Company Registration No. 2966036

The Education Exchange Limited

Report and Financial Statements

31 March 2003

Registered Office:
124 Theobalds Road
London
WC1X 8RX

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.

Contents

Directors' report

The Directors present their annual report and the audited accounts for the year ended 31 March 2003.

Principal activities and review of developments

From 1 April 2002 the business has been 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.

Business review

The Company made a loss for the year of £242,000 (2002: profit of £1,359,000).

The Directors do not recommend payment of a dividend (2002: £nil).

Directors and their interests

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

K K Claydon	resigned 18 July 2003
J D Fitz	resigned 29 May 2003
R E Lerwill	resigned 5 June 2003
J M Bolton	(alternate to KK Claydon) appointment terminated 18 July 2003
G H Norton	appointed 1 July 2003
R Hoggarth	appointed 14 July 2003

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 2002	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 2003	
K K Claydon	16,571	6,519	4,721	18,369	
	7,412	39,780	18,762	28,430	(a)
	131,517	91,000	-	222,517	(b)
	10,782	-	10,782	-	(c)
	4,524	-	-	4,524	(d)
	36,326	-	-	36,326	(e)
	-	45,400	-	45,400	(f)
J D Fitz	6,099	-	-	6,099	
	2,694	-	619	2,075	(a)
	257,398	197,000	-	454,398	(b)
	12,033	-	12,033	-	(c)
	8,261	-	-	8,261	(d)
	58,824	-	-	58,824	(e)
	-	98,100	-	98,100	(f)
J M Bolton	1,014	643	-	1,657	
	3,459	21,134	9,457	15,136	(a)
	27,101	15,000	-	42,101	(b)

Directors' report (continued)

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, (c) which are contingent share awards granted on 1 April 1999 under the C&W Performance Share Plan (PSP) 1999, (d) which are contingent share awards granted on 1 April 2000 under the C&W PSP 2000, (e) which are contingent share awards granted on 27 July 2001 under the C&W PSP 2001 or (f) which are contingent share awards granted on 23 May 2002 under the C&W PSP 2002. Full details of the PSP are included in the financial statements of the ultimate parent company, Cable and Wireless plc.

The interests in the shares of Cable and Wireless plc for R E Lerwill are disclosed in the Annual Report and Accounts of that company for the year ended 31 March 2003.

By order of the Board

H M HANSCOMB
Assistant Secretary
Date: 30 January 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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.

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

We have audited the financial statements on pages 5 to 10.

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

The Directors are responsible for preparing the Directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the Company's affairs as at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

3 February 2004

Profit and loss account

For the year ended 31 March 2003

	Note	2003 £000	2002 £000
Turnover	2	-	1,356
Cost of sales		-	(101)
Gross profit		-	1,255
Other operating expenses	3	-	670
Depreciation and amortisation	3	(242)	(234)
Operating (loss) / profit		(242)	1,691
(Loss) / profit on ordinary activities before taxation	3	(242)	1,691
Taxation	5	-	(332)
Retained (loss) / profit for the financial year		(242)	1,359

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

Reconciliation of movements in shareholders' funds

For the year ended 31 March 2003

	2003 £000	2002 £000
Opening balance	(1,080)	(2,439)
(Loss) / profit for the year	(242)	1,359
Closing balance	(1,322)	(1,080)

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.

Balance sheet
At 31 March 2003

	Note	2003 £000	2002 £000
Fixed assets			
Tangible assets	6	-	242
		-	242
Current assets			
Debtors	7	1,820	2,039
Cash at bank and in hand		44	40
		1,864	2,079
Creditors: amounts falling due within one year	8	(3,186)	(3,401)
Net current liabilities		(1,322)	(1,322)
Net Liabilities		(1,322)	(1,080)
Capital and reserves			
Called up equity share capital	9	-	-
Profit and loss account	10	(1,322)	(1,080)
Shareholder's funds		(1,322)	(1,080)

These accounts were approved by the Board of Directors on 30 January 2004 and signed on its behalf by:

G H NORTON
Director

The accompanying notes form an integral part of this statement.

Notes to the financial statements
Year ended 31 March 2003

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £1,322,000. 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. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Turnover

Turnover, which excludes value added tax, is accounted for on the accruals basis. Revenue is recognised in the period in which the service is provided.

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, 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 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.

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.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal installments over the estimated useful lives as follows:

Plant and equipment:	
Computer Equipment	3 years
Software	3 years

Foreign currencies

Transactions in foreign currency are recorded in sterling at the rate of exchange ruling on the date of the transaction, except for those for which forward cover has been purchased. All monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date and gains or losses on translation are dealt with through the profit and loss account.

Notes to the financial statements (continued)
Year ended 31 March 2003

1. *Accounting policies (continued)*

Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (Revised), the Company has not prepared a cash flow statement because it is a wholly owned subsidiary of a company, incorporated in Great Britain, which prepares a consolidated cash flow statement.

2. Turnover

The total turnover of the Company for the prior year arose from its principal activity, of which over 99% of turnover was generated by operations in the United Kingdom.

3. (Loss)/profit on ordinary activities before taxation

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	242	234

The auditors' remuneration for the financial year ended 31 March 2003 and the preceding year has been borne by a fellow group company.

4. Information regarding Directors and employees

The Directors did not receive any remuneration during the year (2002: £nil). The Company had no employees during the current or prior year.

5. Taxation

Analysis of charge for the period	2003 £000	2002 £000
Corporation tax		
Current tax on (loss)/profit for the year	-	332

The current tax charge is higher (2002: lower) than the standard rate of corporation tax in the UK of 30% (2002:30%). The differences are explained below:

	2003 £000	2002 £000
Current tax reconciliation:		
(Loss) / profit on ordinary activities	(242)	1,691
Current tax (credit) / charge at 30% (2002: 30%)	(73)	507
Effects of:		
Depreciation for year in excess of capital allowances	73	29
Expenses not deductible for tax purposes	-	12
Utilisation of brought forward tax losses	-	(216)
	-	332

Notes to the financial statements (continued)
Year ended 31 March 2003

5. Taxation (continued)

Factors that may affect future tax charges

At 31 March 2003 no deferred tax asset exists. At 31 March 2002 a deferred tax asset of £52,279 on timing differences resulting from capital allowances in excess of depreciation was not recognised, as it was not considered recoverable in the foreseeable future.

6. Tangible assets

	Computer equipment and software £000	Total £000
Cost		
At 1 April 2002 and at 31 March 2003	777	777
Depreciation		
At 1 April 2002	535	535
Charge for the year	242	242
At 31 March 2003	777	777
Net book value		
At 31 March 2003	-	-
At 1 April 2002	242	242

7. Debtors

	2003 £000	2002 £000
Amounts falling due within one year:		
Trade debtors	-	124
Amounts owed by fellow group undertakings	1,820	1,915
	1,820	2,039

8. Creditors

	2003 £000	2002 £000
Amounts falling due within one year:		
Amounts owed to fellow group undertakings	3,186	2,853
Corporation tax	-	548
	3,186	3,401

Notes to the financial statements (continued)
Year ended 31 March 2003

9. Share capital

	2003 £	2002 £
Authorised:		
100 ordinary shares of £1 each	**100**	100
	100	100
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	**100**	100
	100	100

10. Reserves

	Profit and loss Account £000
At 1 April 2002	(1,080)
Retained loss for the year	(242)
At 31 March 2003	**(1,322)**

11. Related party transactions

Under FRS 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 the group. There are no transactions with any other related parties.

12. 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, 124 Theobalds Road, London WC1X 8RX. No other group accounts include the results of the Company.