

# NYNEX CableComms Cheshire

## Financial Statements for the year ended 31 December 1995



**Financial Statements  
for the year ended 31 December 1995**

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**Directors and advisers**

**Executive Directors**

**J F Killian (Chairman)**

**N P Mearing-Smith**

**P H Repp**

**Registered Auditors**

**Coopers & Lybrand**

1 Embankment Place

London

WC2N 6NN

**Secretary and registered office**

**P H Repp**

The Tolworth Tower

Ewell Road

Surbiton

Surrey KT6 7ED

**Bankers**

**Barclays Bank PLC**

**Registered number**

**2379804**

**Directors' report  
for the year ended 31 December 1995**

The directors present their report and the audited financial statements for the year ended 31 December 1995.

**Principal activity**

The principal activity of the company is the provision of cable television and telecommunications services under licences awarded to it for the Cheshire area.

The ultimate UK holding company NYNEX CableComms Group PLC and its affiliated company, NYNEX CableComms Group Inc., were floated on the London Stock Exchange and the New York Nasdaq National Market on 14 June 1995.

**Review of the business**

The directors consider the results for the year and the financial position at the year end to be satisfactory.

**Results for the year**

The loss for the year amounted to £5,821,294 (1994:£5,076,295). The preference dividend of £494,180 to the non-equity shareholders for the year ended 31 December 1995 has not been declared, but an appropriation equal to the dividend has been made in the profit and loss account in accordance with Financial Reporting Standard 4 together with £111,021 in respect of the previous year. An appropriation equal to the dividend was not made in the 1994 profit and loss account, as the amount of the dividend, £111,021, for the period 11 October 1994 (the date from which the dividend was effective) to 31 December 1994 was not considered to be material in the context of the financial statements. The retained loss for the year of £6,426,495 (1994:£5,076,295) has been transferred to reserves.

**Future developments**

The company will continue the development of the cable television and telecommunications network and services pursuant to licences awarded to the company.

**State of affairs**

The state of the company's affairs at 31 December 1995 is set out on page 9.

**Directors and directors' interests**

The directors of the company at 31 December 1995 are set out below together with details of changes in directors during the year:

|                   |                              |
|-------------------|------------------------------|
| J F Killian       | (appointed 21 December 1995) |
| E P Connell       | (resigned 7 December 1995)   |
| N P Mearing-Smith |                              |
| L B Rabuffo       | (resigned 19 July 1995)      |
| P G Greenall      | (resigned 28 July 1995)      |
| P H Repp          |                              |

N P Mearing-Smith and P H Repp were directors of the company throughout the year.

The directors' interests in shares of common stock of NYNEX Corporation including shares of common stock of NYNEX Corporation which they had the right on such date to acquire pursuant to the exercise on or before 31 December 1995 of options granted by NYNEX Corporation, plus the number of shares of common stock of NYNEX Corporation held on 31 December 1995 by the trustee of the NYNEX Corporation Savings Plan for Salaried Employees ("Savings Plan") that is equivalent as at that date to their undivided proportionate beneficial interests in all such shares are:

|             | Shares of Common<br>Stock of NYNEX Corporation |
|-------------|------------------------------------------------|
| J F Killian | 15,623                                         |
| P H Repp    | 1,300                                          |

The number of shares held in the Savings Plan included in the numbers shown above are as follows: J F Killian 927, P H Repp 1,020.

The number of shares of which the named persons had the right to acquire beneficial ownership pursuant to the exercise of options granted by NYNEX Corporation included in the numbers shown are as follows: J F Killian 14,696, P H Repp 280.

The directors' interests in the company and UK fellow subsidiary undertakings are disclosed in note 6 to the financial statements.

No director who held office at the end of the year had any other interest in the issued share capital of the company or any other group company at any time in the year.

**Changes in fixed assets**

The movement in fixed assets during the year are set out on note 8 to the financial statements.

**Insurance of directors**

Insurance is maintained for the directors in respect of their duties as directors of the company.

**Taxation status**

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

**Employment policy**

The company's payroll is managed by NYNEX CableComms Limited, which holds the service contracts for all UK personnel.

The company's policy is to consult and discuss with employees, through team briefings, matters most likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports that seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is an employee bonus scheme and a share option scheme that have the purpose of encouraging the involvement of employees in the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

**Auditors**

In accordance with section 385 of the Companies Act 1985 a resolution will be proposed at the Annual General Meeting to appoint Coopers & Lybrand as auditors of the company.

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**Directors' responsibility**

The directors are required by UK company law to prepare financial statements for each financial year that 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 for that period. The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The directors also confirm that applicable accounting standards have been followed, and that the financial statements have been prepared on the going concern basis. The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

A handwritten signature in black ink, appearing to be 'P H Repp', written in a cursive style.

P H Repp  
Secretary  
9 May 1996

**Report of the auditors  
to the members of NYNEX CableComms Cheshire**

We have audited the financial statements on pages 8 to 25.

**Respective responsibilities of directors and auditors**

As described in the directors' report, 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 that 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 at 31 December 1995 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

COOPERS & LYBRAND  
Chartered Accountants and Registered Auditors  
London  
10 May 1996

**Profit and loss account  
for the year ended 31 December 1995**

|                                             | Note | 1995<br>£                  | 1994<br>£                  |
|---------------------------------------------|------|----------------------------|----------------------------|
| Turnover                                    | 2    | 1,226,241                  | 60,789                     |
| Programming costs                           |      | (284,462)                  | (17,590)                   |
| Telecommunication costs                     |      | (184,260)                  | (4,191)                    |
| Staff costs                                 | 5    | (96,664)                   | -                          |
| Depreciation                                |      | (375,248)                  | (18,618)                   |
| Selling, general and administration costs   |      | <u>(5,781,459)</u>         | <u>(5,090,874)</u>         |
| Operating loss                              |      | (5,495,852)                | (5,070,484)                |
| Interest payable and similar charges        | 4    | <u>(325,442)</u>           | <u>(5,811)</u>             |
| Loss on ordinary activities before taxation | 3    | (5,821,294)                | (5,076,295)                |
| Taxation                                    | 7    | <u>-</u>                   | <u>-</u>                   |
| Loss on ordinary activities after taxation  |      | (5,821,294)                | (5,076,295)                |
| Dividends                                   | 14   | <u>(605,201)</u>           | <u>-</u>                   |
| Retained loss for the year                  | 16   | <u><u>(£6,426,495)</u></u> | <u><u>(£5,076,295)</u></u> |

The directors believe that the nature of the company's business is such that the analysis of operating costs required by the Companies Act 1985 is not appropriate. As required by the Act, the directors have therefore adapted the prescribed format so that operating costs are disclosed in a manner appropriate to the company's principal activity.

The company has no recognised gains and losses other than those included in the loss above and therefore no separate statement of total recognised gains and losses has been presented.

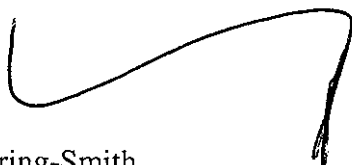
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year their historical cost equivalents.

All of the company's activities are continuing.

**Balance sheet  
at 31 December 1995**

|                                                       | Notes | £                   | 1995<br>£           | £                  | 1994<br>£          | £ |
|-------------------------------------------------------|-------|---------------------|---------------------|--------------------|--------------------|---|
| <b>Fixed assets</b>                                   |       |                     |                     |                    |                    |   |
| Tangible assets                                       | 8     |                     | 31,210,498          |                    | 7,871,146          |   |
| <b>Current assets</b>                                 |       |                     |                     |                    |                    |   |
| Debtors: amounts falling due after more than one year | 9     | 1,704,847           |                     | 1,894,276          |                    |   |
| Debtors: amount falling due within one year           | 10    | 1,155,969           |                     | 223,786            |                    |   |
| Cash at bank and in hand                              |       | 34,806              |                     | 13,715             |                    |   |
|                                                       |       | <u>2,895,622</u>    |                     | <u>2,131,777</u>   |                    |   |
| <b>Creditors:</b>                                     |       |                     |                     |                    |                    |   |
| Amounts falling due within one year                   | 11    | <u>(14,966,834)</u> |                     | <u>(1,569,841)</u> |                    |   |
| <b>Net current (liabilities)/assets</b>               |       |                     | <u>(12,071,212)</u> |                    | <u>561,936</u>     |   |
| <b>Total assets less current liabilities</b>          |       |                     | 19,139,286          |                    | 8,433,082          |   |
| <b>Creditors:</b>                                     |       |                     |                     |                    |                    |   |
| Amounts falling due after more than one year          | 12    |                     | <u>(7,652,000)</u>  |                    | <u>(4,500,000)</u> |   |
|                                                       |       |                     | <u>£11,487,286</u>  |                    | <u>£3,933,082</u>  |   |
| <b>Capital and reserves</b>                           |       |                     |                     |                    |                    |   |
| Called up share capital (includes non-equity)         | 14    |                     | 9,506,745           |                    | 9,506,745          |   |
| Capital contribution                                  | 15    |                     | 13,375,498          |                    | -                  |   |
| Profit and loss account (includes non-equity)         | 16    |                     | <u>(11,394,957)</u> |                    | <u>(5,573,663)</u> |   |
| <b>Shareholders' funds</b>                            | 17    |                     | <u>£11,487,286</u>  |                    | <u>£3,933,082</u>  |   |

These financial statements were approved by the Board of Directors and were signed on 9 May 1996 on its behalf by:



N P Mearing-Smith  
Director

*The notes on pages 11 to 25 form part of these financial statements.*

**Cash flow statement  
for the year ended 31 December 1995**

|                                                                              | Notes | 1995<br>£           | 1994<br>£           |
|------------------------------------------------------------------------------|-------|---------------------|---------------------|
| <b>Net cash inflow/(outflow) from operating activities</b>                   | 18    | <u>7,344,206</u>    | <u>(6,097,155)</u>  |
| <b>Returns on investments and servicing of finance</b>                       |       |                     |                     |
| Interest and similar charges paid                                            |       | <u>(309,013)</u>    | <u>(11,498)</u>     |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |       | <u>(309,013)</u>    | <u>(11,498)</u>     |
| <b>Investing activities</b>                                                  |       |                     |                     |
| Purchase of tangible fixed assets                                            |       | <u>(23,541,600)</u> | <u>(7,884,077)</u>  |
| <b>Net cash outflow from investing activities</b>                            |       | <u>(23,541,600)</u> | <u>(7,884,077)</u>  |
| <b>Net cash outflow before financing</b>                                     |       | <u>(16,506,407)</u> | <u>(13,992,730)</u> |
| <b>Financing</b>                                                             | 20    |                     |                     |
| Proceeds from issue of share capital (including share premium)               |       | -                   | 9,506,445           |
| Capital contribution                                                         |       | 13,375,498          | -                   |
| Long term loan raised                                                        |       | <u>3,152,000</u>    | <u>4,500,000</u>    |
| <b>Net cash inflow from financing</b>                                        |       | <u>16,527,498</u>   | <u>14,006,445</u>   |
| <b>Increase in cash and cash equivalents</b>                                 | 19    | <u>£21,091</u>      | <u>£13,715</u>      |

**Notes to the financial statements  
for the year ended 31 December 1995**

**1 Accounting policies**

The principal accounting policies, which have been applied consistently in the preparation of these financial statements, are as follows.

**Accounting convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments, and in accordance with applicable accounting standards in the United Kingdom.

**Turnover**

Turnover, which excludes value added tax, represents the value of services provided. Cable television charges and telecommunications line rental charges are billed in advance and recognised when earned. Residential and business installation revenues are recognised in full upon installation to the extent of direct selling costs incurred. Revenue from the sale of a managed fibre network is recognised upon completion of that network.

**Selling, general and administration costs**

Selling, general and administration costs on the face of the profit and loss account are shown net of the amounts capitalised as part of network cost within tangible fixed assets.

**Fixed assets and depreciation**

Tangible fixed assets are recorded at cost. Cost includes materials, direct labour and overhead expenses directly applicable to the design, construction and installation of the cable television and telecommunications network. Interest on borrowings to finance network construction is capitalised to the extent that it is incurred during the construction period.

Depreciation is provided to write off the cost, less estimated residual value, of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

|                                                                 |                            |
|-----------------------------------------------------------------|----------------------------|
| Freehold buildings                                              | 25 years                   |
| Freehold land                                                   | nil                        |
| Leasehold improvements                                          | over the term of the lease |
| Network                                                         | 40 years                   |
| Electronic equipments and cable                                 | 5 to 20 years              |
| Assets in the course of construction and construction materials | nil                        |
| Other equipment                                                 | 4 to 5 years               |

Depreciation of the network commences at the earlier of three months after the relevant part of the network is operational or when customer levels reach 10% of total possible customers for that part of the network.

## **1 Accounting policies (continued)**

### **Financial instruments**

The company hedges certain exposures to interest rate fluctuations through interest rate swaps and instruments similar to options.

Premiums paid for option type instruments are capitalised and amortised to interest payable and similar charges over the term of the option. Unamortised premiums are included in debtors: amounts falling due after more than one year.

Swaps and options used as hedges are marked to market at each period end and changes in value are recorded with the underlying financial instrument. Unrealised gains and losses from marking to market are deferred in creditors: falling due after more than one year or in debtors: amounts falling due after more than one year and recognised in income when the hedged transaction occurs.

### **Foreign currencies**

Transactions denominated in foreign currencies are translated using the rate of exchange in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange in effect on the balance sheet date. Exchange gains or losses resulting from transactions in foreign currencies are accounted for through the profit and loss account.

### **Management service costs**

NYNEX CableComms Limited has agreed to furnish consultancy and support services to NYNEX CableComms Cheshire in order to realise economies and increased efficiencies.

In consideration for the service rendered by NYNEX CableComms Limited, the company agreed to pay its share of the costs incurred.

The company's share of these costs was £5,484,837 (1994:£ 2,516,522).

### **Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences, to the extent that it is probable that a liability or asset will crystallise.

## **2 Turnover**

Turnover is attributable principally to the provision of cable television and telecommunications services in the United Kingdom. The directors consider these to be the same class of business and accordingly no segmental analysis of operating loss or net assets is shown. Turnover comprised the following:

|                                  | 1995<br>£         | 1994<br>£      |
|----------------------------------|-------------------|----------------|
| Cable television                 | 539,895           | 24,242         |
| Telecommunications - residential | 431,015           | 16,073         |
| Telecommunications - business    | 99,303            | 1,360          |
| Installation revenue             | 156,028           | 19,114         |
|                                  | <u>£1,226,241</u> | <u>£60,789</u> |

## **3 Loss on ordinary activities before taxation**

The loss on ordinary activities is attributable to the principal activity, the development of a cable television and telecommunications franchise, and arose wholly within the UK.

Loss on ordinary activities is stated after charging :

|                                                                                     | 1995<br>£ | 1994<br>£        |
|-------------------------------------------------------------------------------------|-----------|------------------|
| Depreciation tangible fixed assets                                                  | 375,248   | 18,618           |
| Exceptional operating expenses within selling, general and administration costs (a) | <u>-</u>  | <u>2,465,154</u> |

- (a) The 1994 exceptional operating expenses related to the cost of the restructuring and raising of finance. These were charged to the profit and loss account in accordance with Financial Reporting Standard 4, "Capital Instruments".

Auditors' remuneration in respect of the company and affiliates which are part of NYNEX CableComms Group PLC and NYNEX CableComms Group Inc's cable television and telecommunications businesses in the UK, is paid by NYNEX CableComms Limited and allocated to the company as part of the management service charge. The total amount (excluding fees relating to the issue of shares in NYNEX CableComms Group PLC and NYNEX CableComms Group Inc. and the audit fees of those companies) is disclosed in the financial statements of NYNEX CableComms Limited.

### **3 Loss on ordinary activities before taxation (continued)**

The proportion of the auditors' remuneration recharged to the company by NYNEX CableComms Limited as part of the management service charge was:

|                | 1995    | 1994    |
|----------------|---------|---------|
|                | £       | £       |
| Audit.         | 15,786  | 8,531   |
| Other services | 381,165 | 144,140 |

The total amount of remuneration charged to the group by the auditors for the year ended 31 December 1995 is disclosed in the consolidated financial statements of NYNEX CableComms Group PLC and NYNEX CableComms Group Inc.

### **4 Interest payable and similar charges**

|                                                               | 1995      | 1994    |
|---------------------------------------------------------------|-----------|---------|
|                                                               | £         | £       |
| Interest on loans repayable by instalments in 5 years or more | 309,013   | 11,498  |
| Amortisation of option type premiums                          | 189,429   | -       |
|                                                               | 498,442   | 11,498  |
| Less: Interest capitalised within network fixed assets        | (173,000) | (5,687) |
|                                                               | £325,442  | £5,811  |

### **5 Directors' emoluments and employees**

The emoluments of the directors are paid either directly or indirectly by NYNEX CableComms Limited. The proportion of the directors' total emoluments paid in respect of their services as directors of NYNEX CableComms Cheshire or otherwise in connection with the management of the affairs of the company was:

|                                              | 1995    | 1994    |
|----------------------------------------------|---------|---------|
|                                              | £       | £       |
| Fees                                         | 4,667   | 8,667   |
| Salary payments (including benefits in kind) | 67,817  | 53,886  |
| Pension contributions                        | 1,397   | 543     |
|                                              | £73,881 | £63,096 |

The amount has been recharged to the company by NYNEX CableComms Limited as part of the management service cost (see note 1).

**5 Directors' emoluments and employees (continued)**

Fees and other emoluments include amounts paid to:

|                       | <b>1995<br/>Chairman</b> | <b>1995<br/>Former<br/>Chairman<br/>and highest<br/>paid Director</b> | <b>1994<br/>Chairman<br/>and highest<br/>paid Director</b> |
|-----------------------|--------------------------|-----------------------------------------------------------------------|------------------------------------------------------------|
|                       | <b>£</b>                 | <b>£</b>                                                              | <b>£</b>                                                   |
| Fees                  | -                        | -                                                                     | -                                                          |
| Salary payments       | 542                      | 22,138                                                                | 22,905                                                     |
| Pension contributions | -                        | -                                                                     | -                                                          |
|                       | <u>£542</u>              | <u>£22,138</u>                                                        | <u>£22,905</u>                                             |

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments directly or indirectly from NYNEX CableComms Limited (excluding pension contributions) in the following ranges was:

|                    | <b>1995<br/>Number</b> | <b>1994<br/>Number</b> |
|--------------------|------------------------|------------------------|
| £0 to £5,000       | 2                      | 1                      |
| £5,001 to £10,000  | -                      | 3                      |
| £10,001 to £15,000 | 2                      | 1                      |
| £20,001 to £25,000 | 2                      | 1                      |

The average number of persons (excluding directors) directly employed in respect of the development of the company's cable franchise during the year was 13 (1994:Nil).

The staff costs of these individuals were:

|                                                           | <b>1995<br/>£</b> | <b>1994<br/>£</b> |
|-----------------------------------------------------------|-------------------|-------------------|
| Wages and salaries                                        | 243,621           | -                 |
| Social security costs                                     | 24,793            | -                 |
| Other previous costs                                      | 504               | -                 |
| Total staff costs                                         | 268,918           | -                 |
| Less: Staff costs capitalised within network fixed assets | (172,254)         | -                 |
|                                                           | <u>£96,664</u>    | <u>£-</u>         |

## **6 Directors' interests in UK Group companies**

During 1995 the company's UK parent, NYNEX CableComms Group PLC, made a Combined Offering of Units, together with NYNEX CableComms Group Inc., to the public. A Unit comprises one Ordinary Share of 10p of NYNEX CableComms Group PLC and one share of Common Stock, par value \$0.01 per share of NYNEX CableComms Group Inc.

Following the Combined Offering, J F Killian and N P Mearing-Smith were awarded a right to acquire 68,710 and 91,613 Units respectively, for no payment on the vesting date. J F Killian and N P Mearing-Smith were awarded on 2 January 1996 a further right to acquire 122,982 and 56,936 Units respectively, for no payment on the vesting date. The number of units shown is based on the offer price of 137p for the first allotment and 113p for the second allotment.

The right and further right will vest on 31 December 1996 for N P Mearing-Smith and the right and further right will vest for J F Killian on 31 December 1996 and 1 January 1998, respectively, provided they remain employed by NYNEX CableComms Limited or cease to be employed by NYNEX CableComms Limited by reason of death or permanent disability.

|                    | <u>Units awarded at<br/>31 December 1995</u> |
|--------------------|----------------------------------------------|
| J F Killian        | 191,692                                      |
| N P Mearing- Smith | 583,549                                      |
| P H Repp           | Nil                                          |

The number of Units in which N P Mearing-Smith is interested includes an estimated 435,000 Units to be issued to him pursuant to an agreement dated 26 April 1995 between one current executive officer, one former executive officer, N P Mearing-Smith, NYNEX UK Telephone & Cable TV Holding Company Limited, NYNEX CableComms Group PLC and NYNEX CableComms Group Inc. The number of Units shown is based on the offer price of £1.37 for the Combined Offering of Ordinary shares of NYNEX CableComms Group PLC and Common Stock of NYNEX CableComms Group Inc., during the year. N P Mearing-Smith also received cash in the amount of £440,000 in relation to this agreement.

An accrual equivalent in value to the approximate value of the outstanding Units to be issued has been made in the financial statements of NYNEX UK Telephone & Cable TV Holding Company Limited.

## **7 Tax on loss on ordinary activities**

No taxation charge arises as the company made losses during the year.

8 Tangible fixed assets

|                     | Freehold<br>Land and<br>Buildings | Leasehold<br>Improvements | ①Network    | Electronic<br>Equipments<br>and Cable | Other<br>Equipment | Totals      |
|---------------------|-----------------------------------|---------------------------|-------------|---------------------------------------|--------------------|-------------|
| Cost                | £                                 | £                         | £           | £                                     | £                  | £           |
| At 1 January 1995   | 30,108                            | 717,891                   | 4,465,535   | 2,662,777                             | 13,453             | 7,889,764   |
| Additions ②         | 85,802                            | 47,110                    | 17,983,078  | 5,567,950                             | 30,660             | 23,714,600  |
| At 31 December 1995 | 115,910                           | 765,001                   | 22,448,613  | 8,230,727                             | 44,113             | 31,604,364  |
| Depreciation        |                                   |                           |             |                                       |                    |             |
| At 1 January 1995   | -                                 | 18,170                    | -           | -                                     | 448                | 18,618      |
| Charge for the year | 2,572                             | 30,595                    | 118,943     | 216,736                               | 6,402              | 375,248     |
| At 31 December 1995 | 2,572                             | 48,765                    | 118,943     | 216,736                               | 6,850              | 393,866     |
| Net Book Value      |                                   |                           |             |                                       |                    |             |
| At 31 December 1995 | £113,338                          | £716,236                  | £22,329,670 | £8,013,991                            | £37,263            | £31,210,498 |
| At 31 December 1994 | £30,108                           | £699,721                  | £4,465,535  | £2,662,777                            | £13,005            | £7,871,146  |

*Note:* ① This includes assets in the course of construction of £4,659,432 (1994:£2,813,472) and construction materials of £21,787 (1994:£47,500).

② Operating costs and interest totalling £1,873,974 for the year ending 31 December 1995 (1994:£357,981) that are directly applicable to the design, construction and installation of the company's cable television and telecommunications network have been capitalised within additions to network assets.

**9 Debtors: amounts falling due after more than one year**

|                                                  | <b>1995</b>       | <b>1994</b>       |
|--------------------------------------------------|-------------------|-------------------|
| Deferred costs in respect of hedging instruments | 1,279,286         | 1,894,276         |
| Deferred loss on hedging instruments             | 614,990           | -                 |
| Amortisation                                     | (189,429)         | -                 |
|                                                  | <u>£1,704,847</u> | <u>£1,894,276</u> |

Deferred costs include a devaluation of £614,990 at 31 December 1995 (1994:£Nil), which is disclosed above.

**10 Debtors: amounts falling due within one year**

|                                | <b>1995</b>       | <b>1994</b>     |
|--------------------------------|-------------------|-----------------|
|                                | <b>£</b>          | <b>£</b>        |
| Trade debtors                  | 292,411           | 74,582          |
| Other debtors                  | 99,364            | 26,644          |
| Prepayments and accrued income | 14,290            | -               |
| VAT receivable                 | 749,904           | 122,560         |
|                                | <u>£1,155,969</u> | <u>£223,786</u> |

**11 Creditors: amounts falling due within one year**

|                                                | <b>1995</b>        | <b>1994</b>       |
|------------------------------------------------|--------------------|-------------------|
|                                                | <b>£</b>           | <b>£</b>          |
| Trade creditors                                | 35,639             | 138,617           |
| Other creditors                                | 1,080,511          | -                 |
| Amounts owed to fellow subsidiary undertakings | 10,959,780         | 36,047            |
| Accruals and deferred income                   | 2,863,172          | 1,393,724         |
| Taxation and social security                   | 27,732             | 1,453             |
|                                                | <u>£14,966,834</u> | <u>£1,569,841</u> |

**12 Creditors: amounts falling due after more than one year**

|                | <b>1995</b>       | <b>1994</b>       |
|----------------|-------------------|-------------------|
| Long term loan | <u>£7,652,000</u> | <u>£4,500,000</u> |

**12 Creditors: amounts falling due after more than one year (continued)**

|                            | 1995<br>£         | 1994<br>£         |
|----------------------------|-------------------|-------------------|
| Long term loan             |                   |                   |
| Repayable by instalments:  |                   |                   |
| In one year or less        | -                 | -                 |
| Between one and two years  | -                 | -                 |
| Between two and five years | 708,767           | -                 |
| In five years or more      | 6,943,233         | 4,500,000         |
|                            | <u>£7,652,000</u> | <u>£4,500,000</u> |

This revolving loan is from an affiliate of NYNEX Corporation and is expected to convert on 31 December 1999 to a term loan repayable by instalments over 5 years. The loan bears interest at LIBOR plus a margin of 1.2% (1994:1.2%).

**13 Provision for liabilities and charges for deferred tax**

|                                              | 1995<br>£   | 1994<br>£ |
|----------------------------------------------|-------------|-----------|
| <b>Deferred tax:</b>                         |             |           |
| Tax effect of timing differences because of: |             |           |
| Excess capital allowances over depreciation  | 2,561,000   | 95,719    |
| Capitalised interest                         | 57,000      | -         |
| Tax losses                                   | (2,618,000) | (95,719)  |
|                                              | <u>£-</u>   | <u>£-</u> |

The company has UK tax losses available to carry forward of approximately £18 million (1994: £5million).

**14 Share capital**

|                                            | Number             | £                   |
|--------------------------------------------|--------------------|---------------------|
| <b>Authorised:</b>                         |                    |                     |
| 'A' ordinary shares of £1 each             |                    |                     |
| At 1 January and 31 December 1995          | <u>124,615,385</u> | <u>£124,615,385</u> |
| Preference shares of £1 each               |                    |                     |
| At 1 January and 31 December 1995          | <u>300</u>         | <u>£300</u>         |
| <b>Allotted, called up and fully paid:</b> |                    |                     |
| 'A' ordinary shares of £1 each             |                    |                     |
| At 1 January and 31 December 1995          | 9,506,445          | 9,506,445           |
| Preference shares of £1 each               |                    |                     |
| At 1 January 1995 and 31 December 1995     | <u>300</u>         | <u>300</u>          |
| Total at 31 December 1995                  | <u>9,506,745</u>   | <u>£9,506,745</u>   |

## **14 Share capital (continued)**

|                                          | Number             | £                   |
|------------------------------------------|--------------------|---------------------|
| <b>Allotted but not called up:</b>       |                    |                     |
| ‘A’ ordinary shares of £1 each, nil paid |                    |                     |
| At 1 January and 31 December 1995        | <u>115,108,940</u> | <u>£115,108,940</u> |

### **Shareholders’ voting rights**

In the opinion of the Directors, the primary rights attached to the various class of shares is as follows:

#### £1 preference shares

The right to attend and speak but not vote at all general meetings of the company.

#### £1 ‘A’ ordinary shares

The right to attend, speak and vote at all general meetings of the company.

### **Distributable profits**

Distributable profits are allocated on the following basis:

#### Preference shareholders

The company’s articles of association provide for a fixed cumulative preference dividend at the rate of £494,180 per annum (exclusive of any associated tax credit available to shareholders). This dividend will accrue on a daily basis from 11 October 1994 until 11 October 2014. After payment of the preference dividend, the preference shareholders are entitled to 15% of the remaining distributable profits.

#### Ordinary shareholders

After payment of the preference dividend, ordinary shareholders are entitled to 85% of the remaining distributable profits.

### **Dividends**

The preference dividend of £494,180 to the non-equity shareholders for the year ended 31 December 1995 has not been declared. An appropriation equal to the dividend has been made in the profit and loss account in accordance with Financial Reporting Standard 4 together with £111,021 in respect of the previous year, and is shown in the statement of reconciliation of shareholders’ funds (note 17). An appropriation equal to the dividend was not made in the 1994 profit and loss account, as the amount of the dividend, £111,021, for the period 11 October 1994 to 31 December 1994 was not considered to be material in the context of the financial statements.

## 15 Capital contribution

|                      | 1995               | 1994      |
|----------------------|--------------------|-----------|
|                      | £                  | £         |
| At 1 January         | -                  | -         |
| Received in the year | 13,375,498         | -         |
| At 31 December       | <u>£13,375,498</u> | <u>£-</u> |

During the year the company received capital contributions of £13,375,498. The directors intend to increase the authorised share capital of the company and to issue relevant shares to satisfy the capital contribution. This will be done in the near future.

## 16 Profit and loss account

|                                                     | 1995                 | 1994                |
|-----------------------------------------------------|----------------------|---------------------|
|                                                     | £                    | £                   |
| At 1 January                                        | (5,573,663)          | (497,368)           |
| Retained loss for the financial year                | <u>(6,426,495)</u>   | <u>(5,076,295)</u>  |
|                                                     | (12,000,158)         | (5,573,663)         |
| Undeclared dividends due to non-equity shareholders | <u>605,201</u>       | <u>-</u>            |
| At 31 December                                      | <u>(£11,394,957)</u> | <u>(£5,573,663)</u> |

### Cumulative undeclared dividends due to non-equity shareholders

|                              | 1995            | 1994      |
|------------------------------|-----------------|-----------|
|                              | £               | £         |
| At 1 January                 | -               | -         |
| Appropriated during the year | <u>605,201</u>  | <u>-</u>  |
| At 31 December               | <u>£605,201</u> | <u>£-</u> |

**17 Reconciliation of movements in shareholders' funds**

|                                                                                      | 1995<br>£           | 1994<br>£          |
|--------------------------------------------------------------------------------------|---------------------|--------------------|
| Loss for the financial year                                                          | (5,821,294)         | (5,076,295)        |
| Dividends                                                                            | (605,201)           | -                  |
| Share capital called up                                                              | -                   | 9,506,445          |
| Capital contribution                                                                 | 13,375,498          | -                  |
|                                                                                      | <u>6,949,003</u>    | <u>4,430,150</u>   |
| Reversal of non-equity dividends                                                     | 605,201             | -                  |
| Net movement in shareholders' funds                                                  | 7,554,204           | 4,430,150          |
| Opening shareholders' funds                                                          | 3,933,082           | (497,068)          |
| Closing shareholders' funds                                                          | <u>£11,487,286</u>  | <u>£3,933,082</u>  |
| <b>Total shareholders' funds</b>                                                     |                     |                    |
| Equity share capital                                                                 | 9,506,445           | 9,506,445          |
| Non-equity share capital                                                             | 300                 | 300                |
| Capital contribution                                                                 | 13,375,498          | -                  |
| Profit and loss account                                                              | <u>(11,394,957)</u> | <u>(5,573,663)</u> |
|                                                                                      | <u>£11,487,286</u>  | <u>£3,933,082</u>  |
| Shareholders' funds allocated to non-equity                                          |                     |                    |
| Non-equity share capital                                                             | 300                 | 300                |
| Cumulative dividends not yet declared                                                | 605,201             | -                  |
|                                                                                      | <u>£605,501</u>     | <u>£300</u>        |
| <b>Shareholders' funds allocated to equity</b>                                       |                     |                    |
| Difference between shareholders' funds and amounts allocated to non-equity interests | <u>£10,881,785</u>  | <u>£3,932,782</u>  |
| Made up as follows                                                                   |                     |                    |
| Equity shares                                                                        | 9,506,445           | 9,506,445          |
| Capital contribution                                                                 | 13,375,498          | -                  |
| Profit and loss account                                                              | (11,394,957)        | (5,573,663)        |
| Cumulative dividends due to non-equity shareholders                                  | (605,201)           | -                  |
|                                                                                      | <u>£10,881,785</u>  | <u>£3,932,782</u>  |

**18 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities**

|                                                                       | <b>1995</b>              | <b>1994</b>                |
|-----------------------------------------------------------------------|--------------------------|----------------------------|
|                                                                       | <b>£</b>                 | <b>£</b>                   |
| Operating loss                                                        | (5,495,852)              | (5,070,484)                |
| Depreciation of tangible fixed assets                                 | 375,248                  | 18,618                     |
| (Increase) in trade debtors                                           | (217,829)                | (74,582)                   |
| (Increase) in other debtors                                           | (72,720)                 | (20,303)                   |
| (Increase) in amounts owed by fellow subsidiary undertakings          | -                        | (155,953)                  |
| (Increase) in prepayments and accrued income                          | (14,290)                 | -                          |
| (Increase) in VAT receivable                                          | (627,344)                | (122,560)                  |
| (Increase) in unamortised costs of option type instruments            | -                        | (1,894,276)                |
| (Decrease)/increase in trade creditors                                | (102,978)                | 138,617                    |
| Increase in other creditors                                           | 1,080,511                | -                          |
| Increase/(decrease) in amounts owed to fellow subsidiary undertakings | 10,923,733               | (311,409)                  |
| Increase in accruals and deferred income                              | 1,469,448                | 1,393,724                  |
| Increase in taxation and social security                              | 26,279                   | 1,453                      |
| <b>Net cash inflow/(outflow) from operating activities</b>            | <b><u>£7,344,206</u></b> | <b><u>(£6,097,155)</u></b> |

**19 Cash and cash equivalents**

|                                         | <b>1995</b>    | <b>1994</b>    |
|-----------------------------------------|----------------|----------------|
|                                         | <b>£</b>       | <b>£</b>       |
| <b>Changes during the year</b>          |                |                |
| At 1 January                            | 13,715         | -              |
| (Decrease) in cash and cash equivalents | 21,091         | 13,715         |
| At 31 December                          | <u>£34,806</u> | <u>£13,715</u> |

|                          | <b>1995</b>    | <b>1995</b>      | <b>1994</b>    | <b>1994</b>      | <b>1993</b> |
|--------------------------|----------------|------------------|----------------|------------------|-------------|
|                          |                | <b>Change in</b> |                | <b>Change in</b> |             |
|                          |                | <b>year</b>      |                | <b>year</b>      |             |
| Cash at bank and in hand | <u>£34,806</u> | <u>£21,091</u>   | <u>£13,715</u> | <u>£13,715</u>   | <u>£-</u>   |

20 Analysis of changes in financing during the year

|                               | 1995<br>Share Capital<br>(Including<br>Premium)<br>£ | 1995<br>Capital<br>Contribution<br>£ | 1995<br>Long<br>Term Loans<br>£ | 1994<br>Share Capital<br>(Including<br>Premium)<br>£ | 1994<br>Capital<br>Contribution<br>£ | 1994<br>Long<br>Term Loans<br>£ |
|-------------------------------|------------------------------------------------------|--------------------------------------|---------------------------------|------------------------------------------------------|--------------------------------------|---------------------------------|
| At 1 January                  | 9,506,745                                            | -                                    | 4,500,000                       | 300                                                  | -                                    | -                               |
| Net cash flows from financing | -                                                    | 13,375,498                           | 3,152,000                       | 9,506,445                                            | -                                    | 4,500,000                       |
| At 31 December                | <u>£9,506,745</u>                                    | <u>£13,375,498</u>                   | <u>£7,652,000</u>               | <u>£9,506,745</u>                                    | <u>£-</u>                            | <u>£4,500,000</u>               |

## **21 Capital commitments**

As at 31 December 1995, the directors have authorised total capital expenditure in respect of the company and fellow subsidiary undertakings for the year ended 31 December 1995 of £351,024,000 (1994: £426,008,000). None of this expenditure had been contracted for at the year end (1994:£Nil).

## **22 Contingent liabilities**

The company has given guarantees to fellow subsidiary undertakings in respect of their loan facilities. The amounts of such loans outstanding at 31 December 1995 was £88,810,616 (1994:£Nil)

The company is a party to various legal proceedings in the ordinary course of business, primarily arising from the construction of the network. While no assurance can be given as to the outcome of these matters, in the opinion of management, based upon legal advice, the ultimate resolution of these matters in future periods is not expected to have a material affect on the company's financial position or operating results.

## **23 Ultimate holding company**

The Company's ultimate holding company is NYNEX Corporation, a company incorporated in the USA. Copies of the parent's consolidated financial statements may be obtained from Investor Relations, NYNEX Corporation, 1095 Avenue of the Americas, New York NY10036, USA.

The Company's ultimate UK holding company is NYNEX CableComms Group PLC. Copies of the financial statements of that company may be obtained from NYNEX CableComms Group PLC, The Tolworth Tower, Ewell Road, Surbiton, Surrey KT6 7ED.