

**THE WESTERN TELEGRAPH COMPANY LIMITED**

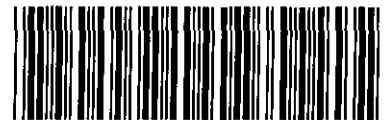
**Report and Financial Statements**

**31 March 2006**

**Registered Office:**

**7<sup>th</sup> Floor,  
The Point,  
37 North Wharf Road,  
London W2 1LA**

WEDNESDAY



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# THE WESTERN TELEGRAPH COMPANY LIMITED

## To the Company's Ordinary Shareholders

### Elective Regime

On 5 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 WESTERN TELEGRAPH COMPANY LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2006**

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# THE WESTERN TELEGRAPH COMPANY LIMITED

## DIRECTORS REPORT

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

### ACTIVITIES

The main activity of the Company during the year was to provide an interest free loan to Cable and Wireless plc. Following the capitalisation of the loan it is anticipated that the Company will remain dormant.

### RESULTS AND DIVIDENDS

The result for the year after taxation was £nil (2005 – £nil) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend (2005 – £nil).

On 8 February 2006, one share of £1 nominal value was issued to Sable Holdings Ltd at a premium of £31,819,387 for consideration of £31,819,388.

### DIRECTORS AND THEIR INTERESTS

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

H M Hanscomb (appointed 31 January 2005)

A S Garard (appointed 12 March 2004, resigned 21 March 2006)

N I Cooper (appointed 21 March 2006)

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
N I Cooper	570	-	-	570
	433,944	-	-	433,944 (b)
	108,486	-	-	108,486 (c)
HM Hanscomb	1,240	1,231	-	2,431
	30,548	-	-	30,548 (a)
	23,334	-	1,863	21,471 (b)

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 or (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

Secretary

Date: 31 January 2007

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 WESTERN TELEGRAPH COMPANY LIMITED**

We have audited the financial statements of The Western 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 result 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: *5 Feb 2007*

# **THE WESTERN TELEGRAPH COMPANY LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**Year ended 31 March 2006**

During the current and prior year the Company did not trade and received no income and incurred no expenditure. Consequently, the Company made neither a profit nor loss or any other recognised gains or losses in the current or prior year.

# THE WESTERN TELEGRAPH COMPANY LIMITED

## BALANCE SHEET As at 31 March 2006

	Note	2006 £	2005 £
<b>CURRENT ASSETS</b>			
<b>DEBTORS:</b>			
Amounts owed by parent undertakings		-	13,306,244
<b>CREDITORS:</b>			
Amounts falling due within one year			
Amounts owed to parent undertaking		(140,217)	(45,265,849)
<b>NET LIABILITIES</b>		<u>(140,217)</u>	<u>(31,959,605)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	3	5,600,001	5,600,000
Share premium account	4	31,819,387	-
Profit and loss account	4	(37,559,605)	(37,559,605)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(140,217)</u>	<u>(31,959,605)</u>

The financial statements on pages 5 to 8 were approved by the Board of Directors on 31 January 2007 and signed on their behalf by:

  
**N I COOPER**  
Director



# THE WESTERN TELEGRAPH COMPANY LIMITED

## NOTES TO THE ACCOUNTS

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 £140,217. 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. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

#### Tax

The charge for tax is based on the result for the year and takes into account tax deferred due to timing differences between the treatment of certain items for tax and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that 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.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

### 2. INFORMATION REGARDING DIRECTORS AND 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 auditors' remuneration for the year was borne by the parent company.

### 3. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
5,600,000 ordinary stock units of £1 each	5,600,000	5,600,000
1,400,000 ordinary shares of £1 each	1,400,000	1,400,000
	<u>7,000,000</u>	<u>7,000,000</u>
Allotted, called up and fully paid		
5,600,000 ordinary stock units of £1 each	5,600,000	5,600,000
1 ordinary share of £1 each	1	-
	<u>5,600,001</u>	<u>5,600,000</u>

# THE WESTERN TELEGRAPH COMPANY LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 2006

### 4. MOVEMENT ON RESERVES

	Share premium	Profit and loss account	Total
At 1 April 2005	-	(37,559,605)	(37,559,605)
Share premium issued during the year	31,819,387	-	31,819,387
At 31 March 2006	<u>31,819,387</u>	<u>(37,559,605)</u>	<u>(5,740,218)</u>

On 8 February 2006, one share of £1 nominal value was issued to Sable Holdings Ltd at a premium of £31,819,387 for consideration of £31,819,388.

### 5. CASH FLOW STATEMENT

Under FRS 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 in which the company is consolidated from the address in Note 7.

### 6. RELATED PARTY TRANSACTIONS

Under FRS 8, Related Party Transactions 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.

### 7. ULTIMATE PARENT COMPANY

The Directors consider that the Company's ultimate parent undertaking and controlling party 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, 7<sup>th</sup> Floor, The Point, 37 North Wharf Road, London W2 1LA. No other group accounts include the results of the Company.