

Registered number  
2591237

**ntl GROUP LIMITED**  
**Report and Accounts**  
**31 December 2003**



**ntl GROUP LIMITED**

**Registered number**  
**2591237**

**Directors**

R M Mackenzie  
R C Gale

**Joint Company Secretaries**

R M Mackenzie  
G E James

**Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Bankers**

National Westminster Bank PLC  
PO Box 9  
31 Promenade  
Cheltenham  
Gloucs  
GL50 1LH

**Solicitors**

Travers Smith Braithwaite  
10 Snow Hill  
London  
EC1A 2AL

**Registered Office**

ntl House  
Bartley Wood Business Park  
Hook  
Hampshire RG27 9UP

## **ntl GROUP LIMITED**

### **Directors' Report**

The directors present their report and accounts for the year ended 31 December 2003.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £46,760,000 (2002 - £28,563,000). The directors do not recommend the payment of a dividend (2002 - £nil).

#### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The principal activity of the company is to provide residential telephony, cable television, Internet access and interactive services and wholesale Internet access solutions for UK Internet service providers, and also business services, including data, voice and Internet services.

2003 was a year of strong cashflow growth driven by increasing margins and focused capital expenditure despite the fall in revenue.

Revenue has declined because of fewer business customers, major installations and orders as the company executed its strategy of focusing on a smaller but more profitable customer base. This decrease in revenue has been mitigated by more residential customers subscribing to the company's broadband internet services and price rises.

The improvement in gross margin was primarily a result of reductions in television programming costs because of renegotiated contracts, which included expanded channel line ups, and a reduction in telephone interconnection costs as a result of the company's effort to route its outbound traffic more effectively and the OFTEL ruling related to mobile interconnect cost reductions. The company has also benefited from favourable resolution of billing matters with certain providers of interconnect related services. The company also experienced lower costs as it continues to focus on a smaller but more profitable business customer base.

On 30 September 2003, the company acquired the trade and assets of Telecential (Northants) Partnership and Telecential (Herts) Partnership and the partnerships were dissolved.

On 6 November 2003, the company issued one ordinary to its immediate parent undertaking at par.

On 5 December 2003, the company capitalised £16,589,461 of the notes payable to parent undertaking, together with accrued interest of £420,343, a total of £17,009,805, for the issue of one ordinary share of the company.

On 18 December 2003, the company capitalised £1,695 million of the notes payable to parent undertaking, together with accrued interest of £338 million, a total of £2,033 million, for the issue of one ordinary share of the company.

#### **EVENTS SINCE THE BALANCE SHEET DATE**

On 13 April 2004, ntl Investment Holdings Limited, on behalf of the ntl Group, took out a new credit facility for £2,425 million. On 14 April 2004, the ntl Group drew down £2,175 million of this facility. As part of the new credit facility, on 14 May 2004, the company's ultimate parent undertaking transferred its shareholding in Diamond Cable Communications Limited to the company.

On 8 November 2004, a subsidiary of the company acquired Virgin.net.

On 2 December 2004, the company entered into an agreement to sell its indirect subsidiary National Transcommunication Limited, comprising ntl's Broadcast activities, to a consortium led by Macquarie Communications Infrastructure Group (MCG) for cash consideration of £1.27 billion. The sale completed on 31 January 2005.

**ntl GROUP LIMITED**  
**Directors' Report**

**CHARITABLE DONATIONS**

During the year various charitable donations totalling £16,000 (2002 - £58,000) were made.

**ENVIRONMENTAL POLICIES**

The company continues to place active emphasis on its environmental responsibilities, and its commitment to the environment is an integral part of its corporate programme. A priority for the year was to continue to inform and educate those who work for the company, with regards to the company's concerns for the environment.

**EMPLOYMENT POLICIES AND DISABLED EMPLOYEES**

ntl Group Limited remains committed to the continuing introduction and practice of progressive employment policies which reflect changing business, social and employee needs. Particular emphasis continues to be placed on achieving equal opportunities in employment through specific recruitment and training programmes and creating greater awareness among all employees of cultural differences.

The company gives full consideration to applications from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job. Depending on their skills and abilities, disabled employees have the same opportunities for promotion, career development and training as other employees.

**EMPLOYEE INVOLVEMENT**

The company is dedicated to increasing the practical involvement of individuals in the running of their businesses. The company's philosophy is to encourage all employees to contribute to improving business performance through the utilisation of their knowledge, experience, ideas and suggestions. In encouraging an open approach which seeks to involve people in every level of the business, greater emphasis is placed on effective communication. Employees are briefed as widely as possible about activities and developments across the company via newsletters, electronic notice boards and presentations by the board.

The company fosters a team spirit among employees and their greater involvement within the company by offering participation in bonus schemes, and share option schemes.

**ntl GROUP LIMITED**  
**Directors' Report**

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year and thereafter and their interests in the share capital of the company were as follows:

R M Mackenzie	(appointed 10 January 2003)
J B Knapp	(resigned 1 October 2003)
J F Gregg	(resigned 10 January 2003)
B Richter	(appointed 10 January 2003; resigned 1 May 2003)
S E Schubert	(appointed 1 May 2003; resigned 1 October 2004)
R C Gale	(appointed 1 October 2004)
G N Roberts	(alternate director to R M Mackenzie)
	(appointed 24 March 2004; resigned 31 August 2004)
R C Gale	(alternate director to S E Schubert)
	(appointed 24 March 2004; resigned 1 October 2004)
J Sarson	(alternate director to R M Mackenzie)
	(appointed 15 December 2003; resigned 31 December 2003)

The directors had no interest in the share capital of the company requiring disclosure under the Companies Act 1985. The company seeks exemption under SI802, The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, not to disclose the directors' interests in the common stock of NTL Incorporated, a company incorporated in the USA and the ultimate parent undertaking of the company.

**COMPANY SECRETARY**

On 24 March 2004, G E James was appointed joint company secretary.

**CREDITOR PAYMENT POLICY AND PRACTICE**


It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2003, the company had an average of 39 days purchases outstanding in trade creditors (2002 – 54 days).

**AUDITORS**

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985.

By order of the board

  
R M Mackenzie  
Company Secretary

**31 JAN 2005**

## **ntl GROUP LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ntl GROUP LIMITED**

We have audited the company's accounts for the year ended 31 December 2003, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 27. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

*3 February 2005*

**ntl GROUP LIMITED**  
**Profit and Loss Account**  
**for the year ended 31 December 2003**

	Notes	2003 £'000	2002 £'000
Turnover	2	521,348	535,821
Cost of sales		(161,190)	(223,082)
<b>Gross profit</b>		<u>360,158</u>	<u>312,739</u>
Net operating expenses		(308,716)	(1,009,371)
<b>Operating profit/(loss)</b>	3	<u>51,442</u>	<u>(696,632)</u>
Profit/(loss) on the disposal of tangible fixed assets		653	(7,528)
Profit on the disposal of fixed asset investments		-	846,673
Interest receivable	8	227,406	205,077
Interest payable	9	(326,261)	(376,153)
<b>Loss on ordinary activities before taxation</b>		<u>(46,760)</u>	<u>(28,563)</u>
Taxation	10	-	-
<b>Retained loss for the financial year</b>	20	<u>(46,760)</u>	<u>(28,563)</u>

All operations are continuing.

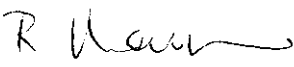
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

The company had no recognised gains or losses other than those reflected in the profit and loss account for the years ended 31 December 2003 and 31 December 2002.



**ntl GROUP LIMITED**  
**Balance Sheet**  
**as at 31 December 2003**

	Notes	2003 £'000	Restated 2002 £'000
<b>Fixed assets</b>			
Intangible assets	11	-	-
Tangible assets	12	931,165	804,867
Investments	13	846,673	846,673
		<u>1,777,838</u>	<u>1,651,540</u>
<b>Current assets</b>			
Debtors	14	486,551	172,708
Cash at bank and in hand		<u>291,223</u>	<u>135,264</u>
		777,774	307,972
Creditors: amounts falling due within one year	15	(488,269)	(398,368)
<b>Net current assets/(liabilities)</b>		<u>289,505</u>	<u>(90,396)</u>
<b>Total assets less current liabilities</b>		<u>2,067,343</u>	<u>1,561,144</u>
Creditors: amounts falling due after more than one year	16	(8,124,646)	(9,598,848)
<b>Provisions for liabilities and charges</b>	18	(33,841)	(56,845)
<b>Net liabilities</b>		<u>(6,091,144)</u>	<u>(8,094,549)</u>
<b>Capital and reserves</b>			
Called up share capital	19	726	726
Share premium account	20	11,482,130	9,431,965
Other reserves	20	11	11
Profit and loss account	20	(17,574,011)	(17,527,251)
<b>Equity shareholder's deficit</b>		<u>(6,091,144)</u>	<u>(8,094,549)</u>

  
R M Mackenzie  
Director

**31 JAN 2005**

**ntl GROUP LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2003**

**1 Accounting policies**

***Fundamental accounting concept***

The accounts have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances such that sufficient resources will be made available for the foreseeable future so that the company can meet its liabilities as and when they fall due.

***Revision of accounts***

The accounts of the company for the year ended 31 December 2002 have been revised because of the incorrect setting off of assets and liabilities in the balance sheet. This restatement has increased debtors by £80,110,000 and increased creditors less than one year also by £80,110,000.

***Accounting convention***

The accounts are prepared under the historical cost convention, in accordance with applicable United Kingdom accounting standards.

***Group accounts***

The company has taken advantage of the exemption under Section 228 of the Companies Act 1985 not to prepare group accounts because it is a wholly owned subsidiary of another company incorporated in Great Britain which prepares group accounts (see note 26).

***Intangible fixed assets***

***Goodwill:***

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value might not be recovered.

***Licences:***

Costs incurred in securing the licences to run cable television services have been capitalised, and are written off to the profit and loss account from the date services commence to the date the relevant franchise expires. Costs are also reviewed for impairment on the same basis as goodwill.

***Customer lists:***

Costs incurred in securing customer lists have been capitalised, and are written off to the profit and loss account over their useful economic lives. Costs are also reviewed for impairment on the same basis as goodwill.

***Depreciation and prematurity period***

***Network assets:***

Depreciation is provided on a straight-line basis, at rates calculated to write off the cost, less estimated residual value, of each asset over its estimated useful lives as follows:

Freehold buildings	-	50 years
Leasehold buildings	-	length of lease
Cable and ducting	-	40 years
Network	-	15 years
Head end equipment	-	15 years
Subscriber equipment	-	4-15 years
Computer equipment	-	3-5 years

During the time while the company's cable systems are partially under construction and partially in service ("the prematurity period"), depreciation of the network is charged monthly on its estimated costs at the end of the prematurity period, which is taken as two years, using the above rates scaled down by the ratio of average, actual or estimated number of subscribers, whichever is greater, in the current period to the estimated subscriber base at the end of this period.

**ntl GROUP LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2003**

**1 Accounting policies (continued)**

*Depreciation and prematurity period (continued)*

*Construction in progress:*

Stocks relating to network construction have been included in fixed assets. Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials and consumables	-	purchase cost
Work in progress	-	cost of direct materials and labour

*Other:*

Depreciation is provided on a straight-line basis, at rates calculated to write off the cost, less estimated residual value, of each asset over its estimated useful lives, as follows:

Freehold buildings	-	50 years
Leasehold land and buildings	-	length of lease
Furniture and fixtures	-	10 years
Plant and office equipment	-	3-10 years
Motor vehicles	-	4 years
Computer equipment	-	3-5 years
Satellite equipment	-	4 years

*Capitalised overheads*

Overheads, including staff costs, relating to the design, construction and development of the network, capital projects, and related services have been capitalised. Depreciation of capitalised overheads is provided on a straight-line basis over 15 years or life of the relevant assets.

*Investments*

Investments are recorded at cost, less any provision for impairment.

*Research and development*

The cost of research and development expenditure is written off as incurred. Equipment used in the research and development area is capitalised and a depreciation charge is made to research and development expenditure in accordance with the company's depreciation policies.

*Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- (a) provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold;
- (b) provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- (c) deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**ntl GROUP LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2003**

**1 Accounting policies (continued)**

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate the forward contract rate. The resulting exchange differences are taken to the profit and loss account.

***Leasing and hire purchase commitments***

Assets held under finance leases and hire purchase contracts, which are those where substantially all of the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

***Pensions***

The company makes a defined contribution to the ntl sponsored group personal pension plans for eligible employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The company operates a defined benefit pension scheme. The pension scheme has never been open to new entrants except when the scheme began and new members were transferred from other existing schemes. The scheme is funded by the payment of contributions to separately administered trust funds. Contributions to these funds are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

***Cash flow statement***

The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 26).

**2 Turnover**

Turnover, substantially all of which arises in the United Kingdom, represents the invoiced amount of services provided, stated net of value added tax, and is attributable to monthly fees and usage charges for telephone service, cable television inbound and outbound, voice and data services and internet access, as well as fees and charges for wholesale internet access solutions. The directors consider this to be a single class of business.

**3 Operating profit/(loss)**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
This is stated after charging:		
Depreciation of fixed assets	142,993	374,514
Depreciation of assets held under finance leases and hire purchase contracts	5,724	5,724
Amortisation of goodwill	-	1,458
Operating lease rentals: land and buildings	25,160	35,324
plant and machinery	51,294	48,396
Reorganisation costs (see note 4)	6,964	40,872
Impairment charge (see note 5)	-	631,572
Staff costs (see note 6)	461,949	455,482

The auditors' remuneration is disclosed in the accounts of NTL (UK) Group, Inc.

**ntl GROUP LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2003**

**4 Exceptional items**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Reorganisation costs	<u>6,964</u>	<u>40,872</u>

Reorganisation costs represent employee redundancy costs, lease termination costs and professional fees arising from the review of the ntl group's business during 2001 through to 2003.

**5 Impairment charge**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Impairment of intangible assets	-	1,042
Impairment of tangible fixed assets	-	630,530
	<u>-</u>	<u>631,572</u>

**6 Staff costs**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	410,378	410,556
Social security costs	37,880	33,981
Other pension costs	876	911
- defined benefit		
- defined contribution	12,815	10,034
	<u>461,949</u>	<u>455,482</u>

Average number of employees during the year:

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Broadcast operations	743	738
Telecommunication operations	4,043	4,825
Carrier services	64	67
Networks	527	577
Selling, general and administration	7,195	6,961
	<u>12,572</u>	<u>13,168</u>

**ntl GROUP LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2003**

**7 Directors' emoluments**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	<u>3,792</u>	<u>4,136</u>
Company contributions paid to money purchase pension schemes	<u>26</u>	<u>44</u>
Highest paid director:		
Emoluments	1,763	2,056
Company contributions paid to money purchase pension schemes	<u>6</u>	<u>32</u>
	<u>1,769</u>	<u>2,088</u>

On aggregate a total of £1,917,666 (2002 - £nil) was paid by way of compensation to two directors for loss of office in the year

**Number of directors in company pension schemes:**

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Money purchase schemes	<u>6</u>	<u>6</u>

There were no transactions during the year with any of the directors.

**8 Interest receivable**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	5,461	5,210
Interest on loan notes receivable from group companies	<u>221,945</u>	<u>199,867</u>
	<u>227,406</u>	<u>205,077</u>

**9 Interest payable**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Interest on loan notes payable to group companies	317,881	367,436
Finance charges payable under leases and hire purchase contracts	4,215	3,235
Other	<u>4,165</u>	<u>5,482</u>
	<u>326,261</u>	<u>376,153</u>

**ntl GROUP LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2003**

**10 Taxation**

**(a) Tax on loss on ordinary activities**

The tax charge is made up as follows:

	2003 £'000	2002 £'000
<b>Current tax charge:</b>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
<b>Deferred tax :</b>		
Origination and reversal of timing differences	-	-
Adjustments in respect of periods	-	-
	<u>-</u>	<u>-</u>
<b>Total tax charge on loss on ordinary activities</b>	<u>-</u>	<u>-</u>

**(b) Factors affecting current tax charge**

The difference between the effective statutory rate and the actual current tax charge is reconciled as follows:

	2003 £'000	2002 £'000
<b>Loss on ordinary activities before tax</b>	<u>(46,760)</u>	<u>(28,563)</u>
Loss on ordinary activities multiplied by the applicable statutory rate 30% (2002 - 30%)	(14,028)	(8,569)
Expenses not deductible for tax purposes - including investment write off	5,271	(253,808)
Depreciation in excess of capital allowances	14,464	267,349
Other short term timing differences	(5,768)	(5,696)
Non-taxable profit on disposal of fixed asset investment	-	724
Group relief without payment	61	-
<b>Total current tax charge</b>	<u>-</u>	<u>-</u>

**(c) Factors that may affect future tax charges**

Deferred tax assets have not been recognised in respect of tax losses of £148,278,000, depreciation in excess of capital allowances of £525,577,000 and other timing differences of £13,441,000 as there is insufficient certainty as to the availability of future taxable profits.

**ntl GROUP LIMITED**  
**Notes to the Accounts**  
**for the year ended 31 December 2003**

**11 Intangible fixed assets**

	<b>Goodwill £'000</b>	<b>Licences £'000</b>	<b>Customer lists £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January and 31 December 2003	<u>2,817,472</u>	<u>9,225</u>	<u>2,500</u>	<u>2,829,197</u>
<b>Amortisation</b>				
At 1 January and 31 December 2003	<u>2,817,472</u>	<u>9,225</u>	<u>2,500</u>	<u>2,829,197</u>
<b>Net book value</b>				
At 1 January and 31 December 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**12 Tangible fixed assets**

	<b>Network £'000</b>	<b>Construction in progress £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2003	2,153,839	140,772	448,793	2,743,404
Additions	223,239	-	51,776	275,015
Transfers	124,351	(124,351)	-	-
At 31 December 2003	<u>2,501,429</u>	<u>16,421</u>	<u>500,569</u>	<u>3,018,419</u>
<b>Depreciation</b>				
At 1 January 2003	1,676,773	-	261,764	1,938,537
Charge for the year	59,162	-	89,555	148,717
At 31 December 2003	<u>1,735,935</u>	<u>-</u>	<u>351,319</u>	<u>2,087,254</u>
<b>Net book value</b>				
At 31 December 2003	<u>765,494</u>	<u>16,421</u>	<u>149,250</u>	<u>931,165</u>
At 31 December 2002	<u>477,066</u>	<u>140,772</u>	<u>187,029</u>	<u>804,867</u>

Included in the net book value of network is £26,463,000 (2002 - £32,187,000) in respect of assets held under finance leases and similar hire purchase contracts. Accumulated depreciation on these assets is £24,511,000 (2002 - £18,787,000) and the charge for the year is £5,724,000 (2002 - £5,724,000).

Included in 'Other' are the following net book values of freehold and leasehold land and buildings:

	<b>2003 £'000</b>	<b>2002 £'000</b>
Freehold	22,811	23,256
Long leasehold	14,222	14,280
Short leasehold	13,512	14,280
	<u>50,545</u>	<u>51,816</u>



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**13 Investments**

Cost	Total £'000
At 1 January and 31 December 2003	<u>10,550,777</u>
<b>Provision for impairment</b>	
At 1 January and 31 December 2003	<u>9,704,104</u>
<b>Net book value:</b>	
At 1 January and 31 December 2003	<u>846,673</u>

In the opinion of the directors the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the accounts.

Details of the principal investments in which the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows. All are registered in England and Wales unless otherwise noted.

<i>Subsidiary</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Principal activities</i>
ntl (Chichester) Limited	Ordinary	100%	Holding
National Transcommunications Limited	Ordinary	100% #	Transmissions
ntl Cambridge Limited	Ordinary	100% #	Telecoms
ntl Rectangle Limited	Ordinary	100%	Holding
NTL (Triangle) LLC	Common stock	100% (ii)	Holding
X-Tant Limited	Ordinary	100%	Telecoms
ntl (Aylesbury and Chiltern) Limited	Ordinary	100% #	Telecoms
ntl (Broadland) Limited	Ordinary	100% #	Telecoms
ntl (County Durham) Limited	Ordinary	100% #	Telecoms
ntl (CWC) Programming	Ordinary	100% #	Telecoms
ntl (Faling) Limited	Ordinary	100% #	Telecoms
ntl (Fenland) Limited	Ordinary	100% #	Telecoms
ntl (Hampshire) Limited	Ordinary	100% #	Telecoms
ntl (Harrogate) Limited	Ordinary	100% #	Telecoms
ntl (Harrow) Limited	Ordinary	100% #	Telecoms
ntl (Kent) Limited	Ordinary	100% #	Telecoms
ntl (Leeds) Limited	Ordinary	100% #	Telecoms
ntl (Norwich) Limited	Ordinary	100% #	Telecoms
ntl (Peterborough) Limited	Ordinary	100% #	Telecoms
ntl (South East) Limited	Ordinary	100% #	Telecoms
ntl (South Hertfordshire) Limited	Ordinary	33.3% #	Telecoms
ntl (South London) Limited	Ordinary	100% #	Telecoms
ntl (Wearside) Limited	Ordinary	100% #	Telecoms
ntl (West London) Limited	Ordinary	100% #	Telecoms
ntl (York) Limited	Ordinary	100% #	Telecoms
ntl CableComms Limited	Ordinary	100% #	Telecoms
ntl CableComms Bolton	Ordinary	100% # (i)	Telecoms
ntl CableComms Bromley	Ordinary	100% # (i)	Telecoms
ntl CableComms Bury and Rochdale	Ordinary	100% # (i)	Telecoms
ntl CableComms Cheshire	Ordinary	100% # (i)	Telecoms
ntl CableComms Derby	Ordinary	100% # (i)	Telecoms
ntl CableComms Greater Manchester	Ordinary	100% # (i)	Telecoms
ntl CableComms Macclesfield	Ordinary	100% # (i)	Telecoms
ntl CableComms Oldham and Tameside	Ordinary	100% # (i)	Telecoms

**ntl GROUP LIMITED**  
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**13 Investments (continued)**

<i>Subsidiary</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Principal activities</i>
ntl CableComms Solent	Ordinary	100% # (i)	Telecoms
ntl CableComms Staffordshire	Ordinary	100% # (i)	Telecoms
ntl CableComms Stockport	Ordinary	100% # (i)	Telecoms
ntl CableComms Surrey	Ordinary	100% # (i)	Telecoms
ntl CableComms Sussex	Ordinary	100% # (i)	Telecoms
ntl CableComms Wessex	Ordinary	100% # (i)	Telecoms
ntl CableComms Wirral	Ordinary	100% # (i)	Telecoms
ntl Communications Services Limited	Ordinary	100% #	Telecoms
ntl Wirral Telephone and Cable TV Company	Ordinary	100% # (i)	Telecoms

(i) Unlimited company

(ii) Registered in USA

# held by subsidiary undertaking

The company has taken advantage of the exemption under section 228 of the Companies Act 1985 not to disclose the aggregate amount of capital and reserves, and the result for the year for each of the subsidiary undertakings on the basis that their results are included in the group financial statements of ntl Communications Limited (see note 26).

The company has taken advantage of section 231(5) of the Companies Act 1995 and disclosed only those investments that have a principal affect on results or assets.

**14 Debtors**

	<b>2003</b>	<b>Restated</b>
	<b>£'000</b>	<b>2002</b>
		<b>£'000</b>
Trade debtors	125,686	46,248
Interest receivable on loan notes	302,055	80,110
Prepayments and accrued income	58,810	46,350
	<u>486,551</u>	<u>172,708</u>

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

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance lease and hire purchase contracts (see note 17)	497	372
Trade creditors	135,046	212,933
Other taxes and social security costs	483	33,929
Other creditors	-	12,633
Accruals and deferred income	352,243	138,501
	<u>488,269</u>	<u>398,368</u>

**ntl GROUP LIMITED**  
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**16 Creditors: amounts falling due after one year**

	2003	Restated 2002
	£'000	£'000
Obligations under finance lease and hire purchase contracts (see note 17)	37,896	37,849
Loan notes payable to parent undertaking	1,573,505	3,064,928
Loan notes payable to subsidiary undertakings	3,398,237	2,994,284
Long-term advances from group undertakings	42,583	42,583
Interest payable on loan notes	287,625	309,770
Amounts due to parent undertaking	2,784,800	3,149,434
	<u>8,124,646</u>	<u>9,598,848</u>

Notes payable to both parent and subsidiary undertakings are repayable on demand and cannot be repaid before any bank loans. The rate of interest on the notes payable to parent and subsidiary undertakings ranged from nil % to 11.76%. On 5 December 2003, the company capitalised £16,589,461 of the notes payable to parent undertaking, together with accrued interest of £420,343, a total of £17,009,805, for the issue of one ordinary share of the company. On 18 December 2003, the company capitalised £1,695 million of the notes payable to parent undertaking, together with accrued interest of £338 million, a total of £2,033 million, for the issue of one ordinary share of the company.

Long-term advances from parent and group undertakings have no repayment date and are interest free.

	2003	2002
	£'000	£'000
<b>Amounts falling due:</b>		
In one year or less or on demand	497	372
In more than one year but not more than two years	251	704
In more than two years but not more than five years	823	1,119
In more than five years	8,123,572	9,597,025
	<u>8,125,143</u>	<u>9,599,220</u>
Less: amounts falling due within one year	(497)	(372)
<b>Creditors: amounts falling due after more than one year</b>	<u>8,124,646</u>	<u>9,598,848</u>

Details of loans not wholly repayable within five years are as follows:

	2003	2002
	£'000	£'000
Obligations under finance lease and hire purchase contracts (see note 17)	36,822	36,026
Loan notes payable to parent undertaking	1,573,505	3,064,928
Loan notes payable to subsidiaries	3,398,237	2,994,284
Interest payable on loan notes	287,625	309,770
Long-term advances from group undertakings	42,583	42,583
Amounts due to parent undertaking	2,784,800	3,149,434
	<u>8,123,572</u>	<u>9,597,025</u>

**17 Obligations under finance leases and hire purchase contracts**

	2003	2002
	£'000	£'000
<b>Amounts payable:</b>		
Within one year	4,208	4,311
Within two to five years	15,628	15,600
Over five years	99,682	103,444
	<u>119,518</u>	<u>123,355</u>
Less: finance charges allocated to future periods	(81,125)	(85,134)
	<u>38,393</u>	<u>38,221</u>
<b>Finance leases and hire purchase contracts are analysed as follows:</b>		
Current obligations (see note 15)	497	372
Non-current obligations (see note 16)	37,896	37,849
	<u>38,393</u>	<u>38,221</u>

**ntt GROUP LIMITED**  
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**18 Provisions for liabilities and charges**

	2003 £'000	2002 £'000
At 1 January	56,845	83,657
Provided in the year	6,964	40,872
Utilised in the year	(29,968)	(67,684)
At 31 December	<u>33,841</u>	<u>56,845</u>

The provision represents reorganisation costs of restructuring the group. The principal constituents are redundancy costs, lease termination costs and professional fees.

**19 Share capital**

	2003 £'000	2002 £'000
Authorised:		
5,378,375 ordinary shares of £0.01 each	54	54
5,243,153 ordinary shares of US\$0.20 each	<u>682</u>	<u>682</u>
	<u>736</u>	<u>736</u>
Allotted, called up and fully paid:		
5,179,800 (2002 - 5,179,797) ordinary shares of £0.01 each	52	52
5,179,680 ordinary shares of US\$0.20 each	<u>674</u>	<u>674</u>
	<u>726</u>	<u>726</u>

During the year, the company issued three ordinary shares in exchange for the capitalisation of debt and interest totalling £2,050 million.

**20 Reconciliation of shareholder's funds and movements on reserves**

	Share capital £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2002	726	9,431,965	11	(17,498,688)	(8,065,986)
Loss for the year	-	-	-	(28,563)	(28,563)
At 1 January 2003	726	9,431,965	11	(17,527,251)	(8,094,549)
Loss for the year	-	-	-	(46,760)	(46,760)
Arising on share issues	-	2,050,165	-	-	2,050,165
At 31 December 2003	<u>726</u>	<u>11,482,130</u>	<u>11</u>	<u>(17,574,011)</u>	<u>(6,091,144)</u>

**21 Capital commitments**

	2003 £'000	2002 £'000
Amounts contracted for but not provided in the accounts	<u>78,718</u>	<u>82,623</u>

In November 2004, the company undertook a review of outstanding commitments. This resulted in the removal of a number of purchase orders which have been included above. The total capital commitment as at 31 December 2003 has now reduced by £19,730,814 to £58,987,016.

The company is also committed to IBM under a contract for IT Services. The total capital commitment at 31 December 2003 is £127.7 million (2002 - £181.5 million).

## **22 Pension commitments**

### *Defined contribution schemes*

The company contributes to the ntl-sponsored group personal pension plans of eligible employees. Contributions are charged to the profit and loss accounts as they become payable, in accordance with the rules of the scheme.

Contributions to the defined contribution scheme during the year were £12,815,000 (2002 - £10,034,000). The amount of outstanding contributions at 31 December 2003 included within creditors: amounts falling due within one year were £nil (2002 - £nil).

### *Defined benefit schemes*

The company operates the Group Plan (the Plan), a funded defined benefit pension plan, which provides benefits based on final pensionable pay, with contributions being charged to the profit and loss account so as to spread the cost of pensions over employee's working lives with the company. The Plan is closed to new entrants. The assets of the Plan are held separately from the company in an independently administered trust fund. The contributions are determined based on the advice of independent qualified actuaries on the basis of triennial valuations using the attained age method.

Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet. The pension cost for 2003 was £876,000 (2002 - £911,000), equal to the contributions paid. Therefore no provision or prepayment has built up in 2003 (2002 - £nil).

The most recent actuarial valuation was performed as at 31 December 2002. At the time, the market value of assets was £9,224,000, which represented 78% of the liabilities of the Plan. The assumptions that had the most significant effect on the results are:

Discount rate – pre retirement:	6.50%
Discount rate – post retirement:	5.50%
Salary increase rate:	3.30%
Pension increases:	2.40%
Inflation:	2.30%

### *FRS17 Note*

Additional disclosures regarding the Plan are required under the transitional provision of FRS17 "Retirement Benefits" and these are set out below.

The last actuarial valuation of the Plan as at 31 December 2002 was updated to 31 December 2003 by a qualified actuary, using a set of assumptions consistent with those required under FRS17. The major assumptions used by the actuary were:

	<b>2003</b>	<b>2002</b>	<b>2001</b>
Rate of increase in salaries	3.00%	3.90%	4.00%
Rate of increase in pensions in payment	2.75%	2.40%	2.50%
Discount rate	5.50%	5.50%	6.00%
Inflation assumption	2.75%	2.40%	2.50%

**22 Pension commitments (continued)**

The Plan's assets and the expected return of the main asset classes were as follows:

	<i>Long-term rate of return expected</i>	<i>Value 2003 £'000</i>	<i>Long-term rate of return expected</i>	<i>Value 2002 £'000</i>	<i>Long-term rate of return expected</i>	<i>Value 2001 £'000</i>
Equities	8.25%	9,850	7.00%	7,827	8.00%	8,965
Government bonds	4.75%	1,755	5.00%	1,219	5.00%	1,627
Corporate bonds	5.50%	56	-	-	-	-
Cash and other	3.75%	13	4.00%	178	3.50%	249
Total market value of assets		11,674		9,224		10,841
Present value of scheme liabilities		(17,217)		(16,500)		(11,891)
Deficit in the scheme		(5,543)		(7,276)		(1,050)
Related deferred tax asset		1,663		2,183		315
Net pension liability		(3,880)		(5,093)		(735)

Analysis of the amount that would have been charged to operating profit under FRS 17:

	<b>2003 £'000</b>	<b>2002 £'000</b>
Current service cost	1,237	1,764
Past service cost	-	-
Gain/(loss) on settlements and curtailments	-	-
	<u>1,237</u>	<u>1,764</u>

Analysis of the amount that would have been credited to net finance income under FRS 17:

	<b>2003 £'000</b>	<b>2002 £'000</b>
Interest on pension scheme liabilities	(905)	(704)
Expected return on pension scheme assets	651	841
	<u>(254)</u>	<u>137</u>

Analysis of the actuarial gain/(loss) that would have been recognised in the statement of total recognised gains and losses:

	<b>2003 £'000</b>	<b>2002 £'000</b>
Actual return less expected return on pension scheme assets	927	(3,227)
Experience gains and losses arising on pension scheme liabilities	2,600	-
Changes in assumptions underlying the present value of the scheme liabilities	(1,179)	(2,283)
	<u>2,348</u>	<u>(5,510)</u>

**ntl GROUP LIMITED**  
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**22 Pension commitments (continued)**

Movement in Plan deficit during the year:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Deficit at start of year	(7,276)	(1,050)
Movement		
Current service cost	(1,237)	(1,764)
Contributions	876	911
Other finance income	(254)	137
Actuarial gain/(loss)	2,348	(5,510)
Deficit at end of year	<u>(5,543)</u>	<u>(7,276)</u>

Total actuarial gains and (losses):

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>Difference between the expected and actual return on scheme assets</b>		
Amount	927	(3,227)
Percentage of scheme assets	7.9%	(35.0%)

**Experience gains and losses arising on scheme liabilities**

Amount	2,600	-
Percentage of the present value of scheme liabilities	15.1%	0.0%

**Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses**

Amount	2,348	(5,510)
Percentage of the present value of scheme liabilities	13.6%	(33.4%)

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>The company's reserves under full implementation of FRS 17 would be as follows:</b>		
Profit and loss account	(17,574,011)	(17,527,251)
Add back SSAP 24 provision	876	911
Profit and loss account excluding SSAP 24 pension provision	<u>(17,573,135)</u>	<u>(17,526,340)</u>
FRS 17 deficit	<u>(3,880)</u>	<u>(5,093)</u>
Profit and loss account including FRS 17 deficit	<u>(17,577,015)</u>	<u>(17,531,433)</u>

**23 Other financial commitments**

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and Buildings</b>		<b>Other</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating leases which expire:				
within one year	609	108	10,408	8,004
within two to five years	1,153	1,331	3,950	8,472
in over five years	28,090	28,606	6,169	2,473
	<u>29,852</u>	<u>30,045</u>	<u>20,527</u>	<u>18,949</u>

**ntl GROUP LIMITED**  
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**24 Contingent liabilities**

The company, along with fellow subsidiary undertakings, is party to a senior secured credit facility with a syndicate of banks. The company is a guarantor of borrowings under this facility of certain other group companies. At 31 December 2003 the maximum contingent liability represented by outstanding borrowings by these companies amounted to approximately £2,785 million (2002 - £3,193 million). Borrowings under the facility are secured by security over the assets of certain members of the NTL Group including those of the company.

In April 2004, this facility was replaced by a new senior secured credit facility under which the company's assets are secured.

**25 Related party transactions**

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with group undertakings as the company is a subsidiary undertaking which is at least 90% controlled by the ultimate parent undertaking.

**26 Parent undertaking and controlling party**

The company's immediate parent undertaking is ntl Investment Holdings Limited.

The company's results are included in the group accounts of ntl Communications Limited, copies of which may be obtained from ntl, ntl House, Bartley Wood Business Park, Hook, Hampshire RG27 9UP.

The company's ultimate parent undertaking and controlling party is NTL Incorporated, a company incorporated in the state of Delaware, United States of America.

Copies of all sets of group accounts, which include the results of the company, are available from The Secretary, NTL Incorporated, ntl House, Bartley Wood Business Park, Hook, Hampshire RG27 9UP.

**27 Post balance sheet events**

On 13 April 2004, ntl Investment Holdings Limited, on behalf of the ntl Group, took out a new credit facility for £2,425 million. On 14 April 2004, the ntl Group drew down £2,175 million of this facility. On 28 April 2004, the ntl Group drew down a further £50 million. As part of the new credit facility, on 14 May 2004, the company's ultimate parent undertaking transferred its shareholding in Diamond Cable Communications Limited to the company.

On 8 November 2004, a subsidiary of the company acquired Virgin.net.

On 2 December 2004, the company entered into an agreement to sell its indirect subsidiary National Transcommunication Limited, comprising ntl's Broadcast activities, to a consortium led by Macquarie Communications Infrastructure Group (MCG) for cash consideration of £1.27 billion. The sale completed on 31 January 2005.