

NYNEX CableComms Stockport

*(formerly NYNEX CableComms Stockport Limited
and formerly to that Telecable of Stockport Limited)*

**Financial Statements
for the year ended 31 December 1994**



**Financial Statements
for the year ended 31 December 1994**

Contents	Pages
Directors and advisers.....	2
Directors' report	3
Report of the auditors	6
Profit and loss account.....	7
Balance sheet	8
Notes to the financial statements	9

Directors and advisers

Executive Directors

E P Connell

L B Rabuffo

N P Mearing-Smith

P H Repp

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

2443484

**Directors' report
for the year ended 31 December 1994**

The directors present their report and the audited financial statements for the year ended 31 December 1994.

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 and reorganisation of the business

On 30 April 1993 the whole of the company's issued share capital was acquired by NYNEX UK Telephone & Cable TV Holding Company Limited. On 1 September 1993 the company changed its name from Telecable Stockport Limited to NYNEX CableComms Stockport Limited.

During the fourth quarter of 1993 the company was restructured in anticipation of an exercise to raise additional funds for the development of the cable franchise.

On 5 October 1993 the company re-registered as an unlimited company and changed its name to NYNEX CableComms Stockport.

On 6 October 1993, the authorised share capital of the company was increased from 100 to 80,465,936 by the creation of 80,465,836 'A' ordinary shares.

On the same date the 2 issued ordinary shares of £1 each were reclassified as 2 preference shares of £1 each, the remaining 98 unissued ordinary shares of £1 each were reclassified as 98 'A' ordinary shares of £1 each, and all the 80,465,934 'A' ordinary shares of £1 each were issued nil paid at par to North CableComms LP (formerly NYNEX WSG North LP) and NYNEX North CableComms Management Inc (formerly NYNEX WSG 1 Company).

As a result the company was no longer a subsidiary undertaking of NYNEX UK Telephone & Cable TV Holding Company Limited.

During the fourth quarter of 1994 the company was restructured in anticipation of an exercise to raise additional funds for the development of the cable franchise. Two calls, at par, were made, on 9,334,496 and 7,324,789, of the issued nil paid 'A' ordinary shares of £1 each, to the holders of these shares in the proportion of their holdings.

Results for the year

The directors consider the results for the year and the financial position at the year end to be satisfactory. The loss for the year amounted to £4,817,289 and this has been transferred to reserves.

Future developments

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

State of affairs

The state of the company's affairs at 31 December 1994 is set out on page 8.

Directors and directors' interests

The directors who served during the year were:

	Appointed	Resigned
E P Connell	30 April 1993	-
N P Mearing-Smith	28 September 1993	-
L B Rabuffo	28 September 1993	-
G J McLean	30 April 1993	17 August 1994
P H Repp	17 August 1994	-

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 movement in fixed assets during the year are set out in note 6 to the financial statements.

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 & 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 and the financial statements have been prepared on the going concern basis. 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



E P Connell
Director
16 March 1995

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

We have audited the financial statements on pages 7 to 19.

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 1994 and of its loss 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
22 March 1995

**Profit and loss account
for the year ended 31 December 1994**

	Notes	1994 £	1993 £
Turnover	1a	305,712	-
Programming and telecommunication costs		(110,534)	-
Depreciation		(12,853)	-
Selling, general and administration costs		<u>(4,994,094)</u>	<u>(687,315)</u>
Operating loss		(4,811,769)	(687,315)
Interest payable and similar charges	3	<u>(5,520)</u>	<u>-</u>
Loss on ordinary activities before taxation	2	(4,817,289)	(687,315)
Taxation	5	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		<u><u>(£4,817,289)</u></u>	<u><u>(£687,315)</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, and their historical cost equivalents.

All of the company's activities are continuing.

**Balance sheet
at 31 December 1994**

	Notes	1994 £	£	1993 £	£
Fixed assets					
Tangible assets	6	14,595,388		-	
Current assets					
Debtors: amounts falling due after one year	7	1,223,161		-	
Debtors: amounts falling due within one year	8	1,733,707		-	
Cash at bank and in hand		34,288		-	
		<u>2,991,156</u>		<u>-</u>	
Creditors:					
Amounts falling due within one year	9	<u>(3,431,861)</u>		<u>(687,313)</u>	
Net current liabilities			<u>(440,705)</u>		<u>(687,313)</u>
Total assets less current liabilities			14,154,683		(687,313)
Creditors:					
Amounts falling due after more than one year	10	<u>(3,000,000)</u>		<u>-</u>	
		<u>£11,154,683</u>		<u>(£687,313)</u>	
Capital and reserves					
Called up share capital*	12	16,659,287		2	
Profit and loss account	13	<u>(5,504,604)</u>		<u>(687,315)</u>	
Shareholders' funds	14	<u>£11,154,683</u>		<u>(£687,313)</u>	

These financial statements were approved by the Board of Directors and were signed on 16 March 1995 on its behalf by:



E P Connell
Director

The notes on pages 9 to 19 form part of these financial statements.

** Includes non-equity interest.*

**Notes to the financial statements
for the year ended 31 December 1994**

1 Accounting policies

Basis of accounting

These financial statements are prepared on the historical cost basis of accounting, as modified by the revaluation of financial instruments, and in accordance with applicable Accounting Standards in the UK. The profit and loss account for the year has been prepared in accordance with Format 2 of the Companies Act 1985 rather than Format 1 as in the previous year. This change in format standardises the presentation of the profit and loss account for the NYNEX group of companies in the UK. The principal accounting policies, which have been applied consistently, are set out below:

a) Turnover

Turnover represents the invoiced amount of goods and services provided (stated net of value added tax). The turnover is wholly attributable to activities within the UK. An analysis by class of business is set out below:

	1994	1993
	£	£
Cable television	216,557	-
Telecommunications - residential	22,043	-
Telecommunications - business	356	-
Installation revenue	66,756	-
	<u>£305,712</u>	<u>£ -</u>

b) 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 the network cost within tangible fixed assets.

c) Fixed assets and depreciation

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

1 Accounting policies (continued)

c) Fixed assets and depreciation (continued)

Depreciation is calculated so as to write off the cost 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
Customer Electronics (included in Network)	10-14
Leasehold improvements	over the term of the lease
Assets in the course of construction and construction materials	nil

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

d) Operating leases

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

e) 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 expense over the term of the option. Unamortised premiums are included in debtors falling due after 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 debtors falling due after one year and recognised in income when the hedged transaction occurs.

f) 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.

1 Accounting policies (continued)

g) Management service costs

NYNEX CableComms Limited has agreed to furnish consultancy and support services to NYNEX CableComms Stockport 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 £2,974,069 (1993: £680,465).

h) 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 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/(crediting):

	1994 £	1993 £
Depreciation on tangible fixed assets	12,853	-
Intangible assets written off	-	15,000
Forgiveness of intercompany creditor	-	(15,000)
Hire of other assets - operating leases	13,473	-
Exceptional operating expenses within selling, general and administration costs	<u>1,591,785</u>	<u>-</u>

The exceptional operating expenses relate to the cost of the restructuring and raising of finance referred to in the Directors' Report. These have been charged to the profit and loss account in accordance with FRS4, "Capital Instruments".

2 Loss on ordinary activities before taxation (continued)

Auditors' remuneration in respect of the company and affiliates, which are part of NYNEX Corporation's cable television and telecommunications business in the UK, is paid by NYNEX CableComms Limited, and allocated to the company as part of the management service charge. For the year ended 31 December 1994 the full amounts charged are disclosed in the accounts of NYNEX CableComms Limited.

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

	1994 £	1993 £
Audit	10,098	5,188
Other services	<u>170,626</u>	<u>18,362</u>

3 Interest payable and similar charges

	1994	1993
On loans repayable by instalments in 5 years or more	<u>£5,520</u>	<u>£ -</u>

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

	1994 £	1993 £
Fees	-	-
Salary payments (including benefits in kind)	63,787	27,528
Pension contributions	<u>643</u>	<u>549</u>
	<u>£64,430</u>	<u>£28,077</u>

4 Directors' emoluments and employees (continued)

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

Fees and other emoluments include amounts paid to:

	1994 Chairman and highest paid Director £	1993 Chairman and highest paid Director £
Salary payments	27,114	13,654
Pension contributions	-	-
	<u>£27,114</u>	<u>£13,654</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:

	1994 Number	1993 Number
£0 to £5,000	-	9
£5,001 to £10,000	3	2
£10,001 to £15,000	-	1
£15,001 to £20,000	1	-
£25,001 to £30,000	1	-

The company had no employees during the year (1993 : Nil).

5 Tax on loss on ordinary activities

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

6 Tangible fixed assets

	Leasehold Improvements	①Network	Totals
Cost	£	£	£
At 1 January 1994	-	-	-
Additions ②	501,268	14,106,973	14,608,241
At 31 December 1994	501,268	14,106,973	14,608,241
Depreciation			
At 1 January 1994	-	-	-
Charge for the year	1,565	11,288	12,853
At 31 December 1994	1,565	11,288	12,853
Net Book Value			
At 31 December 1994	£499,703	£14,095,685	£14,595,388
At 31 December 1993	£ -	£ -	£ -

Note: ① *This includes assets in the course of construction of £1,535,781 (1993 : £Nil) and construction materials of £47,500 (1993 : £Nil).*

② *Additions to network assets above include £ 735,595 of selling, general and administration costs that are directly applicable to the design, construction and installation of the company's cable television and telecommunications network.*

7 Debtors: amounts falling due after one year

	1994	1993
Unamortised costs of option type instruments	£1,223,161	£-

Unamortised costs of option type instruments relate to swaps and options which have been entered into in order to limit the company's exposure to interest rate fluctuations on certain loan facilities between 2000 and 2004.

8 Debtors: amounts falling due within one year

	1994 £	1993 £
Trade debtors	110,003	-
Amounts owed by NYNEX UK companies	1,371,814	-
Other debtors	1,413	-
VAT receivable	250,477	-
	£1,733,707	£ -

9 Creditors: amounts falling due within one year

	1994 £	1993 £
Trade creditors	1,108,809	-
Amounts owed to NYNEX UK companies	-	687,313
Accruals and deferred income	2,263,895	-
Other creditors	57,777	-
Taxation and social security	1,380	-
	<u>£3,431,861</u>	<u>£687,313</u>

10 Creditors: amounts falling due after more than one year

	1994	1993
Long term loan	<u>£3,000,000</u>	<u>£ -</u>

This revolving loan is from an affiliate of NYNEX Corporation and is repayable by instalments in five years or more. The facility is expected to convert on 31 December 1999 to a term loan repayable by instalments. The loan bears interest at LIBOR plus a margin, 1.2% at 31 December 1994, and is guaranteed by NYNEX Corporation.

11 Provision for liabilities and charges for deferred tax

	1994 £	1993 £
Tax effect of timing differences in respect of:		
Excess capital allowances over depreciation	480,352	-
Short term timing differences	-	-
Tax losses	(480,352)	-
	<u>£-</u>	<u>£-</u>

No deferred tax asset has been recognised for this period. The company has UK tax losses available to carry forward of approximately £6million (1993 : £1million).

12 Share capital

	Number	£
Authorised:		
'A' ordinary shares of £1 each		
At 1 January 1994 and 31 December 1994	<u>80,465,934</u>	<u>£80,465,934</u>
Preference shares of £1 each		
At 1 January 1994 and 31 December 1994	<u>2</u>	<u>£2</u>
Allotted, called up and fully paid:		
'A' ordinary shares of £1 each		
At 1 January 1994	-	-
Called up during the fourth quarter of 1994	9,334,496	9,334,496
Called up during the fourth quarter of 1994	7,324,789	7,324,789
At 31 December 1994	<u>16,659,285</u>	<u>16,659,285</u>
Preference shares of £1 each		
At 1 January 1994 and 31 December 1994	<u>2</u>	<u>2</u>
Total at 31 December 1994	<u>16,659,287</u>	<u>£16,659,287</u>
Allotted but not called up:		
'A' ordinary shares of £1 each, nil paid		
At 1 January 1994	80,465,934	80,465,934
Called up during the fourth quarter of 1994	(9,334,496)	(9,334,496)
Called up during the fourth quarter of 1994	(7,324,789)	(7,324,789)
At 31 December 1994	<u>63,806,649</u>	<u>£63,806,649</u>

a) 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.

12 Share capital (continued)**b) Distributable profits**

Distributable profits are allocated on the following basis:

Preference shareholders

The company's articles of association were amended on 11 October 1994 to provide for a fixed cumulative preference 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, the 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.

c) Dividends

The preference dividend of £319,099 per annum to the non-equity shareholders for the period from 11 October 1994 to 31 December 1994 has not been declared. An appropriation equal to the dividend has not been made in the profit and loss account, as the amount of the dividend for this period is not considered to be material in the context of the financial statements.

13 Profit and loss account

	1994 £	1993 £
At 1 January	(687,315)	-
Loss for the financial year	<u>(4,817,289)</u>	<u>(687,315)</u>
At 31 December	<u><u>(£5,504,604)</u></u>	<u><u>(£687,315)</u></u>

14 Reconciliation of movements in shareholders' funds

	1994 £	1993 £
Loss for the financial year	(4,817,289)	(687,315)
Share capital called up	16,659,285	-
Opening shareholders' funds	(687,313)	2
Closing shareholders' funds	<u>£11,154,683</u>	<u>(£687,313)</u>

Shareholders' funds include £2 (1993 : £2) non-equity share capital.

15 Cash flow statement

The Company has taken advantage of the exemption provided to small companies under FRS1 not to produce a cash flow statement.

16 Capital commitments

At 31 December 1994, the directors have authorised total capital expenditure in respect of the company and its affiliates for the year ended 31 December 1995 of £426,008,000 (1993:£106,473,000). None of this expenditure had been contracted for at the year end (1993 : £Nil).

17 Contingent liabilities

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.

18 Financial commitments

At 31 December 1994, the company had annual commitments under non-cancellable operating leases as follows:

	1994		1993	
	Land & Buildings	Other	Land & Buildings	Other
Expiring:	£	£	£	£
Within one year	-	-	-	-
Between one and five years	-	-	-	-
Over five years	26,945	-	-	-
	<u>£26,945</u>	<u>£-</u>	<u>£-</u>	<u>£-</u>

19 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.