

# **NYNEX CableComms Stockport**

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2443484

## **Financial Statements** for the year ended 31 December 1996



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COMPANIES HOUSE 01/08/97

**Financial Statements  
for the year ended 31 December 1996**

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**Directors and advisers**

**Executive Directors**

G Wallace  
N P Mearing-Smith  
R Drolet

**Secretary**

R Drolet

**Company Number**

2443484

**Registered Office**

The Tolworth Tower  
Ewell Road  
Surbiton  
Surrey KT6 7ED

**Auditors**

Coopers & Lybrand  
1 Embankment Place  
London  
WC2N 6NN

**Bankers**

Barclays Bank PLC

**Directors' report  
for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

**Principal activity**

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

**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 and dividends**

The loss for the year amounted to £4,495,699 (1995:£3,915,263). The preference dividend of £319,099 to the non-equity shareholders for the year ended 31 December 1996 (1995:£390,787) 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. The retained loss for the year of £4,814,798 (1995:£4,306,050) 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 issued to the company.

**State of affairs**

The state of the company's affairs at 31 December 1996 is set out on page 9.

**Directors and directors' interests**

The directors of the company during the year ended 31 December 1996 are set out below:

J F Killian (resigned 2 June 1997)

N P Mearing-Smith

P H Repp (resigned 2 June 1997)

G Wallace and R Drolet were appointed directors of the company on 2 June 1997.

The directors' interests in shares of common stock of NYNEX Corporation including shares of common stock of NYNEX Corporation held on 31 December 1996 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 Stock of NYNEX Corporation 1996	Shares of Common Stock of NYNEX Corporation 1995
J F Killian	18,640	15,623
P H Repp	9,240	1,300

The number of shares held in the Savings Plan included in the numbers shown above are as follows: J F Killian 2,743 (1995:-927), P H Repp 1,180 (1995:-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 above are as follows: J F Killian 9,597 (1995:-14,696), P H Repp 7,970 (1995:-280).

The number of shares of restricted stock granted under the NYNEX 1987 Restricted Stock Award Plan at 31 December 1996 included in the numbers shown above are as follows: J F Killian 3,635 (1995: - Nil), P H Repp Nil (1995:-Nil).

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.

### **Employee involvement**

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

The company does not discriminate between employees or potential employees on the grounds of colour, race, ethnic or national origin, sex, marital status or religious beliefs.

Full consideration is given to applications for employment from disabled persons who are able to demonstrate that they have the necessary aptitudes and abilities. If individuals become disabled during employment and they are unable to continue to perform their jobs, consideration is given to retraining for alternative jobs.

The importance of staff training is recognised at all levels.

The company is responsible for consulting with its staff on a regular basis and providing a common awareness of its business aims and performance to maximise the staff's involvement in the company's affairs. Information is provided to employees, as required, on matters of concern to them.

### **Creditor payment policy**

It is the company's policy to settle terms of payment with its suppliers when agreeing the terms of each business transaction, to ensure that each supplier is aware of these terms and, subject to satisfactory completion of the transaction, to abide by the agreed terms of payment.

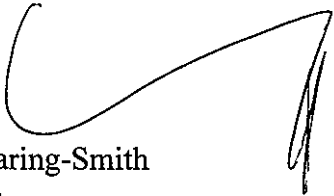
### **Auditors**

The Directors intend to place a resolution before the annual general meeting to re-appoint Coopers & Lybrand as auditors for the ensuing year.

**Directors' responsibilities**

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 1996. 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**

  
N P Mearing-Smith  
Director  
3 July 1997

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

We have audited the financial statements on pages 8 to 28.

**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.

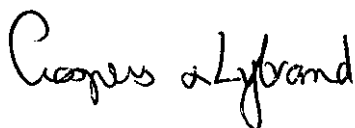
**Basis of opinion**

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 1996 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**

Chartered Accountants and Registered Auditors  
7 July 1997

1 Embankment Place  
London  
WC2N 6NN



**Profit and loss account  
for the year ended 31 December 1996**

	Notes	1996 £	1995 £
Turnover	2	6,447,786	2,603,242
Programming costs		(1,620,959)	(699,383)
Telecommunication costs		(1,251,056)	(416,126)
Staff costs	5	(947,167)	(271,222)
Depreciation and amortisation		(1,644,783)	(544,356)
Selling, general and administration costs		(4,514,933)	(4,056,750)
Operating loss		(3,531,112)	(3,384,595)
Interest payable and similar charges	4	(964,587)	(530,668)
Loss on ordinary activities before taxation	3	(4,495,699)	(3,915,263)
Taxation	7	-	-
Loss on ordinary activities after taxation		(4,495,699)	(3,915,263)
Dividends	15	(319,099)	(390,787)
Retained loss for the year	17	<u>(£4,814,798)</u>	<u>(£4,306,050)</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 results 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 and their historical cost equivalents.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

*The notes on pages 11 to 28 form part of these financial statements.*

**Balance sheet  
at 31 December 1996**

	Notes	1996 £	£	1995 £	£
<b>Fixed assets</b>					
Tangible assets	8		44,866,078		34,049,414
<b>Current assets</b>					
Debtors: amounts falling due after more than one year	9	978,529		1,100,845	
Debtors: amounts falling due within one year	10	5,126,667		8,875,881	
Cash at bank and in hand		155,997		79,291	
		<u>6,261,193</u>		<u>10,056,017</u>	
<b>Creditors:</b>					
Amounts falling due within one year	11	<u>(3,876,153)</u>		<u>(4,076,951)</u>	
<b>Net current assets</b>			<u>2,385,040</u>		<u>5,979,066</u>
<b>Total assets less current liabilities</b>			47,251,118		40,028,480
<b>Creditors:</b>					
Amounts falling due after more than one year	12		<u>(21,338,337)</u>		<u>(9,620,000)</u>
			<u>£25,912,781</u>		<u>£30,408,480</u>
<b>Capital and reserves</b>					
Called up share capital	15		16,659,287		16,659,287
Capital contribution	16		23,169,060		23,169,060
Profit and loss account	17		<u>(13,915,566)</u>		<u>(9,419,867)</u>
<b>Shareholders' funds</b>	18		<u>£25,912,781</u>		<u>£30,408,480</u>
Equity interests			25,202,893		30,017,691
Non-equity interests			<u>709,888</u>		<u>390,789</u>
			<u>£25,912,781</u>		<u>£30,408,480</u>

The financial statements were approved by the Board of Directors on 3 July 1997

N P Mearing-Smith  
Director

*The notes on pages 11 to 28 form part of these financial statements.*

**Cash flow statement  
for the year ended 31 December 1996**

	Notes	1996 £	1996 £	1995 £	1995 £
Net cash inflow/(outflow) from operating activities	19		1,662,087		(9,337,323)
<b>Returns on investments and servicing of finance</b>					
Interest and similar charges paid		(1,192,875)		(555,352)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(1,192,875)		(555,352)
<b>Investing activities</b>					
Payments to acquire tangible assets		(12,110,843)		(20,116,808)	
Receipts from sales of tangible assets		-		265,426	
<b>Net cash outflow from investing activities</b>			(12,110,843)		(19,851,382)
<b>Net cash outflow before financing</b>			(11,641,631)		(29,744,057)
<b>Financing</b>					
Capital contribution		-		23,169,060	
Long term loan raised		11,834,337		6,620,000	
Long term loan repaid		(116,000)		-	
<b>Net cash inflow from financing</b>	21		11,718,337		29,789,060
<b>Increase in cash and cash equivalents</b>	20		£76,706		£45,003

*The notes on pages 11 to 28 form part of these financial statements.*

**Notes to the financial statements  
for the year ended 31 December 1996**

**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.

**Staff costs, depreciation and selling, general and administration costs**

The staff costs, depreciation and 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.

**Tangible 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.

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

### **Fixed assets and depreciation (continued)**

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:

Leasehold improvements	over the term of the lease
Network	40 years
Cable	15 to 20 years
Electronic equipment	5 to 10 years
Assets in the course of construction and construction materials	nil
Other equipment	4 to 5 years

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. After a portion of the network is fully constructed and released to sales, the company commences depreciation of that part of the network, at the earlier of (i) three months after that release, and (ii) when customer levels reach 10% of total possible customers for that part of the network.

### **Capitalised costs**

Costs are incurred both directly by the company and indirectly by NYNEX CableComms Limited and are recorded by cost centre. Direct costs are capitalised based on the activity undertaken within the cost centre on a group wide basis, which may not always be related to construction activity in an individual franchise.

Costs incurred indirectly are capitalised and allocated to individual licence companies on the basis of their share of the management service charge, except for capitalised depreciation which is allocated based on the respective depreciation charge in the individual companies.

### **Operating leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

### **Financial instruments**

The company manages 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. Gains and losses related to swaps and options used as hedges are deferred and recognised in income when the hedged transaction occurs.

**1 Accounting policies (continued)****Foreign currencies**

Transactions denominated in foreign currencies are translated into pounds 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 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 which has been calculated on the basis of the forecast net build for the year.

The company's share of these costs was £4,133,963 (1995: £3,695,634).

**Deferred taxation**

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that timing differences are expected to reverse in the foreseeable future.

**Pension costs**

NYNEX CableComms Limited operates a defined contribution pension scheme for employees on payrolls managed by that company. The pension costs charged to the profit and loss account represent contributions payable by the company during the accounting year in respect of individuals directly employed in the development of the company's cable franchise.

**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:

	1996 £	1995 £
Cable television	2,879,780	1,383,083
Telecommunications - residential	2,866,431	983,677
Telecommunications - business	502,843	67,569
Installation revenue	198,732	168,913
	<u>£6,447,786</u>	<u>£2,603,242</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 :

	1996 £	1995 £
Depreciation and amortisation charges:		
Intangible fixed assets	-	-
Tangible fixed assets (a)	1,644,654	544,356
Hire of other assets - operating leases	26,945	26,945

(a) These amounts exclude depreciation of £129 in the year ended 31 December 1996 (1995:£Nil) which has been capitalised within network fixed assets.

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 1995 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.

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

	1996 £	1995 £
Audit	10,755	10,746
Other services	9,387	259,471

The total amount of remuneration charged to the group by the auditors for the year ended 31 December 1996 is disclosed in the consolidated financial statements of NYNEX CableComms Group PLC and NYNEX CableComms Group Inc.

**4 Interest payable and similar charges**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Interest on loans repayable partly by instalments in more than 5 years	1,192,875	555,352
Amortisation of option type premiums	122,316	122,316
	<u>1,315,191</u>	<u>677,668</u>
Less: Interest capitalised within network fixed assets	(350,604)	(147,000)
	<u>£964,587</u>	<u>£530,668</u>

**5 Directors' emoluments and employee costs**

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 Stockport or otherwise in connection with the management of the affairs of the company was:

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Salary payments (including benefits in kind)	63,058	46,165
Pension contributions	1,023	951
	<u>£64,081</u>	<u>£47,116</u>

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

Fees and other emoluments include amounts paid to:

	<b>1996</b>	<b>1995</b>	<b>1995</b>
	<b>Chairman and highest paid Director</b>	<b>Former Chairman and highest paid Director</b>	<b>Chairman</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Fees	-	-	-
Salary payments	33,680	15,070	369
Pension contributions	-	-	-
	<u>£33,680</u>	<u>£15,070</u>	<u>£369</u>



## **5 Directors' emoluments and employee costs (continued)**

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>1996 Number</b>	<b>1995 Number</b>
£0 to £5,000	-	1
£5,001 to £10,000	1	2
£10,001 to £15,000	-	1
£15,001 to £20,000	1	1
£30,001 to £35,000	1	-

The company's payroll is managed by NYNEX CableComms Limited, which holds the service contracts for UK personnel. Staff are employed by NYNEX CableComms Limited and there are no employees of the company.

However some of the employees of NYNEX CableComms Limited are employed directly for the purposes of each individual franchise on a month by month basis as and when required. Costs for these employees are therefore directly allocated to each franchise and accumulated monthly. These direct costs for the company were as follows:

	<b>1996 £</b>	<b>1995 £</b>
Wages and salaries	1,028,770	279,645
Social security costs	109,363	33,611
Other pension costs	6,563	1,589
Total staff costs	1,144,696	314,845
Less: Staff costs capitalised within network fixed assets	(197,529)	(43,623)
	<u>£947,167</u>	<u>£271,222</u>

Following the reorganisation of the cost structure of the Group, direct costs have been allocated to the franchises on a revised basis during 1996.

## **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.

Pursuant to their employment contracts, J F Killian and N P Mearing-Smith were awarded in 1995 a right, to acquire Units (68,710 and 91,613, respectively, having an aggregate value of £94,132 and £125,510, respectively), for no payment on the vesting date. On 2 January 1996, they were awarded a further right to acquire Units (122,982 and 56,936, respectively, having an aggregate value of £138,969 and £64,338, respectively), for no payment on the vesting date. For J F Killian and N P Mearing-Smith these rights vested on 31 December 1996; Units were issued in January 1997 in respect of those rights.

**6 Directors' interests in UK Group companies (continued)**

	Units of the Companies 1996	Units of the Companies 1995
J F Killian	191,692	191,692
N P Mearing- Smith	418,955	418,955
P H Repp	-	-

The number of units in which N P Mearing-Smith is interested includes 270,406 Units 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.

**7 Tax on loss on ordinary activities**

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

8 Tangible fixed assets

	Leasehold Improvements	Network	Electronic Equipment and Cable	Other Equipment	Totals
Cost	£	£	£	£	£
At 1 January 1996	268,937	24,823,763	9,466,558	47,365	34,606,623
Additions <sup>①</sup>	19,589	7,953,194	4,477,003	11,661	12,461,447
At 31 December 1996	288,526	32,776,957	13,943,561	59,026	47,068,070
Depreciation					
At 1 January 1996	11,004	210,808	329,917	5,480	557,209
Charge for the year	10,105	621,763	1,003,199	9,716	1,644,783
At 31 December 1996	21,109	832,571	1,333,116	15,196	2,201,992
Net Book Value					
At 31 December 1996	£267,417	£31,944,386	£12,610,445	£43,830	£44,866,078
At 31 December 1995	£257,933	£24,612,955	£9,136,641	£41,885	£34,049,414

**Note:** ① Operating costs and interest totalling £2,145,645 in the year ended 31 December 1996 (1995:£1,620,276) 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>1996</b>	<b>1995</b>
Deferred costs in respect of hedging instruments	636,648	826,053
Deferre loss on hedging instruments	586,513	397,108
Amortisation	<u>(244,632)</u>	<u>(122,316)</u>
	<u><b>£978,529</b></u>	<u><b>£1,100,845</b></u>

Deferred costs include a devaluation of £586,513 at 31 December 1996 (1995: £397,108) which is disclosed above.

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

	<b>1996</b> <b>£</b>	<b>1995</b> <b>£</b>
Trade debtors	709,948	523,331
Other debtors	603,276	436,387
Prepayments and accrued income	63	(6,705)
Amounts owed by fellow subsidiary undertakings	<u>3,813,380</u>	<u>7,922,868</u>
	<u><b>£5,126,667</b></u>	<u><b>£8,875,881</b></u>

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

	<b>1996</b> <b>£</b>	<b>1995</b> <b>£</b>
Trade creditors	7,409	124,113
Accruals and deferred income	2,879,332	2,920,941
Other creditors	989,236	991,989
Taxation and social security	<u>176</u>	<u>39,908</u>
	<u><b>£3,876,153</b></u>	<u><b>£4,076,951</b></u>

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

	1996	1995
Long term loan	<u>£21,338,337</u>	<u>£9,620,000</u>
<b>Long term loan</b>		
Repayable by instalments:		
In one year or less	-	-
Between one and two years	-	-
Between two and five years	5,473,261	891,053
In five years or more	<u>15,865,076</u>	<u>8,728,947</u>
Total	<u>£21,338,337</u>	<u>£9,620,000</u>

This revolving loan at 31 December 1996 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%.

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

	1996 £	1995 £
<b>Deferred tax:</b>		
Tax effect of timing differences because of:		
Excess capital allowances over depreciation	5,562,000	3,002,000
Capitalised interest and other short term timing differences	348,000	50,000
Tax losses	<u>(5,910,000)</u>	<u>(3,052,000)</u>
	<u>-</u>	<u>-</u>

The company has UK tax losses available to carry forward of approximately £31 million (1995: £18 million).

## **14 Pension costs**

The company participates in a defined contribution pension plan to which contributions are made up to specified percentages of annual compensation for employees who are members of the plan.

Participating employees contribute a percentage of their annual compensation based on their age and length of service. Company contributions are based on employee contributions and service completed in the plan. Employee contributions are fully vested. Employer contributions become vested after two years of qualifying service in the plan. Substantially all employees are eligible to participate in the plan.

Administration and investment charges involved in maintaining the plan are paid by NYNEX CableComms Limited. The company's contributions for the year ended 31 December 1996 were £6,563 (1995: £1,589).

## **15 Share capital**

	<b>Number</b>	<b>1996 £</b>	<b>1995 £</b>
<b>Authorised:</b>			
As at 31 December 1995 & 1996			
Preference shares of £1 each	2	2	2
'A' ordinary shares of £1 each	<u>80,465,934</u>	<u>80,465,934</u>	<u>80,465,934</u>
<b>Allotted, called up and fully paid:</b>			
As at 31 December 1995 & 1996			
Preference shares of £1 each	2	2	2
'A' ordinary shares of £1 each	<u>16,659,285</u>	<u>16,659,285</u>	<u>16,659,285</u>
	<u>16,659,287</u>	<u>£16,659,287</u>	<u>£16,659,287</u>
<b>Allotted but not called up:</b>			
As at 31 December 1995 & 1996			
'A' ordinary shares of £1 each, nil paid	<u>63,806,649</u>	<u>63,806,649</u>	<u>63,806,649</u>

### **Shareholders' voting rights**

In the opinion of the Directors, the primary rights attached to the various classes of shares are 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

A fixed cumulative preferential dividend at the rate of £319,099 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, preference shareholders are entitled to 15% of the distributable profits.

## 15 Share capital (continued)

### Distributable profits (continued)

#### Ordinary shareholders

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

### Dividends

The preference dividend of £319,099 to the non-equity shareholders for the year ended 31 December 1996 (1995:£390,787) 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 and is shown in the statement of reconciliation of shareholders' funds (note 18).

## 16 Capital contribution

	1996 £	1995 £
At 1 January	23,169,060	-
Received in the year	-	23,169,060
At 31 December	<u>£23,169,060</u>	<u>£23,169,060</u>

Since the year end, the capital contributions have been used to effect the payment of £23,169,060 in respect of the nil paid shares previously issued.

## 17 Profit and loss account

	1996 £	1995 £
At 1 January	(9,419,867)	(5,504,604)
Retained loss for the financial year	<u>(4,814,798)</u>	<u>(4,306,050)</u>
	(14,234,665)	(9,810,654)
Undeclared dividends due to non-equity shareholders	<u>319,099</u>	<u>390,787</u>
At 31 December	<u>(£13,915,566)</u>	<u>(£9,419,867)</u>

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

	1996 £	1995 £
At 1 January	390,787	-
Appropriated during the year	<u>319,099</u>	<u>390,787</u>
At 31 December	<u>£709,886</u>	<u>£390,787</u>



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

	1996 £	1995 £
Loss for the financial year	(4,495,699)	(3,915,263)
Capital contribution	-	23,169,060
Dividends	(319,099)	(390,787)
	<u>(4,814,798)</u>	<u>18,863,010</u>
Reversal of non-equity dividends	319,099	390,787
Net movement in shareholders' funds	(4,495,699)	19,253,797
Opening shareholders' funds	30,408,480	11,154,683
Closing shareholders' funds	<u>£25,912,781</u>	<u>£30,408,480</u>
<b>Total Shareholders' Funds</b>		
Equity share capital	16,659,285	16,659,285
Non-equity share capital	2	2
Capital contribution	23,169,060	23,169,060
Profit and loss account	(13,915,566)	(9,419,867)
Total shareholders' funds	<u>£25,912,781</u>	<u>£30,408,480</u>
<b>Shareholders' funds allocated to non-equity</b>		
Non-equity share capital	2	2
Cumulative dividends not yet declared	709,886	390,787
	<u>£709,888</u>	<u>£390,789</u>
<b>Shareholders' funds allocated to equity</b>		
Difference between shareholders' funds and amount allocated to non-equity interests	£25,202,893	£30,017,691
Made up as follows:		
Equity shares	16,659,285	16,659,285
Capital contribution	23,169,060	23,169,060
Profit and loss account	(13,915,566)	(9,419,867)
Cumulative dividends due to non-equity shareholders	(709,886)	(390,787)
	<u>£25,202,893</u>	<u>£30,017,691</u>

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

	1996 £	1995 £
Operating loss	(3,531,112)	(3,384,595)
Depreciation of tangible fixed assets	1,644,783	544,356
Decrease/(increase) in debtors within one year	3,749,214	(7,142,174)
(Decrease)/Increase in creditors within one year	(200,798)	645,090
<b>Net cash inflow/(outflow) from operating activities</b>	<b>£1,662,087</b>	<b>(£9,337,323)</b>

**20 Cash and cash equivalents**

	1996 £	1995 £
<b>Changes during the year</b>		
At 1 January	79,291	34,288
Net cash inflow	76,706	45,003
At 31 December	<b>£155,997</b>	<b>£79,291</b>

	1996		1995		1994
	1996	Change in year	1995	Change in year	
<b>Analysis of balances</b>					
Cash at bank and in hand	<b>£155,997</b>	<b>£76,706</b>	<b>£79,291</b>	<b>£45,003</b>	<b>£34,288</b>

21 Analysis of changes in financing during the year

	1996	1996	1996	1995	1995	1995
	Share Capital	Capital Contribution	Long Term Loans	Share Capital	Capital Contribution	Long Term Loans
	£	£	£	£	£	£
At 1 January	16,659,287	23,169,060	9,620,000	16,659,287	-	3,000,000
Net cash flows from financing	-	-	11,718,337	-	23,169,060	6,620,000
At 31 December	<u>£16,659,287</u>	<u>£23,169,060</u>	<u>£21,338,337</u>	<u>£16,659,287</u>	<u>£23,169,060</u>	<u>£9,620,000</u>

## **22 Capital commitments**

As at 31 December 1996, there was no capital expenditure contracted for and not accrued for in the financial statements.

## **23 Contingent liabilities**

The company has given guarantees to fellow subsidiary undertakings in respect of their loan facilities. The amount of such loans outstanding at 31 December 1996 was £271,477,166 (1995:£86,842,616).

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.

## **24 Financial commitments**

At 31 December 1996, the company had annual commitments under non-cancellable operating leases as follows:

	1996		1995	
	Land & Buildings £	Other £	Land & Buildings £	Other £
Expiring:				
Within one year	-	-	-	-
Between one and five years	-	-	-	-
Over five years	26,945	-	26,945	-
	<u>£26,945</u>	<u>£-</u>	<u>£26,945</u>	<u>£-</u>

## **25 Related party transactions**

All related party transactions are with other affiliated companies.

## **26 Post Balance Sheet events**

On 28 April 1997, Cable & Wireless Communications plc ("CWC") announced that it had acquired 92.6% of the issued NYNEX CableComms Group PLC Ordinary Shares and NYNEX CableComms Group Inc. Shares of Common Stock in exchange for CWC Ordinary Shares. The remaining shares will be acquired through a compulsory acquisition procedure in the UK and a "squeeze-out" merger in the US. As a result, among other things, NYNEX CableComms Group PLC and NYNEX CableComms Group Inc., and the subsidiaries and partnerships in which they have the entire or a majority ownership, have now become a part of the combined CWC group, existing loan facilities described above have now been repaid and replaced with a CWC loan facility and the company's ultimate holding company and ultimate UK holding company is CWC.

**27 Ultimate holding company**

At 31 December 1996, the Company's ultimate holding company was 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.

At 31 December 1996, the company's ultimate UK holding company was 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.