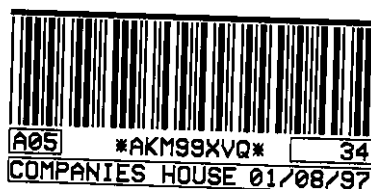


NYNEX CableComms Macclesfield

Financial Statements for the year ended 31 December 1996



**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

2459067

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 Macclesfield 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 £2,229,640 (1995:£1,391,979). The preference dividend of £135,546 to the non-equity shareholders for the year ended 31 December 1996 (1995:£165,997) 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 £2,365,186 (1995:£1,557,976) 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 8.

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.

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.

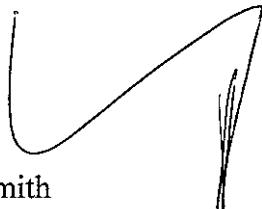
Auditors

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

Directors' 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 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 Macclesfield

We have audited the financial statements on pages 7 to 26.

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.

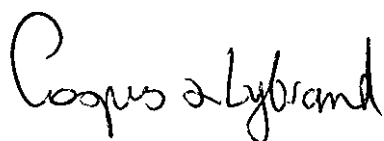
Basis of opinion

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 | 1,936,927 | 347,577 |
| Programming costs | | (522,088) | (100,607) |
| Telecommunication costs | | (416,311) | (42,497) |
| Depreciation and amortisation | | (545,540) | (51,944) |
| Selling, general and administration costs | | (2,292,849) | (1,470,196) |
| Operating loss | | (1,839,861) | (1,317,667) |
| Interest payable and similar charges | 4 | (389,779) | (74,312) |
| Loss on ordinary activities before taxation | 3 | (2,229,640) | (1,391,979) |
| Taxation | 7 | - | - |
| Loss on ordinary activities after taxation | | (2,229,640) | (1,391,979) |
| Dividends | 14 | (135,546) | (165,997) |
| Retained loss for the year | 16 | (£2,365,186) | (£1,557,976) |

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.

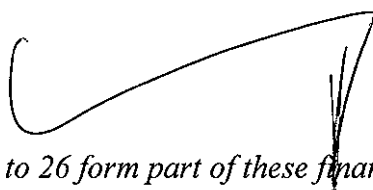
The notes on pages 10 to 26 form part of these financial statements.

Balance sheet
at 31 December 1996

| | Notes | 1996 £ | £ | 1995 £ | £ |
|-------------------------------------------------------|-------|---------------------|---------------------|--------------------|--------------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 21,303,990 | | 13,174,031 |
| Current assets | | | | | |
| Debtors: amounts falling due after more than one year | 9 | 415,657 | | 467,617 | |
| Debtors: amounts falling due within one year | 10 | 423,492 | | 374,631 | |
| Cash at bank and in hand | | 23,409 | | 8,838 | |
| | | <u>862,558</u> | | <u>851,086</u> | |
| Creditors: | | | | | |
| Amounts falling due within one year | 11 | <u>(10,275,752)</u> | | <u>(6,898,610)</u> | |
| Net current liabilities | | | <u>(9,413,194)</u> | | <u>(6,047,524)</u> |
| Total assets less current liabilities | | | 11,890,796 | | 7,126,507 |
| Creditors: | | | | | |
| Amounts falling due after more than one year | 12 | | <u>(10,444,929)</u> | | <u>(3,451,000)</u> |
| | | | <u>£1,445,867</u> | | <u>£3,675,507</u> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | | 966,567 | | 966,567 |
| Capital contribution | 15 | | 5,783,982 | | 5,783,982 |
| Profit and loss account | 16 | | <u>(5,304,682)</u> | | <u>(3,075,042)</u> |
| Shareholders' funds | 17 | | <u>£1,445,867</u> | | <u>£3,675,507</u> |
| Equity interests | | | 1,144,322 | | 3,509,508 |
| Non-equity interests | | | <u>301,545</u> | | <u>165,999</u> |
| | | | <u>£1,445,867</u> | | <u>£3,675,507</u> |

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

N P Mearing-Smith
Director



The notes on pages 10 to 26 form part of these financial statements.

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

| | Notes | £ | 1996 £ | £ | 1995 £ |
|------------------------------------------------------------------------------|-------|-------------|----------------|--------------|---------------|
| Net cash inflow from operating activities | 18 | | 2,033,960 | | 5,014,000 |
| Returns on investments and servicing of finance | | | | | |
| Interest and similar charges paid | | (523,277) | | (114,355) | |
| Net cash outflow from returns on investments and servicing of finance | | | (523,277) | | (114,355) |
| Investing activities | | | | | |
| Payments to acquire tangible assets | | (8,490,041) | | (12,625,789) | |
| Net cash outflow from investing activities | | | (8,490,041) | | (12,625,789) |
| Net cash outflow before financing | | | (6,979,358) | | (7,726,144) |
| Financing | | | | | |
| Capital contribution | | - | | 5,783,982 | |
| Long term loan raised | | 7,073,929 | | 1,951,000 | |
| Long term loan repaid | | (80,000) | | - | |
| Net cash inflow from financing | 20 | | 6,993,929 | | 7,734,982 |
| Increase in cash and cash equivalents | 19 | | <u>£14,571</u> | | <u>£8,838</u> |

The notes on pages 10 to 26 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.

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.

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:

| | |
|-----------------------------------------------------------------|----------------------------|
| Freehold buildings | 25 years |
| Freehold land | nil |
| 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 |

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, NYNEX CableComms 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 network build for the year.

The company's share of these costs was £2,181,808 (1995: £1,344,988).

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.

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 | 917,174 | 188,439 |
| Telecommunications - residential | 878,618 | 105,786 |
| Telecommunications - business | 73,035 | 3,213 |
| Installation revenue | 68,100 | 50,139 |
| | <u>£1,936,927</u> | <u>£347,577</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: | | |
| Tangible fixed assets | 545,540 | 51,944 |
| Hire of other assets - operating leases | - | 7,500 |

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 | 5,689 | 3,906 |
| Other services | 4,965 | 94,313 |

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

| | 1996 | 1995 |
|------------------------------------------------------------------------|-----------------|----------------|
| | £ | £ |
| Interest on loans repayable partly by instalments in more than 5 years | 523,277 | 114,355 |
| Amortisation of option type premiums | 51,960 | 51,957 |
| | <u>575,237</u> | <u>168,312</u> |
| Less: Interest capitalised within network fixed assets | (185,458) | (92,000) |
| | <u>£389,779</u> | <u>£74,312</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 Macclesfield or otherwise in connection with the management of the affairs of the company was:

| | 1996 | 1995 |
|----------------------------------------------|----------------|----------------|
| | £ | £ |
| Salary payments (including benefits in kind) | 33,355 | 16,780 |
| Pension contributions | 541 | 346 |
| | <u>£33,896</u> | <u>£17,126</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:

| | 1996 | 1995 | 1995 |
|-----------------------|-------------------------------------------|--------------------------------------------------|-----------------|
| | Chairman and highest paid Director | Former Chairman and highest paid Director | Chairman |
| | £ | £ | £ |
| Fees | - | - | - |
| Salary payments | 17,815 | 5,478 | 134 |
| Pension contributions | - | - | - |
| | <u>£17,815</u> | <u>£5,478</u> | <u>£134</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:

| | 1996 Number | 1995 Number |
|--------------------|------------------------|------------------------|
| £0 to £5,000 | - | 3 |
| £5,001 to £10,000 | 1 | 2 |
| £10,001 to £15,000 | 1 | - |
| £15,001 to £20,000 | 1 | - |

The company had no employees during the year (1995:nil).

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.

NYNEX CableComms Macclesfield

8 Tangible fixed assets

| | Freehold Land and Buildings | Leasehold Improvements | Network | Electronic Equipment and Cable | Totals |
|-------------------------|-----------------------------------|---------------------------|-------------|--------------------------------------|-------------|
| Cost | £ | £ | £ | £ | £ |
| At 1 January 1996 | 153,017 | 93,048 | 10,108,433 | 2,871,477 | 13,225,975 |
| Additions ^{①②} | (34,064) | (32,630) | 5,784,929 | 2,957,264 | 8,675,499 |
| At 31 December 1996 | 118,953 | 60,418 | 15,893,362 | 5,828,741 | 21,901,474 |
| Depreciation | | | | | |
| At 1 January 1996 | - | 1,689 | 26,852 | 23,403 | 51,944 |
| Charge for the year | - | 2,965 | 219,990 | 322,585 | 545,540 |
| At 31 December 1996 | - | 4,654 | 246,842 | 345,988 | 597,484 |
| Net Book Value | | | | | |
| At 31 December 1996 | £118,953 | £55,764 | £15,646,520 | £5,482,753 | £21,303,990 |
| At 31 December 1995 | £153,017 | £91,359 | £10,081,581 | £2,848,074 | £13,174,031 |

Note: ① Operating costs and interest totalling £951,663 in the year ended 31 December 1996 (1995:£845,301) 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.

② Negative additions for the year relate to an overaccrual of costs in the previous year.

9 Debtors: amounts falling due after more than one year

| | 1996 | 1995 |
|--------------------------------------------------|-----------------|-----------------|
| Deferred costs in respect of hedging instruments | 270,436 | 350,890 |
| Deferred loss on hedging instruments | 249,138 | 168,684 |
| Amortisation | (103,917) | (51,957) |
| | <u>£415,657</u> | <u>£467,617</u> |

Deferred costs include a revaluation of £249,138 at 31 December 1996 (1995: £168,684) which is disclosed above.

10 Debtors: amounts falling due within one year

| | 1996 | 1995 |
|--------------------------------|-----------------|-----------------|
| | £ | £ |
| Trade debtors | 270,637 | 148,355 |
| Other debtors | 140,037 | 223,458 |
| Prepayments and accrued income | 12,818 | 2,818 |
| | <u>£423,492</u> | <u>£374,631</u> |

11 Creditors: amounts falling due within one year

| | 1996 | 1995 |
|------------------------------------------------|--------------------|-------------------|
| | £ | £ |
| Amounts owed to fellow subsidiary undertakings | 8,150,822 | 4,023,345 |
| Accruals and deferred income | 1,677,885 | 2,155,277 |
| Other creditors | 447,045 | 719,988 |
| | <u>£10,275,752</u> | <u>£6,898,610</u> |

12 Creditors: amounts falling due after more than one year

| | 1996 | 1995 |
|----------------------------|--------------------|-------------------|
| Long term loan | <u>£10,444,929</u> | <u>£3,451,000</u> |
| Long term loan | | |
| Repayable by instalments: | | |
| In one year or less | - | - |
| Between one and two years | - | - |
| Between two and five years | 2,679,113 | 319,649 |
| In five years or more | <u>7,765,816</u> | <u>3,131,351</u> |
| Total | <u>£10,444,929</u> | <u>£3,451,000</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 £ |
|----------------------------------------------|--------------------|--------------------|
| Deferred tax: | | |
| Tax effect of timing differences because of: | | |
| Excess capital allowances over depreciation | 2,113,000 | 1,047,000 |
| Capitalised interest | 167,000 | 29,000 |
| Tax losses | <u>(2,280,000)</u> | <u>(1,076,000)</u> |
| | <u>-</u> | <u>-</u> |

The company has UK tax losses available to carry forward of approximately £12 million (1995: £6 million).

14 Share capital

| | Number | 1996 £ | 1995 £ |
|--------------------------------------------|-------------------|-------------------|-------------------|
| Authorised: | | | |
| As at 31 December 1995 & 1996 | | | |
| Preference shares of £1 each | 2 | 2 | 2 |
| 'A' ordinary shares of £1 each | <u>34,180,220</u> | <u>34,180,220</u> | <u>34,180,220</u> |
| Allotted, called up and fully paid: | | | |
| As at 31 December 1995 & 1996 | | | |
| Preference shares of £1 each | 2 | 2 | 2 |
| 'A' ordinary shares of £1 each | <u>966,565</u> | <u>966,565</u> | <u>966,565</u> |
| | <u>966,567</u> | <u>966,567</u> | <u>966,567</u> |
| Allotted but not called up: | | | |
| As at 31 December 1995 & 1996 | | | |
| 'A' ordinary shares of £1 each, nil paid | <u>33,213,655</u> | <u>33,213,655</u> | <u>33,213,655</u> |

Shareholders' voting rights

£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 £135,546 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.

14 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 £135,546 to the non-equity shareholders for the year ended 31 December 1996 (1995:£ 165,997) 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 17).

15 Capital contribution

| | 1996 £ | 1995 £ |
|----------------------|-------------------|-------------------|
| At 1 January | 5,783,982 | - |
| Received in the year | - | 5,783,982 |
| At 31 December | <u>£5,783,982</u> | <u>£5,783,982</u> |

Since the year end, the capital contributions have been used to effect the payment of £5,783,982 in respect of the nil paid shares previously issued.

16 Profit and loss account

| | 1996 £ | 1995 £ |
|-----------------------------------------------------|---------------------|---------------------|
| At 1 January | (3,075,042) | (1,683,063) |
| Retained loss for the financial year | <u>(2,365,186)</u> | <u>(1,557,976)</u> |
| | (5,440,228) | (3,241,039) |
| Undeclared dividends due to non-equity shareholders | 135,546 | 165,997 |
| At 31 December | <u>(£5,304,682)</u> | <u>(£3,075,042)</u> |

Cumulative undeclared dividends due to non-equity shareholders

| | 1996 £ | 1995 £ |
|------------------------------|-----------------|-----------------|
| At 1 January | 165,997 | - |
| Appropriated during the year | <u>135,546</u> | <u>165,997</u> |
| At 31 December | <u>£301,543</u> | <u>£165,997</u> |

17 Reconciliation of movements in shareholders' funds

| | 1996 £ | 1995 £ |
|-------------------------------------------------------------------------------------|--------------------|-------------------|
| Loss for the financial year | (2,229,640) | (1,391,979) |
| Capital contribution | - | 5,783,982 |
| Dividends | (135,546) | (165,997) |
| | <u>(2,365,186)</u> | <u>4,226,006</u> |
| Reversal of non-equity dividends | 135,546 | 165,997 |
| Net movement in shareholders' funds | (2,229,640) | 4,392,003 |
| Opening shareholders' funds | 3,675,507 | (716,496) |
| Closing shareholders' funds | <u>£1,445,867</u> | <u>£3,675,507</u> |
| Total Shareholders' Funds | | |
| Equity share capital | 966,565 | 966,565 |
| Non-equity share capital | 2 | 2 |
| Capital contribution | 5,783,982 | 5,783,982 |
| Profit and loss account | (5,304,682) | (3,075,042) |
| Total shareholders' funds | <u>£1,445,867</u> | <u>£3,675,507</u> |
| Shareholders' funds allocated to non-equity | | |
| Non-equity share capital | 2 | 2 |
| Cumulative dividends not yet declared | 301,543 | 165,997 |
| | <u>£301,545</u> | <u>£165,999</u> |
| Shareholders' funds allocated to equity | | |
| Difference between shareholders' funds and amount allocated to non-equity interests | <u>£1,144,322</u> | <u>£3,509,508</u> |
| Made up as follows: | | |
| Equity shares | 966,565 | 966,565 |
| Capital contribution | 5,783,982 | 5,783,982 |
| Profit and loss account | (5,304,682) | (3,075,042) |
| Cumulative dividends due to non-equity shareholders | (301,543) | (165,997) |
| | <u>£1,144,322</u> | <u>£3,509,508</u> |

18 Reconciliation of operating loss to net cash inflow from operating activities

| | 1996 | 1995 |
|--------------------------------------------------|-------------------|-------------------|
| | £ | £ |
| Operating loss | (1,839,861) | (1,317,667) |
| Depreciation of tangible fixed assets | 545,540 | 51,944 |
| (Increase) in debtors within one year | (48,861) | (276,782) |
| Increase in creditors within one year | 3,377,142 | 6,556,505 |
| Net cash inflow from operating activities | £2,033,960 | £5,014,000 |

19 Cash and cash equivalents

| | 1996 | 1995 |
|--------------------------------|----------------|---------------|
| | £ | £ |
| Changes during the year | | |
| At 1 January | 8,838 | - |
| Net cash inflow | 14,571 | 8,838 |
| At 31 December | £23,409 | £8,838 |

| | 1996 | | 1995 | | |
|-----------------------------|----------------|-----------------------|---------------|-----------------------|-------------|
| | 1996 | Change in year | 1995 | Change in year | 1994 |
| Analysis of balances | | | | | |
| Cash at bank and in hand | £23,409 | £14,571 | £8,838 | £8,838 | £- |

21 Capital commitments

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

22 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 £282,370,574 (1995:£93,011,616).

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.

23 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: | | | | |
| In one year or less | - | - | - | - |
| Between one and five years | - | - | - | - |
| Over five years | 10,000 | - | 10,000 | - |
| | <u>£10,000</u> | <u>£-</u> | <u>£10,000</u> | <u>£-</u> |

24 Related party transactions

All related party transactions are with other affiliated companies.

25 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.

26 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.