

Telephone Rentals PLC

Reports and financial statements
for the year ended 31 March 1990

Coopers
& Lybrand
Deloitte

TELEPHONE RENTALS PLC

DIRECTORS' REPORT

The directors present their report and financial statements of the company for the year ended 31 March 1990.

PRINCIPAL ACTIVITIES

During the year the company continued to be involved with the supply, installation and maintenance on either a rental or sale/maintenance basis, of all forms of communications equipment including PABXs, key telephone systems, second channel telephone systems, cellular telephones, data communications, staff location, time control and fire alarm and detection systems.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

With effect from 1 April 1990, the assets of the company other than interests in freehold and leasehold properties were transferred to Cable and Wireless plc. All employees have now become employees of Mercury Communications Limited ("Mercury") and the trading operations of the company are now handled by Mercury so that Mercury can supply a comprehensive communications service to its customers. The company continues to hold an investment interest in certain subsidiary companies at home and overseas. There are no plans for the company to trade again under its own name.

In September 1989 the company disposed of its interest in Electro-Rentals Limited.

FINANCIAL RESULTS

The loss for the year, before taxation, was £5,296,000 as compared with a loss of £4,208,000 for the period ended 31 March 1989.

After providing for corporation tax of £6,215,000 (1989 - £6,609,000) and extraordinary items of £Nil (1989 - £94,000), a loss for the year of £11,511,000 resulted compared to a loss of £10,911,000 for the period ended 31 March 1989.

The position at the end of the year is set out in the balance sheet on page 7.

The amount to be carried forward on the company's profit and loss account is £11,567,000 as compared with £23,078,000, as restated, brought forward from 1989.

DIVIDEND

The directors do not recommend the payment of a final dividend.

APPROVED AND FORWARDED
1990 67

TELEPHONE RENTALS PLC

DIRECTORS' REPORT (continued)

SHARE CAPITAL

The issued share capital increased to £23,238,315 by 31 March 1990 following issues of shares as recorded below:

Savings Related Share Option Scheme

During the year many option holders took the opportunity to exercise their options under the Savings Related Share Option Scheme, such exercises being prompted by the Cable and Wireless bid. A total of 140,005 shares were taken up at various prices increasing the issued share capital by £35,001.

In accordance with the provision of the resolution passed at the Extraordinary General Meeting held on 4 January 1989 a number of option holders exercised their right to "roll over" into the Cable and Wireless Scheme.

The Telephone Rentals plc Scheme has closed and no options remain outstanding.

DIRECTORS AND DIRECTORS' INTERESTS

The persons named below were directors of the company during the year to 31 March 1990.

C J Everest	
G R N Gellatly	Resigned 31 July 1990
B B Hannam	
P D Hoole	
C D Marsterson	
D B McArthur	Appointed 1 September 1989
P A Moore	Resigned 31 January 1990
G M W Owen	
F L Walker	Resigned 30 September 1989

Directors not being directors of Cable and Wireless plc had the following interests in the issued securities of Telephone Rentals plc and Cable and Wireless plc as at 31 March 1990.

Mr C J Everest		
Cable and Wireless plc	1,910	Ordinary shares of 50p
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)
Mr G R N Gellatly		
Cable and Wireless plc	138	Ordinary shares of 50p
	£6,215	7% Convertible Unsecured Loan Stock 2003/08
	£80,000	Floating Rate Loan Notes
	£5,100	Floating Rate Loan Notes (non-beneficial)
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)

TELEPHONE RENTALS PLC

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Mr B B Hannam		
Cable and Wireless plc	£1,700	7% Convertible Unsecured Loan Stock 2003/08
	£34,000	Floating Rate Loan Notes
Telephone Rentals plc	400	Ordinary Shares of 25p (non-beneficial)
Mr P D Hoole		
Cable and Wireless plc	3,639	Ordinary shares of 50p
	£2,040	7% Convertible Unsecured Loan Stock 2003/08
	£34,000	Floating Rate Loan Notes
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)
Mr C D Marsterson		
Cable and Wireless plc	£10,200	7% Convertible Unsecured Loan Stock 2003/08 (non-beneficial)
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)
Mr D B McArthur		
Cable and Wireless plc	710	Ordinary shares of 50p
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)

Certain directors also had interests in the Cable and Wireless Share Option Schemes as set out below:

	<u>Savings related share option scheme</u>	<u>Senior executive share option scheme</u>	<u>Revenue approved share option scheme</u>
C J Everest	3,493	4,000	20,203
G R N Gellatly	4,006		21,869
B B Hannam	2,862		21,869
P D Hoole	4,404		21,869
C D Marsterson	3,302		19,881
D B McArthur	7,438	35,072	26,656

FIXED ASSETS

The freehold and leasehold properties included in fixed assets consist almost entirely of office premises and stores occupied by members of the Cable and Wireless Group for business purposes. It is considered that any surplus of market value over the amount at which the properties appear in the balance sheet is not of material significance in relation to the fixed assets as a whole.

TELEPHONE RENTALS PLC

DIRECTORS' REPORT (continued)

CHARITABLE AND POLITICAL DONATIONS

During the year the company made contributions of £6,783 to United Kingdom charitable organisations. £Nil was paid by way of political donations.

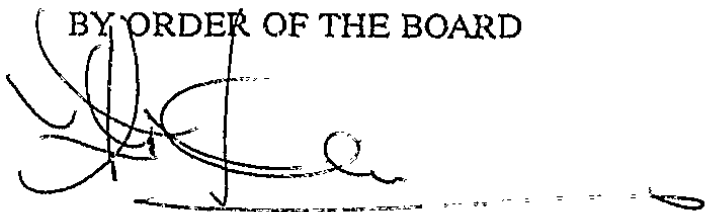
INCOME AND CORPORATION TAXES ACT

The directors are of the opinion that the company is not a closed company as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

Our auditors Deloitte Haskins & Sells have merged their practice with Coopers & Lybrand and now practise in the name of Coopers & Lybrand Deloitte. They have signed their audit report in their new name. A resolution proposing the re-appointment of Coopers & Lybrand Deloitte as auditors to the company will be put to the next Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

12 June 1990

T R House
Bletchley
Milton Keynes
BUCKS
MK3 5JL

**AUDITORS' REPORT TO THE MEMBERS OF
TELEPHONE RENTALS PLC**

We have audited the financial statements on pages 6 to 25 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1990 and of the results and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
London

12 June 1990

TELEPHONE RENTALS PLC


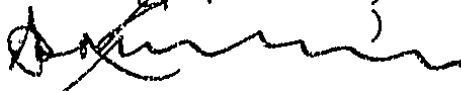
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1990

	<u>Notes</u>	<u>12 months</u> <u>1990</u> <u>£'000</u>	<u>15 months</u> <u>1989</u> <u>£'000</u>
TURNOVER	2	88,197	90,506
Changes in stocks and work in progress		1,717	2,852
		<u>89,914</u>	<u>93,358</u>
Less:			
Net operating expenses	3	64,740	65,975
Depreciation on rental installations		8,318	8,782
		<u>16,856</u>	<u>18,601</u>
OPERATING PROFIT			
Income from shares in group companies	6	225	337
Interest receivable and other income	7	253	225
Amounts written off investments	8	(22,589)	(21,315)
Interest payable and similar charges	7	(41)	(2,056)
		<u>(5,296)</u>	<u>(4,208)</u>
LOSS BEFORE TAXATION	9		
Taxation on profit on ordinary activities	10	6,215	6,609
		<u>(11,511)</u>	<u>(10,817)</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION			
Extraordinary items	11	-	94
		<u>(11,511)</u>	<u>(10,911)</u>
LOSS AVAILABLE FOR APPROPRIATION			
Dividends	12	-	3,168
		<u>(11,511)</u>	<u>(14,079)</u>
RETAINED LOSS FOR THE PERIOD			
Retained profit at 1 April 1989 (1 January 1988) as previously reported		45,544	55,247
Prior year adjustment on change of accounting policy		(22,466)	(18,090)
		<u>23,078</u>	<u>37,157</u>
AS RESTATED			
Retained loss for the period		(11,511)	(14,079)
		<u>11,567</u>	<u>23,078</u>
RETAINED PROFIT AT 31 MARCH 1990 (31 MARCH 1989)			

TELEPHONE RENTALS PLC**BALANCE SHEET AS AT 31 MARCH 1990**

	<u>Notes</u>	<u>1990</u> £'000	<u>1989</u> £'000
FIXED ASSETS			
Tangible assets	13	97,493	88,471
Investments	14	22,766	41,864
		<u>120,259</u>	<u>130,335</u>
CURRENT ASSETS			
Stocks	15	17,904	16,187
Debtors	16	18,563	13,717
Cash at bank and in hand		63	5,522
		<u>36,530</u>	<u>35,426</u>
CREDITORS: Amounts falling due within one year	17	62,016	52,836
NET CURRENT LIABILITIES		<u>(25,486)</u>	<u>(17,410)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>94,773</u>	<u>112,925</u>
CREDITORS: Amounts falling due after more than one year	18	14,850	21,700
		<u>79,923</u>	<u>91,225</u>
CAPITAL AND RESERVES			
Called up share capital	20	23,238	23,203
Share premium account	21	23,213	23,039
Revaluation reserve	21	14,754	14,754
Other reserves - acquisition	21	7,151	7,151
Profit and loss account	21	11,567	23,078
		<u>79,923</u>	<u>91,225</u>

The financial statements on pages 6 to 25 were approved by the board of directors on 12 June 1990 and were signed on its behalf by:

 } Directors


TELEPHONE RENTALS PLC**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**
FOR THE YEAR ENDED 31 MARCH 1990

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
RESULTS FROM OPERATIONS		
Loss before taxation	(5,296)	(4,208)
Extraordinary item	-	(94)
	<u>(5,296)</u>	<u>(4,302)</u>
Adjustments for items not involving the movement of funds:		
Depreciation	11,211	11,472
Profit on sale of fixed assets	(248)	(1,674)
Amounts written off fixed asset investments	22,589	21,315
Profit on sale of fixed asset investments	(232)	(1,939)
	<u>33,320</u>	<u>29,174</u>
TOTAL GENERATED FROM OPERATIONS	28,024	24,872
OTHER SOURCES OF FUNDS		
Issue of shares	209	7,391
Proceeds on disposal of fixed assets	4,031	5,604
Proceeds on disposal of fixed asset investment	496	1,990
Loan from parent company	-	20,000
	<u>4,736</u>	<u>34,985</u>
	32,760	59,857
APPLICATION OF FUNDS		
Purchase of fixed assets	24,016	26,932
Dividends paid	-	8,074
Taxation paid	2,437	9,949
Purchase of fixed asset investments	3,755	24,952
Repayment of long term creditors	6,850	-
	<u>37,058</u>	<u>69,907</u>
	<u>(4,298)</u>	<u>(15,050)</u>

TELEPHONE RENTALS PLC

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 1990 (continued)

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
MOVEMENT IN WORKING CAPITAL		
Stocks	1,717	2,852
Debtors	4,846	3,953
Creditors	<u>(3,356)</u>	<u>(26,266)</u>
	3,207	(19,461)
 Decrease in net liquid funds	 <u>(7,505)</u>	 <u>9,411</u>
	<u><u>(4,298)</u></u>	<u><u>(10,050)</u></u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1990

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Fixed assets

Rental installations

Rental installations are accounted for as operating leases by Telephone Rentals plc. The rental income and depreciation are dealt with on a straight line basis over the term of the rental contracts.

In previous years up to 31 March 1989 certain overheads incurred in the sale of rental installations were capitalised with the other costs of installation. This policy has been changed with effect from 1 April 1989 such that these overheads are written off to profit and loss account as incurred.

The result of this change in accounting policy which has been applied retrospectively has been to reduce the retained profit at 31 December 1988 and the profit for the financial period to 31 March 1989 by £18,090,000 and £4,376,000 respectively.

Additionally this change in accounting policy has impacted the results for the year ended 31 March 1990 to the extent that profits on ordinary activities before taxation have been reduced by £4,375,000 compared with the results that would have been stated had this policy not been changed.

Other fixed assets

Depreciation on other assets is provided on a straight line basis at the following annual rates on cost:

Freehold and leasehold properties	- 2.5%
Furniture, fittings, plant and equipment	- 10% to 33%
Vans and cars	- 25%

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(c) Fixed asset investments

Fixed asset investments are stated at cost less amounts written off.

(d) Stocks and work in progress

Stocks are valued consistently at the lower of average cost and net realisable value, applied to individual items; since the majority of the stock is not held for resale, net realisable value in this context normally means the value of the material to the group for future use having regard to its age and condition.

Work in progress includes the cost of labour and materials which have been expended on the uncompleted orders at the end of the period together with the appropriate overhead loading.

(e) Deferred taxation

Except where, in the opinion of the directors, a liability will arise, no provision for deferred taxation is made. Where a provision is thought necessary, it has been calculated using the liability method.

(f) Pensions

The company operated its own pension scheme until 31 December 1989. From that date the company has participated in a group pension scheme operated by Cable and Wireless plc. The pension schemes are administered by trustees and are independent of the finances of the company and the group. The schemes are valued by independent actuaries at frequent intervals, usually triennially.

With effect from April 1989 the provisions of Statement of Standard Accounting Practice No 24 "Accounting for pension costs" have been adopted. The expected cost of pensions in respect of the defined benefit schemes is charged to the profit and loss account so as to spread the cost of pensions over the expected service lives of employees in the schemes.

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. **TURNOVER AND PROFITS**

Turnover and profit for the company derived solely from transactions originating in the United Kingdom.

Turnover is the aggregate of amounts receivable under rental contracts and amounts chargeable to customers for services and equipment supplied.

Rental revenue (from leases) amounted to £47,067,743 (1989 - £51,196,581).

3. **NET OPERATING EXPENSES**

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Staff costs (note 4)	28,816	32,070
Material purchases	39,104	39,497
Depreciation on assets other than rental installations	2,893	2,689
Write off of amounts owed by subsidiaries	712	783
Other operating charges	12,651	11,702
	<u>84,176</u>	<u>86,741</u>
Less:		
Work capitalised for rental installations	18,872	20,309
Other operating income (note 5)	564	457
	<u>64,740</u>	<u>65,975</u>

4. **DIRECTORS AND EMPLOYEES**

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Emoluments of the directors of Telephone Rentals plc were:		
Fees	-	53
Other emoluments	449	430
Pensions to former directors	14	10
Compensation for loss of office	-	170
	<u>463</u>	<u>663</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECTORS AND EMPLOYEES (continued)

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Emoluments (excluding pension contributions) were paid to directors as follows:		
Chairmen	-	41
Highest paid director	92	113
	<u>Number</u>	<u>Number</u>
Other directors:		
Up to £ 5,000	-	4
£ 5,001 to £10,000	-	4
£10,001 to £15,000	-	1
£30,001 to £35,000	1	1
£40,000 to £45,000	1	-
£50,001 to £55,000	1	-
£55,001 to £60,000	1	-
£60,001 to £65,000	2	3
Highest paid UK employees were paid as follows:		
£30,001 to £35,000	38	34
£35,001 to £40,000	42	25
£40,001 to £45,000	20	16
£45,001 to £50,000	8	7
£50,001 to £55,000	3	5
£55,001 to £60,000	4	3
£60,001 to £65,000	4	5
£65,001 to £70,000	-	3
£80,001 to £85,000	-	1
The average number of persons employed by the group was:		
Engineers and storemen	906	848
Sales, administration and other	877	835
	<u>1,783</u>	<u>1,683</u>
	£'000	£'000
Staff costs amounted to:		
Wages and salaries	26,707	27,546
Social security costs	2,109	2,265
Other pension costs	-	2,259
	<u>28,816</u>	<u>32,070</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OTHER OPERATING INCOME

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Net profit on sale of assets other than rental installations	480	346
Discounts received	15	29
Property rents	69	82
	<u>564</u>	<u>457</u>

6. INCOME FROM SHARES IN GROUP COMPANIES

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Income from subsidiaries	225	301
Income from associates	-	36
	<u>225</u>	<u>337</u>

7. INTEREST

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Receivable:		
Bank deposits and sundry interest	<u>253</u>	<u>225</u>
Payable:		
Bank loans, overdrafts and other loans repayable within five years other than by instalments	<u>41</u>	<u>2,056</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. AMOUNTS WRITTEN OFF INVESTMENTS

	12 months 1990 £'000	15 months 1989 £'000
Amounts written off fixed asset investments as a result of permanent diminution in value	22,589	21,315

The investment in and loan to the Carphone Group plc has been written down to reflect a diminution in the value of the net assets of that company.

9. PROFIT BEFORE TAXATION

	12 months 1990 £'000	15 months 1989 £'000
Profit before taxation is stated after crediting: Rents receivable	69	82
and after charging:		
Depreciation on owned tangible fixed assets	11,211	11,472
Write off of amount owing by subsidiary	712	783
Auditors remuneration (including expenses)	59	76

10. TAXATION

	12 months 1990 £'000	15 months 1989 £'000
United Kingdom corporation tax at 35% based on the profit for the year	6,574	6,686
Less: Double tax relief	(214)	(162)
	6,360	6,524
Overseas taxation	-	46
Prior year adjustments	(145)	39
	6,215	6,609

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TAXATION (continued)

Had the company provided for the full amount of potential deferred taxation, the tax charge for the year would have been increased by the following amounts:

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Timing differences	80	686
Capital gains rolled over	-	-
Capital gains on revaluation of fixed assets	-	4,579
	<u>80</u>	<u>5,265</u>

11. EXTRAORDINARY ITEM

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Bid defence costs	-	2,033
Profit on sale of subsidiary company	-	(1,939)
	<u>-</u>	<u>94</u>

Bid defence costs relate to the takeover bid made by Cable and Wireless plc. The profit on sale of subsidiary company relates to the sale of TR Services (Holdings) Ltd and its subsidiaries, a group of companies registered in South Africa.

12. DIVIDENDS

	12 months <u>1990</u> £'000	15 months <u>1989</u> £'000
Interim dividend paid	<u>-</u>	<u>3,168</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. TANGIBLE FIXED ASSETS

	<u>Installations</u> £'000	<u>Land and buildings</u> £'000	<u>Furniture, fittings, plant and equipment</u> £'000	<u>Vans and cars</u> £'000	<u>Assets in course of construction</u> £'000	<u>Total</u> £'000
COST OR VALUATION						
At 1 April 1989 as previously reported	109,616	24,808	8,115	5,303	3,222	151,064
Prior year adjustment arising on change of accounting policy	(32,549)	-	-	-	-	(32,549)
As restated	77,067	24,808	8,115	5,303	3,222	118,515
Additions	-	829	1,353	2,923	18,872	23,977
Assets completed in year	17,896	-	-	-	(17,896)	-
Disposals	(7,554)	(21)	(482)	(1,676)	-	(9,733)
Intra group transfers	-	-	-	58	-	58
At 31 March 1990	87,409	25,616	8,986	6,608	4,198	132,817
DEPRECIATION						
At 1 April 1989 as previously stated	32,947	-	5,197	1,983	-	40,127
Prior year adjustment arising on change of accounting policy	(10,083)	-	-	-	-	(10,083)
As restated	22,864	-	5,197	1,983	-	30,044
Charge for year	8,318	546	882	1,465	-	11,211
Disposals	(4,258)	(2)	(452)	(1,208)	-	(5,950)
Intra group transfers	-	-	-	19	-	19
At 31 March 1990	26,924	544	5,597	2,259	-	35,324
NET BOOK VALUE						
At 31 March 1990	60,485	25,072	3,389	4,349	4,198	97,493
At 31 March 1989	54,203	24,808	2,918	3,320	3,222	88,471

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. TANGIBLE FIXED ASSETS (continued)

Land and buildings at net book value comprise:

	<u>1990</u> £'000	<u>1989</u> £'000
Freehold	23,240	23,028
Long leasehold	1,386	1,743
Short leasehold	446	37
	<u>25,072</u>	<u>24,808</u>

Land and buildings were revalued in 1989. If land and buildings had not been revalued they would have been included at the following amounts:

	<u>1990</u> £'000	<u>1989</u> £'000
Cost	12,532	11,724
Aggregate depreciation	1,912	1,670
	<u>10,620</u>	<u>10,054</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. FIXED ASSET INVESTMENTS

	<u>Subsidiary companies</u>		<u>Associated company</u>	<u>Other investments</u>	
	<u>Shares £'000</u>	<u>Loans £'000</u>	<u>Shares £'000</u>	<u>Shares £'000</u>	<u>Total £'000</u>
COST					
At 1 April 1989	54,819	7,180	449	731	63,179
Additions	-	3,250	-	505	3,755
Disposals	(264)	-	-	-	(264)
	<u>54,555</u>	<u>10,430</u>	<u>449</u>	<u>1,236</u>	<u>66,670</u>
AMOUNTS WRITTEN OFF					
At 1 April 1989	14,315	7,000	-	-	21,315
Amounts written off during the year	<u>19,320</u>	<u>3,000</u>	<u>269</u>	<u>-</u>	<u>22,589</u>
At 31 March 1990	<u>33,635</u>	<u>10,000</u>	<u>269</u>	<u>-</u>	<u>43,904</u>
NET BOOK VALUE					
At 31 March 1990	<u>20,920</u>	<u>430</u>	<u>180</u>	<u>1,236</u>	<u>22,766</u>
At 31 March 1989	<u>40,504</u>	<u>180</u>	<u>449</u>	<u>731</u>	<u>41,864</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. FIXED ASSETS INVESTMENTS (continued)

The following information is given in respect of the principal operating subsidiary companies, the holdings in which consist entirely of ordinary shares and are held by Telephone Rentals plc or subsidiary companies (*).

<u>Company and country of operation</u>	<u>Country of incorporation</u>	<u>%</u>
United Kingdom:		
Dictograph Telephones Limited	England	100
Atack Fire (Robots) Limited	England	100
TR Time Services Limited	England	100
TR Financial Communications plc	England	100
Cass Group plc	England	100
Cass Electronics Limited	England	* 100
Davis Security Communications Limited	England	* 100
FaxData Limited	England	* 100
Instaframe (UK) Limited	England	* 100
Cass Arts Limited	England	* 100
Nelson Tansley Limited	England	* 100
The Carphone Group plc	England	100
Republic of Ireland:		
Irish Telephone Rentals Limited	Scotland	100
TR Communications Services (Ireland) Limited	Ireland	100
Sound Systems plc	Ireland	100
Irish Time Systems Limited	Ireland	* 100
Sound Productions Limited	Ireland	* 100
North Equipment Limited	Ireland	* 100
France:		
TR Services SA	France	100
Telephone Rentals (France) GIE	France	* 100
Canada:		
T R Services Limited	Canada	100
Island Pacific Telephone Company Limited	Canada	* 100
United States of America:		
T R Services Incorporated	USA	100

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. **FIXED ASSET INVESTMENTS** (continued)

The associated company is T R Services Pty Limited. It is incorporated in and operates in Australia. Telephone Rentals plc holds 50% of its ordinary share capital of A\$2,000,000 as a long term investment.

15. **STOCKS**

	<u>1990</u> £'000	<u>1989</u> £'000
Raw materials and goods for resale	10,175	8,357
Work in progress	7,729	7,830
	<u>17,904</u>	<u>16,187</u>

If stocks were valued at replacement cost, the value of the stock would not materially differ.

16. **DEBTORS**

	<u>1990</u> £'000	<u>1989</u> £'000
Receivable within one year:		
Trade debtors	14,331	11,468
Amounts owed by subsidiaries	882	620
Amounts owed by other group companies	18	-
Other debtors	2,602	1,082
Prepayments and accrued income	699	516
	<u>18,532</u>	<u>13,686</u>
Receivable in more than one year:		
Other debtors	31	31
	<u>31</u>	<u>31</u>
Total debtors	<u>18,563</u>	<u>13,717</u>

TELEPHONE RENTALS PLC**NOTES TO THE FINANCIAL STATEMENTS** (continued)**17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>1990</u> £'000	<u>1989</u> £'000
Bank loans and overdrafts	11,523	9,477
Trade creditors	3,461	4,433
Amounts owed to holding company	5,276	-
Amounts owed to subsidiaries	132	274
Amounts owed to other group companies	36	-
Other creditors	1,137	1,308
Taxation		
- Corporation tax	3,079	3,848
- Social security	781	578
Accruals	1,892	1,256
Rentals received in advance	33,425	28,795
Payments received on account	1,274	2,867
	<u>62,016</u>	<u>52,836</u>

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

	<u>1990</u> £'000	<u>1989</u> £'000
Amounts owed to holding company	12,750	20,000
Amounts owed to subsidiaries	2,100	1,700
	<u>14,850</u>	<u>21,700</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. DEFERRED TAXATION

		<u>1990</u>		<u>1989</u>	
	Total potential liability £'000	Provided in the accounts £'000		Total potential liability £'000	Provided in the accounts £'000
Timing differences on installations	11,876	-		19,029	-
Other timing differences	464	-		457	-
Capital gains rolled over	732	-		732	-
Capital gains on revaluation of fixed assets	4,579	-		4,579	-
	<u>17,651</u>	<u>-</u>		<u>24,797</u>	<u>-</u>

20. SHARE CAPITAL

	No of shares	<u>1990</u> £'000	No of shares	<u>1989</u> £'000
Authorised:				
Ordinary shares of £1 each	120,000,000	<u>30,000</u>	120,000,000	<u>30,000</u>
Allotted and fully paid:				
Ordinary shares of 25p each	92,953,261	<u>23,238</u>	92,813,256	<u>23,203</u>

During the year 140,005 shares were issued upon the exercise of options under the company's share option schemes. The total consideration was £208,447.

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RESERVES

	Share premium account £'000	Revaluation reserve £'000	Acquisition reserve £'000	Profit and loss account £'000
At 1 April 1989	23,039	14,754	7,151	23,078
Arising on issue of shares	174	-	-	-
Loss for the year retained	-	-	-	(11,511)
At 31 March 1990	<u>23,213</u>	<u>14,754</u>	<u>7,151</u>	<u>11,567</u>

22. CAPITAL COMMITMENTS

At 31 March 1990 there were capital commitments of £29,000 (1989 - £Nil) for refurbishment of Mercury House in Bletchley, Milton Keynes. A further £137,150 (1989 - £Nil) has been approved for capital expenditure but no commitments have been made.

23. CONTINGENT LIABILITIES

The company has guaranteed overdraft, loan and other credit arrangements of certain of its subsidiaries up to a maximum of £24,015,158 (1989 - £21,192,000).

24. PENSIONS

The company operated its own pension scheme until 31 December 1989. From that date the company has participated in a group pension scheme operated by Cable and Wireless plc. The schemes are of the defined benefit type whereby retirement benefits are based on the employees' final remuneration and length of service and are funded through separate trustee administered schemes.

Contributions to the schemes are made in accordance with the recommendations of independent actuaries who value the schemes at regular intervals, usually triennially. The last formal actuarial valuation of the schemes was at 31 March 1987 and particulars of the valuation are contained in the accounts of Cable and Wireless plc.

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. PENSIONS (continued)

Following the introduction of Statement of Standard Accounting Practice No 24 "Accounting for pension costs" (SSAP24) interim actuarial assessments of the principal group pension schemes were prepared at 31 March 1989 solely for SSAP24 purposes. Particulars of the assessments are contained in the accounts of Cable and Wireless plc. These assessments showed surpluses which have been dealt with by spreading the capital amount of the surpluses over the remaining service lives of the members of the schemes, a period which varies between fourteen and sixteen years. This has resulted in a continued suspension of company contributions.

Certain employees who are not members of the group pension schemes are entitled to terminal gratuities on retirement. Provisions for terminal gratuities are charged to profits for the period to which they relate.

The effect of applying SSAP24 is a total pension cost for the year of £Nil (1989 - £2,259,000).

25. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Cable and Wireless plc incorporated in England.