

Company Registration No. 6338C

THE EASTERN TELEGRAPH COMPANY LIMITED

Report and Financial Statements

31 March 2006

Registered Office:

7th Floor,
The Point,
37 North Wharf Road,
London W2 1LA



THE EASTERN TELEGRAPH COMPANY LIMITED

To the Company's Ordinary Shareholders

Elective Regime

On 15 October 1993 the Company passed elective resolutions in accordance with Section 379A of the Companies Act 1985 as amended ("the Act") to dispense with the formalities of:

- the laying of accounts before the Company in general meeting (Section 252 of the Act);
- the holding of annual general meetings (Section 366A of the Act); and
- the obligation to appoint auditors annually (Section 386 of the Act).

Section 253(2) gives members the right to require the laying of accounts before the company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with Section 238(1) of the Act.

THE EASTERN TELEGRAPH COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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THE EASTERN TELEGRAPH COMPANY LIMITED

DIRECTORS' REPORT (Cont.)

The Directors present their annual report and the audited financial statements for the year ended 31 March 2006.

ACTIVITIES

The Company carried on telecommunications training in the United Kingdom until 2001 when the trade was transferred to another Cable & Wireless Group company. The Company sold the Coventry College land and buildings in May 2005 for consideration of £16,775,000.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounting to £9,393,000 (2005 – loss £1,095,000) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2005 – £nil).

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year, and subsequent to the year end were:

A S Garard (resigned 21 March 2006)
N I Cooper (appointed 21 March 2006)
H M Hanscomb

The Directors have no interest in the shares of the Company nor any disclosable interests in any contracts or arrangements with the company either subsisting at the end of the financial year or entered into since the end of the previous financial year. The Directors who held office at the end of the financial year had the following beneficial interests in the shares of Cable and Wireless plc:

	At 1 April 2005 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised/lapsed	At 31 March 2006
H M Hanscomb	1,240	1,231	-	2,434
	30,548	-	-	30,548 (a)
	23,334	-	1,863	21,471 (b)
N I Cooper	570	-	-	570
	433,944	-	-	433,944 (b)
	108,486	-	-	108,486 (c)

All interests are in fully paid Ordinary Shares, unless marked (a) which are options to purchase Ordinary Shares under the C&W Employee Savings Related Share Option Scheme, (b) which are options to purchase Ordinary Shares under the discretionary share option schemes and (c) which are contingent share awards granted on 13 February 2006 under the Performance Share Plan.

By order of the Board of Directors.



H M HANSCOMB

Company Secretary

30 January 2007

THE EASTERN TELEGRAPH COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EASTERN TELEGRAPH COMPANY LIMITED

We have audited the financial statements of The Eastern Telegraph Company Limited for the year ended 31 March 2006, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc

*Chartered Accountants
Registered Auditor
London*

Date 31 Jan 2007

THE EASTERN TELEGRAPH COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2006

	Note	2006 £000	2005 £000
Operating costs	3	(3,720)	(1,091)
OPERATING LOSS		(3,720)	(1,091)
Interest expense	4	-	(4)
Profit on sale of tangible assets		13,113	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		9,393	(1,095)
Tax on profit on ordinary activities	5	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		9,393	(1,095)
Retained loss brought forward		(18,468)	(17,373)
Retained loss carried forward		(9,075)	(18,468)

There are no recognised gains or losses for the current and prior year other than those presented in the profit and loss account. Accordingly no statement of recognised gains or losses has been prepared.

THE EASTERN TELEGRAPH COMPANY LIMITED

BALANCE SHEET As at 31 March 2006

	Note	2006 £000	2005 £000
FIXED ASSETS			
Tangible assets	6	-	2,770
CURRENT ASSETS			
Debtors	7	-	676
Cash at bank and in hand		-	291
		-	967
CREDITORS:			
amounts falling due within one year	8	(7,875)	(21,005)
NET CURRENT LIABILITIES		(7,875)	(20,038)
TOTAL ASSETS LESS CURRENT LIABILITIES		(7,875)	(17,268)
NET LIABILITIES		(7,875)	(17,268)
CAPITAL AND RESERVES			
Called up share capital	9	1,200	1,200
Profit and loss account		(9,075)	(18,468)
EQUITY SHAREHOLDER'S DEFICIT		(7,875)	(17,268)

The financial statements were approved by the Board of Directors on
signed on their behalf by:

30 January

2007 and

N. COOPER
Director

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and on the historical cost basis.

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £7,875,000. The Directors have reviewed the financial position of the Company, including the arrangements with group undertakings, and believe that it remains appropriate to prepare the financial statements on a going concern basis.

Tangible fixed assets

Depreciation of tangible fixed assets is set aside on the basis of providing in equal annual instalments for the costs or valuation over the estimated useful life of these assets, namely:

Freehold Buildings	40 years
Plant	3 to 20 years

Freehold land, where the cost is distinguishable from the cost of the building thereon is not depreciated.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. INFORMATION REGARDING DIRECTORS , EMPLOYEES AND AUDITORS

The Company had no employees during the year (2005 – nil). The Directors did not receive any emoluments from the Company (2005 – £nil). The audit fee was borne by the ultimate parent company in both the current year and the prior year.

3. OPERATING COSTS

The split of operating costs incurred by the Company is presented below:

	2006 £000	2005 £000
Property management fees	1,628	318
Repairs and maintenance	164	62
Depreciation of property, plant and equipment	-	298
Bad debt expense	1,836	408
Other administrative costs	92	5
	<u>3,720</u>	<u>1,091</u>

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

4. INTEREST EXPENSE

	2006 £000	2005 £000
Interest	-	4

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
The credit for taxation comprises:		
United Kingdom corporation tax at 30% (2005 – 30%)		
Current year	-	-
Adjustment in respect of prior year	-	-

Reconciliation of the Company's current tax to the United Kingdom statutory rate:

	2006 %	2005 %
Statutory Rate:	30.0	30.0
Effects of:		
Permanent differences	(22.5)	(2.1)
Capital allowances in excess of depreciation	(3.3)	1.6
Group relief surrendered without payment	-	(29.5)
Group relief claimed without payment	(4.2)	-
Current tax rate	-	-

A deferred tax asset of £337,000 (2005 – £232,000) has not been recognised on excess capital allowances and other short-term differences. These assets can only be deducted against certain types of future income. There is currently insufficient evidence that suitable taxable profits will be generated.

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

6. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant £000	Total £000
Cost or valuation:			
At 1 April 2005	17,426	7,378	24,804
Disposals	(17,426)	(7,378)	(24,804)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	-	-
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 April 2005	14,726	7,308	22,034
Disposals	(14,726)	(7,308)	(22,034)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value:			
31 March 2006	-	-	-
	<hr/>	<hr/>	<hr/>
31 March 2005	<u>2,700</u>	<u>70</u>	<u>2,770</u>

The Company sold the Coventry College land and buildings in May 2005 for consideration of £16,775,000 realising a profit after costs of disposal of £13,113,000.

7. DEBTORS

	2006 £000	2005 £000
Other debtors	-	676
	<hr/>	<hr/>
	-	676
	<hr/>	<hr/>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £000	2005 £000
Amounts owed to parent undertaking	7,875	20,880
Accruals and deferred income	-	125
	<hr/>	<hr/>
	<u>7,875</u>	<u>21,005</u>

THE EASTERN TELEGRAPH COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2006

9. CALLED UP SHARE CAPITAL

	2006 £000	2005 £000
Authorised		
1,200,000 ordinary stock units of £1 each	1,200	1,200
5,800,000 ordinary shares of £1 each	5,800	5,800
	<hr/>	<hr/>
	7,000	7,000
	<hr/>	<hr/>
Allotted, called up, and fully paid		
1,200,000 ordinary stock units of £1 each	1,200	1,200
	<hr/>	<hr/>

10. CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking. A consolidated cash flow statement is included in the financial statements of Cable and Wireless plc, which are publicly available from the address in note 12.

11. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless group, or investees of the group qualifying as related parties, as all of the Company's voting rights are controlled within that group. There are no material transactions with any other related parties.

12. ULTIMATE PARENT COMPANY

The Company's immediate and ultimate parent undertaking is Cable and Wireless plc, registered in England and Wales. A copy of Cable and Wireless plc's published consolidated financial statements can be obtained from The Secretary, Cable and Wireless plc, 7th Floor, The Point, 37 North Wharf Road, London W2 1LA. No other group accounts include the results of the Company.