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Company Registration No. ZC55

LONDON HYDRAULIC POWER COMPANY



Report and Financial Statements

31 March 2006

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

London Hydraulic Power Company

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Directors' report

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

Principal activities and review of developments

The Company was dormant within the meaning of Section 249AA of the Companies Act 1985 throughout the year. Accordingly, no profit and loss account has been produced and the Directors have appointed no auditors. The Company is not expected to trade in the foreseeable future.

Directors and their interests

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

J M Jensen	appointed 29 July 2005
N I Cooper	appointed 16 March 2006
L Solomon	appointed 16 September 2004, resigned 29 July 2005
A S Garard	appointed 17 December 2004, resigned 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 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 or lapsed	Closing Balance at 31 March 2006	
N I Cooper	570	-	-	570	
	433,944	-	-	433,944	(a)
	108,486	-	-	108,486	(b)
J M 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 discretionary share option schemes, (b) which are contingent share awards granted on 13 February 2006 under the Performance Share Plan 'PSP' (c) which are restricted shares granted under the Restricted Share Plan ('RSP'), 50% of which vest on 25 August 2006 and 50% vest on 25 August 2008, or (d) which are restricted shares granted under the RSP, 50% of which vest on 3 March 2007 and 50% vest on 3 March 2009.

Full details of the PSP and the RSP are included in the financial statements of the ultimate parent company.

By order of the Board:



H M HANSCOMB

Secretary

Date: 9 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. During the current year or prior period, 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.

Profit and loss account

For the year ended 31 March 2006

The Company did not trade during the financial year or the previous financial year and received no income and incurred no expenditure. Consequently, the Company made neither a profit nor a loss in the current and prior year.

London Hydraulic Power Company

Balance sheet

At 31 March 2006

	Note	2006 £'000	2005 £'000
Current assets			
Debtors	3	515	515
Net current assets		<u>515</u>	<u>515</u>
Net assets		<u>515</u>	<u>515</u>
Capital and reserves			
Called up share capital	4	166	166
Profit and loss account		264	264
Other reserves		85	85
Shareholders' funds		<u>515</u>	<u>515</u>

The Directors confirm that:

- (a) for the year ended 31 March 2006 the Company was entitled to exemption under section 249AA(1) of the Companies Act 1985 from the requirement to have its accounts audited; and
- (b) members have not required the Company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

The Directors acknowledge their responsibilities for (i) ensuring that the Company keeps accounting records which comply with section 221 of the Companies Act 1985, and (ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226 of that Act, and which otherwise comply with the requirements of that Act relating to accounts, so far as applicable to the Company.

These financial statements were approved by the Board of Directors on 09 January 2007 and signed on its behalf by:



J M JENSEN
Director

The accompanying notes form an integral part of this statement.

Notes to the financial statements

(also forming part of 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.

Neither FRS 21 'Events after the balance sheet date' nor FRS 25 'Financial instruments: presentation and disclosure' had any material effect as no related transactions or balances are recognised in these financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention. The accounts have been prepared on a going concern basis.

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 and which are publicly available from the address in note 6.

2. Information regarding Directors and employees

The Company had no employees during the year (2005: nil). The Directors did not receive any emoluments from the Company (2005: £nil).

3. Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year:		
Amounts due from group undertakings	<u>515</u>	<u>515</u>

4. Share capital

	2006 £'000	2005 £'000
Authorised, allotted, called up and fully paid:		
79,000 Ordinary shares of £2 each	158	158
790 5% non-cumulative preference shares of £10 each	<u>8</u>	<u>8</u>
	<u>166</u>	<u>166</u>

The preference shareholders have the right to vote at all General Meetings and are entitled to 4,000 votes per share. The preference shares rank first upon a winding up and are entitled to £10,000 per share.

Notes to the financial statements (continued)

(also forming part of the financial statements)

5. 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.

6. Ultimate parent company and controlling undertaking

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, 7th Floor, The Point, 37 North Wharf Road, London W2 1LA. No other group accounts include the results of the Company.