

TELEPHONE RENTALS PLC

REPORTS AND FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED 31 MARCH 1989

TELEPHONE RENTALS PLC

DIRECTORS' REPORT

The directors' present their report and financial statements of the company for the period ended 31 March 1989.

PRINCIPAL ACTIVITIES

The company continues 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

During the period under review the TR Group received a bid for its entire issued share capital and in December 1988 it was announced by Cable & Wireless plc that this had gone unconditional. Thus Telephone Rentals and its subsidiaries are now part of the Cable & Wireless Group.

As a result of the successful bid the company interests in South Africa were sold to a local group including Peter Brennan the managing director in South Africa as part of a management buyout.

In August 1988 Telephone Rentals acquired the whole of the share capital of Sound Systems plc, a telecommunications company operating in Eire. Sound Systems and Irish Telephone Rentals Ltd will operate in conjunction in Eire.

In September 1988 Telephone Rentals acquired that part of the issued share capital of The Carphone Group plc which it did not already own. This acquisition provides an entry into the carphone market.

The absorption of Telephone Rentals and its subsidiary companies, both at home and overseas, into the Cable & Wireless Group is under review with considerable emphasis being placed on close working links between Telephone Rentals and Mercury Communications Ltd, the C&W network provider.

FINANCIAL RESULTS

The profit for the period, before taxation, was £168,000 as compared with a profit of £16,790,000 for the year ended 31 December 1987.

After providing for corporation tax of £6,609,000 (1987 : £5,993,000) and extraordinary items of £24,000 (1987 : £Nil), a loss resulted for the period of £6,535,000 compared to a profit of £10,797,000 for the year ended 31 December 1987.

The position at the end of the period is set out in the balance sheet on page 8.

The amount to be carried forward on the company's profit and loss account is £45,544,000 as compared with £55,247,000 brought forward from 1987.

DIVIDEND

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

TELEPHONE RENTALS PLC

DIRECTORS' REPORT (continued)

SHARE CAPITAL

The issued share capital increased to £23,203,314 by 31 March 1989 following issues of shares as recorded under paragraphs (a) to (c) below:

(a) Savings Related Share Options Scheme

During the year further options under the Savings Related Share Option Scheme were exercised; many of these being related to early exercises prompted by the Cable & Wireless bid. A total of 95,004 shares were taken up at various prices, increasing the issued share capital by £23,751.

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

The TR Scheme is now totally closed and no options remain outstanding.

(b) Executive Share Option Scheme

During the year many options holders took the opportunity to exercise their options under the Executive Share Option Scheme, again many such exercises being prompted by the Cable & Wireless bid. A total of 2,574,665 shares were taken up at various prices increasing the issued share capital by £643,666.

In accordance with the provisions 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 & Wireless Scheme.

The TR Scheme is now totally closed and no options remain outstanding.

(c) Sound Systems plc

During the year the company acquired the issued share capital of Sound Systems plc operating in Eire. The acquisition price was met partially in cash and partially by the issue of 949,480 TR shares increasing the issued share capital by £237,370.

DIRECTORS AND DIRECTORS' INTERESTS

The persons named below were directors of the company as at 31 March 1989.

C J Everest	(Appointed 12 January 1989)
G R N Gellatly	
B B Hannam	
P D Hoole	
C D Marsterson	(Appointed 14 July 1988)
P A Moore	
G M W Owen	(Appointed 13 January 1989)
F L Walker	(Appointed 21 December 1988)

Mr C C W Box-Grainger and Mr R A Sly retired from the Board on 30 June 1988.

Sir Charles Ball, Mr D H Goodchild, Mr N N Graham Maw, Mr G A Neale, Mr J Rowe and Dr B F Willetts all resigned from the Board on 12 January 1989.

TELEPHONE RENTALS PLC

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Directors not being directors of Cable & Wireless plc had the following interests in the issued securities of Telephone Rentals plc and Cable & Wireless plc as at 31 March 1989.

Mr C J Everest

Cable & Wireless plc	1,354	Ordinary shares of 50p
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)

Mr G R N Gellatly

Cable & Wireless plc	£6,215	7% Convertible Unsecured Loan Stock 2003/08
	£102,000	Floating Rate Loan Note
	£5,100	Floating Rate Loan Note (non-beneficial)
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)

Mr B B Hannam

Cable & Wireless plc	£1,700	4% Convertible Unsecured Loan Stock 2003/08
	£34,000	Floating Rate Loan Note
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)

Mr P D Hoole

Cable & Wireless plc	£2,040	7% Convertible Unsecured Loan Stock 2003/08
	£34,000	Floating Rate Loan Note
Telephone Rentals plc	400	Ordinary shares of 25p (non-beneficial)

Mr C D Marsterson

Cable & Wireless plc	£10,200	7% Convertible Unsecured Loan Stock 2003/08 (non-beneficial)
Telephone Rentals plc	400	Ordinary shares of 25p each (non-beneficial)

Mr P A Moore

Cable & Wireless plc	£22,875	7% Convertible Unsecured Loan Stock 2003/08
	£10,200	7% Convertible Unsecured Loan Stock 2008/08 (non-beneficial)
	£125,800	Floating Rate Loan Stock

TELEPHONE RENTALS PLC

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Mr P A Moore

Telephone Rentals plc	400	Ordinary Shares of 25p (non-beneficial)
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Mr F L Walker

Telephone Rentals plc	400	Ordinary Shares of 25p (non-beneficial)
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Certain directors also had interests in the Cable & Wireless Share Option Schemes as set out below:

	Savings related share option scheme	Senior Executive share option scheme	Revenue approved share option scheme
C J Everest	1,870	4,000	11,455
G R N Gellatly	3,298		
P D Hoole	7,193		
C D Marsterson	1,679		
P A Moore	3,527		

FIXED ASSETS

The freehold and leasehold properties included in fixed assets consist almost entirely of office premises and stores occupied by the 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.

CHARITABLE AND POLITICAL DONATIONS

During the year TR made contributions of £6,441 to United Kingdom Charitable Organisations. £7,500 was paid to the Conservative Party.

RESEARCH AND DEVELOPMENT

The company operates a research and development department. This is largely involved with the evaluation and improvement of products, from a wide range of suppliers, which may profitably be used in providing services to the company's customers.

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made for the continuing employment of persons who become disabled during service and for appropriate training, career development and promotion of disabled persons.

TELEPHONE RENTALS PLC

DIRECTORS' REPORT (continued)

EMPLOYEE INVOLVEMENT

The company places importance on providing employees with information to assist in good relationships and promotion of the commercial efficiency of the company. Direct staff communications are maintained through annual meetings, the employees' Annual Report and the TR Journal which is published on a quarterly basis.

The company recognises and holds meetings with the EET & PU and EESA.

The company operates a Staff Suggestion Scheme which provides financial rewards for ideas helping to improve the Company's efficiency and profitability.

The company operates a contributory Pension Fund and Life Assurance Scheme, together with an Additional Voluntary Contribution Scheme. The company's employees are eligible for membership of the parent company's Savings Related Share Option Scheme and for consideration for membership of the parent company's various Share Option Schemes.

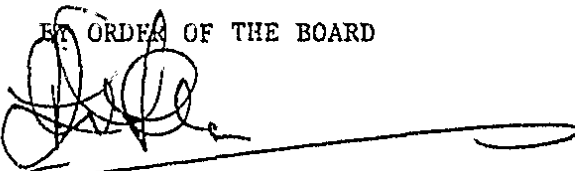
INCOME AND CORPORATION TAXES ACT

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

AUDITORS

Following the successful bid by Cable & Wireless, Baker Tilly resigned as auditors. The Board appointed Deloitte Haskins & Sells to fill the resulting vacancy and resolution to re-appoint them and to authorise the directors to fix their remuneration will be submitted to the Annual General Meeting.

BY ORDER OF THE BOARD



K H FRANCIS
Secretary

9 June 1989

TR House
Bletchley
Milton Keynes
Bucks MK3 5JL

AUDITORS' REPORT TO THE MEMBERS OF
TELEPHONE RENTALS PLC

We have audited the financial statements on pages 7 to 23 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 1989 and of the results and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Haskins & Sells

DELOITTE HASKINS & SELLS
Chartered Accountants
London

9 June 1989

TELEPHONE RENTALS PLC

PROFIT AND LOSS ACCOUNT
FOR THE FIFTEEN MONTHS ENDED 31 MARCH 1989

	Notes	15 months 1989 £'000	1987 £'000
TURNOVER	2	90,506	68,245
Changes in stocks and work in progress		2,852	686
		<u>93,358</u>	<u>68,931</u>
Less: Net operating expenses	3	58,257	43,925
Depreciation on rental installations		12,124	8,737
OPERATING PROFIT		<u>22,977</u>	<u>16,269</u>
Income from shares in group companies	6	337	999
Interest receivable and other income	7	225	83
Amounts written off investments	8	(21,315)	-
Interest payable and similar charges	7	(2,056)	(561)
PROFIT BEFORE TAXATION	9	<u>168</u>	<u>16,790</u>
Taxation on profit on ordinary activities	10	6,609	5,993
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(6,441)</u>	<u>10,797</u>
Extraordinary items	11	94	-
(LOSS)/PROFIT AVAILABLE FOR APPROPRIATION		<u>(6,535)</u>	<u>10,797</u>
Dividends	12	3,168	7,374
RETAINED (LOSS)/PROFIT FOR THE PERIOD	22	<u>(9,703)</u>	<u>3,423</u>
(LOSS)/EARNINGS PER SHARE	13	(7.1)p	12.9p

TELEPHONE RENTALS PLC

BALANCE SHEET AS AT 31 MARCH 1989

	Notes	1989 £'000	1987 £'000
FIXED ASSETS			
Tangible assets	14	110,937	80,277
Investments	15	41,864	38,278
		<u>152,801</u>	<u>118,555</u>
CURRENT ASSETS			
Stocks	16	16,187	13,335
Debtors	17	13,717	11,399
Cash at bank and in hand		5,522	18
		<u>35,426</u>	<u>24,752</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	52,836	36,808
NET CURRENT LIABILITIES		<u>(17,410)</u>	<u>(12,056)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		135,391	106,499
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	21,700	5,250
		<u>113,691</u>	<u>101,249</u>
CAPITAL AND RESERVES			
Called up share capital	21	23,203	22,299
Share premium account	22	23,039	16,552
Revaluation reserve	22	14,754	-
Other reserves - acquisition	22	7,151	7,151
Profit and loss account	22	45,544	55,247
		<u>113,691</u>	<u>101,249</u>

The financial statements on pages 7 to 23 were approved by the board of directors on 9 June 1989 and were signed on its behalf by:

G R N GELLATLY)

) Directors

P A MOORE)

TELEPHONE RENTALS PLC

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE FIFTEEN MONTHS ENDED 31 MARCH 1989

	15 months 1989 £'000	1987 £'000
RESULTS FROM OPERATIONS		
Profit before taxation	168	16,790
Extraordinary item	94	-
	<u>74</u>	<u>16,790</u>
Adjustments for items not involving the movement of funds:		
Depreciation	14,814	10,542
Profit on sale of fixed assets	(346)	(282)
Amounts written off fixed asset investments	21,315	-
Profit on sale of fixed asset investments	(1,939)	-
	<u>33,844</u>	<u>10,260</u>
TOTAL GENERATED FROM OPERATIONS	33,918	27,050
OTHER SOURCES OF FUNDS		
Issue of shares	7,391	18,266
Proceeds on disposal of fixed assets	5,604	4,292
Proceeds on disposal of fixed asset investment	1,990	-
Loan from parent company	20,000	-
	<u>34,985</u>	<u>22,558</u>
	68,903	49,608
APPLICATION OF FUNDS		
Purchase of fixed assets	35,978	18,350
Dividends paid	8,074	6,571
Taxation paid	9,949	4,681
Purchase of fixed asset investments	24,952	19,201
	<u>78,953</u>	<u>48,803</u>
	(10,050)	805
	=====	=====
MOVEMENT IN WORKING CAPITAL		
Stocks	2,852	685
Debtors	3,953	2,081
Creditors	(26,266)	(2,376)
	<u>(19,461)</u>	<u>390</u>
Increase in net liquid funds	9,411	415
	<u>(10,050)</u>	<u>805</u>
	=====	=====

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED 31 MARCH 1989

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 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.

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

Freehold and leasehold properties	-	2%
Furniture, fittings, plant and equipment	-	10% to 33%
Vans and cars	-	25%

(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 less progress payments received.

(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.

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER AND PROFITS

Turnover and profit for the company are 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 operating and finance leases) amounted to £51,196,581 (1987 £36,113,630).

3. NET OPERATING EXPENSES

	15 months 1989 £'000	1987 £'000
Staff costs (note 4)	32,070	21,600
Materials purchases	39,497	24,697
Depreciation on assets other than rental installations	2,689	1,805
Write-off of amounts owed by subsidiaries	783	-
Other operating charges	13,032	12,081
	<u>88,071</u>	<u>60,183</u>
Less: Work capitalised for rental installations	29,357	15,920
Other operating income (note 5)	457	338
	<u>58,257</u> =====	<u>43,925</u> =====

4. DIRECTORS AND EMPLOYEES

	15 months 1989 £'000	1987 £'000
Emoluments of the directors of Telephone Rentals plc were:		
Fees	53	35
Other emoluments	430	287
Pensions to former directors	10	10
Compensation for loss of office	170	-
	<u>663</u>	<u>332</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECTORS AND EMPLOYEES (continued)

	15 months 1989 £'000	1987 £'000
Since 1 January 1988, the Chairman and Executive directors are no longer entitled to receive fees. Their salaries have been increased accordingly. In 1987 they waived their rights to directors' fees of £25,000		
Emoluments (excluding pension contributions) were paid to directors as follows:		
Chairmen		
- 1 January 1988 - 12 January 1989	41	
- 13 January 1989 - 31 March 1989	-	
	<hr/> 41	40
	===	===
Highest paid director	113	88
	===	===
	Number	Number
Other directors:		
Up to £ 5,000	4	6
£ 5,001 to £ 10,000	4	1
£ 10,001 to £ 15,000	1	-
£ 30,001 to £ 35,000	1	-
£ 40,001 to £ 45,000	-	3
£ 60,001 to £ 65,000	3	-
Highest paid UK employees were paid as follows:		
£30,001 to £35,000	34	13
£35,001 to £40,000	25	2
£40,001 to £45,000	16	6
£45,001 to £50,000	7	1
£50,001 to £55,000	5	-
£55,001 to £60,000	3	-
£60,001 to £65,000	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	848	811
Sales, administration and other	835	807
	<hr/> 1,683	<hr/> 1,618
	£'000	£'000
Staff costs amounted to:		
Wages and salaries	27,546	18,539
Social security costs	2,265	1,387
Other pension costs	2,259	1,674
	<hr/> 32,070	<hr/> 21,600
	=====	=====

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OTHER OPERATING INCOME

	15 months 1989 £'000	1987 £'000
Net profit on sale of assets	346	282
Discounts received	29	10
Property rents	82	46
	<u>457</u>	<u>338</u>
	=====	=====

6. INCOME FROM SHARES IN GROUP COMPANIES

	15 months 1989 £'000	1987 £'000
Income from subsidiaries	301	932
Income from associates	36	67
	<u>337</u>	<u>999</u>
	=====	=====

7. INTEREST

	15 months 1989 £'000	1987 £'000
Payable:		
Bank loans, overdrafts and other loans repayable within five years other than by instalments	2,056	561
	=====	=====
Receivable:		
Bank deposits and sundry interest	225	83
	=====	=====

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. AMOUNTS WRITTEN OFF INVESTMENTS

	15 months 1989 £'000	1987 £'000
Amounts written off fixed asset. investments as a result of permanent diminution of value	21,315	-

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

9. PROFIT BEFORE TAXATION

	15 months 1989 £'000	1987 £'000
Profit before taxation is stated after crediting:		
Rents receivable	82	46
and after charging:		
Depreciation on owned tangible fixed assets	14,814	10,542
Write off of amount owing by subsidiary	783	-
Auditors remuneration (including expenses)	76	45

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TAXATION

	15 months 1989 £'000	1987 £'000
United Kingdom corporation tax at 35% based on the profit for the year	6,686	6,138
Less: Double tax relief	(162)	(138)
	<u>6,524</u>	<u>6,000</u>
Deferred taxation	-	-
Overseas taxation	46	-
Prior year adjustments	39	(7)
	<u>6,609</u>	<u>5,993</u>
	=====	=====

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

	15 months 1989 £'000	1987 £'000
Timing differences	686	(332)
Capital gains rolled over	-	6
Capital gains on revaluation of fixed assets	4,579	-
	<u>5,265</u>	<u>(326)</u>
	=====	=====

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. EXTRAORDINARY ITEM

	15 months 1989 £'000	1987 £'000
Bid defence costs	2,033	-
Profit on sale of subsidiary company	(1,939)	-
	<u>94</u>	<u>-</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

	15 months 1989 £'000	1987 £'000
Interim of 3.50 pence per share (1987 : 3.00 pence)	3,168	2,468
Final of Nil pence per share (1987 : 5.50 pence)	-	4,906
	<u>3,168</u>	<u>7,374</u>
	=====	=====

13. (LOSS)/EARNINGS PER SHARE

	15 months 1989	1987
(Loss)/profit before extraordinary items	£(6,441,000)	£10,797,000
Weighted average number of ordinary shares issued	90,298,000	83,781,000
(Loss)/earnings per share	(7.1)p	12.9p

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. TANGIBLE FIXED ASSETS

The movements on the tangible fixed assets have been as follows:

COST OR VALUATION	Installations £'000	Land and buildings £'000	Furniture, fittings, plant and equipment £'000	Vans and cars £'000	Assets in course of construction £'000	Total £'000
At 1 January 1988	91,496	8,846	7,272	4,323	2,269	114,206
Revaluation	-	13,084	-	-	-	13,084
Additions	-	2,878	1,131	2,605	29,357	35,971
Assets completed in period	28,404	-	-	-	(28,404)	-
Disposals	(10,284)	-	(288)	(1,639)	-	(12,211)
Inter group transfers	-	-	-	14	-	14
At 31 March 1989	109,616	24,808	8,115	5,303	3,222	151,064
DEPRECIATION						
At 1 January 1988	26,233	1,437	4,459	1,800	-	33,929
Charge for period	12,124	233	1,025	1,432	-	14,814
Revaluation	-	(1,670)	-	-	-	(1,670)
Disposals	(5,410)	-	(287)	(1,256)	-	(6,953)
Inter group transfers	-	-	-	7	-	7
At 31 March 1989	32,947	-	5,197	1,983	-	40,127
NET BOOK VALUE						
At 31 March 1989	76,669	24,808	2,918	3,320	3,222	110,937
At 31 December 1987	65,263	7,409	2,813	2,523	2,269	80,277

Land and buildings at net book value comprises:

	1989 £'000	1987 £'000
Freehold	23,028	6,442
Long leasehold	1,743	923
Short leasehold	37	44
	24,808	7,409

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. TANGIBLE FIXED ASSETS (continued)

Land and buildings have been included at directors' valuation made at 31 March 1989. The basis of the directors valuation was a valuations made by Jones Lang Wooton, Chartered Surveyors, on an open market for existing use basis as at 6 October 1988.

If land and buildings had not been revalued they would have been included at the following amounts:

	1989 £'000	1987 £'000
Cost	11,724	8,846
Aggregate depreciation	1,670	1,437
Net	<u>10,054</u>	<u>7,409</u>

15. FIXED ASSET INVESTMENTS

	Subsidiary companies		Associated company	Other investments	
	Shares £'000	Loans £'000	Shares £'000	Shares £'000	Total £'000
COST					
At 1 January 1988	36,321	180	449	1,328	38,278
Additions	17,696	7,000	-	256	24,952
Disposals	(51)	-	-	-	(51)
Transfers	853	-	-	(853)	-
At 31 March 1989	<u>54,819</u>	<u>7,180</u>	<u>449</u>	<u>731</u>	<u>63,179</u>
AMOUNTS WRITTEN OFF					
At 1 January 1988	-	-	-	-	-
Amounts written off during period	14,315	7,000	-	-	21,315
At 31 March 1989	<u>14,315</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>21,315</u>
NET BOOK VALUE					
At 31 March 1989	<u>40,504</u>	<u>180</u>	<u>449</u>	<u>731</u>	<u>41,864</u>
At 31 December 1987	<u>36,321</u>	<u>180</u>	<u>449</u>	<u>1,328</u>	<u>38,278</u>

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. 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 (*).

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

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

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. STOCKS

	1989 £'000	1987 £'000
Raw materials and goods for resale	8,357	7,022
Work in progress	7,830	6,313
	<u>16,187</u>	<u>13,335</u>
	=====	=====

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

17. DEBTORS

	1989 £'000	1987 £'000
Receivable within one year:		
Trade debtors	11,468	7,125
Amounts owed by subsidiaries	620	1,480
Amount owed by associated company	-	97
Other debtors	1,082	669
Prepayments and accrued income	516	337
	<u>13,686</u>	<u>9,708</u>
Receivable in more than one year:		
Other debtors	31	56
Tax recoverable	-	1,635
	<u>31</u>	<u>1,691</u>
Total debtors	<u>13,717</u>	<u>11,399</u>
	=====	=====

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1989 £'000	1987 £'000
Bank loans and overdrafts	9,477	13,384
Trade creditors	4,433	6,477
Amounts owed to subsidiaries	274	49
Other creditors	1,308	592
Taxation - Corporation tax	3,848	5,273
Social Security	578	270
Proposed dividend	-	4,906
Accruals	1,256	1,603
Rents received in advance	28,795	4,146
Payments received on account	2,867	108
	<u>52,836</u>	<u>36,808</u>
	=====	=====

Payments received on account represent receipts for sales contracts which, at balance sheet date, are uncompleted. These in prior years were recorded as progress payments and deducted from work in progress but are now shown as creditors in line with the parent company policy.

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

	1989 £'000	1987 £'000
Amounts owed to holding company	20,000	-
Amounts owed to subsidiaries	1,700	1,700
Corporation tax	-	3,550
	<u>21,700</u>	<u>5,250</u>
	=====	=====

20. DEFERRED TAXATION

	Total potential liability £'000	1989 Provided in the accounts £'000	Total potential liability £'000	1987 Provided in the accounts £'000
Timing differences				
on installations	19,029	-	18,246	-
Other timing differences	457	-	554	-
Capital gains rolled over	732	-	732	-
Capital gains on				
revaluation of fixed				
assets	4,579	-	-	-
	<u>24,797</u>	<u>-</u>	<u>19,532</u>	<u>-</u>
	=====	=====	=====	=====

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. SHARE CAPITAL

		1989		1987
	No. of shares	£'000	No. of shares	£'000
Authorised:				
Ordinary shares of 25p each	120,000,000	30,000	100,000,000	25,000
	=====	=====	=====	=====
Allotted and fully paid:				
Ordinary shares of 25p each	92,813,256	23,203	89,194,107	22,299
	=====	=====	=====	=====

As part of the acquisition of Sound Systems plc, Telephone Rentals plc made an allocation of 949,480 shares at £2.18 each.

During the year 2,669,669 shares were issued upon the exercise of options under the company's share option schemes. The total consideration was £5,322,694.

22. RESERVES

	Share premium account £'000	Revaluation reserve £'000	Other reserves Non- distributable £'000	Acquisition £'000	Retained earnings £'000
At 1 January 1988	16,552	-	-	7,151	55,247
Arising on issue of shares	6,487	-	-	-	-
Surplus on revaluation of property	-	14,754	-	-	-
Transfer from profit and loss account	-	-	-	-	(9,703)
	=====	=====	=====	=====	=====
At 31 March 1989	23,039	14,754	-	7,151	45,544
	=====	=====	=====	=====	=====

The movement on the revaluation reserve reflects the revaluation of land and buildings to directors valuation at 31 March 1989 as shown in note 14.

23. CAPITAL COMMITMENTS

There were no commitments at 31 March 1989 for capital expenditure.

TELEPHONE RENTALS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. CONTINGENT LIABILITIES

The company has guaranteed overdraft, loan and other credit arrangements of certain of its subsidiaries up to a maximum of £21,192,000 (1987 : £8,410,000). At 31 March 1989 the actual liability under these arrangements was £12,792,000 (1987 : £6,105,000).

25. ULTIMATE HOLDING COMPANY

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

26. POST BALANCE SHEET EVENTS

On 8 May 1989, the management of Electro-Rentals Ltd made an offer to purchase the whole of the issued share capital of Electro-Rentals Ltd. The directors of Telephone Rentals plc have accepted the offer subject to contract.