

**THE EASTERN LEASING COMPANY LIMITED**

**Report and Financial Statements**

**31 March 1998**

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



# THE EASTERN LEASING COMPANY LIMITED

## To the Company's Ordinary Shareholders

### 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.

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# THE EASTERN LEASING COMPANY LIMITED

## REPORT AND FINANCIAL STATEMENTS 1998

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# THE EASTERN LEASING COMPANY LIMITED

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 1998.

### ACTIVITIES

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

### REVIEW OF DEVELOPMENTS

The seven year hire purchase agreement with Orix Corporation for three Cable & Wireless Communications' digital switching units, with an option to purchase, was concluded on the 31 August 1997. The related seven year operating lease with Cable & Wireless Communications was also concluded on the 31 August 1997 with the subsequent sale to the lessee. 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 £265,205 (1997 - profit £93,609) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend.

### FUTURE PROSPECTS

The Company has remaining a twelve year hire purchase agreement due for completion on the 12 March 2003 with AB LM Ericssons Finans to purchase the Companhia de Telecomunicacoes 3<sup>rd</sup> Digital Exchange. With effect from the 12 March 1999 and at six monthly periods until the completion date, the company has an option to purchase the equipment with subsequent sale to Companhia de Telecomunicacoes.

### MILLENNIUM COMPLIANCE

The Company participates in the Cable & Wireless Group Millennium Compliance initiative which began in mid 1996. Nearly all Cable & Wireless systems are millennium ready today, although, inevitably, external dependencies have affected our timetable for complete millennium readiness by the end of 1998 and therefore we now have a managed programme into 1999. We anticipate the majority of the components and systems will be millennium ready by the end of March 1999.

### DIRECTORS AND THEIR INTERESTS


The Directors who held office at the end of the year, 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 1997	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 1998
E C Dilley	2,281	550	-	2,831
	2,898	-	-	2,898 (a)
	7,000	-	-	7,000 (b)
J S E Giles	1,685	5,236	3,635	3,286
	4,950	1,685	3,476	3,159 (a)
	65,272	10,000		75,272 (b)

The interests of R E Lerwill (appointed on 16 December 1997) are shown in the financial statements of the ultimate parent undertaking, Cable and Wireless plc. E C Dilley and J S E Giles resigned as directors on 10 August 1998. K K Claydon was appointed a director with effect from 17 August 1998. In addition R J Olsen served as a Director until his resignation on 16 December 1997.

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.

By order of the Board of Directors.

  
K Claydon  
Secretary  
Date 25/1/98.

**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 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.

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

We have audited the financial statements on pages 7 to 13.

**Respective responsibilities of Directors and auditors**

As described on page 5 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.

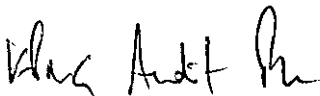
**Basis of opinion**

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

25 January 1999

**THE EASTERN LEASING COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1998**

	Note	1998 £	1997 £
<b>TURNOVER</b>	2	851,807	1,978,902
Operating costs	4	(828,404)	(1,881,227)
<b>OPERATING PROFIT</b>		<u>23,403</u>	<u>97,675</u>
Net interest and other similar income	5	<u>151,362</u>	<u>42,967</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		174,765	140,642
Tax credit/(charge) on profit on ordinary activities	6	<u>90,440</u>	<u>(47,033)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>265,205</u>	<u>93,609</u>
<b>Retained profit brought forward</b>		<u>1,069,382</u>	<u>975,773</u>
<b>Retained profit carried forward</b>		<u><u>1,334,587</u></u>	<u><u>1,069,382</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 1998**

	Note	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible assets	7	-	7,005,189
<b>CURRENT ASSETS</b>			
Debtors: - amounts falling due within one year	8	4,202,354	1,359,118
Cash at bank and in hand		40,493	-
		4,242,847	1,359,118
<b>CREDITORS: amounts falling due within one year</b>	9	(2,907,260)	(5,479,171)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		1,335,587	(4,120,053)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,335,587	2,885,136
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	10	-	(1,814,754)
<b>NET ASSETS</b>		1,335,587	1,070,382
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1,000	1,000
Profit and loss account		1,334,587	1,069,382
<b>EQUITY SHAREHOLDERS' FUNDS</b>		1,335,587	1,070,382

The financial statements on pages 7 to 13 were approved by the Board of Directors on 25/1/98 1999 and signed on their behalf by:

  
Director  
K K Claydon



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1998**

**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**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or, where exchange rates do not fluctuate significantly, an average rate for the period is used as an approximation. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**2. TURNOVER**

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

	1998	1997
	£	£
Income from finance leases and similar hire purchase contracts	46,813	46,916
Income from operating leases	804,994	1,931,986
	<u>851,807</u>	<u>1,978,902</u>

# THE EASTERN LEASING COMPANY LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 March 1998

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average weekly number of persons employed by the Company on a part time basis was equivalent to less than 1 full-time member of staff (1997 - 1). The staff do not have contracts of employment with the Company, they are seconded from the parent undertaking. Staff costs are borne by the parent undertaking (in 1997 the parent undertaking charged the company £17,940).

The Directors did not receive any emoluments from the Company (1997 - £ nil).

### 4. OPERATING COSTS

	1998	1997
	£	£
Finance lease and hire purchase interest payable	144,440	320,636
Interest differential on forward contract	194,822	467,575
Charges from parent undertaking	-	17,940
Depreciation of owned fixed assets	477,551	1,063,907
Audit fee	3,500	3,500
Other operating costs	8,091	7,669
	828,404	1,881,227

### 5. NET INTEREST AND OTHER SIMILAR INCOME

	1998	1997
	£	£
Interest receivable on loans to parent undertaking	182,002	68,001
Less interest payable in respect of loans from a group undertaking	(30,640)	(25,034)
	151,362	42,967

### 6. TAX CREDIT/(CHARGE) ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£	£
The credit/(charge) for taxation comprises:		
United Kingdom corporation tax at 31% (1997 - 33%)		
Current year	(1,724,936)	(220,402)
Prior Year	622	-
Deferred taxation		
Current year	1,814,754	173,369
	90,440	(47,033)

**THE EASTERN LEASING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1998**

**7. TANGIBLE FIXED ASSETS**

	<b>Plant £</b>
Cost	
At 1 April 1997	12,055,753
Disposals	(12,055,753)
	<hr/>
At 31 March 1998	-
	<hr/>
Depreciation	
At 1 April 1997	5,050,564
Charge for the year	477,551
Disposals	(5,528,115)
	<hr/>
At 31 March 1998	-
	<hr/>
Net book value	
At 31 March 1998	-
	<hr/>
At 31 March 1997	7,005,189
	<hr/>

**8. DEBTORS**

	<b>1998 £</b>	<b>1997 £</b>
Amounts falling due within one year:		
Net investment in finance leases and hire purchase contracts	1,669	1,727
Amounts owed by parent undertaking	4,168,037	976,869
Prepayments and accrued income	-	347,873
Other debtors	32,648	32,649
	<hr/>	<hr/>
	4,202,354	1,359,118
	<hr/>	<hr/>
Net investment in finance leases and hire purchase contracts comprises:		
Total lease and hire purchase payments receivable	1,669	1,830
Less finance charges allocated to future periods	-	(103)
	<hr/>	<hr/>
	1,669	1,727
	<hr/>	<hr/>
Total rentals received during the year in respect of finance leases and hire purchase contracts	103	106
	<hr/>	<hr/>

**THE EASTERN LEASING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS**

**Year ended 31 March 1998**

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

	<b>1998</b>	<b>1997</b>
	£	£
Bank loans and overdrafts	-	657
Short term loans from group undertakings	462,177	426,073
Net obligation under finance leases and hire purchase contracts	667,061	3,939,092
Amounts owed to parent undertaking	1,750	934,168
Corporation Tax	1,724,314	-
Deferred income	33,864	161,087
Other creditors	18,094	18,094
	<u>2,907,260</u>	<u>5,479,171</u>
Net obligation under finance leases and hire purchase contracts are repayable as follows:		
Current instalments due	667,061	3,939,092
Between one and two years	-	-
	<u>667,061</u>	<u>3,939,092</u>

**10. DEFERRED TAX**

	<b>1998</b>	<b>1997</b>
	£	£
Amount provided:		
At 1 April	1,814,754	1,988,123
Credit for the year	(1,814,754)	(173,369)
	<u>-</u>	<u>1,814,754</u>

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	
	1998	1997	1998	1997
	£	£	£	£
Tax effect of timing differences due to:				
Excess capital allowances	-	1,814,754	-	1,778,550
	<u>-</u>	<u>1,814,754</u>	<u>-</u>	<u>1,778,550</u>

# THE EASTERN LEASING COMPANY LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 March 1998

### 11. CALLED UP SHARE CAPITAL

	1998	1997
	£	£
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

### 12. CASH FLOW STATEMENT

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

### 13. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 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 that group. There are no material transactions with any other related parties.

### 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 financial statements can be obtained from The Secretary, Cable and Wireless plc, 124 Theobalds Road, London WC1X 8RX.