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**NYNEX UK Telephone &
Cable TV Holding Company Limited**

2511877

**Consolidated 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 Mearing Smith

R Drolet

Registered Auditors

Coopers & Lybrand

1 Embankment Place

London

WC2N 6NN

Secretary and registered office

R Drolet

The Tolworth Tower

Ewell Road

Surbiton

Surrey KT6 7ED

Bankers

Barclays Bank Plc

Registered number

2511877

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

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

Principal activity

The principal activity of the company is to act as an investment holding company for part of the interests in cable franchises in the UK of NYNEX CableComms Group PLC and NYNEX CableComms Group Inc. ("UK Cable Operations").

Results and dividends

The directors consider the results for the year and the financial position at the year end to be satisfactory. All costs incurred by NYNEX CableComms Limited, a subsidiary company, are recharged to the UK Cable Operations under management services agreements. The group's source of income is the management fee on the cost of services charged by NYNEX CableComms Limited.

The consolidated profit before taxation for the year amounted to £1,314,000 (1995: Loss £1,089,000). The directors do not recommend payment of a dividend and this loss has been transferred to reserves. The consolidated profit and loss account for the year is set out on page 8.

Review of the licence companies

The company has indirect non-equity interests in licence companies for the following cable franchises at 31 December 1996:

Bolton	East Lancashire	Surrey
Bromley	Macclesfield	Sussex
Bury & Rochdale	Oldham & Tameside	Wessex
Cheshire	Solent	Wirral
Derby	Staffordshire	
Greater Manchester	Stockport	

Future developments

The company will continue to act as an investment holding company for part of the UK Cable Operations.

State of affairs

The state of the company's and group'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.

Charitable and political contributions

The contributions made by the group during the year for charitable and political purposes were £3,500 (1995:£2,651) and £Nil (1995:£Nil) respectively.

Employee involvement

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

NYNEX CableComms Limited 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.

NYNEX CableComms Limited 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 NYNEX CableComms' affairs. Information is provided to employees, as required, on matters of concern to them.

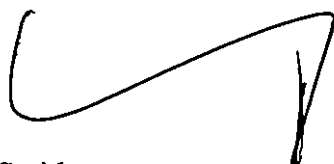
Auditors

The Directors intend to place a resolution before the Annual General Meeting to reappoint 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 and the group as at the end of the financial year and of the profit or loss and cash flows of the group 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
Secretary
31 July 1997

**Report of the auditors to the members of
NYNEX UK Telephone & Cable TV Holding Company Limited**

We have audited the financial statements on pages 8 to 27.

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.

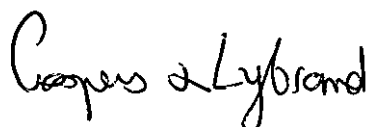
Basis of opinion

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 which 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 affairs of the company and the group at 31 December 1996 and of the results and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
London
1 August 1997

**Consolidated profit and loss account
for the year ended 31 December 1996**

	Note	1996 £'000	1995 £'000
Turnover	1	76,058	61,808
Staff costs	4	(31,614)	(29,938)
Depreciation		(4,364)	(3,412)
Selling, general and administration costs		(40,978)	(30,205)
Operating loss		(898)	(1,747)
Interest receivable and similar income	3	2,328	658
Interest payable and similar charges	4	(116)	-
Profit/(loss) on ordinary activities before taxation	2	1,314	(1,089)
Taxation	7	-	-
Profit/(loss) for the year	15	1,314	(1,089)

The comparative figures for turnover and interest have been reclassified to reflect the net interest position with group companies. There is no effect on profit/(loss) on ordinary activities before taxation.

The directors believe that the nature of the group'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 group's principal activity.

The group 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 profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

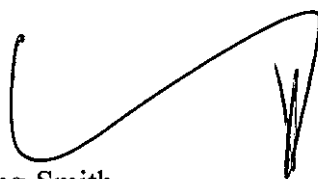
All of the group's activities are continuing.

The notes on pages 11 to 27 form part of these financial statements.

**Balance sheets
at 31 December 1996**

		Group		Company	
	Notes	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Fixed assets					
Tangible assets	8	45,824	38,389	-	-
Investments	9	33,616	33,616	34,175	34,175
		<u>79,440</u>	<u>72,005</u>	<u>34,175</u>	<u>34,175</u>
Current assets					
Debtors	10	229,268	206,291	61,297	40,325
Cash at bank and in hand		12,726	11,245	12,630	10,970
		<u>241,994</u>	<u>217,536</u>	<u>73,927</u>	<u>51,295</u>
Creditors:					
Amounts falling due within one year	11	(256,828)	(229,280)	(48,708)	(25,904)
Net current (liabilities)/assets		<u>(14,834)</u>	<u>(11,744)</u>	<u>25,219</u>	<u>25,391</u>
Total assets less current liabilities		64,606	60,261	59,394	59,566
Creditors:					
Amounts falling due after more than one year	12	(4,915)	(1,884)	-	(172)
		<u>59,691</u>	<u>58,377</u>	<u>59,394</u>	<u>59,394</u>
Capital and reserves					
Called up share capital	14	-	-	-	-
Capital contribution		59,896	59,896	59,896	59,896
Profit and loss account	15	(280)	(1,594)	(502)	(502)
Equity shareholders' funds	16	59,616	58,302	59,394	59,394
Minority interests - equity		75	75	-	-
		<u>59,691</u>	<u>58,377</u>	<u>59,394</u>	<u>59,394</u>

These financial statements were approved by the Board of Directors and were signed on 31 July 1997 on its behalf by:



N P Mearing-Smith
Director

The notes on pages 11 to 27 form part of these financial statements.

**Consolidated cash flow statement
for the year ended 31 December 1996**

	Note	1996 £'000	1995 £'000
Net cash inflow/(outflow) from operating activities	17	<u>9,326</u>	<u>(18,435)</u>
Returns on investments and servicing of finance			
Interest received		2,328	658
Interest paid on finance leases		<u>(116)</u>	<u>-</u>
Net cash inflow from returns on investments and servicing of finance		<u>2,212</u>	<u>658</u>
Investing activities			
Purchase of fixed assets		(5,644)	(15,544)
Sale of fixed assets		384	104
Reverse lease premium received		<u>220</u>	<u>205</u>
Net cash outflow from investing activities		<u>(5,040)</u>	<u>(15,235)</u>
Net cash inflow/(outflow) before financing		<u>6,498</u>	<u>(33,012)</u>
Financing			
Capital element of finance lease payments	19	<u>(1,017)</u>	<u>-</u>
Net cash outflow from financing		<u>-</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents	18	<u><u>5,481</u></u>	<u><u>(33,012)</u></u>

The comparative figures for operating loss and interest have been reclassified to reflect the net interest position with group companies. There is no effect on profit/(loss) on ordinary activities before taxation.

The notes on pages 11 to 27 form part of these financial statements.

**Notes to the consolidated 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 and in accordance with applicable accounting standards in the United Kingdom. The comparative figures for turnover and interest have been reclassified to reflect the net interest position with group companies. There is no effect on profit/(loss) on ordinary activities before taxation.

Basis of consolidation

The consolidated financial statements comprise the accounts of the holding company and its subsidiary undertakings. The main subsidiary undertakings are shown in note 8. The results of subsidiary undertakings are consolidated from their effective date of acquisition until such time as they cease to be subsidiary undertakings. Subsidiary undertakings held exclusively with a view to subsequent disposal are excluded from the consolidation.

Turnover

Turnover represents the value of recharges to fellow subsidiary undertakings. A subsidiary company, NYNEX CableComms Limited, purchases certain construction materials on behalf of, and furnishes consultancy and support services to, the UK cable television and telecommunication businesses under management service agreements in order to realise economies and increased efficiencies. All costs incurred by NYNEX CableComms Limited are recharged to the UK cable television and telecommunications businesses under management service agreements. The group's only major source of income in its own right is the management fee on the cost of services charged by NYNEX CableComms Limited.

1 Accounting policies (continued)

Pension costs

A subsidiary company, NYNEX CableComms Limited, operates a defined contribution pension scheme for employees on payrolls managed by NYNEX CableComms Group PLC and its subsidiaries. The pension costs charged to the consolidated profit and loss account represent contributions payable by the group during the accounting year in respect of individuals indirectly employed in the development of the UK cable franchise. The pension costs of those individuals directly employed in the development of the UK cable franchise are reflected in the profit and loss accounts of the entity developing the relevant cable franchise during the year.

Goodwill

Goodwill arising from the purchase of subsidiary and associated undertakings, representing the excess of the fair value of the purchase consideration over the fair value of the identifiable net assets acquired, is written off immediately against reserves. If an undertaking is subsequently sold, the appropriate goodwill is reflected in the profit and loss account of the period in which the disposal occurred as part of the gain or loss on divestment.

2 Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities is attributable to the principal activity of the group, the provision of consultancy and support services to the UK cable television and telecommunications business of NYNEX CableComms Group PLC and NYNEX CableComms Group Inc.

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	1996	1995
	Group	Group
	£'000	£'000
Depreciation charges:		
Tangible fixed assets (a)	4,364	3,412
Hire of other assets - operating leases	2,951	480
(Profit)/loss on disposal of tangible fixed assets	(269)	43

(a) These amounts exclude depreciation of £527,000 in the year ended 31 December 1996 (1995: £326,000) which has been capitalised.

2 Profit/(loss) on ordinary activities before taxation (continued)

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 affiliates 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 as follows:

	1996	1995
	£'000	£'000
Audit	192	180
Other services	<u>167</u>	<u>4,346</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.

3 Interest receivable

	1996	1995
	Group	Group
	£'000	£'000
Group loans	<u>2,328</u>	<u>658</u>

The comparative figures for turnover and interest have been reclassified to reflect the net interest position with group companies. There is no effect on profit/(loss) on ordinary activities before taxation.

4 Interest payable

	1996	1995
	Group	Group
	£'000	£'000
Aggregate finance charges in respect of finance leases (including hire purchase contracts of a financing nature)	<u>116</u>	<u>-</u>

5 Directors' emoluments and employee costs

Directors' emoluments for the year were:

	1996 Group	1995 Group
Salary payments (including benefits in kind)	<u>£1,141,307</u>	<u>£513,318</u>

This amount has been recharged to the UK cable television and telecommunications business under management service agreements.

Fees and other emoluments include amounts paid to:

	1996 Chairman and highest paid director	1995 Chairman	1995 Former Chairman and highest paid director
Salary payments (including benefits in kind)	<u>£599,842</u>	<u>£18,544</u>	<u>£252,429</u>

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

	1996 Number	1995 Number
£0 to £5,000	-	2
£10,001 to £15,000	-	1
£15,001 to £20,000	-	1
£175,001 to £180,000	1	-
£230,001 to £235,000	-	1
£250,001 to £255,000	-	1
£345,001 to £350,000	1	-
£595,001 to £600,000	1	-

A subsidiary company, NYNEX CableComms Limited, manages the payroll of the NYNEX CableComms Group Plc and NYNEX CableComms Group Inc. UK cable television and telecommunication business and holds the service contracts of all UK personnel. The average weekly number of persons (including directors) on payrolls managed by that company during the year was 2,538 (1995:2,853).

5 Directors' emoluments and employee costs (continued)

The staff costs of all employees of that company (including executive directors) were:

	1996	1995
	Group	Group
	£'000	£'000
Wages and salaries	37,335	35,078
Social security costs	3,385	3,519
Other pension costs	259	211
Deferred consideration	-	1,737
	<u>40,979</u>	<u>40,545</u>
Less: Staff costs charged directly to fellow subsidiary undertakings	<u>(9,365)</u>	<u>(10,607)</u>
	<u><u>31,614</u></u>	<u><u>29,938</u></u>

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.

6 Directors' interests in 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.

Following the Combined Offering, 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 Group companies (continued)

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

The number of Units in which N P Mearing-Smith is interested includes 270,406 Units to be 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 profit/(loss) on ordinary activities

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

NYNEX UK Telephone & Cable TV Holding Company Limited

7 Tangible fixed assets

Group	Freehold Land and Buildings £'000	Leasehold Improvements £'000	Construction Materials £'000	①Office Equipment £'000	Vehicles £'000	Totals £'000
Cost						
At 1 January 1996	7,509	3,065	15,400	15,252	4,687	45,913
Additions	221	667	116	10,513	824	12,341
Disposals	-	-	-	-	(696)	(696)
At 31 December 1996	<u>7,730</u>	<u>3,732</u>	<u>15,516</u>	<u>25,765</u>	<u>4,815</u>	<u>57,558</u>
Depreciation						
At 1 January 1996	435	1,149	-	3,995	1,945	7,524
Charge for the year	285	208	76	3,226	996	4,791
Disposals	-	-	-	-	(581)	(581)
At 31 December 1996	<u>720</u>	<u>1,357</u>	<u>76</u>	<u>7,221</u>	<u>2,360</u>	<u>11,734</u>
Net Book Value						
At 31 December 1996	<u>7,010</u>	<u>2,375</u>	<u>15,440</u>	<u>18,544</u>	<u>2,455</u>	<u>45,824</u>
At 31 December 1995	<u>7,074</u>	<u>1,916</u>	<u>15,400</u>	<u>11,257</u>	<u>2,742</u>	<u>38,389</u>

Note: ① The net book value of tangible fixed assets includes an amount of £7,855,603 (1995 : £1,672,128) in respect of office equipment held under finance leases.

9 Investments

Group	£'000
Other investments	
Cost at 1 January and 31 December 1996	<u>33,616</u>

Subsidiary undertakings of the company hold non-voting interests in the following companies:

Name of undertaking	Description of class of shares held	Proportion of nominal value of interest held	
		Group %	Company %
Bolton Cablevision Holding Company Limited	Preference	100	-
Derby Cablevision Holding Company Limited	Preference	100	-
Manchester Cablevision Holding Company Limited	Preference	100	-
NYNEX CableComms Bromley	Preference	100	-
NYNEX CableComms Bury & Rochdale	Preference	100	-
NYNEX CableComms Cheshire	Preference	100	-
NYNEX CableComms East Lancashire	Preference	100	-
NYNEX CableComms Macclesfield	Preference	100	-
NYNEX CableComms Oldham & Tameside	Preference	100	-
NYNEX CableComms Solent	Preference	100	-
NYNEX CableComms Staffordshire	Preference	100	-
NYNEX CableComms Stockport	Preference	100	-
NYNEX CableComms Surrey	Preference	100	-
NYNEX CableComms Sussex	Preference	100	-
NYNEX CableComms Wessex	Preference	100	-
NYNEX CableComms Wirral	Preference	100	-

Company	Subsidiary Undertakings	Other Investments	Total
	£	£	£
Cost			
At 1 January and 31 December 1996	<u>33,581</u>	<u>594</u>	<u>34,175</u>

9 Investments (continued)

Interests in subsidiary undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to the subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affects the results or financial position of the group.

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held by:	
			Group %	Company %
Microclock Services Limited	England & Wales	Ordinary	100	100
NYNEX CableComms Limited	England & Wales	Ordinary	100	100
NYNEX CableComms Manchester Limited	England & Wales	Ordinary	100	100
NYNEX Solent Telephone & Cable TV Holding Company Limited	England & Wales	Ordinary	100	100
Partcheer Company Limited	England & Wales	Ordinary	100	100
Sideoffer Limited	England & Wales	Ordinary	89	89
Streetunit Projects Limited	England & Wales	Ordinary	100	100
Streetusual Services Limited	England & Wales	Ordinary	100	100
Streetunique Projects Limited	England & Wales	Ordinary	100	100
Streetvision Services Limited	England & Wales	Ordinary	100	100
Streetvital Services Limited	England & Wales	Ordinary	100	100
Streetwarm Services Limited	England & Wales	Ordinary	91.1	91.1
Streetwide Services Limited	England & Wales	Ordinary	100	100
Strikeagent Trading Limited	England & Wales	Ordinary	100	100
Strikeapart Trading Limited	England & Wales	Ordinary	100	100
Strikeamount Trading Limited	England & Wales	Ordinary	100	100

The business of NYNEX CableComms Limited is to provide management to the UK cable television and telecommunications business of NYNEX CableComms Group PLC.

The business of the remaining companies listed above is to act as intermediate holding companies.

10 Debtors

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Amounts owed by fellow subsidiary undertakings of the ultimate UK holding company	139,105	126,817	-	-
Amounts owed by fellow subsidiary undertakings of the ultimate holding company	74,081	60,361	61,297	40,325
VAT receivable	5,166	5,686	-	-
Other debtors	10,916	12,208	-	-
Prepayments and accrued income	-	1,219	-	-
	<u>229,268</u>	<u>206,291</u>	<u>61,297</u>	<u>40,325</u>

11 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank loans and overdraft	-	4,000	-	-
Obligations under finance leases	2,807	550	-	-
Trade creditors	1,884	2,619	-	3
Amounts owed to fellow subsidiary undertakings of the ultimate UK holding company	98,617	92,717	48,558	25,641
Amounts owed to fellow subsidiary undertakings of the ultimate holding company	111,978	97,424	-	-
Other creditors	6,105	1,749	117	226
Taxation and social security	915	2,738	-	-
Accruals and deferred income	34,522	27,483	33	34
	<u>256,828</u>	<u>229,280</u>	<u>48,708</u>	<u>25,904</u>

12 Creditors: amounts falling due after more than one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Finance lease creditor	4,545	1,122	-	-
Reverse lease premium	370	590	-	-
Other long term creditors	-	172	-	172
	<u>4,915</u>	<u>1,884</u>	<u>-</u>	<u>172</u>

The premium received on acquiring the lease of a building is being amortised on a straight line basis until 30 September 1999.

The net finance lease obligations to which the group is committed are:

	1996	1995
	£'000	£'000
In one year or less	2,807	550
Between two and five years	4,545	1,122
Over five years	-	-
	<u>7,352</u>	<u>1,672</u>

13 Provision for liabilities and charges

	Group		Full potential liability	
	Provided			
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Deferred tax:				
Tax effect of timing differences because of:				
Excess capital allowances over depreciation	-	-	1,348	452
Short term timing differences	-	-	-	-
Tax losses	-	-	(425)	(198)
	<u>-</u>	<u>-</u>	<u>923</u>	<u>254</u>

The group has UK tax losses available to carry forward of approximately £1.3m (1995:£ 1.3m).

The company has no provision or potential liability for deferred tax (1995:£Nil).

14 Share capital

	1996 £	1995 £
Authorised:		
2 ordinary shares of US \$1 each	1	1
1,000 deferred shares of £1 each	1,000	1,000
	<u>£1,001</u>	<u>£1,001</u>
Allotted, called up and fully paid:		
2 ordinary shares of US \$1 each	1	1
2 deferred shares of £1 each	2	2
	<u>£3</u>	<u>£3</u>

The holders of the deferred shares shall only be entitled to participate in the assets of the company after the holders of every other class of shares in the capital of the company shall have received on a return of assets on liquidation or otherwise the sum of £1,000 million in respect of each share held by them. The company shall have the power and authority at any time to purchase all or any of the deferred shares for an aggregate consideration of £1 which shall be applied for the benefit of the company.

15 Profit and loss account

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
At 1 January	(1,594)	104	(502)	1,235
Profit/(loss) for the year	1,314	(1,089)	-	(1,737)
Goodwill adjustment in respect of prior year acquisitions	-	(609)	-	-
At 31 December	<u>(280)</u>	<u>(1,594)</u>	<u>(502)</u>	<u>(502)</u>

As permitted by section 230 of the Companies Act 1985 the holding company's profit and loss account has not been included in these financial statements. The holding company's loss for the year was £Nil (1995:£ 1,737,258).

Goodwill

The cumulative amount of goodwill arising from acquisitions that has been charged to the profit and loss account reserves is:

	1996 £'000	1995 £'000
At 1 January	659	50
Adjustment in respect of prior year acquisition	-	609
At 31 December	<u>659</u>	<u>659</u>

16 Reconciliation of movements in shareholders' funds

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Opening shareholders' funds	58,302	60,000	59,394	61,131
Profit/(loss) for the year	1,314	(1,089)	-	(1,737)
Goodwill adjustment in respect of prior year acquisition	-	(609)	-	-
Closing shareholders' funds	<u>59,616</u>	<u>58,302</u>	<u>59,394</u>	<u>59,394</u>

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

	1996	1995
	£'000	£'000
Operating loss	(898)	(1,747)
Depreciation of tangible fixed assets	4,791	3,738
(Profit)/loss on disposal of tangible fixed assets	(269)	43
Goodwill	-	(609)
Amortisation of reverse lease premium	(220)	(219)
(Increase) in amounts owed by fellow subsidiary undertakings of the UK ultimate holding company	(12,288)	(66,940)
(Increase) in amounts owed by fellow subsidiary undertakings of the ultimate holding company	(13,720)	(48,305)
Decrease/(increase) in other debtors	1,292	(11,382)
Decrease/(increase) in prepayments and accrued income	1,219	(251)
Decrease/(increase) in VAT receivable	520	(515)
(Decrease)/increase in trade creditors	(735)	715
Increase in amounts owed to fellow subsidiary undertakings of the UK ultimate holding company	5,900	34,901
Increase in amounts owed to fellow subsidiary undertakings of the ultimate holding company	14,554	59,080
Increase in accruals and deferred income	7,039	10,978
Increase in other creditors	3,964	1,436
(Decrease)/increase in taxation and social security	(1,823)	642
Net cash inflow/(outflow) from operating activities	<u>9,326</u>	<u>(18,435)</u>

18 Cash and cash equivalents

	1996 £'000	1995 £'000
Changes during the year		
At 1 January	7,245	40,257
Increase/(decrease) in cash and cash equivalents	5,481	(33,012)
At 31 December	12,726	7,245

	1996 £'000	Change in year £'000	1995 £'000	Change in year £'000	1994 £'000
Analysis of balances					
Cash at bank and in hand	12,726	1,481	11,245	(31,004)	42,249
Overdrafts	-	4,000	(4,000)	(2,009)	(1,991)
	12,726	5,481	7,245	(33,013)	40,258

19 Analysis of changes in financing during the year

	1996 Capital Contribution £'000	1996 Finance Lease Obligations £'000	1995 Capital Contribution £'000	1995 Finance Lease Obligations £'000
At 1 January	59,896	1,672	59,896	-
Inception of finance leases	-	6,697	-	1,672
Repayment of principal on finance leases	-	(1,017)	-	-
At 31 December	59,896	7,352	59,896	1,672

20 Capital commitments

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

21 Financial commitments

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

Group	1996		1995	
	Land & Buildings	Other	Land & Buildings	Other
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	209	208	204	108
Between one and five years inclusive	369	667	-	1,526
Over five years	594	-	826	-
	<u>1,172</u>	<u>875</u>	<u>1,030</u>	<u>1,634</u>
Company	1996		1995	
	Land & Buildings	Other	Land & Buildings	Other
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	-	83	-	47
Between one and five years inclusive	-	-	-	1,416
Over five years	-	-	609	-
	<u>-</u>	<u>83</u>	<u>609</u>	<u>1,463</u>

22 Contingent liabilities

At 31 December 1996 the group had provided guarantees for property lease commitments totalling £37.6 million (1995 : £40.4 million), of which £34.3 million (1995 : £36.8 million) were provided by the company.

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 effect on the company's financial position or operating results.

23 Related party transactions

All related party transactions are with other affiliated companies.

24 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.

25 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.

The Company's ultimate UK holding company is 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.