

# **NYNEX Wirral Telephone & Cable TV Company**

## **Financial Statements**

for the year ended 31 December 1996



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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**

2511873

**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 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 £6,250,559 (1995:£5,489,576) 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 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**

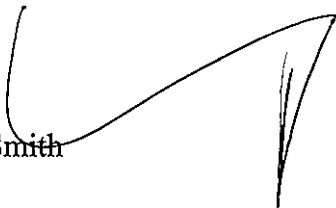
The Directors intend to place a resolution before the annual general meeting to re-appoint Coopers & Lybrand as auditors for the ensuing year.

**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

A handwritten signature in black ink, consisting of a large, stylized 'N' followed by a series of loops and a final vertical stroke.

**Report of the auditors**

**to the members of NYNEX Wirral Telephone & Cable TV Company**

We have audited the financial statements on pages 8 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.

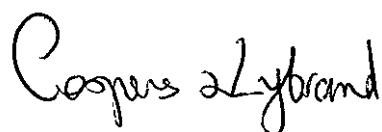
**Basis of opinion**

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



## NYNEX Wirral Telephone & Cable TV Company

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

	Notes	1996 £	1995 £
Turnover	2	5,785,250	2,173,462
Programming costs		(1,567,505)	(947,020)
Telecommunication costs		(1,028,447)	(141,862)
Staff costs	5	(990,305)	(498,354)
Depreciation and amortisation		(2,322,570)	(690,500)
Selling, general and administration costs		(4,408,484)	(4,330,546)
Operating loss		(4,532,061)	(4,434,820)
Interest payable and similar charges	4	(1,718,498)	(1,054,756)
Loss on ordinary activities before taxation	3	(6,250,559)	(5,489,576)
Taxation	7	-	-
Loss on ordinary activities after taxation	18	<u>(£6,250,559)</u>	<u>(£5,489,576)</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 26 form part of these financial statements.*

# **NYNEX Wirral Telephone & Cable TV Company**

## **Balance sheet at 31 December 1996**

	Notes	1996 £	£	1995 £	£
<b>Fixed assets</b>					
Tangible assets	8	57,703,886		40,310,097	
<b>Current assets</b>					
Debtors: amounts falling due after more than one year	9	1,454,807		1,636,655	
Debtors: amounts falling due within one year	10	9,001,357		11,850,186	
Cash at bank and in hand		119,000		68,137	
		<u>10,575,164</u>		<u>13,554,978</u>	
<b>Creditors:</b>					
Amounts falling due within one year	11	<u>(3,592,077)</u>		<u>(4,139,098)</u>	
<b>Net current assets</b>		<u>6,983,087</u>		<u>9,415,880</u>	
<b>Total assets less current liabilities</b>		<u>64,686,973</u>		<u>49,725,977</u>	
<b>Creditors:</b>					
Amounts falling due after more than one year	12	<u>(34,877,555)</u>		<u>(13,666,000)</u>	
		<u>£29,809,418</u>		<u>£36,059,977</u>	
<b>Capital and reserves</b>					
Called up share capital	15	13,182,677		13,182,677	
Capital contribution	16	36,864,210		36,864,210	
Profit and loss account	17	<u>(20,237,469)</u>		<u>(13,986,910)</u>	
<b>Shareholders' funds</b>	18	<u>£29,809,418</u>		<u>£36,059,977</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 26 form part of these financial statements.*

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

	Notes	1996 £	£	1995 £	£
Net cash inflow/(outflow) from operating activities	19		123,798		(14,866,443)
Returns on investments and servicing of finance					
Interest and similar charges paid		<u>(1,852,531)</u>		<u>(1,044,905)</u>	
Net cash outflow from returns on investments and servicing of finance			(1,852,531)		(1,044,905)
Investing activities					
Payments to acquire tangible assets		<u>(19,431,959)</u>		<u>(24,790,932)</u>	
Net cash outflow from investing activities			<u>(19,431,959)</u>		<u>(24,790,932)</u>
Net cash outflow before financing			(21,160,692)		(40,702,280)
Financing					
Capital contribution		-		32,242,001	
Long term loan raised		21,430,555		8,466,000	
Long term loan repaid		<u>(219,000)</u>		<u>-</u>	
Net cash inflow from financing	21		<u>21,211,555</u>		<u>40,708,001</u>
Increase in cash and cash equivalents	20		<u>£50,863</u>		<u>£5,721</u>

*The notes on pages 11 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.

**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:

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
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 network build for the year.

The company's share of these costs was £3,680,220 (1995: £3,514,949).

**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	2,780,644	1,702,391
Telecommunications - residential	2,485,417	308,981
Telecommunications - business	298,010	40,715
Installation revenue	221,179	121,375
	<u>£5,785,250</u>	<u>£2,173,462</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 :

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Depreciation charges:		
Tangible fixed assets (a)	2,322,570	690,500
Hire of other assets - operating leases	69,360	49,500

(a) These amounts exclude depreciation of £31,481 in the year ended 31 December 1996 (1995:£25,139) 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:

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Audit	9,677	10,314
Other services	<u>8,445</u>	<u>249,040</u>

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	1,852,531	1,044,905
Amortisation of option type premiums	181,848	181,851
	<u>2,034,379</u>	<u>1,226,756</u>
Less: Interest capitalised within network fixed assets	(315,881)	(172,000)
	<u>£1,718,498</u>	<u>£1,054,756</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 Wirral Telephone & Cable TV Company or otherwise in connection with the management of the affairs of the company was:

	1996 £	1995 £
Salary payments (including benefits in kind)	56,732	44,309
Pension contributions	921	913
	<u>£57,653</u>	<u>£45,222</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 Chairman and highest paid Director £	1995 Former Chairman and highest paid Director £	1995 Chairman £
Fees	-	-	-
Salary payments	30,301	14,464	354
Pension contributions	-	-	-
	<u>£30,301</u>	<u>£14,464</u>	<u>£354</u>



## **5 Directors' emoluments and employees (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	-	2
£15,001 to £20,000	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	1,692,051	1,092,759
Social security costs	175,519	108,823
Other pension costs	8,451	5,216
Total staff costs	1,876,021	1,206,798
Less: Staff costs capitalised within network fixed assets	(885,716)	(708,444)
	<u>£990,305</u>	<u>£498,354</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.

# **NYNEX Wirral Telephone & Cable TV Company**

## **8 Tangible fixed assets**

	Freehold Land and Buildings	Leasehold Improvements	Network	Electronic Equipment and Cable	Other Equipment	Totals
Cost	£	£	£	£	£	£
At 1 January 1996	2,347,468	81,177	25,889,788	12,728,930	594,215	41,641,578
Additions <sup>①</sup>	101,488	81,714	12,170,066	7,382,095	12,477	19,747,840
At 31 December 1996	2,448,956	162,891	38,059,854	20,111,025	606,692	61,389,418
Depreciation						
At 1 January 1996	93,125	5,932	755,998	304,194	172,232	1,331,481
Charge for the year	83,123	73,562	696,565	1,383,558	117,243	2,354,051
At 31 December 1996	176,248	79,494	1,452,563	1,687,752	289,475	3,685,532
Net Book Value						
At 31 December 1996	£2,272,708	£83,397	£36,607,291	£18,423,273	£317,217	£57,703,886
At 31 December 1995	£2,254,343	£75,245	£25,133,790	£12,424,736	£421,983	£40,310,097

**Note:** ① Operating costs and interest totalling £2,992,477 in the year ended 31 December 1996 (1995:£2,240,192) 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	946,520	1,228,115
Deferred loss on hedging instruments	871,986	590,391
Amortisation	(363,699)	(181,851)
	<u>£1,454,807</u>	<u>£1,636,655</u>

Deferred costs include a devaluation of £871,986 at 31 December 1996 (1995: £590,391) which is disclosed above.

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

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Trade debtors	766,415	277,221
Amounts owed by fellow subsidiary undertakings	7,437,560	10,954,669
Other debtors	691,066	589,179
Prepayments and accrued income	106,316	29,117
	<u>£9,001,357</u>	<u>£11,850,186</u>

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

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Trade creditors	285,119	4,370
Accruals and deferred income	2,540,494	3,487,865
Other creditors	731,793	584,573
Taxation and social security	34,671	62,290
	<u>£3,592,077</u>	<u>£4,139,098</u>

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

	<b>1996</b>	<b>1995</b>
Long term loan	<u>£34,877,555</u>	<u>£13,660,000</u>
	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
<b>Long term loan</b>		
Repayable by instalments:		
In one year or less	-	-
Between one and two years	-	-
Between two and five years	8,946,057	1,265,812
In five years or more	<u>25,931,498</u>	<u>12,400,188</u>
Total	<u>£34,877,555</u>	<u>£13,666,000</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**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
<b>Deferred tax:</b>		
Tax effect of timing differences because of:		
Excess capital allowances over depreciation	7,948,000	4,914,000
Capitalised interest and other short-term timing differences	437,000	54,000
Tax losses	<u>(8,385,000)</u>	<u>(4,968,000)</u>
	<u>-</u>	<u>-</u>

The company has UK tax losses available to carry forward of approximately £43 million (1995: £27 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 £8,451 (1995: £5,216).

**15 Share capital**

	Number	1996 £	1995 £
<b>Authorised:</b>			
As at 31 December 1995 & 1996			
Ordinary shares of £1 each	<u>13,314,503</u>	<u>£583,784</u>	<u>£583,784</u>
<b>Allotted, called up and fully paid:</b>			
As at 31 December 1995 & 1996			
Ordinary shares of £1 each	<u>13,182,677</u>	<u>£13,182,677</u>	<u>£13,182,677</u>

**16 Capital contribution**

	1996 £	1995 £
At 1 January	36,864,210	4,622,209
Received in the year	-	32,242,001
At 31 December	<u>£36,864,210</u>	<u>£36,864,210</u>

Since the year end the authorised share capital of the company has been increased and the relevant shares issued in respect of the capital contribution.

**17 Profit and loss account**

	1996 £	1995 £
At 1 January	(13,986,910)	(8,497,334)
Retained loss for the financial year	<u>(6,250,559)</u>	<u>(5,489,576)</u>
At 31 December	<u>(£20,237,469)</u>	<u>(£13,986,910)</u>

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

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(6,250,559)	(5,489,576)
Capital contribution	-	32,242,001
	<u>(6,250,559)</u>	<u>26,752,425</u>
Opening shareholders' funds	36,059,977	9,307,552
Closing shareholders' funds	<u>£29,809,418</u>	<u>£36,059,977</u>

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

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
Operating loss	(4,532,061)	(4,434,820)
Depreciation of tangible fixed assets	2,354,051	715,639
Decrease/(increase) in debtors within one year	2,848,829	(11,472,639)
(Decrease)/increase in creditors within one year	<u>(547,021)</u>	<u>325,377</u>
Net cash inflow/(outflow) from operating activities	<u>£123,798</u>	<u>(£14,866,443)</u>

**20 Cash and cash equivalents**

	<b>1996</b>	<b>1995</b>
	<b>£</b>	<b>£</b>
<b>Changes during the year</b>		
At 1 January	68,137	62,416
Net cash inflow	<u>50,863</u>	<u>5,721</u>
At 31 December	<u>£119,000</u>	<u>£68,137</u>

	<b>1996</b>	<b>Change in year</b>	<b>1995</b>	<b>Change in year</b>	<b>1994</b>
<b>Analysis of balances</b>					
Cash at bank and in hand	<u>£119,000</u>	<u>£50,863</u>	<u>£68,137</u>	<u>£5,721</u>	<u>£62,416</u>



21 Analysis of changes in financing during the year

	1996	1996	1996	1995	1995	1995
	Share Capital	Capital	Long Term	Share Capital	Capital	Long Term
	£	Contribution	Loans	£	Contribution	Loans
At 1 January	13,182,677	36,864,210	13,666,000	13,182,677	4,622,209	5,200,000
Net cash flows from financing	-	-	21,211,555	-	32,242,001	8,466,000
At 31 December	<u>£13,182,677</u>	<u>£36,864,210</u>	<u>£34,877,555</u>	<u>£13,182,677</u>	<u>£36,864,210</u>	<u>£13,666,000</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 £257,937,948 (1995:£82,796,616).

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	
Expiring:	Land & Buildings £	Other £	Land & Buildings £	Other £
Within one year	-	-	41,250	-
Between one and five years	51,500	-	-	-
Over five years	-	-	-	-
	<u>£51,500</u>	<u>£-</u>	<u>£41,250</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.