Cable & Wireless Worldwide plc
Preliminary results for the year ended 31 March 2012

- ***Trading performance in line with our expectations. Trading cash flow of £99m (2010/11: £116m)***
- ***First phase of performance improvement plan implemented including refinancing, new operating model and additional hosting capacity***
- ***Market conditions expected to remain challenging during 2012/13***
- ***On 23 April the Board recommended a 38p per share cash offer for the Company from Vodafone***

Financial highlights
- Trading cash inflow[1] £99 million (2010/11: £116 million)
- EBITDA[2] £378 million (2010/11: £442 million)
- Gross margin £1,020 million (2010/11: £1,065 million), with hosting and applications now accounting for 20% of gross margin (2010/11: 18%)
- Exceptional items - goodwill impairment (£436 million), deferred tax asset write down (£146 million), the write off of obsolete assets (£42 million) and the gain on disposal of a group subsidiary (£18 million) totalling £606 million

Trading highlights
- Progress on cost reduction, new operating model in implementation, capital expenditure programme reprioritised to create headroom for investment
- Extra 35% of data centre capacity commissioned, with 4,000 sqft added in the second half of the year
- UK enterprise – contract wins during the year to restart hosting growth utilising this new capacity
- Trusted partner for central government with 15% gross margin growth across the public sector
- New £260 million revolving credit facility agreed with final maturity date of 30 June 2015[3]
- Global network expanded with completion of Europe Indian Gateway (EIG) cable system

Summary and outlook
In the final quarter of 2011/12, we continued to make progress in the execution of the performance improvement plan announced in February. A strong focus on cash has led to improved utilisation of capital expenditure and positive working capital in the second half of the year. The capital expenditure programme has been reprioritised to create headroom for the investments in improved execution, simplification and cash generation outlined in February. Several cost reduction programmes have been commenced delivering benefits in the monthly cost run rate going into 2012/13.The refocusing of the business towards a new target operating model has commenced. The refinancing of our revolving credit facility was completed in February with a final maturity date of 30 June 2015.[3]

During the year we have continued to win new client mandates and have made the planned progress in building hosting capacity to enable a further increase in the growth of the hosting business in the future. However, trading conditions in 2011/12 continued to be very difficult with enterprise customers continuing to seek keen prices in traditional voice and data services.

Trading conditions in 2012/13 are expected to remain challenging. Whilst the medium term plan assumes market outperformance, we do not expect to outperform market growth assumptions in 2012/13. Initiatives have been identified to mitigate the majority of the increased inflationary cost pressures on our operating cost base. As part of our strategic plan further capital investment will be required over the next few years to reduce complexity, cost and enable growth in the medium-term. The timing of this investment will be managed to keep total capital expenditure in line with recent trends.

On 23 April 2012, the Board recommended a cash offer for the company from Vodafone of 38p per share. The Board had to weigh up the transformative nature of the long term plan and potential upside it could deliver against the risks associated with the plan and the timescale required. Given this the Board believes the Vodafone offer represents an excellent opportunity for shareholders to realise an attractive valuation in cash today.

[1]For explanatory notes please see page 9
[2]For explanatory notes please see page 2
[3] Subject to refinancing of the £230 million convertible bonds by 30 June 2014

GROUP RESULTS

The Group results presented below should be read in conjunction with the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated preliminary results on pages 12 to 19.

	2011/12			2010/11		
	Pre-exceptionals £m	Exceptionals[2] £m	Total £m	Pre-exceptionals £m	Exceptionals[2] £m	Total £m
Revenue	**2,149**	**-**	**2,149**	**2,257**	**-**	**2,257**
Cost of sales	(1,129)	-	(1,129)	(1,192)	-	(1,192)
Gross margin	1,020	-	1,020	1,065	-	1,065
Operating costs	(642)	-	(642)	(623)	(15)	(638)
EBITDA [1]	**378**	**-**	**378**	**442**	**(15)**	**427**
LTIP credit	-	-	-	9	-	9
Demerger costs	-	-	-	-	(2)	(2)
Depreciation and amortisation	(269)	(478)	(747)	(285)	-	(285)
Net other operating (expense)/income	(9)	-	(9)	4	-	4
Total operating profit/(loss)	**100**	**(478)**	**(378)**	**170**	**(17)**	**153**
Gain on sale of non-current assets	-	18	18	-	14	14
Net finance expense	(32)	-	(32)	(27)	-	(27)
Profit/(loss) before income tax	**68**	**(460)**	**(392)**	**143**	**(3)**	**140**
Income tax (charge)/credit	(3)	(146)	(149)	69	-	69
Profit/(loss) for the year	**65**	**(606)**	**(541)**	**212**	**(3)**	**209**
Capital expenditure [3]			**260**			**282**

1 EBITDA is defined as earnings before interest, tax, depreciation and amortisation, net other operating income/expense and exceptional items and is reconciled to GAAP measures on page 16.
2 Exceptional items are material items which derive from individual events that fall within the ordinary activities of the Group that are identified as exceptional items by virtue of their size, nature or incidence. For further details on exceptionals, refer to page 16.
3 Balance sheet capital expenditure excludes capitalised borrowing costs of £6 million (2010/11: £4 million) and additional asset retirement obligations of £14 million (2010/11 release of: £1 million).

All current financial results listed are for the year ended 31 March 2012. All references to 'the prior period, 'the prior year', '2011', 'last year' and '2010/11' mean the year ended 31 March 2011 unless otherwise specified. To help explain the movements in revenue and gross margin during the year, we have provided the analysis by product and channel below. We do not however manage our business or allocate resources by product line or market channel.

Group revenues

Revenues for 2011/12 were £2,149 million (2010/11: £2,257 million). The revenue decline has predominantly been within the traditional voice product set, partially offset by growth in hosting. As a result we have continued to see an increasing proportion of our revenue derived from our IP, data, hosting and applications products.

Group gross margin

Gross margin for 2011/12 was £1,020 million (2010/11: £1,065 million). This reduction in gross margin has been driven by continuing price erosion in both the traditional voice product set, in line with the market, and the IP and data product set, due to the commoditisation of data networking. Gross margin has been further reduced by the lower level of regulatory credits recognised in the year.

RESULTS BY PRODUCT GROUP

	2011/12			2010/11		
	Revenue £m	**Gross margin £m**	**Gross margin %**	**Revenue £m**	**Gross margin £m**	**Gross margin %**
Traditional voice (incl. legacy products)	874	242	28%	995	264	27%
IP and data	981	572	58%	999	610	61%
Hosting and applications	294	206	70%	263	191	73%
Total Worldwide Group	**2,149**	**1,020**	**47%**	**2,257**	**1,065**	**47%**

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

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

Traditional voice revenue has fallen by £121 million to £874 million and gross margin declined by £22 million to £242 million. Whilst overall voice volumes have fallen by just 2%, price erosion and a change in the mix of products has seen revenue and gross margin reduce by 12% and 8% respectively, broadly in-line with the general voice market, which has seen an annual decline of 10% over the last two years. Consolidation in the mobile market has led to a £44 million reduction in mobile transit revenue, with minimal impact on gross margin, whilst the reduction in regulated mobile termination rates has had a further negative impact of £33 million on revenue, with no impact on gross margin.

Wholesale voice, ISP services, international interconnect and inbound call management (which includes 0845, 0844 and premium rate services) experienced volume reductions leading to a £51 million fall in revenue and £13 million of associated gross margin. Offsetting these volume declines was an increase in national interconnect volumes, which whilst high in volume, contributed only an additional £3 million of revenue and due to price erosion actually saw a £1 million fall in gross margin.

In the medium term we still anticipate that the traditional voice market will decline by more than 10% per annum due to the pricing pressure on voice products and the migration of customers to IP products.

IP and data – revenue and gross margin

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

IP and data revenue reduced by £18 million to £981 million whilst gross margin declined by £38 million to £572 million. The revenue decline is primarily due to the impact of a one-off fibre roll-out project recognised in the prior year. The commoditisation of data networking has led to price erosion in this product set, which has been offset by new sales.

The reduction in gross margin relates largely to the impact of last year's one-off fibre roll-out project as well as the higher regulatory credits recognised in the prior year relating to Partial Private Circuits (PPCs). Overall, the benefits of new sales were offset by customers reducing circuit volumes and price erosion on existing contracts.

In the medium term, we anticipate IP and data markets to grow between 1% and 3% per annum.

Hosting and applications – revenue and gross margin

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

Hosting and applications revenue increased by £31 million to £294 million and gross margin increased by £15 million to £206 million. These increases principally reflect the impact of increased sales and a large project undertaken in the year with £20 million of revenue and £17 million of gross margin. Excluding the one-off project, the increased sales have not translated into an improved gross margin performance due to lower levels of high margin project work compared to the prior year.

Over the last 6 months 4,000 square feet of revenue generating space has been added to our data centre estate through expansion at our existing Swindon facility. The expansion programme is continuing at both our Leeds and Swindon facilities and capacity at the new Southern Data Centre is forecast to come on-line in 2012.

In the medium term we expect hosting markets to grow at 10% to 12% per annum.

RESULTS BY MARKET CHANNEL

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

	2011/12			2010/11		
	Revenue £m	**Gross margin £m**	**Gross margin %**	**Revenue £m**	**Gross margin £m**	**Gross margin %**
UK enterprise	822	403	49%	849	446	53%
UK public sector	305	195	64%	285	170	60%
UK carrier	273	96	35%	354	113	32%
UK mid-market direct	98	58	59%	108	65	60%
UK mid-market indirect	89	32	36%	104	33	32%
UK mid-market	187	90	48%	212	98	46%
Total UK	**1,587**	**784**	**49%**	**1,700**	**827**	**49%**
Global enterprise	201	101	50%	195	100	51%
Global carrier	361	135	37%	362	138	38%
Total Global	**562**	**236**	**42%**	**557**	**238**	**43%**
Total Worldwide Group	**2,149**	**1,020**	**47%**	**2,257**	**1,065**	**47%**

UK enterprise

	2011/12 £m	**2010/11 £m**	***Change %***
Revenue	822	849	(3.2%)
Cost of sales	(419)	(403)	(4.0%)
Gross margin	403	446	(10%)
Gross margin %	*49%*	*53%*	

Source: Management information

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

UK enterprise revenues fell by £27 million to £822 million. Total gross margin was £403 million (2010/11: £446 million); £11 million of the gross margin reduction was due to a lower level of regulatory credits recognised in the year. Excluding this the underlying gross margin reduced by £32 million, split across the voice and IP and data product sets. In voice reduced volumes and price erosion have led to a £21 million fall in gross margin. In IP and data the underlying gross margin decline of £15 million reflects lower project activity, circuit churn and price erosion due to the commoditisation of data networking and several major customers renewing contracts during the year. Offsetting these declines we have seen a £4 million increase in hosting and applications gross margin driven by a combination of increased project work and underlying annuity growth.

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

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

UK public sector

	2011/12 £m	2010/11 £m	*Change %*
Revenue	305	285	7%
Cost of sales	(110)	(115)	4.3%
Gross margin	195	170	15%
Gross margin %	*64%*	*60%*	

Source: Management information

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

The UK public sector channel has seen strong growth year-on-year, with a £20 million increase in revenue and a £25 million increase in gross margin. The improved performance has been largely driven by two specific projects, one in the hosting and applications space and one for the public safety radio communications network. As well as these projects we have also continued to roll-out additional services under the framework contracts signed over the last 2 years.

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

UK carrier

	2011/12 £m	2010/11 £m	*Change %*
Revenue	273	354	(23%)
Cost of sales	(177)	(241)	27%
Gross margin	96	113	(15%)
Gross margin %	*35%*	*32%*	

Source: Management information

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

UK carrier revenue was £273 million (2010/11: £354 million), and gross margin was £96 million (2010/11: £113 million). The prior year results included a specific one-off fibre roll-out project with a £17 million gross margin contribution. Removing the effect of this one-off project, for which there was no equivalent in 2011/12, the underlying gross margin in UK carrier was flat year-on-year.

The fall in revenue has been driven by the reduced volume of low margin mobile transit traffic resulting from consolidation in the mobile operator market.

UK mid-market

	2011/12 £m	2010/11 £m	*Change %*
Direct			
Revenue	98	108	(9%)
Cost of sales	(40)	(43)	7%
Gross margin	58	65	(11%)
Gross margin %	59%	60%	
Indirect			
Revenue	89	104	(14%)
Cost of sales	(57)	(71)	20%
Gross margin	32	33	(3.0%)
Gross margin %	36%	32%	
Total			
Revenue	187	212	(12%)
Cost of sales	(97)	(114)	15%
Gross margin	90	98	(8%)
Gross margin %	*48%*	*46%*	

Source: Management information

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

Overall UK mid-market revenues reduced by £25 million, to £187 million, and gross margin by £8 million, to £90 million in the year.

In the direct mid-market business we continued to experience customer churn in both our Demon consumer broadband base and other data products.

In the indirect market, revenue fell by £15 million as a result of a reduction in regulated mobile termination rates and reduced volumes combined with price erosion on wholesale voice products within our re-seller market. Gross margin has fallen by £1 million as these reductions either have no margin effect, in the case of mobile termination rates, or are low margin voice products.

Global

	2011/12 £m	2010/11 £m	*Change %*
Enterprise			
Revenue	201	195	3.1%
Cost of sales	(100)	(95)	(5.3%)
Gross margin	101	100	1.0%
Gross margin %	50%	51%	
Carrier			
Revenue	361	362	(0.3%)
Cost of sales	(226)	(224)	(0.9%)
Gross margin	135	138	(2.2%)
Gross margin %	37%	38%	
Total			
Revenue	562	557	0.9%
Cost of sales	(326)	(319)	(2.2%)
Gross margin	236	238	(0.8%)
Gross margin %	42%	43%	

Source: Management information

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

Global enterprise

Global enterprise revenue has increased by £6 million to £201 million and gross margin has risen by £1 million, to £101 million for the year. In this channel new sales to existing customers have outweighed price erosion on the re-signing of some existing contracts.

In the year we won a major deal comprising a five year contract to support the transformation in the UK and Europe of a large travel agency to deliver a future-ready voice and data network. The contract will connect circa 1,600 locations and support the customer’s entire voice estate in the UK and across Europe. This contract is now in delivery and contributed £3 million of revenue and £2 million of gross margin in the year.

Global carrier

Global carrier revenue decreased by £1 million to £361 million, while gross margin has decreased by £3 million to £135 million compared with the prior year.

Sales of £11 million relating to the new Europe India Gateway (EIG) cable system, which went live in January, were offset by revenue decline, driven by increased competition in some regions such as Africa, where headline prices have fallen faster than cost reductions from third parties, leading to price erosion on existing contracts. Despite gross margin falling as a result of increased price competition, this has been partially offset by several additional sales relating to our existing cable systems and beneficial settlements with international partners for interconnect charges.

Whilst the EIG cable system came online in January 2012 the West Africa Cable System (WACS) launch was delayed until Q1 of FY12/13. These cables will extend our reach for existing customers as well as providing new sales opportunities in key geographic markets.

Operating costs before exceptional items

Operating costs in the year were £642 million (2010/11: £623 million). Costs in the prior year benefitted from a one-off £13 million rebate for property rates paid on our network. In November we announced a package of measures to re-position the business and several of these have now been successfully implemented; discretionary travel expenses have been reduced by 18% year on year, through increased use of video conference facilities, a review of the corporate support functions has led to a 9% reduction in headcount over the year and initial steps to reduce the average cost per head across the organisation have been put in place. During the second half of the year we have invested £20 million, primarily relating to redundancy costs, as we have executed this strategy. These actions will help to partially mitigate the anticipated inflationary increases in our cost base for the coming financial year. In the year we have recognised an IAS19 net pension credit of £1 million (2010/11: £7 million charge).

EBITDA

EBITDA was £378 million for the year (2010/11: £442 million). EBITDA as a percentage of revenue declined from 20% to 18%.

Capital expenditure, depreciation and amortisation

Balance sheet capital expenditure in the year was £260 million (2010/11: £282 million) a significant reduction on the prior year due to pro-active management action taken in H2 to reprioritise certain programmes.

Pre-exceptional depreciation and amortisation was £269 million for the year (2010/11: £285 million). Depreciation fell as a result of lower capital expenditure levels and certain assets becoming fully depreciated.

Exceptional impairment and depreciation

A strategic review of the business was undertaken and updated five year projections were prepared during the first half of the year. The impact of the revised five year plan projections was to trigger an impairment review that led to a goodwill write-off of £436 million at 30 September 2011. No further impairment of goodwill was identified at 31 March 2012.

In addition, a £42 million charge was recognised as certain obsolete assets related to discontinued products and services have been written off.

Net other operating expense

Net other operating expense of £9 million principally comprised the impact of the change in discount rate applied to provisions for onerous property and takeover bid related costs.

Operating profit

The operating profit before exceptional items for the Group was £100 million (2010/11: £170 million). The year on year reduction reflects the combined impact of a £45 million decline in gross margin, £19 million increase in operating costs, a net decrease in other operating income/expense of £13 million, offset by a £16 million decrease in pre-exceptional depreciation and amortisation and the £9 million LTIP credit recognised in 2010/11. After exceptional items of £478 million (2010/11: £17 million), the total operating loss for the year was £378 million (2010/11: profit of £153 million).

Gain on disposal on non-current asset

An exceptional gain of £18 million (2010/11: £14 million) has been recognised in respect of the disposal of a subsidiary company with overseas tax losses that the Group would not have been able to utilise.

Net finance expense

Net finance expense in the year was £32 million (2010/11: £27 million), the increase primarily relates to commitment fees written off during the year of £3 million relating to the bank facility that was replaced on 24 February 2012 and lower interest receivable.

Income tax charge

The tax charge of £149 million (2010/11: credit of £69 million) comprises a £146 million exceptional reduction in the recognised deferred tax asset and a non-exceptional tax charge of £3 million. This comprises £1 million (2010/11: £1 million) for overseas taxes and £2 million for the effects of changes in tax rates. The reduction in the deferred tax asset is due to the impact of the revised financial projections prepared following the strategic review of the business and the rate at which the tax asset is expected to be utilised.

Pensions

As at 31 March 2012, the defined benefit section of the Cable & Wireless Worldwide Retirement Plan (CWWRP) had an accounting deficit of £89 million, up from £80 million at 31 March 2011, measured in accordance with IAS 19. This was primarily as a result of increases due to a fall in discount rate (£193 million) and the impact of committed future funding recognised as required by IFRIC14 (£139 million), offset by the impact of £138 million of company contributions, asset returns being better than expected by £108 million and improved inflation expectations (£70 million).

An actuarial funding valuation of the CWWRP as at 30 September 2010 was completed during the year. This valuation showed a past service deficit of £248 million and has been used as the basis for agreeing a recovery plan with the scheme's Trustees; £100 million was paid in the year under this plan and £36 million had already been paid towards the deficit prior to the plan being agreed. The recovery plan also includes further annual payments of £15 million in each of the next two financial years, £20 million per annum for the subsequent three years and a final payment of £12 million in 2017/18. On payment of the £100 million (included in the £138 million of company contributions) the Contingent Funding Agreement, established on demerger from the Cable & Wireless Communications Group in March 2010, was terminated and as a result the requirement to maintain £125 million of financial resources for the pension scheme was removed.

As at 31 March 2012 the THUS Group plc Pension Scheme had an IAS 19 accounting deficit of £8 million compared with a deficit of £7 million as at 31 March 2011.

An IAS 19 net pension credit of £1 million has been recognised in EBITDA during the year in respect of all Group schemes. The equivalent charge in the prior year was £7 million.

Dividend

The Board approved and paid an interim dividend of 0.75 pence per share at a cost of £20 million and suspended future dividends until further notice to improve the future balance sheet strength of the Group.

Reconciliation of EBITDA to Free Cash Flow

	2011/12 £m	2010/11 £m
EBITDA	378	442
Exceptional items	-	(17)
EBITDA less exceptional items	**378**	**425**
Movement in exceptional provisions	(14)	(20)
Cash capital expenditure	(245)	(239)
Movement in working capital and other	(20)	(50)
Trading cash inflow[1]	**99**	**116**
LTIP payments	-	(9)
Pension schemes cash funding	(127)	(15)
Acquisitions and disposals	18	14
Net cash (outflow)/inflow before financing activities	**(10)**	**106**
Interest and finance costs paid	(27)	(23)
Finance lease repayments	(34)	(22)
Free cash flow[2]	**(71)**	**61**

Source: Management information

Trading cash flow was £99 million in the year, down £17 million from 2010/11. The reduction in EBITDA has been partially compensated for by a significantly improved working capital performance of £30 million year on year.

Free cash flow for the year declined by £132 million compared to the prior year. This primarily reflected the impact of £112 million of incremental cash funding contributions to the Group's defined benefit pension schemes, lower trading cash flow (£17 million) as a result of weaker financial performance and higher finance lease repayments (£12 million) offset by several other smaller year on year variances.

Group cash and debt

	As at 31 March 2012 £m	As at 31 March 2011 £m
Cash and cash equivalents	**106**	**266**
Debt due in less than 1 year	(35)	(30)
Debt due in more than 1 but less than 2 years	(19)	(26)
Debt due in more than 2 but less than 5 years	(219)	(218)
Debt due in more than 5 years	(1)	(1)
Total debt	**(274)**	**(275)**
Total net debt	**(168)**	**(9)**

At 31 March 2012, we had £106 million of cash and short-term deposits and £274 million of debt which is primarily the debt element of the £230 million convertible bonds due in November 2014.

[1] Trading cash flow is defined as EBITDA, less cash exceptionals, less cash capex, adjusted for the movement in working capital and other items.
[2] Free cash flow represents net cash flow before repayment of and proceeds from borrowings other than finance leases, dividends paid and proceeds from share issues.

Net debt reconciliation

	Total net debt £m
As at 31 March 2011	(9)
Trading cash flow	99
Dividends	(91)
Acquisitions and disposals	18
Third party interest, debt and other	(184)
Exchange movements	(1)
As at 31 March 2012	**(168)**

Source: Management information

During the year to 31 March 2012, the business moved from a position of £9 million of net debt at 31 March 2011 to a position of £168 million of net debt. This reflected a trading cash inflow of £99 million, dividends paid of £91 million, £18 million proceeds on the disposal of a subsidiary and £184 million in respect of third party interest, debt and other, including pension funding contributions paid of £127 million and additional finance leases entered into in the year amounting to £28 million.

Liquidity

	As at 31 March 2012 £m	As at 31 March 2011 £m
Cash and short term deposits	106	266
Medium term committed and uncommitted undrawn bank facilities[1]	276	313
Short term debt	(35)	(30)
Total	**348**	**549**

[1]*Includes £260 million UK revolving multi-currency facility, INR 500 million India facility, £5 million UK overdraft facilities and £5 million money market facilities*
Source: Management information

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

On 24 February 2012 the Group entered into a £260 million multi-currency revolving credit facility with a group of six banks which is available until 30 June 2015. The facility has a break clause at 30 June 2014 which is conditional upon alternative arrangements being put in place in relation to the £230 million convertible bonds that mature in November 2014.

Going concern

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

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

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An audio conference will be held on 21 May at 14:00 (BST) available for both UK and International on +44 203 059 8125 to provide an overview of the performance. To access this audio conference, you will need to quote confirmation password – 'Results'.

A replay option will be available on: +44 121 260 4861, code confirmation: 2225394 followed by #

Access to the conference call can also be achieved by using the following QR code. Please ensure you have the appropriate software on your mobile device and scan the image.

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

ABOUT CABLE&WIRELESS WORLDWIDE

Cable&Wireless Worldwide (LSE: CW) provides integrated communications and data hosting services to large enterprises and mid-market customers in both the public and private sectors.

With an unrivalled heritage and a globally significant network Cable&Wireless Worldwide can provide robust and resilient connectivity to over 150 countries.

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

EXTRACTS FROM THE FINANCIAL STATEMENTS

Consolidated income statement

	2011/12			2010/11		
	Pre-exceptional items	**Exceptional items**	**Total**	**Pre-exceptional items**	**Exceptional items**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Continuing operations						
Revenue	**2,149**	**-**	**2,149**	2,257	-	2,257
Operating costs before depreciation and amortisation	**(1,771)**	**-**	**(1,771)**	(1,806)	(17)	(1,823)
Depreciation	**(228)**	**(42)**	**(270)**	(242)	-	(242)
Amortisation	**(41)**	**(436)**	**(477)**	(43)	-	(43)
Other operating income	**2**	**-**	**2**	4	-	4
Other operating expense	**(11)**	**-**	**(11)**	-	-	-
Total operating profit/(loss)	**100**	**(478)**	**(378)**	170	(17)	153
Gain on sale of non-current assets	**-**	**18**	**18**	-	14	14
Finance income	**1**	**-**	**1**	3	-	3
Finance expense	**(33)**	**-**	**(33)**	(30)	-	(30)
Profit/(loss) before income tax	**68**	**(460)**	**(392)**	143	(3)	140
Income tax (charge)/credit	**(3)**	**(146)**	**(149)**	69	-	69
Profit/(loss) for the year	**65**	**(606)**	**(541)**	212	(3)	209
Profit/(loss) attributable to:						
Owners of the parent	**63**	**(606)**	**(543)**	211	(3)	208
Non-controlling interests	**2**	**-**	**2**	1	-	1
	65	**(606)**	**(541)**	212	(3)	209
(Loss)/earnings per share attributable to the owners of the parent during the year (pence)						
– basic			(20.3)p			7.9p
– diluted			(20.3)p			7.7p

Consolidated statement of comprehensive income

	2011/12	2010/11
	£m	£m
(Loss)/profit for the year	(541)	209
Other comprehensive (expense)/income for the year:		
Actuarial (losses)/gains on retirement benefit obligations	(155)	55
Currency translation differences	(2)	(2)
Other comprehensive (expense)/income for the year	(157)	53
Total comprehensive (expense)/income for the year	**(698)**	**262**
Total comprehensive (expense)/income attributable to :		
Owners of the parent	(700)	261
Non-controlling interests	2	1
	(698)	**262**

The notes on pages 16 to 19 are an integral part of these condensed consolidated interim financial statements

Consolidated statement of financial position

	31 March 2012 £m	31 March 2011 £m
ASSETS		
Non-current assets		
Intangible assets	466	919
Property, plant and equipment	966	983
Other receivables	31	24
Deferred tax asset	72	220
	1,535	**2,146**
Current assets		
Trade and other receivables	476	596
Inventories	65	47
Cash and cash equivalents	106	266
	647	**909**
Non-current assets classified as held for sale	2	2
	649	**911**
Total assets	**2,184**	**3,057**
LIABILITIES		
Current liabilities		
Trade and other payables	811	936
Loans and obligations under finance leases	35	30
Provisions	41	30
Current tax liabilities	12	12
	899	**1,008**
Net current liabilities	**(250)**	**(97)**
Non-current liabilities		
Loans and obligations under finance leases	239	245
Financial liabilities at fair value	2	2
Provisions	166	155
Retirement benefit obligations	103	91
	510	**493**
Net assets	**775**	**1,556**
EQUITY		
Capital and reserves attributable to the owners of the parent		
Share capital	137	134
Share premium	56	56
Foreign currency translation reserve	(11)	(9)
Capital and other reserves	602	1,406
Retained earnings	(12)	(32)
	772	1,555
Non-controlling interests	3	1
Total equity	**775**	**1,556**

The notes on pages 16 to 19 are an integral part of these condensed consolidated interim financial statements

Consolidated statement of changes in equity

	Share capital	Share premium	Foreign currency translation reserve	Capital[1] and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2010	131	56	(7)	2,493	(1,302)	1,371	-	1,371
Profit for the year	-	-	-	-	208	208	1	209
Actuarial gains on retirement benefit obligations	-	-	-	-	55	55	-	55
Currency translation differences	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income/(expense) for the year	**-**	**-**	**(2)**	**-**	**263**	**261**	**1**	**262**
Share-based payment expense	-	-	-	-	6	6	-	6
Issue of share capital (net of issue costs)	1	2	-	-	-	3	-	3
Equity component of the convertible bonds transferred	-	-	-	(2)	2	-	-	-
Transfer of capital reserve	-	-	-	(1,085)	1,085	-	-	-
Dividends to shareholders	-	-	-	-	(117)	(117)	-	(117)
Shares allotted under scrip dividend scheme	2	(2)	-	-	31	31	-	31
Total dividends and other transactions with Cable & Wireless Worldwide plc shareholders	**3**	**-**	**-**	**(1,087)**	**1,007**	**(77)**	**-**	**(77)**
Balance at 31 March 2011	134	56	(9)	1,406	(32)	1,555	1	1,556
(Loss)/profit for the year	-	-	-	-	(543)	(543)	2	(541)
Actuarial losses on retirement benefit obligations	-	-	-	-	(155)	(155)	-	(155)
Currency translation differences	-	-	(2)	-	-	(2)	-	(2)
Total comprehensive income/(expense) for the year	**-**	**-**	**(2)**	**-**	**(698)**	**(700)**	**2**	**(698)**
Share-based payment expense	-	-	-	-	5	5	-	5
Issue of share capital (net of issue costs)	1	2	-	-	-	3	-	3
Equity component of the convertible bonds transferred	-	-	-	(4)	4	-	-	**-**
Transfer of capital reserve	-	-	-	(800)	800	-	-	-
Dividends to shareholders	-	-	-	-	(100)	(100)	-	(100)
Shares allotted under scrip dividend scheme	2	(2)	-	-	9	9	-	9
Total dividends and other transactions with Cable & Wireless Worldwide plc shareholders	**3**	**-**	**-**	**(804)**	**718**	**(83)**	**-**	**(83)**
Balance at 31 March 2012	**137**	**56**	**(11)**	**602**	**(12)**	**772**	**3**	**775**

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

Consolidated statement of cash flows

	2011/12 £m	2010/11 £m
Cash flows from operating activities		
(Loss)/profit for the year	**(541)**	**209**
Adjustments for:		
Depreciation	270	242
Amortisation	477	43
Gains on sale on non-current assets	(18)	(14)
Income tax charge/(credit)	149	(69)
Net other operating expense/(income)	9	(4)
Finance income	(1)	(3)
Finance expense	33	30
Decrease in provisions	(1)	(22)
Employee benefits	(139)	(32)
Operating cash flows before working capital changes	**238**	**380**
Changes in working capital		
Increase in inventories	(19)	(29)
Decrease in trade and other receivables	113	20
Decrease in trade and other payables	(114)	(42)
Cash generated from operations	**218**	**329**
Income taxes paid	(2)	(1)
Net cash from operating activities	**216**	**328**
Cash flows from investing activities		
Interest received	1	1
Proceeds on disposal of subsidiary	18	14
Purchase of non-current assets classified as held for sale	-	(2)
Proceeds on disposal of property, plant and equipment	-	4
Purchase of property, plant and equipment	(219)	(209)
Purchase of intangible assets	(26)	(30)
Net cash used in investing activities	**(226)**	**(222)**
Net cash flow before financing	**(10)**	**106**
Cash flows from financing activities		
Interest paid	(27)	(23)
Repayments of borrowings	(94)	(39)
Proceeds from borrowings	60	2
Funding contributions from the Cable & Wireless Communications Group	-	79
Dividends paid to owners of the parent	(91)	(86)
Proceeds on issue of shares for share awards	3	2
Net cash used in financing activities	**(149)**	**(65)**
Net (decrease)/increase in cash and cash equivalents	**(159)**	**41**
Cash and cash equivalents at 1 April	266	226
Exchange losses on cash and cash equivalents	(1)	(1)
Cash and cash equivalents at 31 March	**106**	**266**

The notes on pages 16 to 19 are an integral part of these condensed consolidated interim financial statements

Notes to the consolidated preliminary results 2011/12

1. Segmental information

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

Across the UK and worldwide the Group operates as a single operating segment. The Board considers the results of the business as a whole when assessing the performance of the Group and making decisions about the allocation of resources as the network infrastructure is utilised across all business lines. The chief operating decision-maker (CODM) of the Group is the Cable & Wireless Worldwide plc Board. Accordingly, the Group discloses a single reportable operating segment. Consequently there are no differences between reportable segmental information and the Group's results.

A summary of revenue and gross margin by market channels is presented on pages 4 to 7 and by product on pages 3 and 4 for information. Gross margin includes revenue and those costs directly attributable to specific revenue streams or customers. The gross margin does not include the costs of running and maintaining the network, including depreciation, which is the primary asset used across all market channels. Investment in the Group's network is not considered by the CODM based upon market channel or product. Further, the management, legal and operating structure of the Group is not organised around these market channels.

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

2. Exceptional items

Exceptional operating items in the current year of £478 million relate to a £436 million impairment of goodwill and a £42 million write off of certain obsolete assets. See notes 6 and 7.

Exceptional operating costs in the prior year of £17 million related to the business restructuring that commenced following the acquisition of Energis, the integration of the THUS Group and costs of demerger; these amounted to £6 million, £9 million and £2 million respectively.

Non-operating exceptional items relate to a £146 million reduction in the deferred tax asset and a gain of £18 million (2010/11: £14 million) on the disposal of a Group subsidiary.

3. Reconciliation of GAAP to Non-GAAP items

Total operating (loss)/profit to EBITDA

	2011/12 £m	2010/11 £m
Total operating (loss)/profit	**(378)**	**153**
Pre-exceptional depreciation and amortisation	269	285
LTIP credit	-	(9)
Net other operating expense/(income)	9	(4)
Exceptional items	478	17
EBITDA	**378**	**442**

EBITDA is a key profit indicator, reflecting the way the business is managed and how the Directors assess the performance of the Group. It is not a measure defined by IFRS. It is based on management reporting and is defined as earnings before interest, tax, depreciation and amortisation, net other operating income/expense and exceptional items.

4. Income tax

An exceptional charge of £146 million in respect of a reduction in the recognised deferred tax asset is included within the income tax charge of £149 million. This charge reduced the recognised deferred tax asset at 30 September 2011 to £74 million. The reduction in the recognised deferred tax asset reflects the revised estimates of the rate of recovery against future taxable profits based on the latest financial projections. The charge is considered exceptional based upon its nature and incidence, being a consequence of the revised 5 year business plan prepared during the first half of the year.

The non-exceptional tax charge of £3 million included £2 million reflecting the impact of changes in tax rates which further reduced the deferred tax asset at 31 March 2012 to £72 million (31 March 2011: £220 million).

5. *Earnings per share*

	2011/12 £m	2010/11 £m
(Loss)/profit for the year attributable to ordinary shareholders	**(543)**	**208**
Exceptional items	460	3
Exceptional taxation	146	-
Adjusted profit for the year	**63**	**211**
Taxation	3	(69)
Adjusted profit for the year before tax	**66**	**142**
(Loss)/profit for the year attributable to ordinary shareholders	**(543)**	**208**
Elimination of convertible bond amortisation and related interest[1]	-	13
(Loss)/profit for the year used to calculate diluted earnings per share	**(543)**	**221**
Exceptional items	460	3
Exceptional taxation	146	-
Adjusted profit for the year used to calculate adjusted diluted earnings per share	**63**	**224**
Taxation	3	(69)
Adjusted profit for the year before tax used to calculate adjusted diluted earnings per share before tax	**66**	**155**
Basic (loss)/earnings per share	**(20.3)p**	**7.9p**
Adjusted earnings per share[2]	2.4p	8.0p
Adjusted earnings before tax per share[2]	2.5p	5.4p
Diluted (loss)/earnings per share	**(20.3)p**	**7.7p**
Adjusted diluted earnings per share[2]	2.4p	7.8p
Adjusted diluted earnings before tax per share[2]	2.5p	5.4p

[1] Bond conversion adjustment of £12 million is anti-dilutive in 2011/12

[2] Adjusted earnings per share is based on profit/loss for the year before exceptional items

	As at 31 March 2012 '000	As at 31 March 2011 '000
Number of shares in issue	2,747,075	2,678,782
Shares held by employee share ownership trust	(38,268)	(26,763)
Number of shares outstanding	2,708,807	2,652,019
Basic weighted average number of shares outstanding during the year used for the basic EPS calculation	**2,668,146**	**2,621,160**
Dilutive effect of convertible bond	-	212,963
Dilutive effect of share awards	-	43,914
Diluted weighted average number of shares outstanding during the year used for the diluted EPS calculation	**2,668,146**	**2,878,037**

In calculating the diluted earnings/(loss) per share, share options outstanding and other potential shares have been taken into account where the impact of these is dilutive. Potential shares in relation to the convertible bond (225 million) and share awards (73 million) were excluded from the 2011/12 calculation of the total diluted number of shares as the impact of these is anti-dilutive.

6. Impairment review

The Group assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable or otherwise as required by relevant accounting standards.

The Group experienced weaker than anticipated business performance during the year in the extremely challenging UK economic climate. This, together with the existence of updated five year projections for the business produced following a strategic review undertaken in the first half of the year, prompted an impairment test at 30 September 2011.

The outcome of this review was that the value in use that was calculated using discounted cash flow projections of the business did not support the goodwill arising on the acquisitions of Energis (in 2005) and THUS (in 2009) subsumed within the Cable&Wireless Worldwide business. This resulted in an impairment of the carrying value of goodwill allocated to the Cable&Wireless Worldwide cash-generating unit (CGU) of £426 million at 30 September 2011, details of which are set out below.

Goodwill

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

The Group performed its annual assessment for impairment of the Cable&Wireless Worldwide CGU, at 31 March 2012. In the second half of the year, following the appointment of Gavin Darby as Chief Executive Officer, management continued to refine the five year projections for the business, based upon latest trading and economic conditions, trends and strategy, which provided updated projections to use in the annual impairment test at 31 March 2012. No further impairment of the CGU arose following this assessment at 31 March 2012.

The recoverable amount of the CGU at 30 September 2011 and 31 March 2012, and in previous reporting periods, was determined as its value in use, using assumptions as to the continuing operations of Cable&Wireless Worldwide based upon the latest five year projections, approved by management.

The impairment tests carried out at 31 March 2012, 30 September 2011and 31 March 2011 were performed using the following assumptions:

(i) Cash flows resulting from new investments were excluded from the value in use calculation. The cash flow projections derived from the five year financial plan reflect management's expectations of levels of revenue, EBITDA and capital expenditure together with working capital requirements and operating cash flows. These key assumptions were determined using a combination of extrapolations of historical trends within the business, telecommunication industry estimates and in-house estimates of future performance.

(ii) Cash flows beyond this projected period were extrapolated using an estimated long term growth rate. For this a rate of 0.5% (30 September 2011: 0.5%, 31 March 2011: 1.0%) was used to extrapolate the cash flow projections into perpetuity. This growth rate was determined using long-term historical growth rates of the CGU (excluding the impact of investment), had been benchmarked and did not exceed the long-term average growth rates for our industry.

(iii) A pre-tax discount rate of 10.2% (30 September 2011: 10.8%, 31 March 2011: 9.1%) was used to discount projected cash flows of the CGU. The discount rate reflected the time value of money and was derived from the Group's pre-tax weighted average cost of capital. The discount rate reflected the latest market assumptions of the risk free rate for 20 year UK government bonds, adjusted for an equity risk premium, the net cost of debt and market assumptions on the Company's cost of equity beta.

Taking into account the update projections produced at 31 March 2012, which showed improved performance over the five year period compared to the projections prepared at 30 September 2011, management consider there is no reasonably possible change in assumptions used in the impairment review of the Cable&Wireless Worldwide CGU at 31 March 2012 that would result in the carrying amount exceeding its value in use. As at 31 March 2011 management estimated that a reasonably possible increase in the discount rate used to discount projected cash flows by more than 1.4 percentage points would trigger an impairment.

The Group also considered the recoverable amount of the Cable&Wireless Worldwide CGU with reference to the recommended cash offer made by Vodafone Group on 23 April 2012. This assessment indicated a recoverable amount exceeding the carrying value of the Cable&Wireless Worldwide CGU at 31 March 2012.

An impairment test of the Apollo CGU at 30 September 2011 indicated that the carrying amount of the CGU was higher than its recoverable amount and total goodwill allocated to this CGU amounting to £10 million was written off in full. This impairment arose following the increase in discount rate to 10.8% for the reasons set out above. Any reasonably possible adverse change in assumptions for this CGU will result in a further impairment. The annual assessment for impairment of the Apollo CGU identified no further impairment to be recognised at 31 March 2012.

7. Property, plant and equipment

During the period, additions to property, plant and equipment totalled £234 million, principally relating to the Group's network infrastructure. The Group's capital commitments at 31 March 2012 were £62 million (31 March 2011: £64 million).

Following the strategic decision to cease offering certain IP and data products and services to new customers, equipment with a net book value of £42 million was identified as obsolete or redundant and has been written off. The charge arising from the write-off of the assets was considered exceptional based upon its size, nature and incidence.

8. Provisions for liabilities and charges

The table below represents the movements in significant classes of provisions during the year ended 31 March 2012:

	Property	Redundancy	Network and asset retirement obligations	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2011	62	3	112	8	185
Additional provisions	7	21	14	4	46
Amounts used	(13)	(8)	(1)	(1)	(23)
Unused amounts reversed	(1)	(1)	(4)	-	(6)
Effect of discounting	1	-	4	-	5
At 31 March 2012	**56**	**15**	**125**	**11**	**207**
Current	14	15	1	11	41
Non-current	42	-	124	-	166

Cash spent on exceptional items and opening exceptional provisions was £14 million in the year (£37 million in 2010/11).

Property

Provision has been made for the lower of the best estimate of the unavoidable lease payments and dilapidations or cost to exit vacant properties. The provision is expected to be used over the shorter of the period to exit and the lease contract lives which are for periods up to 20 years from 31 March 2012.

The increase in property provisions in the year of £7 million related to the impact of a change in discount rate assumptions reflecting the movement in government bond rates.

Property provisions released during the year were as a result of the sub-letting of previously vacant properties or leases where dilapidations and other exit costs were less than previously provided for.

Redundancy

In the periods presented, redundancy provisions included the total employee related costs of redundancies announced prior to the reporting date. Amounts provided for during the year related to the cost of redundancies arising in the normal course of business. 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. These provisions are expected to be used over the remaining lease periods, the majority of which being no more than 7 years.

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. This provision is expected to be used at the end of the life of the related asset on which the obligation arose.

Provision raised in the year of £14 million primarily related to the impact of a change in discount rate assumptions, reflecting the movement in government bond rates, used in calculating the asset retirement obligations.

Amounts utilised related predominantly to cash expenditure against unavoidable costs associated with redundant network capacity.

Other

Other provisions include specific legal claims against the Group and provision for employee long term incapacity benefit.

9. Post balance sheet events

On Monday, 23 April 2012, Cable & Wireless Worldwide plc announced that the Board had reached agreement on the terms of a recommended cash offer for Cable & Wireless Worldwide plc by Vodafone Europe B.V., an indirect wholly owned subsidiary of Vodafone Group Plc, whereby Vodafone Europe B.V. would acquire the entire issued and to be issued ordinary share capital of Cable & Wireless Worldwide plc.

FORWARD LOOKING STATEMENTS

The financial information in this preliminary announcement represents non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The auditors have reported on the statutory accounts for the year ended 31 March 2012. Their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. These accounts will be sent to the Registrar of Companies following the Company's Annual General Meeting. A separate dissemination announcement in accordance with the Disclosure and Transparency Rules (DTR) 6.3 will be made when the annual report and audited financial statements are available on the Group's website.

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

There are several factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

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