CABLE & WIRELESS

Announcement

CABLE AND WIRELESS PLC
RESULTS FOR THE YEAR ENDED 31 MARCH 2005

"CABLE & WIRELESS PROFITS FROM A YEAR OF HIGH ACTIVITY"

Highlights

- **Continuing earnings per share before exceptional items and amortisation - up 16 percent against prior year**
- **Total Group profit before tax and exceptional items £377 million - up 36 percent against prior year**
- **Operating profit from continuing operations, before exceptional items £277 million – up 20 percent against prior year**
- **On track to achieve:**
    - **£35 million of UK, Corporate and Europe operating cost savings in 2005/6, with annualised savings of £50 million by March 2006 in connection with Group reorganisation announced in November 2004**
    - **£50 million of UK savings in outpayments and network costs in 2005/6 announced in April 2005**
    - **£22 million of net cost savings from Next Generation Network implementation in 2007/8**
- **Acquired Bulldog Communications and today announced acceleration of rollout plan to 600 exchanges by March 2006 and to 800 exchanges in H1 2006/7**
- **Acquired controlling interest in Monaco Telecom for £108 million, earning an annualised after tax earnings return on gross capital invested of 17 percent in 2004/5**
- **Announced investment of £190 million in Next Generation Network over next three years**
- **Completed sale of Japanese domestic business for a consideration of £71.7 million (including assumption of £9.4 million of debt) and exited the US domestic business for £220 million (£80 million lower than estimated cost)**
- **Group revenue from continuing businesses flat against prior year at constant currency**
- **£1,342 million net cash at 31 March 2005, after completing 30 percent of the £250 million share repurchase programme**
- **Declared full year dividend of 3.80 pence – up 21 percent against prior year full year dividend**

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 statements section of the company's most recent Annual Report filed on Form 20-F.

RESULTS FOR THE YEAR ENDED 31 MARCH 2005

Total Group Result **(incl. continuing and discontinued operations and exceptional items)**	**2005** **£m**	**2004** **£m**
Group revenue	**3,222**	**3,671**
Profit before tax and exceptional items	**377**	**278**
Profit/(loss) after tax	**377**	**(212)**
Profit/(loss) for the financial period	**302**	**(237)**
Basic earnings per share	**13.0p**	**(10.2)p**
Diluted earnings per share	**12.3p**	**(10.2)p**
Dividend per share	**3.80p**	**3.15p**
Net cash	**1,342**	**1,448**
The full profit and loss account, cashflow statement and balance sheet, drawn up in accordance with UK generally accepted accounting principles ('UK GAAP'), from which this information is extracted, are set out in the attachments.		

Continuing Operations	**2005** **£m**	**2004** **£m**
Group revenue	**3,023**	**3,130**
- change from prior year at constant currency	***-%***	
Operating profit before exceptional items	**277**	**231**
- change from prior year at constant currency	***33 %***	
Profit before tax and exceptional items	**361**	**319**
Profit after tax before exceptional items and amortisation	**293**	**259**
Earnings per share before exceptional items and amortisation	**9.3p**	**8.0p**
Capital expenditure	**332**	**326**

Announcing the full year results for Cable and Wireless plc for the year ended 31 March 2005

Cable & Wireless Chairman, Richard Lapthorne said:

"The 2004/5 financial performance demonstrates our progress. For the year to 31 March 2005, profit after tax and before exceptionals and amortisation for the continuing business was £293 million equivalent to 9.3 pence per share. Revenue from continuing operations was £3,023 million, a stable result at constant currency. The Board has recommended a full year dividend of 3.8 pence per share, after paying 1.16 pence per share at the interim stage. This represents a 21 percent increase in the total dividend, indicating our confidence in the Group.

"The past 12 months have been a time of transition, as Cable & Wireless entered a new phase in the three-year programme to revive the Company. By the end of the year, the Chief Executive and his new team were no longer preoccupied with the issues of the Company's past, and had turned confidently to face the future.

"Over the past year, the management has delivered on the promises it made in June 2003. We completed our exit from the US market at substantially lower cost than originally expected. This allowed the Chief Executive to concentrate on restructuring our UK business and stabilising its performance. Customer focus has been central to our new structures. An enormous amount of work has gone into improving operations and tightening cost controls in the legacy businesses.

"We are also seeing some excellent groundwork in network development. A prime example is our investment in Bulldog, the UK broadband operator, we acquired last May. Bulldog gives us network access across the 'last mile' to the customer, enabling us to offer an end-to-end service. Building our customer base in this way is an important goal as we embark upon investment of £190 million over three years in our UK IP-based Next Generation Network ('NGN') and systems. The new technology offers network economies that will benefit our customers and improve our margins. In this context, we welcome Ofcom's vision of a UK telecommunications market based on realistic and sustainable competition among players willing to invest in future technological strength.

"Our National Telco businesses have become more aggressive when dealing with competition. Cooperation and communication have also improved, so that these businesses can benefit from each other's experiences of the rapidly liberalising telecom landscape. We are successfully capitalising on our controlling stake in Monaco Telecom and will take opportunities to expand our footprint into new geographies as appropriate.

"The exit from the US and disposal of our Japanese business kept our cash intact which allowed us in November 2004 to launch a £250 million share buyback. As at March 2005, we had bought back 60.5 million shares, at an average price of 124.4 pence.

"Our markets continue to suffer from excess capacity and severe price competition. Performance improvement will come from efficiencies and cost cutting, and a shift in our sales mix towards broadband, IP and mobile. We are in a unique position to help our customers embrace these new technologies and I look forward with confidence to the year ahead."

Chief Executive, Francesco Caio, said:

"Our results show we have produced a solid set of numbers, in a challenging market. This year we have made solid progress in strengthening Cable & Wireless' competitive position by focusing on markets where we can be the number one or number two operator, further reducing our cost base and accelerating our investment in growth services. Specifically, we have:

- Completed the US exit and sold our domestic business in Japan;
- Acquired Bulldog and completed the first phase of its development to gain 30 percent coverage of the UK broadband market;
- Committed to invest £190 million over three years to build a UK Next Generation Network;
- Reshaped our UK business around four key customer segments;
- Refocused Europe on Carrier Services, reducing headcount and exiting non-core businesses;
- Streamlined central functions, including relocating Group headquarters;
- Initiated a programme to reduce headcount by more than 1,000 in the UK, corporate and Europe;
- Invested in mobile and broadband in National Telcos; and
- Established pan-regional initiatives including procurement and marketing plans for National Telcos.

"Our strategy is to establish a sustainable position as an infrastructure-based competitor operating with its own access network, building a strong customer franchise, both with consumers and businesses, investing in IP, broadband and mobile to pursue profitable growth in new services.

"Through our investments in UK Local Loop Unbundling ('LLU') and Next Generation Network we have a unique opportunity to lead the telecom industry in its transition from traditional services to IP and redefine the competitive scenario to our advantage.

National Telcos

"Each of the 34 national markets in which our National Telcos operate is at a different stage of liberalisation, with its own customer profile but the competitive challenges are similar, our priorities are clear and we must:

- Drive change and performance, especially in our sales and marketing response to competition;
- Shift the revenue mix to new services through further investment in broadband, IP and mobile; and
- Lower costs to protect margins in legacy services.

"We aim to be market leaders in mobile and have actively worked to reclaim business. Our *b*mobile brand has increased market share in the Caribbean and in Bahrain a pro-active response enabled Batelco to retain customer share against competition from new entrants. We are leaders in most of our National Telco markets for broadband and IP and are working to maximise market penetration. Many of the countries in which we operate still have relatively low take-up levels, and we are well positioned to offer services that assist customers in the transition. We have started to invest in IP backbones in countries where traffic volumes justify the expenditure, including in the Caribbean where hurricane damage has driven infrastructure replacement. Network upgrades are also underway in Monaco, Macau, the Cayman Islands and Grenada.

"The need for continuing cost reduction remains high on our agenda and we have initiated a number of programmes, including outsourcing the Caribbean mobile supply chain, leveraging our strengths in Group-wide procurement, consolidating data centres and rationalising our property portfolio. These are showing positive initial results but our cost reduction needs to intensify in the coming year.

Next Generation Network ('NGN')

"A migration of our UK network to NGN will be a further element of our strategy. We intend to invest £190 million over three years to transform our core network into a single integrated IP platform. A large proportion of the anticipated capital expenditure will replace expenditure that would otherwise have been needed to maintain our legacy systems, so that incremental UK investment is only £35 million over the three years. The benefit of this investment is a less complex, highly scalable network capable of accommodating significant growth in traffic at a lower capital cost and permanently lower operating and maintenance costs. Most importantly, our Next Generation Network will support customer demand, providing greater functionality and customised solutions at an attractive price.

Ofcom Strategic Telecoms Review

"The regulatory framework remains fundamental to our business and investment decisions. In particular, Ofcom's Strategic Telecoms Review provides an opportunity to create a more transparent and effective regulatory regime in the UK. We are encouraged by the review's emphasis on infrastructure-based competition and the principle of equivalence. It is vital, however, the review delivers an effective and enforceable regulatory settlement. Fair competition must be at the heart of the UK telecoms market if customers are to benefit from the variety of services that new technologies can offer.

Bulldog

"The acquisition in May 2004 of Bulldog Communications, the broadband operator, was an important step in advancing our UK access strategy, giving us control of the valuable 'last mile' and an expanding customer base. We now have coverage of 30 percent of the UK broadband market, reaching our initial target of 400 unbundled exchanges by end of May 2005, seven months ahead of the original timetable.

"Based on the customer response we have seen to date we are today announcing an extension to our rollout plan and additional new services.

"We now intend to unbundle an additional 200 exchanges by the end of March 2006, giving total unbundled exchanges of 600 and a further 200 exchanges in the first half of 2006/7 bringing the total to 800 exchanges.

This will increase our investment losses in 2005/6 but we see it as vital in capturing the real and increasing UK customer demand for broadband.

"We are also announcing the launch in June of a new SoHo offering, that provides up to 8 VoIP lines, data and fast internet access all through a single pipe.

"We have reorganised the remaining UK business around customer segments and through our work this year we now have visibility of the economics of each of our UK segments – Enterprise, Business and Carrier Services. This has assisted us in identifying priorities and targeting cost reductions

Retail: Enterprise and Business

"During the year we successfully increased the percentage of IP spend with existing Enterprise customers. The development of the NGN and an access network positions Cable & Wireless as a reliable, innovative, scale partner for our Enterprise customers' migration to IP, offering lower prices and more sophisticated services. In Business, we are focusing on product differentiation and customer service.

Carrier Services

"Our intercontinental network is a major international carrier across 200 countries, the world's sixth largest for international voice and fifth largest for data. Carrier Services operates in a highly competitive market that continues to suffer from over-capacity and pricing pressure. Nonetheless it provides a useful means to improve our network economics so we have worked hard to improve market share and our innovative customer solutions have won some notable contracts. We launched our global Carrier Multi Packet Labelling Switching ('MPLS') service, which can transmit any type of traffic in internet protocol ('IP') format, and have already signed up 8 significant carriers. During the year revenues were impacted by the regulatory change in fixed to mobile termination rates. In the future we will increase our focus on driving cash margins from this profitable segment.

"In summary, I am pleased with progress over the year. We have delivered on the first two phases of our plan, reconstructing a competitive position for the company, through our more focused footprint and streamlined organisation. We have increased investment in broadband and IP and we have defined and are building a clear path to the future across all our markets. In particular, I am confident that our decision to invest in Next Generation Network for the UK will reinforce our position as one of the only national infrastructure player with the scale, access and resources to provide a competitive offering to businesses and consumers."

Outlook[1]

We expect that operating profit margins within our established businesses will remain broadly stable in 2005/6 before the impact of the following:

At the Group level we estimate:

- Operating cost reductions amounting to £35 million in 2005/6, as a result of our reorganisation of the UK, corporate and Europe;
- Outpayments and network UK cost savings of £50 million in 2005/6, which will mitigate the impact of continued pricing pressure;
- A 2005/6 Group depreciation charge of approximately £240 million (including NGN and Bulldog);
- Group capital expenditure of between £435 million and £455 million. This includes UK capital expenditure of approximately £225 million (including NGN). It also includes capital expenditure relating to the Bulldog exchange rollout of approximately £70 million; and
- A Group effective tax rate of approximately 15 percent for the next three years.

[1] On a UK GAAP basis

Bulldog:

We have announced today the extension of the Bulldog exchange rollout. We now plan to unbundle 600 exchanges in total by end of March 2006 and 800 exchanges in total by end of June 2006. We expect Bulldog's performance to be:

- Estimated 2005/6 EBITDA losses of £75 million, due to a lag in prior year, customer provisioning, increased marketing and advertising spend and losses associated with the additional 200 exchanges;
- Estimated 2005/6 depreciation of £15 million;
- Estimated 2005/6 cash capital expenditure of £70 million reflecting the cash underspend in 2004/5 of £14 million and the rollout of the additional 200 exchanges.

Operating losses in 2006/7 are expected to halve compared to 2005/6, beyond which we anticipate minimal losses.

EXECUTIVE SUMMARY

Trading overview

Revenue from continuing operations for the year to 31 March 2005 was £3,023 million, a stable performance at constant currency compared to the prior year and a 3 percent decline at reported rates.

This result reflects strong performances in Panama where revenue increased by 6 percent at constant currency and the Rest of the World[2] where revenue increased by 11 percent at constant currency, together with the contribution of revenue from Monaco Telecom, which was acquired in June 2004. Offsetting these strong performances, revenue in Europe declined by 27 percent at constant currency, revenue in the UK declined by 4 percent and revenue in the Caribbean declined by 3 percent at constant currency.

Operating profit from continuing operations before exceptional items for the year to 31 March 2005 was £277 million, an improvement of £46 million over the prior year, reflecting a 33 percent improvement at constant currency. The main drivers of this improvement were the stronger UK performance and the ongoing focus on cost reduction across the Group, together with the contribution from Monaco Telecom.

Profit before tax and exceptional items from continuing operations was £361 million for the year to 31 March 2005 compared to £319 million in the prior year.

Acquisitions and Disposals

On 28 May 2004, Cable & Wireless acquired Bulldog Communications ('Bulldog') for a consideration of £18.6 million. Bulldog contributed revenue of £11 million and an operating loss before exceptionals and amortisation of £30 million for the period from acquisition to 31 March 2005. Results for Bulldog are separately disclosed on page 20 of this document.

On 18 June 2004, Cable & Wireless acquired a 55 percent economic interest in Monaco Telecom S.A.M. ('Monaco Telecom') for a total consideration of €162 million (£108 million). Monaco Telecom contributed revenue of £100 million and an operating profit before exceptionals and amortisation of £21 million for the period from acquisition to 31 March 2005. Results for Monaco Telecom are separately disclosed on page 27 of this document.

On 26 October 2004, Cable & Wireless announced the sale of its stake in Cable & Wireless IDC, Inc. ('IDC'), its Japanese subsidiary, to SOFTBANK Corp ('Softbank'). The sale was completed on 17 February 2005 and Cable & Wireless received a consideration of £71.7 million, comprising £62.3 million of cash and Softbank's assumption of £9.4 million of debt. The consolidated Group financial statements for the year ended 31 March 2005 recognise a profit on disposal of £42 million relating to this transaction. Cable & Wireless retains a sales office and two network nodes in Japan to maintain services specifically for its international Enterprise and Carrier Services customers.

On 28 January 2005, Cable & Wireless sold its 3.4 percent stake in Intelsat (the satellite communications company). The stake was held both directly by Cable and Wireless plc and through various Group subsidiaries and associates. Total cash proceeds from the disposal of this investment were US$104.8 million (£56 million). Cable & Wireless has now disposed of all of its satellite shareholdings.

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[2] Rest of the World comprises Group operations in Guernsey and the Maldives together with smaller operations in the Seychelles, Bermuda, Sakhalin in Russia, Diego Garcia, Falkland Islands, Fiji, Ascension Island, St Helena, Vanuatu, Solomon Islands, Jersey and the Isle of Man.

Regulatory

The UK regulator, Ofcom, is due to consult on the final decision of its Strategic Telecoms Review in summer 2005. Ofcom's stated objective is that it would seek to promote competition at the deepest level of infrastructure where it is effective and sustainable to do so. Ofcom believes the optimum way to achieve this is through the concept of equality of access, which it believes will lead to the creation of a more effectively competitive market in the UK. Implementing the concept of equality of access will ensure all players have fair and reasonable access to critical local infrastructure assets by neutralising BT's historic ability to leverage its unique position as both a monopoly local infrastructure owner and competitive retailer.

Ofcom has made Local Loop Unbundling ('LLU') a central theme in achieving deep level infrastructure competition and the creation of an LLU adjudicator in 2004 has resulted in more focused efforts to remove many of the barriers to wider scale rollout of LLU. However the critical elements of revaluing BT's local copper network, the review of the regulated cost of capital to be applied to BT's existing and future investments, charges for wholesale line rental and fully unbundled local loops remain outstanding and the detail of the decisions reached in the next few months will be vital in creating a sustainable competitive market in the UK.

Discontinued operations

Discontinued operations in the year to 31 March 2005 comprise IDC and credits relating to transactions associated with the exit of the US domestic business in the prior year. Other items relate to the release of previously accrued costs no longer required. Discontinued operations in the year to 31 March 2004 also relate to TeleYemen.

Exceptional items

In the year to 31 March 2005 the Group recognised a net exceptional charge before tax of £14 million, comprising an exceptional charge in continuing operations of £159 million and an exceptional credit in discontinued operations of £145 million. Detailed analysis of exceptional items is given on page 11 of this document.

Cash and funding

At 31 March 2005, the Group's cash and short-term investments were £2,166 million. Total borrowings were £824 million, of which long-term debt was £801 million. The net cash balance at 31 March 2005 was £1,342 million. Cash and short-term investments include £14 million of treasury investments and £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) and £42 million ring-fenced in relation to performance guarantees.

During the year ended 31 March 2005 the Group bought back £20 million of its 8.625 percent 2019 bonds and £16 million of its 8.75 percent 2012 bonds for an aggregate consideration of £36 million.

Dividend

The Board reinstated the dividend in June 2004 and, in August 2004, a full year dividend of 3.15 pence was paid in respect of the year ended 31 March 2004. The full year dividend comprised a notional interim dividend of 1.05 pence and a final dividend of 2.1 pence.

The Board has recommended a full year dividend for the year ended 31 March 2005 of 3.80 pence, comprising 1.16 pence per share for the interim and 2.64 pence per share for the final dividend. The recommended dividend is subject to approval of the shareholders at the Annual General Meeting to be held on 22 July 2005. If approved, the final dividend will be paid on 11 August 2005 to ordinary shareholders on the register as at 8 July 2005 and to American Depositary Receipt holders on 18 August 2005 on the register as at 8 July 2005.

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

Shareholders wishing to join the scheme for the final dividend (and all future dividends should return a completed mandate form to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 2DZ by Thursday 14 July 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).

Return of capital

On 10 November 2004, Cable & Wireless announced a £250 million share repurchase programme, reflecting the Board's view that a return of capital was possible as a result of the progress made in dealing with legacy issues such as the US exit, the sale of IDC and the sale of Intelsat.

At 31 March 2005, 60.5 million shares had been repurchased at a total cost of £75.3 million, equating to an average price per share of 124.4 pence. Shares repurchased are held as treasury shares. We expect the share repurchase programme will be completed by 31 March 2006.

FINANCIAL RESULTS

The results and commentary that follow focus on the continuing activities of the Group and the geographic businesses within the Group.

The Group results presented below should be read in conjunction with the Group's consolidated profit and loss, balance sheet and cash flow statements and related notes on pages 31 to 41.

Group Profit and Loss

Continuing Operations	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m	*Constant Currency Growth* *%*
Revenue	1,507	1,516	3,023	3,130	-
Outpayments and network costs	(829)	(820)	(1,649)	(1,745)	*3*
Staff costs	(262)	(265)	(527)	(524)	*(4)*
Other costs	(169)	(202)	(371)	(408)	*4*
Depreciation before exceptional items	(98)	(94)	(192)	(225)	*9*
Operating profit before exceptional items and amortisation	**149**	**135**	**284**	**228**	***38***
Amortisation of goodwill	(1)	(6)	(7)	3	
Operating profit before exceptional items	**148**	**129**	**277**	**231**	***33***
Exceptional items					
- depreciation	(14)	6	(8)	(404)	
- amortisation	-	-	-	(10)	
- other operating costs	12	(156)	(144)	(219)	
Joint ventures and associates	21	19	40	41	
Total operating profit/(loss)	**167**	**(2)**	**165**	**(361)**	
Exceptional (losses)/profits on sale and termination of operations	-	(14)	(14)	2	
Profits on disposal of fixed assets before exceptional items	2	3	5	26	
Exceptional profits on disposal of fixed assets	-	7	7	12	
Net interest income	16	19	35	18	
Other similar income/(charges)	5	(1)	4	3	
Profit/(loss) before tax	**190**	**12**	**202**	**(300)**	
Profit before tax and exceptional items	**192**	**169**	**361**	**319**	

The Trading overview section on page 7 provides additional commentary on the Group's performance.

The Group recorded a total operating profit from continuing operations of £165 million for the year ended 31 March 2005. This is after taking account of exceptional operating costs of £144 million, comprising costs associated with restructuring and the impact of Hurricane Ivan. There was also an exceptional depreciation charge of £8 million.

Net interest income of £35 million reflects an increase in the interest earned compared to the prior year due to the rising interest rate environment.

There are various other non-trading items, totalling £9 million, and exceptional items totalling £7 million included in the profit before tax from continuing operations of £202 million in the year. These principally relate to profits and losses on the sale of various fixed asset investments, including Intelsat.

Attributable profit/(loss)

	Underlying continuing operations* £m	Underlying Group result* £m	Amortisation of goodwill £m	Exceptional Items £m	2004/5 Reported £m	2003/4 Reported £m
Continuing	368	368	(7)	(159)	202	319
Discontinued	-	16	-	145	161	(543)
Profit/(loss) before tax	**368**	**384**	**(7)**	**(14)**	**363**	**(224)**
Tax	(75)	(75)	-	89	14	12
Profit/(loss) after tax	293	309	(7)	75	377	(212)
Minority interests	(78)	(78)	-	3	(75)	(25)
Attributable profit/(loss)	**215**	**231**	**(7)**	**78**	**302**	**(237)**
Earnings/(loss) per share (pence)	*9.3*				*13.0*	*(10.2)*

* Excluding amortisation of goodwill and exceptional items

Exceptional items

In the year ended 31 March 2005 the Group recognised a £14 million before-tax charge in respect of exceptional items, of which a £159 million charge related to continuing operations and a £145 million credit related to discontinued operations.

The exceptional tax credit of £89 million comprises a £4 million credit on exceptional items and a credit of £85 million relating to the settlement of various tax items at less than their expected cost, and further clarity as to the expected cost of other overseas tax items.

The analysis of the continuing exceptional charge of £159 million is set out in the table below.

Continuing operations	2004/5 £m	2003/4 £m
Operating items		
UK restructuring	(68)	(147)
Europe restructuring	(39)	(7)
Corporate restructuring	(31)	(15)
Asia restructuring	(1)	(4)
National Telcos restructuring	(2)	(46)
Hurricane costs	(18)	-
Onerous contract provisions	15	-
	(144)	**(219)**
Depreciation	(8)	(404)
Amortisation of goodwill	-	(10)
Operating Costs	**(8)**	**(414)**
Profits on disposal of fixed assets	7	12
(Loss)/profits on sale and termination of operations	(14)	2
Non-operating items	**(7)**	**14**
Total exceptional items from continuing operations	**(159)**	**(619)**

Restructuring in the UK has resulted in a charge of £68 million comprising property related costs of £23 million, staff-related costs of £29 million, network costs of £10 million and other costs of £6 million.

In Europe, exceptional restructuring costs of £39 million comprise property related costs of £10 million, staff-related costs of £29 million. There was also a European fixed asset impairment charge of £5 million in the year as part of the restructuring.

Costs associated with the corporate reorganisation (including the closure of the London headquarters) totalling £31 million comprise property related costs of £20 million, other costs of £2 million and staff-related costs of £9 million.

Costs of restructuring in Asia and the National Telcos of £1 million and £2 million respectively relate to the final costs from previous restructurings.

The impact of Hurricane Ivan in the Caribbean resulted in exceptional operating costs of £18 million relating to business and network restoration. There was also a £3 million fixed asset write-down.

Provisions relating to onerous contracts totalling £15 million have been released in the year.

Non-operating items of £7 million relate to the disposal of investments and operations previously exited.

The analysis of the discontinued exceptional credit of £145 million is set out in the table below:

Discontinued operations	2004/5 £m	2003/4 £m
Operating items		
Depreciation	-	(122)
US business restructuring	-	(22)
Japan restructuring prior to disposal	(1)	(3)
Total operating items	**(1)**	**(147)**
Non-operating items		
Profits less (losses) on sale and termination of operations	130	248
Profits on disposal of fixed assets	16	16
Total non-operating items	**146**	**264**
Total exceptional items from discontinued operations	**145**	**117**

Exceptional items within discontinued operations relate to the disposal of IDC in the year (£42 million) together with the receipt of cash as part of the Chapter 11 process of the US domestic business and the release of provisions relating to the US exit (£66 million) and previously accrued costs no longer required (£22 million).

A profit of £16 million was recognised on the disposal of trade investments in IDC.

Exceptional operating items within discontinued operations in 2003/4 relate predominantly to the impairment of IDC assets and the restructure of the former US operations. Non-operating items in 2003/4 predominantly relate to the gain on disposal of the Group's former US operations and the release of accruals previously set up on disposal of former Group businesses that were released as they were no longer required.

Group cash flow

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m
Group operating profit before exceptional items	**156**	**135**	**291**	**199**
Depreciation and amortisation	100	101	201	249
Non-cash items	(3)	6	3	(26)
Working capital	(27)	13	(14)	(46)
Cash outflow in respect of provisions	(47)	(88)	(135)	(303)
Cash inflow from operating activities	**179**	**167**	**346**	**73**
Dividends received, returns on investments and servicing of finance	14	1	15	(32)
Taxation paid	(18)	(42)	(60)	(43)
Capital expenditure	(124)	(220)	(344)	(342)
Sale of current asset investments	-	-	-	229
Other financial investment	22	54	76	72
Acquisitions and disposals	(64)	29	(35)	(118)
Equity dividends paid	(71)	(26)	(97)	-
Net cash outflow before financing and management of liquid resources	**(62)**	**(37)**	**(99)**	**(161)**
Gross cash	**2,245**	**2,166**	**2,166**	**2,367**
Net cash	**1,386**	**1,342**	**1,342**	**1,448**

Operating activities produced £346 million of cash flow in the year to 31 March 2005, which is an increase of £273 million compared with the prior year.

Tax paid of £60 million in the year to 31 March 2005 primarily relates to the National Telco businesses.

Capital expenditure at £344 million in the year was stable against 2003/4 reflecting increased investment in customer service delivery (including network build and local loop unbundling) offset by the completion of the initial roll out of GSM networks in the National Telcos.

Financial investment generated net cash of £76 million in 2005, primarily related to the sale of Intelsat and a trade investment.

The net cash outflow from acquisitions and disposals of £35 million primarily relates to the acquisition of Monaco Telecom and Bulldog, offset by the disposal of IDC.

Cable & Wireless Performance Analysis

Continuing Operations	UK	CWAO[2]	Europe	Asia	Bulldog	National Telcos					Total National Telcos	Other	FY 2004/5
						Caribbean	Panama	Macau	Monaco	Rest of the World[3]			
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	**1,602**	**16**	**186**	**39**	**11**	**550**	**257**	**117**	**100**	**167**	**1,191**	**(22)**	**3,023**
Outpayments and network costs	(1,066)	(14)	(143)	(19)	(13)	(183)	(90)	(48)	(55)	(39)	(415)	21	(1,649)
Staff costs	(248)	(4)	(31)	(7)	(12)	(92)	(23)	(11)	(13)	(27)	(166)	(59)	(527)
Other costs	(138)	(3)	(24)	(7)	(14)	(113)	(38)	(8)	(5)	(19)	(183)	(2)	(371)
Total operating costs[1]	**(1,452)**	**(21)**	**(198)**	**(33)**	**(39)**	**(388)**	**(151)**	**(67)**	**(73)**	**(85)**	**(764)**	**(40)**	**(2,547)**
Depreciation before exceptional items	(60)	-		(1)	(2)	(58)	(31)	(15)	(6)	(18)	(128)	(1)	(192)
Operating profit/(loss) before exceptional items and amortisation	**90**	**(5)**	**(12)**	**5**	**(30)**	**104**	**75**	**35**	**21**	**64**	**299**	**(63)**	**284**
Amortisation	-	-	-	-	(4)	-	-	-	(5)	2	(3)	-	(7)
Joint ventures and associates	(8)	-	-	-	-	19	-	-	1	28	48	-	40
Total operating profit/(loss) before exceptional items	**82**	**(5)**	**(12)**	**5**	**(34)**	**123**	**75**	**35**	**17**	**94**	**344**	**(63)**	**317**

[1] Excluding depreciation, amortisation and exceptional items
[2] Cable & Wireless Americas Operations, Inc ('CWAO') provides data and IP solutions to international Enterprise and Carrier Services customers with service requirements to, from and within the United States. CWAO started trading on 1 September 2003 after Cable & Wireless formalised its ongoing commercial dealings between its former US business ('CWA') and the rest of the Group
[3] 'Rest of the World' comprises the results of the Group's operations in the Atlantic, Pacific and Indian Oceans, the Middle East and Guernsey

The geographical financial information in the above table reflects the management structure of the organisation during the year to 31 March 2005.

United Kingdom

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m	Change as reported** H2 v H1 %	Change as reported** FY v FY %
Enterprise	232	243	475	453	5%	5%
Business	198	196	394	445	(1)%	(11)%
Carrier Services	380	353	733	763	(7)%	(4)%
Total revenue	**810**	**792**	**1,602**	**1,661**	(2)%	(4)%
Outpayments and network costs	(554)	(512)	(1,066)	(1,158)	8%	8%
Staff costs	(118)	(130)	(248)	(254)	(10)%	2%
Other costs	(65)	(73)	(138)	(148)	(12)%	7%
Total operating costs*	**(737)**	**(715)**	**(1,452)**	**(1,560)**	3%	7%
Depreciation	(30)	(30)	(60)	(68)	-	12%
Operating profit before exceptionals and amortisation	**43**	**47**	**90**	**33**	9%	100+%
Joint ventures & associates	(2)	(6)	(8)	(1)	(100+)%	(100+)%
Total operating profit before exceptionals	**41**	**41**	**82**	**32**	-	100+%
Headcount (number)***	4,410	4,499	4,499	4,398	(2)%	(2)%
Cash capex	47	91	138	101	(94)%	(37)%
Free cash flow	26	(14)	12	-	(100+)%	-

*Excluding depreciation, amortisation and exceptional items
**Positive percentage represents improvement
*** H1 2004/5 restated to include 146 Group IT heads that were transferred to UK headcount in Jan 05

Revenue for the six months to 31 March 2005 was £792 million, a decline of 2 percent against the prior half, principally due to the decline in Carrier Services revenue following the regulated reduction in mobile termination rates from 1 September 2004. Revenue for the year was £1,602 million, a decline of 4 percent against the prior year, driven by declines in Carrier Services and Business revenue.

Enterprise revenue for the full year increased by 5 percent from the prior year as a result of continued expansion of sales to key financial services customers. The UK supported Aviva's ongoing expansion of its customer contact centres and network rollout across the United Kingdom and in April 2005 the UK executed a five-year contract with Ryanair, valued at £5 million, to manage its pan-European IT and communications network.

Business revenue for the full year declined by 11 percent from the prior year and by 1 percent from H1 2004/5 reflecting the high price erosion and churn levels experienced in this segment. Notwithstanding the difficult trading conditions, recent initiatives undertaken in the UK have resulted in some noteworthy wins. For example in H2 2004/5, the UK executed a three year contract with Scottish & Newcastle plc valued at £2.1 million to provide internet protocol virtual private network quality of service ('IP-VPN QoS') to integrate 66 of its manufacturing distribution and sales sites to a single data network.

Carrier Services revenues for the full year declined by 4 percent due in large part to the regulated reduction in mobile termination rates. Adjusting for this impact, Carrier Services revenue was stable against the prior year. To combat the loss of revenue from the reduction in mobile termination rates and the high level of price erosion, the UK is working to increase volumes in most of the key product sets and has extended contracts with existing customers such as Centrica and the Post Office in fixed line voice services.

Outpayments and network costs declined by 8 percent against the prior year due in large part to the reduction in mobile termination rates and, to a lesser extent, the increased focus on cost savings through network efficiency and vendor re-negotiation programmes.

Staff costs were stable against the prior year but increased by 10 percent against H1 2004/5 as a result of a transfer of costs relating to Group IT staff into the UK's operating cost base and as a result of staff up-skilling necessary to support the UK restructuring programme.

The increase in losses from Joint ventures and associates in the second half relates to the write-off of Apollo undersea cable assets.

Total operating profit before exceptionals for the full year was £82 million compared to £32 million in the prior year. This improvement results from the cost initiatives highlighted above, which offset the revenue decline. In addition, operating profit performance was positively impacted by an £8 million depreciation benefit from the impairment taken in the prior year.

Cash capital expenditure increased to £138 million from £101 million in the prior year, due to transformational investments. These include projects to link order processing, provisioning and billing systems and upgrades to financial reporting systems. The increase in capex in the second half of the year resulted in a negative free cash flow in H2 2004/5.

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

	H1 2004/5	H2 2004/5	FY 2004/5	FY 2003/4	Change as reported** H2 v H1	Change as reported** FY v FY	cc growth[1] H2 v H1	cc growth[1] FY v FY
	£m	£m	£m	£m	%	%	%	%
Enterprise	4	5	9	4	25%	100+%	29%	100+%
Business	-	-	-	-	-	-	-	-
Carrier Services	3	4	7	7	33%	-	37%	9%
Total revenue	**7**	**9**	**16**	**11**	29%	45%	33%	59%
Outpayments and network costs	(7)	(7)	(14)	(23)	-	39%	(3)%	33%
Staff costs	(2)	(2)	(4)	(4)	-	-	(3)%	(9)%
Other costs	(2)	(1)	(3)	-	50%	-	47%	-
Total operating costs*	**(11)**	**(10)**	**(21)**	**(27)**	9%	22%	6%	15%
Depreciation	-	-	-	-	-	-	-	-
Total operating profit before exceptionals	**(4)**	**(1)**	**(5)**	**(16)**	75%	69%	73%	66%
Headcount (number)	49	41	41	60	16%	32%	-	-
Cash capex	-	-	-	-	-	-	-	-
Free cash flow	(4)	(1)	(5)	(16)	75%	69%	73%	66%

*Excluding depreciation, amortisation and exceptional items
**Positive percentage represents improvement

Revenue for the six months to 31 March 2005 was £9 million, an increase of 33 percent at constant currency against the prior half, principally due to the resolution of billing disputes and a successful billing audit. Revenue for the year was £16 million, an increase of 59 percent at constant currency against the prior year, driven by the longer trading period in 2004/5 and the successful migration of customers from the former Cable & Wireless US network (now owned by SAVVIS Communications) to CWAO's purpose-built network.

Enterprise revenue for the full year increased by more than 100 percent at constant currency against the prior year due to the longer trading period and the acquisition of new customers. Carrier Services revenue for the full year increased by 9 percent at constant currency from the prior year due to a significant increase in sales to other US carriers which offset a decline in sales to SAVVIS Communications.

Outpayments and network costs declined by 33 percent at constant currency from the prior year. Taking into account the longer trading period in 2004/5, this significant cost reduction was due to the migration of customers onto CWAO's own network.

Staff costs increased by 9 percent at constant currency but were stable against the prior year at reported rates and due to headcount reductions during the period being offset by the longer trading period in 2004/5.

Total operating loss before exceptionals was £5 million, an improvement of 66 percent at constant currency.

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† Cable & Wireless Americas Operations, Inc ('CWAO') provides data and IP solutions to international Enterprise and Carrier Services customers with service requirements to, from and within the United States. CWAO started trading on 1 September 2003 after Cable & Wireless formalised its ongoing commercial dealings between its former US business ('CWA') and the rest of the Group

[1] CC 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.

Europe

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m	Change as reported** H2 v H1 %	Change as reported** FY v FY %	cc growth[1] H2 v H1 %	cc growth[1] FY v FY %
Enterprise	13	9	22	40	(31)%	(45)%	(33)%	(44)%
Business	5	4	9	14	(20)%	(36)%	(23)%	(34)%
Carrier Services	78	77	155	208	(1)%	(25)%	(4)%	(24)%
Total revenue	**96**	**90**	**186**	**262**	(6)%	(29)%	(9)%	(27)%
Outpayments and network costs	(73)	(70)	(143)	(198)	4%	28%	7%	26%
Staff costs	(15)	(16)	(31)	(40)	(7)%	23%	(3)%	21%
Other costs	(13)	(11)	(24)	(30)	15%	20%	18%	18%
Total operating costs*	**(101)**	**(97)**	**(198)**	**(268)**	4%	26%	7%	24%
Depreciation	-	-	-	(1)	-	100%	-	100%
Total operating profit before exceptionals	**(5)**	**(7)**	**(12)**	**(7)**	(40)%	(71)%	(36)%	(75)%
Headcount (number)	489	423	423	519	13%	18%		
Cash capex	1	1	2	7	-	71%	3%	71%
Free cash flow	(6)	(8)	(14)	(13)	(33)%	(8)%	(30)%	(10)%

*Excluding depreciation, amortisation and exceptional items
**Positive percentage represents improvement

Revenue for the six months to 31 March 2005 was £90 million, a decline of 9 percent at constant currency against the prior half, due to a decline in Enterprise revenue. Revenue for the full year was £186 million, a decline of 27 percent at constant currency against the prior year due mainly to the decline in all revenue segments. Going forward, Europe will be focused on Carrier Services and will continue to provide voice, IP and Data services to UK-based Enterprise customers.

Enterprise revenue for the full year declined by 44 percent at constant currency compared to the prior year, reflecting the loss of a major contract in H1 2004/5 and the full year impact of domestic operations disposals in 2003/4. Business revenue for the full year declined by 34 percent at constant currency compared to the prior year, also due to the impact of the domestic operations disposals in 2003/4 and the refocus of Europe on Carrier Services. Carrier Services revenues for the full year declined by 24 percent at constant currency compared to the prior year as a result of excess capacity in the European carrier market which drove aggressive pricing competition, together with a shift in revenue mix from high revenue to low revenue destinations. Despite this decline, Europe has continued to market to new customers, recently winning a new contract with Belgacom to provide carrier Multi-Protocol Label Switching ('MPLS') services.

Outpayments and network costs declined by 26 percent at constant currency compared to the prior year primarily due to the reduced scale of our operations in Europe.

Staff costs declined by 21 percent at constant currency compared to the prior year due to cost savings from headcount reductions effected during 2003/4. Headcount in Europe reduced by 18 percent in 2004/5 and further reductions are scheduled by March 2006.

Total operating loss before exceptionals was £12 million compared to a loss of £7 million in the prior year due to the material decline in revenue, particularly in the Enterprise and Business segments.

Cash capital expenditure reduced to £2 million from £7 million in the prior year, due to the reduced scale of operations in Europe.

[1] CC 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.

Asia†

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m	Change as reported** H2 v H1 %	Change as reported** FY v FY %	cc growth[1] H2 v H1 %	cc growth[1] FY v FY %
Enterprise	17	17	34	27	-	26%	3%	38%
Business	-	-	-	2	-	(100)%	-	(100)%
Carrier Services	1	4	5	3	100+%	67%	100+%	83%
Total revenue	**18**	**21**	**39**	**32**	17%	22%	20%	34%
Outpayments and network costs	(9)	(10)	(19)	(21)	(11)%	10%	(15)%	1%
Staff costs	(3)	(4)	(7)	(8)	(33)%	13%	(37)%	4%
Other costs	(6)	(1)	(7)	(4)	83%	(75)%	81%	(92)%
Total operating costs*	**(18)**	**(15)**	**(33)**	**(33)**	17%	-	14%	(10)%
Depreciation	-	(1)	(1)	(1)	-	-	-	(10)%
Total operating profit before exceptionals	**-**	**5**	**5**	**(2)**	-	100+%	-	100+%
Headcount (number)	213	221	221	173	(4)%	(28)%		
Cash capex	1	1	2	3	-	33%	(3)%	27%
Free cash flow	**(1)**	**5**	**4**	**(4)**	100+%	100+%	100+%	100+%

*Excluding depreciation, amortisation and exceptional items
**Positive percentage represents improvement

Following its disposal of Cable & Wireless IDC, Inc., (Cable & Wireless' Japanese subsidiary) on 19 February 2005, Cable & Wireless has refocused its business in Asia on serving Enterprise customers that require IP and managed data services to and from Asia, and Carrier Services customers.

Revenue for the six months to 31 March 2005 was £21 million, an increase of 20 percent at constant currency against H1 2004/5, due to increases in Carrier Services revenue. Revenue for the year was £39 million, an increase of 34 percent at constant currency against the prior year, driven by a strong performance in both Enterprise and Carrier Services.

Enterprise revenue for the full year increased by 38 percent at constant currency from the prior year as a result of improved marketing, including the launch of new Multi-Protocol Label Switching ('MPLS') and Managed Network services within the region. Cable & Wireless' operations in the Business segment were sold as part of the disposal of Cable & Wireless IDC, Inc. Carrier Services revenue for the full year increased by 67 percent at reported rates and by 83 percent at constant currency from the prior year as a result of increased focus on this segment.

Outpayments and network costs declined by 1 percent at constant currency from the prior year due to cost reduction initiatives, including a review of leased circuit costs and improvements to network routings. Staff costs declined by 4 percent at constant currency from the prior year due to ongoing cost reduction initiatives.

Total operating profit before exceptionals was £5 million, an increase of more than 100 percent at constant currency.

† Since the disposal of Cable & Wireless IDC, Inc., Cable & Wireless' operations in Asia span Australia, China, Hong Kong, India, Japan and Singapore.
[1] CC 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.

Bulldog†

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m
Total revenue	**4**	**7**	**11**	
Outpayments and network costs	(4)	(9)	(13)	-
Staff costs	(3)	(9)	(12)	-
Other costs	(1)	(13)	(14)	-
Total operating costs*	**(8)**	**(31)**	**(39)**	**-**
Depreciation	-	(2)	(2)	-
Operating profit before exceptionals and amortisation	**(4)**	**(26)**	**(30)**	**-**
Amortisation	(1)	(3)	(4)	-
Joint ventures & associates	-	-	-	-
Total operating profit before exceptionals	**(5)**	**(29)**	**(34)**	**-**
Headcount (number)	190	505	505	-
Cash capex	4	23	27	-
Free cash flow	(8)	(47)	(55)	-

* Excluding depreciation, amortisation and exceptional items
** Positive percentage represents improvement

Revenue for the ten months to 31 March 2005 was £11 million, reflecting strong demand in the UK SoHo (small office or home office) and consumer market for the high speed broadband services offered by Bulldog. In particular, Bulldog has seen high demand for its Super@ctive product that includes 4Mbps broadband plus unlimited national and local phone calls and its Inter@ctive product that includes 4Mbps broadband services.

Outpayments and network costs of £13 million represent the costs of Bulldog's UK broadband network, including payments to Cable & Wireless UK for the utilisation of its voice and backbone network. Staff costs of £12 million represent the recruitment and salary costs of the employee base of 505 people. Bulldog's investment in advertising and marketing to increase its brand awareness as well as the costs of external expertise engaged to review Bulldog's operational processes are the most substantial component of the £14 million within other costs.

The depreciation charge of £2 million relates to the capital investment being made in the expansion of Bulldog's local loop unbundled network and associated systems.

The amortisation charge of £4 million relates to the goodwill arising on the acquisition of Bulldog.

During the year, Bulldog invested £27 million of cash capex in the initial build out of its broadband network infrastructure. This investment was driven by unbundling local exchanges (252 exchanges unbundled at 31 March 2005), installation of metronodes (6 installed at 31 March 2005) and investment in information technology.

† Cable & Wireless acquired Bulldog Communications ('Bulldog') on 28 May 2004. Accordingly, Bulldog Communications contributed to Cable &Wireless results for approximately 4 months in H1 2004/5 and for the full period in H2 2004/5.

National Telcos

	H1	H2	FY	FY	Change as reported**	Change as reported**	cc growth[1]	cc growth[1]
	2004/5	2004/5	2004/5	2003/4	H2 v H1	FY v FY	H2 v H1	FY v FY
	£m	£m	£m	£m	%	%	%	%
International voice	115	95	210	261	(17)%	(20)%	(14)%	(12)%
Domestic voice	180	171	351	392	(5)%	(10)%	(1)%	(1)%
Mobile	159	185	344	299	16%	15%	20%	26%
Data & IP	75	79	154	150	5%	3%	9%	13%
Other	47	85	132	85	81%	55%	82%	70%
Total revenue	**576**	**615**	**1,191**	**1,187**	7%	-	10%	10%
Outpayments and network costs	(188)	(227)	(415)	(368)	(21)%	(13)%	(24)%	(24)%
Staff costs	(79)	(87)	(166)	(163)	(10)%	(2)%	(13)%	(12)%
Other costs	(91)	(92)	(183)	(226)	(1)%	19%	(5)%	11%
Total operating costs*	**(358)**	**(406)**	**(764)**	**(757)**	(13)%	(1)%	(17)%	(11)%
Depreciation	(66)	(62)	(128)	(153)	6%	16%	3%	8%
Operating profit before exceptionals and amortisation	**152**	**147**	**299**	**277**	(3)%	8%	-%	18%
Amortisation	-	(3)	(3)	3	-	(100+)%	(100+)%	(100+)%
Joint ventures and associates	23	25	48	42	9%	14%	12%	25%
Total operating profit before exceptionals	**175**	**169**	**344**	**322**	(3)%	7%	9%	36%
Headcount (number)	9,092	8,766	8,766	8,430	4%	(4)%		
Cash capex	65	96	161	195	(48)%	17%	(53)%	9%
Free cash flow	153	113	266	235	(26)%	13%	(24)%	23%

* Excluding depreciation, amortisation and exceptional items
** Positive percentage represents improvement

The performances of the individual business units which comprise the National Telcos are discussed on pages 22 to 28.

[1] CC 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.

Caribbean

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m	Change as reported** H2 v H1 %	Change as reported** FY v FY %	cc growth[1] H2 v H1 %	cc growth[1] FY v FY %
International voice	69	54	123	160	(22)%	(23)%	(18)%	(15)%
Domestic voice	94	84	178	204	(11)%	(13)%	(7)%	(3)%
Mobile	63	73	136	143	16%	(5)%	20%	6%
Data & IP	36	35	71	70	(3)%	1%	1%	13%
Other	14	28	42	56	100%	(25)%	100+%	(17)%
Total revenue	**276**	**274**	**550**	**633**	(1)%	(13)%	3%	(3)%
Outpayments and network costs	(89)	(94)	(183)	(203)	(6)%	10%	(10)%	-
Staff costs	(44)	(48)	(92)	(97)	(9)%	5%	(13)%	(5)%
Other costs	(55)	(58)	(113)	(142)	(5)%	20%	(9)%	12%
Total operating costs*	**(188)**	**(200)**	**(388)**	**(442)**	(6)%	12%	(11)%	2%
Depreciation	(32)	(26)	(58)	(76)	19%	24%	15%	15%
Operating profit before exceptionals and amortisation	**56**	**48**	**104**	**115**	(14)%	(10)%	(11)%	-
Joint ventures and associates	12	7	19	30	(42)%	(37)%	(39)%	(31)%
Total operating profit before exceptionals	**68**	**55**	**123**	**145**	(19)%	(15)%	(16)%	(6)%
Headcount (number)	3,990	4,147	4,147	4,254	(4)%	3%		
Cash capex	42	44	86	134	(5)%	36%	9%	(29)%
Free cash flow	46	30	76	57	(35)%	33%	(32)%	47%

* Excluding depreciation, amortisation and exceptional items
** Positive percentage represents improvement

Revenue for the six months to 31 March 2005 was £274 million, an increase of 3 percent at constant currency compared to H1 2004/5. Revenue for the full year was £550 million, a decline of 3 percent at constant currency compared to the prior year. This result reflects the decline in International voice revenues throughout the year as well as the adverse impact of Hurricane Ivan, offset by significant growth in Mobile revenue in H2 2004/5.

Hurricane Ivan adversely impacted results in Cayman, Grenada and, to a lesser extent, Jamaica. The impact of Hurricane Ivan is estimated to be a revenue loss of £12 million and operating profit reduction of £11 million during the period. Domestic fixed line revenues and Data & IP revenues were the most materially impacted.

International voice revenue declined by 15 percent at constant currency compared to the prior year. This reflects the ongoing pressure on international settlement rates across all Caribbean markets and, specifically, a full year's competition in Cayman, rate reductions in the East Caribbean as well as the regulatory reductions in international settlement rates implemented in Jamaica in June 2004.

Domestic voice revenue declined by 3 percent at constant currency compared to the prior year due to rate reductions in the East Caribbean as well as fixed to mobile substitution across the Caribbean. Fixed line connections at 31 March 2005 were 735,000 compared to 759,000 at 30 September 2004.

Mobile revenue increased by 6 percent at constant currency from the prior year and by 20 percent compared to H1 2004/5. The East and North Caribbean delivered the strongest performances reflecting growth in GSM customer numbers and increases in international call revenues. Our enhanced roaming capabilities and partnerships have also driven strong growth in roaming revenues across the Caribbean. Robust results in H2 2004/5 also reflect high demand for mobile services experienced in Cayman and Grenada in the wake of Hurricane Ivan. The Mobile customer base at 31 March 2005 was approximately 1,367,000 compared to approximately 1,302,000 at 30 September 2004.

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[1] CC 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.

Data & IP revenue increased by 13 percent at constant currency from the prior year due to ongoing growth in dial-up and ADSL customers partially offset by the impact of Hurricane Ivan. Total Asynchronous Digital Subscriber Line ('ADSL') customers were approximately 38,000 at 31 March 2005 compared to approximately 20,000 at 30 September 2004.

Total operating costs before depreciation, amortisation and exceptional items were £388 million, a decline of 2 percent at constant currency from the prior year. Adjusting for one-off items in the prior year, underlying operating costs were flat against the prior year.

Outpayments and network costs were stable against the prior year at constant currency compared to a 3 percent decline in revenues at constant currency, primarily reflecting increasingly aggressive international competition. Staff costs increased by 5 percent at constant currency against the prior year. This reflects efforts to increase the skill base of our employees, as well as wage inflation in Jamaica. Other operating costs declined by 12 percent at constant currency. However, adjusting for a one off in the prior year (£10 million write-off of receivables), Other operating costs declined by 4 percent at constant currency.

Depreciation fell by 15 percent at constant currency from the prior year and by 15 percent from H1 2004/5. The year on year decline in depreciation was principally due to the impairments to assets carried out in 2003/4. The half on half decline in depreciation was due to the impact of Hurricane Ivan and the impact of a substantial property asset in Barbados reaching the end of its useful life towards the end of H1 2004/5.

Joint venture and associates declined by 31 percent at constant currency due to the recognition of £11 million of restructuring charges in H2 2004/5 in TSTT.

Total operating profit before exceptional items was £123 million for the year, a decrease of 6 percent at constant currency compared to the prior year. After adjusting for the impact of Hurricane Ivan in the current year and one-off items recorded in FY2003/4, underlying operating profit declined by 4 percent at constant currency against the prior year.

Panama

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m	Change as reported** H2 v H1 %	Change as reported** FY v FY %	cc growth[1] H2 v H1 %	cc growth[1] FY v FY %
International voice	9	9	18	23	-	(22)%	3%	(14)%
Domestic voice	61	56	117	139	(8)%	(16)%	(5)%	(8)%
Mobile	36	41	77	57	14%	35%	18%	48%
Data & IP	15	15	30	29	-	3%	3%	13%
Other	8	7	15	17	(13)%	(12)%	(9)%	(3)%
Total revenue	**129**	**128**	**257**	**265**	(1)%	(3)%	3%	6%
Outpayments and network costs	(41)	(49)	(90)	(74)	(20)%	(22)%	(23)%	(33)%
Staff costs	(12)	(11)	(23)	(27)	8%	15%	5%	7%
Other costs	(20)	(18)	(38)	(55)	10%	31%	7%	24%
Total operating costs*	**(73)**	**(78)**	**(151)**	**(156)**	(7)%	3%	(10)%	(6)%
Depreciation	(15)	(16)	(31)	(39)	(7)%	21%	(10)%	13%
Total operating profit before exceptionals	**41**	**34**	**75**	**70**	(17)%	7%	(14)%	17%
Headcount (number)	1,891	1,818	1,818	1,881	4%	3%		
Cash capex	11	30	41	27	(100+)%	(52)%	(100+)%	(66)%
Free cash flow	45	20	65	82	(56)%	(21)%	(54)%	(13)%

* Excluding depreciation, amortisation and exceptional items
** Positive percentage represents improvement

Revenue for the six months to 31 March 2005 was £128 million, an increase of 3 percent at constant currency from H1 2004/5. Revenue for the full year was £257 million, an increase of 6 percent at constant currency compared to the prior year. This revenue growth was due to the increase in Mobile and Data & IP revenue during the period, offsetting a decline in International and Domestic voice revenue.

International voice revenue fell by 14 percent and domestic revenues fell by 8 percent at constant currency from the prior year due to increasing competition following the liberalisation of international and domestic voice services from 2 January 2003. In addition, Domestic voice revenue was adversely affected by fixed to mobile substitution, which particularly impacted payphone revenues. The decline in International and Domestic voice revenue was offset by continued strong growth in Mobile revenue which increased by 48 percent at constant currency against the prior year reflecting strong growth in GSM mobile subscribers and an increase in the mobile market penetration in Panama. The mobile subscriber base increased to approximately 634,000 at 31 March 2005 from approximately 548,000 at 30 September 2004. Mobile market share was in line with the prior year and H1 2004/5, with the increase in subscribers reflecting increased mobile penetration from 33.3 percent at 30 September 2004 to 37.2 percent at 31 March 2005.

Data & IP revenue rose by 13 percent at constant currency compared to the prior year due to the completion of a number of major corporate projects now generating revenue and continued strong growth in internet revenues, particularly in Asynchronous Digital Subscriber Line ('ADSL') service, which grew by 152 percent. At 31 March 2005, the number of Mobile and ADSL subscribers stood at approximately 634,000 and 38,000 respectively. Mobile and Data & IP revenue now represents 42 percent of total revenue compared to 32 percent in the prior year.

Total operating costs before depreciation, amortisation and exceptional items were £151 million, a 6 percent increase at constant currency compared to the prior year. Outpayments and network costs increased by 33 percent at constant currency from the prior year due to the higher volume generated by the increase in revenues and reflecting the changes in the sales mix as voice revenues with high margin are being substituted with lower margin Mobile and Data & IP revenues. Staff costs fell by 7 percent at constant currency from the prior year as a result of a reduction in the temporary payroll. In addition,

[1] CC 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.

headcount was reduced by 3 percent compared to last year following the implementation of a voluntary retirement program in March 2005. Other costs decreased by 24 percent at constant currency compared to the prior year due to cost reduction initiatives and lower legal costs following the £9 million settlement of certain legal proceedings in H2 2003/4.

Depreciation fell by 13 percent at constant currency from the prior year as a result of the asset impairment in 2003/4. Nevertheless, there was an increase of 10 percent at constant currency from H1 2004/5 as a result of new investments in GSM and ADSL networks.

Total operating profit before exceptional items was £75 million, an increase of 17 percent at constant currency from the prior year.

Cash capex was £41 million, an increase of 66 percent at constant currency from the prior year due to the investments made in improving the service and coverage of the GSM network and ADSL expansion.

Macau

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m	Change as reported** H2 v H1 %	Change as reported** FY v FY %	cc growth[1] H2 v H1 %	cc growth[1] FY v FY %
International voice	14	13	27	34	(7)%	(21)%	(4)%	(13)%
Domestic voice	9	8	17	18	(11)%	(6)%	(8)%	4%
Mobile	22	22	44	47	-	(6)%	3%	3%
Data & IP	9	9	18	24	-	(25)%	3%	(18)%
Other	3	8	11	5	100+%	100+%	100+%	100+%
Total revenue	**57**	**60**	**117**	**128**	5%	(9)%	9%	-
Outpayments and network costs	(24)	(24)	(48)	(51)	-	6%	(3)%	(3)%
Staff costs	(5)	(6)	(11)	(12)	(20)%	8%	(24)%	-
Other costs	(4)	(4)	(8)	(7)	-	(14)%	(3)%	(25)%
Total operating costs*	**(33)**	**(34)**	**(67)**	**(70)**	(3)%	4%	(7)%	(5)%
Depreciation	(8)	(7)	(15)	(18)	13%	17%	9%	9%
Total operating profit before exceptionals	**16**	**19**	**35**	**40**	19%	(13)%	23%	(4)%
Headcount (number)	908	932	932	881	(3)%	(6)%		
Cash capex	3	6	9	16	(100)%	44%	(100+)%	38%
Free cash flow	21	20	41	42	(5)%	(2)%	(2)%	7%

* Excluding depreciation, amortisation and exceptional items
** Positive percentage represents improvement

Revenue for the six months to 31 March 2005 was £60 million, an increase of 9 percent at constant currency compared to H1 2004/5. Revenue for the full year was £117 million, in line with the prior year at constant currency.

International voice revenue for the full year fell by 13 percent at constant currency from the prior year due to the reduction in international call rates and a decline in outgoing traffic as a result of increased competition from the other two mobile operators. However, International voice revenue decreased by only 4 percent at constant currency from H1 2004/5 due to an increase in international transit traffic. Domestic voice revenue for the full year increased by 4 percent at constant currency due to the increase in interconnect revenue. Mobile revenue for the full year increased by 3 percent at constant currency compared to the prior year and as the increase in mobile incoming roaming revenue offset price reductions resulting from competition.

Data & IP revenue for the full year fell by 18 percent at constant currency from the prior year reflecting the transfer of the Asia Cities business. Underlying revenue from Data & IP rose by 12 percent at constant currency from the previous year primarily due to the growth in internet customer base. Other revenue rose by more than 100 percent at constant currency compared to the prior year primarily driven by the growth in enterprise solutions business to the Macau Government, large corporations and small to medium size enterprises through strategic alliances with major equipment and solutions suppliers.

Total operating costs before depreciation, amortisation and exceptional items were £67 million, a 5 percent increase at constant currency from the prior year. Outpayments and network costs increased by 3 percent at constant currency due to an increase in cost of sales relating to enterprise solutions and mobile handsets sales. Staff costs were stable at constant currency. Other costs increased by 25 percent at constant currency from the prior year due to higher marketing and repair and maintenance costs.

Total operating profit before exceptional items was £35 million, a decrease of 4 percent at constant currency from the prior year driven by higher operating costs.

Cash capex for the full year was £9 million, a decline of 38 percent at constant currency, principally due to the delay of invoices from suppliers.

[1] CC 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[†]

	H1 2004/5 £m	H2 2004/5 £m	FY 2004/5 £m	FY 2003/4 £m
International voice	3	6	9	-
Domestic voice	2	6	8	-
Mobile	5	14	19	-
Data & IP	3	5	8	-
Other	17	39	56	-
Total revenue	**30**	**70**	**100**	**-**
Outpayments and network costs	(15)	(40)	(55)	-
Staff costs	(4)	(9)	(13)	-
Other costs	(1)	(4)	(5)	-
Total operating costs*	**(20)**	**(53)**	**(73)**	**-**
Depreciation	(2)	(4)	(6)	-
Operating profit before exceptionals and amortisation	**8**	**13**	**21**	**-**
Amortisation	(1)	(4)	(5)	-
Joint ventures and associates	-	1	1	-
Total operating profit before exceptionals	**7**	**10**	**17**	**-**
Headcount (number)	455	458	458	-
Cash capex	2	3	5	-
Free cash flow	8	14	22	-

* Excluding depreciation, amortisation and exceptional items

Revenue for the nine months to 31 March 2005 was £100 million driven by a stable performance in International, Domestic and Data & IP revenue, a strong performance in Mobile revenue and moderate growth in Other revenue. Other revenue includes revenue from Monaco Telecom's interest in mobile operations in Afghanistan and Kosovo, as well as its satellite and call centre activities.

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. In response to a new pricing plan introduced by Monaco Telecom, broadband subscribers increased from 6,400 at 30 June 2004 to 7,500 at 31 March 2005.

The Mobile market is also a monopoly. However, as with the Data & IP market, mobile pricing, products and services are impacted by developments in the French market. Accordingly, the increase in Mobile revenue in H2 2004/5 compared to the run rate in H1 2004/5 was due to ongoing marketing initiatives that drove an increase in Mobile subscribers from approximately 29,000 at 30 June 2004 to approximately 35,000 at 31 March 2005.

The strong performance in other revenue was driven by the expansion of mobile operations in Afghanistan in which Monaco Telecom has a 37 percent interest.

Total operating costs before depreciation, amortisation and exceptional items were £73 million. The increase in Outpayments and network costs during the period was due to the increase in revenue in H2 2004/5.

Total operating profit before exceptional items and amortisation was £21 million, reflecting a slight decline in H2 2004/5 against the run rate achieved in H1 2004/5 due to increased operating costs.

[†] Cable & Wireless acquired a 55 percent economic interest in Monaco Telecom in June 2004. Accordingly Monaco Telecom contributed to Cable & Wireless Group results for approximately 3 months in H1 2004/5 and for the full period in H2 2004/5.

Rest of the World (excluding Monaco)

	H1	H2	FY	FY	Change as reported**	Change as reported**	cc growth[1]	cc growth[1]
	2004/5	2004/5	2004/5	2003/4	H2 v H1	FY v FY	H2 v H1	FY v FY
	£m	£m	£m	£m	%	%	%	%
International voice	20	13	33	44	(35)%	(25)%	(33)%	(20)%
Domestic voice	14	17	31	31	21%	-	24%	7%
Mobile	33	35	68	52	6%	31%	9%	39%
Data & IP	12	15	27	27	25%	-	28%	6%
Other	5	3	8	7	(40)%	14%	(38)%	18%
Total revenue	**84**	**83**	**167**	**161**	(1)%	4%	1%	11%
Outpayments and network costs	(19)	(20)	(39)	(40)	(5)%	3%	(8)%	(4)%
Staff costs	(14)	(13)	(27)	(27)	7%	-	5%	(5)%
Other costs	(11)	(8)	(19)	(22)	27%	14%	25%	8%
Total operating costs*	**(44)**	**(41)**	**(85)**	**(89)**	7%	4%	5%	(1)%
Depreciation	(9)	(9)	(18)	(20)	-	10%	(3)%	4%
Operating profit before exceptionals and amortisation	**31**	**33**	**64**	**52**	6%	23%	9%	32%
Amortisation	1	1	2	3	-	(33)%	3%	(27)%
Joint ventures and associates	11	17	28	12	55%	100+%	59%	100+%
Total operating profit before exceptionals	**43**	**51**	**94**	**67**	19%	40%	22%	51%
Headcount (number)	1,393	1,411	1,411	1,414	(1)%	-		
Cash capex	7	13	20	18	(86)%	(11)%	(92)%	(22)%
Free cash flow	33	29	62	54	(12)%	15%	(10)%	22%

* Excluding depreciation, amortisation and exceptional items
** Positive percentage represents improvement

Revenue for the six months to 31 March 2005 was £83 million, a stable result at constant currency compared to H1 2004/5. Revenue for the full year was £167 million, an increase of 11 percent at constant currency from the prior year. This revenue growth was due to the ongoing demand for Mobile services in Guernsey, the Maldives and Sakhalin which offset a decline in International voice revenue.

International voice revenue fell by 20 percent at constant currency from the prior year, and 33 percent from H1 2004/5, due to continuing pricing pressure from competition in Bermuda. Mobile revenue rose by 39 percent at constant currency over the prior year, and 9 percent at constant currency over H1 2004/5, due to continued growth in subscribers in Guernsey, the Maldives and Sakhalin. Data & IP revenue increased by 28 percent at constant currency from H1 2004/5 and 6 percent at constant currency from the prior year due to initiatives taken to improve the broadband service and product offering in several regions, but most particularly in Guernsey.

Total operating costs before depreciation, amortisation and exceptional items for the year were £85 million, a 1 percent increase at constant currency compared to the prior year. Income from Joint ventures and associates for the full year was £28 million, an increase of more than 100 percent from the prior year, due to a strong performance from the Group's associate, Batelco, in Bahrain.

Total operating profit before exceptional items was £94 million, an increase of 51 percent at constant currency compared to the prior year.

The Indian Ocean tsunami on 26 December 2004 interrupted business operations and damaged network assets located in the Maldives. The total cost to the Group arising from the tsunami has been assessed as £1 million. The network was fully restored by 10 January 2005.

[1] CC 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.

ADDITIONAL INFORMATION

Exchange rate movements

Year on year average exchange rates show a 9.4 percent devaluation of the US dollar against sterling and a 13.4 percent devaluation of the Jamaica 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 in Jamaican dollars. The 4 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 and Jamaican dollar exchange rates used in the current and prior year are shown below.

	2004/5		2003/4
	H1	**FY**	**FY**
US$			
-Average	1.8073	1.8388	1.6809
-Period end	1.8027	1.8701	1.8109
Jamaican$			
-Average	109.3445	111.9637	98.7064
-Period end	110.5020	113.8890	109.4480

Pensions

At 31 March 2005, the pension deficit calculated under FRS17 for the funded defined benefit pension schemes was £160 million in respect of the principal UK scheme (31 March 2004: £336 million) and an asset of £10 million in respect of the rest of the Group (31 March 2004: £21 million). The deficit in unfunded defined benefit schemes at 31 March 2005 was £35 million in respect of the Group (31 March 2004: £46 million) including £20 million in respect of the UK (31 March 2004: £20 million).

The Group continues to account for pensions in accordance with UK GAAP on the basis of SSAP24.

The latest actuarial valuation of the UK defined benefit scheme is in progress, based on the position at 31 March 2005. The Group contributed £100 million in February 2005 to the UK fund in anticipation of this valuation. The company is continuing discussions with the trustees of the scheme regarding this valuation and future funding requirements.

IFRS

The Group prepares its consolidated accounts in accordance with generally accepted accounting principles (GAAP) in the United Kingdom.

Cable & Wireless will report under International Financial Reporting Standards (IFRS) for the year ending 31 March 2006. A detailed analysis of the impact of IFRS on the financials statements for the year ended 31 March 2004 was provided on 31 March 2005 for comparative purposes. This presentation is available on www.cw.com. Full 2004/5 IFRS information will be released before the Group's interim announcement in November 2005.

The SEC has issued an accommodation for foreign private issuers preparing their first set of financial statements under IFRS which allows issuers to file two rather than three years of information. Cable & Wireless expects to take advantage of the accommodation and hence the Group's date of transition to IFRS will be 1 April 2004. As noted above, the Group previously issued unaudited information to investors outlining the impact of the change to international standards on the financial statements for the year ended 31 March 2004: this assumed a transition date of 1 April 2003. The change in transition date to 1 April 2004 has no effect on the net income from continuing activities under IFRS for the year ended 31 March 2005 or on net assets as at that date.

Annual General Meeting

The Annual General Meeting will be held on 22 July 2005 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. Cable & Wireless will provide an update on current trading at the Annual General Meeting.

If you have any enquiries as a UK shareholder, please call the Company's registrars, Lloyds TSB Registrars on 0870 600 3975 (UK shareholders) or +44 1903 502541 (overseas shareholders). ADR holders should call JP Morgan Chase Bank on +1 800 440 1135.

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Interviews with Francesco Caio, CEO and Charles Herlinger, CFO in *video/audio and text will be available from 7.00am.on Thursday 26 May 2005 on: http://www.cw.com and on http://www.cantos.com*

Consolidated profit and loss account for the year ended 31 March

	Continuing operations £m	Discontinued operations £m	**2005 £m**	Continuing operations £m	Discontinued operations £m	2004 £m
Turnover of the Group including its share of joint ventures and associates	3,210	199	**3,409**	3,327	541	3,868
Share of turnover of - joint ventures	(127)	-	**(127)**	(136)	-	(136)
- associates	(60)	-	**(60)**	(61)	-	(61)
Group turnover	3,023	199	**3,222**	3,130	541	3,671
Operating costs before depreciation, amortisation and exceptional items	(2,547)	(183)	**(2,730)**	(2,677)	(546)	(3,223)
Exceptional operating costs	(144)	(1)	**(145)**	(219)	(25)	(244)
Depreciation before exceptional items	(192)	(2)	**(194)**	(225)	(27)	(252)
Exceptional depreciation	(8)	-	**(8)**	(404)	(122)	(526)
Amortisation of capitalised goodwill before exceptional items	(7)	-	**(7)**	3	-	3
Exceptional amortisation	-	-	**-**	(10)	-	(10)
Total operating costs	(2,898)	(186)	**(3,084)**	(3,532)	(720)	(4,252)
Group operating profit/(loss)	125	13	**138**	(402)	(179)	(581)
Share of operating profits in joint ventures	16	-	**16**	23	-	23
Share of operating profits in associates	24	-	**24**	18	-	18
Total operating profit/(loss)	165	13	**178**	(361)	(179)	(540)
Profits less losses on sale and termination of operations before exceptional items	-	3	**3**	-	-	-
Exceptional profits less losses on sale and termination of operations	(14)	130	**116**	2	248	250
Profits less losses on sale and termination of operations	(14)	133	**119**	2	248	250
Profits less (losses) on disposal of fixed assets before exceptional items	5	-	**5**	26	(1)	25
Exceptional items	7	16	**23**	12	16	28
Profits less losses on disposal of fixed assets	12	16	**28**	38	15	53
Profit/(loss) on ordinary activities before interest	163	162	**325**	(321)	84	(237)
Net interest and other similar income						
- Group			**38**			13
- Joint ventures and associates			**-**			-
Total net interest and other similar income			**38**			13
Profit/(loss) on ordinary activities before taxation			**363**			(224)
Tax credit on profit on ordinary activities			**14**			12
Profit/(loss) on ordinary activities after taxation			**377**			(212)
Equity minority interests			**(75)**			(25)
Profit/(loss) for the financial year			**302**			(237)
Dividends			**(87)**			(73)
Profit/(loss) for the year retained			**215**			(310)
Basic profit/(loss) per ordinary share			**13.0p**			(10.2)p
Diluted profit/(loss) per ordinary share			**12.3p**			(10.2)p
Dividends per ordinary share			**3.80p**			3.15p

Group balance sheet
at 31 March

	2005 £m	2004 £m
Fixed assets		
Intangible assets	**91**	(9)
Tangible assets	**1,379**	1,214
Interest in net assets of joint ventures	**128**	132
Investments in associates	**80**	75
Loans to joint ventures and associates	**1**	1
Other investments	**20**	58
Total fixed asset investments	**229**	266
	1,699	1,471
Current assets		
Stocks	**35**	38
Debtors - due within one year	**816**	875
- due after more than one year	**284**	175
Investments and short term deposits	**2,031**	2,229
Cash at bank and in hand	**135**	138
	3,301	3,455
Creditors: amounts falling due within one year	**(1,618)**	(1,668)
Net current assets	**1,683**	1,787
Total assets less current liabilities	**3,382**	3,258
Convertible debt	(252)	(252)
Other creditors	(549)	(623)
Creditors: amounts falling due after more than one year	**(801)**	(875)
Provisions for liabilities and charges	**(444)**	(431)
	(1,245)	(1,306)
Net assets	**2,137**	1,952
Capital and reserves		
Called up share capital	**599**	596
Share premium account	**8**	2
Special reserve	**1,736**	1,745
Capital redemption reserve	**105**	105
Profit and loss account	**(630)**	(745)
Equity shareholders' funds	**1,818**	1,703
Equity minority interests	**319**	249
Capital employed	**2,137**	1,952

Balance sheet subject to certain footnote reclassification

Group cash flow statement
for the year ended 31 March

	2005 £m	2004 £m
Net cash inflow from operating activities	**346**	73
Dividends from joint ventures	**11**	12
Dividends from associates	**14**	13
	25	25
Returns on investments and servicing of finance		
Interest and similar income received	**89**	103
Interest paid	**(68)**	(89)
Net interest element of finance lease rentals paid	**-**	(1)
Dividends paid to minority interest	**(35)**	(75)
Income received from other investments	**4**	5
	(10)	(57)
Taxation	**(60)**	(43)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(344)**	(342)
Sale of tangible fixed assets	**9**	38
Purchase of current asset investments	**(1)**	(1)
Purchase of investments	**-**	(4)
Sale of current asset investments	**-**	229
Sale of investments	**68**	39
	(268)	(41)
Acquisitions and disposals		
Disposal of subsidiary undertakings (net of cash disposed and disposal costs)	**96**	(120)
Purchase of shareholdings in subsidiary undertakings (net of cash received)	**(131)**	(5)
Receipts from sale of associates	**7**	7
Investment in joint venture	**(7)**	-
	(35)	(118)
Equity dividends paid to shareholders	**(97)**	-
Management of liquid resources		
Movement in short term investments and fixed deposits (net)	**75**	932
Financing		
Issue of ordinary share capital	**6**	2
Purchase of own shares	**(74)**	-
Capital element of finance lease rental repayments	**-**	(1)
Other long term debt issued	**1**	280
Long term debt repaid	**(86)**	(863)
	(153)	(582)
(Decrease)/ increase in cash in the year	**(177)**	189

Consolidated statement of total recognised gains and losses for the year ended 31 March

	2005 **£m**	2004 £m
Profit/(loss) for the financial year	**302**	(237)
Currency translation differences on foreign currency net investments and related borrowings	**(37)**	(97)
Total gains/(losses) relating to the period	**265**	**(334)**
Prior year adjustments – change in accounting policy for employee share awards	119	
Total gains and losses recognised since last annual report	384	

Reconciliation of movements in consolidated equity shareholders' funds for the year ended 31 March

	2005 **£m**	2004 £m
Profit/(loss) for the financial year	**302**	(237)
Dividends - interim	**(27)**	-
- full	**(60)**	(73)
Profit/(loss) for the year carried forward	**215**	(310)
Other recognised gains and losses relating to the year	**(37)**	(97)
New share capital issued	**9**	2
Purchase of own shares	**(75)**	-
Own shares purchased and held in ESOP	**-**	(4)
Own shares released on vesting of share awards	**3**	1
Net increase/(decrease) in equity shareholders' funds	**115**	(408)
Opening equity shareholders' funds (prior year adjusted)	**1,703**	2,111
Closing equity shareholders' funds	**1,818**	1,703

Geographical analysis of Group turnover for the year ended 31 March

	2005 **£m**	2004 £m
United Kingdom	**1,602**	1,661
CWAO	**16**	11
Europe	**186**	262
Asia	**39**	32
Bulldog (UK)	**11**	-
Caribbean	**550**	633
Panama	**257**	265
Macau	**117**	128
Monaco	**100**	-
Rest of the World	**167**	161
Inter-regional turnover	**(22)**	(23)
Continuing operations	**3,023**	3,130
Discontinued operations	**199**	541
Group turnover	**3,222**	3,671

Geographical analysis of Total operating profit/(loss) for the year ended 31 March

	Total operating profit/(loss) before exceptional items	Exceptional items	Total operating profit/(loss)	
			2005	2004
	£m	£m	**£m**	£m
United Kingdom	90	(66)	**24**	(233)
CWAO	(5)	6	**1**	(16)
Europe	(12)	(38)	**(50)**	(14)
Asia	5	(1)	**4**	(10)
Bulldog (UK)	(34)	-	**(34)**	-
Caribbean	104	(21)	**83**	(130)
Panama	75	-	**75**	(3)
Macau	35	-	**35**	38
Monaco	16	-	**16**	-
Rest of World	66	(1)	**65**	54
Other and eliminations	(63)	(31)	**(94)**	(88)
Joint ventures and associates	40	-	**40**	41
Continuing operations	317	(152)	**165**	(361)
Discontinued operations	14	(1)	**13**	(179)
	331	(153)	**178**	(540)

Geographical analysis of Group share of turnover and operating profits/(losses) of joint ventures and associates for the year ended 31 March

	Turnover		Operating profit/(loss)	
	2005	2004	**2005**	2004
	£m	£m	**£m**	£m
United Kingdom	**-**	6	**(8)**	(1)
Caribbean	**107**	108	**19**	30
Monaco	**1**	-	**1**	-
Rest of World	**79**	83	**28**	12
Total	**187**	197	**40**	41

Reconciliation of Group operating profit/(loss) to net cash inflow from operating activities for the year ended 31 March

	2005	2004
	£m	£m
Operating profit/(loss)	**138**	(581)
Add back non-cash items:		
Depreciation and amortisation (before exceptional items)	**201**	249
Exceptional non-cash items	**8**	574
Decrease in stocks	**3**	11
(Increase)/decrease in debtors	**(9)**	508
(Decrease) in creditors	**(8)**	(565)
Movements in provisions	**10**	(123)
Other non cash items	**3**	-
Net cash inflow from operating activities	**346**	73

Reconciliation of net cash flow to movement in net funds for the year ended 31 March

	2005 **£m**	2004 £m
(Decrease)/increase in cash in the year	**(177)**	189
Cash outflow resulting from decrease in debt and lease financing	**85**	582
Cash (inflow) resulting from (decrease) in liquid resources	**(75)**	(932)
Decrease in net funds resulting from cash flows	**(167)**	(161)
Borrowings of business acquired and disposed	**10**	-
Liquid resources of businesses acquired and disposed	**55**	(19)
Translation and other differences	**(6)**	8
Movement in net funds in the year	**(108)**	(172)
Net funds at 1 April	**1,436**	1,608
Net funds at 31 March	**1,328**	1,436

Analysis of changes in net funds

	At 1 April 2004 £m	Cash flow £m	Acquisitions and disposals £m	Exchange movements £m	**At 31 March 2005 £m**
Cash at bank and in hand	138	(1)	-	(2)	**135**
Short term deposits repayable on demand	361	(177)	-	-	**184**
Bank overdrafts	(1)	1	-	-	**-**
	498	(177)	-	(2)	**319**
Liquid resources	1,856	(75)	55	(3)	**1,833**
Debt due within 1 year	(43)	21	-	(1)	**(23)**
Debt due after 1 year	(875)	64	10	-	**(801)**
Total debt	(918)	85	10	(1)	**(824)**
Total net funds	1,436	(167)	65	(6)	**1,328**

Additional information for US investors

The Group prepares its consolidated accounts in accordance with generally accepted accounting principles (GAAP) in the United Kingdom that differ in certain material respects from US GAAP. The reconciliation of UK GAAP net income and shareholders' equity to US GAAP will be published in the Annual Report.

Additional information and specific enquiries concerning Cable & Wireless ADRs should be addressed to JP Morgan Chase Bank, 270 Park Avenue, New York, NY10017 USA, (Telephone: Shareholder Services: +1 800 440 1135).

Nature of Financial Statements

These financial statements are not the full financial statements for the Group. The abridged profit and loss account and balance sheet for the year to 31 March 2004 is an extract from the full accounts for that year that have been delivered to the Registrar of Companies; the report of the auditors on those accounts was unqualified. The full financial statements for this year, on which the Auditors have confirmed that they will report without qualification, have not yet been delivered to the Registrar of Companies. A full copy of the financial statements or the Annual Review will be mailed to shareholders on 21 June 2005 and can be obtained thereafter from A. Garard, Company Secretary, at Lakeside House, Cain Road, Bracknell, Berkshire, RG12 1XL.

Comparative Data H1 2004/5 (Geographic basis)

Continuing Operations

	UK	CWAO[2]	Europe	Asia	Bulldog	National Telcos: Caribbean	Panama	Macau	Monaco	Rest of the World[3]	Total National Telcos	Other	H1 2004/5
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	**810**	**7**	**96**	**18**	**4**	**276**	**129**	**57**	**30**	**84**	**576**	**(4)**	**1,507**
Outpayments and network costs	(554)	(7)	(73)	(9)	(4)	(89)	(41)	(24)	(15)	(19)	(188)	6	(829)
Staff costs	(118)	(2)	(15)	(3)	(3)	(44)	(12)	(5)	(4)	(14)	(79)	(42)	(262)
Other costs	(65)	(2)	(13)	(6)	(1)	(55)	(20)	(4)	(1)	(11)	(91)	9	(169)
Total operating costs[1]	**(737)**	**(11)**	**(101)**	**(18)**	**(8)**	**(188)**	**(73)**	**(33)**	**(20)**	**(44)**	**(358)**	**(27)**	**(1,260)**
Depreciation before exceptional items	(30)	-	-	-	-	(32)	(15)	(8)	(2)	(9)	(66)	(2)	(98)
Operating profit/(loss) before exceptional items and amortisation	**43**	**(4)**	**(5)**	**-**	**(4)**	**56**	**41**	**16**	**8**	**31**	**152**	**(33)**	**149**
Amortisation	-	-	-	-	(1)	-	-	-	(1)	1	-	-	(1)
Joint ventures and associates	(2)	-	-	-	-	12	-	-	-	11	23	-	21
Total operating profit/(loss) before exceptional items	**41**	**(4)**	**(5)**	**-**	**(5)**	**68**	**41**	**16**	**7**	**43**	**175**	**(33)**	**169**

[1] Excluding depreciation, amortisation and exceptional items
[2] Cable & Wireless Americas Operations, Inc ('CWAO') provides data and IP solutions to international Enterprise and Carrier Services customers with service requirements to, from and within the United States. CWAO started trading on 1 September 2003 after Cable & Wireless formalised its ongoing commercial dealings between its former US business ('CWA') and the rest of the Group
[3] 'Rest of the World' comprises the results of the Group's operations in the Atlantic, Pacific and Indian Oceans, the Middle East and Guernsey

The geographical financial information in the above table reflects the management structure of the organisation during the year to 31 March 2004/5.

Comparative Data H2 2004/5 (Geographic basis)

Continuing Operations	UK	CWAO[2]	Europe	Asia	Bulldog	National Telcos: Caribbean	Panama	Macau	Monaco	Rest of the World[3]	Total National Telcos	Other	H2 2004/5
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	**792**	**9**	**90**	**21**	**7**	**274**	**128**	**60**	**70**	**83**	**615**	**(18)**	**1,516**
Outpayments and network costs	(512)	(7)	(70)	(10)	(9)	(94)	(49)	(24)	(40)	(20)	(227)	15	(820)
Staff costs	(130)	(2)	(16)	(4)	(9)	(48)	(11)	(6)	(9)	(13)	(87)	(17)	(265)
Other costs	(73)	(1)	(11)	(1)	(13)	(58)	(18)	(4)	(4)	(8)	(92)	(11)	(202)
Total operating costs[1]	**(715)**	**(10)**	**(97)**	**(15)**	**(31)**	**(200)**	**(78)**	**(34)**	**(53)**	**(41)**	**(406)**	**(13)**	**(1,287)**
Depreciation before exceptional items	(30)	-	-	(1)	(2)	(26)	(16)	(7)	(4)	(9)	(62)	1	(94)
Operating profit/(loss) before exceptional items and amortisation	**47**	**(1)**	**(7)**	**5**	**(26)**	**48**	**34**	**19**	**13**	**33**	**147**	**(30)**	**135**
Amortisation	-	-	-	-	(3)	-	-	-	(4)	1	(3)	-	(6)
Joint ventures and associates	(6)	-	-	-	-	7	-	-	1	17	25	-	19
Total operating profit/(loss) before exceptional items	**41**	**(1)**	**(7)**	**5**	**(29)**	**55**	**34**	**19**	**10**	**51**	**169**	**(30)**	**148**

[1] Excluding depreciation, amortisation and exceptional items
[2] Cable & Wireless Americas Operations, Inc ('CWAO') provides data and IP solutions to international Enterprise and Carrier Services customers with service requirements to, from and within the United States. CWAO started trading on 1 September 2003 after Cable & Wireless formalised its ongoing commercial dealings between its former US business ('CWA') and the rest of the Group
[3] 'Rest of the World' comprises the results of the Group's operations in the Atlantic, Pacific and Indian Oceans, the Middle East and Guernsey

The geographical financial information in the above table reflects the management structure of the organisation during the year to 31 March 2005

Comparative Data FY 2003/4 (Geographic basis)

Continuing Operations	UK	CWAO[2]	Europe	Asia	Bulldog	National Telcos: Caribbean	National Telcos: Panama	National Telcos: Macau	National Telcos: Monaco	National Telcos: Rest of the World[3]	Total National Telcos	Other	FY 2003/4
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	**1,661**	**11**	**262**	**32**	**-**	**633**	**265**	**128**	**-**	**161**	**1,187**	**(23)**	**3,130**
Outpayments and network costs	(1,158)	(23)	(198)	(21)	-	(203)	(74)	(51)	-	(40)	(368)	23	(1,745)
Staff costs	(254)	(4)	(40)	(8)	-	(97)	(27)	(12)	-	(27)	(163)	(55)	(524)
Other costs	(148)	-	(30)	(4)	-	(142)	(55)	(7)	-	(22)	(226)	-	(408)
Total operating costs[1]	**(1,560)**	**(27)**	**(268)**	**(33)**	**-**	**(442)**	**(156)**	**(70)**	**-**	**(89)**	**(757)**	**(32)**	**(2,677)**
Depreciation before exceptional items	(68)	-	(1)	(1)	-	(76)	(39)	(18)	-	(20)	(153)	(2)	(225)
Operating profit/(loss) before exceptional items and amortisation	**33**	**(16)**	**(7)**	**(2)**	**-**	**115**	**70**	**40**	**-**	**52**	**277**	**(57)**	**228**
Amortisation	-	-	-	-	-	-	-	-	-	3	3	-	3
Joint ventures and associates	(1)	-	-	-	-	30	-	-	-	12	42	-	41
Total operating profit/(loss) before exceptional items	**32**	**(16)**	**(7)**	**(2)**	**-**	**145**	**70**	**40**	**-**	**67**	**322**	**(57)**	**272**

[1] Excluding depreciation, amortisation and exceptional items
[2] Cable & Wireless Americas Operations, Inc ('CWAO') provides data and IP solutions to international Enterprise and Carrier Services customers with service requirements to, from and within the United States. CWAO started trading on 1 September 2003 after Cable & Wireless formalised its ongoing commercial dealings between its former US business ('CWA') and the rest of the Group
[3] 'Rest of the World' comprises the results of the Group's operations in the Atlantic, Pacific and Indian Oceans, the Middle East and Guernsey

The geographical financial information in the above table reflects the management structure of the organisation during the year to 31 March 2005