operating margins. As a reminder, the results for the year 2002/3 reported an operating loss from continuing businesses of £6 billion on a turnover of £4.2 billion.

'That same year, 2002/3, the UK business reported an operating loss of £303 million from a turnover of £1.7 billion. Since then we have made considerable progress both in designing and executing a strategy to create a sustainable competitive model for the UK business.

'In the UK, the company's objective in the voice market is to continue to maximise profitable revenue while retaining and developing relationships with customers as they migrate to IP-based telecommunications, and to continue to reduce costs in line with revenue declines and re-shape the organisation to reflect future requirements.

'Our model reflects the needs of our customers, the reality of the competitive landscape and the need to seize the one-time technological opportunity available to us. It also reflects Ofcom's view that the UK is best served by competition at the deepest level of infrastructure. Thus, our model is built around three pillars: IP - through our next generation network ('NGN'); access - through our plan to unbundle 800 exchanges reaching half of the UK market; and scale - which has materially increased through the acquisition of Energis, which will further reduce the risk around the UK strategy. We are pleased that clearance from the OFT has now removed any doubts that it would proceed. As a result of the de-risking of the UK strategy we are now able to resume the share buy back programme.

'We do not want to over promise but, from the visibility we have at the moment, we believe that what we are heading for in the UK, post NGN implementation, is a business that will be producing revenue somewhere over £2 billion with an operating margin in double digits. We see the improvement coming from a combination of the lower cost base that we are working on, together with the revenue generated from the new telecoms landscape, which we are now positioning our business to exploit.

'This is an early sight of where we are headed and it is our intention, over time, both to report on progress in achieving this goal and to share our milestones with you as they are more clearly defined. The next step in this process will be when the combined Cable & Wireless and Energis management team shares the details of the integration plan with you in February.

'Our dividend continues to be underpinned by the satisfactory performance of our overseas businesses.

'Our Group strategy is supported by a number of solid initiatives which are already being implemented. The path is clear, although the rapid rate of change in the UK may well lead to some short term volatility in reported profits, which could well be exacerbated by timing decisions and the detail of the Energis integration. Our medium term vision is clear. We will manage the business with a view to delivering the value we believe can be achieved, accepting, in some cases, that this may have an impact on short-term reported profits. '

Chief Executive, Francesco Caio, said:

'The recent acceleration in the migration to IP services further confirms the strategic direction we have set for the business. As we have made clear, our strategy is to establish a sustainable position as an infrastructure-based competitor operating its own access network, building a strong customer franchise, investing in IP, broadband and - in National Telcos - mobile to pursue profitable growth in new services. We will focus predominantly on markets where we can be the number one or number two operator. In all our markets therefore, we will continue to strengthen Cable & Wireless' competitive position by further reducing our cost base and accelerating investment in the growth services that meet customer demands.

National Telcos

'In the first half we delivered satisfactory results by executing against our priorities for the National Telco portfolio, namely to:

Shift the revenue mix to new growth services by further investment in broadband, IP and mobile;

Reduce costs to protect margins and cash flow ; and

Drive change and performance, especially in our sales and marketing response to competition.

'We achieved these results against a background of further liberalisation, with the mobile markets in Antigua, St Kitts & Nevis and the Maldives all opening to competition in the period.

'Our initiatives to strengthen our mobile business, with the launch of new services such as extended roaming and eTop-up, supported by network improvements and expansion, underpinned subscriber growth of 15 percent year on year. We increased revenue by 26 percent year on year, through innovative service offerings, which build the subscriber base without detracting from the quality of that base. We continue to exploit the relatively low levels of broadband penetration in the National Telco markets, concentrating on increasing speed and extending the offer to include VoIP, WiFi and ADSL2+.

'Cost reduction initiatives are being driven by the sharing of best practice, through the standardisation and monitoring of performance metrics, specifically across the operations architecture and supply chain, and are showing positive results. These will remain a key focus for the management team in the second half of the year.

Bulldog

'Much of our focus in the first half was on improving the business operations - namely provisioning and customer care.

'Although connections accelerated in the period, we share the Telecoms Adjudicator's concerns over the BT provisioning process. After four consecutive months in which the Office of the Telecoms Adjudicator ('OTA ') reported provisioning problems that impacted negatively on the 'right first time ' metric, the process has begun to show improvements. We continue to work closely with BT to secure ongoing progress. Our key objective with BT openreach and the OTA is now to achieve improved lead times for the installation of new Bulldog lines.

'Following Bulldog's demonstration of the significant improvements achieved by recruitment and upskilling of customer support, call centre expansion and improvements to systems and processes, Ofcom was able to close its investigation into customer service and billing processes relatively quickly on 19 October.

'We now have 408 unbundled exchanges, covering 31 percent of UK households, and around 55,000 subscribers. On 1 November we launched our 'Open the Gate' TV, print and online advertising campaign to build brand awareness - this underpins our drive in the second half to increase customer numbers and continue to improve the customer experience. We intend to take advantage of the buoyancy of demand in this market and of the infrastructure we have built ahead of competitors and are likely, therefore, to accelerate investment to support Bulldog's commercial plans.

Energis transaction

' The Office of Fair Trading has now cleared the transaction and we anticipate completion within the next few days. As reported by Energis today, their business performed well in the first half showing total revenue growth of 4 percent compared with the same period last year , including Retail growth of 18 percent , and an EBITDA figure of £55 million for the six months to 30 September 2005.

'We will launch our integration of the two businesses on 14 November and we will update the market on the progress of the integration and our plans for the combined business in February 2006.

UK

'The migration to IP services further accelerated in the first half and, ahead of the full implementation of NGN, this has depressed operating margins.

'Our focus in Retail has been on retaining large accounts and increasing the percentage of IP orders. We have been successful on both fronts, in many cases securing multi-year contract renewals, with IP growing to 19 percent of Retail revenues. There is however a short-term negative impact on top line revenue, as accelerating contract renewals and the migration to IP both provide catalysts for price renegotiation. As part of the acceleration in demand for IP, we have seen a significant reduction in revenue from Frame Relay services, with accounts migrating to IP-VPN and some churn in SME accounts. In addition the second half of 2004/5 reflected non-recurrent revenues associated with the phasing of large Retail projects.

'We are also in a poor economic phase in the migration given that we are delivering new services, to a large extent, on a legacy cost base. At the same time Carrier Services continued to drive volumes to fill spare capacity, albeit at lower margins.

'Cost initiative programmes, suspended ahead of the Energis transaction, have now been resumed . Headcount was reduced by approximately 450 in September and the benefit of this falls largely in the second half.

' We achieved good Retail order intake in the second quarter. In the context of next generation networks we continue to review our operating model, withdrawing from those contracts we cannot serve profitably, optimising Carrier Services to maximise cash generation from legacy capacity and selectively withdrawing from low margin services that do not warrant the cost of migration to NGN.

'Over the next three to four years these initiatives together with our existing investments in scale, broadband , local loop unbundling and IP will benefit all elements of the profit and loss account, as well as our cash returns. The expanded UK business will target the large corporate sector providing a differentiated offer to this segment. While Bulldog will serve the SME and consumer segments, the access network we have created through local loop unbundling has a pivotal role for the Retail business as a whole, enabling us to control end-to-end access and to retain an increasing share of the value of every contract as we reduce access payments to BT. We will also adopt a more selective approach to Carrier Services as we migrate to an NGN environment. A s NGN enables us to migrate from multi-layered legacy networks, we can reduce operating costs by serving all customers from a single IP network platform and, with the completion of the NGN, we anticipate a more efficient deployment of capital investment in the network.

'Our objective in all of the markets where we operate is to build a profitable, sustainable infrastructure based business in the context of the telecom industry moving from legacy to new services.

'In National Telcos, this means: investment in mobile and broadband, developing marketing capabilities to gain and retain customers in a liberalised market and reducing costs to protect margins and cash flow.

'I n the UK we identified three key strategic priorities to build a sustainable position and reduce our exposure to legacy services. They a re: a more efficient all-IP network, a deeper access network and more scale to face increasing pressure on margins. W e have made significant progress in this strategy. W e have begun to deploy our NGN; completed the first phase of our access network, giving us more than 30 percent coverage of the UK market. And finally, with the acquisition of Energis we can, through larger scale, de-risk our investment in NGN and access whilst pursuing material synergies.'

EXECUTIVE SUMMARY

Trading overview

Revenue from continuing operations for the six months to 30 September 2005 was £1,481 million, a 1 percent increase at both reported rates and constant currency, compared with the prior year.

This growth reflects a full six months contribution from Monaco Telecom and strong performances in Panama, where revenue rose by 5 percent at constant currency, and Macau, where revenue grew by 15 percent at constant currency. Offsetting these strong performances, UK revenue fell by 5 percent.

Total operating profit before exceptional items from continuing operations for the six months to 30 September 2005 was £114 million, a decline of £39 million over the prior year, reflecting a 25 percent decline at reported rates and a 31 percent decline at constant currency. The main driver of the decline was increased Bulldog losses, reflecting the Group's continuing investment in its local loop unbundling and broadband strategy. As indicated in the Group's trading statement of 7 October 2005, operating profit from the UK reduced largely as a result of a shift in revenue mix from Retail to lower margin Carrier Services.

Profit before tax and exceptional items from continuing operations was £134 million for the six months to 30 September 2005 compared with £175 million in the prior year, a decline of 23 percent at reported rates.

Acquisitions and Disposals

On 8 April 2005, Cable & Wireless announced the completion of the disposal of its Spanish retail business for Euro 7 million. The consolidated financial statements for the six months ended 30 September 2005 recognise a profit on disposal of £4 million relating to this transaction.

On 13 July 2005, Cable & Wireless announced the completion of the sale of its Sakhalin fixed and mobile businesses for a consideration, inclusive of the repayment of a loan from Cable & Wireless of US$2.2 million, of US$44 million (£25 million at the exchange rate on 12 July 2005). The consideration, excluding loan repayment, was paid in cash on completion. The loan from Cable & Wireless was repaid on 12 September 2005. The consolidated financial statements for the six months ended 30 September 2005 recognise a profit on disposal of £13 million relating to this transaction.

On 16 August 2005, Cable & Wireless announced that it had reached agreement to acquire the entire issued share capital of Chelys Limited ('Energis') on a debt and cash free basis, save for Energis' finance lease obligations of approximately £37 million, for an initial cash consideration of £594 million. On completion, Cable & Wireless will inject approximately £35 million in cash, which is expected to be recovered within the first year after completion, to meet Energis' short-term working capital requirements. In the third year following completion, Cable & Wireless has agreed to pay a contingent consideration of between zero and £80 million, payable in cash or shares at Cable & Wireless' option, dependent on the level of Cable & Wireless' share price. The Office of Fair Trading cleared the acquisition on 25 October 2005. Completion is now expected to take place on or around 11 November 2005.

On 17 August 2005, Cable & Wireless announced that its joint venture, Great Eastern Telecommunications Limited ('GET'), had signed a conditional agreement for the sale of its entire shareholding in MobileOne Limited ('M1'), representing approximately 12.1 percent of the issued and paid up capital of M1 (GET is a joint venture between Cable & Wireless (51 percent) and PCCW Limited (49 percent). The sale was completed on 28 October 2005. The consideration paid on completion was S$2.20 per share, S$260.8 million in total (£86.6 million at the closing exchange rate on 27 October 2005) of which Cable & Wireless received £44.2 million through its 51 percent holding in GET.

Regulatory

Telecoms Strategic Review:

The UK communications regulator, Ofcom, concluded its Strategic Review of the telecoms sector in September 2005. Ofcom's stated objective is to seek to promote competition at the deepest level of infrastructure where it is effective and sustainable to do so.

In pursuit of this aim, Ofcom has accepted a set of more than 230 undertakings from BT in lieu of a reference to the Competition Commission. At the heart of the undertakings lies the principle of 'equivalence'. Going forward, a new organisational unit will be created encompassing all of BT's local access services infrastructure. The new unit, called openreach, will be required to provide access products and services to all players, including BT Retail, on an equal and arm's-length basis - from price and functionality to lead times and service quality. It is anticipated that the advent of openreach and the implementation of the concept of equivalence will neutralise BT's historic ability to leverage its unique position as both a monopoly infrastructure owner and competitive retailer, and thereby improve other market participants' ability to compete on an equal basis.

Local loop Unbundling ('LLU'):

Ofcom has continued to focus on LLU in achieving more effective competition in the UK market. The OTA has more recently voiced its disappointment at BT's poor performance and slow progress in delivering the stable automated systems on which LLU operators rely.

During 2005, Ofcom carried out a detailed assessment of the costs and charges for BT's access network. Ofcom has already published the results of the cost of copper and cost of capital reviews, which fed into the consultation on new charge ceilings for fully unbundled local loop rentals. We expect Ofcom to issue a final statement during November 2005 confirming the price ceiling, which will provide increased certainty over these costs for Bulldog Communications ('Bulldog').

Bulldog Ofcom Investigation:

On 19 October 2005, Ofcom announced that it had closed its investigation into

Bulldog's customer service and billing processes. The investigation was launched following a rise in complaints made to Ofcom by customers over the summer.

Bulldog has committed to certain customer compensation measures and will continue to report to Ofcom on its ongoing performance improvements over the next few months.

Discontinued operations

Discontinued operations in the six months to 30 September 2005 represent the post tax results of the Spanish retail and Sakhalin fixed and mobile businesses prior to their sale and the gains on their disposal. Discontinued operations in the six months to 30 September 2004 represent the post tax results of the Group's Japanese business ('C&W IDC'), Spanish retail and Sakhalin fixed and mobile businesses for the period and credits associated with the exit of the US domestic business in the prior year. C&W IDC, the Japanese business, was disposed of in the second half of 2004/5 and the gain on sale recognised at that time.

Exceptional items

In the six months to 30 September 2005 the Group recognised a net exceptional charge of £8 million in continuing operations. The main items reflected ongoing restructuring in the UK and corporate, and costs related to Hurricane Ivan offset by a gain of £11 million on the disposal of non-current assets. The Group also recognised an exceptional gain of £17 million from discontinued operations related to the sale of the Spanish retail and the Sakhalin fixed and mobile businesses.

In the six months to 30 September 2004 the Group recognised a net exceptional credit of £86 million comprising an exceptional net credit in continuing operations of £3 million, and an exceptional credit of £83 million in discontinued operations relating to the US domestic operations that were discontinued in the year ended 31 March 2004 and the sale of certain investments by C&W IDC.

A detailed analysis of exceptional items is given on pages 12 and 13 of this document.

Cash and funding

	30 September 2005	1 April 2005	31 March 2005
	£m	£m	£m
Cash and short-term investments	1,980	2,101	2,101
Long term debt	(611)	(741)	(801)
Current debt	(161)	(23)	(23)
Total debt	(772)	(764)	(824)
Net cash	1,208	1,337	1,277

The Group adopted IAS 32 and IAS 39 on 1 April 2005. The table above sets out the gross and net cash position before and after adoption together with the position at 30 September 2005. The impact of the adoption is set out in detail in the reconciliations available on the Group's website www.cw.com and resulted in a reduction in long term debt by £60 million, replacing it with a derivative instrument representing the conversion option of the £258 million Convertible

Bond 2010. Due to a change in the terms of the bond during the six months to 30 September 2005, the conversion option derivative was reclassified to equity.

Of the net cash balance at 30 September 2005, £1,066 million is held by Cable and Wireless plc. Of the remainder held by subsidiaries, £119 million is attributable to the Group and £23 million to minority interests.

Cash and short-term investments include £51 million (31 March 2005: £80 million) of Credit Linked Notes referenced to the Group's 2012 £200 million bond (which have a similar economic effect to repurchasing the bonds for the period of the investment), £42 million held as collateral against bank guarantees and £29 million held by the Group's insurance subsidiary, Pender Insurance Limited, against potential claim settlements, which, as a result, is not readily available for the general purposes of the Group.

Dividend

The Board has declared an interim dividend of 1.40 pence per share in respect of the current financial year to 31 March 2006, an increase of 21 percent compared with last year's equivalent of 1.16 pence per share. The interim dividend will be paid on 27 January 2006 to Ordinary shareholders on the register as at 18 November 2005 and will be paid on 3 February 2006 to American Depositary Receipt holders on the register as at 18 November 2005.

The scrip dividend scheme will be offered in respect of the interim dividend. Those shareholders who have already elected to join the scheme need do nothing since the interim dividend will be automatically applied to the scheme.

Shareholders wishing to join the scheme for the interim dividend (and all future dividends) should return a completed mandate form to: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 2DZ by 29 December 2005. Copies of the mandate form, and the scrip dividend brochure, can be obtained from Lloyds TSB Registrars (UK callers: 0870 600 3975, overseas callers: +44 1903 502 541) or from the Company's website

www.cw.com
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Return of capital

On 10 November 2004, Cable & Wireless announced a £250 million share repurchase programme. This programme was put in place to facilitate management of the Group balance sheet and as a result of the better than anticipated outcome of a number of divestments.

At 31 March 2005, Cable & Wireless had completed £75 million of its £250 million share repurchase programme. On 16 August 2005, Cable & Wireless announced the proposed acquisition of Energis and suspended the programme. During the six months to 30 September 2005 no share repurchases were made.

The share repurchase programme will now be resumed.

FINANCIAL RESULTS

Group income statement

The results and commentary that follow focus on the Group and divisional businesses within the Group. The Group results presented below should be read in conjunction with the Group's consolidated income statement, balance sheet and cash flow statements and related notes on pages 35 to 41.

	Six months ended 30 September 2005			Six months ended 31 March 2005			Six months e 2004
	Pre exceptional	Exceptional *	Total £m	Pre exceptional	Exceptional *	Total £m	Pre exceptional

	£m	£m		£m	£m		£m
Continuing operations							
Revenue	1,481	-	1,481	1,479	-	1,479	1,469
Outpayments and network costs	(835)	(3)	(838)	(810)	(65)	(875)	(821)
Staff costs	(266)	(12)	(278)	(266)	(70)	(336)	(261)
Other costs	(179)	(4)	(183)	(203)	(20)	(223)	(163)
Depreciation	(98)	-	(98)	(82)	1	(81)	(88)
Amortisation of software licences	(13)	-	(13)	(9)	-	(9)	(6)
Operating profit / (loss) before amortisation of acquired intangibles	90	(19)	71	109	(154)	(45)	130

Amortisation of acquired intangibles	(3)	-	(3)	(3)	-	(3)	(2)
Share of profit of associates and joint ventures	27	-	27	23	-	23	25
Total operating profit	114	(19)	95	129	(154)	(25)	153
Gains and losses on sale of non-current assets	2	11	13	5	(8)	(3)	-
Interest income	49	-	49	52	-	52	50
Other income	4	-	4	-	-	-	5
Interest expense	(35)	-	(35)	(35)	-	(35)	(33)

Profit before tax	134	(8)	126	151	(162)	(11)	175
Tax (expense)/ credit	(20)	-	(20)	(32)	89	57	(32)
Profit / (loss) for the period from continuing operations	114	(8)	106	119	(73)	46	143
Discontinued operations							
Profit for the period from discontinued operations	2	17	19	12	57	69	10
Profit / (loss) for the period	116	9	125	131	(16)	115	153
Attributable to:							
Equity							

holders of the Company	83	9	92	100	(13)	87	121
Minority interests	33	-	33	31	(3)	28	32
Profit / (loss) for the period	116	9	125	131	(16)	115	153
Earnings per share attributable to the equity							
holders of the Company during the period (p/share)							
- basic			4.0p			3.8p	
- diluted			3.8p			3.7p	
Earnings per share from continuing operations							
attributable to the equity holders of the Company							
during the period (p/share)							
- basic			3.2p			0.8p	
- diluted							

	3.1p	0.8p
Earnings per share from discontinued operations a attributable to equity holders of the Company during the period (p/share)		
- basic	0.8p	3.0p
- diluted	0.7p	2.9p

* Exceptional items comprise restructuring items, impairment charges and profit on disposal of non current assets. These items, which are set out on pages 13 and 14,

were considered significant by virtue of their size, nature or incidence.

The trading overview on page 6 provides additional commentary on the Group's performance.

Continuing operations

The Group recorded a total operating profit of £95 million for the six months to 30 September 2005, after taking account of exceptional operating costs of £19 million, comprising costs associated with the ongoing restructuring of the UK business and Corporate functions and the impact of Hurricane Ivan. The exceptional gain on the sale of non-current assets relates to the disposal of the Group's former training centre property. Interest income and expense remained broadly flat compared with the six months to 30 September 2004. Other income represents dividend income from trade investments.

Discontinued operations

Profit for the period from discontinued operations of £19 million includes £17 million from the disposal of the Group's Spanish retail business and the Sakhalin fixed and mobile businesses.

Exceptional items

In the six months ended 30 September 2005 the Group recognised a £9 million net gain in respect of exceptional items, of which a charge of £8 million related to continuing operations and a £17 million gain related to discontinued operations.

The analysis of the continuing exceptional charge of £8 million is set out in the table below.

Continuing operations	H1 2005/6	H2 2004/5	H1 2004/5
	£m	£m	£m
Operating items			
UK restructuring	(9)	(67)	(1)
Europe restructuring	-	(39)	-
Corporate restructuring	(4)	(31)	-

Asia restructuring		-	1	(2)
National Telcos restructuring	-	(2)	(2)	-
Hurricane Ivan		(4)	(17)	-
Release of onerous contract provisions		-	-	15
Depreciation		-	1	(9)
Operating costs		(19)	(154)	3
Non-operating items				
Profit on disposal of non -current assets		11	7	-
(Losses) on sale and termination of operations		-	(15)	-
Non-operating items		11	(8)	-
Total exceptional items from continuing				
operations before tax		(8)	(162)	3
Tax provision release		-	85	-
Tax on exceptional items		-	4	-
Total exceptional items from continuing				
operations after tax		(8)	(73)	3

Within the £19 million exceptional operating items, restructuring in the UK has resulted in a £9 million charge principally for staff-related costs. Costs associated with the corporate restructuring totalled £4 million, including £3 million of staff-related costs and £1 million of property-related costs. The impact of Hurricane Ivan in the Caribbean resulted in exceptional operating costs of £4 million relating mainly to network restoration.

The sale of the Group's former training facility gave rise to an £11 million gain.

Discontinued operations

The analysis of the discontinued exceptional gain of £17 million is set out in the table below.

	H1	H2	H1
	2005/6	2004/5	2004/5
	£m	£m	£m
Non-operating items			
Gains on sale and termination of operations	17	57	67
Profits on disposal of fixed assets	-	-	16
Total exceptional items from discontinued		57	
Operations	17		83

Exceptional items within discontinued operations relate to the gain on the disposal of the Group's Spanish retail and Sakhalin fixed and mobile businesses.

Refer to page 9 of this document for an explanation of these items.

Group cash flow

	H1	H2	H1
	2005/6	2004/5	2004/5
	£m	£m	£m
Profit for the period	125	115	239
Depreciation and amortisation	114	97	102
Changes in working capital	(24)	(64)	(54)
Movement on provisions	(54)	145	(31)
Other non-cash items	(49)	(148)	(94)
Cash inflow from operating activities	112	145	162
Dividends paid and received, returns on investments			
and servicing of finance	(46)	(19)	(49)
Taxation paid	(27)	(42)	(18)

Capital expenditure in continuing businesses	(210)	(205)	(116)
Proceeds from disposal of investments	2	52	16
Disposal and (acquisitions) of non-current assets	44	80	(61)
Net cash (outflow)/ inflow before financing*	(125)	11	(66)
Gross cash and short-term investments	1,980	2,101	2,183
Net cash	1,208	1,277	1,332

*Net cash inflow before financing includes cash outflows in respect of exceptional items of £70 million (H2 2004/5: £88 million; H1 2004/5: £48 million).

Operating activities produced £112 million of cash flow in the six months to 30 September 2005, which is a decrease of £50 million compared with the six months 30 September 2004.

Tax paid of £27 million in the six months to 30 September 2005 primarily relates to the National Telcos.

Cash capital expenditure of £210 million in the six months to 30 September 2005 was £94 million higher than the six months to 30 September 2004. The increase reflects investment in customer service delivery, including NGN build and LLU in the UK and further investment in GSM and broadband network infrastructure in the National Telcos.

The disposal and acquisition of non-current assets resulted in cash flow of £44 million for the six months to 30 September 2005, primarily from the disposal of the Group's former training centre and the Spanish retail and Sakhalin fixed mobile and businesses.

Cable & Wireless Performance Analysis

Continuing Operations

									National Telcos	
	UK	CWAO2	Europe	Asia	Bulldog	Caribbean	Panama	Macau	Monaco	Re the W
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Revenue	768	9	98	13	12	279	134	65	65	
Outpayments and network costs	(515)	(5)	(77)	(5)	(24)	(90)	(51)	(30)	(38)	
Staff costs	(130)	(2)	(10)	(4)	(15)	(44)	(12)	(5)	(8)	
Other costs	(63)	-	(11)	(2)	(17)	(50)	(21)	(4)	(4)	
Total operating costs1	(708)	(7)	(98)	(11)	(56)	(184)	(84)	(39)	(50)	
Depreciation and software amortisation	(41)	-	-	(1)	(5)	(30)	(16)	(8)	(3)	
Operating profit/(loss) before items and amortisation	19	2	-	1	(49)	65	34	18	12	
Amortisation of acquired intangibles	-	-	-	-	-	-	-	-	(3)	

Joint ventures
and associates (2) - - - - 6 - - 3

Total operating profit/
(loss) before
17 2 - 1 (49) 71 34 18 12 36 171 (28) 1

Excluding depreciation, amortisation and exceptional items.

2 Cable & Wireless Americas Operations Inc ('CWAO') provides data and IP solutions to international Retail and Carrier Services customers with service requirements to, from and with the United States.

3 Rest of the World comprises the results of the Group's operations in the Atlantic, Pacific and Indian Oceans, the Middle East and Channel Islands.

The divisional information in the above table reflects the management structure of the organisation during the six months to 30 September 2005.

United Kingdom

	H1	H2	H1	Change as reported**	Change as reported**
	2005/6	2004/5	2004/5	H1 v H2	H1 v H1
	£m	£m	£m	%	%
Carrier Services	392	353	380	11 %	3%

Retail	376	439	430	(14)%	(13)%
Total revenue	768	792	810	(3)%	(5)%
Outpayments and network costs	(515)	(512)	(554)	(1)%	7%
Staff costs	(130)	(129)	(122)	(1)%	(7)%
Other costs	(63)	(75)	(63)	16%	-
Total operating costs*	(708)	(716)	(739)	1%	4%
Depreciation and software amortisation	(41)	(30)	(30)	(37)%	(37)%
Operating profit before exceptional items and associates	19	46	41	(59)%	(54)%
Joint ventures & associates	(2)	(6)	(2)	67%	-
Operating profit before exceptional items	17	40	39	(58)%	(56)%
Headcount (number)	4,036	4,499	4,410	(10)%	(8)%
Cash capex	93	91	47	(2)%	(98)%
Free cash flow***	(33)	(15)	24	(100+)%	(100+)%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

Total revenue for the six months to 30 September 2005 was £768 million, a decline of 5 percent against the prior year and 3 percent against H2 2004/5.

Retail revenue was £376 million, showing a decline of 13 percent against the prior year and 14 percent against H2 2004/5. Market conditions in this sector of the UK market have remained challenging, as the growth in demand for IP services and continued competition has increased downward pressure on legacy product prices, particularly among larger clients, while driving customer churn among smaller customers. In addition, in H1 2005/6 there was significantly lower large project revenue than in either half of 2004/5.

Carrier Services revenue of £392 million increased by 3 percent against the prior year and 11 percent against H2 2004/5, due to growth in call volumes in international voice and mobile transit, the result of competitive pricing strategy in this area, effectively offsetting the negative effect of the reduction in mobile termination rates seen in H2 2004/5.

Outpayments and network costs were £515 million, a decrease of 7 percent against prior year and relatively flat against H2 2004/5. This reflects the impact of savings achieved through initiatives to reduce the network cost base, offset by the rise in volume-driven Carrier Services costs. To the extent that Retail revenues fell as a result of price degradation there was no reduction in outpayments and network costs.

Staff costs were £130 million, an increase of 7 percent against the prior year but relatively flat against H2 2004/5. The increase over the prior year primarily reflects the transfer of costs relating to 146 Group IT staff transferred into the UK's operating cost base in H2 2004/5. Headcount declined by 463 mostly during September 2005 and the full impact of these savings will be seen in H2 2005/6.

Other costs decreased by 16 percent reflecting ongoing restructuring in UK.

Depreciation and software amortisation was £41 million, an increase of 37 percent against both the prior year and H2 2004/5, reflecting the increase in the level of capital expenditure since the prior year.

Total operating profit before exceptional items for the period was £17 million reflecting the chang e in revenue mix towards lower margin Carrier Services, the decline in gross margins in both the Retail and Carrier Service segments and the phasing of cost savings towards the end of H1 2005/6.

Cash capital expenditure remained in line with H2 2004/5, at £93 million, and predominantly related to customer contracts along with ongoing investment in the NGN, which commenced H1 2005/6.

United States - Cable & Wireless Americas Operations, Inc. ('CWAO')+

	H1	H2	H1	Change as **reported	Change as **reported	cc growth1	cc growth1
	2005/6	2004/5	2004/5	H1 v H2	H1 v H1	H1 v H2	H1 v H1
	£m	£m	£m	%	%	%	%
Carrier Services	3	4	3	(25)%	-	(26)%	1 %
Retail	6	5	4	20%	50%	18%	52%

Total revenue	9	9	7	-	29%	(2)%	30%
Outpayments and network costs	(5)	(7)	(7)	29%	29%	30%	28%
Staff costs	(2)	(2)	(2)	-	-	2%	(1)%
Other costs	-	(1)	(2)	100%	100%	100%	100%
Total operating costs*	(7)	(10)	(11)	30%	36%	32%	36%
Operating profit /(loss) before							
exceptional items	2	(1)	(4)	100+%	100+%	100+%	100+%
Headcount (number)	38	41	49	(7)%	(22)%	-	-
Cash capex	-	-	-	-	-	-	-
Free cash flow***	2	(1)	(4)	100+%	100+%	100+%	100+%

* Excluding depreciation, amortisation and exceptional items.

** Positive percentage represents improvement.

*** Free cash flow is revenue less total operating costs less cash capital expenditure.

+ Cable & Wireless Americas Operations Inc ('CWAO') provides data and IP solutions to international Retail and Carrier Services customers with service

requirements to, from and with the United States.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Revenue for the six months to 30 September 2005 was £9 million, a 30 percent increase against the prior year and a 2 percent decline against H2 2004/5 at constant currency.

Retail revenue increased by 52 percent against the prior year and 18 percent against H2 2004/5 at constant currency. Growth was driven by new services, especially into Asia, and the completion of the successful migration of both billing and services from the former Cable & Wireless US network (now owned by Savvis Communications).

Carrier Services revenue increased 1 percent against the prior year but decreased 26 percent against H2 2004/5. This performance reflects the decline in services provided to Savvis, which finally reached levels commensurate with a full third party relationship, partially offset by the continued growth in sales to other US carriers.

Outpayments and network costs declined by 28 percent against the prior year and by 30 percent against H2 2004/5 on a constant currency basis following supplier re-pricing, especially in network bandwidth and IP capacity. In addition, in H2 2004/5 two new network sites were opened in Chicago and Houston, which reduced the costs of customer access while making the US network more attractive to customers.

Total operating profit before exceptional items for the period was £2 million.

Free cash flow of £2 million reflected the improved trading position and the low capital expenditure required to maintain the US network. This low level of capital expenditure has been achieved by closely matching expenditures to customer requirements and through the re-deployment of existing assets from within the Cable & Wireless Network.

Europe

	H1 2005/6 £m	H2 2004/5 £m	H1 2004/5 £m	Change as reported ** H1 v H2 %	Change as reported ** H1 v H1 %	cc growth1 H1 v H2 %	cc growth1 H1 v H1 %
Carrier Services	89	77	78	16%	14%	17%	12%
Retail	9	10	13	(10)%	(31)%	(9)%	(32)%
Total revenue	98	87	91	13%	8%	14%	5%
Outpayments and network costs	(77)	(68)	(71)	(13)%	(8)%	(14)%	(6)%
Staff costs	(10)	(15)	(14)	33%	29%	33%	30%
Other costs	(11)	(10)	(13)	(10)%	15%	(12)%	17%
Total operating costs*	(98)	(93)	(98)	(5)%	-	(6)%	2%

Total operating (loss) before exceptional items	-	(6)	(7)	100%	100%	100%	100%
Headcount (number)	233	388	489	(40)%	(52)%		
Cash capex	1	1	1	-	-	(2)%	2%
Free cash flow***	(1)	(7)	(8)	86%	88%	86%	88%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Excludes results from Spanish retail business sold in April 05 and included under Discontinued Operations.

Revenue for the six months to 30 September 2005 was £98 million, an increase of 5 percent against the prior year and 14 percent against H2 2004/5 at constant currency, with growth in Carrier Services more than offsetting the decline in Retail.

The strategy for Europe continues to be focused on Carrier Services, and the provision of voice, IP and data services to UK-based Retail customers.

Retail revenue was £9 million, a decline of 32 percent against the prior year and 9 percent against H2 2004/5 at constant currency, mainly due to tariff erosion and strong competition within the sector.

Carrier Services revenue was £89 million, an increase of 12 percent against the prior year and 17 percent against H2 2004/5 at constant currency. The steady growth in revenue throughout the year was primarily driven by increased international voice volumes.

Outpayments and network costs increased by 6 percent against the prior year and 14 percent against H2 2004/5 at constant currency, largely driven by the increased volume of Carrier Services revenue, mitigated in part by reductions in the network cost base as a result of restructuring initiatives.

Staff costs declined by 30 percent against the prior year and 33 percent against H2 2004/5 at constant currency. Europe headcount reduced by 155 in the six-month period to 30 September 2005, in line with cost reduction initiatives announced in November 2004.

Europe broke even at the level of total operating profit before exceptional items for the six months ended 30 September 2005, compared with an operating loss before exceptional items of £6 million in H2 2004/5.

Cash capital expenditure was negligible, reflecting the reduced scale of operations in Europe.

Asia

	Change as	Change as

	H1	H2	H1	reported **	reported **	cc growth 1	cc growth 1
	2005/6	2004/5	2004/5	H1 v H2	H1 v H1	H1 v H2	H1 v H1
	£m	£m	£m	%	%	%	%
Carrier Services	3	4	1	(25)%	100+%	(26)%	100+%
Retail	10	17	17	(41)%	(41)%	(42)%	(41)%
Total revenue	13	21	18	(38)%	(28)%	(39)%	(27)%
Outpayments and network costs	(5)	(10)	(9)	50%	44%	51%	44%
Staff costs	(4)	(4)	(3)	-	(33)%	2%	(35)%
Other costs	(2)	(1)	(6)	(100)%	67%	(81)%	66%
Total operating costs*	(11)	(15)	(18)	27%	39%	29%	38%
Depreciation and software amortisation	(1)	(1)	-	-	-	1%	-
Total operating profit							

before exceptional items	1	5	-	(80)%	-	(80)%	-
Headcount (number)	261	221	213	18%	23		
Cash capex	1	1	1	-	-	2%	(2)%
Free cash flow***	1	5	(1)	(80)%	100+%	(80)%	100+%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Following its disposal of Cable & Wireless IDC Inc., (the Group's former Japanese subsidiary) in February 2005, Cable & Wireless has refocused its business in Asia on serving large Retail customers that require IP and managed data services to and from Asia, and Carrier Services customers.

Revenue for the six months to 30 September 2005 was £13 million, a decrease of 27 percent against the prior year and a decrease of 39 percent against H2 2004/5 at constant currency. Revenue in Asia now reflects only A-end (or near end) revenue generated in the Asia region. A-end revenues have grown 27 percent against the prior year and are flat against H2 2004/5 at constant currency.

Outpayments and network costs now reflect only A-end costs and show a decline of 44 percent against the prior year and 51 percent against H2 2004/5 at constant currency.

The increase in headcount reflects the conversion of contract staff based in India to direct employees to improve employee retention. This has no impact on staff costs, which were flat against H2 2004/5.

Total operating profit before exceptional items for the period was £1 million.

Bulldog

	H1	H2	H1	Change as reported**
	2005/6	2004/5	2004/5	H1 v H2
	£m	£m	£m	%
Total revenue	12	7	4	71%
Outpayments and network costs	(24)	(9)	(4)	(100+)%
Staff costs	(15)	(9)	(3)	(67)%
Other costs	(17)	(13)	(1)	(31)%
Total operating costs*	(56)	(31)	(8)	(81)%
Depreciation and software				

amortisation	(5)	(2)	-	(100+)%
Total operating (loss) before exceptional items	(49)	(26)	(4)	(88)%
Headcount (number)***	813	505	190	61%
Cash capex	32	23	4	(39)%
Free cash flow****	(76)	(47)	(8)	(62)%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Includes 250 contractors as at 30 September 2005.

****Free cash flow is revenue less total operating costs less cash capital expenditure.

Bulldog commentary focuses on performance relative to the prior six months (H2 2004/5), reflecting a comparable accounting period and the development of a start-up business.

Revenue for the six months to 30 September 2005 was £12 million, an increase of 71 percent against H2 2004/5. Revenue growth was driven by increased subscriber numbers, which reflected strong demand for the 8Mbps broadband and unlimited national and local phone calls product sets. However, marketing activity was deferred in the period pending completion of the Ofcom investigation , which closed on 19 October 2005.

Outpayments and network costs were £24 million, an increase of over 100 percent against H2 2004/5, reflecting the completion of the initial rollout to 408 exchanges in the period. Outpayments include payments to Cable & Wireless UK for the use of its voice and backbone network.

Staff costs were £15 million, an increase of 67 percent against 2004/5, reflecting the recruitment of an additional 308 staff during the period mainly to improve customer service levels.

Other costs were £17 million, an increase of 31 percent against H2 2004/5. The primary contributor to the increased cost base was the investment in customer care and back office processes.

The depreciation charge of £5 million reflects the capital investment being made in the expansion of Bulldog's local loop unbundled network and associated systems.

Cash capital expenditure of £32 million in H1 2005/6 reflects the continuing build out of the broadband network infrastructure. This investment was driven by unbundling local exchanges (408 unbundled exchanges at 30 September 2005 compared with 252 unbundled exchanges at 31 March 2005), and continued investment in billing, provisioning and customer care systems.

National Telcos

	H1 2005/6	H2 2004/5	H1 2004/5	Change as reported** H1 v H2	Change as reported** H1 v H1	cc growth 1 H1 v H2	cc growth 1 H1 v H1
	£m	£m	£m	%	%	%	%
International voice	96	93	112	3%	(14)%	1%	(13)%

Domestic voice	169	164	174	3%	(3)%	1%	(1)%
Mobile	174	164	138	6%	26%	4%	28%
Data & IP	82	75	73	9%	12%	7%	14%
Other	74	86	45	(14)%	64%	(15)%	65%
Total revenue	595	582	542	2%	10%	-	11%
Outpayments and network costs	(223)	(219)	(182)	(2)%	(23)%	-	(24)%
Staff costs	(80)	(82)	(76)	2%	(5)%	4%	(7)%
Other costs	(85)	(90)	(88)	6%	3%	7%	2%
Total operating costs *	(388)	(391)	(346)	1%	(12)%	2%	(14)%
Depreciation and software amortisation	(62)	(60)	(61)	(3)%	(2)%	(1)%	(3)%
Operating profit before exceptional							
items, amortisation and associates	145	131	135	11%	7%	9%	9%
Amortisation	(3)	(3)	(2)	-	(50)%	-	(48)%
Joint ventures and associates	29	29	27	-	7%	(2)%	9%

Total operating profit before exceptional							
Items	171	157	160	9%	7%	7%	8%
Headcount (number)	8,185	8,077	7,977	1%	3%		
Cash capex	78	87	63	10%	(24)%	12%	(26)%
Free cash flow***	129	104	133	24%	3%	21%	(2)%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

The performance of the individual business units that comprise National Telcos are discussed on pages 24 to 31.

Caribbean

	Change as reported	Change as reported

	H1 2005/6 £m	H2 2004/5 £m	H1 2004/5 £m	** H1 v H2 %	** H1 v H1 %	cc growth 1 H1 v H2 %	cc growth 1 H1 v H1 %
International voice	55	54	69	2%	(20)%	(1)%	(19)%
Domestic voice	91	84	94	8%	(3)%	6%	(1)%
Mobile	75	73	63	3%	19%	1%	21%
Data & IP	38	35	36	9%	6%	6%	7%
Other	20	28	14	(29)%	43%	(30)%	46%
Total revenue	279	274	276	2%	1%	-	3%
Outpayments and network costs	(90)	(94)	(89)	4%	(1)%	6%	(3)%
Staff costs	(44)	(47)	(41)	6%	(7)%	8%	(9)%
Other costs	(50)	(58)	(55)	14%	9%	15%	8%
Total operating costs*	(184)	(199)	(185)	8%	1%	9%	(1)%
Depreciation and software amortisation	(30)	(27)	(31)	(11)%	3%	(8)%	2%
Operating profit							

before exceptional items and associates	65	48	60	35%	8%	32%	10%
Joint ventures and associates	6	5	9	20%	(33)%	16%	(33)%
Total operating profit before exceptional items	71	53	69	34%	3%	30%	5%
Headcount (number)	4,243	4,147	3,990	2%	6%		
Cash capex	44	44	42	-	(5)%	2%	(7)%
Free cash flow***	51	31	49	65%	4%	59%	6%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Revenue for the six months to 30 September 2005 was £279 million, an increase of 3 percent against the prior year and flat against H2 2004/5 at constant currency.

International voice revenue declined by 19 percent against the prior year and by 1 percent against H2 2004/5 at constant currency due to ongoing pressure on international rates across the region, particularly in Barbados where the international business was opened up to competition in February 2005. In addition, international revenue from Jamaica declined year on year as a result of the regulatory reductions to international settlement rates implemented in June 2004.

Domestic voice revenue decreased by 1 percent against the prior year but increased by 6 percent against H2 2004/5, reflecting the benefit of domestic rate rebalancing and increased interconnect revenues, offset in part by lower average usage due to fixed to mobile substitution. Fixed line connections at 30 September 2005 were 693,000 compared with 735,000 at 31 March 2005.

Mobile revenue increased by 21 percent against the prior year and was stable against H2 2004/5 at constant currency. The increase in revenue against the prior year was primarily driven by increased customer numbers and increases in international and roaming revenues. H1 2005/6 was flat at constant currency against H2 2004/5 due to pricing pressures experienced across the mobile business offset by continued growth in subscriber numbers.

GSM services are now available in all 12 Caribbean islands where the company offers mobile services. The number of Blackberry users continues to grow and the percentage of customers operating on the GSM platform continues to increase as customers are migrated from the TDMA platforms across the region. Cable & Wireless continues to enhance its GSM mobile network coverage, capacity and roaming capabilities, as well as introducing new services such as e-Top up and General Packet Radio Service ('GPRS').

Data & IP revenue increased by 7 percent against the prior year and by 6 percent against H2 2004/5 at constant currency, driven by increased broadband customer numbers.

Staff costs increased by 9 percent against the prior year but decreased by 8 percent against H2 2004/5 at constant currency, due to restructuring costs in Barbados in H2 2004/5. Headcount increased to 4,243 at the end of the period as a result of outsourced services brought back in house to improve efficiency as well as extra staff to increase telesales capability in broadband services. The increase in staff costs from the prior year reflects a revaluation of local pension funds leading to an increase in pension contributions as well as a reduction in own work capitalised.

Other costs decreased by 8 percent against the prior year and by 15 percent against H2 2004/5 at constant currency, principally reflecting reductions in corporate administration costs, information technology costs and improved management of bad debts.

Total operating profit before exceptional items was £71 million, an increase of 5 percent against the prior year and 30 percent against H2 2004/5 at constant currency.

Panama

	H1	H2	H1	Change as reported**	Change as reported**	cc growth 1	cc growth 1
	2005/6	2004/5	2004/5	H1 v H2	H1 v H1	H1 v H2	H1 v H1
	£m	£m	£m	%	%	%	%

International voice	9	9	9	-	-	2%	(2)%
Domestic voice	54	56	61	(4)%	(11)%	(6)%	(10)%
Mobile	47	41	36	15%	31%	12%	32%
Data & IP	16	15	15	7%	7%	4%	8%
Other	8	7	8	14%	-	12%	1%
Total revenue	134	128	129	5%	4%	2%	5%
Outpayments and network costs	(51)	(49)	(41)	(4)%	(24)%	(2)%	(26)%
Staff costs	(12)	(11)	(12)	(9)%	-	(9)%	3%
Other costs	(21)	(18)	(20)	(17)%	(5)%	(14)%	(6)%
Total operating costs*	(84)	(78)	(73)	(8)%	(15)%	(5)%	(16)%
Depreciation and software amortisation	(16)	(16)	(15)	-	(7)%	2%	(8)%
Total operating profit before							

exceptional items	34	34	41	-	(17)%	(3)%	(16)%
Headcount (number)	1,817	1,818	1,891	-	(4)%		
Cash capex	15	30	11	50%	(36)%	51%	(39)%
Free cash flow***	35	20	45	75 %	(22)%	69%	(21)%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Revenue for the six months to 30 September 2005 was £134 million, an increase of 5 percent against the prior year and 2 percent against H2 2004/5 at constant currency, as strong growth in Mobile and Data & IP revenues offset the continued decline in Domestic voice revenue.

International voice revenue remained broadly flat compared with the prior year and H2 2004/5. While there was a decline in international outbound revenues, due to increased local competition and price pressure, there was a corresponding increase in international inbound revenue, due to increases in international bilateral agreements and re-file of traffic.

Domestic revenue declined 10 percent against the prior year and 6 percent against H2 2004/5 at constant currency, reflecting the continued high level of competition following liberalisation of the domestic market in January 2003 and fixed to mobile substitution.

Mobile revenue increased by 32 percent against the prior year and 12 percent against H2 2004/5 at constant currency reflecting strong growth in GSM mobile subscribers, and an increase in interconnection with other carriers.

Data & IP revenue increased by 8 percent against the prior year and 4 percent against H2 2004/5 at constant currency, as a result of increased revenue from ADSL and major corporate contracts sales.

Outpayments and network costs increased by 26 percent against the prior year and 2 percent against H2 2004/5 at constant currency due to the continued change in the sales mix leading to an increase in mobile customer acquisition costs, increased customer premises equipment sales and higher outpayments as more traffic is terminated on third party international and local networks.

Staff costs declined by 3 percent against the prior year and increased 9 percent against 2004/5 at constant currency. The increase in staff costs compared to H2 2004/5 reflects a reduced proportion of capitalised staff costs in line with reduced capital expenditure. Excluding the capitalised labour impact, staff costs would have decreased 10 percent compared with H2 2004/5 due to an ongoing staff restructuring programme.

Other costs increased by 6 percent against the prior year and 14 percent against H2 2004/5 at constant currency as a result of higher marketing expenses associated with campaigns to promote sales and the corporate image.

Depreciation and software amortisation increased by 8 percent against the prior year but decreased by 2 percent against H2 2004/5 at constant currency, reflecting the phasing of mobile and ADSL capital expenditure to the second half of last year.

Total operating profit before exceptional items was £34 million, a decrease of 16 per cent against the prior year and 3 percent against H2 2004/5 at constant currency.

Cash capital expenditure increased 39 percent against the prior year and decreased by 51 percent against H2 2004/5 at constant currency. The high level of capital expenditure in H2 2004/5 mainly reflected additional investment in the expansion of the GSM network.

Macau

	H1	H2	H1	Change as reported**	Change as reported **	cc growth 1	cc growth 1
	2005/6	2004/5	2004/5	H1 v H2	H1 v H1	H1 v H2	H1 v H1
	£m	£m	£m	%	%	%	%
International voice	15	13	14	15%	7%	13%	8%
Domestic voice	9	8	9	13%	-	10%	1%
Mobile	22	22	22	-	-	(2)%	1%
Data & IP	10	9	9	11%	11%	9%	12%

Other	9	8	3	13%	100+%	11%	100+%
Total revenue	65	60	57	8%	14%	6%	15%
Outpayments and network costs	(30)	(24)	(24)	(25)%	(25)%	(22)%	(26)%
Staff costs	(5)	(6)	(5)	17%	-	7%	(1)%
Other costs	(4)	(4)	(4)	-	-	2%	(1)%
Total operating costs*	(39)	(34)	(33)	(15)%	(18)%	(12)%	(20)%
Depreciation and software amortisation	(8)	(7)	(8)	(14)%	-	(11)%	(1)%
Total operating profit before							
exceptional items	18	19	16	(5)%	13%	(7)%	14%
Headcount (number)	975	932	908	5%	7%		
Cash capex	6	6	3	-	(100)%	2%	(100+)%
Free cash flow***	20	20	21	-	(5)%	(2)%	(4)%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Revenue for the six months to 30 September 2005 was £65 million, an increase of 15 percent against the prior year and an increase of 6 percent against H2 2004/5 at constant currency. The increase in revenue over the prior year was mainly driven by a strong performance in Professional Services classified within Other revenue.

International voice revenue rose by 8 percent against the prior year and 13 percent against H2 2004/5 at constant currency, as a result of increased international inpayments.

Domestic voice revenue increased by 1 percent against the prior year and by 10 percent against H2 2004/5 at constant currency, due to higher interconnect revenue.

Mobile revenue was broadly flat compared with both the prior year and H2 2004/5 at constant currency, as increased handset sales were offset by price declines in service revenue as a result of increased competition.

Data & IP revenue rose 12 percent against the prior year and 9 percent against H2 2004/5 at constant currency, reflecting increased demand for internet broadband services.

Total operating costs before depreciation, amortisation and exceptional items were £39 million, representing a 20 percent increase against the prior year and a 12 percent increase against H2 2004/5 at constant currency. The increase was driven primarily by higher cost of sales for mobile handsets and professional services.

Total operating profit before exceptional items was £18million, an increase of 14 percent against the prior year and a decrease of 7 percent against H2 2004/5 at constant currency.

Monaco

	H1	H2	H1	Change as reported**	Change as reported**	cc growth 1	cc growth 1
	2005/6	2004/5	2004/5	H1 v H2	H1 v H1	H1 v H2	H1 v H1
	£m	£m	£m	%	%	%	%
International voice	5	6	3	(17)%	67%	(17)%	63%
Domestic voice	5	6	2	(17)%	100+%	(17)%	100+%
Mobile	14	14	5	-	100+%	-	100+%
Data & IP	6	5	3	20%	100%	20%	96%
Other	35	39	17	(10)%	100+%	(10)%	100+%

Total revenue	65	70	30	(7)%	100+%	(7)%	100+%
Outpayments and network costs	(38)	(40)	(15)	5%	(100+)%	5%	(100+)%
Staff costs	(8)	(9)	(4)	11%	(100)%	11%	(96)%
Other costs	(4)	(4)	(1)	-	(100+)%	-	(100+)%
Total operating costs*	(50)	(53)	(20)	6%	(100+)%	6%	(100+)%
Depreciation and software amortisation	(3)	(4)	(2)	25%	(50)%	25%	(47)%
Operating profit before							
exceptional items, amortisation							
and associates	12	13	8	(8)%	50%	(7)%	47%
Amortisation of acquired intangibles	(3)	(3)	(2)	-	(50)%	-	(48)%
Joint ventures and associates	3	1	-	100+%	-	100+%	-
Total operating profit before							

exceptional items	12	11	6	9%	100%	10%	95%
Headcount (number)	469	458	455	2%	3%		
Cash capex	6	3	2	(100)%	(100+)%	(100+)%	(100+)%
Free cash flow***	9	14	8	(36)%	13%	(36)%	10%

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange

rates. Positive percentage represents improvement.

Monaco commentary focuses on performance relative to the prior six months (H2 2004/5), reflecting a comparable accounting period.

Revenue for the six months to 30 September 2005 was £65 million, a decline of 7 percent against H2 2004/5 a t constant currency.

Monaco Telecom has a monopoly in International and Domestic fixed line markets as well as the Data & IP market. However, pricing in the Data & IP market (which includes broadband) is strongly influenced by the highly competitive

French market that neighbours Monaco.

The Mobile market is also a monopoly. However, as with the Data & IP market, mobile pricing and services have been adversely affected by developments in the French market.

Other revenue includes the provision of services to mobile operations in Afghanistan, an international contract in Kosovo and its satellite and call centre activities.

Total operating costs before depreciation, amortisation and exceptional items were £50 million, a decline of 6 percent against H2 2004/5 at constant currency.

Depreciation and software amortisation declined by 25 percent against H2 2004/5.

The strong performance in joint ventures and associates was driven by the expansion of mobile operations in Afghanistan in which Monaco Telecom has a 37 percent interest.

Rest of the World

	H1	H2	H1	Change as reported**	Change as reported **	cc growth1	cc growth1
	2005/6	2004/5	2004/5	H1 v H2	H1 v H1	H1 v H2	H1 v H1
	£m	£m	£m	%	%	%	%
International							

voice	12	11	17	9%	(29)%	7%	(29)%
Domestic voice	10	10	8	-	25%	(1)%	26%
Mobile	16	14	12	14%	33%	14%	34%
Data & IP	12	11	10	9%	20%	8%	21%
Other	2	4	3	(50)%	(33)%	(50)%	(33)%
Total revenue	52	50	50	4%	4%	3%	5%
Outpayments and network costs	(14)	(12)	(13)	(17)%	(8)%	(15)%	(9)%
Staff costs	(11)	(9)	(14)	(22)%	21%	(20)%	21%
Other costs	(6)	(6)	(8)	-	25%	1%	25%
Total operating costs*	(31)	(27)	(35)	(15)%	11%	(13)%	11%
Depreciation and software amortisation	(5)	(6)	(5)	17%	-	18%	(1)%
Operating profit before exceptional							
items, amortisation and associates	16	17	10	(11)%	60%	(12)%	61%

Joint ventures and associates	20	23	18	(13)%	11%	(15)%	12%
Total operating profit before exceptional items	36	40	28	(10)%	29%	(11)%	30%
Headcount (number)	681	722	733	(6)%	(7)%		
Cash capex	7	4	5	(75)%	(40)%	(72)%	(42)%
Free cash flow* **	14	19	10	(26)%	40 %	(27)%	40 %

*Excluding depreciation, amortisation and exceptional items.

**Positive percentage represents improvement.

***Free cash flow is revenue less total operating costs less cash capital expenditure.

1CC Growth - constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Revenue for the six months to 30 September 2005 was £52 million, an increase of 5 percent against the prior year and 3 percent against H2 2004/5 at constant currency.

International voice revenue decreased 29 percent against the prior year at constant currency, reflecting pricing pressure from competition in Bermuda from the second half of last year. International voice revenue of £12 million increased by 7 percent against H2 2004/5 at constant currency, due to a strong performance in Guernsey.

Domestic voice revenue increased by 26 percent against the prior year and was broadly flat against H2 2004/5 at constant currency.

Mobile revenue of £16 million increased by 34 percent against prior year and by 14 percent against H2 2004/5 at constant currency, reflecting a strong performance in mobile service revenues in Guernsey and continuing fixed-to-mobile substitution in the Seychelles.

Data & IP revenue of £12 million increased by 21 percent against prior year and by 8 percent against H2 2004/5 at constant currency, primarily due to a strong performance in Guernsey.

Outpayments and network costs increased 9 percent against the prior year and 15 percent against H2 2004/5 at constant currency due primarily to increased costs in Guernsey in line with increased levels of activity.

Staff costs of £11 million decreased by 21 percent against the prior year at constant currency in line with a decrease in headcount. Staff costs increased 20 percent against H2 2004/5 at constant currency as a result of pension fund cost adjustments in Guernsey.

Other costs decreased by 25 percent against the prior year and were broadly flat against H2 2004/5 at constant currency.

Income from joint ventures and associates increased by 12 percent against the prior year but declined by 15 percent against H2 2004/5 at constant currency. The decline since H2 2004/5 is mainly driven by the impact of the introduction of mobile competition in the Maldives.

Total operating profit before exceptional items was £36 million, an increase of 30 percent against the prior year, but a decline of 11 percent against H2 2004/5 at constant currency.

Cash capital expenditure rose by 72 percent against H2 2004/5 at constant currency due to increased investment in Guernsey and Bermuda.

ADDITIONAL INFORMATION

Exchange rate movements

Year on year average exchange rates show a 1.2 percent devaluation of the US dollar against sterling and a 2.7 percent devaluation of the Jamaican dollar against sterling. This has had a significant impact on the Group as a large proportion of the businesses report in currencies that are linked or pegged to the US dollar or the Jamaican dollar. The 1.5 percent relative decline of the Jamaican dollar against the US dollar had an adverse impact on businesses where certain outpayments are denominated in US dollars.

Average and period-end US dollar and Jamaican dollar exchange rates used in the current and prior year are shown below.

	2005/6	2004/5	
	H1	H2	H1
US$			
-Average	1.8297	1.8388	1.8073
-Period end	1.7770	1.8701	1.8027

Jamaican$			
-Average	112.3452	111.9637	109.3445
-Period end	111.1100	113.8890	110.5020

Pensions

The retirement benefit obligation at 30 September 2005 is £254 million (31 March 2005: £227 million), of which £197 million (31 March 2005: £176 million) relates to the main UK scheme. Retirement benefit assets are £28 million (31 March 2005: £26 million). The Group's retirement benefit schemes have been revalued at 30 September 2005 adjusting for changes in discount rates and asset values. The triennial valuation of the main UK scheme as at 31 March 2005 has not yet been finalised and discussions are ongoing with the scheme's trustees. Consequently, no other underlying assumptions have been changed from those applied at 31 March 2005.

Contacts

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Interviews with Francesco Caio, CEO and Charles Herlinger, CFO in video/audio and text will be available from 7.00 am on Tuesday 8 November 2005 on http://

www.cw.com
and on
http://www.cantos.com

Independent review report to Cable and Wireless plc

Introduction

We have been engaged by the company to review the financial information set out on pages 35 to 41 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in the notes to the financial information, the next annual financial statements of the group will be prepared in accordance with IFRSs adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in the notes, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2005.

KPMG Audit Plc

Chartered
Accountants

London

7 November 2005

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED

30 SEPTEMBER 2005

	Six months ended 30 September 2005			Six months ended 30 September 2004			Year
	Pre Exceptional £m	Exceptional £m	Total £m	Pre Exceptional £m	Exceptional £m	Total £m	Pr Exceptiona £
Continuing operations							
Revenue	1,481	-	1,481	1,469	-	1,469	2,948
Operating costs before depreciation and amortisation	(1,280)	(19)	(1,299)	(1,245)	12	(1,233)	(2,524
Depreciation	(98)	-	(98)	(88)	(9)	(97)	(170
Amortisation	(16)	-	(16)	(8)	-	(8)	(20
Group operating profit / (loss)	87	(19)	68	128	3	131	234
Share of profit of associates and joint ventures	27	-	27	25	-	25	48

Total operating profit/ (loss)	114	(19)	95	153	3	156	28
Gains and losses on sale of non-current assets	2	11	13	-	-	-	5
Interest income	49	-	49	50	-	50	102
Other income	4	-	4	5	-	5	5
Interest expense	(35)	-	(35)	(33)	-	(33)	(68
Profit before tax	134	(8)	126	175	3	178	326
Tax (expense)/ credit	(20)	-	(20)	(32)	-	(32)	(64
Profit / (loss) for the period from continuing operations	114	(8)	106	143	3	146	262

Discontinued operations							
Profit for the period from discontinued operations	2	17	19	10	83	93	22
Profit for the period	116	9	125	153	86	239	284
Attributable to:							
Equity holders of the Company	83	9	92	121	86	207	221
Minority interest	33	-	33	32	-	32	63
	116	9	125	153	86	239	284
Earnings per share attributable to the equity							
holders of the Company during the period (p/share)							
- basic			4.0p			8.9p	

- diluted	3.8p	8.3p
Earnings per share from continuing operations attributable to the equity holders of the Company during the period (p/share)		
- basic	3.2p	4.9p
- diluted	3.1p	4.7p
Earnings per share from discontinued operations attributable to equity holders of the Company during the period (p/share)		
- basic	0.8p	4.0p
- diluted	0.7p	3.6p

Notes

1. Exceptional items in the period ended 30 September 2005 include further restructuring costs of £15 million incurred in reshaping the UK Group business and the relocation of corporate functions, hurricane restoration costs of £4 million, a gain of £11 million on disposal of property and a gain of £17 million on the disposal of discontinued operations.

2. Exceptional items in the period ended 30 September 2004 include the final costs of removing the former Global and Regional divisions of £3 million in the UK and Asia, hurricane related costs of £9 million and a release from restructuring provisions of £15 million. Gains within discontinued operations of £83 million include gains on disposal of non-operating assets of £16 million from discontinued operations.

3. Exceptional items in the year ended 31 March 2005 include restructuring costs of £141 million incurred in reshaping the UK Group business and the relocation of corporate functions, hurricane related costs of £25 million, a release from restructuring provisions of £15 million, a gain of £7million on disposal of property, costs of terminating operations of £15 million, a tax provision release of £85 million and a £4 million tax credit on exceptional items. Gains within discontinued operations of £140 million include gains on disposal of non-operating assets of £16 million from discontinued operations.

	30 September 2005	31 March 2005	30 September 2004
	£m	£m	£m
ASSETS			
Non-current assets			
Intangible assets	190	206	188

Property, plant and equipment	1,344	1,268	1,142
Investments in associates and joint ventures	266	245	256
Trade investments	-	33	74
Available for sale financial assets	14	-	-
Deferred tax asset	45	29	29
Retirement benefit asset	28	26	23
Trade and other receivables	46	43	49
	1,933	1,850	1,761
Current assets			
Inventories	31	26	32
Trade and other receivables	883	805	923
Tax recoverable	-	-	11
Available for sale financial assets	135	-	-
Current asset investment	-	80	50
Cash and cash equivalents	1,929	2,021	2,133
	2,978	2,932	3,149
Assets held for sale	-	18	93

	2,978	2,950	3,242
Total assets	4,911	4,800	5,003
Current liabilities			
Trade and other payables	1,308	1,293	1,321
Current tax liabilities	170	158	292
Loans and obligations under finance leases	161	23	35
Provisions for other liabilities and charges	239	279	153
	1,878	1,753	1,801
Liabilities associated with assets held for sale	-	4	78
	1,878	1,757	1,879
Net current assets	1,100	1,193	1,363
Non-current liabilities			
Loans and obligations under finance leases	611	801	816
Deferred tax liabilities	49	49	22
Provisions for liabilities and charges	148	188	149

Retirement benefit obligations	254	227	415
	1,062	1,265	1,402
Net assets	1,971	1,778	1,722
EQUITY			
Capital and reserves attributable to the			
Company'sequity holders			
Share capital	601	599	597
Share premium	17	8	2
Retained earnings	(669)	(697)	(851)
Treasury shares	(231)	(231)	(156)
Other reserves	202	105	105
Translation reserve	1	(37)	(3)
Special reserve	1,725	1,736	1,745
	1,646	1,483	1,439
Minority interest	325	295	283
Total equity	1,971	1,778	1,722

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2005

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
	£m	£m	£m
Fair value gains on available for sale financial assets	5	-	-
Actuarial (losses)/gains in the value of defined benefit retirement plans	(21)	(6)	76
Cumulative translation differences recycled on disposal of foreign investment	-	-	(2)
Exchange differences on translation of foreign operations	52	(3)	(38)

Tax on items taken directly to or transferred from equity	-	-	(3)
Net income recognised directly in equity	36	(9)	33
Profit for the period	125	239	354
Total recognised income and expense for the period	161	230	387
Attributable to			
- equity holders of the Company	114	198	328
- minority interest	47	32	59

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
	£m	£m	£m
Net profit for the period	92	207	295

Shares issued (including premium) during the period	11	1	9
Share based payment costs	6	3	10
Actuarial gains - net of tax	(21)	(6)	73
Currency translation differences	38	(3)	(40)
Recycling of fair value adjustment on investment disposal	-	-	3
Dividends distributed	(60)	(73)	(100)
Own shares purchased	-	-	(75)
Reclassification of conversion option to equity	60	-	-
Net fair value gains gross of tax	5	-	(2)
Net increase/decrease in equity shareholders' funds	131	129	173
Adjustment for initial application of IAS 32/39	32	-	-
Opening equity shareholders' funds	1,483	1,310	1,310

Closing equity shareholders' funds	1,646	1,439	1,483

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED

30 SEPTEMBER 2005

	Six months ended 30 September 2005	Six months ended 30 September 2004	Year ended 31 March 2005
	£m	£m	£m
Continuing operations			
Cash flows from operating activities			
Cash generated from continuing operations (see page 41])	108	155	279
Cash generated from discontinued operations (see page 41)	4	7	28

Income taxes paid	(27)	(18)	(60)
Net cash from operating activities	85	144	247
Cash flows from investing activities			
Interest received	65	46	88
Other investment income	4	4	4
Dividends received	19	16	31
Proceeds on disposal of trade investments	2	-	51
Proceeds on disposal of property, plant and equipment	20	7	9
Purchase of property, plant and equipment	(196)	(103)	(278)
Purchase of intangible assets	(14)	(13)	(43)
Purchase of credit linked notes	-	-	(80)
Proceeds from redemption of credit			

linked notes	30	-	50
Acquisition of associates and joint ventures	(4)	(9)	(7)
Acquisition of shareholdings in subsidiaries			
(net of cash received)	-	(77)	(77)
Net cash from continuing operations	(74)	(129)	(252)
Discontinued operations			
Proceeds on disposal of trade investment	-	16	17
Proceeds on disposal of subsidiaries	28	24	96
Proceeds on disposal of associate and joint ventures	-	-	7
Purchase of property, plant and equipment	-	(6)	(9)

Net cash from discontinued operations	28	34	111
Net cash used in investing activities	(46)	(95)	(141)
Cash flows from financing activities			
Dividends paid to minority interests	(45)	(15)	(27)
Dividends paid to shareholders	(56)	(71)	(97)
Repayments of borrowings	(20)	(59)	(82)
Interest paid	(33)	(29)	(67)
Proceeds from borrowings	22	1	1
Purchase of treasury shares	(1)	-	(74)
Net proceeds on issue of ordinary share capital	7	1	6
Net cash used in financing activities	(126)	(172)	(340)

Discontinued operations	-	(3)	(4)
Net cash used in financing activities	(126)	(175)	(344)
Net decrease in cash and cash equivalents	(87)	(126)	(238)
Cash and overdrafts at the beginning of the period	2,021	2,270	2,270
Exchange gains and losses on cash and cash equivalents	(5)	(2)	(4)
Cash and overdrafts at the end of the period	1,929	2,142	2,028
Less: Cash reflected as assets held for sale	-	(9)	(7)
Cash and overdrafts at the end of the period	1,929	2,133	2,021

NOTES TO THE FINANCIAL INFORMATION

Basis of preparation

These interim consolidated financial statements ('Interim Financial Statements') are for the six-month period ended 30 September 2005. In accordance with EU regulation, Cable and Wireless plc ('Cable & Wireless' and with its subsidiaries, the 'Group') is required to prepare statutory financial statements, which comply with the International Financial Reporting Standards ('IFRS') adopted for use in the European Union ('Adopted IFRS') starting from the financial year ending 31 March 2006. The Group's transition date to IFRS is 1 April 2004. Adopted IFRS are similar to IFRS issued by the IASB, except for certain provisions concerning fair value accounting for financial liabilities and hedge accounting that have no impact on the financial statements of the Group.

These Interim Financial Statements have been prepared on the basis of the recognition and measurement requirements of Adopted IFRS as at 30 September 2005 that are effective (or available for early adoption) at 31 March 2006. Based on Adopted IFRS, the directors have applied the accounting policies, which they expect to apply when the financial statements are prepared for the year ending 31 March 2006. These policies are set out in a separate document available on the Group's website

www.cw.com

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The Adopted IFRS and IFRIC interpretations that will be applicable at 31 March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these Interim Financial Statements and will be determined finally only when the annual financial statements are prepared for the year ending 31 March 2006.

The policies have been consistently applied to all the periods presented except for those relating to the classification and measurement of financial instruments and insurance contracts. The Group has made use of the exemption available under IFRS 1 First-time adoption of International Financial

Accounting Standards to apply IAS 32 Financial instruments: disclosure and presentation, IAS 39 Financial instruments: recognition and measurement and IFRS 4 Insurance contracts from 1 April 2005. The policies applied to financial instruments for the year ended 31 March 2005 and ending 31 March 2006 are disclosed separately.

The interim financial statements do not constitute statutory accounts. The interim financial statements for the six months ended 30 September 2005 were approved by the Directors on 7 November 2005.

The statutory accounts for the year ended 31 March 2005, which were prepared under UK GAAP, have been reported on by the Company's auditors and have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

These Interim Financial Statements, which have been prepared in accordance with both IFRS and Adopted IFRS, differ in certain exceptional respects from generally accepted accounting principles in the United States (US GAAP).

Application of IFRS 1

The Group's financial statements for the year ending 31 March 2006 will be the first annual financial statements that comply with IFRS. The Group has applied IFRS 1 in preparing these consolidated Interim Financial Statements.

The Group is an SEC registrant and would normally be required to present two years' comparative information. However, the terms of an accommodation granted by the SEC permit first time adopters of IFRS to present only one year of comparatives in the year of adoption. Consequently, the Group's date of transition to IFRS is 1 April 2004.

The Group has established the IFRS accounting policies it expects to apply for the year ending 31 March 2006 and applied these standards retrospectively to determine the IFRS opening balance sheet at its date of transition. In preparing these Interim Financial Statements, the Group has assumed that the European Commission will endorse the amendment to IAS 19 Employee benefits - Actuarial gains and losses, group plans and disclosures and SIC 12 Consolidation - special purpose entities.

The impact of transition to IFRS and effects of adopting transitional requirements of IFRS 1 on the Group's shareholders' funds as at 1 April 2004 and 31 March 2005 and 1 April 2005 and the Group's income statement for the six months ended 30 September 2004 and the year ended 31 March 2005 and the effect of the application of IAS 32, IAS 39 and IFRS 4 at 31 March 2005 are set out in a separate document available on the Group's website

www.cw.com

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Taxation

The £20 million total tax charge for continuing operations for the six months ended 30 September 2005 (30 September 2004: £32 million; year ended 31 March 2005: £25 million credit) comprises a credit of £16 million in respect of UK tax (30 September 2004: £nil; 31 March 2005: £nil) and a charge of £42 millionin respect of overseas tax (30 September 2004: £33 million; 31 March 2005: £23 million credit).

The credit for the year ended 31 March 2005 includes a credit of £4 million in respect of exceptional items together with an exceptional tax credit of £85 million.

In addition, the Group's share of joint ventures' and associates' profits includes a tax charge for the six months ended 30 September 2005 of £1 million (30 September 2004: £4 million; 31 March 2005: £7 million).

There is a £6 million charge in respect of discontinued operations (30 September 2004: £nil; 31 March 2005: £2 million).

Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Six month ended 30 September 2005 £m	Six months ended 30 September 2004 £m	Year ended 31 March 2005 £m
Continuing operations			
Net profit	106	146	192
Adjustments for:			
Tax expense/(credit)	20	32	(25)
Depreciation	98	97	178
Amortisation	16	8	20
Gains and losses on sale of non-current assets	(13)	-	3
Interest and similar income	(53)	(55)	(107)

Interest and similar charges	35	33	68
(Decrease)/increase in provisions	(54)	(31)	114
Share based payments	6	3	10
Share of results after tax of associates	(27)	(25)	(48)
Operating cash flows before working capital changes	134	208	405
Changes in working capital (excluding effects of acquisitions and disposal of subsidiaries)			
(Increase)/decrease in inventories	(5)	(1)	5
Increase in trade and other receivables	(83)	(44)	(11)
Increase/(decrease) in payables	62	(8)	(120)
Cash generated from continuing operations	108	155	279
Discontinued operations			
Net profit	19	93	162
Adjustments for:			
Tax expense	6	-	1
Depreciation and amortisation	-	(3)	1

Profit on disposal of investments	-	(16)	(16)
Interest and similar charges	-	1	1
Profit on sale of operations	(23)	(67)	(129)
Changes in working capital	2	(1)	8
Cash generated from discontinued operations	4	7	28
Cash generated from operations	112	162	307

Comparative Data H2 2004/5

(Divisional basis)
Continuing Operations

National Telcos

	UK	CWAO2	Europe	Asia	Bulldog	Caribbean	Panama	Macau	Monaco	Rest of the World3
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	792	9	87	21	7	274	128	60	70	50
Outpayments and network costs	(512)	(7)	(68)	(10)	(9)	(94)	(49)	(24)	(40)	(12
Staff costs	(129)	(2)	(15)	(4)	(9)	(47)	(11)	(6)	(9)	(9

Other costs	(75)	(1)	(10)	(1)	(13)	(58)	(18)	(4)	(4)	(6
Total operating costs1	(716)	(10)	(93)	(15)	(31)	(199)	(78)	(34)	(53)	(27
Depreciation and software amortisation	(30)	-	-	(1)	(2)	(27)	(16)	(7)	(4)	(6
Operating profit/(loss) before and amortisation	46	(1)	(6)	5	(26)	48	34	19	13	17
Amortisation of acquired intangibles	-	-	-	-	-	-	-	-	(3)	-
Joint ventures and associates	(6)	-	-	-	-	5	-	-	1	23
Total operating profit/(loss) before exceptional items	40	(1)	(6)	5	(26)	53	34	19	11	40

1 Excluding depreciation, amortisation and exceptional items.

2 Cable & Wireless Americas Operations Inc ('CWAO') provides data and IP

solutions to international Retail and Carrier Services customers with service requirements to, from and with the United States.

3 Rest of the World comprises the results of the Group's operations in the Atlantic, Pacific and Indian Oceans, the Middle East and Channel Island.

The divisional information in the above table reflects the management structure of the organisation during the six months to 30 September 2005.

Comparative Data H1 2004/5
(Divisional basis)

Continuing Operations						National Telcos				
	UK	CWAO2	Europe	Asia	Bulldog	Caribbean	Panama	Macau	Monaco	Rest o the World
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£
Revenue	810	7	91	18	4	276	129	57	30	5
Outpayments and network costs	(554)	(7)	(71)	(9)	(4)	(89)	(41)	(24)	(15)	(1
Staff costs	(122)	(2)	(14)	(3)	(3)	(41)	(12)	(5)	(4)	(1
Other costs	(63)	(2)	(13)	(6)	(1)	(55)	(20)	(4)	(1)	(
Total operating costs1	(739)	(11)	(98)	(18)	(8)	(185)	(73)	(33)	(20)	(3
Depreciation and software										

amortisation	(30)	-	-	-	-	(31)	(15)	(8)	(2)	(	
Operating profit/(loss) before items and amortisation	41	(4)	(7)	-	(4)	60	41	16	8		
Amortisation of acquired intangibles	-	-	-	-	-	-	-	-	(2)		
Joint ventures and associates	(2)	-	-	-	-	9	-	-	-		
Total operating profit/(loss) before items	39	(4)	(7)	-	(4)	69	41	16	6	28	160

1Excluding depreciation, amortisation and exceptional items.

2Cable & Wireless Americas Operations Inc ('CWAO') provides data and IP solutions to international Retail and Carrier Services customers with service requirements to, from and with the United States.

3Rest of the World comprises the results of the Group's operations in the Atlantic, Pacific and Indian Oceans, the Middle East and Channel Island.

The divisional information in the above table reflects the management structure of the organisation during the six months to 30 September 2005.

Glossary of terms

Terms used in this Press release	Brief description of meaning

Access/internet access Broadband or dial-up connections which allow customers to access the internet from their own premises.

ADSL A Digital Subscriber Line technology that supports faster transfer when receiving data (the downstream rate) and slower transfer when sending data (the upstream rate).

Carrier Services A business segment dealing with other telecommunications companies around the world.

Company Cable and Wireless plc.

Constant Currency Constant currency growth rate based on the restatement of prior period comparatives at current period's reported average exchange rates.

Positive percentage represents improvement.

Data Services Services to transmit data over fixed-line, IP or mobile platforms using leased lines, Frame Relay, ATM or IP-based products such as IP-VPN.

Digital Sound, text or video coded into binary form, a series of 1s and 0s, to enable more effective transmission.

Frame Relay A legacy data product that allows broadband data transmission with an additional layer of intelligence and functionality beyond leased lines.

GAAP Generally Accepted Accounting Principles.

Group Cable and Wireless plc and its subsidiaries.

GSM Global System for Mobile Communications or a digital mobile platform that allows the transmission of voice data and global roaming.

IAS International Accounting Standards.

IFRC International Financial Reporting Interpretations.

IFRS International Financial Reporting Standards.

Interconnect Connection arrangements between carriers.

IP Internet Protocol or a set of rules that govern how interconnected devices communicate.

IP-VPN An internet-based network used to provide companies with an internal communications system, linking employees in different offices worldwide.

LAN Local Area Network or a network that covers only short distances (usually less than 1km) and is normally confined to one building or site.

Liberalised markets/liberalisation Markets that were previously restricted that are now open to competition.

Local Loop Telecommunications connection from the local exchange to the customer premises.

LLU Local Loop Unbundling is the process of installing DSL Equipment in rented space within an incumbent operator's local exchange.

Mobile Services Delivery of voice and data services to mobile handsets through wireless technologies.

Mobile transit traffic Telecommunication traffic across the network between mobile operators who do not have a direct connection with each other.

National Telcos Collectively, the Caribbean, Panama, Macau, Monaco and the Rest of the World.

Network costs Network costs include the purchase of bandwidth, operating and maintenance of equipment, operation of software and cables, wayleaves, customer acquisition costs, cost of goods sold, licences and associated royalties payable to government.

Next Generation Network IP-based network being developed by Cable & Wireless over the three years to fiscal year ending 2008.

Ofcom The Office of Communications in the United Kingdom: the independent regulatory body set up under the Communications Act 2003 which has responsibility for the enforcement and monitoring, and where appropriate initiating modification, of telecommunications licences in the United Kingdom.

OFT Office of Fair Trading.

Outpayments Payments to other network operators to carry traffic on behalf of Cable & Wireless' customers.

SME Small and medium enterprise.

Switched voice Abbreviation of telecommunications services provided over the Public Switched Telephone Network, which refers to the international telephones system based on copper wires carrying analog voice data.

TDMA Time Division Multiple Access or digital mobile technology that assigns a specific radio frequency to each user to deliver mobile voice and data.

Transit A term to describe moving data from a source point to a destination point using various network elements.

WiFI Wireless Fidelity.

VoIP Voice over Internet Protocol or an IP voice service that provides enhanced functionality, such as the delivery of voice, video, data, with the reliability and features associated with switched voice networks.

VPN Virtual Private Network or a corporate network provided to a customer by a telecommunications operator using elements of switched network. To the customer it offers all the features of a private network, such as direct dialling between offices in different countries.