Announcement

CABLE AND WIRELESS plc
RESULTS FOR THE YEAR ENDED 31 MARCH 2007

- **Group EBITDA before exceptionals up 20% (up 26% at constant currency) to £492 million. Group EBITDA guidance for 2007/08 in the range of £573 million to £608 million**
- **Strong performance from International, with EBITDA before exceptionals of £430 million, an increase of 8% at constant currency. International EBITDA guidance for 2007/08 in the range of US$840 million to US$860 million (between £438 million and £448 million)**
- **Europe, Asia & US (previously known as UK) turnaround ahead of schedule with EBITDA before exceptionals for 2006/07 of £159 million. EBITDA guidance for 2007/08 in the range of £210 million to £220 million and significantly reduced cash envelope for turnaround from £340 million to £280 million, all excluding C&W Access**
- **Group profit before income tax (including exceptionals) more than doubled to £249 million**
- **Group cash and cash equivalents of £1,048 million**
- **Proposed full year dividend of 5.85 pence (2005/06: 4.50 pence), an increase of 30%**

CHAIRMAN'S STATEMENT

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

"It's been a good year. The success of the structural changes we made a year ago is there for all to see. International has performed well delivering growth in customers and revenue and, as a result, improved EBITDA. We have made a very encouraging start to the Europe, Asia & US turnaround and we now have sufficient visibility to believe that we'll deliver on our ambitious targets. All of which reinforces our confidence in our future prospects which is reflected in the dividend. I'm delighted to announce that we're recommending a 34% increase in the final dividend to 4.15 pence, which with the interim of 1.7 pence gives a full year dividend of 5.85 pence, an increase of 30% over 2005/06."

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GROUP RESULTS

The Group results presented below should be read in conjunction with the Group's consolidated income statement, balance sheet and cash flow statement and related notes on pages 33 to 41.

	2006/07			2005/06[1]		
	Pre-exceptionals £m	Exceptionals[2] £m	Total £m	Pre-exceptionals £m	Exceptionals[2] £m	Total £m
Revenue	3,348	-	3,348	3,230	-	3,230
Outpayments & network costs	(2,024)	-	(2,024)	(1,914)	(1)	(1,915)
Staff costs (excluding LTIP charge)	(509)	(41)	(550)	(527)	(34)	(561)
Other costs	(323)	(37)	(360)	(378)	14	(364)
Operating costs	(2,856)	(78)	(2,934)	(2,819)	(21)	(2,840)
EBITDA[3]	**492**	**(78)**	**414**	**411**	**(21)**	**390**
LTIP charge	(27)	-	(27)	-	-	-
Depreciation & amortisation	(256)	(13)	(269)	(263)	(232)	(495)
Amortisation of acquired intangibles	(17)	-	(17)	(11)	(5)	(16)
Net other operating income	11	2	13	-	17	17
Operating profit/(loss)	**203**	**(89)**	**114**	**137**	**(241)**	**(104)**
Share of post-tax profit of joint ventures & associates[4]	18	(29)	(11)	52	2	54
Total operating profit/(loss)	**221**	**(118)**	**103**	**189**	**(239)**	**(50)**
Net finance (expense)/income	(28)	-	(28)	6	-	6
Gains on sale of non-current assets	-	153	153	2	70	72
Gain on termination of operations	3	18	21	-	72	72
Profit/(loss) before income tax	**196**	**53**	**249**	**197**	**(97)**	**100**
Income tax (expense)/credit	(44)	1	(43)	(29)	2	(27)
Profit/(loss) for the year from continuing operations	**152**	**54**	**206**	**168**	**(95)**	**73**
Profit for the year from discontinued operations	-	28	28	2	88	90
Profit/(loss) for the year	**152**	**82**	**234**	**170**	**(7)**	**163**
Attributable to equity holders of the Company	92	82	174	118	(42)	76
Attributable to minority interests	60	-	60	52	35	87
Profit/(loss) for the year	**152**	**82**	**234**	**170**	**(7)**	**163**
Earnings/(losses) per share from continuing operations attributable to equity holders (pence)	4.0p	2.3p	6.3p	5.1p	(5.7)p	(0.6)p
Earnings/(losses) per share attributable to equity holders (pence)	4.0p	3.5p	7.5p	5.2p	(1.9)p	3.3p
Dividend per share (pence)			5.85p			4.5p
Capital expenditure (£m)			(403)			(416)
Cash & cash equivalents (£m)			1,048			1,127

[1] Results adjusted to reflect revised accounting for Monaco Telecom and other presentational points as set out on pages 33 to 34. 2005/06 results include the consolidation of Energis from the date of acquisition on 11 November 2005

[2] Exceptionals comprise items considered exceptional by virtue of their size, nature or incidence and include restructuring and impairment charges, and releases of certain provisions and certain profits and losses on disposal of non-current assets. For further details on exceptionals refer to page 6

[3] Earnings before interest, tax, depreciation and amortisation, long term incentive plan (LTIP) charge and net other operating income. For further details on the LTIP refer to page 4

[4] Joint ventures & associates include Batelco (Bahrain) to the 16 January 2007, the date of its disposal

ANALYSIS OF GROUP RESULTS

The Group's financial performance is described on pages 4 to 11 and the performance of the individual businesses is discussed in more detail in the International and the Europe, Asia & US sections that follow on pages 12 to 19 and 20 to 27 respectively.

The UK business has changed its name to Europe, Asia & US to give a better reflection of the nature of its activities and the markets in which it operates. The nature and geographic extent of the business has not changed.

The commentary that follows refers to the Group results before exceptional items. For analysis of exceptional items see page 6.

Group results before exceptional items

Revenue
The increase in Group revenue of £118 million to £3,348 million principally reflects the full year impact of the revenue from customers acquired as part of the Energis transaction on 11 November 2005. This has more than offset the impact of the anticipated churn and erosion Europe, Asia & US encountered in subsequently restructuring the business to focus on larger, more profitable customers. In addition, this growth was supported by a strong revenue performance from International where further increases in mobile and broadband revenue have compensated for the shift away from fixed line voice services and the translation impact of a weaker US dollar.

Operating costs
The increase in operating costs of £37 million to £2,856 million was also predominantly driven by the impact of servicing the customers acquired with Energis.

In International, operating costs have increased by £3 million in comparison with 2005/06 due to the increase in costs associated with the acquisition of new mobile and broadband customers, partially offset by savings in other operating costs.

The operating costs of Central, equivalent to its EBITDA loss, have reduced significantly from £50 million in 2005/06 to £22 million in 2006/07 following the restructuring of the Group. This is mainly driven by a reduction in consultancy costs and a headcount decrease from 156 at 31 March 2006 to 75 at 31 March 2007.

EBITDA
The trends in revenue and operating costs described above resulted in a 20% (26% at constant currency) improvement in EBITDA of £81 million to £492 million, compared with 2005/06.

Long term incentive plan (LTIP) charge
In line with the increase in the total shareholder return from 1 April 2006 to 31 March 2007 of approximately 59%, the total LTIP charge for the year ended 31 March 2007, in accordance with IAS 19, is £27 million. This does not represent the committed amount to participants in the plan which will depend on performance over the life of the plan in accordance with the plan's rules.

Depreciation and amortisation
The depreciation and amortisation charge decreased by £7 million to £256 million reflecting the impact of the impairment charge in Europe, Asia & US in 2005/06. This has more than offset the impact of increasing depreciation in C&W Access and International.

Net other operating income
Group other operating income of £11 million mainly relates to the profits on the disposal of properties within Europe, Asia & US.

Share of post-tax profit of joint ventures and associates
Our share of post-tax profits of joint ventures and associates decreased by £34 million to £18 million following the disposal of Batelco, our associate in Bahrain, and the poor performance of TSTT, our joint venture in Trinidad and Tobago. Further analysis of the 2006/07 performance of these businesses can be found on pages 16 to 17.

Net finance expense
The £28 million net finance expense for 2006/07 compares to an income of £6 million in 2005/06. Finance income has decreased by £35 million to £52 million due principally to a reduced average cash balance. Finance expense of £80 million has decreased by £1 million compared with 2005/06.

Income tax expense
The tax expense for 2006/07 before exceptionals of £44 million comprises:

- an overseas tax expense of £54 million
- a UK deferred tax credit of £10 million

The increase of £15 million compared with 2005/06 arises mainly as a result of the mix of profits and losses and tax rates across the countries in which we operate.

We currently expect that:

- the tax rate for International will remain in the mid to low twenties until at least 2008/09
- the current tax rate for Europe, Asia & US will be effectively nil for the foreseeable future as a result of unclaimed capital allowances. At 31 March 2007, we had unclaimed capital allowances of approximately £3.8 billion

Pensions
The IAS 19 surplus for the main UK defined benefit pension scheme at 31 March 2007 is £43 million (31 March 2006: deficit £89 million). On an actuarial basis, the fund had a surplus of £92 million at 31 March 2007, based on an approximate update of the 2005 triennial valuation to reflect changes in the value of the fund's assets and liabilities since that time. The next triennial valuation review will be based on the position at March 2008.

We also have unfunded pension liabilities in the UK of £22 million (31 March 2006: £23 million).

The net IAS 19 surplus of the overseas defined benefit pension schemes is £7 million at 31 March 2007 (31 March 2006: £10 million).

Group exceptional items

	International	Europe, Asia & US[1]	Central	Total
				2006/07
	£m	£m	£m	£m
Operating items:				
Restructuring	(13)	(65)	-	(78)
Write-off of redundant assets	-	(13)	-	(13)
Net loss on sale of C&W Access customer base	-	(11)	-	(11)
Insurance receipts and related provision releases	13	-	-	13
Trinidad & Tobago (TSTT) asset impairment	(29)	-	-	(29)
Exceptional items within total operating profit	**(29)**	**(89)**	**-**	**(118)**
Non-operating items:				
Profit on disposal of our Bahrain associate, Batelco	153	-	-	153
Release of unused accruals related to our former insurance operation, Pender	-	-	18	18
Exceptional items below total operating profit	**153**	**-**	**18**	**171**
Total exceptional items before tax	**124**	**(89)**	**18**	**53**
Tax on exceptional items	1	-	-	1
Total exceptional items from continuing operations	**125**	**(89)**	**18**	**54**
Exceptional items from discontinued operations: Release of unused provisions related to our former US business and other transactions	-	-	28	28
Total exceptional items	**125**	**(89)**	**46**	**82**

[1] Europe, Asia & US includes C&W Access

In 2006/07, we recognised an £82 million profit in respect of exceptional items.

Headcount reduction and property rationalisation programmes resulted in a total charge of £78 million. The headcount reduction programmes took place across International (£13 million) and Europe, Asia & US (£28 million – net of a £6 million pension credit and including C&W Access - £3 million). In addition, as a result of headcount reduction in Europe, Asia & US, we have vacated a number of buildings resulting in an exceptional property rationalisation charge of £37 million, of which £28 million relates to the exit from the former Energis headquarters in Reading.

The sale of the C&W Access retail customer base resulted in a net loss of £11 million comprising net proceeds of £9 million more than offset by the write off of £20 million of acquired intangible assets and goodwill relating to the business sold. Subsequently, we have also taken a £13 million charge relating to the write off of redundant IT assets.

We also recognised £13 million of exceptional credits relating to insurance receipts and related provision releases in International. As a result of the poor trading performance of our joint venture, TSTT, we have written down our share of TSTT's net assets by £29 million.

The sale of our Bahrain associate as announced in January 2007 for net proceeds of £256 million generated a profit on disposal of £153 million.

Following progress in resolving historical claims and other risks, we have released £18 million of unused accruals relating to Pender, our former insurance operation.

A £28 million credit from discontinued operations has arisen from the release of unused provisions primarily associated with the exit of our former US business and other transactions.

Group earnings per share

	Before exceptionals £m	Exceptionals £m	2006/07 Reported £m
Profit for the year from continuing operations	**152**	**54**	**206**
Attributable to equity holders	*92*	*54*	*146*
Attributable to minority interests	*60*	*-*	*60*
Profit for the year from discontinued operations	-	28	28
Profit for the year	**152**	**82**	**234**
Attributable to equity holders	*92*	*82*	*174*
Attributable to minority interests	*60*	*-*	*60*
Earnings/(loss) per share from continuing operations attributable to equity holders of the Company during the year (pence)	*4.0p*	*2.3p*	*6.3p*
2005/06	*5.1p*	*(5.7)p*	*(0.6)p*
Earnings/(loss) per share attributable to equity holders of the Company during the year (pence)	*4.0p*	*3.5p*	*7.5p*
2005/06	*5.2p*	*(1.9)p*	*3.3p*

Earnings per share attributable to equity holders during the year of 7.5 pence more than doubled compared with 2005/06, due to the factors described in the Group commentary above. Excluding the profit from exceptional items, earnings per share was 4.0 pence, a decline of 23% compared with the prior year.

Reconciliation of shares in issue to shares outstanding at year end

	As at 31 March 2007 '000	As at 31 March 2006 '000
Number of shares in issue	2,460,484	2,421,046
Shares held in treasury	(74,950)	(74,950)
Shares held by employee share ownership plan trust	(36,793)	(50,990)
Number of shares outstanding	2,348,741	2,295,106
Weighted average number of shares outstanding during the year for the EPS calculation	2,324,305	2,286,129

Dividend

We are proposing a full year dividend of 5.85 pence per share, which represents an increase of 30% over the 2005/06 full year dividend and reflects the Board's confident outlook, as well as the progress made in 2006/07. Of this year's proposed full year dividend of 5.85 pence per share, 1.7 pence was paid as an interim dividend on 19 January 2007.

The final proposed dividend of 4.15 pence per share will be paid on 10 August 2007 to ordinary shareholders on the register as at 15 June 2007.

The scrip dividend scheme will be offered in respect of the final dividend. Those shareholders who have already elected to join the scheme need do nothing since the final dividend will be automatically applied to the scheme. Shareholders wishing to join the scheme for the final dividend (and all future dividends) should return a completed mandate form to: Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 2DZ by 13 July 2007. Copies of the mandate form, and the scrip dividend brochure, can be obtained from Lloyds TSB Registrars (UK callers: 0870 600 3975, overseas callers: +44 121 415 7047) or from our website www.cw.com.

Reconciliation of Group EBITDA to net cash flow before financing

	2006/07[1] £m
EBITDA[2]	492
Exceptional items	(78)
EBITDA less exceptionals	**414**
Movement in exceptional provisions	(25)
Movement in working capital and other provisions	(99)
Income taxes paid	(46)
Finance income	66
Purchase of property, plant, equipment & intangible assets	(378)
Acquisitions & disposals	305
Other income	9
Net cash inflow before financing activities	**246**

[1] Based on our management accounts
[2] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

The Group net cash inflow before financing of £246 million comprises outflows of £162 million in Europe, Asia & US and £110 million in C&W Access, offset by cash inflows of £482 million in International and £36 million in Central. Further details in respect of International, Europe, Asia & US and C&W Access cash flows are included on pages 18, 25 and 27 respectively.

The £36 million net cash inflow before financing in Central comprises interest income of £36 million and proceeds from the redemption of credit-linked notes (£40 million) for cash. This is offset by an EBITDA loss of £22 million and a movement in working capital of £3 million. In addition, acquisitions and disposals include £15 million of dividends paid to minority shareholders in Monaco.

Group cash and debt

Cash and cash equivalents

	As at 31 March 2007 £m	As at 31 March 2006 £m
Europe, Asia & US[1]	20	18
International	143	261
Central	885	887
Group cash and short term investments	**1,048**	**1,166**
Less: credit-linked notes	-	(39)
Group cash and cash equivalents	**1,048**	**1,127**

[1] Europe, Asia & US numbers include £5 million classified in assets held for sale and £4 million of cash at C&W Access

Our Group cash position remains strong with cash and cash equivalents of £1,048 million at 31 March 2007, largely unchanged compared to 31 March 2006 (£1,127 million). Europe, Asia & US and C&W Access had net cash outflows before financing of £162 million and £110 million respectively covering operational funding and capital investment. International had a net cash inflow before financing of £482 million, including the £256 million net proceeds from the disposal of our stake in Batelco. We repaid a net £90 million of third party debt, which mainly relates to the repayment of the £106 million European Investment Bank (EIB) loan and associated cross currency swap (£15 million) during the year, partially offset by £60 million net proceeds of International external financing activities. We paid cash dividends of £83 million to our equity holders and £93 million was paid to minority shareholders. The remaining £23 million outflow related mainly to Central items and interest payments.

Debt

	Due in less than 1 year £m	Due in more than 1 but less than 2 years £m	Due in more than 2 but not more than 5 years £m	Due in more than 5 years £m	Total £m
Europe, Asia & US	9	11	-	-	20
International	68	10	52	13	143
Central	-	-	213	340	553
Group debt as at 31 March 2007	**77**	**21**	**265**	**353**	**716**
Group debt as at 31 March 2006	**143**	**20**	**239**	**382**	**784**

Europe, Asia & US debt has reduced by £9 million to £20 million following scheduled payments on a finance lease.

We have increased the amount of debt in our International subsidiaries in Panama and the Caribbean during the year by £60 million to £143 million to optimise our cost of capital and, in the case of Jamaica, to mitigate foreign exchange risk.

During 2006/07, Central debt has reduced by £119 million to £553 million largely as a result of the repayment of the EIB loan (£106 million) and the repurchase of the 2012 and 2019 bonds (£22 million), partially offset by the amortisation of the premium on the convertible bond (£11 million). Following the repayment of the EIB loan in September 2006, the £553 million (31 March 2006: £672 million) external funding in Central is now all in the form of publicly quoted bonds. These bonds have either been issued or guaranteed by Cable and Wireless plc. Their maturity profile is spread between 2010 and 2019. The £340 million 2012 and 2019 bonds are shown net of £58 million bonds which have been repurchased and are held in treasury.

A convertible bond with a par value of £258 million (carrying value of £213 million) matures in July 2010. Conversion is at the option of bondholders at a share price of £1.45 (subject to adjustment for certain corporate actions or a change of control). We can give notice to redeem the bond from 17 July 2007 onwards at par should the share price exceed £1.885 for a total of 20 business days in a period of 30 consecutive business days. Depending upon the performance of the share price before maturity of the bond, the convertible bond may be redeemed by the issue of shares rather than cash.

Given the maturity profile of our debt and the substantial cash resources still available to the Group, we are satisfied that we can meet our working capital requirements for at least the next 12 months.

GROUP OUTLOOK

The following statements reconfirm guidance previously given or made for the first time:

Group EBITDA 2007/08

Range:	Low	High
	US$m	US$m
International	**840**	**860**
	£m	£m
International	438	448
Europe, Asia & US[1]	210	220
C&W Access	(45)	(35)
Total Europe, Asia & US	**165**	**185**
Central	(30)	(25)
Group EBITDA	**573**	**608**

[1] Excludes C&W Access

We expect the following outcomes:

For International:

- EBITDA for 2007/08 in the range of US$840 million to US$860 million (£438 million to £448 million)
- Sustainable EBITDA margin between 35% and 37% by 2008/09;
- Capital expenditure to continue at 12% to 14% of revenue;
- The percentage tax rate to be in the mid to low twenties until at least 2008/09;
- Cash repatriation to be at least 100% of our proportionate share of net cash flow after external financing from our subsidiaries;
- Working capital movement to be zero as a percentage of revenue by 2008/09.

For Europe, Asia & US (excluding C&W Access)

- EBITDA for 2007/08 in the range of £210 million to £220 million;
- Total cash outflow before Europe, Asia & US becomes cash generative to be no more than £280 million (excluding the £88 million sale and leaseback transaction announced on 2 April 2007), from 1 April 2006. This includes £180 million of exceptional cash items relating to the Europe, Asia & US turnaround along with capital expenditure, working capital requirements and payments against provisions made in prior periods. Following the cash outflow of £162 million in 2006/07, this leaves £118 million of cash outflow remaining, of which £110 million relates to exceptional cash items;
- Total net cash outflow before financing for 2007/08 to be about £80 million (excluding the impact of the sale and leaseback transaction announced on 2 April 2007);
- Capital expenditure of approximately 10% of revenue for the foreseeable future;
- The percentage current tax rate to be effectively nil for the foreseeable future;
- Future Europe, Asia & US with about £2 billion revenue and double digit operating margin.

For C&W Access:

- EBITDA loss for 2007/08 in the range of £35 million to £45 million;
- Net cash outflow before financing for 2007/08 of approximately £70 million.

For Central:

- EBITDA cost for 2007/08 in the range of £25 million to £30 million.

INTERNATIONAL

Cable & Wireless International is the world's pre-eminent telecoms provider for small to medium markets, with particular expertise and presence in island economies. We operate in 33 countries, through 25 subsidiaries and eight joint ventures. Our principal businesses are in the Caribbean, Panama, Macau, Monaco and Islands (Islands comprises operations in the Channel Islands, Isle of Man and the Indian, Atlantic and Pacific Oceans).

We aim to be the telecoms provider of choice in all of our markets by offering our customers attractive products and services using high quality networks coupled with a superior customer experience.

Commenting on the results for 2006/07, Harris Jones, Chief Executive of International said:
"International has performed well. By putting the customer first, investing in the growth areas of mobile and broadband and being mindful of our costs we've achieved an 8% increase, at constant currency, in our EBITDA. Our relentless focus on cash is reflected in the over half a billion pounds we've remitted to Central. We exit this year stronger than we began and have set the foundation for an even better performance in 2007/08."

International key performance indicators

As at:	31 March 2007 ('000)	30 September 2006[1] ('000)	31 March 2006[1] ('000)
Total active[2] GSM mobile customers	**5,033**	**4,290**	**3,485**
Subsidiaries	2,611	2,085	1,750
Joint ventures	2,422	2,205	1,735
Total broadband customers	**401**	**338**	**288**
Subsidiaries	378	321	275
Joint ventures	23	17	13
Total fixed line connections	**1,902**	**1,876**	**1,867**
Subsidiaries	1,531	1,505	1,497
Joint ventures	371	371	370

[1] For ease of comparison, March 2006 and September 2006 numbers have been restated to exclude Batelco (Bahrain)
[2] An active customer is defined as one having performed a revenue-generating event in the previous 60 days

Active GSM mobile customers
We had over five million customers at the end of 2006/07 across 24 markets, an increase of 44% compared with 31 March 2006. We are the market leader in all but four of these markets.

Our subsidiaries' active GSM mobile customer base increased 49% in 2006/07 to 2.6 million customers. We saw growth in all our markets, with the largest gains in Panama, Jamaica and the East Caribbean.

Panama's customer base grew to over one million this year driven by our improved network quality and coverage, innovative promotional activity on prepaid products and further migration from TDMA services. In Jamaica, we have grown our customer numbers by 47% to 545,000 by improving our network coverage and simplifying our pricing plans. This has led to growth in our market share of four percentage points to 27%. Customer numbers in the East Caribbean increased 34% to 306,000 in 2006/07 driven by attractive handset pricing and usage promotions.

Our investment in the performance and coverage of our mobile networks has also been a key driver of growth in other markets such as North Caribbean and Islands where customer numbers grew by 39% and 33% respectively.

The number of customers in our joint ventures increased by 40% in 2006/07 compared with 2005/06 driven by growth in Roshan of 39% to 1.2 million, Dhiraagu of 31% to 185,000 and TSTT where

migration of customers from TDMA and underlying market growth drove a 43% increase in GSM customer numbers to over one million.

Broadband customers

Our total broadband customers increased by 39% to over 400,000 customers in 2006/07. We are the market leader in all 26 of our broadband markets.

Our subsidiaries' broadband customers increased by 37% in 2006/07 to 378,000 customers. This was primarily driven by strong growth across the Caribbean – Jamaica almost doubled its customer base to 79,000 customers by offering higher speeds for similar prices. Barbados increased numbers by 75% to 28,000 as a result of promotional offers, such as the offer of a free modem and installation. East Caribbean customer numbers grew by 42% driven by revamped pricing plans, further rollout of Netspeak (our VoIP product) and promotional offers.

Customer numbers in Macau increased 38% to 102,000 driven by extended network coverage and the launch of high speed ADSL 2+ services to every home and business.

We continue to extend our broadband network in all our markets and to upgrade our customer proposition to higher speed services. 17 of our markets (including joint ventures) still have market penetration rates of less than 50% offering further opportunity for growth.

Fixed line connections

The number of fixed line customers remained steady over the 12 month period to 31 March 2007 at approximately 1.9 million customers. We are the market leader in all but one (Jersey) of our 26 fixed line services markets.

In Jamaica customer numbers grew 14% compared with 2005/06 to 360,000 driven by the introduction in June 2006 of a prepaid fixed line product and the launch of a single national rate. This increase was largely offset by small declines in our other subsidiaries driven by substitution with other products.

International income statement

	2006/07	2005/06	*Change as reported*[1]	*Constant currency change*[2]
	£m	**£m**	*%*	*%*
Mobile	406	360	*13%*	*19%*
Broadband	77	56	*38%*	*45%*
Domestic voice	307	338	*(9)%*	*(3)%*
International voice	168	188	*(11)%*	*(5)%*
Enterprise, data & other[3]	264	260	*2%*	*6%*
Other internet	6	10	*(40)%*	*(37)%*
Total revenue	**1,228**	**1,212**	***1%***	***7%***
Cost of sales	(418)	(386)	*(8)%*	*(14)%*
Gross margin	**810**	**826**	*(2)%*	*3%*
Other operating costs (excluding LTIP charge)	(380)	(409)	*7%*	*2%*
EBITDA[4]	**430**	**417**	***3%***	***8%***
LTIP charge	(10)	-	*nm*	*nm*
Depreciation & amortisation	(140)	(136)	*(3)%*	*(9)%*
Amortisation of acquired intangibles	(5)	(6)	*17%*	*17%*
Net other operating income	2	-	*nm*	*nm*
Operating profit before joint ventures & associates	**277**	**275**	***1%***	***6%***
Share of post-tax profit of joint ventures & associates	21	58	*(64)%*	*(63)%*
Operating profit before exceptional items	**298**	**333**	***(11)%***	***(7)%***
Exceptional items	(29)	(12)	*nm*	*nm*
Total operating profit	**269**	**321**	***(16)%***	***(12)%***
Capital expenditure	(168)	(142)	*(18)%*	*(25)%*
Headcount (full time equivalents at 31 March)	7,876	8,150	*3%*	*n/a*

nm represents % change not meaningful

[1] Positive percentages represent improvement

[2] Constant currency growth rates are based on the restatement of prior year comparatives at current year's reported average exchange rates. Positive percentages represent improvement

[3] Includes corporate solutions, international management contracts, internet hosting, leased circuits, legacy data services, directory services, equipment rentals and television services

[4] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

The commentary that follows focuses on percentage changes at constant currency in order to highlight the underlying trends in International. However, where absolute amounts are quoted, they reflect actual exchange rates.

Revenue
Total revenue increased 7% to £1,228 million compared with 2005/06. Growth in mobile and broadband contributed an additional £67 million of revenue in 2006/07 and together now represent almost 40% of our total revenue.

Mobile revenue
Mobile revenue grew £46 million to £406 million in 2006/07, a 19% increase compared with 2005/06. Mobile is our largest segment representing about a third of our total revenue.

Panama's revenue increased 24% compared with 2005/06 to £123 million driven by the growth in the customer base and our continued investment in improving the performance of our network to maintain this competitive advantage.

Jamaica's mobile revenue increased 24% to £47 million as we continued to win back customers. Our market share grew by four percentage points to 27% - evidence that the turnaround of the Jamaican business is underway. This growth was the result of expanding our network coverage and simpler and cheaper calling plans.

The 16% increase in mobile revenue in Macau to £54 million was driven by growth in roaming revenue as a result of the negotiation of roaming agreements and increased tourist arrivals associated with the economic growth.

Broadband revenue
Our broadband revenue increased by 45% compared with 2005/06 to £77 million, with growth in all our regions. The largest gain was in Jamaica where our revenue almost doubled to £14 million compared with 2005/06.

Growth was driven by increased coverage, a focus on improving the quality and speed of service, lower pricing, further rollout of Netspeak and the migration of customers from dial up services.

Domestic and international voice revenue
Domestic and international voice revenue decreased 3% and 5% respectively compared with 2005/06 to £307 million and £168 million, principally as a result of competitive and regulatory pressure on pricing and substitution by mobile and broadband.

In particular, international voice revenue in the North Caribbean declined by £8 million to £19 million, a 25% decrease compared with 2005/06, as high broadband penetration rates drove increased VoIP substitution.

However, in Jamaica, fixed line revenue grew despite the general market conditions, largely due to the introduction of a prepaid fixed line service and a new prepaid calling card with low international rates, driving 2% growth in both domestic and international revenue. In Macau, international voice revenue increased 5% driven by the influx of a large number of workers to support the rapidly expanding gaming industry.

Enterprise, data and other revenue
Enterprise, data and other revenue increased 6% to £264 million in 2006/07.

This growth was driven by Monaco's international traffic management contracts, such as those with PTK in Kosovo and Roshan in Afghanistan as those markets continued to develop.

Gross margin
Gross margin increased 3% in 2006/07 to £810 million. As a percentage of revenue, gross margin declined two percentage points to 66%. This was driven by increased subscriber acquisition costs as we grew our market share, competitive pricing pressure and lower percentage margin revenue streams from Monaco's international traffic management contracts.

Other operating costs
Other operating costs reduced £29 million to £380 million, a 2% decrease compared with 2005/06. As a percentage of revenue, other operating costs have declined from 34% in 2005/06 to 31% in 2006/07 reflecting the restructuring of our businesses and cost control with a 3% decrease in headcount to 7,876 at 31 March 2007.

Our other operating costs include net head office costs transferred to International of £3 million and additional investments in Jersey and the Isle of Man totalling £3 million. These costs have been more than offset by accrual releases totalling £10 million. £7 million of these accrual releases relate to the settlement of contractual disputes on better than expected terms in Monaco.

EBITDA
Our EBITDA before exceptionals increased 8% in 2006/07 to £430 million from £417 million in 2005/06. Our reported EBITDA margin was 35.0% in 2006/07 compared with 34.4% in 2005/06.

After allowing for the items in other operating costs above, the EBITDA margin for 2006/07 was 34.7%. In the second half of 2006/07, our EBITDA margin was higher than in the first half mainly as a result of the accrual releases of £10 million.

For 2007/08, we expect that our EBITDA will be between US$840 million and US$860 million. At the mid point, this represents a 5% increase on the imputed US$ EBITDA result for 2006/07 of US$810 million. Assuming an average dollar exchange rate of 1.95 for 2007/08 and taking into account our exposure to other currencies, this represents EBITDA of £438 million to £448 million.

Capital expenditure and depreciation
We increased our capital expenditure by £26 million compared with 2005/06 to £168 million with a focus on extending our mobile networks and improving the speed and coverage of our broadband networks.

We will continue to invest in our broadband coverage and service capability. By December 2007, we are aiming to enable 90% of our broadband network to offer at least 8Mb.

Depreciation increased by 9% compared with 2005/06 to £140 million driven mainly by our investment in mobile and broadband. As we continue to invest in newer technologies, our asset life cycles are decreasing, resulting in rising depreciation charges.

Joint ventures and associates

	Ownership as at 31 March 2007	**Our share of revenue**		**Our share of post-tax profit**	
		2006/07	**2005/06**	**2006/07**	**2005/06**
	%	**£m**	**£m**	**£m**	**£m**
Trinidad & Tobago (TSTT)	*49*	120	123	(12)	12
Bahrain (Batelco)[1]	*0*	52	63	12	26
Afghanistan (Roshan)	*37*	38	36	2	5
The Maldives (Dhiraagu)	*45*	25	26	12	12
Fiji (Fintel)	*49*	8	8	2	2
Others		6	7	5	1
Total pre exceptional items		**249**	**263**	**21**	**58**
Exceptionals: Dhiraagu		-	-	-	2
Exceptionals: TSTT		-	-	(29)	-
Total post exceptional items		**249**	**263**	**(8)**	**60**

[1] Batelco (Bahrain) results only applicable up to the date of disposal, 16 January 2007

Our share of post-tax loss (post exceptionals) from our joint ventures and associates was £8 million (including a £29 million exceptional write down relating to TSTT) compared with a £60 million profit in 2005/06. The main factors of this reduction are the poor performance of Trinidad and Tobago (TSTT) and the disposal of our stake in our associate in Bahrain (Batelco).

Our share of pre-exceptional post-tax loss in TSTT was £12 million in 2006/07 compared with a £12 million profit in 2005/06. In addition to the poor financial performance, there was evidence of weak controls, which are being addressed by the new management. We are engaged with the Government of Trinidad and Tobago, the majority shareholder, on restructuring efforts targeted at improving performance.

Monaco Telecom's joint venture in Afghanistan (Roshan) contributed £3 million less than in the prior year due to the introduction of a ten percent sales tax, an increase in depreciation from mobile investment, higher interest charges and adverse movements in foreign exchange rates.

Our joint venture in the Maldives (Dhiraagu) faced its first full year of mobile competition in 2006/07 and has competed strongly to maintain its market leadership - Dhiraagu contributed £12 million to our share of post-tax profit in line with results for 2005/06.

Exceptional items
As a result of the trading performance of our joint venture, TSTT, we have written down our share of TSTT's net assets by £29 million. As a result, our share of TSTT's net assets reduced to £72 million.

International exceptional items also include £13 million costs following headcount reduction programmes in the Caribbean and Islands, which are offset by £13 million exceptional credits relating to insurance receipts and related provision releases.

Exchange rate movements

During 2006/07, both the US and the Jamaican dollar weakened against sterling, by 5% and 11% respectively. In 2006/07, we sold International US$ remittances forward against sterling at $1.86. In the light of current US dollar weakness and the fact that 2007/08 remittances are expected to be primarily received during the second half of the financial year, to date we have not entered into any further hedging contracts.

A one cent change in the US$:£ rate has approximately a £2 million impact on the full year EBITDA of International. A one dollar change in the Jamaican $:£ exchange rate has approximately a £0.5 million impact on the reported full year EBITDA of International.

During 2006/07, approximately 70% of International EBITDA was earned in US dollar denominated or related currencies. Given that the US dollar is the dominant currency of International, from 2007/08, we will report the International results in US dollars to give a better reflection of the underlying performance of our business.

	2006/07	**2005/06**
US$: £		
Average	1.8807	1.7946
Year end	1.9631	1.7406
Jamaican$: £		
Average	124.72	112.60
Year end	132.74	113.76

Reconciliation of International EBITDA to net cash flow before financing

	2006/07[1] £m
EBITDA[2]	430
Exceptional items	(13)
EBITDA less exceptionals	**417**
Movement in exceptional provisions	(6)
Movement in working capital and other provisions	(15)
Income taxes paid	(44)
Purchase of property, plant, equipment & intangible assets	(164)
Finance income	30
Acquisitions & disposals	261
Other income	3
Net cash inflow before financing activities	**482**

[1] Based on our management accounts
[2] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

We generated net cash flow of £482 million before financing activities in 2006/07 including £256 million of net proceeds from the disposal of our 20% stake in our associate in Bahrain (Batelco).

The £19 million exceptional outflow represents costs associated with restructuring our businesses to drive operational efficiencies principally through headcount reductions.

Our £15 million movement in working capital is mainly driven by Monaco where an accrual release following the settlement of supplier disputes and the renegotiation of contract payment terms relating to our contract with PTK in Kosovo had a negative impact on working capital of £14 million.

Finance income consists of £23 million of dividends received from joint ventures and associates, and £7 million of interest and other income.

Cash capital expenditure was £164 million. For more details on the key areas of expenditure, see page 16.

Reconciliation of International net cash flow before financing to repatriation

	2006/07 £m
Net cash inflow before financing activities	**482**
Net inflow from external financing activities	60
Net cash inflow after external financing	**542**
Less:	
Batelco disposal net proceeds	(256)
Joint venture and associate dividends	(23)
Net cash inflow after external financing generated by subsidiaries	**263**
Less:	
Share attributable to minority interests	(76)
International proportionate share of net cash inflow after external financing	**187**
Surplus cash balances from subsidiaries repatriated	64
Operational repatriation	**251**
Operational repatriation efficiency[2]	**134%**
Batelco disposal net proceeds	256
Joint venture and associate dividends	23
Total repatriation	**530**

[1] Based on our management accounts
[2] Operational repatriation efficiency is calculated by dividing operational repatriation by International share of net cash inflow after external financing

In 2006/07, we remitted £530 million to Central. This remittance included £256 million of net proceeds from the Batelco disposal, and £60 million proceeds from external financing activities in Panama and the Caribbean.

At an operational level, we remitted £251 million to Central in 2006/07 representing 134% of our share of net cash flow generated by subsidiaries after external financing. This exceeds our target to remit at least 100% of our share of cash generated and includes the return of surplus cash balances from our subsidiaries which is not expected to recur to the same extent in 2007/08.

EUROPE, ASIA & US

Cable & Wireless Europe, Asia & US provides enterprise and carrier solutions to the largest users of telecoms services across the UK, Europe, Asia and the US. The UK business has changed its name to Europe, Asia & US to give a better reflection of the scope of its activities and markets. The nature and geographic extent of the business has not changed.

Our strategy is to serve the largest users of telecoms with high quality IP-based services tailored to their specific business needs and to deliver them a superior level of service.

Our turnaround is based on three phases: integration, completed early in 2006/07; our ongoing recovery programme; and finally transformation that creates a new business which delivers excellent service to our customers. During 2006/07, our main objectives were to improve service, improve margin, reduce costs, and continue to execute our strategy.

Commenting on the results for 2006/07, John Pluthero, Chairman of Europe, Asia & US said:
"We've made more progress than expected in 2006/07 on the underlying drivers of our long term success. The impact is already coming through in our results with EBITDA and cash flow well ahead of plan.

"It's only a start, but a good start. We're looking forward to the next few years."

The following analysis of the Europe, Asia & US key performance indicators, income statement and cash flow reconciliation refers to Europe, Asia & US excluding C&W Access. The equivalent analysis for C&W Access is on pages 26 to 27.

Europe, Asia & US key performance indicators

As at:	31 March 2007	30 September 2006	31 March 2006
Number of customers	9,992	14,566	21,000
% Services revenue[1]	48%	44%	44%
% IP, data and hosting revenue[1]	37%	32%	27%
Reduction in monthly operating cost run rate from November 2005	£7.3m	£7.1m	£4.4m
Headcount (full time equivalents)	5,341	5,179	5,614
Number of exchanges unbundled	802	685	411

[1] Calculated on the basis of six months ending

Our programme to reduce the number of customers is progressing well and we now have fewer than 10,000 customers. We expect to reduce the overall number of customers to about 3,000, comprising large corporates, carriers, resellers and public institutions.

The proportion of services revenue has increased from 44% to 48% since the second half of 2005/06. We are seeing growth in our global enterprise customers and have expanded our dedicated services portfolio. We expect to see further growth in this area as a result of winning three additional dedicated services customers in 2006/07.

The proportion of IP, data & hosting revenue has increased from 27% to 37% since the second half of 2005/06. This is a result of organic growth in our services customers, migration of customers from legacy data products to IP and a reduction in traditional voice.

The monthly operating cost reduction since November 2005 is £7.3 million representing a reduction in monthly costs of £2.9 million since 31 March 2006 of which £2.7 million was achieved during the first half of 2006/07. During the second half of this year, we have continued to reduce costs, but savings have been partially offset by our investment in service. This investment largely relates to new colleagues and upgrades to improve network resilience.

We had 5,341 colleagues in the business at 31 March 2007. While this represents a net reduction of 273 since 31 March 2006, we have added a net 162 in the second half of this year as a result of our decision to improve service to our customers through the recruitment of 445 colleagues.

Our local loop rollout programme is complete. We have backhaul connectivity to our multi service platform (MSP) from 802 unbundled exchanges, resulting in 52% coverage of UK households and businesses. In addition, we intend to use our footprint to provide services to corporate and SME customers using ADSL and SDSL.

Europe, Asia & US income statement

	2006/07	2005/06[1]	*Change as reported*[2]
	£m	£m	*%*
IP, data and hosting	727	513	*42%*
Legacy products	191	227	*(16)%*
Traditional voice	1,201	1,288	*(7)%*
Total revenue	**2,119**	**2,028**	***4%***
Outpayments & network costs	(1,516)	(1,421)	*(7)%*
Staff costs (excluding LTIP charge)	(289)	(290)	*0%*
Other costs	(155)	(168)	*8%*
Operating costs	(1,960)	(1,879)	*(4)%*
EBITDA[3]	**159**	**149**	***7%***
LTIP charge	(17)	-	*nm*
Depreciation & amortisation	(92)	(118)	*22%*
Amortisation of acquired intangibles	(12)	(5)	*nm*
Net other operating income	8	-	*nm*
Operating profit before joint ventures & associates	**46**	**26**	***77%***
Share of post-tax loss of joint ventures & associates	(3)	(6)	*50%*
Operating profit before exceptional items	**43**	**20**	***nm***
Exceptional items	(60)	(234)	*74%*
Total operating profit	**(17)**	**(214)**	***92%***
Capital expenditure	(204)	(207)	*1%*
Headcount (full time equivalents at 31 March)	5,341	5,614	*5%*

nm represents % change not meaningful
[1] Energis consolidated from 11 November 2005
[2] Positive percentages represent improvement
[3] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

Energis
We have included the results of Energis from the date of its acquisition – 11 November 2005.

Revenue
Revenue has increased by £91 million to £2,119 million in 2006/07. This is largely due to the inclusion of a full year of Energis in 2006/07. This has more than offset the impact of the anticipated churn and erosion encountered in restructuring the business to focus on larger, more profitable customers.

Whilst we remain a customer-centric business, revenue has been split on a product basis for ease of understanding the performance of the business. For consistency with previous reporting, the services revenue was £978 million (46%) and £846 million (42%) for 2006/07 and 2005/06 respectively. The carrier revenue was £1,141 million and £1,182 million for the same periods respectively.

IP, data & hosting
IP, data & hosting products underpin our strategy - enabling us to offer our customers high quality global connectivity and market-leading services and applications, with the ability to converge onto a single platform.

IP, data & hosting revenue of £727 million in 2006/07 has increased by £214 million, which is an increase of 42% compared with 2005/06, and now represents 34% of total revenue compared with 25% in 2005/06. The improvement is largely driven by demand for our IP-VPN QoS product, both through organic growth and migration from legacy products, as well as higher uptake of our wholesale bandwidth and hosting products.

Legacy products
Our legacy products, like frame relay and narrowband internet, are currently being phased out as a result of new technologies. The speed of the migration will be determined by our customers' needs.

Revenue of £191 million in 2006/07 has reduced by £36 million compared with 2005/06. The decline is largely a result of the migration of customers from frame relay to IP-VPN and lower market demand for narrowband internet services.

Traditional voice
Traditional voice includes our range of non-IP voice products - from the provision of termination for switched traffic to the delivery of telebusiness applications via our Intelligent Network.

Traditional voice revenue of £1,201 million in 2006/07 has reduced by £87 million compared with 2005/06 as a result of a reduction in carrier voice revenue due to our move away from low margin traffic and lower mobile termination rates on some European destinations.

Operating costs
Operating costs of £1,960 million are £81 million higher than in 2005/06 as a result of the increased cost base following the Energis acquisition, but have reduced as a proportion of revenue. Excluding the impact of operational releases within operating costs (£25 million in 2006/07 and £58 million in 2005/06), these costs have reduced by 2% as a proportion of revenue excluding operational releases (£3 million in 2006/07 and £18 million in 2005/06).

Outpayments and network costs of £1,516 million are higher than in 2005/06 largely as a result of outpayments relating to the increased revenue. However, excluding operational releases within outpayments and network costs (£25 million in 2006/07 and £51 million in 2005/06), these costs represent a lower proportion of revenue as a result of improved product mix and cost savings driven through our recovery programme. More specifically, the savings relate to optimisation of interconnection charges, renegotiation of equipment and cable maintenance contracts and lower rental and lease costs associated with network buildings and fibre.

Despite including a full year of Energis, staff costs of £289 million have remained broadly flat but are better as a proportion of revenue compared to 2005/06. During 2006/07, we have continued to simplify processes enabling further reduction in colleagues across the business. The cost savings related to this reduction have been partially offset by the increased cost associated with the recruitment of 445 additional colleagues into service-related roles.

Other costs of £155 million primarily relate to property costs, travel, consultancy and professional fees and have reduced by £13 million against 2005/06. The reduction represents a 1% decrease in other costs as a percentage of revenue.

EBITDA
Reported EBITDA before exceptionals has increased by 7% to £159 million this year. Excluding operational releases of £28 million (2005/06: £76 million), EBITDA has increased by 79% to £131 million.

For 2007/08, we expect that our EBITDA will be in the range of £210 million to £220 million.

Capital expenditure and depreciation and amortisation
Capital expenditure of £204 million in 2006/07 represents just under 10% of revenue and we expect capital expenditure to continue at about 10% of revenue for the foreseeable future.

In 2006/07, we continued to invest according to our customers' needs and spent £63 million on customer specific projects, which represents a relative increase in customer capital expenditure compared to 2005/06 (from 29% to 31%). The remaining balance of our investment is largely attributable to network infrastructure and new product development. In 2006/07, we completed our MSP and the provision of GigE backhaul to local exchanges from our network and we have upgraded the resilience of our network in Asia.

Depreciation and amortisation of £92 million in 2006/07 is lower than in 2005/06, mainly as a result of an impairment of our fixed assets at the end of 2005/06.

Net other operating income
Net other operating income of £8 million primarily relates to the profit on the disposal of property.

Joint ventures and associates
The £3 million loss represents our share of Apollo, a submarine cabling company.

Exceptional items
Exceptional items of £60 million in 2006/07 primarily relate to restructuring activities as part of our recovery programme. £24 million of the charge relates to our redundancy programme, the remainder relates to our property rationalisation programme and to a lesser extent, rationalisation of network infrastructure. Exceptional items in 2005/06 principally related to £237 million for the write down of assets.

Reconciliation of Europe, Asia & US EBITDA to net cash flow before financing

	2006/07[1] £m
EBITDA[2]	159
Exceptional items	(60)
EBITDA less exceptionals	**99**
Movement in exceptional provisions	(10)
Movement in working capital and other provisions	(74)
Income taxes paid	(1)
Purchase of property, plant, equipment & intangible assets	(186)
Acquisitions & disposals	10
Net cash outflow before financing activities	**(162)**

[1] Based on our management accounts
[2] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

The net cash outflow before financing of £162 million for the year principally reflects EBITDA, exceptional items relating to restructuring costs, working capital movement and capital expenditure.

Exceptional items of £60 million and movement in exceptional provisions of £10 million are attributable to restructuring costs relating to colleague redundancy, property and networks.

Working capital movement of £74 million includes £28 million of operational releases. The majority of the £46 million balance reflects timing differences in receipts and payments during the period and carried forward from the prior year.

Cash capital expenditure of £186 million reflects a mix of investments in both customer and infrastructure projects, as described on page 24.

Acquisitions and disposals relate to the sale of properties and exclude the sale and leaseback transaction completed on 2 April 2007 for £88 million.

Based on the 2006/07 performance, we are updating our guidance for the total cash outflow before Europe, Asia & US becomes cash generative to be no more than £280 million from 1 April 2006, excluding the £88 million cash from the sale and leaseback transaction, announced on 2 April 2007. This includes £180 million of exceptional cash outflow relating to the turnaround, capital expenditure, working capital requirements and payments against provisions made in prior periods. Of this amount, we expect the net cash outflow for 2007/08 to be about £80 million. Following the cash outflow of £162 million in 2006/07, this leaves £118 million of cash outflow remaining, of which £110 million relates to exceptional cash items.

Post balance sheet events
On 2 April 2007, we signed a 25 year sale and leaseback agreement, covering nine properties for which we received £88 million. Lease payments for the first five years will be £4.5 million per year and subject to reviews every five years thereafter.

CABLE & WIRELESS ACCESS

Through local loop unbundling, C&W Access provides broadband and telephony services to business and residential end users through wholesale agreements with major UK broadband service providers.

On 8 June 2006, we announced a revised strategy to leverage returns from our local loop unbundled (LLU) network asset by offering a wholesale product to major broadband service providers and ceasing residential sales. On 7 September 2006, we announced the formation of C&W Access and our first wholesale customer, Pipex. We also sold our residential Bulldog customer base and brand to Pipex for £9 million of net cash. Following this, we are integrating a number of activities into Europe, Asia & US.

C&W Access income statement

	2006/07[1] £m	2005/06 £m	*Change as reported[2]*
Total revenue	**43**	**33**	30%
Outpayments & network costs	(66)	(66)	0%
Staff costs	(19)	(28)	32%
Other costs	(31)	(44)	30%
Operating costs	(116)	(138)	16%
EBITDA[2]	**(73)**	**(105)**	30%
Depreciation & amortisation	(26)	(15)	(73)%
Total operating loss before exceptional items	**(99)**	**(120)**	18%
Exceptional items	(29)	-	nm
Total operating loss	**(128)**	**(120)**	(7)%
Capital expenditure	(31)	(70)	56%
Headcount (full time equivalents at 31 March)	187	651	71%

[1] The results for the year reflect 5 months and 6 days of performance under the previous retail strategy and 6 months and 24 days of the wholesale strategy
[2] Earnings before interest, tax, depreciation and amortisation, exceptionals and net other operating income

Revenue

Revenue in the first half of 2006/07 was primarily generated through residential sales relating to the Bulldog customer base. Following the sale of our customer base to Pipex, our revenue is now primarily generated from our wholesale agreement with Pipex.

Revenue of £43 million in 2006/07 is £10 million higher than 2005/06 and reflects the increase in our average end user base over the year. In the second half of 2006/07, revenue declined due to the impact of reduced average revenue per user (ARPU) as a result of our move to a wholesale strategy.

Operating costs

Outpayments and network costs in 2006/07 are £66 million, flat compared to 2005/06. Outpayments have increased proportionately to the larger average end user base over the year and relate to fixed per-line fees, charged to us by BT Openreach, and voice termination costs. Despite the increase in associated network costs related to our enlarged LLU footprint, we have managed to offset the impact through cost savings and efficiencies gained through the integration of activities into Europe, Asia & US.

Staff costs of £19 million were £9 million lower than last year. Following the change in strategy, we have significantly reduced our headcount, particularly in the sales and marketing functions, and through the integration of activities into Europe, Asia & US.

Other costs relate primarily to the provision of support services. These have decreased by £13 million in comparison to 2005/06 as a result of ceasing sales and marketing activities to the retail market from 8 June 2006.

EBITDA
EBITDA before exceptionals reflects the previous residential customer strategy for the first half of 2006/07 and the wholesale strategy for the second half of 2006/07. The execution of the new strategy and the integration of a number of activities into Europe, Asia & US have resulted in an improved EBITDA loss before exceptionals of £73 million for 2006/07.

For 2007/08, we expect that our EBITDA loss will be in the range of £35 million to £45 million.

Capital expenditure and depreciation
Capital expenditure of £31 million is primarily related to the completion of the local loop rollout programme in the period.

Depreciation has increased £11 million to £26 million as a result of our investment in our LLU footprint expansion.

Exceptional items
Exceptional costs of £29 million include £5 million for restructuring activities related to the move to a wholesale strategy and integration, as well as a £13 million write off related to redundant IT assets. A further £11 million of exceptional costs reflects the write off of £20 million of acquired intangible assets and goodwill recognised on the acquisition of Bulldog, offset by £9 million of net cash proceeds from the sale of the customer base. The goodwill has been written off following the move to provide wholesale access.

Reconciliation of C&W Access EBITDA to net cash flow before financing

	2006/07[1] **£m**
EBITDA[2]	(73)
Exceptional items	(5)
EBITDA less exceptionals	**(78)**
Movement in working capital and other provisions	(13)
Purchase of property, plant, equipment & intangible assets	(28)
Acquisitions & disposals	9
Net cash outflow before financing activities	**(110)**

[1] Based on our management accounts
[2] Earnings before interest, tax, depreciation and amortisation, exceptionals and net other operating income

The cash outflow of £110 million for the year primarily reflects the EBITDA loss of £73 million, capital expenditure of £28 million and the £9 million of net cash proceeds from the sale of the Bulldog customer base and brand.

Cash capital expenditure is related to the unbundling of exchanges in the period to deliver our wholesale strategy.

Exceptional items relate to restructuring activities as part of the change to a wholesale strategy and to a lesser extent integration into Europe, Asia & US.

For 2007/08, we expect our net cash outflow before financing activities to be approximately £70 million.

GROUP RESULTS DETAIL

Year ended 31 March 2007 compared with year ended 31 March 2006

£m	2006/07				2005/06				CC change[1] (%)			
	International	**Europe, Asia & US[2]**	**Central[3]**	**Group Total**	**International**	**Europe, Asia & US[2]**	**Central[3]**	**Group Total**	**International**	**Europe, Asia & US[2]**	**Central[3]**	**Group Total**
Revenue	1,228	2,139	(19)	3,348	1,212	2,040	(22)	3,230	*7%*	*5%*	*14%*	*6%*
Outpayments & network costs	(482)	(1,561)	19	(2,024)	(466)	(1,466)	18	(1,914)	*(7)%*	*(7)%*	*6%*	*(7)%*
Staff & other costs	(316)	(494)	(22)	(832)	(329)	(530)	(46)	(905)	*(1)%*	*7%*	*52%*	*6%*
Operating costs	(798)	(2,055)	(3)	(2,856)	(795)	(1,996)	(28)	(2,819)	*(4)%*	*(3)%*	*89%*	*(3)%*
EBITDA[4]	**430**	**84**	**(22)**	**492**	**417**	**44**	**(50)**	**411**	***8%***	***93%***	***56%***	***26%***
LTIP charge	(10)	(17)	-	(27)	-	-	-	-	nm	nm	nm	nm
Depreciation & amortisation	(140)	(116)	-	(256)	(136)	(133)	6	(263)	*(9)%*	*13%*	*nm*	*(0)%*
Amortisation of acquired intangibles	(5)	(12)	-	(17)	(6)	(5)	-	(11)	*17%*	nm	-	*(55)%*
Net other operating income	2	8	1	11	-	-	-	-	nm	nm	-	nm
Operating profit/(loss) before JVs & associates[5]	**277**	**(53)**	**(21)**	**203**	**275**	**(94)**	**(44)**	**137**	***6%***	***44%***	***52%***	***65%***
Joint ventures & associates	21	(3)	-	18	58	(6)	-	52	*(63)%*	*49%*	-	*(65)%*
Total operating profit/(loss)[5]	**298**	**(56)**	**(21)**	**221**	**333**	**(100)**	**(44)**	**189**	***(7)%***	***44%***	***52%***	***27%***
Exceptional items	(29)	(89)	-	(118)	(12)	(234)	7	(239)	*nm*	*62%*	*nm*	*51%*
Total operating profit/(loss)	**269**	**(145)**	**(21)**	**103**	**321**	**(334)**	**(37)**	**(50)**	***(12)%***	***57%***	***43%***	***nm***
Capital expenditure	(168)	(235)	-	(403)	(142)	(277)	3	(416)	*(25)%*	*15%*	*nm*	*1%*
Headcount[6]	7,876	5,528	75	13,479	8,150	6,265	156	14,571	*3%*	*12%*	*52%*	*7%*

nm represents % change not meaningful

[1] Constant currency growth rate based on the restatement of prior year comparatives at current year's reported average exchange rates. Positive percentages represent improvement

[2] Europe, Asia and US results above include C&W Access

[3] "Central" comprises the corporate centre and intra-group eliminations between the businesses

[4] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

[5] Excluding exceptionals

[6] Full time equivalents as at 31 March

INTERNATIONAL RESULTS DETAIL

Year ended 31 March 2007 compared with year ended 31 March 2006

£m	Jamaica			Barbados			North Caribbean			East Caribbean			Panama		
	2006/07	2005/06	CC change[1]	2006/07	2005/06	CC change	2006/07	2005/06	CC change	2006/07	2005/06	CC change	2006/07	2005/06	CC change
Mobile	47	42	*24%*	32	27	*24%*	46	43	*14%*	48	41	*23%*	123	104	*24%*
Broadband	14	8	*94%*	6	3	*nm*	10	9	*18%*	10	7	*50%*	15	12	*31%*
Domestic voice	80	87	*2%*	24	28	*(10)%*	29	30	*3%*	32	36	*(6)%*	97	109	*(7)%*
International voice	34	37	*2%*	19	19	*5%*	19	27	*(25)%*	31	34	*(4)%*	18	18	*5%*
Enterprise, data & other	24	27	*(2)%*	17	20	*(11)%*	18	19	*2%*	21	22	*0%*	36	40	*(6)%*
Other internet	1	2	*(45)%*	1	2	*(48)%*	-	1	*nm*	1	1	*5%*	-	1	*nm*
Revenue	**200**	**203**	***9%***	**99**	**99**	***5%***	**122**	**129**	***1%***	**143**	**141**	***7%***	**289**	**284**	***7%***
Cost of sales	(72)	(66)	*(21)%*	(26)	(27)	*(1)%*	(32)	(29)	*(18)%*	(42)	(40)	*(12)%*	(103)	(100)	*(8)%*
Gross margin	**128**	**137**	***3%***	**73**	**72**	***6%***	**90**	**100**	***(4)%***	**101**	**101**	***5%***	**186**	**184**	***6%***
Other operating costs	(67)	(77)	*4%*	(32)	(35)	*4%*	(45)	(48)	*(0)%*	(62)	(63)	*(3)%*	(71)	(79)	*6%*
EBITDA[2]	**61**	**60**	***13%***	**41**	**37**	***16%***	**45**	**52**	***(8)%***	**39**	**38**	***7%***	**115**	**105**	***15%***
LTIP charge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dep'n & amortisation	(19)	(24)	*12%*	(9)	(8)	*(18)%*	(14)	(13)	*(15)%*	(19)	(18)	*(10)%*	(38)	(35)	*(14)%*
Amortisation of acquired intangibles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net other operating income	1	-	*nm*	-	-	-	-	-	-	-	-	-	1	-	*nm*
Op profit before JVs & associates[3]	**43**	**36**	***32%***	**32**	**29**	***15%***	**31**	**39**	***(15)%***	**20**	**20**	***4%***	**78**	**70**	***17%***
Joint ventures & associates	-	-	-	-	-	-	(12)	11	*nm*	-	-	-	-	-	-
Total operating profit[3]	**43**	**36**	***32%***	**32**	**29**	***15%***	**19**	**50**	***(60)%***	**20**	**20**	***4%***	**78**	**70**	***17%***
Exceptional items	(3)	(2)	*(66)%*	(1)	-	*nm*	(23)	(1)	*nm*	(2)	(4)	*48%*	(1)	-	*nm*
Total operating profit	**40**	**34**	***30%***	**31**	**29**	***12%***	**(4)**	**49**	***nm***	**18**	**16**	***17%***	**77**	**70**	***15%***
Capital expenditure	(33)	(28)	*(31)%*	(13)	(14)	*3%*	(15)	(16)	*2%*	(16)	(20)	*16%*	(31)	(25)	*(30)%*
Headcount[4]	1,351	1,689	*20%*	818	826	*1%*	560	553	*(1)%*	1,033	1,052	*2%*	1,836	1,852	*1%*

nm represents % change not meaningful

[1] Constant currency growth rate based on the restatement of prior year comparatives at current year's reported average exchange rates. Positive percentages represent improvement

[2] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

[3] Excluding exceptionals

[4] Full time equivalents as at 31 March

INTERNATIONAL RESULTS DETAIL (CONTINUED)

Year ended 31 March 2007 compared with year ended 31 March 2006

£m	Macau			Monaco			Islands[1]			Elims/ head office			Total		
	2006/07	2005/06	CC change	2006/07	2005/06	CC change	2006/07	2005/06	CC change	2006/07	2005/06	CC change	2006/07	2005/06	CC change
Mobile	54	49	*16%*	24	24	*1%*	32	30	*9%*	-	-		406	360	*19%*
Broadband	15	12	*31%*	3	3	*1%*	5	3	*70%*	(1)	(1)	*0%*	77	56	*45%*
Domestic voice	17	19	*(6)%*	10	9	*12%*	18	19	*(2)%*	-	1	*nm*	307	338	*(3)%*
International	30	30	*5%*	8	10	*(19)%*	20	23	*(10)%*	(11)	(10)	*(10)%*	168	188	*(5)%*
Enterprise, data & other	26	25	*9%*	91	78	*17%*	32	27	*20%*	(1)	2	*nm*	264	260	*6%*
Other internet	1	1	*5%*	-	-	-	2	2	*0%*	-	-	-	6	10	*(37)%*
Revenue	**143**	**136**	***10%***	**136**	**124**	***10%***	**109**	**104**	***7%***	**(13)**	**(8)**	***(63)%***	**1,228**	**1,212**	***7%***
Cost of sales	(62)	(55)	*(18)%*	(72)	(60)	*(21)%*	(22)	(16)	*(41)%*	13	7	*86%*	(418)	(386)	*(14)%*
Gross margin	**81**	**81**	***5%***	**64**	**64**	***1%***	**87**	**88**	***1%***	**-**	**(1)**	***nm***	**810**	**826**	***3%***
Other operating costs	(26)	(28)	*3%*	(30)	(32)	*6%*	(47)	(48)	*(0)%*	-	1	*nm*	(380)	(409)	*2%*
EBITDA[2]	**55**	**53**	***9%***	**34**	**32**	***7%***	**40**	**40**	***2%***	**-**	**-**	**-**	**430**	**417**	***8%***
LTIP charge	-	-	-	-	-	-	-	-	-	(10)	-	*nm*	(10)	-	*nm*
Dep'n & amortisation	(15)	(16)	*2%*	(9)	(7)	*(29)%*	(15)	(15)	*(2)%*	(2)	-	*nm*	(140)	(136)	*(9)%*
Amortisation of acquired intangibles	-	-	-	(5)	(6)	*17%*	-	-	-	-	-	-	(5)	(6)	*17%*
Net other operating income	1	-	*nm*	-	-	-	(1)	-	*nm*	-	-	-	2	-	*nm*
Op profit/(loss) before JVs & associates[3]	**41**	**37**	***16%***	**20**	**19**	***6%***	**24**	**25**	***(2)%***	**(12)**	**-**	*nm*	**277**	**275**	***6%***
Joint ventures & associates	-	-	-	2	5	*(60)%*	31	42	*(26)%*	-	-	-	21	58	*(63)%*
Total operating profit/(loss)[3]	**41**	**37**	***16%***	**22**	**24**	***(8)%***	**55**	**67**	***(17)%***	**(12)**	**-**	*nm*	**298**	**333**	***(7)%***
Exceptional items	-	-	-	-	(3)	*nm*	(1)	1	*nm*	2	(3)	*nm*	(29)	(12)	*nm*
Total operating profit/(loss)	**41**	**37**	***16%***	**22**	**21**	***6%***	**54**	**68**	***(20)%***	**(10)**	**(3)**	***nm***	**269**	**321**	***(12)%***
Capital expenditure	(19)	(11)	*(71)%*	(10)	(10)	*(1)%*	(22)	(18)	*(28)%*	(9)	-	*nm*	(168)	(142)	*(25)%*
Headcount[4]	927	940	*1%*	487	496	*2%*	660	687	*4%*	204	55	*nm*	7,876	8,150	*3%*

nm represents % change not meaningful; Constant currency growth rate based on the restatement of prior year comparatives at current year's reported average exchange rates.

[1] Islands comprises operations in the Channel Islands, Isle of Man and the Atlantic, Pacific and Indian Oceans. The joint ventures & associates line includes Batelco (Bahrain) up until 16 January 2007, the date of its disposal

[2] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income

[3] Excluding exceptionals

[4] Full time equivalents as at 31 March

INTERNATIONAL RESULTS DETAIL (CONTINUED)

	GSM ACTIVE MOBILE CUSTOMERS ('000s)			BROADBAND CUSTOMERS ('000s)			FIXED LINE CUSTOMERS ('000s)		
	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
Jamaica	545	371	47%	79	41	93%	360	316	14%
Barbados	159	125	27%	28	16	75%	134	135	(1)%
North Caribbean	115	83	39%	19	16	19%	60	61	(2)%
East Caribbean	306	228	34%	37	26	42%	169	169	0%
Caribbean	**1,125**	**807**	**39%**	**163**	**99**	**65%**	**723**	**681**	**6%**
Panama	1,091	626	74%	87	83	5%	422	435	(3)%
Macau	255	205	24%	102	74	38%	177	175	1%
Monaco	36	34	6%	11	9	22%	34	34	0%
Islands	104	78	33%	15	10	50%	175	172	2%
Cable & Wireless subsidiaries	**2,611**	**1,750**	**49%**	**378**	**275**	**37%**	**1,531**	**1,497**	**2%**
TSTT	1,005	703	43%	16	11	45%	324	324	0%
Roshan	1,203	868	39%	-	-	-	-	-	-
Dhiraagu	185	141	31%	5	2	nm	32	31	3%
Solomon Telekom	7	7	-%	1	-	nm	8	8	0%
Telekom Vanuatu	22	16	38%	1	-	nm	7	7	0%
Cable & Wireless joint ventures & associates[1]	**2,422**	**1,735**	**40%**	**23**	**13**	**77%**	**371**	**370**	**0%**
Total Cable & Wireless International	**5,033**	**3,485**	**44%**	**401**	**288**	**39%**	**1,902**	**1,867**	**2%**

nm represents % change not meaningful

[1] For ease of comparison joint ventures & associates numbers for 31 March 2006 have been restated to exclude Batelco (Bahrain) following its disposal on 16 January 2007

EUROPE, ASIA & US RESULTS DETAIL

Year ended 31 March 2007 compared with year ended 31 March 2006

£m	2006/07				2005/06[1]			
	Europe, Asia & US	C&W Access	Eliminations	Total	Europe, Asia & US	C&W Access	Eliminations	Total
IP, data and hosting	727	-	-	727	513	-	-	513
Legacy products	191	-	-	191	227	-	-	227
Traditional voice	1,201	-	-	1,201	1,288	-	-	1,288
C&W Access	-	43	-	43	-	33	-	33
Eliminations	-	-	(23)	(23)	-	-	(21)	(21)
Revenue	**2,119**	**43**	**(23)**	**2,139**	**2,028**	**33**	**(21)**	**2,040**
Outpayments & network costs	(1,516)	(66)	21	(1,561)	(1,421)	(66)	21	(1,466)
Staff costs	(289)	(19)	-	(308)	(290)	(28)	-	(318)
Other costs	(155)	(31)	-	(186)	(168)	(44)	-	(212)
Operating costs	(1,960)	(116)	21	(2,055)	(1,879)	(138)	21	(1,996)
EBITDA[2]	**159**	**(73)**	**(2)**	**84**	**149**	**(105)**	**-**	**44**
LTIP charge	(17)	-	-	(17)	-	-	-	-
Depreciation & amortisation	(92)	(26)	2	(116)	(118)	(15)	-	(133)
Amortisation of acquired intangibles	(12)	-	-	(12)	(5)	-	-	(5)
Other operating income	8	-	-	8	-	-	-	-
Operating profit/(loss) before JVs & associates[3]	**46**	**(99)**	**-**	**(53)**	**26**	**(120)**	**-**	**(94)**
Joint ventures & associates	(3)	-	-	(3)	(6)	-	-	(6)
Total operating profit/(loss)[3]	**43**	**(99)**	**-**	**(56)**	**20**	**(120)**	**-**	**(100)**
Exceptional items	(60)	(29)	-	(89)	(234)	-	-	(234)
Total operating loss	**(17)**	**(128)**	**-**	**(145)**	**(214)**	**(120)**	**-**	**(334)**
Capital expenditure	(204)	(31)	-	(235)	(207)	(70)	-	(277)
Headcount[4]	5,341	187	-	5,528	5,614	651	-	6,265

[1] 2005/06 includes results for Energis from the date of acquisition - 11 November 2005
[2] Earnings before interest, tax, depreciation and amortisation, exceptionals, LTIP charge and net other operating income
[3] Excluding exceptionals
[4] Full time equivalents as at 31 March

EXTRACTS FROM THE FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The financial information set out in this announcement does not constitute the Company's statutory report and accounts for the year ended 31 March 2007. Statutory accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 20 July 2007. The auditor has reported on those accounts; their report was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

A full copy of the financial statements or the annual review will be mailed to shareholders on or about 20 June 2007 and can be obtained thereafter from Nick Cooper, Company Secretary, The Point, 37 North Wharf Road, Paddington, London, W2 1LA.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). They comply with IFRS as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union ('Adopted IFRS'). Adopted IFRS are similar to IFRS issued by the IASB, except for certain provisions concerning hedge accounting that have no impact on the financial statements of the Group. There have not been any changes to IFRS during the year that have had a material impact on the Group.

The Group's accounting policies have been applied consistently. Changes in accounting policy have been applied retrospectively and comparative amounts have been restated.

Monaco put option

As part of the Group's acquisition of Monaco Telecom, the Principality of Monaco acquired an option to put its 45% holding in the shares of Monaco Telecom to the Group at a future date. In the light of IAS 32 *Financial Instruments: Presentation* and developing accounting practice, the Group has decided to change its accounting policy for this transaction. Previously, the 45% holding of the Principality of Monaco was accounted for as a minority interest. It is now accounted for as a liability representing the potential obligation of the Group for its purchase, even though this outcome is considered remote. As a result, the investment is now accounted for as if the Group held 100% of the shares. The effect on the reserves and the minority interests of the Group at 1 April 2005 was £13 million and £59 million respectively. The effect of the change to the 31 March 2006 financial statements is tabulated below. Basic and diluted earnings per share for year ending 31 March 2006 have been reduced by 0.2 pence.

	Change in 2005/06 results (£m)
Balance sheet	
Increase in intangible assets	40
Increase in non-current financial liabilities	(106)
Decrease in minority interest	61
Decrease in reserves	**(5)**
Income statement	
Increase in finance expense	12
Decrease in profit for the year	**12**
Decrease in profit attributable to minority interests	9
Decrease in profit attributable to equity holders of the Company	3

Reclassification of income statement items

The Group has revised the format of its income statement in the current period to reflect better the classification of certain items between operating and non-operating profit. These items have not changed the profit for the year ended 31 March 2006. The impact on the previously reported income statement is as follows:

- £11 million - representing the exceptional gain on the sale of Coventry College (the Group's training centre) has been reclassified from gains and losses on the sale of non-current assets to other operating income; and
- £6 million - representing exceptional insurance proceeds relating to restoration work after Hurricane Ivan has been reclassified from other non-operating income to other operating income; and
- £7 million – representing dividend income that has been reclassified from other non-operating income to finance income.

Reclassification of balance sheet items

During the current period, we have reclassified a balance of £11 million from trade and other receivables to other non-current cash. This balance represents cash that is not readily available due to foreign exchange restrictions and has been reclassified to reflect better the nature of the balance. The corresponding balance of £15 million in the prior period balance sheet has been adjusted in order to be consistent.

Earnings per share

The Group has amended the reported diluted earnings per share in the comparative period as there was no dilution in this period. Diluted earnings per share for discontinued operations was also adjusted as there was no dilution in the period. The effect of these changes is to align diluted earnings per share with basic earnings per share.

Consolidated income statement

	2006/07			2005/06[1]		
	Pre-exceptionals £m	Exceptionals[2] £m	Total £m	Pre-exceptionals £m	Exceptionals[2] £m	Total £m
Revenue	3,348	-	3,348	3,230	-	3,230
Operating costs before depreciation & amortisation	(2,883)	(78)	(2,961)	(2,819)	(21)	(2,840)
Depreciation	(234)	(2)	(236)	(228)	(177)	(405)
Amortisation	(39)	(11)	(50)	(46)	(60)	(106)
Other operating income	13	13	26	-	17	17
Other operating expense	(2)	(11)	(13)	-	-	-
Operating profit/(loss)	**203**	**(89)**	**114**	**137**	**(241)**	**(104)**
Share of post-tax profit of joint ventures & associates	18	(29)	(11)	52	2	54
Total operating profit/(loss)	**221**	**(118)**	**103**	**189**	**(239)**	**(50)**
Gains & losses on sale of non-current assets	-	153	153	2	70	72
Gain on termination of operations	3	18	21	-	72	72
Finance income	52	-	52	87	-	87
Finance expense	(80)	-	(80)	(81)	-	(81)
Profit/(loss) before income tax	**196**	**53**	**249**	**197**	**(97)**	**100**
Income tax expense	(44)	1	(43)	(29)	2	(27)
Profit/(loss) for the year from continuing operations	**152**	**54**	**206**	**168**	**(95)**	**73**
Profit for the year from discontinued operations	-	28	28	2	88	90
Profit/(loss) for the year	**152**	**82**	**234**	**170**	**(7)**	**163**
Attributable to equity holders of the Company	92	82	174	118	(42)	76
Attributable to minority interests	60	-	60	52	35	87
Profit/(loss) for the year	**152**	**82**	**234**	**170**	**(7)**	**163**
Earnings per share attributable to the equity holders of the Company during the year (pence)						
Basic			7.5p			3.3p
Diluted			7.4p			3.3p
Earnings per share from continuing operations attributable to the equity holders of the Company during the year (pence)						
Basic			6.3p			(0.6)p
Diluted			6.2p			(0.6)p
Earnings per share from discontinued operations attributable to the equity holders of the Company during the year (pence)						
Basic			1.2p			3.9p
Diluted			1.2p			3.9p

[1] Results adjusted to reflect revised accounting for Monaco Telecom and other presentational points as set out on page 33 to 34

[2] Exceptionals comprise items considered exceptional by virtue of their size, nature or incidence and include restructuring and impairment charges, and releases of certain provisions and certain profits and losses on disposal of non-current assets

Condensed consolidated balance sheet

As at:	31 March 2007	31 March 2006[1]
	£m	£m
ASSETS		
Non-current assets		
Intangible assets	745	722
Property, plant & equipment	1,465	1,489
Investments in associates & joint ventures	117	176
Other non-current assets	191	131
	2,518	**2,518**
Current assets		
Inventories	23	31
Financial assets at fair value	-	39
Trade & other receivables	855	931
Cash & cash equivalents	1,043	1,127
	1,921	**2,128**
Assets held for sale	52	105
	1,973	**2,233**
Total assets	**4,491**	**4,751**
LIABILITIES		
Current liabilities		
Trade & other payables	1,221	1,381
Financial assets at fair value	60	-
Current tax liabilities	122	123
Loans & obligations under finance leases	77	143
Derivative financial instruments	-	15
Provisions	72	89
	1,552	**1,751**
Liabilities associated with assets held for sale	10	-
	1,562	**1,751**
Net current assets	**411**	**482**
Non-current liabilities		
Trade & other payables	65	-
Financial liabilities at fair value	75	106
Loans & obligations under finance leases	639	641
Deferred tax liabilities	59	51
Provisions	154	193
Retirement benefit obligations	47	143
	1,039	**1,134**
Net assets	**1,890**	**1,866**
EQUITY		
Capital & reserves attributable to the Company's equity holders		
Share capital	615	605
Share premium	56	24
Reserves	1,010	956
	1,681	**1,585**
Minority interests	209	281
Total equity	**1,890**	**1,866**

[1] Adjusted to reflect revised accounting for Monaco Telecom and other presentational points as set out on page 33 to 34

Consolidated statement of recognised income and expense

	2006/07	2005/06[1]
	£m	£m
Actuarial gains/(losses) in the value of defined benefit retirement plans	105	(9)
Exchange differences on translation of foreign operations	(172)	68
Fair value gains on available for sale financial assets	-	10
Fair value gains on available for sale financial assets recycled to income statement on sale	-	(70)
Tax on items taken directly to or transferred from equity	(5)	(2)
Net loss recognised directly in equity	(72)	(3)
Profit for the year	234	163
Total recognised income & expense for the year	**162**	**160**
Attributable to equity holders of the Company	138	85
Attributable to minority interests	24	75
	162	**160**

[1] Results adjusted to reflect revised accounting for Monaco Telecom as set out on page 33 to 34

Consolidated cash flow statement

	2006/07 £m	2005/06[1] £m
Cash generated from continuing operations (see page 40)	299	100
Cash generated from discontinued operations (see page 40)	-	3
Income taxes paid	(46)	(47)
Net cash from operating activities	**253**	**56**
Cash flows from investing activities		
Interest received	43	107
Other income	9	5
Dividends received	23	34
Proceeds on disposal of trade investments	-	89
Proceeds on disposal of property, plant & equipment	15	35
Proceeds on disposal of intangible assets	-	2
Purchase of property, plant & equipment	(338)	(412)
Purchase of intangible assets	(40)	(22)
Proceeds from redemption of credit-linked notes	40	40
Proceeds from disposal of associates and joint ventures	256	1
Acquisition of associates & joint ventures	-	(1)
Acquisition of subsidiaries (net of cash received)	(15)	(618)
Net cash from continuing operations	**(7)**	**(740)**
Discontinued operations		
Proceeds on disposal of subsidiaries	-	27
Net cash from discontinued operations	**-**	**27**
Net cash used in investing activities	**(7)**	**(713)**
Net cash inflow/(outflow) before financing activities	**246**	**(657)**
Cash flows from financing activities		
Dividends paid to minority interests	(93)	(51)
Dividends paid to shareholders	(83)	(80)
Repayments of borrowings	(212)	(46)
Loan to minority interest	-	(43)
Interest paid	(55)	(61)
Proceeds from borrowings	122	38
Purchase of treasury shares	-	(17)
Net proceeds on share awards	3	-
Net proceeds on issue of ordinary share capital	15	11
Net cash used in financing activities	**(303)**	**(249)**
Net decrease in cash & cash equivalents	**(57)**	**(906)**
Cash & cash equivalents at 1 April	1,127	2,021
Exchange gains & losses on cash & cash equivalents	(22)	12
Cash & cash equivalents at 31 March	**1,048**	**1,127**
Less: Cash reflected as assets held for sale	(5)	-
Net cash and cash equivalents	**1,043**	**1,127**

[1] Results adjusted to reflect revised accounting for Monaco Telecom as set out on page 33 to 34

Cash flow from operating activities

	2006/07	2005/06[1]
	£m	£m
Continuing operations		
Profit for the year	206	73
Adjustments for:		
Tax expense	43	27
Depreciation	236	228
Amortisation	50	46
Impairment	-	237
Gain on termination of operations	(15)	(34)
Gains and losses on sale of non-current assets	(153)	(72)
Profit on disposal of property, plant and equipment	(11)	(11)
Sale of Bulldog brand & retail broadband customer base	11	-
Finance income	(52)	(87)
Finance expense	80	81
Decrease in provisions	(28)	(135)
Share-based payments	25	14
Defined benefit pension scheme (credit)/expense	(11)	6
LTIP charge	27	-
Defined benefit pension scheme top-up contributions	-	(98)
Defined benefit pension scheme other contributions	(18)	(17)
Share of results after tax of joint ventures and associates	(18)	(54)
Impairment of TSTT fixed asset	29	-
Operating cash flows before working capital changes	**401**	**204**
Changes in working capital (excluding effects of acquisitions & disposals of subsidiaries)		
Decrease/(increase) in inventories	8	(4)
Decrease/(increase) in trade & other receivables	76	8
Increase/(decrease) in payables	(186)	(108)
Cash generated from continuing operations	**299**	**100**
Discontinued operations		
Profit for the year	28	90
Adjustments for:		
Profit on disposal of investments	-	(20)
Profit on disposal of property, plant and equipment	-	(4)
Changes in working capital	-	1
Decrease in provisions	(28)	(64)
Cash generated from discontinued operations	**-**	**3**
Cash generated from operations	**299**	**103**

[1] Results adjusted to reflect revised accounting for Monaco Telecom as set out on page 33 to 34

Provisions for liabilities and charges

	Property	Redundancy	Network & asset retirement obligations	Other	Total
	£m	£m	£m	£m	£m
At 31 March 2006	55	36	91	100	282
Current portion	6	36	11	36	89
Non-current portion	49	-	80	64	193
Charged to income statement					
additional provision	53	39	7	17	116
amounts used	(8)	(65)	(7)	(28)	(108)
unused amounts reversed	(19)	(2)	(14)	(28)	(63)
Transfers	1	-	1	1	3
Exchange	-	(1)	(1)	(2)	(4)
At 31 March 2007	**82**	**7**	**77**	**60**	**226**
Current portion	25	7	12	28	72
Non-current portion	57	-	65	32	154
Analysed between:					
Current portion					
International	-	3	9	3	15
Europe, Asia & US and C&W Access	18	4	3	-	25
Central	7	-	-	25	32
Non-current portion					
International	-	-	6	8	14
Europe, Asia & US and C&W Access	57	-	59	1	117
Central	-	-	-	23	23
Total					
International	-	3	15	11	29
Europe, Asia & US and C&W Access	75	4	62	1	142
Central	7	-	-	48	55

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 utilised over the shorter of the period to exit and the lease contract life.

Redundancy

Provision has been made for the total costs of redundancies announced prior to 31 March 2007. Amounts provided and spent in the year primarily relate to restructuring in Europe, Asia & US and C&W Access.

Network and asset retirement obligations

Provision has been made for the best estimate of the unavoidable costs associated with redundant network capacity. We expect to use the provision 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, domestic and sub-sea cabling. We expect to use this provision at the end of the life of the related asset on which the obligation arises. Amounts utilised in the year relate predominantly to cash spend against the unavoidable costs associated with redundant network capacity.

Other

Other provisions includes amounts relating to specific legal claims against the Group, the disposal of the previously discontinued US businesses, amounts relating to the Group's former insurance operation and amounts relating to acquisitions and disposals of Group companies and investments. The release of unused amounts reflects the resolution of historical claims and other risks during the year.

Minority interests

	Total[1] £m
Balance as at 31 March 2006	281
Share of total recognised income & expenditure for the year	24
Dividends paid	(96)
Balance as at 31 March 2007	**209**

[1] Results adjusted to reflect revised accounting for Monaco Telecom as set out on page 33 to 34

Dividends paid and proposed

	2006/07 £m	2005/06 £m
Declared & paid during the year ended 31 March		
Dividends on ordinary shares:		
Final dividend in respect of the prior year	**71**	**60**
Declared & paid during the year ended 31 March		
Dividends on ordinary shares:		
Interim dividend in respect of the current year	**40**	**32**

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 anticipates, 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 Company's most recent Annual Report.

Cable & Wireless undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise.