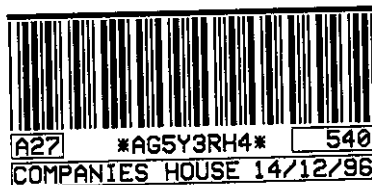


**THE EASTERN LEASING COMPANY LIMITED**

**Report and Financial Statements**

**31 March 1996**



**Registered Office**

**124 Theobalds Road  
London WC1X 8RX**

# **THE EASTERN LEASING COMPANY LIMITED**

## **To the Company's Ordinary Shareholder**

### **Elective Regime**

The Company has 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.

**Registered Office:**  
**124 Theobalds Road**  
**London**  
**WC1X 8RX**

REPORT AND FINANCIAL STATEMENTS 1996

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**REPORT AND FINANCIAL STATEMENTS 1996**

**OFFICERS AND AUDITORS**

**DIRECTORS**

R J Olsen  
J S E Giles  
A K Heard  
E C Dilley

**SECRETARY**

M P Harman

**AUDITORS**

KPMG  
Chartered Accountants  
Registered Auditors  
8 Salisbury Square  
PO Box 695  
London  
EC4Y 8BB

# THE EASTERN LEASING COMPANY LIMITED

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 1996.

## ACTIVITIES

The Company's principal business is the provision of lease and hire-purchase finance for capital projects.

## REVIEW OF DEVELOPMENTS

The leasing market in the United Kingdom remains very competitive. No new leasing business appropriate to the Company's portfolio which could maintain past levels of profitability was identified. The Directors judged it preferable to forego new investment during the year. They are satisfied as to the continuing profitability of the Company's lease portfolio.

## RESULTS AND DIVIDENDS

The profit for the year after taxation amounting to £115,707 (1995 - £164,600) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend.

## DIRECTORS AND THEIR INTERESTS

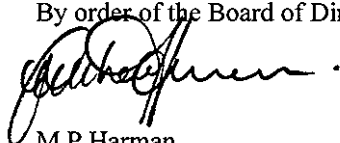
The Directors who held office during the period, together with their interests and the interests of their families in the ordinary shares of Cable and Wireless plc, are shown below:

	At 1 April 1995 (or later date of appointment)	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 1996	
R J Olsen	59,644	4,640	-	64,284	
	7,695	-	(3,316)	4,379	(a)
	377,502	-	-	377,502	(b)
A K Heard	8,858	193	(1,274)	7,777	
	5,046	-	-	5,046	(a)
	39,614	-	-	39,614	(b)
E C Dilley	1,635	-	-	1,635	
(appointed 1	-	-	-	-	(a)
March 1996)	-	-	-	-	(b)
J S E Giles	-	-	-	-	
	6,635	-	-	6,635	(a)
	65,272	-	-	65,272	(b)

All interests are in fully paid ordinary shares, unless marked (a) which are options to purchase ordinary shares under the savings related option scheme for employees or (b) which are options to purchase ordinary shares under the discretionary share option schemes.

Richard Wainright-Lee resigned as a Director on 1 March 1996.

By order of the Board of Directors.



M P Harman  
Secretary

27 September 1996

**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 as at the end of the financial year and of the profit or loss of the Company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBERS OF THE EASTERN LEASING  
COMPANY LIMITED**

We have audited the financial statements on pages 6 to 12.

**Respective responsibilities of Directors and auditors**

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants  
Registered Auditors  
London

27 September 1996

# THE EASTERN LEASING COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 March 1996

	Note	1996 £	1995 £
<b>TURNOVER</b>	2	2,190,764	2,330,302
Operating costs	4	(2,079,981)	(2,209,949)
<b>OPERATING PROFIT</b>		<u>110,783</u>	<u>120,353</u>
Net interest and other similar income	5	<u>115,924</u>	<u>125,297</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		226,707	245,650
Tax on profit on ordinary activities	6	(111,000)	(81,050)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>115,707</u>	<u>164,600</u>
Retained profit brought forward		<u>860,066</u>	<u>695,466</u>
Retained profit carried forward		<u><u>975,773</u></u>	<u><u>860,066</u></u>

There are no recognised gains or losses other than the profit for the year and the profit in the previous year. Accordingly, no statement of recognised gains and losses has been prepared.

There are no movements in shareholders' funds other than the profit for the year and the profit in the previous year.

There is no difference between the Company's results as reported and on an historical cost basis. Accordingly, no note of historical cost profits and losses has been prepared.

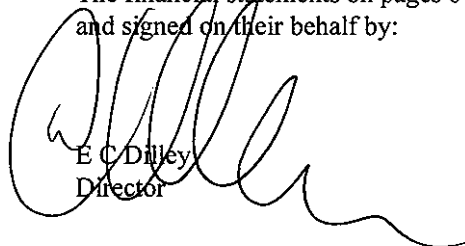


# THE EASTERN LEASING COMPANY LIMITED

## BALANCE SHEET 31 March 1996

	Note	1996 £	1995 £
<b>FIXED ASSETS</b>			
Tangible assets	7	8,069,096	9,015,736
<b>CURRENT ASSETS</b>			
Debtors: - amounts falling due within one year	8	2,785,878	4,309,540
- amounts falling due after one year	8	817,003	6,574,230
Cash at bank and in hand		13,145	22
		<u>3,616,026</u>	<u>10,883,792</u>
<b>CREDITORS: amounts falling due within one year</b>			
Short term loans	9	392,325	367,575
Other	9	3,726,761	7,600,016
		<u>4,119,086</u>	<u>7,967,591</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(503,060)</u>	<u>2,916,201</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,566,036</u>	<u>11,931,937</u>
<b>CREDITORS: amounts falling due after more than one year</b>	10	4,601,140	9,043,523
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	11	1,988,123	2,027,348
<b>NET ASSETS</b>		<u>976,773</u>	<u>861,066</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,000	1,000
Profit and loss account		<u>975,773</u>	<u>860,066</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>976,773</u>	<u>861,066</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 27 September 1996 and signed on their behalf by:



E C Dilley  
Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1996**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards and on the historical cost basis. The particular accounting policies adopted are described below.

**Accounting for finance leases and hire purchase contracts**

Finance charges are allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease. The total net investment in finance leases and hire purchase contracts included in the balance sheet represents total lease and hire purchase payments receivable net of finance charges relating to future accounting periods.

**Tangible fixed assets and depreciation**

Fixed assets used in operating leases are depreciated so as to write off their costs less estimated residual values over their anticipated useful lives on an increasing basis such that the net income from operating leases, after charging depreciation and interest, is allocated to accounting periods on a straight line basis over the lease term.

**Deferred taxation**

The Company provides for deferred tax only when there is a reasonable probability that the liability will arise in the foreseeable future. Where deferred tax is provided, the liability method is used.

**Foreign currencies**

Assets, liabilities and operating results in foreign currencies are translated into sterling on the following basis:

- Operating results at average rates ruling during the year
  - All other foreign currency assets and liabilities are translated at rates ruling at 31 March.
- All exchange differences are dealt with through the profit and loss account.

**2. TURNOVER**

The total income originating in the UK from finance leases, hire-purchase contracts and operating leases.

	1996	1995
	£	£
Income from finance leases and similar hire purchase contracts	258,778	398,316
Income from operating leases	1,931,986	1,931,986
	<u>2,190,764</u>	<u>2,330,302</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 1996**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The average weekly number of persons employed by the Company on a part time basis was 4 (1995 - 4) equivalent to less than 1 full-time member of staff (1995 - 1). The staff do not have contracts of employment with the Company, they are seconded from the parent company which recharges their remuneration and associated costs. Staff costs charged for the year amounted to £11,610 (1995 - £13,720).

The Directors did not receive any emoluments from the Company (1995 - £ nil).

**4. OPERATING COSTS**

	1996 £	1995 £
Finance lease and hire purchase interest payable	643,378	882,433
Interest differential on forward contract	467,575	467,575
Charges from parent undertaking	11,610	13,720
Depreciation of owned fixed assets	946,640	836,929
Audit fee	3,000	2,500
Other operating costs	7,778	6,792
	<u>2,079,981</u>	<u>2,209,949</u>

**5. NET INTEREST AND OTHER SIMILAR INCOME**

	1996 £	1995 £
Interest receivable on loans to parent undertaking	140,700	144,587
Less interest payable in respect of loans from a group undertaking	(24,776)	(19,290)
	<u>115,924</u>	<u>125,297</u>

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1996 £	1995 £
The charge for taxation comprises:		
United Kingdom corporation tax at 33% (1995 - 33%)		
Current year	150,225	41,288
Deferred taxation		
Current year (credit)/charge	(39,225)	39,762
	<u>111,000</u>	<u>81,050</u>

If deferred taxation had been fully provided under the liability method in 1995/1996, the tax charge for the year would have increased by £36,205 (1995 - £ nil).

# THE EASTERN LEASING COMPANY LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 1996

### 7. TANGIBLE FIXED ASSETS

	Plant £
Cost	
At 1 April 1995 and 31 March 1996	12,055,753
Depreciation	
At 1 April 1995	3,040,017
Charge for the year	946,640
At 31 March 1996	3,986,657
Net book value	
At 31 March 1996	8,069,096
At 31 March 1995	9,015,736

### 8. DEBTORS

	1996 £	1995 £
Amounts falling due within one year:		
Amounts owed by parent undertaking	1,618,123	2,471,879
Prepayments and accrued income	1,135,106	1,800,694
Other debtors	32,649	36,967
	<u>2,785,878</u>	<u>4,309,540</u>
Amounts falling due in more than one year:		
Net investment in finance leases and hire purchase contracts	1,815	3,343,575
Prepayments and accrued income	815,188	3,230,655
	<u>817,003</u>	<u>6,574,230</u>
Net investment in finance leases and hire purchase contracts comprises:		
Total lease and hire purchase payments receivable	1,918	3,555,745
Less finance charges allocated to future periods	(103)	(212,170)
	<u>1,815</u>	<u>3,343,575</u>
Total rentals received during the year in respect of finance leases and hire purchase contracts	<u>3,553,798</u>	<u>670,475</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1996**

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1996 £	1995 £
Short term loans from a group undertaking	392,325	367,575
Net obligation under finance leases and hire purchase contracts	3,345,843	7,090,839
Amounts owed to parent undertaking	115,603	-
Deferred income	217,285	467,889
Other creditors including taxation and social security	48,030	41,288
	<u>4,119,086</u>	<u>7,967,591</u>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1996 £	1995 £
Obligation under finance leases and hire purchase contracts	4,692,941	9,424,050
Less current instalments due	(91,801)	(380,527)
	<u>4,601,140</u>	<u>9,043,523</u>
Net obligation under finance leases and hire purchase contracts are repayable as follows:		
Between one and two years	4,601,140	3,879,752
Between two and five years	-	5,163,765
	<u>4,601,140</u>	<u>9,043,517</u>

**11. DEFERRED TAX**

	1996 £	1995 £
Amount provided:		
At 1 April	2,027,348	1,987,586
(Credit)/Charge for the year	(39,225)	39,762
At 31 March	<u>1,988,123</u>	<u>2,027,348</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1996**

**11. DEFERRED TAX (CONTINUED)**

Deferred tax provided in the accounts and the potential liability, including amounts for which provision has been made, are as follows

	Amount provided		Total potential liability	
	1996	1995	1996	1995
	£	£	£	£
Tax effect of timing differences due to:				
Excess capital allowances	1,988,123	2,027,348	1,951,918	2,027,348

**12. CALLED UP SHARE CAPITAL**

	1996	1995
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up, and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

**13. CASH FLOW STATEMENT**

Under Financial Reporting Standard 1, 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 cash flow statement is included in the financial statements of Cable and Wireless plc.

**14. ULTIMATE PARENT COMPANY**

The Company's holding company and ultimate parent company is Cable and Wireless plc registered in England and Wales. A copy of Cable and Wireless plc's published consolidated accounts can be obtained from The Secretary, Cable and Wireless plc, 124 Theobalds Road, London WC1X 8RX.