

NYNEX CableComms Oldham & Tameside

Financial Statements

for the year ended 31 December 1996



**Financial Statements
for the year ended 31 December 1996**

Contents

Pages

Directors and advisers.....	2
Directors' report.....	3
Report of the auditors	7
Profit and loss account.....	8
Balance sheet	9
Cash flow statement.....	10
Notes to the financial statements	11

Directors and advisers

Executive Directors

G Wallace
N P Mearing-Smith
R Drolet

Secretary

R Drolet

Company Number

2446185

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 Oldham & Tameside 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 £5,120,822 (1995:£3,546,333). The preference dividend of £485,708 to the non-equity shareholders for the year ended 31 December 1996 (1995:£594,826) has not been declared, but an appropriation equal to the dividend has been made in the profit and loss account in accordance with Financial Reporting Standard 4. The retained loss for the year of £5,606,530 (1995:£4,141,159) 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.

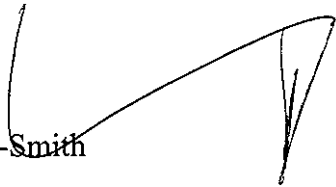
Auditors

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

Directors' responsibility

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for that period. The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed, and that the financial statements have been prepared on the going concern basis. The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



N P Mearing-Smith
Director
3 July 1997

Report of the auditors

to the members of NYNEX CableComms Oldham & Tameside

We have audited the financial statements on pages 11 to 28.

Respective responsibilities of directors and auditors

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

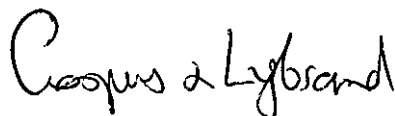
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
7 July 1997

1 Embankment Place
London
WC2N 6NN

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

	Notes	1996 £	1995 £
Turnover	2	6,363,575	2,471,607
Programming costs		(1,624,793)	(606,336)
Telecommunication costs		(1,404,395)	(473,065)
Staff costs	5	(750,540)	(224,637)
Depreciation and amortisation		(1,495,047)	(460,557)
Selling, general and administration costs		(5,038,817)	(3,813,884)
Operating loss		(3,950,017)	(3,106,872)
Interest payable and similar charges	4	(1,170,805)	(439,461)
Loss on ordinary activities before taxation	3	(5,120,822)	(3,546,333)
Taxation	7	-	-
Loss on ordinary activities after taxation		(5,120,822)	(3,546,333)
Dividends	15	(485,708)	(594,826)
Retained loss for the year	17	(£5,606,530)	(£4,141,159)

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 loss equivalents.

The profit and loss account has been prepared on the basis that all operations are continuing operations.


The notes on pages 11 to 28 form part of these financial statements.

Balance sheet
at 31 December 1996

	Notes	1996 £	£	1995 £	£
Fixed assets					
Tangible assets	8		41,427,183		27,805,750
Current assets					
Debtors: amounts falling due after more than one year	9	1,489,443		1,675,623	
Debtors: amounts falling due within one year	10	5,538,579		4,107,004	
Cash at bank and in hand		133,986		74,178	
		<u>7,162,008</u>		<u>5,856,805</u>	
Creditors:					
Amounts falling due within one year	11	<u>(3,817,683)</u>		<u>(2,983,140)</u>	
Net current assets			<u>3,344,325</u>		<u>2,873,665</u>
Total assets less current liabilities			44,771,508		30,679,415
Creditors:					
Amounts falling due after more than one year	12		<u>(27,671,915)</u>		<u>(8,459,000)</u>
			<u>£17,099,593</u>		<u>£22,220,415</u>
Capital and reserves					
Called up share capital	15		14,990,670		14,990,670
Capital contribution	16		16,237,957		16,237,957
Profit and loss account	17		<u>(14,129,034)</u>		<u>(9,008,212)</u>
Shareholders' funds	18		<u>£17,099,593</u>		<u>£22,220,415</u>
Equity interests			16,019,057		21,625,587
Non-equity interests			<u>1,080,536</u>		<u>594,828</u>
			<u>£17,099,593</u>		<u>£22,220,415</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 28 form part of these financial statements.

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

	Notes	£	1996 £	£	1995 £
Net cash (outflow)/inflow from operating activities	19		(3,048,479)		809,442
Returns on investments and servicing of finance					
Interest and similar charges paid		(1,375,325)		(405,281)	
Net cash outflow from returns on investments and servicing of finance			(1,375,325)		(405,281)
Investing activities					
Payments to acquire tangible assets		(14,729,303)		(20,551,285)	
Net cash outflow from investing activities			(14,729,303)		(20,551,285)
Net cash outflow before financing			(19,153,107)		(20,147,124)
Financing					
Capital contribution		-		16,237,957	
Long term loan raised		19,414,915		3,959,000	
Long term loan repaid		(202,000)		-	
Net cash inflow from financing	22		19,212,915		20,196,957
Increase in cash and cash equivalents	20		<u>£59,808</u>		<u>£49,833</u>

The notes on pages 11 to 28 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.

Intangible fixed assets

Costs of successful franchise applications are capitalised as intangible assets and amortised over the life of the franchise licence. Costs of unsuccessful franchise applications are written off to the profit and loss account. Costs incurred between the award of a franchise licence and the connection of the first customer are expensed as incurred.

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, NYNEX CableComms commences depreciation of that part of the network, at the earlier of (i) three months after that release, and (ii) when customer levels reach 10% of total possible customers for that part of the network.

Capitalised costs

Costs are incurred both directly by the company and indirectly by NYNEX CableComms Limited and are recorded by cost centre. Direct costs are capitalised based on the activity undertaken within the cost centre on a group wide basis, which may not always be related to construction activity in an individual franchise.

Costs incurred indirectly are capitalised and allocated to individual licence companies on the basis of their share of the management service charge, except for capitalised depreciation which is allocated based on the respective depreciation charge in the individual companies.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Financial instruments

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

Premiums paid for option type instruments are capitalised and amortised to interest payable and similar charges over the term of the option. Unamortised premiums are included in debtors. Gains and losses related to swaps and options used as hedges are deferred and recognised in income when the hedged transaction occurs.

1 Accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into pounds using the rate of exchange in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange in effect on the balance sheet date. Exchange gains or losses resulting from transactions in foreign currencies are accounted for through the profit and loss account.

Management service costs

NYNEX CableComms Limited has agreed to furnish consultancy and support services to the company in order to realise economies and increased efficiencies.

In consideration for the service rendered by NYNEX CableComms Limited, the company agreed to pay its share of the costs incurred which has been calculated on the basis of the forecast network build for the year.

The company's share of these costs was £4,272,233 (1995: £3,429,062).

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	2,812,865	1,173,126
Telecommunications - residential	2,889,319	1,038,965
Telecommunications - business	456,599	77,179
Installation revenue	204,792	182,337
	<u>£6,363,575</u>	<u>£2,471,607</u>

3 Loss on ordinary activities before taxation

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

Loss on ordinary activities is stated after charging :

	1996	1995
	£	£
Depreciation and amortisation charges:		
Tangible fixed assets (a)	1,495,047	460,557
Hire of other assets - operating leases	35,000	35,000

(a) These amounts exclude depreciation of £3,523 in the year ended 31 December 1996 (1995:£Nil) 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:

	1996	1995
	£	£
Audit	11,985	9,954
Other services	<u>10,460</u>	<u>240,347</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	1,375,325	405,281
Amortisation of option type premiums	186,180	186,180
	<u>1,561,505</u>	<u>591,461</u>
Less: Interest capitalised within network fixed assets	(390,700)	(152,000)
	<u><u>£1,170,805</u></u>	<u><u>£439,461</u></u>

5 Directors' emoluments and employee costs

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

	1996	1995
	£	£
Salary payments (including benefits in kind)	70,266	42,762
Pension contributions	1,140	881
	<u><u>£71,406</u></u>	<u><u>£43,643</u></u>

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

Fees and other emoluments include amounts paid to:

	1996	1995	1995
	Chairman	Former	Chairman
	and highest	Chairman	
	paid Director	and highest	
	£	paid Director	£
Fees	-	-	-
Salary payments	37,529	13,959	342
Pension contributions	-	-	-
	<u><u>£37,529</u></u>	<u><u>£13,959</u></u>	<u><u>£342</u></u>

5 Directors' emoluments and employee costs (continued)

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments directly or indirectly from NYNEX CableComms Limited (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£0 to £5,000	-	1
£5,001 to £10,000	-	2
£10,001 to £15,000	1	2
£20,001 to £25,000	1	-
£35,001 to £40,000	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:

	1996 £	1995 £
Wages and salaries	791,185	648,873
Social security costs	82,986	56,829
Other pension costs	3,752	2,332
Total staff costs	877,923	708,034
Less: Staff costs capitalised within network fixed assets	(127,383)	(483,397)
	<u>£750,540</u>	<u>£224,637</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 CableComms Oldham & Tameside

8 Tangible fixed assets

Cost	Freehold Land and Buildings	Leasehold Improvements	Network	Electronic Equipment and Cable	Other Equipment	Totals
	£	£	£	£	£	£
At 1 January 1996	56,432	412,111	20,180,928	7,541,437	91,618	28,282,526
Additions ^{①②}	-	(10,101)	8,673,673	6,456,431	-	15,120,003
At 31 December 1996	56,432	402,010	28,854,601	13,997,868	91,618	43,402,529
Depreciation						
At 1 January 1996	649	12,648	145,888	304,462	13,129	476,776
Charge for the year	1,081	15,369	524,899	937,567	19,654	1,498,570
At 31 December 1996	1,730	28,017	670,787	1,242,029	32,783	1,975,346
Net Book Value						
At 31 December 1996	£54,702	£373,993	£28,183,814	£12,755,839	£58,835	£41,427,183
At 31 December 1995	£55,783	£399,463	£20,035,040	£7,236,975	£78,489	£27,805,750

Note: ① Operating costs and interest totalling £2,435,240 in the year ended 31 December 1996 (1995:£2,045,820) that are directly applicable to the design, construction and installation of the company's cable television and telecommunications network have been capitalised within additions to network assets.

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

9 Debtors: amounts falling due after more than one year

	1996	1995
Deferred costs in respect of hedging instruments	969,056	1,257,354
Deferred loss on hedging instruments	892,747	604,449
Amortisation	(372,360)	(186,180)
	<u>£1,489,443</u>	<u>£1,675,623</u>

Deferred costs include a devaluation of £892,747 at 31 December 1996 (1995: £604,449) which is disclosed above.

10 Debtors: amounts falling due within one year

	1996	1995
	£	£
Trade debtors	877,787	639,038
Other debtors	632,103	522,473
Prepayments and accrued income	37,392	9,921
Amounts owed by fellow subsidiary undertakings	3,991,297	2,935,572
	<u>£5,538,579</u>	<u>£4,107,004</u>

11 Creditors: amounts falling due within one year

	1996	1995
	£	£
Trade creditors	4,382	21,293
Accruals and deferred income	2,793,468	1,912,218
Other creditors	1,019,393	1,016,481
Taxation and social security	440	33,148
	<u>£3,817,683</u>	<u>£2,983,140</u>

12 Creditors: amounts falling due after more than one year

	1996	1995
Long term loan	<u>£27,671,915</u>	<u>£8,459,000</u>
Long term loan		
Repayable by instalments:		
In one year or less	-	-
Between one and two years	-	-
Between two and five years	7,097,817	783,515
In five years or more	<u>20,574,098</u>	<u>7,675,485</u>
Total	<u>£27,671,915</u>	<u>£8,459,000</u>

This revolving loan at 31 December 1996 is from an affiliate of NYNEX Corporation and is expected to convert on 31 December 1999 to a term loan repayable by instalments over 5 years. The loan bears interest at LIBOR plus a margin of 1.2%.

13 Provision for liabilities and charges for deferred tax

	1996	1995
	£	£
Deferred tax:		
Tax effect of timing differences because of:		
Excess capital allowances over depreciation	4,848,000	2,381,000
Capitalised interest and other short term timing differences	462,000	50,000
Tax losses	<u>(5,310,000)</u>	<u>(2,431,000)</u>
	<u>-</u>	<u>-</u>

The company has UK tax losses available to carry forward of approximately £29 million (1995: £16 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 £3,752 (1995: £2,332).

15 Share capital (continued)

Distributable profits (continued)

Ordinary shareholders

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

Dividends

The preference dividend of £458,708 to the non-equity shareholders for the year ended 31 December 1996 (1995:£594,826) has not been declared. An appropriation equal to the dividend has, been made in the profit and loss account in accordance with Financial Reporting Standard 4 and is shown in the statement of reconciliation of shareholders' funds (note 18).

16 Capital contribution

	1996 £	1995 £
At 1 January	16,237,957	-
Received in the year	-	16,237,957
At 31 December	<u>£16,237,957</u>	<u>£16,237,957</u>

Since the year end, the capital contributions have been used to effect the payment of £16,237,957 of the nil paid shares previously issued.

17 Profit and loss account

	1996 £	1995 £
At 1 January	(9,008,212)	(5,461,879)
Retained loss for the financial year	<u>(5,606,530)</u>	<u>(4,141,159)</u>
	(14,614,742)	(9,603,038)
Undeclared dividends due to non-equity shareholders	<u>485,708</u>	<u>594,826</u>
At 31 December	<u>(£14,129,034)</u>	<u>(£9,008,212)</u>

Cumulative undeclared dividends due to non-equity shareholders

	1996 £	1995 £
At 1 January	594,826	-
Appropriated during the year	<u>485,708</u>	<u>594,826</u>
At 31 December	<u>£1,080,534</u>	<u>£594,826</u>

18 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Loss for the financial year	(5,120,822)	(3,546,333)
Capital contribution	-	16,237,957
Dividends	(485,708)	(594,826)
	<u>(5,606,530)</u>	<u>12,096,798</u>
Reversal of non-equity dividends	485,708	594,826
Net movement in shareholders' funds	(5,120,822)	12,691,624
Opening shareholders' funds	22,220,415	9,528,791
Closing shareholders' funds	<u>£17,099,593</u>	<u>£22,220,415</u>
Total Shareholders' Funds		
Equity share capital	14,990,668	14,990,668
Non-equity share capital	2	2
Capital contribution	16,237,957	16,237,957
Profit and loss account	(14,129,034)	(9,008,212)
Total shareholders' funds	<u>£17,099,593</u>	<u>£22,220,415</u>
Shareholders' funds allocated to non-equity		
Non-equity share capital	2	2
Cumulative dividends not yet declared	1,080,534	594,826
	<u>£1,080,536</u>	<u>£594,828</u>
Shareholders' funds allocated to equity		
Difference between shareholders' funds and amount allocated to non-equity interests	<u>£16,019,057</u>	<u>£21,625,587</u>
Made up as follows:		
Equity shares	14,990,668	14,990,668
Capital contribution	16,237,957	16,237,957
Profit and loss account	(14,129,034)	(9,008,212)
Cumulative dividends due to non-equity shareholders	(1,080,534)	(594,826)
	<u>£16,019,057</u>	<u>£21,625,587</u>

21 Analysis of changes in financing during the year

	1996	1996	1996	1995	1995	1995
	Share Capital	Capital Contribution	Long Term Loans	Share Capital	Capital Contribution	Long Term Loans
	£	£	£	£	£	£
At 1 January	14,990,670	16,237,957	8,459,000	14,990,670	-	4,500,000
Net cash flows from financing	-	-	19,212,915	-	16,237,957	3,959,000
At 31 December	<u>£14,990,670</u>	<u>£16,237,957</u>	<u>£27,671,915</u>	<u>£14,990,670</u>	<u>£16,237,957</u>	<u>£8,459,000</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 £265,143,588 (1995:£88,003,616).

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	
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Expiring:				
Within one year	-	-	-	-
Between one and five years	-	-	-	-
Over five years	35,000	-	35,000	-
	<u>£35,000</u>	<u>£-</u>	<u>£35,000</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.