

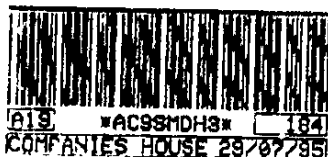
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NYNEX CableComms Derby

(formerly NYNEX CableComms Derby Limited)

Financial Statements
for the year ended 31 December 1994



NYNEX CableComms Derby

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

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NYNEX CableComms Derby

Directors and advisers

Executive Directors

E P Connell

L B Rabuffo

N P Mearing-Smith

P H Repp

Registered Auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN

Secretary and registered office

P H Repp
Wimbledon Bridge House
1 Hartfield Road
Wimbledon
London
SW19 3RU

Bankers

Barclays Bank PLC

Registered number

2387713

NYNEX CableComms Derby

Directors' report for the year ended 31 December 1994

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

Principal activity

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

Review and reorganisation of the business

The company and its parent, Derby Cablevision Holding Company Limited, were purchased on 19 March 1993 by NYNEX UK Telephone & Cable TV Holding Company Limited. On 29 June 1993 the preference shares of £1 each were reclassified as ordinary shares of £1 each. On 6 July 1993 the company changed its name from Derby Cablevision Limited to NYNEX CableComms Derby Limited.

During the fourth quarter of 1993 the company and its parent were restructured in anticipation of an exercise to raise additional funds for the development of the cable franchise. On 4 October 1993 each of the 2 issued £1 ordinary shares and each of the remaining 20,000,998 unissued shares were subdivided into 100 ordinary shares of 1 pence each. On 5 October 1993 the company re-registered as an unlimited company and changed its name to NYNEX CableComms Derby.

On 6 October 1993 the company issued 2 ordinary shares of £0.01 each, nil paid at par, to NYNEX North CableComms Management Inc (formerly NYNEX WSG 1 Company).

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

During the fourth quarter of 1994 the company and its parent, Derby Cablevision Holding Company Limited, were restructured in anticipation of an exercise to raise additional funds for the development of the cable franchise. The company issued 1,766,794,759 ordinary shares of £0.01 each fully paid at par. Also a contribution to the non-distributable capital reserves of the company was made of £7,196,070.

Results for the year

The directors consider the results for the year and the financial position at the year end to be satisfactory. The loss for the year amounted to £6,487,785 and this has been transferred to reserves.

NYNEX CableComms Derby

Future developments

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

State of affairs

The state of the company's affairs at 31 December 1994 is set out on page 9.

Directors and directors' interests

The directors who served during the year were:

	Appointed	Resigned
E P Connell	19 March 1993	-
J. B Rabuffo	28 September 1993	-
N P Mearing-Smith	28 September 1993	-
G J McLean	19 March 1993	17 August 1994
P H Repp	17 August 1994	-

No director who held office at the end of the year had an interest in the issued share capital of the company or any other UK group company at any time in the year. As permitted by Statutory Instrument (SI 1985/No.802), details of shareholdings in overseas companies are not disclosed.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 6 and 7 to the financial statements.

Taxation status

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Employment policy

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

The company's policy is to consult and discuss with employees, through team briefings, matters most likely to affect employees' interests.

Employment policy (continued)

Information on matters of concern to employees is given through information bulletins and reports that seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is an employee bonus scheme that has the purpose of encouraging the involvement of employees in the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Auditors

In accordance with section 385 of the Companies Act 1985 a resolution will be proposed at the Annual General Meeting to reappoint Coopers & Lybrand as Auditors of the company.

Directors' responsibility

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed and the financial statements have been prepared on the going concern basis. The directors are responsible for maintaining adequate accounting records for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

By order of the Board



E P Connell
Director
16 March 1995

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

We have audited the financial statements on pages 7 to 22.

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1994 and of its loss and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
London
22 March 1995

NYNEX CableComms Derby

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

	Notes	1994 £	1993 £
Turnover	1a	1,525,078	736,841
Programming and telecommunication costs		(763,252)	(358,862)
Staff costs		(1,189,632)	(505,679)
Depreciation		(466,924)	(426,917)
Selling, general and administration costs		<u>(5,585,817)</u>	<u>(1,830,746)</u>
Operating loss		(6,480,547)	(2,385,363)
Interest receivable and similar income		316	13,086
Interest payable and similar charges	3	<u>(7,554)</u>	<u>(30)</u>
Loss on ordinary activities before taxation	2	(6,487,785)	(2,372,307)
Taxation	5	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		<u>(£6,487,785)</u>	<u>(£2,372,307)</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.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year, and their historical cost equivalents.

All of the company's activities are continuing.

NYNEX CableComms Derby

Statement of total recognised gains and losses

	1994	1993
	£	£
Loss for the financial year	(6,487,785)	(2,372,307)
Prior year adjustment	-	(276,554)
Total losses recognised	<u>(£6,487,785)</u>	<u>(£2,648,861)</u>

NYNEX CableComms Derby

Balance sheet at 31 December 1994

	Notes	1994 £	£	1993 £	£
Fixed assets					
Intangible assets	6		184,618		178,561
Tangible assets	7		24,343,455		7,098,209
			<u>24,528,073</u>		<u>7,276,770</u>
Current assets					
Debtors: amounts falling due after one year	8	941,726		-	
Debtors: amounts falling due within one year	9	445,567		646,660	
Cash at bank and in hand		70,689		467,370	
		<u>1,457,982</u>		<u>1,114,030</u>	
Creditors:					
Amounts falling due within one year	10	(6,566,833)		(12,747,811)	
Net current liabilities			<u>(5,108,851)</u>		<u>(11,633,781)</u>
Total assets less current liabilities			19,419,222		(4,357,011)
Creditors:					
Amounts falling due after more than one year	11	(5,400,000)		-	
			<u>£14,019,222</u>		<u>(£4,357,011)</u>
Capital and reserves					
Called up share capital	13		17,667,950		2
Capital contribution	15		7,196,070		-
Profit and loss account	14		<u>(10,844,798)</u>		<u>(4,357,013)</u>
Shareholders' funds	15		<u>£14,019,222</u>		<u>(£4,357,011)</u>

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

E P Connell

E P Connell
Director

The notes on pages 10 to 22 form part of these financial statements.

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

1 Accounting policies

Basis of accounting

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

a) Turnover

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

	1994 £	1993 £
Cable television	1,442,333	723,441
Installation revenue	82,745	13,400
	<u>£1,525,078</u>	<u>£736,841</u>

b) 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. Staff costs and depreciation are shown gross in the notes to the financial statements.

c) Tangible fixed assets and depreciation

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

1 Accounting policies (continued)

c) Tangible fixed assets and depreciation (continued)

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

	%
Network	2.5
Headend and Hubs (included in Network)	10
Customer Electronics (included in Network)	10-14
Assets in the course of construction and construction materials	nil
Freehold buildings	4
Freehold land	nil
Leasehold improvements	over the term of the lease
Furniture and office equipment	20
Motor vehicles	25

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

d) Operating leases

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

e) Intangible fixed assets

Franchise costs are written off on a straight line basis over 40 years, being the expected useful economic life of the assets. Start up costs are written off to the profit and loss account as incurred.

f) Financial instruments

The company hedges certain exposures to interest rate fluctuations through interest rate swaps and instruments similar to options.

Premiums paid for option type instruments are capitalised and amortised to interest expense over the term of the option. Unamortised premiums are included in debtors falling due after one year.

Swaps and options used as hedges are marked to market at each period end and changes in value are recorded with the underlying financial instrument. Unrealised gains and losses from marking to market are deferred in creditors falling due after more than one year or debtors falling due after one year and recognised in income when the hedged transaction occurs.

1 Accounting policies (continued)

g) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the average rate of exchange ruling during the financial year. Exchange gains or losses are taken to the profit and loss account in the year in which they arise.

h) 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.

The company's share of these costs was £3,838,840 (1993 : £1,433,057).

i) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences, to the extent that it is probable that a liability or asset will crystallise.

j) 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.

NYNEX CableComms Derby

2 Loss on ordinary activities before taxation

The loss on ordinary activities is attributable to the principal activity, the development of a cable television and telecommunications franchise, and arose wholly within the UK.

Loss on ordinary activities is stated after charging/(crediting):

	1994 £	1993 £
Depreciation:		
Intangible fixed assets	(6,057)	14,445
Tangible fixed assets	530,867	338,415
Loss on sale of fixed assets	.	304
Hire of other assets - operating leases	112,784	46,584
Exceptional operating expenses within selling, general and administration costs	1,225,534	-

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

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

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

	1994 £	1993 £
Audit	13,019	11,021
Other services	219,973	39,006

NYNEX CableComms Derby

3 Interest payable and similar charges

	1994	1993
	£	£
On overdrafts and loans due for repayment within 5 years of the year end and not repayable by instalments	-	30
On loans repayable by instalments in 5 years or more	7,554	-
	<u>£7,554</u>	<u>£30</u>

4 Directors' emoluments and employees

The emoluments of the directors are paid either directly or indirectly by NYNEX CableComms Limited. The proportion of the directors' total emoluments paid in respect of their services as directors of NYNEX CableComms Derby or otherwise in connection with the management of the affairs of the company was:

	1994	1993
	£	£
Salary payments (including benefits in kind)	82,236	59,663
Pension contributions	828	1,166
	<u>£83,064</u>	<u>£60,829</u>

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

Fees and other emoluments include amounts paid to:

	1994	1993
	Chairman and highest paid Director £	Chairman and highest paid Director £
Salary payments	34,956	29,014
Pension contribution	-	-
	<u>£34,956</u>	<u>£29,014</u>

NYNEX CableComms Derby

4 Directors' emoluments and employees (continued)

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

	1994 Number	1993 Number
£0 to £5,000	-	3
£5,001 to £10,000	3	1
£10,001 to £15,000	-	2
£20,001 to £25,000	1	-
£25,001 to £30,000	-	1
£30,001 to £35,000	1	-

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

The average number of persons (excluding executive directors) directly employed in the development of the company's cable franchise during the year was 102 (1993 : 46).

The staff costs before capitalisation (note 1b) of these individuals (excluding directors) were:

	1994 £	1993 £
Wages and salaries	1,667,241	731,397
Social security costs	166,788	82,619
Other pension costs	6,035	2,993
	<u>£1,840,064</u>	<u>£817,009</u>

5 Tax loss on ordinary activities

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

NYNEX CableComms Derby

6 Intangible fixed assets

	Franchise Acquisition Costs £
Cost	
At 1 January 1994	212,430
Additions	-
At 31 December 1994	<u>212,430</u>
Amortisation	
At 1 January 1994	33,869
Credit for the year	<u>(6,057)</u>
At 31 December 1994	<u>27,812</u>
Net Book Value	
At 31 December 1994	<u>£184,618</u>
At 31 December 1993	<u>£178,561</u>

NYNEX CableComms Derby

7 Tangible fixed assets

	Freehold Land and Buildings	Leasehold Assets	① Network	Office Equipment	Vehicles	Totals
Cost	£	£	£	£	£	£
At 1 January 1994	-	144,164	7,067,626	273,224	180,058	7,665,052
Additions②	1,200,000	38,591	16,010,211	252,393	274,918	17,776,113
At 31 December 1994	1,200,000	182,755	23,077,837	525,617	454,956	25,441,165
Depreciation						
At 1 January 1994	-	12,203	419,915	64,868	69,857	566,843
Charge for the year	2,284	12,214	356,959	74,826	84,584	530,867
At 31 December 1994	2,284	24,417	776,874	139,694	154,441	1,097,710
Net Book Value						
At 31 December 1994	£1,197,716	£158,338	£22,300,963	£385,923	£300,515	£24,343,455
At 31 December 1993	£ -	£131,961	£6,647,711	£208,356	£110,181	£7,098,209

Note: ① This includes assets in the course of construction of £2,073,617 (1993 : £3,061,059) and construction materials of £268,656 (1993 : £52,009).

② Additions to network assets above include £1,791,950 of staff costs, depreciation and selling, general and administration costs that are directly applicable to the design, construction and installation of the company's cable television and telecommunications network.

8 Debtors: amounts falling due after one year

	1994	1993
Unamortised costs of option type instruments	<u>£941,726</u>	<u>£ -</u>

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

9 Debtors: amounts falling due within one year

	1994	1993
	£	£
Trade debtors	166,848	161,465
Other debtors	11,383	19,193
Prepayments and accrued income	24,084	282,319
VAT receivable	243,252	183,683
	<u>£445,567</u>	<u>£646,660</u>

10 Creditors: amounts falling due within one year

	1994	1993
	£	£
Bank loans and overdraft	-	28
Trade creditors	62,426	119,267
Amounts owed to NYNEX UK companies	2,200,263	10,963,356
Accruals and deferred income	3,657,598	1,500,558
Other creditors	639,939	64,602
Taxation and social security	6,607	-
	<u>£6,566,833</u>	<u>£12,747,811</u>

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11 Creditors: amounts falling due after more than one year

	1994 £	1993 £
Long term loan	<u>£5,400,000</u>	<u>£ -</u>

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

12 Provision for liabilities and charges for deferred tax

	1994 £	1993 £
Deferred tax:		
Tax effect of timing differences because of:		
Excess capital allowances over depreciation	2,444,857	878,357
Tax losses	<u>(2,444,857)</u>	<u>(878,357)</u>
	<u>£ -</u>	<u>£ -</u>

The company has UK tax losses available to carry forward of approximately £18 million (1993 : £6.8 million).

NYNEX CableComms Derby

13 Share capital

	Number	£
Authorized:		
Ordinary shares of £0.01 each		
At 1 January 1994 and 31 December 1994	<u>2,000,100,000</u>	<u>£20,001,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £0.01 each		
At 1 January 1994	200	2
Issued during the fourth quarter of 1994, fully paid at par to raise additional funds for the development of the cable franchise	1,766,794,759	£17,667,948
At 31 December 1994	<u>1,766,794,959</u>	<u>£17,667,950</u>
Allotted but not called up:		
Ordinary shares of £0.01 each, nil paid		
At 1 January 1994 and 31 December 1994	<u>2</u>	<u>£-</u>

14 Profit and loss account

	1994 £	1993 £
At 1 January	(4,357,013)	(1,984,706)
Loss for the financial year	<u>(6,487,785)</u>	<u>(2,372,307)</u>
At 31 December	<u>(£10,844,798)</u>	<u>(£4,357,013)</u>

15 Reconciliation of movements in shareholders' funds

	1994 £	1993 £
Loss for the financial year	(6,487,785)	(2,372,307)
Share capital issued	17,667,948	-
Capital contribution	7,196,070	-
Opening shareholders' funds	<u>(4,357,011)</u>	<u>(1,984,704)</u>
Closing shareholders' funds	<u>£14,019,222</u>	<u>(£4,357,011)</u>

NYNEX CableComms Derby

16 Cash flow statement

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

17 Capital commitments

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

18 Contingent liabilities

The company is a party to various legal proceedings in the ordinary course of business, primarily arising from the construction of the network. While no assurance can be given as to the outcome of these matters, in the opinion of management, based upon legal advice, the ultimate resolution of these matters in future periods is not expected to have a material affect on the company's financial position or operating results.

19 Financial commitments

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

Expiring:	Land and Buildings	
	1994	1993
	£	£
Within one year	-	-
Between one and five years inclusive	66,200	-
Over five years	46,584	46,584
	<u>£112,784</u>	<u>£46,584</u>

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NYNEX Cable - James Derby

20 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.