

NTL Group Limited

Registered No. 2591237

DIRECTORS

J F Gregg
R M Mackenzie
R A McKellar

SECRETARY

R M Mackenzie

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

BANKERS

Bank of Scotland
38 Threadneedle Street
London EC2P 2EH

REGISTERED OFFICE

Crawley Court
Winchester
Hampshire SO21 2QA

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

NTL Group Limited is the parent undertaking of National Transcommunications Limited (NTL), DTELS Limited, NTL Limited, NTL Trustees Limited, NTL Insurance Limited and NTL Networks Limited. NTL Limited, NTL Trustees Limited and NTL Networks Limited did not trade during the year.

On 9 May 1996 the company and its subsidiaries was acquired by NTL Investment Holdings Limited.

NTL provides television and radio distribution and transmission services together with a range of other products and services to organisations in the broadcasting and telecommunications industries.

DTELS Limited trades under the style of 'NTL Radio Communications'. NTL Radio Communications has continued to grow its radio and telecommunications installation, maintenance and consultancy business in the UK.

NTL Insurance Limited provides cover in respect of certain of the principal risks assumed by the companies in the group.

NTL Limited, NTL Trustees Limited and NTL Networks Limited did not trade during the period.

In February 1996, NTL was awarded a Public Telecommunications Operator's licence by the Department of Trade & Industry. This followed the award of a national 10 GHz wireless local-access licence and will enable NTL to expand the range of telecommunications services that it can offer to its customers. The new licences will also allow NTL to expand the markets that it addresses with its digital service offerings.

In June 1996 NTL opened its third satellite teleport with contracts to uplink for cable channels. The third site which is based in central London complements the existing sites at Winchester and Croydon.

During the period NTL successfully completed the design and construction of the new Channel Five national television network which was ready for transmission on time.

In the period NTL demonstrated the UK's first end-to-end digital terrestrial television system to the industry and press. Digital audio broadcasting test transmissions were also made during the period, with the support from independent radio customers.

The charges that NTL makes for the provision of certain of its terrestrial television services are regulated by OFTEL under the 1984 Telecommunications Act. As required under NTL's Telecommunications Act licence, OFTEL reviewed the maximum price that NTL may charge for these services and set a new price formula for the period ended 2002, as a result of which the prices in question were reduced in a step charge in 1997 by £4M reflecting our considerable success in reducing costs and improving efficiency during the first period of price control. Price increases for the period 1998-2002 will be restricted to RPI -4% per annum.

Turnover has not been analysed by class of business as in the directors' opinion such information, if disclosed, would not be in the interests of the group.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £30,198,000 (1995 - £104,080,000).

The final proposed dividend in respect of 1995 was not paid. An interim dividend of £8,500,000 was paid during the year. A final dividend of £4,398,000 proposed last year was reversed.

DIRECTORS' REPORT

FUTURE DEVELOPMENTS

NTL will continue to develop and expand its expertise as leaders in the field of digital television.

NTL continues to expand its National Broadband Telecoms trunk network. This will be expanded into Scotland and Northern Ireland over the next two years.

RESEARCH AND DEVELOPMENT

NTL's R&D focus is on the continued development of its digital network service platforms. The company has concentrated its research and development resources on the development of digital television and audio broadcasting services in the UK. NTL is actively involved in the establishment of the European DVB standard and its spectrum planning group has been developing a frequency plan for the introduction of the first UK digital television services.

The amount of research and development expenditure charged to the profit and loss account during the period was £1,185,000 (1995 - £5,938,000).

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year and thereafter were as follows:

D S Chambers		(resigned 30.6.96)
Dr J R Forrest	- deputy chairman	(resigned 6.11.96)
J F Gregg		(appointed 8.5.96)
R A F Heath	- non-executive	(resigned 8.5.96)
Ms F C Jacob	- non-executive	(resigned 8.5.96)
R M Mackenzie		(appointed 31.7.96)
R A McKellar		
J A Okas		(resigned 31.7.97)
Sir Alfred Shepperd	- non-executive	(resigned 8.5.96)
A J Sukawaty	- chief executive	(resigned 30.9.96)
A S Walsh	- chairman	(resigned 9.5.96)

CHARITABLE DONATIONS

The total amount donated for charitable purposes during the year was £14,987.

EMPLOYMENT POLICIES

The company has a policy of equality of employment opportunity irrespective of sex, race, creed or colour. It is also committed to giving full and fair consideration to applications for employment from disabled people having regard to their particular aptitudes and abilities and, where possible, to the retention of those staff who become disabled whilst employed by the company.

Staff and NTL's recognised trade union are regularly briefed on the company's performance in relation to the business plans, together with other important organisational and commercial issues.

PROPERTIES

The directors are of the opinion that the aggregate market value of properties owned by the company and its subsidiary undertakings is not less than their book value.

SHARE CAPITAL

Details of the company's share capital are given in note 22 to the accounts.

DIRECTORS' REPORT

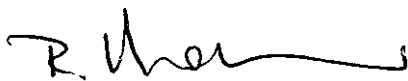
DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year, insurance for the directors and officers of the company was provided through participation in a Directors' and Officers' Liability Insurance policy purchased and maintained by the company within the terms of Section 310(3) of the Companies Act 1985.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board.



R M Mackenzie
Secretary

27. 01. 1998

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 group and of the profit or loss of the group 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of NTL Group Limited

We have audited the revised accounts on pages 7 to 26, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 to 13. The revised accounts replace the original accounts approved by the directors on 23 October 1997.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 group'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.

Opinions

In our opinion:

1. the revised accounts give a true and fair view, seen as at the date the original accounts were approved, of the state of affairs of the company and of the group at 31 December 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 1990.
2. the original accounts for the year ended 31 December 1996 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors in note 1 on page 11.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
London

27 January 1998

NTL Group Limited

CONSOLIDATED GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	Notes	Total 1996 £000	Total 1995 £000
TURNOVER			
Continuing operations		123,246	109,359
Discontinued operations		-	25,206
	2	<u>123,246</u>	<u>134,565</u>
Cost of sales	3	84,204	97,346
Administrative expenses	3	7,133	10,746
Loss in associated undertaking	4	24	40
		<u> </u>	<u> </u>
OPERATING PROFIT	5	<u>31,885</u>	<u>23,138</u>
Continuing operations		-	3,295
Discontinued operations			
		31,885	26,433
Non operating exceptional item - sale of discontinued operation		-	86,471
		<u> </u>	<u> </u>
PROFIT BEFORE INTEREST		<u>31,885</u>	<u>112,904</u>
Interest receivable	7	961	703
Interest payable	8	(1,160)	(2,077)
		<u>(199)</u>	<u>(1,374)</u>
		<u> </u>	<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		31,686	111,530
Tax on profit on ordinary activities	9	1,488	7,450
		<u> </u>	<u> </u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		30,198	104,080
Interim dividend paid		8,500	86,211
Final dividend (reversed)/proposed	10	(4,398)	4,398
		<u> </u>	<u> </u>
RETAINED PROFIT FOR THE YEAR	12	<u>34,300</u>	<u>13,471</u>

A statement on the movement in reserves is given in note 12.

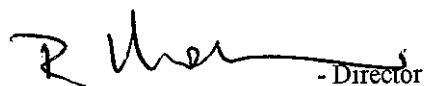
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £30,198,000 in the year ended 31 December 1996 and of £104,080,000 in the year ended 31 December 1995.

NTL Group Limited

CONSOLIDATED GROUP BALANCE SHEET
at 31 December 1996

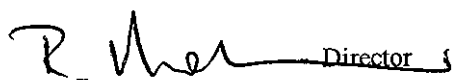
			1996 £000	1995 £000
	Notes	£000		
FIXED ASSETS				
Tangible assets	13		163,646	70,741
Stocks	15		4,195	4,413
			<u>167,841</u>	<u>75,154</u>
CURRENT ASSETS				
Debtors: amounts falling due: after one year	16	6,445		8,786
within one year		35,007		26,792
			<u>41,452</u>	<u>35,578</u>
Cash at bank and in hand	17		4,967	13,744
			<u>46,419</u>	<u>49,322</u>
CREDITORS: amounts falling due within one year	18		23,689	55,556
NET CURRENT ASSETS/(LIABILITIES)			<u>22,730</u>	<u>(6,234)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>190,571</u>	<u>68,920</u>
CREDITORS: amounts falling due after more than one year	19		63	14,000
PROVISION FOR LIABILITIES AND CHARGES	20		3,392	5,224
ACCRUALS AND DEFERRED INCOME	21		6,202	5,072
			<u>9,657</u>	<u>24,296</u>
			<u>180,914</u>	<u>44,624</u>
CAPITAL AND RESERVES				
Called up share capital	22		726	50
Share premium account	12		48,484	2,483
Capital reserve account	12		64,950	1,433
Capital redemption reserve	12		11	11
Goodwill write-off reserve	12		4,500	4,500
Profit and loss account	12		62,243	36,147
			<u>180,914</u>	<u>44,624</u>

 - Director

NTL Group Limited

COMPANY BALANCE SHEET
at 31 December 1996

	Notes	£000	1996 £000	1995 £000
FIXED ASSETS				
Investment in subsidiary undertakings	14		58,489	58,489
CURRENT ASSETS				
Debtors: amounts falling due:	16			
after one year		313		
within one year		13		
			326	8,715
Cash at bank and in hand			1	-
			327	8,715
CREDITORS: amounts falling due within one year	18		-	14,804
NET CURRENT ASSETS/(LIABILITIES)			327	(6,089)
TOTAL ASSETS LESS CURRENT LIABILITIES			58,816	52,400
CREDITORS: amounts falling due				
after more than one year	19		-	48,298
ACCRUALS AND DEFERRED INCOME	21		3	422
			3	48,720
			58,813	3,680
CAPITAL AND RESERVES				
Called up share capital	22		726	50
Share premium account	12		48,484	2,483
Capital redemption reserve	12		11	11
Profit and loss account	12		9,592	1,136
			58,813	3,680

 Director

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 1996

	<i>Notes</i>	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	5(b)	37,646	39,889
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		957	715
Interest paid		(1,493)	(1,996)
Dividends paid		(8,500)	(89,493)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(9,036)	(90,774)
TAXATION			
Taxation paid		(28,855)	(6,287)
Taxation received		15,840	-
TAX PAID		(13,015)	(6,287)
INVESTING ACTIVITIES			
Disposal of Advanced Products Division		-	91,775
Payments to acquire tangible fixed assets		(35,625)	(15,933)
Receipts from sales of tangible fixed assets		845	483
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(34,780)	76,325
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(19,185)	19,153
FINANCING			
Issue of ordinary share capital	23	(46,677)	-
Unsecured loan stock repaid	23	-	4,000
Term loan repaid	23	21,000	7,000
Grants received	23	-	(70)
Escrow assignment to group undertaking		12,500	-
NET CASH (INFLOW)/OUTFLOW FROM FINANCING		(13,177)	10,930
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	24	(6,008)	8,223
		(19,185)	19,153

NOTES TO THE ACCOUNTS
at 31 December 1996

1. ACCOUNTING POLICIES

Revised accounts

These revised accounts replace the original accounts approved by the directors on 23 October 1997 and are now the statutory accounts for the financial year. These accounts have been revised as at the date of the original accounts and not as at the date of revision and accordingly do not deal with events between those two dates. In the original accounts, the dividends note 10 did not correctly reflect the dividends paid and proposed, and thus did not agree with the dividends paid and proposed as disclosed on the face of the consolidated group profit and loss account. The dividends note 10 has thus been revised in these amending accounts.

Basis of preparation

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

Basis of consolidation

The group accounts consolidate the accounts of NTL Group Limited and all its subsidiary undertakings drawn up to 31 December 1996. No profit and loss account is presented for NTL Group Limited as permitted by section 230 of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 31 December 1995.

The consolidated accounts also include the accounts for NTL Limited, NTL Trustees Limited and NTL Networks Limited, which have not traded since their incorporation.

Goodwill

Purchased goodwill is set-off directly against reserves.

Turnover

Turnover includes the value of goods and services supplied to third party customers and is exclusive of VAT. Turnover related to facilities leasing and other contracts which span financial years are included to the extent that the proportion of the contract period falls into the current financial year.

Finance and operating leases

Assets acquired under finance leases are capitalised and subsequently dealt with under the same accounting policies as other tangible fixed assets, excluding the interest portion of costs which is expensed.

Costs arising under operating leases are charged evenly over the term of the lease.

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

Amounts receivable under finance leases represent the unpaid capital element of the original cost of equipment.

The interest element of income from such leasing contracts is credited to the profit and loss account on a straight line basis over the term of the lease.

NOTES TO THE ACCOUNTS
at 31 December 1996

1. ACCOUNTING POLICIES (continued)

Fixed assets

Tangible fixed assets represent the cost of capital works and equipment purchased from third parties. Where a contribution is received towards the cost of an asset, the recorded cost is reduced by the contribution. Where the contribution is in excess of the cost, the excess contribution is included as turnover.

Assets are capitalised in the month following the month in which the asset goes into service. The cost of company staff effort and their related costs associated with capital projects is capitalised.

Depreciation

The depreciation of tangible fixed assets is calculated on a straight line basis by reference to the cost, expected useful lives, and the possible effect of technological change.

Depreciation is charged on a monthly basis with effect from the month of capitalisation.

The principal rates of depreciation are as follows:

Freehold land	-	Nil
Freehold buildings	-	2% per annum
Leasehold land and buildings	-	Over the lesser of the term of the lease or 50 years
Plant and equipment	-	5% to 25% per annum
Test equipment	-	20% per annum
Computer equipment	-	33% per annum
Furniture and fixtures	-	10% to 33% per annum
Satellite equipment	-	10% to 25% per annum
Vehicles	-	25% per annum
Capitalised labour/overhead	-	10% per annum
Fibre	-	5% per annum

The fixed assets of the group acquired as part of the purchase of National Transcommunications Limited and of DTELS Limited are being depreciated over the remaining useful lives of the assets concerned.

Stocks

Stocks held by the group are maintenance spares. Stocks are valued at average cost less provisions for obsolescence, slow moving and surplus items. Stock items are charged to profit and loss as they are consumed.

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 under the depreciation policy.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Currency translation

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rate of exchange ruling at the balance sheet date, all differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS
at 31 December 1996

1. ACCOUNTING POLICIES (continued)

Pensions

National Transcommunications Limited, the principal subsidiary of NTL Group Limited, operates a pension plan (The Plan) of the defined benefit type which was established on 1 January 1991. DTELS Limited, another subsidiary of NTL Group Limited, is a participating employer in the Plan. The assets of the Plan are held separately from those of the company and are invested in specialised portfolios under the management of Clerical Medical Investment Group.

The regular pension cost is assessed 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 lifetimes of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss accounts are treated as either provisions or prepayments in the balance sheet.

Government grants

Grants of a revenue nature are credited to income in the period to which they relate.

2. TURNOVER

Turnover includes the value of charges made for transmission services, distribution services, products, facilities leasing, interest on rental of equipment under finance leases, research and development contracts, other contracts, rents from properties, excess above cost in respect of capital works contributions from third parties and site charges made to the BBC under the site sharing agreement.

Turnover is analysed by geographical area as follows:

	1996	1995
	£000	£000
<i>Geographical area</i>		
United Kingdom	118,855	113,762
Europe	4,113	6,553
Scandinavia	-	248
North America	-	2,494
Africa, Asia and Australasia	278	11,426
Middle East	-	82
	<u>123,246</u>	<u>134,565</u>

Turnover has not been analysed by class of business as in the directors' opinion such information, if disclosed, would not be in the interests of the group.

NOTES TO THE ACCOUNTS
at 31 December 1996

3. **COST OF SALES AND ADMINISTRATIVE EXPENSES**

Included in cost of sales is an amount of £328,000 (1995 - £2,275,000) and in administrative expenses a credit of £(19,000) (1995 - £(93,000)) in respect of reorganisation costs as follows:

	1996 £000	1995 £000
Provision made for reorganisation costs	352	2,255
Provision made for rent and rates costs of vacated premises	(43)	(46)
Relocation costs of premises and plant and equipment	-	(27)
	<u>309</u>	<u>2,182</u>

4. **LOSS IN ASSOCIATED UNDERTAKING**

The loss in associated undertaking is in respect of 50% share in the operating losses of Prospectre Limited for the year ended 31 December 1996.

5. **OPERATING PROFIT**

(a) This is stated after charging/(crediting):

	1996 £000	1995 £000
Staff costs	34,488	37,074
Auditors' remuneration - as auditors	74	62
Auditors' remuneration - for other services	9	50
Depreciation of owned fixed assets	13,702	9,995
Operating lease rentals - land and buildings	5,937	2,672
Operating lease rentals - plant and machinery	1,953	3,044
Grants receivable	-	(35)
Directors' emoluments	1,171	5,074
	<u></u>	<u></u>

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1996 £000	1995 £000
Operating profit	31,885	26,433
Depreciation	13,702	10,227
Loss/(profit) on disposal of tangible fixed assets	37	(429)
Grants received	-	(35)
Decrease/(increase) in stocks	218	(4,402)
Increase in debtors	(4,832)	(2,477)
(Decrease)/increase in creditors	(4,800)	8,091
Decrease in finance lease debtor	1,436	2,481
	<u></u>	<u></u>
Net cash inflow from ordinary operating activities	<u>37,646</u>	<u>39,889</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

5. OPERATING PROFIT (continued)

(c) Staff costs

	1996 £000	1995 £000
Wages and salaries	28,463	30,514
Social security costs	2,390	2,640
Pension costs	3,635	3,920
	<u>34,488</u>	<u>37,074</u>

The average number of employees of the group during the year was as follows:

	1996 No.	1995 No.
Network services	827	833
Telecom services	57	42
Radio communications	45	36
Administrative	126	137
Development	5	2
International	9	8
Advanced products	-	132
	<u>1,069</u>	<u>1,190</u>

6.(a) DIRECTORS' REMUNERATION

Directors' emoluments, including pension contributions, amounted to £1,171,370 (1995 - £5,074,464). This includes an amount of £20,658 (1995 - £39,282) paid to third party companies in respect of directors' fees.

The remuneration of the chairman, excluding pension contributions, amounted to £203,808 (1995 - £231,171). The remuneration of the highest paid director, excluding pension contributions, amounted to £583,917 (1995 - £4,070,647).

The remuneration of those directors employed under executive service agreements includes payments related to the achievement of financial and personal performance objectives which have been determined by the remuneration committee.

NOTES TO THE ACCOUNTS
at 31 December 1996

6.(a) DIRECTORS' REMUNERATION (continued)

The emoluments (including non-recurring payments), excluding pension contributions, of the directors fell within the following ranges:

			1996 No.	1995 No.
Nil	-	£5,000	1	1
£5,001	-	£10,000	2	1
£15,001	-	£20,000	-	2
£40,001	-	£45,000	1	-
£80,001	-	£85,000	1	-
£100,001	-	£105,000	1	1
£110,001	-	£115,000	1	1
£200,001	-	£205,000	1	-
£215,001	-	£220,000	-	1
£230,001	-	£235,000	-	2
£580,001	-	£585,000	1	-
£4,070,001	-	£4,075,000	-	1

6.(b) DIRECTORS' INTERESTS IN SHARES AND OPTIONS

	'A' ordinary shares		'B' ordinary shares		'C' ordinary shares		Options over 'C' ordinary shares	
	31.12.96	1.1.96	31.12.96	1.1.96	31.12.96	1.1.96	31.12.96	1.1.96
D S Chambers	-	-	-	13,000	-	13,000	-	-
Dr J R Forrest	-	-	-	14,000	-	14,000	-	-
R A F Heath	-	-	-	-	-	-	-	-
Ms F C Jacob	-	531	-	-	-	531	-	-
R A McKellar	-	-	-	14,000	-	14,000	-	5,816
J A Okas	-	-	-	14,000	-	14,000	-	5,490
Sir Alfred Shepperd	-	-	-	-	-	-	-	-
A J Sukawaty	-	-	-	1,520	-	1,520	-	167,304
A S Walsh	-	-	-	-	-	-	-	6,275

No director of the company had a notifiable interest in the shares of the company or in any subsidiary undertaking as at 31 December 1996.

Mr D S Chambers resigned on 30 June 1996, Dr J R Forrest resigned on 6 November 1996, Mr R A F Heath resigned on 8 May 1996, Ms F C Jacob resigned on 8 May 1996, Sir Alfred Shepperd resigned on 8 May 1996, Mr A J Sukawaty resigned on 30 September 1996 and Mr A S Walsh resigned on 9 May 1996. Mr J A Okas resigned on 31 July 1997.

NOTES TO THE ACCOUNTS
at 31 December 1996

7. INTEREST RECEIVABLE	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Interest receivable on short-term deposits	923	671
Interest received net of tax	12	26
Other interest received	26	6
	<u>961</u>	<u>703</u>
8. INTEREST PAYABLE	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Term loan interest	1,151	2,018
Unsecured loan stock interest	-	36
Other interest	9	23
	<u>1,160</u>	<u>2,077</u>
9. TAX ON PROFIT ON ORDINARY ACTIVITIES	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Based on profit for the year:		
UK corporation tax at 33.0%	2,210	7,594
UK corporation tax - prior years	(722)	(147)
Overseas tax incurred on royalty income	-	3
	<u>1,488</u>	<u>7,450</u>
10. DIVIDENDS	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
Interim paid	8,500	86,211
Final (reversed)/proposed	(4,398)	4,398
	<u>4,102</u>	<u>90,609</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

11. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £8,456,000 (1995 - £91,720,000).

12. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<i>Group</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Capital reserve £000</i>	<i>Capital redemption reserve £000</i>	<i>Goodwill write off reserve £000</i>	<i>Total Share- holders' funds £000</i>
As at 31 December 1994	50	2,483	22,676	1,433	11	4,959	31,612
Fair value adjustment DTELS Ltd						(459)	(459)
Profit attributable to members of the group			104,080				104,080
Dividends			(90,609)				(90,609)
As at 31 December 1995	50	2,483	36,147	1,433	11	4,500	44,624
Bonus issue of 1c shares	674	(674)					
Shares issued during the year	2	46,675					46,677
Revaluation				63,517			63,517
Profit attributable to members of the group			30,198				30,198
Dividends			(4,102)				(4,102)
As at 31 December 1996	726	48,484	62,243	64,950	11	4,500	180,914

<i>Company</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Capital redemption reserve £000</i>	<i>Total Share- holders' funds £000</i>
As at 31 December 1994	50	2,483	25	11	2,569
Profit attributable to members of the company			91,720		91,720
Dividends			(90,609)		(90,609)
As at 31 December 1995	50	2,483	1,136	11	3,680
Bonus issue of 1c shares	674	(674)			-
Shares issued during the year	2	46,675			46,677
Profit attributable to members of the company			4,058		4,058
Dividends reversed			4,398		4,398
As at 31 December 1996	726	48,484	9,592	11	58,813

NOTES TO THE ACCOUNTS
at 31 December 1996

13. TANGIBLE ASSETS
Group

	<i>Freehold</i>	<i>Land & Buildings</i>		<i>Plant and equipment</i>	<i>Furniture and fittings</i>	<i>Capital labour</i>	<i>Total assets in use</i>	<i>Assets under construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:									
At 1 January 1996	11,448	195	5,060	78,948	5,201	4,646	105,498	3,474	108,972
Additions	-	-	-	-	-	-	-	43,975	43,975
Revaluation	32,873	-	1,148	29,496	-	-	63,517	-	63,517
Assets brought into commission	401	-	157	10,416	1,468	7,005	19,447	(19,447)	-
Disposals	(853)	-	(5)	(807)	(570)	-	(2,235)	-	(2,235)
Reclassification of assets	-	(195)	191	(46)	50	-	-	-	-
At 31 December 1996	43,869	-	6,551	118,007	6,149	11,651	186,227	28,002	214,229
Depreciation:									
At 1 January 1996	(900)	(7)	(934)	(33,116)	(3,042)	(232)	(38,231)	-	(38,231)
Charge to profit and loss	(746)	-	(327)	(10,511)	(1,342)	(776)	(13,702)	-	(13,702)
Disposals	59	-	5	733	552	-	1,349	-	1,349
Reclassification of assets	-	7	(7)	(4)	4	-	-	-	-
At 31 December 1996	(1,587)	-	(1,263)	(42,898)	(3,828)	(1,008)	(50,584)	-	(50,584)
Net book value:									
At 31 December 1996	42,282	-	5,288	75,109	2,321	10,643	135,643	28,002	163,645
At 1 January 1996	10,548	188	4,126	45,832	2,159	4,414	67,267	3,474	70,741

The total provision for the permanent diminution in value of fixed assets at 31 December 1996 was £387,000 (1995 - £100,000) which was expensed during the year.

	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>
Capital expenditure		
Amounts contracted but not provided	11,351	8,078
Amounts authorised but not contracted for	31,023	5,002

NOTES TO THE ACCOUNTS
at 31 December 1996

14. INVESTMENTS

Company

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holdings</i>	<i>Proportion held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>				
National Transcommunications Limited	England and Wales	Ordinary shares	100%	Transmission services
NTL Limited	England and Wales	Ordinary shares	100%	Non-trading
NTL Trustees Limited	England and Wales	Ordinary shares	100%	Non-trading
DTELS Limited	England and Wales	Ordinary shares	100%	Radio Communications Services
NTL Networks Limited (formerly NTL Advanced Products Limited)	England and Wales	Ordinary shares	100%	Non-trading
NTL Insurances Limited	Guernsey	Ordinary shares	100%	Offshore insurance

*Subsidiary undertakings
£000*

Cost:

At 1 January 1996 58,489

At 31 December 1996 58,489

In the opinion of the directors the investments in subsidiary undertakings are worth not less than cost.

<i>Name of company</i>	<i>Country of registration</i>	<i>Holdings</i>	<i>Proportion held</i>	<i>Nature of business</i>
<i>Associated undertaking</i>				
Prospectre Limited	Scotland	Ordinary shares	50%*	Satellite uplinking & telephony services
		Preference shares	50%*	

NOTES TO THE ACCOUNTS
at 31 December 1996

14. INVESTMENTS (continued)

The investment in Prospectre Limited has been written down to nil.

* 100% held by a subsidiary undertaking

15. STOCKS

	1996 £000	1995 £000
Spares	4,195	4,413

The difference between purchase price or production cost of stocks and their replacement cost is not material.

16. DEBTORS

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Corporation tax recoverable	1,203	9,914	-	-
Trade debtors	8,667	11,902	-	-
Capital amount receivable under finance leases	4,407	5,840	-	-
Other debtors	201	1,073	-	215
Prepayments and accrued income	11,638	2,601	-	-
Dividend receivable from National Transcommunications Limited	-	-	-	8,500
VAT recoverable	-	97	13	-
Advanced corporation tax	2,836	4,151	-	-
Loan to subsidiary undertaking	-	-	313	-
Amounts due from group undertaking	12,500	-	-	-
	<u>41,452</u>	<u>35,578</u>	<u>326</u>	<u>8,715</u>

Capital amount receivable under finance leases includes an amount of £3,569,000 (1995 - £4,592,000) which is due after more than one year. Original cost of assets acquired for the purpose of letting under finance leases was £10,092,000.

Included in other debtors is an amount of £40,000 (1995 - £43,000) which is due after more than one year. This is in respect of house purchase loans and car purchase loans to employees, under the approved company schemes.

Advanced corporation tax is due after more than one year.

NOTES TO THE ACCOUNTS
at 31 December 1996

17. CASH AT BANK AND IN HAND

	<i>Group</i>		<i>Company</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash in escrow account	-	12,615	-	-
Cash at bank	4,391	1,097	1	-
Cash in hand	17	32	-	-
Cash on short-term deposit	559	-	-	-
	<u>4,967</u>	<u>13,744</u>	<u>1</u>	<u>-</u>

18. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Interest due on term loan	-	332	-	332
Bank overdraft	1,163	932	-	-
Revolver loan	-	3,000	-	3,000
Trade creditors	19,221	12,185	-	38
Other taxes and social security	1,427	1,938	-	9
Other creditors	1,878	4,218	-	27
Current instalments due on term loan	-	7,000	-	7,000
Dividend payable	-	4,398	-	4,398
Advanced corporation tax	-	21,553	-	-
	<u>23,689</u>	<u>55,556</u>	<u>-</u>	<u>14,804</u>

19. CREDITORS: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Term loan:				
due between two and five years	-	7,000	-	7,000
due between one and two years	-	7,000	-	7,000
	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Loan from subsidiary undertaking	-	-	-	34,298
Insurance fund	63	-	-	-
	<u>63</u>	<u>14,000</u>	<u>-</u>	<u>48,298</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

20. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Reorganisation provision	3,172	4,924	-	-
Relocation provision	220	271	-	-
Rent and rates provision	-	29	-	-
	<u>3,392</u>	<u>5,224</u>	<u>-</u>	<u>-</u>

The reorganisation provision is in respect of the termination costs of employees which arises from a restructuring of the group.

The relocation provision is in respect of commitments made by the group to employees who have moved location within the group.

Deferred taxation amounts not provided are as follows:

	<i>Not provided</i>
	<i>1996</i>
	<i>£000</i>
<i>Group</i>	
Accelerated capital allowances	9,702
Finance lease debtor	342
Short term timing differences	(1,058)
Book value in excess of tax value	42,939
	<u>51,925</u>
Less: advanced corporation tax recoverable	(2,836)
	<u>49,089</u>

No provision for deferred tax on accelerated capital allowances has been made as the current capital expenditure plan for the group indicates an excess of capital allowances over depreciation for the foreseeable future. Book value in excess of tax value refers to revalued assets and assets into which capital gains have been deferred under the roll over provisions. No provision for deferred tax on the disposal of these assets has been made as there is no intention to dispose of these assets in the foreseeable future.

21. ACCRUALS AND DEFERRED INCOME

	<i>Group</i>		<i>Company</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Accruals	707	2,309	3	422
Deferred income	5,495	2,763	-	-
	<u>6,202</u>	<u>5,072</u>	<u>3</u>	<u>422</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

22. **SHARE CAPITAL**
Group and company

Prior to the sale of NTL Group Limited and its subsidiaries to NTL Investment Holdings Limited, the authorised and issued share capital of the company was restructured.

Three new classes of shares were established and issued as bonus shares:

439,600,000	new 'A' ordinary shares of 0.1c each
57,985,000	new 'B' ordinary shares of 0.1c each
551,045,600	new 'C' ordinary shares of 0.1c each, of which
497,585,000	represents fully paid up issued shares

On 9 May 1996 the following allotments took place:

203,831	'C' ordinary 1p shares
40,766,000	'C' ordinary 0.1c shares

Subsequent to the acquisition of 100% of the share capital of NTL Group Limited by NTL Investment Holdings Limited, the authorised and issued share capital of the company was restructured:

All A, B and C ordinary shares of 1p and ordinary shares of 0.1c were cancelled.

All redeemable special shares of 1p each were cancelled.

New ordinary shares of 1p each and new ordinary shares of 20c each were authorised and allotted as follows:

	<i>Authorised £000</i>	<i>Allotted, called up and fully paid £000</i>
5,378,375 new ordinary shares of 1p each of which 5,179,681 represents fully paid up issued shares	54	52
5,243,153 new ordinary shares of 20c each of which 5,179,680 represents fully paid up issued shares	682	674
	<u>736</u>	<u>726</u>

Analysis of changes in share capital during the year:

	<i>£000</i>
At 1 January 1996	50
Bonus issue - 0.1c shares A, B and C	674
At 31 December 1996	
Allotment - 1p shares	2
Cancel - 0.1c shares A, B and C	(674)
Cancel - 1p shares A, B and C	(52)
New ordinary 1p shares	52
New ordinary 20c shares	674
	<u>726</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Group

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Loans and debentures £000</i>	<i>Grants receivable £000</i>
Balance at 31 December 1994	50	2,483	32,000	(35)
Cash inflows from financing	-	-	-	70
Cash outflows from financing	-	-	(11,000)	-
Non-cash movements	-	-	-	(35)
Balance at 31 December 1995	<u>50</u>	<u>2,483</u>	<u>21,000</u>	<u>-</u>
Cash inflows from financing	2	46,675	-	-
Bonus issue	674	(674)	-	-
Non-cash movements	-	-	-	-
Cash outflows from financing	-	-	(21,000)	-
Balance at 31 December 1996	<u>726</u>	<u>48,484</u>	<u>-</u>	<u>-</u>

24. CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the group balance sheet and changes during the current year and previous year:

Group

	<i>1996 £000</i>	<i>1995 £000</i>
At 1 January	9,812	1,589
Net cash (outflow)/inflow	(6,008)	8,223
Balance at 31 December	<u>3,804</u>	<u>9,812</u>
	<i>1996 £000</i>	<i>1995 £000</i>
Represented by:		
Cash in escrow account	-	12,615
Cash at bank	4,391	1,097
Cash in hand	17	32
Cash on short-term deposit	559	-
Overdraft	(1,163)	(932)
Revolver loan	-	(3,000)
	<u>3,804</u>	<u>9,812</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

25. PENSION COMMITMENTS

The Plan is operated by National Transcommunications Limited, a wholly owned subsidiary of NTL Group Limited.

The pension cost is assessed in accordance with the advice of a qualified actuary using the attained age method. The most recent actuarial valuation of the Plan was performed as at 1 January 1994. The principal assumptions employed in this valuation were that investment returns would be 9.5% per annum, that salary increases would be 8.0% per annum and that dividend income would increase at 4.75% per annum.

The pension cost for the year was £3,634,990. This included £73,681 in respect of amortisation of past service liabilities over the future working lifetime of the current membership. The regular costs included an allowance for the possible effect of the favourable early retirement terms offered under the Plan.

At the date of the actuarial valuation of the Plan the market value of the assets was £75.0 million and the actuarial value of the assets was sufficient to cover 99% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

26. OTHER FINANCIAL COMMITMENTS

At 31 December 1996 the group had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and Buildings</i>		<i>Other</i>	<i>Other</i>
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	53	102	-	-
Within two to five years	234	183	-	-
In over five years	5,888	1,868	2,252	3,384
	<u>6,175</u>	<u>2,153</u>	<u>2,252</u>	<u>3,384</u>

27. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is NTL Investment Holdings Limited which is incorporated in England and Wales. Copies of the accounts of NTL Group Limited can be obtained from The Secretary, NTL Group Limited, Crawley Court, Crawley, Winchester, Hampshire SO21 2QA. The immediate parent undertaking for which group accounts are drawn up and of which the company is a member is NTL (UK) Group Inc, a company incorporated in the State of Delaware, United States of America. The ultimate parent undertaking for which group accounts are drawn up and of which the company is a member is NTL Incorporated (formerly International CableTel Incorporated), a company incorporated in the State of Delaware, United States of America. Copies of the consolidated financial statements are available from The Secretary, NTL Incorporated, 110 East 59th Street, 26th Floor, New York, NY 10022, USA.

28. RELATED PARTIES

The company has taken advantage of the non-disclosure exemption of FRS 8 as an undertaking which is more than 90% controlled by the ultimate parent undertaking.