CABLE & WIRELESS

ANNOUNCEMENT

CABLE AND WIRELESS plc HALF-YEARLY REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

- **Group EBITDA up 30% to £463 million, an increase of £106 million**
  - **Worldwide EBITDA increased by 44% to £205 million, including Thus**
  - **CWI EBITDA of US$427 million, flat at constant currency**
- **Operating cash flow growth of 57% to £192 million**
- **Basic earnings per share increase of 41% to 4.8 pence**
- **Full year dividend expected to be 9.50 pence with 12% increase in interim dividend to 3.16 pence**
- **CWI EBITDA guidance revised to a range of US$880 to US$900 million due to weaker Caribbean trading partially offset by the consolidation of our Maldives business**
- **Demerger now underway**

CHAIRMAN'S STATEMENT

Commenting on the results, Richard Lapthorne, Chairman of Cable and Wireless plc, said:

"Today we have announced a good set of results especially when viewed against the recession. With the emerging signs of more settled conditions in the financial markets, the Board believes that the Group is ready to separate into its two operating businesses, Worldwide and CWI and drive further value for shareholders. We are keen to push ahead as soon as possible and further details will be published before the end of November.

"Worldwide's performance in the first half of 2009/10 – growing market share and order book, winning new customers, strengthening its customer service and generating over £200 million of EBITDA – says much about how well positioned it is for the future.

"CWI delivered creditable results in the first half of 2009/10, with EBITDA in line with last year at constant currency. Panama, Macau and Monaco & Islands performed well, each of them increasing EBITDA year on year – no mean achievement in the midst of a global recession. Since the summer we have seen further deterioration in the Caribbean economy with no immediate signs of improvement. Consequently, despite robust management action, we are reducing EBITDA guidance for 2009/10. Nevertheless, CWI remains strongly cash generative.

"We are continuing with our progressive dividend policy and recommending an interim dividend of 3.16 pence per share – an increase of 12%. Subject to trading in the second half, we expect to pay a full year dividend of 9.50 pence per share, an increase of 12%, demonstrating our confidence in the current performance and the future potential of both Worldwide and CWI."

GROUP RESULTS SUMMARY

£m	**30 September 2009**	**30 September 2008**	***Change***
Revenue	1,855	1,646	*13%*
EBITDA	463	357	*30%*
Profit after tax	163	115	*42%*
Earnings per share	4.8p	3.4p	*41%*
Operating cash flow	192	122	*57%*
Net (debt) / cash	(483)	54	*nm*
Net debt / annualised EBITDA	0.5x	nm	
Dividend per share	3.16p	2.83p	*12%*

EBITDA is defined as earnings before interest, tax, depreciation and amortisation, LTIP credit/charge, net other operating income/expense and exceptional items
Operating cash flow is defined as EBITDA less balance sheet capital expenditure less cash exceptionals and excludes the LTIP

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GROUP RESULTS DETAIL

	For six months ended 30 September 2009 (H1 09/10)					For six months ended 30 September 2008 (H1 08/09)				
	CWI US$m	CWI £m	Worldwide[1] £m	Central[2] £m	Group Total £m	*CWI US$m[3]*	CWI £m	Worldwide £m	Central[2] £m	Group Total £m
Revenue	*1,132*	721	1,141	(7)	**1,855**	*1,204*	649	1,003	(6)	**1,646**
Gross margin	*773*	492	533	-	**1,025**	*812*	437	414	-	**851**
Operating costs	*(346)*	(221)	(328)	(13)	**(562)**	*(382)*	(208)	(272)	(14)	**(494)**
EBITDA	***427***	**271**	**205**	**(13)**	**463**	***430***	**229**	**142**	**(14)**	**357**
LTIP (charge)/credit	*(11)*	(7)	(2)	-	**(9)**	*4*	3	(13)	-	**(10)**
Depreciation and amortisation	*(152)*	(97)	(131)	-	**(228)**	*(143)*	(77)	(88)	-	**(165)**
Net other operating income	*4*	3	-	-	**3**	*1*	-	2	-	**2**
Joint ventures	*26*	17	-	-	**17**	*35*	18	-	-	**18**
Total operating profit/(loss) before exceptionals	***294***	**187**	**72**	**(13)**	**246**	***327***	**173**	**43**	**(14)**	**202**
Exceptional items	*(31)*	(20)	(28)	-	**(48)**	*(18)*	(10)	(33)	(6)	**(49)**
Total operating profit/(loss)	***263***	**167**	**44**	**(13)**	**198**	***309***	**163**	**10**	**(20)**	**153**
Capital expenditure	*(104)*	(66)	(137)	-	**(203)**	*(145)*	(79)	(108)	-	**(187)**
Cash exceptionals	*(45)*	(29)	(37)	(2)	**(68)**	*(24)*	(16)	(32)	-	**(48)**
Operating cash flow	***278***	**176**	**31**	**(15)**	**192**	***261***	**134**	**2**	**(14)**	**122**
Headcount (FTEs at period end)		6,659	6,642	82	**13,383**		7,781	4,981	87	**12,849**

Group (£m)	**Pre-exceptionals**	**Exceptionals**	**Group Total**	**Pre-exceptionals**	**Exceptionals**	**Group Total**
Total operating profit	**246**	**(48)**	**198**	**202**	**(49)**	**153**
Finance income	2	17	**19**	20	-	**20**
Finance expense	(45)	-	**(45)**	(33)	(12)	**(45)**
Other non-operating (losses)/gains	(1)	-	**(1)**	1	-	**1**
Profit/(loss) before tax	**202**	**(31)**	**171**	**190**	**(61)**	**129**
Income tax	(11)	3	**(8)**	(15)	1	**(14)**
Profit for the period	**191**	**(28)**	**163**	**175**	**(60)**	**115**
Non-controlling interests	(45)	2	**(43)**	(32)	-	**(32)**
Profit attributable to equity holders	**146**	**(26)**	**120**	**143**	**(60)**	**83**
Earnings per share	5.8p	(1.0)p	**4.8p**	5.8p	(2.4)p	**3.4p**
Dividend per share			**3.16p**			**2.83p**

[1] H1 2009/10 Worldwide results include the results for Thus Group plc, acquired on 1 October 2008
[2] Central comprises the corporate centre and intra-group eliminations between the businesses
[3] 2008/09 CWI US$ numbers are restated at current year's reported average exchange rates

GROUP EXECUTIVE SUMMARY

Group

Group EBITDA grew by 30% to £463 million reflecting good progress in Worldwide, including Thus and the associated integration synergies, and favourable currency movements.

£m	H1 2008/09	CWI like for like performance	Impact of CWI foreign exchange	Worldwide including Thus and synergies	Central results	H1 2009/10
Revenue	**1,646**	(46)	118	138	(1)	**1,855**
Gross margin	**851**	(25)	80	119	-	**1,025**
Operating costs	**(494)**	22	(35)	(56)	1	**(562)**
EBITDA	**357**	(3)	45	63	1	**463**

Profit after tax grew by 42% to £163 million reflecting higher EBITDA and much reduced net exceptional costs, and operating cash flow grew by 57% to £192 million due to the higher EBITDA.

CWI

CWI delivered creditable results in the first half of 2009/10, particularly when set against the difficult economic backdrop. While we have maintained market leadership in most of our markets including the Caribbean, CWI's revenue fell by 6% at constant currency largely as a result of trading conditions there. We reduced operating costs by 9% at constant currency mitigating the downward pressure on revenue, resulting in EBITDA of US$427 million, broadly in line with last year at constant currency and an EBITDA margin up to 38%.

CWI's operations in Panama, Macau and Monaco & Islands performed well, each of them generating EBITDA that in constant currency terms was higher than in the first half of 2008/09. In Panama we maintained our leadership of the mobile market despite strong competition, while in Macau the business proved resilient to a significant drop in visitor numbers, the main driver of the local economy.

The Caribbean economy has suffered from the global recession due to its heavy reliance on tourism putting significant pressure on our Caribbean revenue and gross margin. Since the summer we have seen further deterioration in conditions there, with no immediate signs of improvement. The fall in the top line has more than offset our efforts to maintain Caribbean EBITDA despite our tight cost control.

Though EBITDA was flat, CWI operating cash flow rose by 7% in constant currency to US$278 million demonstrating the cash generative nature of this business.

In October, we acquired an additional 7% of Dhiraagu, our operation in the Maldives. We will consolidate Dhiraagu as a subsidiary rather than as a joint venture from October 2009. We expect this business to contribute EBITDA of approximately US$40 million in the second half of 2009/10.

We are resetting our full year CWI EBITDA guidance in the range of US$880 million to US$900 million, a net reduction of US$35 million – US$55 million reflecting the poor economic environment in the Caribbean partially offset by consolidating our business in the Maldives in the second half.

Group EBITDA includes a £45 million net benefit from foreign currency translation of CWI's EBITDA, predominantly due to the 20% depreciation of the average sterling to US dollar exchange rate for H1 2009/10 against H1 2008/09, as approximately three quarters of CWI's EBITDA comes from US dollar or US dollar linked economies.

Worldwide

The Worldwide business performed well in the first half of 2009/10, with EBITDA at £205 million, compared with £142 million in the first half last year.

Trading at Thus is on track after the challenges of the acquisition phase. The integration is going well, and we now expect to deliver a further £10 million of EBITDA synergies from the Thus acquisition by 2011/12.

Incremental sales in gross margin terms were 14% higher than in the first half last year, with 88% relating to IP, data and hosting – our strategic product set – and we signed a number of new customers in the half. Our market share grew by approximately half a percentage point since March 2009 reflecting our continuing success in the market place.

Revenue grew by £138 million due to the acquisition of Thus and organic growth in our IP, data and hosting revenue partially offset by some effects of the recession with fewer low margin voice minutes and lower customer discretionary spending leading to a reduction in project work. As we noted at the time of our results in May, changes in regulation also led to a reduction in our revenue although with minimal effect on our margins. We also chose to remove some low margin voice traffic off our network.

Higher margin IP, data and hosting revenue now accounts for 52% of total revenue, contributing to an improvement in our gross margin to 47% of revenue up from 41% in the first half of 2008/09. About three and a half percentage points of this improvement is due to the effect of much reduced volumes of low margin traditional voice revenue.

We have continued our drive to reduce operating costs with savings from synergies following our acquisition of Thus and continued cost improvements in the underlying business. Exceptional items, relating largely to the Thus integration, at £28 million, were in line with guidance.

We improved cash generation with operating cash flow of £31 million, an increase of £29 million over the comparative period.

Assuming that there is no further worsening of the economy, we are leaving EBITDA guidance unchanged at approximately £430 million.

Pensions
At 30 September 2009, the main UK defined benefit pension scheme had an IAS 19 deficit of £305 million, up from £32 million at 31 March 2009. Lower corporate bond spreads used to value the fund's liabilities and lower real interest rates have increased the accounting value of the liabilities by £515 million, outweighing growth of £242 million in the fund's assets.

Dividends
Reflecting our improved profitability, cash generation and confidence in the Group's prospects, the Board has recommended an interim dividend of 3.16 pence per share, an increase of 12% over last year's interim dividend.

GROUP OUTLOOK FOR FULL YEAR 2009/10

We have updated our Group outlook for the poor economic environment in the Caribbean as well as the consolidation of Dhiraagu, our business in the Maldives, in the second half.

CWI

In May 2009, CWI set guidance at approximately US$935 million based on our planning exchange rates and the view then prevailing of the economic backdrop. Since the summer we've seen further deterioration in Caribbean trading conditions with no immediate signs of improvement and the IMF has recently forecast GDP will decline across the region for this year and next. Within our other markets, despite a more difficult first quarter for Panama and Macau, the second quarter showed more promise and we remain on track in Panama, Macau and Monaco & Islands. As a consequence, we are now expecting CWI EBITDA for the second half to be around the same level as the first, excluding the consolidation of the Maldives, and we are revising our CWI 2009/10 EBITDA guidance to a range of US$880 million – US$900 million, including the Maldives.

Worldwide

With EBITDA growth of 44% in the first half, the Worldwide business is performing well as we continue to increase margin from our strategic product set and reduce costs in the face of a global recession which has led to lower traditional voice revenue and less discretionary project work. We continue to expect that Worldwide 2009/10 EBITDA will be approximately £430 million.

We have reclassified £20 million of cost to achieve the Thus synergies from exceptionals to capital expenditure, reflecting a change in how the costs are expected to arise. We have reduced our expected Worldwide P&L exceptional costs for 2009/10 by £15 million to £55 million, reflecting the reclassification of Thus costs to achieve, partially offset by bringing forward £5 million of exceptional restructuring costs from 2010/11. Overall, Worldwide's cash guidance remains unchanged.

	2007/08	**2008/09**					**2009/10 guidance[1]**
	Actuals	**Actuals**	**Guidance May 2009[2]**	**Caribbean trading**	**Impact of Maldives**	**Reclass of Thus costs to achieve**	**Guidance Nov 2009[1]**
CWI (US$m)							
EBITDA (approx)	830	921	935	(75 - 95)	40	-	**880 - 900**
Capital expenditure (approx)	(381)	(337)	(325)	10	(10)	-	**(325)**
P&L exceptionals (approx)[3]	(101)	(87)	(40)	-	-	-	**(40)**
Cash exceptionals (approx)	(4)	(91)	(70)	-	-	-	**(70)**
Worldwide (£m)							
EBITDA (approx)	219	326	430	-	-	-	**430**
Capital expenditure (approx)	(221)	(265)	(260)	-	-	(20)	**(280)**
P&L exceptionals (approx)[3]	13	(76)	(70)	-	-	15	**(55)**
Cash exceptionals (approx)	(56)	(71)	(90)	-	-	20	**(70)**
Group (£m)							
EBITDA (approx)	605	822	1,025	(50 - 63)	27	-	**989 - 1,002**
Capital expenditure (approx)	(411)	(457)	(477)	7	(7)	(20)	**(497)**
P&L exceptionals (approx)[3]	(37)	(133)	(97)	-	-	15	**(82)**
Cash exceptionals (approx)	(61)	(122)	(137)	-	-	20	**(117)**

[1] This guidance does not include any costs related to demerger
[2] Using Cable & Wireless' 2009/10 planning exchange rates, including US$:£ rate of 1.50, for more details see page 11
[3] P&L exceptionals within operating profit

Based on the guidance exchange rates, CWI first half EBITDA would have been US$7 million lower at US$420 million and Group EBITDA would have been £9 million higher at £472 million.

CWI

CWI income statement
For six months ended:

	30 September 2009 US$m	30 September 2008 (at constant currency) US$m	*Constant currency change* *%*	*Reported change* *%*
Revenue	**1,132**	**1,204**	***(6)%***	***(11)%***
Cost of sales	(359)	(392)	*8%*	*14%*
Gross margin	**773**	**812**	***(5)%***	***(10)%***
Gross margin %	*68%*	*68%*		
Operating costs excluding LTIP	(346)	(382)	*9%*	*15%*
Operating costs %	*(30)%*	*(32)%*		
EBITDA	**427**	**430**	***(1)%***	***(5)%***
EBITDA margin %	*38%*	*36%*		
LTIP (charge)/credit	(11)	4	*nm*	*nm*
Depreciation and amortisation	(152)	(143)	*(6)%*	*(1)%*
Net other operating income	4	1	*nm*	*nm*
Operating profit	**268**	**292**	***(8)%***	***(12)%***
Share of post-tax profit of joint ventures	26	35	*(26)%*	*(28)%*
Operating exceptional items	(31)	(18)	*(72)%*	*(55)%*
Total operating profit	**263**	**309**	***(15)%***	***(18)%***
Capital expenditure	(104)	(145)	*28%*	*33%*
Headcount (FTE at period end)	6,659	7,781		*14%*

CWI performance:

- EBITDA at US$427 million flat at constant currency, EBITDA margin up to 38%
- Panama, Macau and Monaco & Islands performing well
- Caribbean performance reflects difficult economic backdrop
- Acquisition of additional stake in Maldives
- Full year 2009/10 EBITDA guidance reset to a range of US$880 million – US$900 million (see page 6)

Commenting on the results, Tony Rice, Chief Executive of CWI said:

"We're all only too well aware of the global recession, so the first half performance of Panama, Macau and Monaco & Islands showed the resilience of these businesses. In the Caribbean, the severity of the recession has blighted the economy and despite progress on our cost reduction programme, it has failed to keep pace with the impact on revenue so we have cut our EBITDA guidance. We've done the right things; concentrating on value for money and quality of service – the things that appeal to our customers, protected our market share and leave us well positioned for the future.

"We're looking forward to life as an independent company. We've made strategic progress this half, increasing our investment in the Maldives for example, and we will sign an extension to our operating agreement in Macau to 2021 – whilst we continue the day to day work to bring operational excellence to all our businesses".

To aid understanding of the trading performance, we have restated the 2008/09 first half results at the current half's reported average exchange rates in order for the CWI commentary to focus on underlying changes in performance. For the analysis of CWI's results by operation, please refer to pages 20 - 22.

Caribbean

- ***Revenue down 10% to US$427 million***
- ***EBITDA down 15% to US$132 million at a margin of 31%***
- ***Market leadership maintained***

Trading conditions in our Caribbean operations continue to be challenging: tourist arrivals have seen a double digit decline in most of the tourist destinations in which we operate, GDP is forecast by the IMF to decline across the region for this year and next and unemployment is increasing. In the face of this intensifying economic recession, we have maintained our mobile market leadership and grown our mobile and broadband customer bases.

A strengthened management team has started the next phase of the 'One Caribbean' programme, to create an enhanced customer centric business and culture, with a focus on strengthening our competitive position and further reducing our costs.

In the first half of 2009/10, revenue decreased by 10% to US$427 million with fixed line voice revenue particularly affected by the recessionary environment. International voice revenue fell by 31% to US$38 million primarily driven by lower volume of minutes reflecting the global recession, continued fixed to mobile substitution and increased VOIP usage. Domestic voice revenue decreased by 12% to US$118 million as volumes of minutes declined.

We maintained our mobile market share and saw an increase in postpaid revenue. However, prepaid revenue decreased due to a fall in average revenue per user (ARPU) as a result of a more competitive pricing environment and lower usage. Blended ARPU fell by 11% compared with the same period last year as a result of the current trends in prepaid mobile. Roaming revenue also decreased, particularly from tourist driven inbound traffic. As a result, mobile revenue fell by 8% to US$162 million.

We maintained our gross margin as a percentage of revenue at 75%. Gross margin fell by 10% to US$319 million reflecting lower revenue.

Operating costs of US$187 million are 6% lower than in the first half of 2008/09 primarily as a result of a reduction in staff costs. The 'One Caribbean' programme has delivered a reduction in headcount of 881 compared with the same period last year. Whilst this had the effect of driving a 12% reduction in staff costs, the maintenance of service quality resulted in increased costs in other areas. As a result, the impact of our cost reduction drive will not be fully seen in the 2009/10 results and may well take longer to come through than we originally anticipated.

Operating costs in the first half of 2009/10 were 14% higher than the second half of 2008/09. This was due to several one off items in the second half of 2008/09, such as increased pension credits in Jamaica that did not recur in the first half of 2009/10.

The reduction in EBITDA of 15% to US$132 million essentially reflects the revenue fall.

Panama

- ***Revenue down 9% to US$308 million***
- ***EBITDA up 3% to US$138 million at a margin of 45%***
- ***Strong mobile market leadership maintained***

Despite the slow-down in the Panamanian economy, our business continues to perform well. The IMF estimates the economy in Panama will grow at about 2% in 2009 reflecting the continuing expansion of the Panama Canal. The parliamentary elections in May 2009 delayed the start of a number of government projects in the period although recently we have seen signs that they are recommencing.

Revenue decreased by 9% to US$308 million, mainly because of the 28% decrease in enterprise, data and other revenue to US$47 million following the delay in government projects. Mobile revenue was up 3% to US$150 million as we maintained our strong market leadership in spite of the two new operators now being fully operational. Domestic voice revenue fell by 16% to US$71 million in the period as the fixed to mobile substitution trend accelerated due to aggressive campaigns in the mobile market. Broadband continues to perform well with growth of 10% from last year as we grew our customer base and broadly maintained our ARPU.

The change in the mix of revenue and initiatives to reduce costs of sales have led to an improvement in gross margin percentage to 69% from 65% last year. Gross margin fell by 3% to US$214 million as a result of the lower revenue base.

We have reduced our operating costs by US$10 million (12%) to US$76 million in the first half of 2009/10. This reduction reflects the impact of cost rationalisation initiatives, including a 9% decrease in our headcount as well as the one off costs in the first half of 2008/09 as we prepared for the entry of two additional mobile operators.

EBITDA increased by 3% to US$138 million and our EBITDA margin improved by five percentage points to 45% reflecting the change in revenue mix and our focus on cost reduction initiatives.

Macau

- ***Revenue down 1% to US$157 million***
- ***EBITDA up 4% to US$71 million at a margin of 45%***
- ***Strong operating performance against a backdrop of lower tourist numbers***

Visa restrictions on Chinese mainland tourists travelling to Macau and the adverse economic environment led to a 10% reduction in the number of tourist visits to the region between April and August 2009. With the relaxation of visa restrictions, we have seen a subsequent increase in visitor numbers.

CTM, our operation in Macau, performed well despite reduced tourism and lower economic activity, increasing EBITDA by 4% as a result of tight cost control.

Revenue decreased by 1% to US$157 million mainly because of the 23% decline in international voice revenue to US$24 million in the period reflecting the economic environment coupled with some major cable outages in the region.

Enterprise, data and other growth of 11% to US$30 million was driven by an increase in leased line services and government spending in managed services.

Gross margin at US$95 million is 2% lower than last year broadly in line with the fall in revenue.

Operating costs for the half were US$24 million, 17% lower than last year. Our continued control of staff, marketing and network costs has reduced operating costs as a percentage of revenue to 15%, from 18% in the first half of 2008/09.

The EBITDA increase of 4% to US$71 million represents an improvement in our margin of two percentage points to 45%.

Monaco & Islands

- ***Revenue up 3% to US$241 million***
- ***EBITDA up 3% to US$65 million at a margin of 27%***
- ***Increased stake in Maldives to take to a controlled subsidiary in line with strategy***

Our portfolio business, Monaco & Islands, has performed well in the period, growing its revenue and EBITDA. Monaco & Islands includes Monaco, the Channel Islands, Isle of Man, Bermuda, Seychelles, the South Atlantic region and Diego Garcia, which operate in a number of non-US dollar currencies. The adverse currency impact on Monaco & Islands compared with the first half of 2008/09 was US$40 million on revenue and US$11 million on EBITDA.

Revenue grew by 3% at constant currency to US$241 million in the period as we benefited from revenue contributions from start up operations in Jersey and Isle of Man. We also saw growth in all revenue streams except international voice. Mobile revenue increased by 8% to US$66 million due to increased customers as well as higher ARPU in the Seychelles. We increased our enterprise, data and other revenue by 1% to US$122 million with an increase in data hosting revenue in Bermuda and Guernsey.

Gross margin grew by 4% to US$145 million as we benefited from a shift in product mix within our enterprise, data and other revenue.

Operating costs increased by 4% to US$80 million as we invested in expanding and enhancing our networks across the portfolio, including an increase in satellite bandwidth.

EBITDA at US$65 million is 3% higher than in the first half of 2008/09.

During October 2009, CWI acquired a further 7% of the share capital of Dhiraagu, its joint venture in the Maldives, and now holds 52%. Dhiraagu will be accounted for as a subsidiary of Monaco & Islands rather than as a joint venture from October 2009, adding approximately US$40 million to CWI EBITDA for 2009/10.

Other
Other includes management fees, royalty and branding fees, the costs of the London office, intra CWI revenue and cost adjustments, the movements in centrally held accruals and provisions and the net pension credit/charge. EBITDA of US$21 million is US$12 million higher than last year primarily due to the release of a US$9 million legal provision made in 2000.

Depreciation and amortisation
Depreciation and amortisation at US$152 million was US$9 million higher than the equivalent period in 2008/09.

Joint ventures

		Our share of revenue		Our share of profit after tax	
	Effective ownership as at 30 September 2009	For six months ended 30 September 2009	For six months ended 30 September 2008	For six months ended 30 September 2009	For six months ended 30 September 2008
	%	US$m	US$m	US$m	US$m
Trinidad & Tobago (TSTT)	*49*	117	120	11	20
Afghanistan (Roshan)	*37*	37	26	-	-
The Maldives (Dhiraagu)	*45*	32	29	13	12
Fiji (Fintel)	*49*	6	7	1	2
Others		8	10	1	2
Total		**200**	**192**	**26**	**36**

Our share of profit after tax from joint ventures was US$26 million, down from US$36 million in 2008/09 (US$35 million on a constant currency basis).

Our share of profits from TSTT fell by 8% on an underlying basis, but 45% to US$11 million on a reported basis, as the prior year included the release of US$8 million of centrally held provisions.

Our joint venture in the Maldives, Dhiraagu, grew revenue by 10% and profit after tax by 8%, as it continued to grow mobile revenue and customers. From October 2009, Dhiraagu will be accounted for as a subsidiary.

Exceptional items
Net exceptional charges in the first half of 2009/10 were US$31 million, primarily relating to the 'One Caribbean' transformation programme. The US$7 million of exceptional costs at the CWI head office include additional legal and other fees and the US$2 million in Monaco & Islands relates to restructuring programmes.

Capital expenditure
Capital expenditure decreased by 28% in the first half of 2009/10 to US$104 million reflecting the phasing of our capital expenditure programmes. We focused on upgrading and expanding our networks to improve mobile, broadband and enterprise services. We also invested in IT systems across the businesses to support our cost saving initiatives. Mobile projects included enhancing the coverage and capacity of our 2G and 3G networks in Panama, Macau, Jamaica and Jersey, as well as

preparation for the launch of 3G in Guernsey. We also continued to invest in broadband coverage in high value customer areas.

Exchange rate movements

There has been significant movement in foreign exchange rates over the last twelve months with the US dollar strengthening against sterling and many other currencies.

About a quarter of CWI's EBITDA arises from non-US dollar currencies, most of which have depreciated against the US dollar notably sterling, the Seychelles rupee and the Jamaican dollar. Translation of these currencies into US dollars gives rise to an adverse foreign currency translation impact in US$ EBITDA terms of US$18 million in the first half of 2009/10 compared with the first half of 2008/09.

	C&W planning exchange rates for 2009/10	**Actuals for 6 months ended 30 Sept 2009**	**Actuals for 6 months ended 31 Mar 2009**	**Actuals for 6 months ended 30 Sept 2008**
US dollar : sterling				
Average	1.5000	1.5707	1.5548	1.9613
Period end		1.5945	1.4498	1.8471
Sterling : US dollar				
Average	0.6667	0.6367	0.6432	0.5099
Period end		0.6272	0.6898	0.5414
Seychelles rupee : US dollar				
Average	16.67	14.25	13.84	8.01
Period end		11.11	16.29	8.15
Jamaican dollar : US dollar				
Average	93.33	88.55	78.94	71.45
Period end		88.57	88.17	72.44
Euro : US dollar				
Average	0.8000	0.7218	0.7453	0.6456
Period end		0.6807	0.7375	0.6818

Reconciliation of CWI EBITDA to net cash flow before financing (based on management accounts)

	For six months ended 30 September 2009 US$m
EBITDA	427
Exceptional items	(31)
EBITDA less exceptionals	**396**
Movement in exceptional provisions	(14)
Capital expenditure[1]	(104)
Operating cash flow	**278**
Movement in working capital and other provisions	(55)
Income taxes paid	(49)
Investment income	15
Trading cash inflow	**189**
Acquisitions and disposals	(3)
Net cash inflow before financing activities	**186**

[1] Balance sheet capital expenditure

We generated US$278 million of operating cash flow in the period, 7% higher than in the first half of 2008/09 on a constant currency basis. This includes a US$45 million outflow on exceptional items and provisions largely related to restructuring costs associated with the 'One Caribbean' programme.

Capital expenditure totalled US$104 million. For more details on our capital expenditure programmes please refer to page 10.

The US$55 million working capital outflow in the first half reflects the usual seasonal flows. Trade payables decreased and we also saw an increase in the level of prepayments. Days sales outstanding improved compared to the same period last year although this was principally due to the lower revenue base.

Investment income of US$15 million includes US$14 million of dividends received from joint ventures.

We also paid dividends of US$6 million to minority shareholders in Monaco Telecom.

WORLDWIDE

Worldwide income statement
For six months ended:

£m	*30 September 2009*	*30 September 2008*	*Change %*
IP, data and hosting	592	427	*39%*
Traditional voice	527	530	*(1)%*
Legacy products	22	46	*(52)%*
Revenue	**1,141**	**1,003**	***14%***
Cost of sales	(608)	(589)	*(3)%*
Gross margin	**533**	**414**	***29%***
Gross margin %	*47%*	*41%*	
Operating costs	(328)	(272)	*(21)%*
Operating costs %	*29%*	*27%*	
EBITDA	**205**	**142**	***44%***
EBITDA margin %	*18%*	*14%*	
LTIP charge	(2)	(13)	nm
Depreciation & amortisation	(131)	(88)	*(49)%*
Net other operating income	-	2	*nm*
Total operating profit before exceptionals	**72**	**43**	***67%***
Exceptional items	(28)	(33)	*15%*
Total operating profit	**44**	**10**	***340%***
Capital expenditure	(137)	(108)	*(27)%*
Headcount (FTE at the period end)	6,642	4,981	*(33)%*

Worldwide performance:

- Incremental sales in gross margin terms in the first half 14% ahead of last year, with 88% from IP, data and hosting
- EBITDA up 44% to £205 million
- Thus trading on track and synergies rising
- Operating cash flow up to £31 million
- 2009/10 EBITDA guidance confirmed at approximately £430 million

Commenting on the results, John Pluthero, Executive Chairman of Worldwide said:

“Our business is performing well. We’re growing gross margin, cutting our costs and we’re cash flow positive. For the future we have a strong and growing roster of customers providing long-term, high margin contracted revenue – and we still have a cost prize to aim for as well. Trading at Thus is on track. The integration is working well and we confidently expect to exceed the planned synergies.

“So we’re well positioned not just to achieve this year’s targets but also to thrive after demerger.”

Thus Group plc was acquired on 1 October 2008 and therefore their results are not included in the six months ended 30 September 2008. Since acquisition, the Thus business has been integrated into the Worldwide business and consequently we are reporting Worldwide and Thus on a combined basis.

Total revenue

Total revenue for the first half of 2009/10 was £1,141 million, an increase of 14% on last year. The £138 million increase in revenue is due to the inclusion of Thus revenue as well as organic growth in IP, data and hosting revenue, partially offset by reduced project work, reduction in legacy revenue and lower voice revenue due to fewer minutes and changes in regulation, for more detail see below.

A selection of the contracts we have won over the period includes:

- National Grid plc – a £207 million, 15 year agreement to deliver its core operational network and its wider telecommunications infrastructure;
- Ryanair – a €15 million, five year contract to manage its entire business critical European telecommunication network, including all airports, data centres and corporate offices;
- Atkins – a £12 million, five year contract to deliver a new IP-based network that will enable a centralised IT architecture for 89 sites in the UK and India; and
- Office for Criminal Justice Reform – a multi-million pound framework agreement to provide managed video conferencing to help reduce costs and increase productivity.

Total gross margin

Total gross margin for the first half of 2009/10 was £533 million, an increase of 29% on the equivalent period in 2008. The £119 million increase in gross margin is a result of including Thus gross margin and the continued growth of IP, data and hosting products. This growth was partially offset by the reduction in traditional voice volumes and project work due to the impact of the recession.

Worldwide gross margin as a percentage of revenue has increased from 41% to 47% reflecting the continued change in our product mix towards higher margin IP, data and hosting. About three and a half percentage points of this improvement is due to the effect of much reduced volumes of low margin traditional voice revenue.

£m		**IP, data & hosting**	**Traditional voice**	**Legacy products**	**Total**
H1 2009/10	Revenue	592	527	22	1,141
	Gross margin	379	143	11	533
	Gross margin %	64%	27%	50%	47%
H2 2008/09	Revenue	609	619	37	1,265
	Gross margin	356	154	21	531
	Gross margin %	58%	25%	57%	42%
H1 2008/09	Revenue	427	530	46	1,003
	Gross margin	260	128	26	414
	Gross margin %	61%	24%	57%	41%

IP, data and hosting – revenue and gross margin

Worldwide IP, data and hosting revenue grew by 39% to £592 million in the first half of 2009/10 compared with £427 million in the equivalent period last year, driven by the inclusion of Thus revenue (approximately £135 million) and growth from increased demand for our strategic product set (approximately £50 million) partially offset by the reduction in project work (approximately £20 million).

IP, data and hosting revenue as a proportion of Worldwide revenue is 52% in the first half of 2009/10, up from 43% in the equivalent period of 2008/09. The proportion of our revenue comprising IP, data and hosting has more than doubled since the first half of 2005/06.

IP, data and hosting margin was £379 million, 64% of revenue. The margin has increased by £119 million compared with the equivalent period last year. Approximately £89 million of the improvement is a result of the inclusion of Thus and increased demand for our strategic product set, partially offset by a reduction in project work. The remaining approximately £30 million increase in our IP, data and hosting gross margin includes £11 million from our cost reduction programmes, synergies from the Thus integration of £7 million and higher retrospective regulatory settlements due to the £12 million partial recognition of the Partial Private Circuits (PPCs) regulatory settlement. The Ofcom determination of historic charges for PPCs (part of which is recognised in the period) gives a slightly higher margin impact in the first half of 2009/10 than in 2008/09. We expect to see continuing benefits from the lower charges in the future.

Traditional voice – revenue and gross margin
Traditional voice revenue in Worldwide fell by £3 million to £527 million in the first half of 2009/10.

The increase in voice revenue following the acquisition of Thus (approximately £110 million) was broadly offset by the impact of lower voice minutes due to the recession (approximately £50 million) as well as our decision to remove low margin traffic from our network (approximately £43 million) and changes to the regulated pricing of mobile termination rates and non-geographic number ranges (approximately £20 million).

Traditional voice gross margin increased by £15 million to £143 million compared with the equivalent period last year. This was due to the inclusion of margin from Thus (approximately £23 million), partially offset by falling voice minutes and the regulatory changes noted above (approximately £8 million).

Traditional voice margins have increased to 27%, compared with 24% in the equivalent period last year, driven by the reduction in low margin traffic.

Legacy products – revenue and gross margin
Revenue from our legacy products has reduced to £22 million compared with the first half of 2008/09 and now represents only 2% of Worldwide revenue and gross margin. The decline is due to the winding down of two dial-up internet services contracts, as customers migrate to broadband services.

As a result of the fall in revenue, gross margin from legacy products decreased by £15 million from the equivalent period in 2008/09 to £11 million, at a margin of 50% of revenue.

Operating costs
Total operating costs were £328 million in the first half of 2009/10, an increase of £56 million on the first half of 2008/09 reflecting the inclusion of Thus operating costs (approximately £76 million) and an increase in provisions (approximately £12 million) partially offset by operating cost synergies from the Thus integration programme (approximately £16 million) and continued cost reduction programmes within the existing Worldwide business (approximately £16 million). We continue to reduce our costs as we focus on people and network cost savings, as well as driving best value from our suppliers.

EBITDA
Worldwide EBITDA was £205 million in the first half of 2009/10, an increase of £63 million on the same period last year.

EBITDA as a percentage of revenue has improved from 14% to 18%. This increase reflects the growth in revenue of high margin IP, data and hosting products and the success of our Thus integration programme.

Depreciation and amortisation
Depreciation and amortisation is £131 million for the first half of 2009/10 compared with £88 million in the equivalent period of 2008/09, reflecting the level of capital expenditure in recent years, together with the £18 million of depreciation and amortisation associated with the Thus acquired asset base.

Thus integration
The integration of Thus enterprise with our existing Worldwide business remains on track, with £23 million of EBITDA synergies recognised in the period, as well as £14 million of capital expenditure synergies delivered to date.

The target of total annualised synergies in 2011/12 has increased to £104 million, as we have identified £14 million (£10 million of EBITDA and £4 million of capital expenditure) of further opportunities compared to our expectation of £90 million set out in May 2009. The £104 million of synergies comprises £85 million of recurring EBITDA synergies and total avoided capital expenditure of £19 million.

As a result of the higher target for synergies, total costs to achieve for the Thus integration have increased by £20 million to £98 million, of which £73 million has been recognised to date. The split of these total costs to achieve is expected to be £66 million of exceptional items and £32 million of capital expenditure, of which we have recognised to date £53 million and £20 million respectively.

Exceptional items
Exceptional costs of £28 million consist of £23 million from the Thus integration activities and £5 million from the restructuring programme of the existing Worldwide business. The Worldwide exceptional costs include redundancy and property rationalisation costs resulting from two key projects: improving our order to cash process and 'deep access', a project that reduces our dependence on BT.

Capital expenditure
Capital expenditure of £137 million is £29 million higher than the first half of 2008/09. The increase is due to servicing the increased customer base as a result of acquiring Thus, together with expenditure on Thus integration projects of £11 million. In the first half of 2009/10, capital expenditure relating to specific customer contracts was £72 million, 53% of our total capital expenditure. Capital expenditure relating to maintenance of our network and IT systems was £14 million. We also made £40 million of strategic capital investments, including product development and investments in strategic IT systems.

Reconciliation of Worldwide EBITDA to net cash flow before financing (based on management accounts)

	For six months ended 30 September 2009 £m
EBITDA	205
Exceptional items	(28)
EBITDA less exceptionals	**177**
Movement in exceptional provisions	(9)
Capital expenditure[1]	(137)
Operating cash flow	**31**
Movement in working capital and other provisions	(22)
Finance and other income	10
Trading cash inflow	**19**
Acquisitions and disposals	-
Net cash inflow before financing activities	**19**

[1] Balance sheet capital expenditure

We generated £31 million of operating cash flow in the period up £29 million from the first half of 2008/09. This includes the £37 million outflow on exceptional items and provisions related to the restructuring of the existing Worldwide business and the integration of Thus enterprise. We recognised £137 million in capital expenditure on the balance sheet and we paid £134 million in cash capital expenditure in the period.

We had a £22 million outflow from movements in working capital in line with our seasonal working capital flows.

We generated £19 million in trading cash flow for the period, up from £10 million in the first half of last year.

GROUP ITEMS

Long term incentive plan (LTIP) charge
The LTIP charge for the first half of 2009/10 was £9 million (£10 million in the first half of 2008/09), £7 million for CWI (£3 million credit for the first half of 2008/09) and £2 million for Worldwide (£13 million charge for the first half of 2008/09).

Finance income
Finance income for the first half of 2009/10 was £2 million, £18 million lower than the equivalent period in 2008/09 due to the decrease in interest rates and the Group's lower average cash balances.

Finance expense
Finance expense was £45 million compared with £33 million in the first half of 2008/09, reflecting the increased borrowings undertaken by the Group in the second half of 2008/09.

Income tax
The Group tax charge of £11 million for continuing operations (£15 million for 2008/09) comprises a £30 million credit in respect of previously unrecognised UK deferred tax assets (£12 million for 2008/09) and a charge of £41 million (£27 million in 2008/09) for overseas taxes.

Pensions
As at 30 September 2009, the main UK defined benefit scheme had an IAS 19 deficit of £305 million compared with a deficit of £32 million at 31 March 2009. The increase in the deficit is largely due to the 1.3 percentage point reduction in the AA corporate bond discount rate used in accounting models to calculate pension liabilities for the purposes of IAS 19 reporting (5.4% used for 30 September 2009 valuation compared with 6.7% used for 31 March 2009 valuation). This has more than offset the increase in the value of the scheme's assets during the period.

During the period, we agreed an interim funding plan with the Trustees, pending the next full actuarial valuation due in March 2010. This funding plan comprises payments of £10 million in October 2009, £20 million in October 2010 and £45 million in April 2011.

During the six months to 30 September 2009, the IAS 19 net pension charge for the main UK scheme was £2 million. This charge was recognised in Worldwide's operating costs. This charge compares with a £6 million net credit for the same period last year (£4 million in Worldwide and £2 million in CWI).

For more detail on pensions, please refer to page 32.

Group exceptional items

	For the six months ended 30 September 2009			
	CWI	**Worldwide**	**Central**	**Total**
	£m	**£m**	**£m**	**£m**
Operating items (within operating costs):				
Worldwide turnaround	-	(5)	-	(5)
Thus integration charges	-	(23)	-	(23)
'One Caribbean' programme	(15)	-	-	(15)
Other	(5)	-	-	(5)
Exceptional items within total operating profit	**(20)**	**(28)**	-	**(48)**
Non-operating items:				
Gains on foreign exchange contracts	-	-	17	17
Exceptional items below total operating profit	**-**	**-**	**17**	**17**
Total exceptional items before tax	**(20)**	**(28)**	**17**	**(31)**
Tax credit on exceptional items	3	-	-	3
Total exceptional items from continuing operations	**(17)**	**(28)**	**17**	**(28)**

We recognised £28 million of exceptional costs in the first half of 2009/10. For more detail on the CWI and Worldwide exceptionals, please refer to pages 10 and 16 respectively.

The Group recognised exceptional finance income of £17 million from the marking to market of forward contracts used for hedging purposes as required by IAS 39. As at 31 March 2009, we had US$225 million of open forward contracts to sell US dollars versus sterling which at the time were marked to market using the year end US dollar to sterling exchange rate of 1.4498. During the six months to 30 September 2009, US$113 million of these contracts were settled with our US dollar receipts generating a credit of £6 million. The remaining US$112 million of open forward contracts have been marked to market using the period end US dollar to sterling exchange rate of 1.5945 generating an additional credit of £11 million. We expect these open contracts will be settled from US dollar receipts prior to 31 March 2010.

Dividend

We are declaring an interim dividend of 3.16 pence per share, which represents an increase of 12% over the prior year's interim dividend reflecting our confidence in the long term strength of our two businesses.

The interim dividend of 3.16 pence per share will be paid on 22 January 2010 to ordinary shareholders on the register as at 20 November 2009. Subject to our trading performance in the second half of 2009/10, we expect to recommend a final dividend of approximately 6.34 pence per share, resulting in a full year dividend of approximately 9.50 pence per share, a year on year increase of 12%.

Reconciliation of Group EBITDA to net cash flow before financing (based on management accounts)

	For the six months ended 30 September 2009
	Group **£m**
EBITDA	463
Exceptional items	(48)
EBITDA less exceptional items	**415**
Movement in exceptional provisions	(20)
Capital expenditure[1]	(203)
Operating cash flow	**192**
Movement in working capital and other provisions	(85)
Income taxes paid	(32)
Investment income	22
LTIP payments	(36)
Trading cash inflow	**61**
Acquisitions and disposals	(2)
Net cash inflow before financing activities	**59**

[1] Balance sheet capital expenditure

The Group trading cash inflow was £61 million including the £36 million 2009 payment of the LTIP (£32 million payment to participants plus £4 million in national insurance and other employee related taxes). The trading cash flow consists of a £121 million inflow from CWI, a £19 million inflow from Worldwide and a £79 million outflow from Central. Further details of CWI's and Worldwide's cash flows are included on pages 12 and 16.

The net cash outflow in Central of £79 million predominantly relates to the LTIP payment, Central operating costs and working capital outflows.

The Group cash inflow before financing of £59 million includes a £4 million payment to Monaco Telecom's minority shareholders.

Group cash and debt

	As at 31 March 2009 Group £m	CWI £m	Worldwide £m	As at 30 September 2009 Central £m	Group £m
Cash and cash equivalents	**545**	**117**	**150**	**157**	**424**
Debt due in less than 1 year	(90)	(84)	(19)	(32)	(135)
Debt due in more than 1 but less than 2 years	(64)	(18)	(9)	(226)	(253)
Debt due in more than 2 but less than 5 years	(615)	(33)	(111)	(225)	(369)
Debt due in more than 5 years	(153)	(1)	(2)	(147)	(150)
Total debt	**(922)**	**(136)**	**(141)**	**(630)**	**(907)**
Total net (debt)/cash	**(377)**	**(19)**	**9**	**(473)**	**(483)**

Net debt reconciliation
(based on management accounts)

	As at 31 March 2009 £m	Trading cash flow[1] £m	LTIP payments £m	Acquisitions / disposals £m	Dividends £m	Third party interest, debt and other £m	Exchange movements £m	As at 30 September 2009 £m
Total net debt	**(377)**	**97**	**(36)**	**(2)**	**(157)**	**(39)**	**31**	**(483)**

[1] Before £36 million of LTIP payments

During the six months to 30 September 2009, the Group moved from a net debt position of £377 million to a closing net debt position of £483 million. During the period, we had a trading cash inflow of £97 million excluding the 2009 LTIP payment of £36 million. We made £157 million of dividend payments in the period (£115 million to shareholders for the final dividend and £42 million to minorities) and made £39 million of payments in third party interest, debt and other as well as £2 million for acquisitions. The effect of translating our non-sterling cash and debt balances, principally US dollars, into sterling decreased our net debt by £31 million.

At 30 September 2009, we had £424 million of cash and £907 million of debt. The £630 million debt within Central includes the Group's US$415 million bank facility which is fully drawn down, as well as £195 million of 2012 bonds and £147 million of 2019 bonds. Worldwide debt of £141 million includes the three year £200 million bank facility, of which £110 million was drawn down. CWI's debt of £136 million predominantly relates to rolling credit facilities and loans in Panama and the Caribbean. As at 30 September 2009, the Group had access to £185 million of undrawn credit facilities.

CWI RESULTS BY OPERATION

Six months ended 30 September 2009 compared with six months ended 30 September 2008

US$m	Caribbean				Panama			Macau			Monaco & Islands			
	H1 09/10	**H1 08/09 at constant currency**	**H1 08/09 reported**	**Constant currency change**	**H1 09/10**	**H1 08/09**	**Change**	**H1 09/10**	**H1 08/09**	**Change**	**H1 09/10**	**H1 08/09 at constant currency**	**H1 08/09 reported**	**Constant currency change**
Mobile	162	176	183	*(8)%*	150	146	*3%*	64	63	*2%*	66	61	75	*8%*
Broadband	46	44	47	*5%*	22	20	*10%*	22	21	*5%*	12	10	12	*20%*
Domestic voice	118	134	147	*(12)%*	71	85	*(16)%*	17	17	*0%*	24	21	27	*14%*
International voice	38	55	59	*(31)%*	18	21	*(14)%*	24	31	*(23)%*	17	22	25	*(23)%*
Enterprise, data & other	63	66	69	*(5)%*	47	65	*(28)%*	30	27	*11%*	122	121	136	*1%*
Revenue	**427**	**475**	**505**	***(10)%***	**308**	**337**	***(9)%***	**157**	**159**	***(1)%***	**241**	**235**	**275**	***3%***
Cost of sales	(108)	(120)	(130)	*10%*	(94)	(117)	*20%*	(62)	(62)	*0%*	(96)	(95)	(109)	*(1)%*
Gross margin	**319**	**355**	**375**	***(10)%***	**214**	**220**	***(3)%***	**95**	**97**	***(2)%***	**145**	**140**	**166**	***4%***
Operating costs	(187)	(199)	(213)	*6%*	(76)	(86)	*12%*	(24)	(29)	*17%*	(80)	(77)	(92)	*(4)%*
EBITDA	**132**	**156**	**162**	***(15)%***	**138**	**134**	***3%***	**71**	**68**	***4%***	**65**	**63**	**74**	***3%***
LTIP (charge)/credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & amortisation	(69)	(56)	(59)	*(23)%*	(38)	(41)	*7%*	(18)	(19)	*5%*	(24)	(25)	(30)	*4%*
Net other operating income/(expense)	1	-	-	*nm*	1	1	*0%*	-	-	-	2	-	-	*nm*
Operating profit before joint ventures	**64**	**100**	**103**	***(36)%***	**101**	**94**	***7%***	**53**	**49**	***8%***	**43**	**38**	**44**	***13%***
Joint ventures	11	20	20	*(45)%*	-	-	-	-	-	-	15	15	16	*0%*
Total operating profit	**75**	**120**	**123**	***(38)%***	**101**	**94**	***7%***	**53**	**49**	***8%***	**58**	**53**	**60**	***9%***
Exceptional items	(22)	(11)	(12)	*(100)%*	-	-	-	-	-	-	(2)	(1)	(1)	*(100)%*
Total operating profit	**53**	**109**	**111**	***(51)%***	**101**	**94**	***7%***	**53**	**49**	***8%***	**56**	**52**	**59**	***8%***
Capital expenditure	(34)	(72)	(78)	*53%*	(38)	(33)	*(15)%*	(12)	(15)	*20%*	(18)	(22)	(25)	*18%*
Cash exceptionals	(28)	(11)	(13)	*nm*	(2)	-	*nm*	-	-	-	(3)	(3)	(5)	*0%*
Operating cash flow	**70**	**73**	**71**	***(4)%***	**98**	**101**	***(3)%***	**59**	**53**	***11%***	**44**	**38**	**44**	***16%***
Headcount (FTE at period end)	2,855	3,736	3,736	*24%*	1,762	1,931	*9%*	860	915	*6%*	1,061	1,084	1,084	*2%*

nm represents not meaningful

CWI RESULTS BY OPERATION

Six months ended 30 September 2009 compared with six months ended 30 September 2008

US$m	Other[1]				TOTAL CWI			
	H1 09/10	**H1 08/09 at constant currency**	**H1 08/09 reported**	**Constant currency change**	**H1 09/10**	**H1 08/09 at constant currency**	**H1 08/09 reported**	**Constant currency change**
Mobile	-	-	-	-	442	446	467	*(1)%*
Broadband	-	-	-	-	102	95	100	*7%*
Domestic voice	-	-	-	-	230	257	276	*(11)%*
International voice	(1)	(1)	(2)	*0%*	96	128	134	*(25)%*
Enterprise, data & other	-	(1)	(1)	*nm*	262	278	296	*(6)%*
Revenue	**(1)**	**(2)**	**(3)**	***50%***	**1,132**	**1,204**	**1,273**	***(6)%***
Cost of sales	1	2	2	*(50)%*	(359)	(392)	(416)	*8%*
Gross margin	**-**	**-**	**(1)**	**-**	**773**	**812**	**857**	***(5)%***
Operating costs	21	9	11	*nm*	(346)	(382)	(409)	*9%*
EBITDA	**21**	**9**	**10**	***nm***	**427**	**430**	**448**	***(1)%***
LTIP (charge)/credit	(11)	4	5	*nm*	(11)	4	5	*nm*
Depreciation & amortisation	(3)	(2)	(2)	*(50)%*	(152)	(143)	(151)	*(6)%*
Net other operating income/(expense)	-	-	-	-	4	1	1	*nm*
Operating profit before joint ventures	**7**	**11**	**13**	***(36)%***	**268**	**292**	**303**	***(8)%***
Joint ventures	-	-	-	-	26	35	36	*(26)%*
Total operating profit	**7**	**11**	**13**	***(36)%***	**294**	**327**	**339**	***(10)%***
Exceptional items	(7)	(6)	(7)	*(17)%*	(31)	(18)	(20)	*(72)%*
Total operating profit	**-**	**5**	**6**	***nm***	**263**	**309**	**319**	***(15)%***
Capital expenditure	(2)	(3)	(4)	*33%*	(104)	(145)	(155)	*28%*
Cash exceptionals	(12)	(10)	(12)	*(20)%*	(45)	(24)	(30)	*(88)%*
Operating cash flow	**7**	**(4)**	**(6)**	***nm***	**278**	**261**	**263**	***7%***
Headcount (FTE at period end)	121	115	115	*(5)%*	6,659	7,781	7,781	*14%*

[1] Other includes intra CWI revenue and cost adjustments, the movements in centrally held accruals and provisions, management fees, royalty and branding fees, net pension credit, LTIP charges and central capital expenditure. The operating costs of the London office are recharged to the businesses. Headcount numbers are shown as a memo item

CWI CUSTOMERS BY OPERATION

Six months ended 30 September 2009 compared with six months ended 30 September 2008

	GSM ACTIVE[1] MOBILE CUSTOMERS ('000s)			BROADBAND CUSTOMERS ('000s)			FIXED LINE CONNECTIONS ('000s)		
	As at 30 September 2009	**As at 30 September 2008**	**% Change**	**As at 30 September 2009**	**As at 30 September 2008**	**% Change**	**As at 30 September 2009**	**As at 30 September 2008**	**% Change**
Caribbean	1,279	1,265	1%	204	191	7%	645	687	(6)%
Panama	1,788	1,805	(1)%	127	110	15%	418	426	(2)%
Macau	395	328	20%	127	125	2%	182	182	0%
Monaco & Islands	159	150	6%	34	31	10%	217	214	1%
CWI subsidiaries	**3,621**	**3,548**	**2%**	**492**	**457**	**8%**	**1,462**	**1,509**	**(3)%**
TSTT	892	899	(1)%	71	43	65%	294	313	(6)%
Roshan	3,364	2,340	44%	-	-	-	-	-	-
Dhiraagu	295	281	5%	11	10	10%	31	33	(6)%
Solomon Telekom	49	27	81%	1	1	0%	9	10	(10)%
Telecom Vanuatu	33	28	18%	2	1	100%	7	7	0%
CWI joint ventures	**4,633**	**3,575**	**30%**	**85**	**55**	**55%**	**341**	**363**	**(6)%**
Total CWI	**8,254**	**7,123**	**16%**	**577**	**512**	**13%**	**1,803**	**1,872**	**(4)%**

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

HALF YEAR FINANCIAL REPORT

Condensed consolidated interim income statement

	For the six months ended 30 September 2009			For the six months ended 30 September 2008		
	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Revenue	**1,855**	**-**	**1,855**	1,646	-	1,646
Operating costs before depreciation and amortisation	**(1,401)**	**(48)**	**(1,449)**	(1,299)	(49)	(1,348)
Depreciation	**(192)**	**-**	**(192)**	(136)	-	(136)
Amortisation	**(36)**	**-**	**(36)**	(29)	-	(29)
Other operating income	**3**	**-**	**3**	2	-	2
Group operating profit/(loss)	**229**	**(48)**	**181**	184	(49)	135
Share of post-tax profit of joint ventures	**17**	**-**	**17**	18	-	18
Total operating profit/(loss)	**246**	**(48)**	**198**	202	(49)	153
Gains and losses on sale of non-current assets	**(1)**	**-**	**(1)**	-	-	-
Gain on termination of operations	**-**	**-**	**-**	1	-	1
Finance income	**2**	**17**	**19**	20	-	20
Finance expense	**(45)**	**-**	**(45)**	(33)	(12)	(45)
Profit/(loss) before income tax	**202**	**(31)**	**171**	190	(61)	129
Income tax (expense)/credit	**(11)**	**3**	**(8)**	(15)	1	(14)
Profit/(loss) for the period from continuing operations	**191**	**(28)**	**163**	175	(60)	115
Discontinued operations						
Profit for the period from discontinued operations	**-**	**-**	**-**	-	-	-
Profit/(loss) for the period	**191**	**(28)**	**163**	175	(60)	115
Attributable to:						
Owners of the parent	**146**	**(26)**	**120**	143	(60)	83
Non-controlling interests	**45**	**(2)**	**43**	32	-	32
	191	**(28)**	**163**	175	(60)	115
Earnings per share attributable to the owners of the parent during the period (pence)						
– basic			**4.8p**			3.4p
– diluted			**4.7p**			3.3p
Earnings per share from continuing operations attributable to the owners of the parent during the period (pence)						
– basic			**4.8p**			3.4p
– diluted			**4.7p**			3.3p

The notes on pages 29 to 33 are an integral part of these financial statements

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 2009 £m	For the six months ended 30 September 2008 £m
Profit for the period	163	115
Other comprehensive income for the period comprised:		
Actuarial losses in the value of defined benefit retirement plans	(296)	(33)
Exchange differences on translation of foreign operations	(60)	82
Other comprehensive (expense)/income for the period	**(356)**	**49**
Income tax relating to components of other comprehensive income	-	2
Other comprehensive (expense)/income for the period, net of tax	**(356)**	**51**
Total comprehensive (expense)/income for the period	**(193)**	**166**
Attributable to:		
Owners of the parent	(236)	121
Non-controlling interests	43	45
	(193)	**166**

The notes on pages 29 to 33 are an integral part of these financial statements

Condensed consolidated interim statement of financial position

	30 September 2009 £m	31 March 2009 £m	30 September 2008 £m
ASSETS			
Non-current assets			
Intangible assets	1,173	1,191	811
Property, plant and equipment	1,953	2,053	1,590
Investments in joint ventures	210	225	170
Available for sale financial assets	28	38	28
Deferred tax asset	92	64	38
Retirement benefit asset	27	27	30
Other receivables	50	52	92
Other non-current assets	-	-	3
	3,533	**3,650**	**2,762**
Current assets			
Inventories	33	23	25
Available for sale financial assets	-	-	99
Trade and other receivables	976	973	916
Cash and cash equivalents	424	545	585
	1,433	**1,541**	**1,625**
Non-current assets held for sale	1	1	2
	1,434	**1,542**	**1,627**
Total assets	**4,967**	**5,192**	**4,389**
LIABILITIES			
Current liabilities			
Trade and other payables	1,423	1,509	1,320
Financial liabilities at fair value	5	25	12
Current tax liabilities	132	124	126
Loans and obligations under finance leases	135	90	75
Provisions	89	108	106
	1,784	**1,856**	**1,639**
Net current liabilities	**(350)**	**(314)**	**(12)**
Non-current liabilities			
Trade and other payables	2	11	12
Financial liabilities at fair value	134	140	140
Loans and obligations under finance leases	772	832	456
Deferred tax liabilities	29	37	28
Provisions	180	186	134
Retirement benefit obligations	376	85	49
	1,493	**1,291**	**819**
Net assets	**1,690**	**2,045**	**1,931**
EQUITY			
Capital and reserves attributable to the owners of the parent			
Share capital	650	643	640
Share premium	226	197	183
Reserves	610	988	902
	1,486	**1,828**	**1,725**
Non-controlling interests	204	217	206
Total equity	**1,690**	**2,045**	**1,931**

The notes on pages 29 to 33 are an integral part of these financial statements

Condensed consolidated interim statement of cash flows

	For the six months ended 30 September 2009 £m	For the six months ended 30 September 2008 £m
Cash flows from operating activities		
Cash generated from continuing operations	274	264
Cash generated from discontinued operations	-	-
Income taxes paid	(32)	(31)
Net cash from operating activities	**242**	**233**
Cash flows from investing activities		
Finance income	2	14
Other income	-	1
Dividends received	9	12
Decrease in available for sale assets	11	1
Proceeds on disposal of property, plant and equipment	2	2
Purchase of property, plant and equipment	(188)	(184)
Purchase of intangible assets	(15)	(11)
Purchase of investments	-	(100)
Disposal of subsidiaries and non-controlling interests	-	2
Acquisition of subsidiaries (net of cash received)	(4)	(2)
Net cash from investing activities - continuing operations	**(183)**	**(265)**
Discontinued operations	**-**	**-**
Net cash flow before financing activities	**59**	**(32)**
Cash flows from financing activities		
Continuing operations		
Dividends paid to non-controlling interests	(42)	(34)
Dividends paid to owners of the parent	(115)	(92)
Repayments of borrowings	(20)	(42)
Finance costs	(36)	(22)
Proceeds from borrowings	35	98
Purchase of treasury and ESOP shares	(1)	(1)
Proceeds on issue of shares for settlement of share options	8	3
Net cash used in financing activities – continuing operations	(171)	(90)
Discontinued operations	**-**	**-**
Net cash used in financing activities	**(171)**	**(90)**
Net decrease in cash and cash equivalents	**(112)**	**(122)**
Cash and cash equivalents at the beginning of the period	545	699
Exchange (losses)/gains on cash and cash equivalents	(9)	8
Cash and cash equivalents at the end of the period	**424**	**585**

The notes on pages 29 to 33 are an integral part of these financial statements

Reconciliation of net profit to net cash flow from operating activities

	For the six months ended 30 September 2009 £m	For the six months ended 30 September 2008 £m
Continuing operations		
Profit for the period	**163**	**115**
Adjustments for:		
Tax expense	8	14
Depreciation	192	136
Amortisation	36	29
Other income	-	(1)
Gain on disposal of property, plant and equipment	(3)	(1)
Loss on sale of non-current assets	1	-
Finance income	(19)	(20)
Finance expense	45	45
(Decrease)/increase in provisions	(24)	7
Employee benefits	(20)	1
Defined benefit pension scheme buy-in contribution	-	(10)
Defined benefit pension scheme other contributions	(9)	(7)
Share of results after tax of joint ventures	(17)	(18)
Operating cash flows before working capital changes	**353**	**290**
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)		
Increase in inventories	(11)	(8)
Increase in trade and other receivables	(30)	(94)
(Decrease)/increase in payables	(38)	76
Cash generated from continuing operations	**274**	**264**
Discontinued operations		
Profit for the period	**-**	**-**
Cash generated from discontinued operations	**-**	**-**
Cash generated from operations	**274**	**264**

Condensed consolidated statement of changes in equity

	Attributable to the owners of the parents									
	Share capital £m	Share premium £m	Special reserve £m	Foreign currency translation and hedging reserve £m	Fair value reserve £m	Capital and other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total £m
Balance at 1 April 2008	634	156	1,553	(128)	5	101	(634)	1,687	192	1,879
Total comprehensive income for the year, net of tax	-	-	-	82	-	-	39	121	45	166
Total dividends and other transactions with Cable and Wireless plc shareholders	6	27	(33)	-	-	-	(84)	(84)	-	(84)
Total dividends and other transactions with non-controlling interests	-	-	-	-	-	1	-	1	(31)	(30)
Balance at 30 September 2008	640	183	1,520	(46)	5	102	(679)	1,725	206	1,931
Balance at 1 April 2009	643	197	1,503	76	5	102	(698)	1,828	217	2,045
Total comprehensive income for the year, net of tax	-	-	-	(60)	-	-	(176)	(236)	43	(193)
Total dividends and other transactions with Cable and Wireless plc shareholders	7	29	(36)	-	-	-	(101)	(101)	-	(101)
Total dividends and other transactions with non-controlling interests	-	-	-	-	-	(1)	(4)	(5)	(56)	(61)
Balance at 30 September 2009	**650**	**226**	**1,467**	**16**	**5**	**101**	**(979)**	**1,486**	**204**	**1,690**

Notes to the condensed financial statements

1. Reporting entity
Cable and Wireless plc (the Company) is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 September 2009 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in joint venture entities.

The consolidated financial statements of the Group as at and for the year ended 31 March 2009 are available upon request from the Company's registered office at 3rd Floor, 26 Red Lion Square, London WC1R 4HQ 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. 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 2009.

The comparative figures for the financial year ended 31 March 2009 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 237(2) or (3) of the Companies Act 1985.

The condensed consolidated interim financial statements were approved by the Board of Directors on 4 November 2009.

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 as at and for the year ended 31 March 2009, with the exception of new and revised accounting Standards and Interpretations effective from 1 April 2009.

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.

During the period, the Group adopted IFRS 8 *Operating Segments* and Amendments to IAS 1 *Presentation of Financial Statements: A Revised Presentation*. This Standard and amended Standard contain disclosure requirements only and did not have a material impact on the Group. Further, the Group adopted IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* It did not have a material impact on the Group. There was no material impact on the Group from the adoption of other accounting policies during the period.

Income tax expense in the interim period is based on our best estimate of the weighted average annual income tax rate expected for the full financial year.

4. Seasonality and cyclicality
There is no significant seasonality or cyclicality affecting the interim results of the operations.

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 2009.

6. Segment information
Cable & Wireless is an international telecommunications service provider. During the six months ended 30 September 2009, Cable & Wireless operated two separate businesses – CWI and Worldwide. These businesses are operated by different management teams and provide different products and services.

The chief operating decision-maker of the Group is the Cable and Wireless plc Board. The Board considers the performance of CWI and Worldwide businesses in assessing the performance of the Group and making decisions about the allocation of resources. Segment disclosures have been presented on this basis.

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

The Worldwide business provides enterprise and carrier solutions to the largest users of telecoms services around the globe.

The Group also operates a small Central function which acts as a portfolio manager. Central is not considered to be an operating segment as it does not earn revenue from its activities. The results of the Central function are reported in the other and eliminations column.

Continuing operations
The operating segment results for the six months ended 30 September 2009, as provided to the Cable and Wireless plc Board, are presented below:

	CWI $m	CWI £m	Worldwide £m	Other and eliminations £m	Total £m
Revenue	1,132	721	1,141	(7)	1,855
Cost of sales	(359)	(229)	(608)	7	(830)
Gross margin	**773**	**492**	**533**	**-**	**1,025**
Operating costs excluding LTIP	(346)	(221)	(328)	(13)	(562)
EBITDA	**427**	**271**	**205**	**(13)**	**463**
LTIP charge	(11)	(7)	(2)	-	(9)
Depreciation and amortisation	(152)	(97)	(131)	-	(228)
Net other operating income/(expense)	4	3	-	-	3
Group operating profit/(loss)	**268**	**170**	**72**	**(13)**	**229**
Share of post-tax profit of joint ventures	26	17	-	-	17
Operating exceptional items	(31)	(20)	(28)	-	(48)
Total operating profit/(loss)	**263**	**167**	**44**	**(13)**	**198**
Non-operating exceptional items					17
Net other non-operating expense					(44)
Profit before income tax					**171**
Income tax expense					(8)
Profit for the period					**163**

There are no differences in the measurement of the reportable segments' results and the Group's results.

7. Exceptional items

Exceptional items totalled £28 million and comprised restructuring and integration costs partially offset by fair value gains.

CWI recognised £15 million for redundancies and other costs associated with the 'One Caribbean' transformation programme and £5 million in relation to legal and other fees. An exceptional tax credit of £3 million was recognised in relation to these amounts.

Restructuring costs totalling £5 million were incurred in relation to the restructuring programme in Worldwide. These costs comprised network costs mainly relating to site, redundancy and network rationalisation costs.

Integration costs of £23 million relating to the acquisition of Thus were incurred in the period. These costs mainly related to redundancy, property and network rationalisation and integration programmes.

The Group recognised exceptional finance income of £17 million in relation to fair value gains on foreign exchange forward contracts. These movements are a result of the recent volatility in currency markets. These contracts were entered into to reduce the risk on forecast cash repatriation from foreign operations.

8. Provisions for liabilities and charges

The table below represents the movements in significant classes of provisions during the six month period ended 30 September 2009:

	Property	Redundancy	Network & asset retirement obligations	Legal and other	Total
	£m	£m	£m	£m	£m
At 1 April 2009	79	24	132	59	294
Current portion	20	24	14	50	108
Non-current portion	59	-	118	9	186
Additional provision	13	22	3	30	68
Amounts used	(9)	(18)	(5)	(35)	(67)
Unused amounts reversed	(3)	(9)	(2)	(6)	(20)
Discount	2	-	3	-	5
Disposal	-	-	(3)	-	(3)
Exchange	(1)	(1)	(3)	(3)	(8)
At 30 September 2009	**81**	**18**	**125**	**45**	**269**
Current portion	25	17	8	39	89
Non-current portion	56	1	117	6	180
Analysed between:					
Current portion					
CWI	-	10	4	35	49
Worldwide	20	7	4	-	31
Central	5	-	-	4	9
Non-current portion					
CWI	-	1	11	5	17
Worldwide	56	-	106	1	163
Central	-	-	-	-	-
Total					
CWI	-	11	15	40	66
Worldwide	76	7	110	1	194
Central	5	-	-	4	9

During the first half of 2009/10 provisions decreased by £25 million. There was a net £6 million credit to CWI's EBITDA before exceptional items from the movement in provisions. There is no net impact to EBITDA before exceptional items from the movement in provisions in Worldwide and Central.

Property

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

Redundancy

Provision has been made for the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for and spent in the period relate to the restructuring programmes in Worldwide and CWI. The provision is expected to be used within one year.

Network and asset retirement obligations

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

Provision has also been made for the best estimate of the asset retirement obligation associated with office sites, technical sites and 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 arises.

Legal and other

Legal and other provisions include amounts relating to specific legal claims against the Group, amounts relating to specific claims held against the Group's former insurance operation, Pender, and amounts relating to acquisitions and disposals of Group companies and investments.

9. Intangible assets

During the period, goodwill in relation to Monaco Telecom decreased by £8 million. This decrease related to dividend payments, a change in the fair value of the put option held by the Principality of Monaco and foreign exchange differences.

10. Property, plant and equipment
During the period, £188 million of property, plant and equipment was acquired. There were no significant disposals of property, plant and equipment. The Group's capital commitments at 30 September 2009 were £127 million (30 September 2008: £110 million).

11. Pensions
As at 30 September 2009, the main UK defined benefit scheme had an IAS 19 deficit of £305 million compared with a deficit of £32 million at 31 March 2009. The increase in the deficit is largely due to the 1.3 percentage point reduction in the AA corporate bond discount rate used to calculate pension liabilities for the purposes of IAS 19 reporting (5.4% used for 30 September 2009 valuation compared with 6.7% used for 31 March 2009 valuation), which has more than offset the increase in the value of the scheme's assets during the period.

During the period, the Group agreed an interim funding plan with the Trustees, pending the next full actuarial valuation due in March 2010. This funding plan comprises payments of £10 million in October 2009, £20 million in October 2010 and £45 million in April 2011.

Further, the Group has unfunded pension liabilities in the UK of £23 million (£19 million at 31 March 2009). Other defined benefit schemes have a net IAS 19 deficit of £21 million (£7 million deficit at 31 March 2009).

12. Weighted average number of ordinary shares
The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share was as follows:

	Six months ended 30 September 2009	**Six months ended 30 September 2008**
Basic weighted average number of ordinary shares	2,522,684,000	2,473,640,000
Diluted weighted average number of ordinary shares	2,542,430,000	2,503,508,000

The number of ordinary shares in issue as at 30 September 2009 (excluding 29,685,671 of treasury shares) was 2,571,944,205.

13. Dividends paid and proposed
The interim dividend proposed for the six month period ended 30 September 2009 is £81 million (3.16 pence per share). The proposed dividend was approved by the Board of Directors on 4 November 2009. The interim dividend paid for the corresponding six month period ended 30 September 2008 was £72 million (2.83 pence per share).

The final dividend paid on 7 August 2009 for the full year ended 31 March 2009 was £143 million (5.67 pence per share). The final dividend paid on 8 August 2008 for the corresponding full year ended 31 March 2008 was £123 million (5.00 pence per share).

14. Related parties
Two Directors hold bonds issued by Cable & Wireless with a nominal value of £2,630,000 (purchased in 2008/09). The interest earned on these bonds during the six months ended 30 September 2009 was £114,776 of which £63,532 remains unpaid at 30 September 2009.

The spouse of a Director holds bonds issued by Cable & Wireless with a nominal value of £480,000 (purchased in 2008/09). The interest earned on these bonds during the six months ended 30 September 2009 was £20,757 of which £20,757 remains unpaid at 30 September 2009.

15. Subsequent events
Other than as set out below, there have been no material subsequent events between 30 September 2009 and the approval of these statements by the Board.

During October 2009, the Group purchased a further 7% of the share capital of Dhivehi Raajjeyge Gulhan Private Ltd (Dhiraagu) from the Maldives government for cash consideration of US$40 million (£25 million). This transaction will result in the Group reclassifying its joint venture investment in this entity to a subsidiary investment.

16. Operating lease expenditure
As at 30 September 2009, the aggregate future minimum lease payments under operating leases are:

	As at 30 September 2009 £m	**As at 31 March 2009 £m**
No later than one year	133	139
Later than one year but not later than five years	270	295
Later than five years	267	243
Total minimum operating lease payments	**670**	**677**

Of the £670 million total minimum operating lease payments at 30 September 2009, £546 million related to Worldwide and £124 million related to CWI.

17. Reconciliation of Non-GAAP to GAAP items

Total operating profit to EBITDA

	Six months ended 30 September 2009 £m	Six months ended 30 September 2008 £m
Total operating profit	198	153
Depreciation and amortisation	228	165
LTIP charge	9	10
Net other operating income	(3)	(2)
Share of post tax profit of joint ventures	(17)	(18)
Exceptional items	48	49
EBITDA	**463**	**357**

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

RISKS TO OUR FUTURE SUCCESS

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 2009 (pages 37 to 38 of the Annual Report). A summary of those risks is as follows:

Risks relating to the Group

- The current economic environment;
- Covenants included in financing agreements;
- The Group's organisational structure and incentive schemes;
- Changes in our liability to the main UK defined benefit pension scheme;
- Exchange rate movements;
- Litigation;
- Estimates and judgements used in preparing the Group's financial statements;
- Alterations in effective tax rates;
- Retention of key senior managers;
- Vulnerability of networks and IT systems; and
- Possible health risks relating to mobile phones.

Risks relating to CWI

- Transformation programmes, especially 'One Caribbean';
- Increasing competition especially in Panama;
- Development and implementation of new revenue sources;
- Renewal of regulatory licences and operating agreements; and
- Performance of joint ventures where we do not have management control.

Risks relating to Worldwide

- Transformation programmes and integration of Thus;
- Security breaches relating to customer data passing through Cable & Wireless networks;
- Regulation of BT through Ofcom; and
- Regulation through Ofcom relating to BT's next generation network.

The Group did not identify any additional risks in the six months ended 30 September 2009.

RESPONSIBILITY STATEMENT

This interim management report has been approved by the Directors of Cable and Wireless 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 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 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 and Wireless plc are as follows:

Chairman:
Richard Lapthorne

Executive Directors:
George Battersby - Executive Director, Group Human Resources
Tim Pennington - Group Finance Director
John Pluthero - Executive Chairman, Worldwide
Tony Rice - Chief Executive Officer, CWI

Non-executive Directors:
Simon Ball
John Barton
Clive Butler - Senior Independent Director and Chairman of the Nominations Committee
Mary Francis
Penny Hughes
Kate Nealon – Chair of the Remuneration Committee
Kasper Rorsted – Chairman of the Audit Committee

By order of the Board

Richard Lapthorne
Chairman

Tim Pennington
Group Finance Director

4 November 2009

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' 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 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 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 AND WIRELESS PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 which comprises condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive earnings; 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 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 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 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 financial statements in the half-yearly financial report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Tudor Aw

for and on behalf of KPMG Audit Plc

Chartered Accountants

8 Salisbury Square, London, EC4Y 8BB

4 November 2009