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NYNEX CableComms Solent

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*(formerly NYNEX CableComms Solent Limited)*

Financial Statements  
for the year ended 31 December 1993



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A001 RECEIPT DATE: 25/05/94

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**Financial Statements  
for the year ended 31 December 1993**

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**Directors and advisers**

**Executive Directors**

**E P Connell**

**L B Rabuffo**

**N P Mearing-Smith**

**G J McLean**

**Non-executive Directors**

**S Todd**

**P J Viggers**

**Secretary and registered office**

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

**Registered number**

**2422654**

**Registered Auditors**

**Coopers & Lybrand**  
1 Embankment Place  
London  
WC2N 6NN

**Bankers**

**Barclays Bank PLC**

**Directors' report  
for the year ended 31 December 1993**

The directors present their report and the audited financial statements for the year ended 31 December 1993.

**Principal activity**

The principal activity of the company is the provision of cable television and telecommunications services under licences awarded to it for the Solent area. This was achieved through the development of the business of the NYNEX CableComms Solent Partnership (and prior to that through the NYNEX CableComms Solent Operating Partnership), of which the company was a partner. The partnership was dissolved on 31 December 1993. Thereafter, development of the business has been undertaken by the company.

**Review and reorganisation of the business**

From 1 April 1992 the company has been a partner in the NYNEX CableComms Solent Partnership. Prior to that date the company was a partner in the NYNEX CableComms Solent Operating Partnership.

The partnership agreement for the NYNEX CableComms Solent Partnership required that losses be allocated 100% to NYNEX Solent Company (a US registered company) and that profits be allocated:

- a) to NYNEX Solent Company until profits allocated equal losses previously allocated and
- b) 85% to NYNEX Solent Company and 15% to NYNEX CableComms Solent Limited, thereafter.

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

On 10 December 1993, the company re-registered as an unlimited company and changed its name to NYNEX CableComms Solent.

On 31 December 1993, the authorised share capital of the company was increased to £890,664.50 by the creation of 482,703 'A' ordinary shares of £1 each and 579,615 'B' ordinary shares of £0.10 each. At the same time, the 282,464 issued ordinary shares of £1 each were reclassified as £1 preference shares and 67,536 unissued ordinary shares of £1 each were reclassified as 'A' ordinary shares of £1 each.

On the same date NYNEX CableComms Solent Partnership was dissolved and in consideration for the issue of 550,239 'A' and 579,615 'B' ordinary shares, the partnership assets were distributed in their entirety to the company.

As a result of the restructuring at 31 December 1993 the company is no longer a subsidiary undertaking of NYNEX UK Telephone & Cable TV Holding Company Limited.

### **Future developments**

The company will concentrate on the development of the cable television and telecommunications network and services available to it pursuant to the licences issued.

### **State of affairs**

The state of the company's affairs at 31 December 1993 is set out on page 8.

The balance sheet reflects the position after the acquisition of assets from the NYNEX CableComms Solent Partnership at 31 December 1993.

### **Directors and directors' interests**

The directors who served during the period were:

	<b>Appointed</b>	<b>Resigned</b>
N P Mearing-Smith	19 October 1989	-
P J Viggers	19 October 1989	-
S Todd (Mrs)	19 October 1989	-
G J McLean	25 October 1990	-
E Connell	17 September 1992	-
L B Rabuffo	9 September 1993	-
M Brennan	24 November 1992	9 September 1993

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 to 8 to the financial statements.

### **Employment policy**

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

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 group's performance.

**Employment policy (continued)**

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

The group'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.

**Taxation status**

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

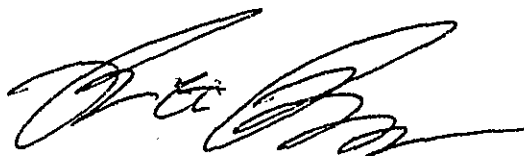
**Auditors**

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

**Directors' responsibility**

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed. 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



P H Repp  
Company Secretary  
9 May 1994

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

We have audited the financial statements on pages 7 to 21.

**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 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

COOPERS & LYBRAND  
Chartered Accountants and Registered Auditors  
London,  
13 May 1994

**Profit and loss account  
for the year ended 31 December 1993**

	Note	1993 £	1992
Operating expenses		-	-
Exceptional operating expenses	3	<u>(4,253,648)</u>	<u>-</u>
Loss on ordinary activities before taxation	2	<u>(4,253,648)</u>	<u>-</u>
Taxation on loss on ordinary activities	5	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		<u><u>(£4,253,648)</u></u>	<u><u>£-</u></u>

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 stated above and their historical cost equivalents.*

All of the company's activities are continuing.



**Balance sheet  
at 31 December 1993**

	Notes	1993 £	£	1992 £	£
<b>Fixed Assets</b>					
Intangible assets	6		110,587		-
Tangible assets	7		67,707,778		-
Investments	8		-		232,464
			<u>67,818,365</u>		<u>232,464</u>
<b>Current Assets</b>					
Stock	9		-	1,272,239	
Debtors	10	12,782,483		32,898,477	
Cash at bank and in hand		<u>20,816</u>		<u>11,105</u>	
		12,803,299		34,181,821	
<b>Creditors:</b>					
Amounts falling due within one year	11	<u>(11,744,588)</u>		<u>(34,131,821)</u>	
<b>Net Current Assets</b>			1,058,711		50,000
<b>Creditors:</b>					
Amounts falling due after more than one year	12		<u>(5,749,920)</u>		
			<u>£63,127,156</u>		<u>£282,464</u>
<b>Capital And Reserves</b>					
Called up share capital	14		890,665		282,464
Share premium	15		66,490,139		-
Profit and loss account	16		<u>(4,253,648)</u>		-
<b>Shareholder's funds</b>	17		<u>£63,127,156</u>		<u>£282,464</u>

These financial statements were approved by the Board of Directors and were signed on 9 May 1994 on its behalf by:

E P Connell  
Director



*The notes on pages 9 to 21 form part of these financial statements.*

**Notes to the financial statements  
for the year ended 31 December 1993**

**1 Accounting policies**

**Basis of accounting**

These financial statements are prepared on the historical cost basis of accounting and in accordance with applicable Accounting Standards in the UK.

The company's interest in the NYNEX CableComms Solent Partnership has been accounted for using the equity method of accounting because, in the opinion of the directors, it does not constitute a subsidiary undertaking.

The principal accounting policies remain unchanged from the previous year and have been applied consistently as set out below:

**a) Fixed assets and depreciation**

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

Depreciation is calculated so as to write off the cost or valuation, 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
Subscriber electronics (included in Network)	10-14
Leasehold improvements	over the term of the lease
Furniture and office equipment	20
Motor vehicles owned	25
Freehold land	nil
Freehold buildings	4
Assets in the course of construction and construction materials	nil

**b) Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

**c) 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.

**d) Investments**

The cost of fixed asset investment is their purchase cost together with any incidental expenses of acquisition.

**e) Deferred finance costs**

Deferred finance costs will be amortised to the profit and loss account over the period expected to benefit from the underlying financial instrument. Until amortisation commences, such costs are stated at the lower of cost and net realisable value.

**f) Stock**

Stock is shown at the lower of cost and net realisable value.

**g) Intangible fixed assets**

The amortisation of the franchise acquisition costs is calculated so as to write off the cost on a straight line basis over 40 years, being the expected useful economic life of the asset.

**h) Management service costs**

Under certain agreements, NYNEX CableComms Limited agreed to furnish consultancy and support services to NYNEX CableComms Solent in order to realise economies and increased efficiencies.

*In consideration for the services rendered by NYNEX CableComms Limited, the company agreed to settle its share of the costs incurred.*

The company's share of these costs was £nil (1992 : £nil).

**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.

**2 Loss on ordinary activities before taxation**

The loss on ordinary activities is attributable to the exceptional operating expense as detailed in note 3 below. The company made no sales during the year (1992 - £nil).

Loss on ordinary activities is stated after:

	1993	1992
Audit fees	<u>£-</u>	<u>£-</u>

Audit and non-audit fees in respect of the year ended 31 December 1993 have been borne by NYNEX CableComms Limited.

During 1992 and 1993 the development of the franchise was undertaken by the NYNEX CableComms Solent Partnership and prior to that partnership by the NYNEX CableComms Solent Operating Partnership. Therefore with the exception of the costs of restructuring and raising additional finance in note 3 below, the company's profit and loss account reflects neither profit nor loss.

**3 Exceptional operating expenses**

The exceptional operating expenses in 1993 relate to the costs 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 FRS 4, "Capital Instruments".

**4 Directors 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 Solent or otherwise in connection with the management of the affairs of the company was:

	1993 £	1992 £
Fees	16,580	-
Salary payments (including benefits in kind)	183,566	126,919
Pension contributions	4,171	-
	<u>£204,317</u>	<u>£126,919</u>

During 1992 and 1993 these amounts have been recharged to the NYNEX Solent Partnership (and prior to that partnership, the NYNEX CableComms Surrey Operating Partnership) by NYNEX CableComms Limited under a management service agreement between those entities.

Fees and other emoluments include amounts paid to:

	1993 Chairman and highest paid Director £	1992 Chairmen £	1992 Highest paid Director £
Salary payments	103,745	35,748	45,204
Pension contributions	-	-	-
	<u>£103,745</u>	<u>£35,748</u>	<u>£45,204</u>

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

	1993 Number	1992 Number
£0 to £5,000	1	4
£5,001 to £10,000	2	-
£10,001 to £15,000	1	1
£20,001 to £25,000	1	3
£40,001 to £45,000	1	-
£45,001 to £50,000	-	1
£100,001 to £105,000	1	-

**4 Directors and employees (continued)**

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

The average number of persons (excluding executive directors) directly employed in respect of the development of the company's cable franchise during the year were 262 (1992 : 182).

The staff costs of these individuals were:

	1993 £	1992 £
Wages and salaries	4,620,333	1,292,351
Social security costs	455,661	127,161
Other pension costs	132,119	-
	<u>£5,208,113</u>	<u>£1,419,512</u>

The staff costs for 1992 represent a proportion of the total staff costs incurred by NYNEX CableComms Limited. Those for 1993 represent the actual staff costs of individuals directly employed in respect of the development of the company's cable franchise. Therefore the two figures are not directly comparable.

During 1992 and 1993 these costs have been borne by the NYNEX CableComms Solent Partnership and prior to that partnership, by the NYNEX CableComms Solent Operating Partnership under management service agreements between those entities.

**5 Tax on loss on ordinary activities**

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

**6 Intangible fixed assets**

	Franchise acquisition costs 1993
<b>Cost</b>	£
At 1 January 1993	-
Additions	-
Transfer from NYNEX CableComms Solent Partnership	117,697
At 31 December 1993	<u>£117,697</u>
<b>Amortisation</b>	
At 1 January 1993	-
Charge for period	-
Transfer from NYNEX CableComms Solent Partnership	7,110
At 31 December 1993	<u>£7,110</u>
<b>Net Book Value</b>	
At 31 December 1993	<u>£110,587</u>
At 31 December 1992	<u>£-</u>

# NYNEX CableComms Solent

## 7 Tangible fixed assets

Cost	Freehold Land and Buildings	Leasehold Improvements	②Network	Office Equipment	③Vehicles	Totals
At 1 January 1993	£ -	£ -	£ -	£ -	£ -	£ -
Transfers in from NYNEX CableComms Solent Partnership	652,163	805,233	67,785,008	990,907	1,575,012	71,808,323
At 31 December 1993	652,163	805,233	67,785,008	990,907	1,575,012	71,808,323
Depreciation						
At 1 January 1993	-	-	-	-	-	-
Transfers in from NYNEX CableComms Solent Partnership	8,613	43,082	3,236,564	281,046	531,240	4,100,545
At 31 December 1993	8,613	43,082	3,236,564	281,046	531,240	4,100,545
Net Book Value						
At 31 December 1993	£643,550	£762,151	£64,548,444	£709,861	£1,043,772	£67,707,778
Net Book Value	£-	£-	£-	£-	£-	£-
At 31 December 1992						

Note: ① In accordance with the terms of the partnership dissolution agreement, these fixed assets were transferred from NYNEX CableComms Solent Partnership on 31 December 1993.

② This includes assets in the course of construction of £6,968,036 and construction materials of £682,595.

③ The net book value of tangible fixed assets includes an amount of £4,721 (1992 : £7,183) in respect of motor vehicles held under finance leases.



**8 Investments**

	1993 £	1992 £
Capital in NYNEX CableComms Solent Partnership		
At 1 January	232,464	232,464
Dissolution of partnership	(232,464)	-
At 31 December	<u>£-</u>	<u>£232,464</u>

On dissolution of the partnership on 31 December 1993, the assets were distributed in their entirety to the company.

**9 Stock**

Stock in 1992 represented construction materials which have been reclassified as fixed assets in 1993 to reflect better the nature of the assets.

**10 Debtors**

	1993 £	1992 £
Trade debtors	1,239,132	680,438
Amounts owed by NYNEX UK companies	3,942,686	31,509,161
Amounts owed by other NYNEX companies	2,861,629	-
Due from related US partnership	2,071,621	-
Other debtors	18,070	-
Prepayments and accrued income	160,948	61,786
VAT receivable	627,411	647,092
Deferred finance costs	1,860,986	-
	<u>£12,782,483</u>	<u>£32,898,477</u>

Deferred finance costs represent the cost of interest rate-swaps which have been entered into in order to limit the company's exposure to interest rate fluctuations on certain loan facilities between 1998 and 2003.

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

	1993	1992
	£	£
Bank loans and overdraft	-	124,035
Trade creditors	1,632,345	1,590,133
Amounts owed to NYNEX UK companies	-	29,653,815
Taxation and social security	895	-
Other creditors	732,069	-
Accruals and deferred income	9,379,279	2,763,838
	<u>£11,744,588</u>	<u>£34,131,821</u>

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

	1993	1992
	£	£
Long term loan	<u>£5,749,920</u>	<u>£-</u>

The loan is repayable by instalments between 1999 and 2003 and bears interest at LIBOR plus 0.65%.

**Finance leases**

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

	1993	1992
	£	£
In one year or less	1,970	1,970
Between one and two years	1,970	1,970
Between two and five years	1,168	3,138
	<u>£5,108</u>	<u>£7,078</u>

**13 Provision for liabilities and charges for deferred tax**

No deferred tax asset is recognised in these accounts in respect of any unutilised tax losses.

**14 Share capital**

	1993 £	1992 £
<b>Authorised:</b>		
282,464 preference shares of £1 each	282,464	-
350,000 ordinary shares of £1 each	-	350,000
550,239 'A' ordinary shares of £1 each	550,239	-
579,615 'B' ordinary shares of £0.1 each	57,962	-
	<u>£890,665</u>	<u>£350,000</u>
<b>Allotted, called up and fully paid:</b>		
282,464 preference shares of £1 each	282,464	-
282,464 ordinary shares of £1 each	-	282,464
550,239 'A' ordinary shares of £1 each	550,239	-
579,615 'B' ordinary shares of £0.1 each	57,962	-
	<u>£890,665</u>	<u>£282,464</u>

The authorised share capital was increased during the year to £890,664.50 by the creation of 482,703 'A' ordinary shares of £1 each and 579,615 'B' ordinary shares of £0.10 each.

On 31 December 1993, the 282,464 ordinary shares of £1 each in issue were reclassified as 282,464 preference shares of £1 each and the 67,536 unissued ordinary shares of £1 each were reclassified as 67,536 'A' ordinary shares of £1 each. On the same date the company issued 550,239 'A' ordinary shares of £1 each and 579,615 'B' ordinary shares of £0.10 each in consideration for allowing the assets of NYNEX CableComms Solent Partnership to be distributed in their entirety to NYNEX CableComms Solent. The net proceeds of the issue amounted to £67,098,340.

The following schedule describes the fair value of assets acquired from NYNEX CableComms Solent Partnership on 31 December 1993 and the fair value of the consideration:

<b>Assets acquired</b>	1993 £
Tangible fixed assets	67,707,778
Intangible fixed assets	110,587
Debtors	83,405,311
Creditors	<u>(83,892,872)</u>
<b>Net Assets</b>	<u>£67,330,804</u>
<b>Funded by:</b>	
Nominal value of shares issued	608,201
Capital reimbursed from NYNEX CableComms Solent Partnership	232,464
Share premium	<u>66,490,139</u>
	<u>£67,330,804</u>

## 14 Share capital (continued)

### a) Shareholders voting rights

#### £1 preference shares

The right to attend and speak but not vote at all general meetings of the company.

#### £1 'A' ordinary shares

The right to attend, speak and vote at all general meetings of the company.

#### £0.1 'B' ordinary shares

The right to attend and speak but not vote at all general meetings of the company.

### b) Distributable profits

The two classes of shareholders are entitled to distributable profits on the following basis:-

#### Preference shareholders

A fixed cumulative preferential dividend at the rate of £1,329,268 per annum (exclusive of any associated tax credit available to shareholders). This dividend will accrue on a daily basis until 31 December 2013. After payment of the preferential dividend, preferential shareholders are entitled to 15% of the distributable profits.

#### Ordinary shareholders

After payment of the preferential dividend, the ordinary shareholders are entitled to 85% of the distributable profits.

## 15 Share premium

	1993 £	1992 £
At 1 January	-	-
Additions arising on issue of shares	66,490,139	-
At 31 December	<u>£66,490,139</u>	<u>£-</u>

**16 Profit and loss account**

	1993 £	1992 £
At 1 January	-	-
Loss for year	<u>(4,253,648)</u>	<u>-</u>
At 31 December	<u><u>(£4,253,648)</u></u>	<u><u>£-</u></u>

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

	1993 £	1992 £
Loss for the financial year	(4,253,648)	-
Net proceeds of share issues	<u>67,098,340</u>	<u>-</u>
Net addition to shareholders' funds	62,844,692	-
Opening shareholders' funds	<u>282,464</u>	<u>282,464</u>
Closing shareholders' funds	<u><u>£63,127,156</u></u>	<u><u>£282,464</u></u>

**18 Capital commitments**

The directors have authorised capital expenditure for the period ending 31 December 1994 of £28,260,760. None of this expenditure was contracted for at 31 December 1993.

**19 Contingent liabilities**

The company had no contingent liabilities at 31 December 1993.

## 20 Financial commitments

At 31 December 1993 the company had total commitments under non-cancellable operating leases as follows:

	1993		1992	
	Land & Buildings £	Other £	Land & Buildings £	Other £
In one year or less	307,500	-	296,438	-
Between two and five years inclusive	1,230,000	-	1,230,000	-
Over five years	5,674,062	-	5,981,562	-
	<u>£7,211,562</u>	<u>£-</u>	<u>£7,508,000</u>	<u>£-</u>

## 21 Cash flow statement

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

## 22 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 NYNEX Corporation, 1113 Westchester Avenue, White Plains, New York, USA.