

THE EASTERN LEASING COMPANY LIMITED

Report and Financial Statements

31 March 1997

**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 1997

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THE EASTERN LEASING COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND AUDITORS

DIRECTORS

R J Olsen
J S E Giles
E C Dilley

SECRETARY

G Sawtell

AUDITORS

KPMG Audit Plc
Chartered Accountants
Registered Auditor
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 1997.

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 still 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 £93,609 (1996 - £115,707) has been dealt with in the attached financial statements. The Directors do not recommend payment of a dividend.

DIRECTORS AND THEIR INTERESTS

Of the Directors who held office during the year, A K Heard died on 25 November 1996.

The other Directors who held office during 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 1996	Shares acquired or options granted	Shares disposed or options exercised	At 31 March 1997
R J Olsen	64,284	1,519	-	65,803
	4,379	-	-	4,379 (a)
	377,502	124,445	-	501,947 (b)
E C Dilley	1,635	2,235	1,589	2,281
	-	2,898	-	2,898 (a)
	-	7,000	-	7,000 (b)
J S E Giles	-	1,685	-	1,685
	6,635	-	1,685	4,950 (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.

By order of the Board of Directors.



G Sawtell
Secretary
19 August 1997

THE EASTERN LEASING COMPANY LIMITED

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.

THE EASTERN LEASING COMPANY LIMITED

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 1997 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

2 December 1997

THE EASTERN LEASING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 1997

	Note	1997 £	1996 £
TURNOVER	2	1,978,902	2,190,764
Operating costs	4	(1,881,227)	(2,079,981)
OPERATING PROFIT		<u>97,675</u>	<u>110,783</u>
Net interest and other similar income	5	<u>42,967</u>	<u>115,924</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		140,642	226,707
Tax on profit on ordinary activities	6	(47,033)	(111,000)
PROFIT FOR THE FINANCIAL YEAR		<u>93,609</u>	<u>115,707</u>
Retained profit brought forward		<u>975,773</u>	<u>860,066</u>
Retained profit carried forward		<u><u>1,069,382</u></u>	<u><u>975,773</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 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	7,005,189	8,069,096
CURRENT ASSETS			
Debtors: - amounts falling due within one year	8	1,359,118	2,785,878
- amounts falling due after one year	8	-	817,003
Cash at bank and in hand		-	13,145
		1,359,118	3,616,026
CREDITORS: amounts falling due within one year	9	5,479,171	4,119,086
NET CURRENT LIABILITIES		(4,120,053)	(503,060)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,885,136	7,566,036
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	10	-	4,601,140
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	1,814,754	1,988,123
NET ASSETS		1,070,382	976,773
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Profit and loss account		1,069,382	975,773
EQUITY SHAREHOLDERS' FUNDS		1,070,382	976,773

The financial statements on pages 6 to 12 were approved by the Board of Directors on 19 August 1997 and signed on their behalf by:



E C Dilley
Director

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

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.

	1997	1996
	£	£
Income from finance leases and similar hire purchase contracts	46,916	258,778
Income from operating leases	1,931,986	1,931,986
	<u>1,978,902</u>	<u>2,190,764</u>

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The average weekly number of persons employed by the Company on a part time basis was 4 (1996 - 4) equivalent to less than 1 full-time member of staff (1996 - 1). The staff do not have contracts of employment with the Company, they are seconded from the parent undertaking which recharges their remuneration and associated costs. Staff costs charged for the year amounted to £ 17,940 (1996 - £11,610).

The Directors did not receive any emoluments from the Company (1996 - £ nil).

4. OPERATING COSTS

	1997	1996
	£	£
Finance lease and hire purchase interest payable	320,636	643,378
Interest differential on forward contract	467,575	467,575
Charges from parent undertaking	17,940	11,610
Depreciation of owned fixed assets	1,063,907	946,640
Audit fee	3,500	3,000
Other operating costs	7,669	7,778
	1,881,227	2,079,981

5. NET INTEREST AND OTHER SIMILAR INCOME

	1997	1996
	£	£
Interest receivable on loans to parent undertaking	68,001	140,700
Less interest payable in respect of loans from a group undertaking	(25,034)	(24,776)
	42,967	115,924

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
	£	£
The charge/(credit) for taxation comprises:		
United Kingdom corporation tax at 33% (1996 - 33%)		
Current year	220,402	150,225
Deferred taxation		
Current year	(173,369)	(39,225)
	47,033	111,000

If deferred taxation had been fully provided under the liability method in 1996/1997, the tax charge for the year would have decreased by £36,204 (1996 - £36,205).

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

7. TANGIBLE FIXED ASSETS

	Plant £
Cost	
At 1 April 1996 and 31 March 1997	12,055,753
Depreciation	
At 1 April 1996	3,986,657
Charge for the year	1,063,907
At 31 March 1997	5,050,564
Net book value	
At 31 March 1997	7,005,189
At 31 March 1996	8,069,096

8. DEBTORS

	1997 £	1996 £
Amounts falling due within one year:		
Net investment in finance leases and hire purchase contracts	1,727	-
Amounts owed by parent undertaking	976,869	1,618,123
Prepayments and accrued income	347,873	1,135,106
Other debtors	32,649	32,649
	1,359,118	2,785,878
Amounts falling due in more than one year:		
Net investment in finance leases and hire purchase contracts	-	1,815
Prepayments and accrued income	-	815,188
	-	817,003
Net investment in finance leases and hire purchase contracts comprises:		
Total lease and hire purchase payments receivable	1,830	1,918
Less finance charges allocated to future periods	(103)	(103)
	1,727	1,815
Total rentals received during the year in respect of finance leases and hire purchase contracts	106	3,553,798

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	1996
	£	£
Bank loans and overdrafts	657	-
Short term loans from a group undertaking	426,073	392,325
Net obligation under finance leases and hire purchase contracts	3,939,092	3,345,843
Amounts owed to parent undertaking	934,168	115,603
Deferred income	161,087	217,285
Other creditors	18,094	48,030
	5,479,171	4,119,086

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

	1997	1996
	£	£
Obligation under finance leases and hire purchase contracts	-	4,692,941
Less: finance charges allocated to future periods	-	(91,801)
	-	4,601,140
Net obligation under finance leases and hire purchase contracts are repayable as follows:		
Current instalments due	3,939,092	3,345,843
Between one and two years	-	4,601,140
	3,939,092	7,946,983

11. DEFERRED TAX

	1997	1996
	£	£
Amount provided:		
At 1 April	1,988,123	2,027,348
Credit for the year	(173,369)	(39,225)
At 31 March	1,814,754	1,988,123

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	
	1997	1996	1997	1996
	£	£	£	£
Tax effect of timing differences due to:				
Excess capital allowances	1,814,754	1,988,123	1,778,550	1,951,918

THE EASTERN LEASING COMPANY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 1997

12. CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up, and fully paid	<u>1,000</u>	<u>1,000</u>
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

13. 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.

14. 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.

15. 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.