

Cable & Wireless Worldwide plc Interim Results 2011/12

- **Trading performance in line with market expectations, trading cash flow up 19%**
- **Underlying margin and EBITDA stable year on year**
- **Package of measures announced aimed at reducing costs, improving marketplace performance and ensuring a strong and resilient balance sheet**
- **Gavin Darby to join as Chief Executive Officer on 28 November 2011 – John Pluthero to leave the business in March 2012**

Financial highlights

- EBITDA¹ £190 million (H1 2010/11: £214 million), underlying performance stable
- Gross margin¹ £511 million (H1 2010/11: £522 million), underlying flat
- Trading cash flow² strengthened by 19% to £38 million
- Exceptional items - goodwill impairment (£436 million), deferred tax asset write down (£146 million) and the write off of obsolete assets (£42 million) totalling £624 million
- Agreement concluded with pension fund trustees, initial payment of £100 million, £125 million of available resources released
- Interim dividend of 0.75 pence per share to be paid in January 2012 at a cost of £20 million. Future dividends suspended to improve balance sheet strength

Trading highlights

- UK Enterprise - recent contract wins to restart hosting growth
- Renewal and extension of framework Government contract, providing greater opportunities to engage with UK public sector
- Progressing global markets – 7% enterprise margin growth
- Extra 35% of data centre capacity commissioned – to start to come on stream in H2

New Chief Executive

- The Board has appointed Gavin Darby as Chief Executive Officer with effect from 28 November 2011
- John Pluthero will leave the Board in December 2011. He will stay with the business to effect an orderly handover and will leave the business in March 2012

John Barton, Chairman, said:

"At the end of a turbulent period for Cable&Wireless Worldwide, we are pleased to announce trading results in line with market expectations. The Board has appointed Gavin Darby as Chief Executive Officer. Gavin will provide the longevity of leadership required, energy and fresh insight for the future. We are delighted to have secured such a high quality candidate to lead the business into the next phase of its development."

"Alongside Gavin's appointment we are also announcing a package of measures aimed at reducing costs, improving marketplace performance and ensuring a strong and resilient balance sheet. The Board has reached agreement with the pension trustees to a forward funding plan which, in return for a £100 million contribution, reduces annual contributions and frees up £125 million of resources. The interim dividend of 0.75 pence per share will be paid but going forward, the Board intends that future dividends will be suspended to improve balance sheet strength and to enable investment in the business. Dividends will only be paid in the future when covered by free cash flow."

"Taken together, we believe that the measures we have announced today will provide a robust platform to allow Gavin and his team to continue the programme commenced by John Pluthero."

¹For explanatory notes please see page 4
²For explanatory notes please see page 11

CHIEF EXECUTIVE OFFICER'S REVIEW

Trading Commentary

During the first six months of this year there has been considerable market uncertainty and global economic conditions continue to look challenging. This has resulted in corporate customers adopting a more cautious approach to their ICT spend and the payback required from any investment made.

In UK Enterprise we won several significant new contracts including Bravura and large national bookmaker to deliver hosting solutions and in the UK Public Sector the renewal and extension of the Government Secure Intranet Convergence Framework provides us with an excellent opportunity to work more closely with Government to support their ICT agenda. Globally, demand in emerging markets continues to be encouraging, although pricing is increasingly keen.

Within this set of results the underlying performance of voice has been stronger than our medium term guidance. This reflects our improved management of the portfolio.

Pricing pressure on data connectivity continued to be a feature both in the UK and internationally albeit partially offset by increased volumes. Excluding one-offs in the prior period the underlying IP and data margin was down 1%. We continue to sell a range of managed services to customers, which act as a key point of differentiation.

In hosting and applications we delivered one-off project work which drove margins up by 17% to £103 million. However underlying growth was constrained by a lack of available capacity. As previously announced, investment to expand our data centre capacity is underway and is due to be come on stream in early 2012. This will support our sales pipeline which continued to grow as more customers, both current and potential, seek to outsource their communications infrastructure.

Operating costs were higher by £13 million in the period, largely reflecting one-off rebates recognised in the prior year.

Our people

Our colleagues are central to the success of Cable&Wireless Worldwide. Despite tough market conditions our colleagues have continued to demonstrate the skills and commitment required to deliver high levels of customer service.

Resetting the business

We still see significant opportunities for growth in our marketplaces although our recent delivery has not been as good as it needs to be. There are several specific factors for that, in some places capacity, in others a lack of clear approach. There is considerable potential for simple, effective and efficient ways of working to enable us to exploit market trends and grow the business.

The Board has agreed a package of measures to address this under performance, reduce costs and improve balance sheet resilience and strength.

1. Improving marketplace performance

This involves two main areas of activity:

Performance improvement in voice and data

Voice and data currently contributes 80% of our gross margin. Although the continued pricing pressure on these products is unlikely to change we remain underrepresented in these core markets and therefore, there remains an opportunity to increase our market share. The focus in these markets is to improve competitiveness and effectively manage price erosion. This will be achieved with a change in management approach, effective targeting of wholesale markets and revised pricing methodologies.

Purposeful growth plans

Across the business we have an attractive range of growth opportunities from hosting through to the carrier market. Hosting and the move towards cloud represent clear opportunities and we are investing accordingly. Continued growth in this area will be achieved through targeted investment in our capabilities, data centre capacity and products, where we can deliver sustainable return on this investment. There are also targeted market share opportunities across the other markets in which we operate.

2. Reduce the cost base without jeopardising delivery

We continue to see inflationary pressure in our cost base which is not reflected in market prices for our products and services. We have started a cost reduction programme to partially offset this inflationary pressure and fund some of the investment required in the business. The main focus of this programme is reducing support function costs and overheads and in rationalising our supply chain. We aim to protect customer facing areas in order to maintain our service proposition.

We are also carrying out a review of our capital expenditure programme with the aim of cancelling unattractive programmes, redirecting spend to more value adding initiatives and exploring partnerships and collaboration to reduce the capital strain on the business.

3. Improving balance sheet resilience and strength

In the light of heightened macroeconomic uncertainty and increased market volatility, the Board has prioritised balance sheet strength. A number of actions have been agreed:

Pension

We have agreed with the pension trustees a new funding plan which involves an initial payment of £100 million in the second half in return for reduced annual contributions together with the termination of the contingent funding agreement which required us to ring-fence £125 million of available resources.

Dividend

The interim dividend of 0.75 pence per share will be paid at a cost of £20 million. The Board intends to suspend dividend payments going forward until a point when free cash flow comfortably covers proposed dividends.

Outlook

The business continues to trade in line with expectations. As a result of the implementation of our new plans we anticipate a moderate increase in operational expenditure in the second half of 2011/12.

The underlying business is strong, we are retaining customers whilst winning new ones, and we plan to capitalise on and grow what we have today. Our focus is designed to maximise the benefits from our voice and data businesses whilst generating strong growth, in the medium term, from our attractive range of opportunities.

John Pluthero
Chief Executive Officer

15 November 2011

GROUP RESULTS

The Group results presented below should be read in conjunction with the Group's condensed consolidated interim income statement, condensed consolidated interim statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated interim statement of cash flows and notes to the condensed consolidated interim financial statements on pages 15 to 23. To help explain the movements in revenue and margin during the period, we have provided the analysis by product below. We do not however manage our business or allocate resources by product line.

	For the six months ended 30 September 2011			For the six months ended 30 September 2010		
	Pre-exceptionals	Exceptionals ²	Total	Pre-exceptionals	Exceptionals ²	Total
	£m	£m	£m	£m	£m	£m
Revenue	1,072	-	1,072	1,123	-	1,123
Cost of sales	(561)	-	(561)	(601)	-	(601)
Gross margin	511	-	511	522	-	522
Operating costs	(321)	-	(321)	(308)	(11)	(319)
EBITDA¹	190	-	190	214	(11)	203
Depreciation and amortisation	(137)	(478)	(615)	(141)	-	(141)
Net other operating (expense)/income	(3)	-	(3)	4	-	4
Total operating profit/(loss)	50	(478)	(428)	77	(11)	66
Net finance expense	(15)	-	(15)	(13)	-	(13)
Profit/(loss) before income tax	35	(478)	(443)	64	(11)	53
Income tax (charge)/credit	(1)	(146)	(147)	34	-	34
Profit/(loss) for the period	34	(624)	(590)	98	(11)	87
Capital expenditure (£m)³			122			132

1 EBITDA is defined as earnings before interest, tax, depreciation and amortisation, net other operating income/expense and exceptional items and is reconciled to GAAP measures on page 23.

2 Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Group that are identified as exceptional items by virtue of their size, nature or incidence. For further details on exceptionals, refer to page 20.

3 Balance sheet capital expenditure excludes capitalised borrowing costs of £3m (2010/11: £2m) and additional asset retirement obligations of £13m (2010/11: £5m).

All current financial results listed are for the six months ended 30 September 2011. All references to 'the prior period', 'the prior year', '2010', 'last year' and 'H1 2010/11' mean the six months ended 30 September 2010 unless otherwise specified.

Group revenues

Revenues for the first half of 2011/12 were £1,072 million (H1 2010/11: £1,123 million). We have continued to see an increasing proportion of our revenue derived from our IP, data, hosting and applications products. The reported increase in hosting and applications revenue was more than offset by the decline in voice revenue of 12% and a fall in IP and data revenue resulting from a one-off specific fibre roll-out project in the first half of the prior year.

Group gross margin

Gross margin for the first half of 2011/12 was £511 million (H1 2010/11: £522 million). This reduction in margin was primarily due to non recurring regulatory credits recognised in the first half 2010/11.

Gross margin as a percentage of revenue increased to 48% (H1 2010/11: 46%).

RESULTS BY PRODUCT GROUP

	H1 2011/12			H1 2010/11		
	Revenue £m	Gross margin £m	Gross margin %	Revenue £m	Gross margin £m	Gross margin %
Traditional voice (incl. legacy)	450	128	28%	509	125	25%
IP and data	480	280	58%	493	309	63%
Hosting and applications	142	103	73%	121	88	73%
Total Worldwide	1,072	511	48%	1,123	522	46%

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

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

Traditional voice revenue decreased by £59 million to £450 million. This reduction included the impact of regulatory changes to mobile termination rates of £22 million. Lower volumes, particularly in mobile transit and premium rate services, and continued pricing pressures led to a further reduction in revenue of £37 million.

Traditional voice gross margin increased to £128 million. The active management of low margin deals, both for new business and contract re-signs, has seen the gross margin percentage increase. In addition, £6 million of favourable commercial interconnect settlements were made in the period.

In the medium term we still anticipate that margin will decline by more than 10% due to the pricing pressure on voice products and the continuing migration of customers to IP & data type products.

IP and data – revenue and gross margin

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

IP and data revenue reduced by £13 million to £480 million whilst margin fell by £29 million to £280 million. The decrease in revenue and margin was largely due to a one-off specific fibre roll-out project in the first half of 2010/11 worth £18 million of revenue and £17 million of margin. A further £8 million of margin was recognised in the prior period relating to Partial Private Circuits (PPCs) regulatory credits. Excluding these one-off items gross margin declined by 1% compared to the prior year.

Hosting and applications – revenue and gross margin

Hosting includes fully managed hosting solutions as well as cloud computing, co-location, server and website hosting, storage and security. Applications include managed video conferencing, application performance management and hosted contact centre applications.

Hosting and applications revenue increased by £21 million to £142 million and gross margin increased by £15 million to £103 million. These increases principally reflect the impact of a large project undertaken in the period with £18 million of revenue and £15 million of margin.

We currently have an 86% utilisation rate across our data centres. As a result, the Board have approved the expansion of our existing facilities at Swindon and Leeds, as well as further capacity at a new facility in South East England, in order to support our continued growth in this product set.

RESULTS BY MARKET CHANNEL

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

	H1 2011/12			H1 2010/11		
	Revenue £m	Gross margin £m	Gross margin %	Revenue £m	Gross margin £m	Gross margin %
UK enterprise	405	195	48%	404	217	54%
UK public sector	154	100	65%	138	78	57%
UK carrier	142	51	36%	199	63	32%
UK mid-market direct	51	30	59%	55	33	60%
UK mid-market indirect	45	16	36%	51	16	31%
Mid-market	96	46	48%	106	49	46%
Total UK	797	392	49%	847	407	48%
Global enterprise	98	49	50%	92	46	50%
Global carrier	177	70	40%	184	69	38%
Total Global	275	119	43%	276	115	42%
Total Worldwide	1,072	511	48%	1,123	522	46%

UK enterprise

	H1 2011/12 £m	H1 2010/11 £m	Change %
Revenue	405	404	0.2%
Cost of sales	(210)	(187)	(12%)
Gross margin	195	217	(10%)
Gross margin %	48%	54%	

Source: Management information

Our UK enterprise channel serves large users of mission critical communications, where the principal relationship is based in the UK. We have strong market positions in the banking and utilities sectors.

UK enterprise revenues were broadly in line with the prior period at £405 million. Total gross margin was £195 million (H1 2010/11: £217 million); part of this movement was a result of previously identified one-off regulatory rebates of £8 million for PPCs, that were recognised in H1 2010/11 and not repeated in H1 2011/12. Excluding this the underlying gross margin reduced by £14 million, split across voice, where there has been continued churn and price erosion, and IP and data where there has been pressure on connectivity pricing.

During the period we secured a number of new contracts including an initial three year contract with Aviva Europe to provide a pan-European converged voice and data network. We also continued to roll-out networks and services for our major customers including a large retailer and a large banking customer.

The reorganisation of our sales team into specific industry sectors is complete and we have started to offer a differentiated selection of products and services tailored by industry.

With economic conditions remaining challenging, UK enterprises have continued to adopt a more cautious approach to spend on ICT related products. However, companies increasingly regard their communication network and infrastructure as one of the key enablers for delivering their business agenda and therefore will invest if returns are compelling. Through our sector specific products and services such returns can be achieved. Within this channel we are seeing an increasing proportion of the sales pipeline relating to hosting and applications based work.

UK public sector

	H1 2011/12 £m	H1 2010/11 £m	Change %
Revenue	154	138	12%
Cost of sales	(54)	(60)	10%
Gross margin	100	78	28%
Gross margin %	65%	57%	

Source: Management information

Through our UK public sector channel we deliver solutions to central and local government organisations in the UK and globally.

The UK public sector channel performed well in the period with a £16 million increase in revenue and £22 million increase in gross margin, as we benefitted from the delivery of a substantial hosting and applications project. We are also now delivering on the annuity work signed over the past year, notably with the Foreign and Commonwealth Office.

The UK Government has continued to push its ICT agenda, to become more efficient in the procurement of goods and services and to open up the market to increased competition. In September we announced the renewal and extension of the Government Secure Intranet Convergence Framework contract to provide a highly secure, dedicated pan-government directory and portal that will transform communications between central government, local government, the NHS and the Police. This contract represents a good opportunity to work more closely with the Government to deliver additional services over the Public Service Network.

UK carrier

	H1 2011/12 £m	H1 2010/11 £m	Change %
Revenue	142	199	(29%)
Cost of sales	(91)	(136)	33%
Gross margin	51	63	(19%)
Gross margin %	36%	32%	

Source: Management information

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

UK carrier revenue was £142 million (H1 2010/11: £199 million), and gross margin was £51 million (H1 2010/11: £63 million). The prior period results included a specific fibre roll out project with a £17 million margin contribution. Removing the effect of this one-off project, the underlying margin in UK carrier grew by 11%.

As we expected, lower mobile transit volumes impacted revenues. The underlying rise in margin, excluding the prior-period one-off, is largely as a result of a commercial settlement of £3 million agreed with a UK mobile operator.

In August we announced a three year contract with Gage Networks to provide managed hosting and co-location in support of Gage Networks' suite of products. This is an example of our strategy at work as we are providing enterprise type solutions and not simply wholesale lines and minutes into this channel.

Mid-market

	H1 2011/12 £m	H1 2010/11 £m	Change %
Direct			
Revenue	51	55	(7%)
Cost of sales	(21)	(22)	4.5%
Gross margin	30	33	(9%)
Gross margin %	59%	60%	
Indirect			
Revenue	45	51	(12%)
Cost of sales	(29)	(35)	17%
Gross margin	16	16	-
Gross margin %	36%	31%	
Total			
Revenue	96	106	(9%)
Cost of sales	(50)	(57)	12%
Gross margin	46	49	(6%)
Gross margin %	48%	46%	

Source: Management information

Mid-market is comprised of two channels, our direct to market THUS business and our indirect market where partners resell our products to small or medium size businesses.

Overall mid-market revenues reduced by £10 million, to £96 million, and gross margin by £3 million, to £46 million in the period. Indirect margin remained consistent with the prior period. In the direct mid-market business we continued to experience customer churn in the Demon consumer broadband product base as well as price pressure on voice and data products.

Global

	H1 2011/12 £m	H1 2010/11 £m	Change %
Enterprise			
Revenue	98	92	7%
Cost of sales	(49)	(46)	(7%)
Gross margin	49	46	7%
Gross margin %	50%	50%	
Carrier			
Revenue	177	184	(3.8%)
Cost of sales	(107)	(115)	7%
Gross margin	70	69	1.4%
Gross margin %	40%	38%	
Total			
Revenue	275	276	(0.4%)
Cost of sales	(156)	(161)	3.1%
Gross margin	119	115	3.5%
Gross margin %	43%	42%	

Source: Management information

The Global sector, defined as where our main customer relationship is outside the UK, is split into two separate business channels. Global enterprise is comprised of major multinational enterprises and Global carrier provides voice and data services to other international telecommunications operators. The customers reside in the Asia-Pacific region, India, the Middle East and Africa, Continental Europe and the United States.

Global enterprise

Global enterprise revenue has increased by £6 million to £98 million and margin has risen in line with revenues by £3 million, to £49 million for the period. In this channel new sales to existing customers has outweighed price erosion on the re-signing of some existing contracts.

In the period we won a major deal comprising a five year contract to support the transformation in the UK and Europe of a large travel agency, to deliver a future-ready voice and data network. The contract will connect circa 1,600 locations and support the customer's entire voice estate in the UK and across Europe.

Global carrier

Global carrier revenue decreased by £7 million to £177 million, whilst gross margin has increased by £1 million to £70 million compared with the same period in the prior year.

The revenue decline is largely driven by the impact of reduced mobile termination rates which have had an £8 million effect. Margin has risen as a result of reaching commercial settlements with international partners for historic interconnect charges. This benefit was partly offset by increased churn and erosion as a result of increased price competition, particularly in the African region where we have seen some significant churn due to competitive activity.

We continued to make good progress in strengthening our international core capability. Both the Europe India Gateway (EIG) and the West Africa Cable System (WACS) are expected to complete in early 2012. As well as extending our reach for current customers these cables will provide us with valuable new sales opportunities.

Operating costs before exceptional items

Operating costs in the half year were £321 million (H1 2010/11: £308 million). Costs in the prior period benefitted from a one-off £13 million rebate for property rates paid on our network. Adjusting for this one-off item, costs are broadly flat reflecting continued strong cost management in face of material inflationary pressure in the cost base.

EBITDA

EBITDA was £190 million for the first half (H1 2010/11: £214 million). EBITDA as a percentage of revenue declined from 19% to 18%.

Capital expenditure and depreciation and amortisation

Balance sheet capital expenditure in the half year was £122 million (H1 2010/11: £132 million). Pre-exceptional depreciation and amortisation was £137 million for the half year (H1 2010/11: £141 million).

Exceptional impairment and depreciation

A review of the business was undertaken and updated five year projections were prepared during the period. The five year plan reflects the prevailing economic and market conditions and in consequence the carrying value of goodwill has been written down by £436 million.

In addition, £42 million has been charged to the income statement during the period as certain obsolete assets related to discontinued products and services have been written off.

Operating profit

The operating profit before exceptional items was £50 million (H1 2010/11: £77 million). This reflects an £11 million decline in gross margin, £13 million increase in operating costs, a net movement in other operating income/expense of £7 million, offset by a £4 million decrease in depreciation and amortisation. After exceptional items of £478 million, the total operating loss for the period was £428 million (H1 2010/11: profit of £66 million).

Net finance expense

Net finance expense in the first half was £15 million (H1 2010/11: £13 million), reflecting lower interest income in the period.

Income tax charge

The tax charge of £147 million (H1 2010/11: credit of £34 million) comprises a £146 million reduction in the recognised deferred tax asset (H1 2010/11: increase of £35 million) and a current tax charge of £1 million (H1 2010/11: £1 million) for overseas taxes. The reduction in the deferred tax asset is due to the impact of the revised financial projections affecting the rate at which the tax asset is expected to be utilised.

Pensions

As at 30 September 2011, the defined benefit section of the Cable & Wireless Worldwide Retirement Plan (CWWRP) had an accounting deficit of £31 million, measured in accordance with IAS 19. The £49 million decrease in the deficit since 31 March 2011 was primarily due to the positive impact of scheme asset returns and a payment of £25 million by the Company made in April 2011 in accordance with the interim funding agreement entered into with the Pension Trustees as part of the demerger arrangements.

An actuarial funding valuation of the CWWRP as at 30 September 2010 has been completed. This valuation showed a past service deficit of £248 million and has been used as the basis for agreeing a recovery plan with the scheme's Trustees. This recovery plan includes a payment of £100 million which will be paid in the second half of the year. The recovery plan also includes further annual payments of £15 million in each of the next two financial years, £20 million per annum for the subsequent three years and a final payment of £12 million in 2017/18. On payment of the £100 million the Contingent Funding Agreement will be terminated and as a result the requirement to maintain £125 million of financial resources for the pension scheme will be removed.

As at 30 September 2011 the THUS Group plc Pension Scheme had an accounting deficit of £16 million compared with a deficit of £7 million as at 31 March 2011. The increase in deficit reflects the lower market value of equities as at 30 September 2011.

An IAS 19 net pension charge of £3 million has been recognised in EBITDA during the period in respect of all Group schemes. The equivalent charge in the prior period was £4 million.

Dividend

The Board has approved an interim dividend payment of 0.75 pence per share (H1 2010/11 1.5p per share) at a cost of £20m.

Reconciliation of EBITDA to Free Cash Flow

	For the six months ended 30 September 2011 £m	For the six months ended 30 September 2010 £m
EBITDA	190	214
Exceptional items	-	(11)
EBITDA less exceptional items	190	203
Movement in exceptional provisions	(8)	(12)
Cash capital expenditure	(115)	(118)
Movement in working capital and other	(29)	(41)
Trading cash inflow¹	38	32
LTIP Payments	-	(9)
Pension schemes cash funding	(27)	(3)
Net cash inflow before financing activities	11	20
Interest and finance costs paid	(12)	(12)
Finance lease repayments	(16)	(9)
Free cash flow²	(17)	(1)

Source: Management information

Trading cash flow was £38 million in the first half, up £6 million on the corresponding period in 2010/11.

Cash capital expenditure was £115 million, a £3 million reduction compared to the corresponding period in 2010/11. In addition we had a net £29 million outflow from movements in working capital and other compared to a £41 million outflow in the same period of the prior year.

Net cash inflow before financing of £11 million (2010/11: £20 million) is after £27 million of funding payments to Group defined benefit pension schemes (2010/11: £3 million).

Free cash flow decreased by £16 million to an outflow of £17 million compared with the free cash outflow in the first half of 2010/11 of £1 million. This is after paying £12 million (2010/11: £12 million) of interest and finance costs and repaying £16 million (2010/11: £9 million) of finance lease capital.

Group cash and debt

	As at 30 September 2011 £m	As at 31 March 2011 £m
Cash and cash equivalents	174	266
Debt due in less than 1 year	(32)	(30)
Debt due in more than 1 but less than 2 years	(24)	(26)
Debt due in more than 2 but less than 5 years	(215)	(218)
Debt due in more than 5 years	(1)	(1)
Total debt	(272)	(275)
Total net debt	(98)	(9)

¹ Trading cash flow is defined as EBITDA, less cash exceptionals, less cash capex, adjusted for the movement in working capital and other items.

² Free cash flow represents net cash flow before repayment of and proceeds from borrowings other than finance leases, dividends paid and proceeds from share issues.

Net debt reconciliation

	Total net (debt)/cash £m
As at 31 March 2011	(9)
Trading cash flow	38
Dividends	(77)
Third party interest, debt and other	(50)
As at 30 September 2011	(98)

Source: Management information

During the period to 30 September 2011, the business moved from a position of £9 million of net debt at 31 March 2011 to a position of £98 million of net debt. This reflected a trading cash inflow of £38 million, dividends paid of £77 million and £50 million in respect of third party interest, debt and other, including pension funding contributions paid of £27 million and additional finance leases entered into in the period amounting to £10 million.

At 30 September 2011, we had £174 million of cash and short-term deposits and £272 million of debt which is primarily the debt element of the £230 million convertible bond due in November 2014.

Liquidity

	As at 30 September 2011 £m	As at 31 March 2011 £m
Cash and short term deposits	174	266
Medium term committed and uncommitted undrawn bank facilities ¹	318	313
Short term debt	(32)	(30)
Total	460	549

¹Includes £300 million UK revolving multi-currency facility, INR 500 million India facility, \$10 million and £5 million UK overdraft facilities

Source: Management information

We believe that the above level of liquidity is appropriate given the volatility in working capital typically experienced across the course of the year.

The £300 million UK revolving facility expires in March 2013 and the £230 million convertible bond matures in November 2014.

Going concern

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, indicate that the Group is able to operate within the level of its current available facilities as set out above. A formal process for monitoring compliance with debt covenants is also in place.

After reviewing budgets and other longer term plans, making enquiries and taking into account the liquidity availability and levels set out above, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

RISK FACTORS

As with any business, there are a number of potential risks to our future success. These risks and our plans to mitigate them are outlined in further detail in the consolidated financial statements of the Group as at and for the year ended 31 March 2011 (pages 36 to 37 of the Annual Report). A summary of those risks that remain relevant for the six month period ended 30 September 2011 is as follows:

- The current economic environment;
- regulation of BT through Ofcom;
- vulnerability of networks, or IT infrastructure, to interruption and damage from natural disasters, fire, security breaches, terrorist action, human error and other factors outside our control;
- security breaches relating to customer data passing through Cable&Wireless Worldwide's networks;
- inadequate software patch upgrades leading to other IT issues and reduced effectiveness of systems;
- failure to comply with contractual or regulatory requirements; and
- changes in the deficit of the main UK defined benefit pension scheme and related deficit funding commitments.

In addition to the above the following further key risks have been included during the period ended 30 September 2011:

- Availability of bank and other capital markets financing

Risk

Should bank and other capital markets conditions worsen and financing not be available to refinance the bank facility (March 2013) and convertible bond (November 2014) the Group may not have sufficient liquidity for its operational requirements.

Mitigating action

Management is in regular dialogue with lenders at present to discuss various sources of financing. In the event that financing is not readily available steps would be taken to manage cash requirements within those resources that are available.

- Emergency call handling

Risk

Delivery of effective emergency call handling services is an Ofcom requirement for both our own customers and those for whom we provide emergency call handling services.

The risk relates to an inability to direct emergency services to the correct address should the caller be unable to identify from where they are calling.

Should a significant error occur, it is possible that this may contribute to a loss of life which could significantly damage our reputation and result in Ofcom investigations and fines currently set at a maximum level of 10% of turnover.

Mitigating action

We monitor delivery of emergency call handling services and where errors are identified they are investigated and remediation plans enacted. Regular liaison with Ofcom ensures continuous dialogue and awareness of service delivery.

- Olympics – operational delivery

Risk

In the build up to the London 2012 Olympic Games and the Queens' Diamond Jubilee, the police will be putting several new security measures in place. This means that Cable&Wireless Worldwide will be unable to access certain areas in London to carry out normal maintenance work. This could result in a disruption to services.

Mitigating action

Business continuity management planning, specific to this time period, is underway as well as participation in governmental groups reviewing national infrastructure needs.

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Cable&Wireless Worldwide will hold its 2011/12 interim results presentation for analysts and institutional investors at 10.00am (GMT) on Tuesday 15 November 2011. A live audio webcast of the presentation and the presentation slides will be available at www.cw.com. A live audio broadcast of the presentation will also be available for both UK and International on: +44 (0)20 3059 5845. To access this audio conference, you will need to quote confirmation password – 'results'.

A replay will be available on: +44 (0)12 1260 4861 code confirmation: 2225394#

A recorded video webcast of the presentation will be accessible at www.cw.com

For any further information or queries, please email ir@cw.com

Financial Calendar

Ex-dividend date for 2011/12 interim dividend:	23 November 2011
Record date for 2011/12 interim dividend:	25 November 2011
Payment date for 2011/12 interim dividend:	26 January 2012

ABOUT CABLE&WIRELESS WORLDWIDE

Cable&Wireless Worldwide (LSE: CW.) is a global telecoms company providing a wide range of high-quality managed voice, data, hosting and IP-based services and applications to large multinational companies, governments, carrier customers and resellers across the UK, Asia Pacific, India, Middle East & Africa, Continental Europe and North America. Established in the 1860s, Cable&Wireless Worldwide helps more than 6,000 organisations deliver their goals. The Group's vision is to be the first choice for mission critical communications.

Reaching 20,500km in length, Cable&Wireless Worldwide owns the UK's largest fibre network dedicated to business users of telecoms, and provides ubiquitous nationwide access through a combination of fibre, digital, microwave, radio and leased circuits. The network has presence in over 400 towns and cities in the UK, with 864 unbundled exchanges covering 56% of the population.

Internationally, Cable&Wireless Worldwide's global next-generation network (NGN) stretches to more than 425,000km, including interests in 60 global cable systems, enabling connectivity to more than 150 countries. The Group's IP-based Multi-Service Platform operates at the core of our NGN, offering a single environment on which voice and data applications can be converged to drive business efficiencies. Cable&Wireless Worldwide's network is uniquely designed with inbuilt resilience.

With more than 6,000 colleagues globally, Cable&Wireless Worldwide is committed to delivering exceptional customer service and developing long term partnerships with its customers.

To find out more, visit our website at www.cw.com

HALF YEAR FINANCIAL REPORT**Condensed consolidated interim income statement**

	For the six months ended 30 September 2011			For the six months ended 30 September 2010		
	Pre- exceptional items	Exceptional items	Total	Pre- exceptional items	Exceptional items	Total
	£m	£m	£m	£m	£m	£m
Continuing operations						
Revenue	1,072	-	1,072	1,123	-	1,123
Operating costs before depreciation and amortisation	(882)	-	(882)	(909)	(11)	(920)
Depreciation	(116)	(42)	(158)	(119)	-	(119)
Amortisation	(21)	(436)	(457)	(22)	-	(22)
Other operating (expense)/income	(3)	-	(3)	4	-	4
Total operating profit/(loss)	50	(478)	(428)	77	(11)	66
Finance income	-	-	-	2	-	2
Finance expense	(15)	-	(15)	(15)	-	(15)
Profit/(loss) before income tax	35	(478)	(443)	64	(11)	53
Income tax (charge)/credit	(1)	(146)	(147)	34	-	34
Profit/(loss) for the period	34	(624)	(590)	98	(11)	87
Profit/(loss) attributable to:						
Owners of the parent	33	(624)	(591)	98	(11)	87
Non-controlling interests	1	-	1	-	-	-
	34	(624)	(590)	98	(11)	87
Profit/(loss) per share attributable to the owners of the parent during the period (pence)						
- basic	1.2p	(23.5)p	(22.3)p	3.7p	(0.4)p	3.3p
- diluted	1.2p	(23.5)p	(22.3)p	3.7p	(0.4)p	3.3p

Further detail on exceptional items is set out in note 7.

Condensed consolidated interim statement of comprehensive income

	For the six months ended 30 September 2011	For the six months ended 30 September 2010
	£m	£m
(Loss)/profit for the period	(590)	87
Other comprehensive income/(expense) for the period:		
Actuarial gains/(losses) on retirement benefit obligations	9	(22)
Currency translation differences	-	(2)
Other comprehensive income/(expense) for the period	9	(24)
Total comprehensive (expense)/income for the period	(581)	63
Total comprehensive (expense)/income attributable to :		
Owners of the parent	(582)	63
Non-controlling interests	1	-
	(581)	63

The notes on pages 19 to 23 are an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim statement of financial position

	30 September 2011	31 March 2011
	£m	£m
ASSETS		
Non-current assets		
Intangible assets	476	919
Property, plant and equipment	949	983
Other receivables	22	24
Deferred tax asset	74	220
	1,521	2,146
Current assets		
Trade and other receivables	574	596
Inventories	56	47
Cash and cash equivalents	174	266
	804	909
Non-current assets classified as held for sale	2	2
	806	911
Total assets	2,327	3,057
LIABILITIES		
Current liabilities		
Trade and other payables	892	936
Loans and obligations under finance leases	32	30
Provisions	30	30
Current tax liabilities	12	12
	966	1,008
Net current liabilities	(160)	(97)
Non-current liabilities		
Loans and obligations under finance leases	240	245
Financial liabilities at fair value	2	2
Provisions	166	155
Retirement benefit obligations	51	91
	459	493
Net assets	902	1,556
EQUITY		
Capital and reserves attributable to the owners of the parent		
Share capital	135	134
Share premium	57	56
Reserves	708	1,365
	900	1,555
Non-controlling interests	2	1
Total equity	902	1,556

The notes on pages 19 to 23 are an integral part of these condensed consolidated interim financial statements

Condensed consolidated interim statement of changes in equity

	Share capital	Share premium	Foreign currency translation reserve	Capital ¹ and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2010	131	56	(7)	2,493	(1,302)	1,371	-	1,371
Profit for the period	-	-	-	-	87	87	-	87
Actuarial losses on retirement benefit obligations	-	-	-	-	(22)	(22)	-	(22)
Currency translation differences	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income/(expense) for the period	-	-	(2)	-	65	63	-	63
Share-based payment expense	-	-	-	-	3	3	-	3
Issue of share capital (net of issue costs)	-	1	-	-	-	1	-	1
Equity component of the convertible bonds transferred	-	-	-	(2)	2	-	-	-
Transfer of capital reserve	-	-	-	(85)	85	-	-	-
Dividends to shareholders	-	-	-	-	(78)	(78)	-	(78)
Shares allotted under scrip dividend scheme	1	(1)	-	-	13	13	-	13
Total dividends and other transactions with Cable & Wireless Worldwide plc shareholders	1	-	-	(87)	25	(61)	-	(61)
Balance at 30 September 2010	132	56	(9)	2,406	(1,212)	1,373	-	1,373
Balance at 1 April 2011	134	56	(9)	1,406	(32)	1,555	1	1,556
(Loss)/profit for the period	-	-	-	-	(591)	(591)	1	(590)
Actuarial gains on retirement benefit obligations	-	-	-	-	9	9	-	9
Total comprehensive income/(expense) for the period	-	-	-	-	(582)	(582)	1	(581)
Share-based payment expense	-	-	-	-	2	2	-	2
Issue of share capital (net of issue costs)	1	1	-	-	-	2	-	2
Equity component of the convertible bonds transferred	-	-	-	(2)	2	-	-	-
Dividends to shareholders	-	-	-	-	(80)	(80)	-	(80)
Shares allotted under scrip dividend scheme	-	-	-	-	3	3	-	3
Total dividends and other transactions with Cable & Wireless Worldwide plc shareholders	1	1	-	(2)	(73)	(73)	-	(73)
Balance at 30 September 2011	135	57	(9)	1,404	(687)	900	2	902

¹ The capital reserve is distributable to the extent that the Board of Directors or a duly constituted committee resolves to release all or part of it to distributable reserves of the Company.

Condensed consolidated interim statement of cash flows

	For the six months ended 30 September 2011	For the six months ended 30 September 2010
	£m	£m
(Loss)/profit for the period	(590)	87
Adjustments for:		
Income tax charge/(credit)	147	(34)
Depreciation	158	119
Amortisation	457	22
Other expense/(income)	3	(4)
Finance income	-	(2)
Finance expense	15	15
Movement in provisions	(6)	(12)
Employee benefits	(29)	(11)
Operating cash flows before working capital changes	155	180
Changes in working capital		
Increase in inventories	(9)	(16)
Decrease/(increase) in trade and other receivables	28	(7)
Decrease in trade and other payables	(48)	(24)
Cash generated from operations	126	133
Income taxes paid	-	-
Net cash from operating activities	126	133
Cash flows from investing activities		
Interest received	-	1
Proceeds on disposal of property, plant and equipment	-	4
Purchase of property, plant and equipment	(101)	(109)
Purchase of intangible assets	(14)	(9)
Net cash used in investing activities	(115)	(113)
Net cash flow before financing	11	20
Cash flows from financing activities		
Dividends paid to owners of the parent	(77)	(65)
Finance expenses	(12)	(12)
Repayments of borrowings	(16)	(16)
Proceeds from borrowings	-	2
Proceeds on issue of shares for share awards	2	1
Funding contributions from the Cable & Wireless Communications Group	-	79
Net cash used in financing activities	(103)	(11)
Net (decrease)/increase in cash and cash equivalents	(92)	9
Cash and cash equivalents at the beginning of the period	266	226
Exchange losses on cash and cash equivalents	-	(1)
Cash and cash equivalents at the end of the period	174	234

The notes on pages 19 to 23 are an integral part of these condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Cable & Wireless Worldwide plc (the Company) is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Group for the six months ended 30 September 2011 comprise the Company and its subsidiaries ("the Group").

The consolidated financial statements of the Group for the year ended 31 March 2011 are available upon request from the Company's registered office at Liberty House, 76 Hammersmith Road, London, W14 8UD or at www.cw.com.

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and the Disclosure and Transparency rules of the FSA. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2011 which were prepared in accordance with IFRS as adopted by the European Union.

The comparative figures for the financial year ended 31 March 2011 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements were approved by the Board of Directors on 14 November 2011.

3. Significant accounting policies and principles

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2011, with the exception of new and revised accounting Standards and Interpretations effective from 1 April 2011.

During the period, the Group adopted:

- Revised IAS 24 *Related Party Disclosures*
- IFRIC 14 *Prepayments of a Minimum Funding Requirement*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Improvements to IFRS 2010

There was no material impact on the Group from the application of these new and amended standards and other accounting policies during the period.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

4. Seasonality and cyclicity

Working capital is subject to a significant degree of seasonality driven by several factors.

In the first half of the financial year, there is a net outflow in working capital as a result of significant annual prepayments on supplier contracts and other related items. These items unwind in the second half of the financial year which also benefits from the receipt of significant prepaid customer amounts.

5. Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2011.

Estimates and assumptions have been updated at 30 September 2011 in respect of the impairment review (including the discount rate), recognition of deferred tax assets, discount rates for the purposes of discounting provisions and the IAS 19 pension scheme assumptions all to reflect latest market conditions on a basis consistent with assumptions used at 31 March 2011 where applicable.

6. Segment information

The Cable&Wireless Worldwide Group is an international telecommunications service provider. It specialises in the provision of communication infrastructure and services to large users of telecommunications services across the UK and worldwide.

Across the UK and worldwide the Group operates as a single operating segment. During the six months ended 30 September 2011, the Cable & Wireless Worldwide plc Board considered the results of the business as a whole when assessing the performance of the business and making decisions about the allocation of resources. The chief operating decision-maker of the Group is the Cable & Wireless Worldwide plc Board. Accordingly, the Group had one reportable operating segment and the Group results present the operating segment results. Consequently there are no differences in the measurement of the reportable segment's results and the Group's results.

A summary of revenue and gross margin by market channels is presented on pages 6 to 9 and by product on page 5 for information. Gross margin includes revenue and those costs directly attributable to specific revenue streams or customers. The gross margin does not include the costs of running and maintaining the network, including depreciation, which is the primary asset used across all market channels. Further, the management, legal and operating structure of the Group is not organised around these market channels.

These analyses are not used by the Cable&Wireless Worldwide Group Board to allocate resources across the Group as a large proportion of the expenses of the Group are not customer specific. Accordingly, the Directors believe these market channels are not operating segments for the purposes of IFRS 8.

7. Exceptional items

Exceptional items in the current period of £624 million relate to a £146 million reduction in the deferred tax asset, a £436 million impairment of goodwill and a £42 million write off of certain obsolete assets. See notes 8, 9 and 10 respectively.

Exceptional operating costs in the prior period of £11 million related to the business restructuring that commenced following the acquisition of Energis and the integration of the THUS Group; these amounted to £5 million and £6 million respectively.

8. Deferred tax asset

An exceptional charge of £146 million in respect of a reduction in the recognised deferred tax asset is included within the income tax charge of £147 million. This charge reduces the recognised deferred tax asset as at 30 September 2011 to £74 million (£220 million at 31 March 2011). The reduction in the recognised deferred tax asset reflects the revised estimates of the rate of recovery against future taxable profits based on the latest financial projections.

9. Impairment review

The Group assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by relevant accounting standards. The Group has experienced weaker than anticipated business performance during the period in the extremely challenging UK economic climate. This, together with the existence of updated five year projections for the business produced following a business review undertaken in the period, prompted an impairment test at 30 September 2011. This has resulted in an impairment of the carrying value of goodwill allocated to the Cable&Wireless Worldwide cash-generating unit (CGU) by £426 million and the Apollo CGU by £10 million, details of which are set out below.

Goodwill

Six months ended 30 September 2011

Goodwill acquired through business combinations is allocated, for impairment testing purposes, to individual CGU or groups of CGUs, representing the lowest level at which goodwill is monitored by Group management.

The aggregate carrying amount of goodwill of £799 million has been allocated to a group of units known as the Cable&Wireless Worldwide CGU (£789 million) and the Apollo CGU (£10 million) (the Group's 60% owned subsidiary that owns the Apollo Atlantic sub-sea cable system). The goodwill allocated to the Cable&Wireless Worldwide CGU primarily arose from the acquisition of Energis (£431 million) and THUS Group (£358 million) in prior years, both of which are fully integrated into the single Cable&Wireless Worldwide network and operations.

As a result of the significant deterioration in the economic conditions in the UK in the last six months and resulting under-performance of the business, an impairment test of the Cable&Wireless Worldwide CGU was performed at 30 September 2011.

The recoverable amount of the CGU was determined as its value in use, using assumptions as to the continuing operations of Cable&Wireless Worldwide based upon the latest five year projections, approved by management, following a review of its business and operations.

Cash flows beyond this projected period are extrapolated using an estimated long term growth rate. For this a rate of 0.5% has been used to extrapolate the cash flow projections into perpetuity. This growth rate has been determined using long-term historical growth rates of the CGU (excluding the impact of investment), has been benchmarked and does not exceed the long-term average growth rates for our industry.

Cash flows resulting from new investments are excluded from the value in use calculation. On this basis the key assumptions on which the projected cash flows are based include revenue and EBITDA reductions of 1.5% and 5.1% respectively and the level of capital expenditure required to maintain the network at its current level declining by 3.7% over the five year period calculated on a compound basis. These assumptions have been determined using a combination of extrapolations of historical trends within the business, telecommunication industry estimates and in-house estimates of growth rates.

A pre-tax discount rate of 10.8% has been used to discount projected cash flows of the CGU. The discount rate reflects the time value of money and is derived from the Group's pre-tax weighted average cost of capital. The discount rate reflects the latest market assumptions of the risk free rate for 20 year UK government bonds, adjusted for an equity risk premium, the net cost of debt and market assumptions on the Company's cost of equity beta.

The impairment test indicated that the carrying amount of the CGU was higher than its recoverable amount and an impairment loss of £426 million was recognised as exceptional amortisation in the income statement and has been fully allocated to goodwill.

Following the impairment in the CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse movements in a key assumption would lead to a further impairment. Management estimates that if the discount rate was 1 percentage point higher or if annual EBITDA decreased by £10 million each year, the Group would have to recognise a further impairment of £90 million.

An impairment test of the Apollo CGU has indicated that the carrying amount of the CGU was higher than its recoverable amount and goodwill amounting to £10 million has been written off in full. This impairment arose following the increase in discount rate to 10.8% for the reasons set out above. Any reasonably possible adverse change in assumptions for this CGU will result in a further impairment.

Year ended 31 March 2011

The recoverable amount of the Cable&Wireless Worldwide CGU was determined on the basis of value in use using assumptions as to the continuing operations of Cable&Wireless Worldwide based upon cash flow projections approved by the Board in that year covering a five year period.

Cash flows beyond the projected period were extrapolated using an estimated long-term growth rate. For this a rate of 1% was applied to extrapolate the cash flow projections into perpetuity. The growth rate was determined using long-term historical growth rates of the CGU, which was benchmarked and did not exceed long-term average growth rates for the industry.

The key assumptions on which the projected cash flows were based included revenue and EBITDA growth and the level of capital expenditure required to maintain the network at its current level. These assumptions were determined using a combination of extrapolations of historical trends within the business, industry estimates and in-house estimates of growth rates.

A pre-tax discount rate of 9.1% was used to discount projected cash flows of the CGU. The discount rate reflected the time value of money and was derived from the Group's pre-tax weighted average cost of capital. The discount rate reflected the latest market assumptions of the risk free rate, equity risk premium and the net cost of debt. Management estimated that the value in use would not support the carrying amount of goodwill if earnings decreased or maintenance capital expenditure increased by more than £17 million; or the discount rate used to discount projected cash flows increased by more than 1.4 percentage points.

**Property, plant and equipment and other intangibles
30 September 2011 and 31 March 2011**

The goodwill impairment test carried out at 30 September 2011 confirmed that the carrying value of property, plant and equipment and other intangibles were supported by the value in use calculation.

The annual impairment test of goodwill carried out at 31 March 2011 also confirmed that the carrying value of property, plant and equipment and other intangibles, at that date, was supported by the value in use calculation.

10. Property, plant and equipment

During the period, £122 million of property, plant and equipment was acquired. The Group's capital commitments at 30 September 2011 were £73 million (30 September 2010: £91 million).

Following the decision to cease offering certain IP and data products and services to new customers, equipment with a net book value of £42 million was identified as obsolete or redundant and has been written off.

11. Provisions for liabilities and charges

The table below represents the movements in significant classes of provisions during the six month period ended 30 September 2011:

	Property	Redundancy	Network and asset retirement obligations	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2011	62	3	112	8	185
Current	16	3	3	8	30
Non-current	46	-	109	-	155
Additional provisions					
Exceptional	-	-	-	-	-
Non-exceptional	3	3	14	-	20
Amounts used					
Exceptional	(7)	-	(1)	-	(8)
Non-exceptional	-	(4)	-	-	(4)
Effect of discounting	1	-	2	-	3
At 30 September 2011	59	2	127	8	196
Current	18	2	2	8	30
Non-current	41	-	125	-	166

Cash spent on exceptional items and opening exceptional provisions was £8 million in the period (£23 million in the first half of 2010/11).

Property

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

The increase in property provisions in the period of £3 million related to a change in discount rate assumptions reflecting the movement in government bond rates.

Redundancy

Provision has been made for the employee related costs of redundancies announced prior to the reporting date. Amounts provided for and spent in the period primarily relate to ongoing cost reduction initiatives.

Redundancy provisions recognised in the period of £3 million were all in respect of non-exceptional redundancies.

Network and asset retirement obligations

Provision has been made for the best estimate of the unavoidable costs associated with redundant leased network capacity. These provisions are expected to be used over the shorter of the period to exit and the lease contract life.

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

Provisions raised in the period of £14 million were primarily in respect of a change of discount rate assumptions, reflecting movement in government bond rates, within the asset retirement obligations.

Other

Other provisions include amounts in respect of business transformation and integration initiatives and legal claims.

12. Pensions

As at 30 September 2011, the Cable & Wireless Worldwide Retirement Plan (CWWRP) had an IAS 19 deficit of £31 million compared with a deficit of £80 million at 31 March 2011. The decrease in the deficit was primarily due to positive scheme asset returns and a payment of a deficit funding contribution of £25 million.

Other defined benefit schemes operated by the Group account for the remaining IAS 19 net deficit of £20 million at 30 September 2011 (31 March 2011: £11 million deficit).

13. Dividends paid and proposed

The final dividend paid for the year ended 31 March 2011 of £77 million (3.0 pence per share) was paid on 11 August 2011. The Board intends to pay a interim dividend of 0.75 pence per share (H1 2010/11: 1.5 pence per share) totaling £20 million.

14. Related parties

The related parties identified by the directors include key management personnel and the pension scheme. There have been no other significant related party transactions in the six months ended 30 September 2011 apart from key management remuneration and those disclosed in note 12.

15. Subsequent events

There have been no material subsequent events between 30 September 2011 and the approval of these statements by the Board.

16. Operating lease expenditure

As at 30 September 2011, the aggregate future minimum lease payments under operating leases are:

	As at 30 September 2011	As at 31 March 2011
	£m	£m
Not later than one year	94	101
Later than one year but not later than five years	168	178
Later than five years	228	237
Total minimum operating lease payments	490	516

17. Reconciliation of GAAP to Non-GAAP items**Total operating (loss)/profit to EBITDA**

	Six months ended 30 September 2011	Six months ended 30 September 2010
	£m	£m
Total operating (loss)/profit	(428)	66
Depreciation and amortisation	137	141
Net other operating expense/(income)	3	(4)
Exceptional items	478	11
EBITDA	190	214

The Group uses EBITDA as a key performance measure as it is considered to reflect the underlying operational performance of the business. EBITDA is not a measure defined by IFRS. It is calculated as earnings before interest, tax, depreciation and amortisation, net other operating income/expense and exceptional items.

18. Earnings per share

	Six months ended 30 September 2011	Six months ended 30 September 2010
	£m	£m
(Loss)/profit for the period attributable to the owners of the parent	(591)	87
Exceptional items	478	11
Exceptional taxation	146	-
Profit for the period before exceptional items	33	98
Taxation charge/(credit)	1	(34)
Profit for the period before tax and exceptional items	34	64
Basic earnings per share	(22.3)p	3.3p
Pre-tax basic earnings per share	(22.2)p	2.0p
Adjusted earnings per share	1.2p	3.7p
Adjusted earnings before tax per share	1.3p	2.4p
Diluted earnings per share	(22.3)p	3.3p
Pre-tax diluted earnings per share	(22.2)p	2.1p
Adjusted diluted earnings per share	1.2p	3.7p
Adjusted diluted earnings before tax per share	1.3p	2.4p

	As at 30 September 2011	As at 30 September 2010
	'000	'000
Number of shares in issue	2,697,614	2,642,656
Shares held by employee share ownership trust	(34,618)	(22,969)
Number of shares outstanding	2,662,996	2,619,687
Basic weighted average number of shares outstanding during the period used for the basic EPS calculation	2,655,985	2,611,792
Diluted weighted average number of shares outstanding during the period used for the diluted EPS calculation	2,655,985	2,850,891

RESPONSIBILITY STATEMENT

This interim management report has been approved by the Directors of Cable & Wireless Worldwide plc. In accordance with the requirements of the Disclosure and Transparency Rules, the Directors confirm that to the best of their knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- The interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The current Directors of Cable & Wireless Worldwide plc are:

<i>Chairman:</i>	John Barton
<i>Executive Directors:</i>	John Pluthero - Chief Executive Officer Ilan Gibson - Chief Financial Officer
<i>Non-Executive Directors:</i>	Clive Butler - Chair of the Remuneration Committee Penny Hughes - Senior Independent Director David Lowden - Chair of the Audit Committee

By order of the Board

John Barton
Chairman

Ilan Gibson
Chief Financial Officer

14 November 2011

FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable&Wireless Worldwide's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. A summary of some of the potential risks faced by Cable&Wireless Worldwide is set out in the Group's most recent Annual Report.

Forward-looking statements speak only as of the date they are made and Cable&Wireless Worldwide undertakes no obligation to revise or update any forward-looking statement contained within this announcement, or any other forward-looking statements it may make, regardless of whether those statements are affected as a result of new information, future events or otherwise (except as required by the UK Listing Authority, the London Stock Exchange, the City Code on Takeovers and Mergers or by law).

INDEPENDENT REVIEW REPORT TO CABLE & WIRELESS WORLDWIDE PLC

Introduction

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2011 which comprises condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income; condensed consolidated interim statement of financial position, condensed consolidated interim statement of cash flows; condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the EU. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Peter Meehan

for and on behalf of KPMG Audit Plc

Chartered Accountants

15 Canada Square, London, E14 5GL

14 November 2011