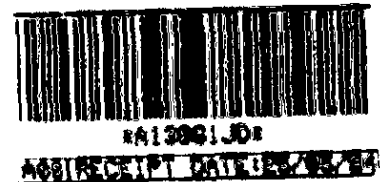


NYNEX CableComms Derby

239 1713

(formerly NYNEX CableComms Derby Limited)

Financial Statements
for the year ended 31 December 1993



**Financial Statements
for the year ended 31 December 1993**

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Directors and advisers

Executive Directors

E P Connell

L B Rabuffo

N P Mearing-Smith

G M McLean

Registered Auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN

Secretary and registered office

P H Repp
Wimbledon Bridge House
1 Hartfield Road
Wimbledon
London
SW19 3RU

Bankers

Barclays Bank PLC

Registered number

2387713

**Directors' report
for the year ended 31 December 1993**

The directors present their report and the audited financial statements for the year ended 31 December 1993.

Principal activity

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

Review and reorganisation of the business

The company and its parent, Derby Cablevision Holding Company Limited, were purchased on 19 March 1993 by NYNEX UK Telephone & Cable TV Holding Company Limited. On 29 June 1993 the preference shares of £1 each were reclassified as ordinary shares of £1 each. On 6 July 1993 the company changed its name from Derby Cablevision Limited to NYNEX CableComms Derby Limited.

During the fourth quarter of 1993 the company and its parent were restructured in anticipation of an exercise to raise additional funds for the development of the cable franchise. On 4 October 1993 each of the 2 issued £1 ordinary shares and each of the remaining 20,000,998 unissued shares were subdivided into 100 ordinary shares of 1 pence each. On 5 October 1993 the company re-registered as an unlimited company and changed its name to NYNEX CableComms Derby.

On 6 October 1993 the company issued 2 ordinary shares of £0.01 each, nil paid at par, to NYNEX WSG 1 Company.

As a result of the parent company's restructuring the company is no longer a subsidiary undertaking of NYNEX UK Telephone & Cable TV Holding Company Limited.

Future developments

The company will continue with the development of the cable television and telecommunications network and services available to it pursuant to the licences issued.

State of affairs

The state of the company's affairs at 31 December 1993 is set out on page 9.

Directors and directors' interests

The directors who served during the period were:

	Appointed	Resigned
E P Connell	19 March 1993	-
L B Rabuffo	28 September 1993	-
N P Mearing-Smith	28 September 1993	-
G J McLean	19 March 1993	-
R W Blackburn	19 March 1993	24 September 1993
M D Brennan	19 March 1993	23 September 1993
D N Sherwood	27 March 1992	19 March 1993
L J Woods	12 June 1992	19 March 1993
H W Y Sze	18 July 1990	19 March 1993

No director who held office at the end of the year had an interest in the issued share capital of the company or any other UK group company at any time in the year. As permitted by Statutory Instrument (SI 1985/No.802), details of shareholdings in overseas companies are not disclosed.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 7 and 8 to the financial statements.

Employment policy

The group'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 group's performance.

There is an employee bonus scheme that has the purpose of encouraging the involvement of employees in the group's performance.

The group'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 that is appropriate to their aptitudes and abilities.

Taxation status

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

Auditors

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

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. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed. The directors are responsible for maintaining adequate accounting records for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

By order of the Board



P H Repp
Company Secretary
9 May 1994

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

We have audited the financial statements on pages 7 to 18

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 1993 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


COOPERS & LYBRAND

Chartered Accountants and Registered Auditors

for
May 1994

**Profit and loss account
for the year ended 31 December 1993**

	Note	1993 £	Restated 1992 £
Turnover	1a	736,841	270,652
Cost of Sales		<u>(358,862)</u>	<u>(151,631)</u>
Gross Profit		377,979	119,021
Other operating expenses		<u>(2,763,342)</u>	<u>(1,284,312)</u>
Operating loss	2	(2,385,363)	(1,165,291)
Interest receivable - bank		13,086	27,683
Interest payable and similar charges	3	<u>(30)</u>	<u>(12)</u>
Loss on ordinary activities before taxation	6	(2,372,307)	(1,137,620)
Taxation on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Loss for the financial year		<u>(£2,372,307)</u>	<u>(£1,137,620)</u>

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

All of the company's activities are continuing.

Statement of total recognised gains and losses

	1993 £	Restated 1992 £
Loss for the financial year	2,372,307	1,137,620
Prior year adjustment	<u>276,554</u>	<u> </u>
Total losses recognised since last annual report	<u>£2,648,861</u>	<u>£1,137,620</u>

**Balance sheet
at 31 December 1993**

	Notes	1993 £	£	Restated 1992 £	£
Fixed Assets					
Intangible assets	7		178,561		193,006
Tangible assets	8		<u>7,098,209</u>		<u>3,943,449</u>
			7,276,770		4,136,455
Current Assets					
Debtors	9	646,660		158,823	
Cash at bank and in hand		<u>467,370</u>		<u>168,300</u>	
		1,114,030		327,123	
Creditors					
Amounts falling due within one year	10	<u>(12,747,811)</u>		<u>(6,448,282)</u>	
Net Current Liabilities			<u>(11,633,781)</u>		<u>(6,111,159)</u>
Net Liabilities			<u>(£4,357,011)</u>		<u>(£1,984,704)</u>
Capital And Reserves					
Called up share capital	12		2		2
Profit and loss account	13		<u>(4,357,013)</u>		<u>(1,984,706)</u>
Shareholder's funds	14		<u>(£4,357,011)</u>		<u>(£1,984,704)</u>

These financial statements were approved by the Board of Directors and were signed on 9 May 1994 on its behalf by:

F P Connell
Director



The notes on pages 10 to 18 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 1993

1 Accounting policies

Basis of accounting

These financial statements are prepared on the historical cost basis of accounting and in accordance with applicable Accounting Standards in the UK (FRS 2). Except for the accounting policy with regard to intangible fixed assets, the principal accounting policies remain unchanged from the previous year and have been applied consistently as set out below:

a) Turnover

Turnover represents the invoiced amount of goods sold and services provided (stated net of value added tax). The turnover is wholly attributable to activities within the UK.

b) Fixed assets and depreciation

Fixed assets are recorded at cost, which includes materials, direct labour and overhead expenses directly applicable to the design, construction and installation of the networks.

Depreciation is calculated so as to write off the cost or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

	%
Network	2.5
Headend and Hubs (included in Network)	10
Subscriber Electronics (included in Network)	10-14
Leasehold improvements	over the term of the lease
Furniture and office equipment	20
Motor vehicles owned	25
Assets in the course of construction and construction materials	nil

c) Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

d) Intangible fixed assets

Prior to the change of ownership of the company on 19 March 1993 intangible fixed assets comprised start-up and franchise costs. Start-up costs were being amortised evenly over a period of three years from the time the cable system became operational. Franchise costs were being amortised evenly over the period from the time the cable system became operational to the end of the life of the franchise (15 years maximum). From 19 March 1993, franchise costs are being written off on a straight line basis over 40 years, being the expected useful economic life of the assets. Group accounting policy is not to recognise start-up costs and these have been written off as a prior year adjustment. The effect of this change in accounting policy is disclosed in notes 6 and 13.

e) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the average rate of exchange ruling during the financial year. Exchange gains or losses are taken to the profit and loss account in the year in which they arise.

f) Management service costs

NYNEX CableComms Limited has agreed to furnish consultancy and support services to the company 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 £1,433,057 (1992 : £nil).

g) 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.

h) Pension costs

The UK cable operations operate a defined contribution pension scheme. The pension costs charged to the profit and loss account represent contributions payable by the group during the accounting year.

i) Going concern

The financial statements have been prepared on a going concern basis because the ultimate holding company has undertaken to continue to provide financial support to the company.

2 Loss on ordinary activities before taxation

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

Loss on ordinary activities is stated after:

	1993 £	Restated 1992 £
Depreciation charge for the year		
Intangible fixed assets	14,445	174,309
Tangible fixed assets	338,415	207,109
Loss on sale of fixed assets	304	1,571
Auditors remuneration	-	5,600
Hire of other assets - operating leases	46,514	-

Audit and non-audit fees in respect of the year ended 31 December 1993 have been paid by NYNEX CableComms Limited.

3 Interest payable and similar charges

Gross interest payable is disclosed showing separately the total of interest payable on loans from group undertakings and all other interest payable and similar charges.

	1993 £	1992 £
All other interest payable or any similar charges:		
Bank overdraft	£30	£12

4 Directors 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 Derby or otherwise in connection with the management of the affairs of the company was:

	1993 £	1992 £
Salaries payments (including benefits in kind)	59,663	-
Pension contributions	1,166	-
	<u>£60,829</u>	<u>£-</u>

4 Directors and employees (continued)

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

Fees and other emoluments include amounts paid to:

	1993 Chairman and highest paid Director £	1992 Chairman and highest paid Director £
Salary payments	29,014	-
Pension contributions	-	-
	<u>£29,014</u>	<u>£-</u>

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1993 Number	1992 Number
£0 to £5,000	3	5
£5,001 to £10,000	1	-
£10,001 to £15,000	2	-
£15,001 to £30,000	1	-

Since acquisition by NYNEX UK Telephone & Cable TV Holding Company Limited the company's payroll has been managed by NYNEX CableComms Limited, which holds the service contracts for all UK personnel. Prior to acquisition the company managed its own payroll.

The average number of persons (excluding executive directors) directly employed in the development of the company's cable franchise during the year were 46 (1992 : 35).

The staff costs of these individuals (excluding directors) were:

	1993 £	1992 £
Wages and salaries	725,656	541,382
Social security costs	82,619	52,856
Other pension costs	8,734	7,212
	<u>£817,009</u>	<u>£601,450</u>

5 Tax on profit on ordinary activities

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

6 Change in accounting policy

The impact of the change in accounting policy on 1992 reported loss is as follows

	£
Loss before tax as previously stated	1,296,484
Amortisation of start-up costs	(158,864)
Loss before tax as restated	<u>£1,137,620</u>

7 Intangible fixed assets

	Franchise costs 1993
Cost	
At 1 January and 31 December 1993	<u>£212,430</u>
Amortisation	
At 1 January 1993	19,424
Charge for the year	<u>14,445</u>
At 31 December 1993	<u>£33,869</u>
Net Book Value	
At 31 December 1993	<u>£178,561</u>
At 31 December 1992	<u>£193,006</u>

5 Tangible fixed assets

	Leasehold Improvements	Network	Office Equipment	Vehicles	Totals
Cost	£	£	£	£	£
At 1 January 1993	84,540	3,794,871	144,567	161,127	4,185,105
Additions	59,624	3,272,755	128,657	40,153	3,561,189
Disposals				(21,242)	(21,242)
At 31 December 1993	144,164	7,067,626	273,224	180,038	7,665,052
Depreciation					
At 1 January 1993	6,982	165,178	32,230	37,277	241,667
Charge for the year	5,241	254,737	32,629	45,808	338,415
Disposals				(13,228)	(13,228)
At 31 December 1993	12,203	419,915	64,858	69,857	566,833
Net Book Value					
At 31 December 1993	£131,961	£6,647,711	£208,366	£110,181	£7,099,219
Net Book Value					
At 31 December 1992	£77,578	£3,629,693	£112,328	£123,850	£3,943,449

Note 6 This includes assets in the course of construction of £3,061,059 and construction materials of £52,009

9 Debtors

	1993	1992
	£	£
Trade debtors	161,465	99,121
Other debtors	19,193	23,756
Prepayments and accrued income	282,319	5,470
VAT receivable	183,683	30,476
	<u>£646,660</u>	<u>£158,823</u>

10 Creditors: amounts falling due within one year

	1993	1992
	£	£
Bank loans and overdraft	28	59,700
Trade creditors	119,267	25,451
Amounts owed to NYNEX UK companies	10,963,356	-
Amounts owed to PacTel companies	-	6,059,041
Accruals and deferred income	1,600,558	259,204
Other creditors	64,602	28,826
Taxation and social security	-	16,052
	<u>£12,747,811</u>	<u>£6,448,282</u>

11 Provision for liabilities and charges

	1993	1992
	£	£
Deferred tax		
Tax effect of timing differences because of:		
Excess capital allowances over depreciation	878,357	366,848
Tax losses	(878,357)	(366,848)
	<u>£-</u>	<u>£-</u>

The company has losses available to carry forward of approximately £6.8m (1992 : £2.9m).

12 Share capital

	1993 £	1992 £
Authorised		
2,000,100,000 ordinary shares of £0.01 each	20,001,000	-
1,000 ordinary shares of £1 each	-	1,000
20,000,000 preference shares of £1 each	-	20,000,000
	<u>£20,001,000</u>	<u>£20,001,000</u>
Issued and fully paid:		
200 ordinary shares of £0.01 each	2	-
2 ordinary shares of £1 each	-	2
	<u>£2</u>	<u>£2</u>
Issued, allotted, but not called up		
2 ordinary shares of £0.01 each	<u>£-</u>	<u>£-</u>

On 29 June 1993 the 20,000,000 preference shares of £1 each were reclassified as ordinary shares of £1 each. On 4 October 1993 each of the 2 issued £1 ordinary shares and each of the remaining 20,000,998 unissued shares were subdivided into 100 ordinary shares of £0.01 each. On 6 October 1993 the company issued 2 ordinary shares of £0.01 each, nil paid at par, to NYNEX WSG1 Company in anticipation of an exercise to raise additional funds for the development of the cable franchise.

13 Profit and loss account

	1993 £	1992 £
At 1 January		
As previously stated	1,708,152	411,668
Prior year adjustment (note 1c)	<u>276,554</u>	<u>435,418</u>
As restated	1,984,706	847,086
Loss for year	<u>2,372,307</u>	<u>1,137,620</u>
At 31 December	<u>£4,357,013</u>	<u>£1,984,706</u>

14 Reconciliation of movements in shareholders' funds

	1993 £	Restated 1993 £
Loss for the financial year	(2,372,307)	(1,137,620)
Opening shareholders' funds (as restated)	<u>(1,984,704)</u>	<u>(847,084)</u>
Closing shareholders' funds	<u>(£4,357,011)</u>	<u>(£1,984,704)</u>

15 Cash flow statement

The Company has taken advantage of the exemption provided to small companies under FRS 1 not to produce a cash flow statement.

16 Capital commitments

The directors have authorised capital expenditure for the year ending 31 December 1994 of £19,729,000. None of this expenditure was contracted for at 31 December 1993.

17 Contingent liabilities

The company has no contracted capital expenditure for the year ending 31 December 1994.

18 Financial commitments

At 31 December 1993 the company had total commitments under non-cancellable operating leases as follows:

	1993 £	1992 £
Land & Buildings		
In one year or less	46,584	46,584
Between two and five years inclusive	186,336	186,336
Over five years	<u>337,734</u>	<u>384,318</u>
	<u>£570,654</u>	<u>£617,238</u>

19 Ultimate holding company

The directors regard NYNEX Corporation, a company incorporated in the United States of America as the company's ultimate parent company. Copies of the ultimate parent company's consolidated financial statements may be obtained from Investor Relations, NYNEX Corporation, 335 Madison Avenue, New York NY 10017, USA.