

The Education Exchange Limited

Report and Financial Statements

31 March 2006

**Registered Office:
Lakeside House
Cain Road
Bracknell
Berkshire
RG12 1XL**

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COMPANIES HOUSE

To the Company's Ordinary Shareholders

Elective Regime

On 24th November 1999 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);
- 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.

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Director's report

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

Principal activities and review of developments

On 1 April 2002 the business was transferred to a fellow subsidiary undertaking of Cable and Wireless plc. The Company formerly carried on the business of providing leased line Internet connections and virtual private network services. The Directors have decided to liquidate the company within the foreseeable future. Therefore these accounts have been prepared on a break up basis. The impact of the preparation of these accounts on a break up basis is explained in note 1.

Business review

The Company made a profit for the year of £888 (2005: loss of £7,237). 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 as follows:

L Solomon	resigned 29 July 2005
J M Jensen	appointed 29 July 2005
N I Cooper	appointed 16 March 2006

The Directors have no interest in the shares of the Company or 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 date of appointment if later)	Shares acquired/options granted	Shares disposed/ options exercised or lapsed	Closing balance as at 31 March 2006	
N I Cooper	570	-	-	570	
	433,944		-	433,944	(a)
	108,486		-	108,486	(b)
JM Jensen	1,000	-	-	1,000	
		116,959	-	116,959	(c)
	-	223,463	-	223,463	(d)

All interests are in fully paid Ordinary Shares, unless marked (a) which are options to purchase Ordinary Shares under the C&W discretionary share option schemes, (b) which are contingent shares awarded on 13 February 2006 under the Performance Share Plan ('PSP') which will vest on 13 February 2009 (c) which are restricted shares awarded under the Restricted Share Plan ('RSP'), 50% of which will vest on 25 August 2006 and 50% will vest on 25 August 2008 or (d) which are restricted shares awarded under the RSP 50% of which will vest on 3 March 2007 and 50% will vest on 3 March 2009.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



J JENSEN

Director

Date: 31 January 2007

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 they 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the independent auditors, KPMG Audit Plc, to the members of The Education Exchange Limited

We have audited the financial statements of The Education Exchange 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 2, 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

Report of the independent auditors, KPMG Audit Plc, to the members of The Education Exchange Limited *(continued)*

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

31 January 2007

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

The Education Exchange Limited

Profit and loss account

For the year ended 31 March 2006

	<i>Note</i>	2006 £	2005 £
Other expenses		-	(65)
Operating loss		<u>-</u>	<u>(65)</u>
Other interest receivable and similar income	3	888	905
Profit on ordinary activities before taxation		<u>888</u>	<u>840</u>
Taxation	4	-	(8,077)
Retained profit / (loss) for the financial year		<u><u>888</u></u>	<u><u>(7,237)</u></u>

The results for the year are derived entirely from discontinued operations.

The Company has no recognised gains and losses other than the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the periods stated above and their historical-cost equivalents.

Reconciliation of movements in shareholders' funds

For the year ended 31 March 2006

	2006	2005
Opening balance	(1,285,679)	(1,278,442)
Profit / (loss) for the year	888	(7,237)
Closing balance	<u><u>(1,284,791)</u></u>	<u><u>(1,285,679)</u></u>

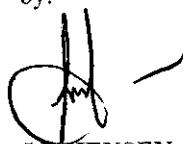
The Education Exchange Limited

Balance sheet

At 31 March 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	5	-	-
Current assets			
Debtors	6	1,812,189	1,812,189
Cash at bank and in hand		46,012	45,124
		<u>1,858,201</u>	<u>1,857,313</u>
Creditors: amounts falling due within one year	7	<u>(3,142,992)</u>	<u>(3,142,992)</u>
Net current liabilities		<u>(1,284,791)</u>	<u>(1,285,679)</u>
Net liabilities		<u>(1,284,791)</u>	<u>(1,285,679)</u>
Capital and reserves			
Called up equity share capital	8	100	100
Profit and loss account	9	(1,284,891)	(1,285,779)
Shareholder's deficit		<u>(1,284,791)</u>	<u>(1,285,679)</u>

These accounts were approved by the Board of Directors on
by:



J M JENSEN
Director

on 1 January 2007 and signed on its behalf

The accompanying notes form an integral part of this statement.

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The adoption of the other accounting policies mentioned above did not have any impact in the financial statements of The Education Exchange Limited.

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules. In previous years the financial statements have been prepared on a going concern basis. The Directors have decided to liquidate the company within the foreseeable future. Therefore these accounts have been prepared on a break up basis. There has been no impact on the accounts as a result of preparing them on a break up basis.

Deferred taxation

Deferred tax is recognized 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, except as otherwise required by FRS 19. 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 recognized in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognized 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.

Tangible fixed assets

Tangible fixed assets are recorded at cost, which includes materials, direct labour and other incremental costs applicable to the design, construction and connection of the telecommunications and cable television networks and equipment.

Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement because it is a wholly owned subsidiary of a company, incorporated in England & Wales, which prepares a consolidated cash flow statement. A consolidated cash flow statement is included in the financial statements of Cable and Wireless plc.

2. Information regarding Directors and employees

The Directors did not receive any remuneration in respect of their services to the Company during the year (2005: £nil). The Company had no employees during the current or prior year.

Notes to the financial statements (continued)

3. Other interest receivable and similar income

	2006 £	2005 £
Third party interest receivable	888	905
	<u>888</u>	<u>905</u>

4. Taxation on ordinary activities

Analysis of charge in the year:	2006 £	2005 £
<i>Current tax:</i>		
Payment for group relief surrendered	-	-
Adjustment in respect of previous periods	-	8,077
Tax on profit on ordinary activities	<u>-</u>	<u>8,077</u>

Factors affecting tax charge for the current year

The tax assessment for the period is higher than the standard rate of corporation tax in the UK (30%). The difference are explained below:

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>888</u>	<u>840</u>
Current tax at 30% (2005: 30%)	266	252
Effect of:		
- Capital allowances in excess of depreciation	-	-
- Group relief claimed without payment	(266)	(252)
- Adjustment to tax charge in previous periods	-	8,077
Total current charge / (credit) for the year	<u>-</u>	<u>8,077</u>

Notes to the financial statements (continued)

5. Tangible assets

	Computer, equipment and software £
Cost	
At Beginning of year	777,710
Transfer to other group companies	(777,710)
At end of year	-
Depreciation	
At beginning of year	777,710
Transfer to other group companies	(777,710)
At end of year	-
Net book value	
As at 31 March 2006	-
As at 1 April 2005	-

6. Debtors

	2006 £	2005 £
Amounts falling due within one year:		
Amounts owed by fellow group undertakings	1,812,189	1,812,189
	<u>1,812,189</u>	<u>1,812,189</u>

7. Creditors

	2006 £	2005 £
Amounts falling due within one year:		
Amounts owed to fellow group undertakings	3,142,992	3,142,992
	<u>3,142,992</u>	<u>3,142,992</u>

Notes to the financial statements (continued)

8. Share capital

	2006 £	2005 £
Authorised:		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

9. Reserves

	Profit and loss Account £
At 1 April 2005	(1,285,779)
Retained profit for the year	888
At 31 March 2006	<u>(1,284,891)</u>

10. 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 the Group. There are no transactions with any other related parties.

11. Ultimate parent company and controlling undertaking

The Directors regard Cable and Wireless plc, a company registered in England and Wales, as the ultimate parent company and controlling undertaking.

The largest group in which the results of the Company are consolidated is that of which Cable and Wireless plc is the parent company. The consolidated financial statements of Cable and Wireless plc may 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.