

Registered number
2591237

ntl GROUP LIMITED
Revised Report and Accounts
31 December 2002



ntl GROUP LIMITED**Registered number****2591237****Directors**

R M Mackenzie

S E Schubert

G N Roberts (alternate director)

R C Gale (alternate director)

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

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Solicitors

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Hampshire RG27 9UP

ntl GROUP LIMITED

Directors' Report

The directors present their revised report and accounts for the year ended 31 December 2002. The accounts of the company for the years ended 31 December 2001 and 2002 have been revised because of the incorrect inclusion of certain revenues and direct and indirect costs, which should have been included in the accounts of a fellow group company.

As a result of the revision, for the year ended 31 December 2001, revenues have decreased by £51,055,000, cost of sales have decreased by £8,388,000, other operating costs have decreased by £16,833,000 and amounts due to subsidiary undertakings have decreased by £25,834,000. For the year ended 31 December 2002, revenues have decreased by £83,939,000, cost of sales have decreased by £48,669,000, other operating costs have decreased by £32,855,000 and amounts due to subsidiary undertakings have increased by £2,415,000.

These revised accounts replace the original accounts for the financial year ended 31 December 2002, and are now the statutory accounts of the company for that financial year. These revised accounts have been prepared as at 7 July 2004, the date of the original annual accounts, and not as at 9 September 2004, the date of the revision, and accordingly do not deal with events between these dates.

RESULTS AND DIVIDENDS

The revised loss for the year, after taxation, amounted to £28,563,000 (2001 - revised loss of £16,840,135,000). The directors do not recommend the payment of a dividend (2001 - £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.

2002 was a year of significantly improved operating performance against a backdrop of substantial organisational change. During 2002, the company focused upon improving cost efficiency and it saw continued Revenue Generating Unit ("RGU") growth primarily because of its broadband product.

Despite various challenges throughout 2002, the company achieved increased operating cash, reduced operating costs and improved operating margins. Year on year, revenues from continuing operations increased by approximately £32 million and operating loss before exceptional items and impairment charges reduced to £32 million from £383 million in 2001.

Underlying operating profit improvements principally resulted from significant cost reductions in the business. Annual costs and expenses were reduced by approximately £319 million year on year. Cost reductions were achieved by implementing a range of initiatives that reduced net operating expenses and in particular staff costs, which declined as a result of the organisational restructuring in the fourth quarter of 2001.

On 8 May 2002, NTL Incorporated ("NTL"), the company's ultimate parent undertaking, and certain of NTL Incorporated's holding company subsidiaries, filed a "pre-arranged" joint reorganisation plan (the "Plan") under Chapter 11 of the United States Bankruptcy Code. NTL Incorporated's operating subsidiaries (including the company) were not included in the Chapter 11 filing. On 5 September 2002, the US Bankruptcy Court confirmed the Plan. Pursuant to the Plan, NTL Incorporated was split into two separate companies, NTL Incorporated (previously NTL Communications Corp), holding NTL's main UK and Ireland assets (including the company) (referred to as "New NTL"), and NTL Europe, Inc. (previously NTL Incorporated), holding NTL's continental European and certain other assets (referred to as "NTL Euroco"). On 10 January 2003, the Plan became effective, and NTL Incorporated emerged from Chapter 11 reorganisation.

ntl GROUP LIMITED

Directors' Report

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS (continued)

At 31 December 2002, the company reviewed the carrying values of its fixed assets for impairment. This review was initiated because of the decline in NTL Incorporated's stock price, NTL Incorporated's Chapter 11 filing and significantly lower valuations in the telecommunications industry. Previous acquisitions by the company were made against a background of increasing consolidation and record valuations. The review resulted in a write down of the company's intangible fixed assets and tangible fixed assets and provisions against the company's investments in and loans to its subsidiary undertakings totalling £631,572,000 (2001 - £16,150,891,000) (see note 5).

EVENTS SINCE THE BALANCE SHEET DATE

On 30 September 2003, the company successfully renegotiated its contract with IBM for the provision of IT services. The total capital commitment has now been reduced to £181.5 million at 31 December 2002.

On 30 September 2003, the company acquired the trades and assets of its subsidiary undertakings, Telecential (Herts) Partnership and Telecential (Northants) Partnership.

On 18 December 2003, the company capitalised a further £2,033 million of the notes payable to parent undertaking, together with accrued interest, for the issue of one ordinary share of the company. As a result of these transactions, debt and interest totalling £2,033 million included within creditors at 31 December 2002 was capitalised during 2003.

CHARITABLE DONATIONS

During the year various charitable donations totalling £58,000 (2001 - £202,000) 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.

ntl GROUP LIMITED

Directors' Report

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 Chief Executive Officer and Chief Operating Officer.

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

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:

P G Douglas	(resigned 11 February 2002)
B Dew	(resigned 1 February 2002)
D A Smerglia	(alternate director to S A Carter) (resigned 11 February 2002)
K J Stanton	(alternate director to S Ross) (resigned 11 February 2002)
S A Carter	(resigned 20 February 2002)
S Ross	(resigned 20 February 2002)
R M Mackenzie	(resigned 20 February 2002; re-appointed 10 January 2003)
J B Knapp	(appointed 20 February 2002; resigned 1 October 2003)
J F Gregg	(appointed 20 February 2002; resigned 10 January 2003)
B Richter	(appointed 10 January 2003; resigned 1 May 2003)
S E Schubert	(appointed 1 May 2003)
J M Sarson	(alternate director to R M Mackenzie) (appointed 15 December 2003; resigned 31 December 2003)
G N Roberts	(alternate director to R M Mackenzie) (appointed 24 March 2004)
R C Gale	(alternate director to S E Schubert) (appointed 24 March 2004)

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 20 February 2002, R J Lubasch was appointed joint company secretary and resigned the position on 3 May 2002.

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

ntl GROUP LIMITED

Directors' Report

CREDITOR PAYMENT POLICY AND PRACTICE

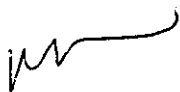
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2002, the company had an average of 54 days purchases outstanding in trade creditors (restated 2001 – 49 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



09 SEP 2004

R M Mackenzie
Company Secretary

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 revised accounts for the year ended 31 December 2002, 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. The revised accounts replace the original accounts approved by the directors on 7 July 2004.

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.

Under section 245 of the Companies Act 1985 the directors have the authority to revise accounts or a directors' report if they do not comply with the Act. The revised accounts must be amended in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 1990 and in accordance therewith do not take account of events which have taken place after the date on which the original accounts were approved. The regulations require that the revised accounts show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements.

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. The audit of revised accounts includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ntl GROUP LIMITED (continued)

Opinion

In our opinion:

- (1) the revised accounts give a true and fair view, seen as at the date the original accounts were approved (being 7 July 2004), of the state of affairs of the company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 1990; and
- (2) the original accounts for the year ended 31 December 2002 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors in note 1.

Ernst & Young LLP

09 SEP 2004

Ernst & Young LLP
Registered Auditor
London

ntl GROUP LIMITED
Profit and Loss Account
for the year ended 31 December 2002

	Notes	Revised 2002 £'000	Revised 2001 £'000
Turnover	2	535,821	503,326
Cost of sales		(223,082)	(188,955)
Gross profit		<u>312,739</u>	<u>314,371</u>
Net other operating expenses	3	(1,016,899)	(17,007,458)
Operating loss		<u>(704,160)</u>	<u>(16,693,087)</u>
Profit on the disposal of fixed asset investments		846,673	-
Interest receivable	8	205,077	46,799
Interest payable	9	(376,153)	(193,847)
Loss on ordinary activities before taxation		<u>(28,563)</u>	<u>(16,840,135)</u>
Taxation	10	-	-
Retained loss for the financial year		<u>(28,563)</u>	<u>(16,840,135)</u>

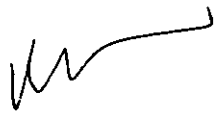
All operations are continuing.

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 2002 and 31 December 2001.

ntl GROUP LIMITED
Balance Sheet
as at 31 December 2002

	Notes	Revised 2002 £'000	Revised 2001 £'000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	804,867	1,343,411
Investments	13	846,673	-
		<u>1,651,540</u>	<u>1,343,411</u>
Current assets			
Debtors	14	92,598	120,969
Cash at bank and in hand		<u>135,264</u>	<u>40,267</u>
		227,862	161,236
Creditors: amounts falling due within one year	15	(398,368)	(457,368)
Net current liabilities		<u>(170,506)</u>	<u>(296,132)</u>
Total assets less current liabilities		<u>1,481,034</u>	<u>1,047,279</u>
Creditors: amounts falling due after more than one year	16	(9,518,738)	(9,029,608)
Provisions for liabilities and charges	18	(56,845)	(83,657)
Net liabilities		<u>(8,094,549)</u>	<u>(8,065,986)</u>
Capital and reserves			
Called up share capital	19	726	726
Share premium account	20	9,431,965	9,431,965
Other reserves	20	11	11
Profit and loss account	20	(17,527,251)	(17,498,688)
Equity shareholder's deficit		<u>(8,094,549)</u>	<u>(8,065,986)</u>


R M Mackenzie
Director

09 SEP 2004

ntl GROUP LIMITED
Notes to the Accounts
for the year ended 31 December 2002

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 years ended 31 December 2001 and 2002 have been revised because of the incorrect inclusion of certain revenues and direct and indirect costs, which should have been included in the accounts of a fellow group company. As a result of the revision, for the year ended 31 December 2001, revenues have decreased by £51,055,000, cost of sales have decreased by £8,388,000, other operating costs have decreased by £16,833,000 and amounts due to subsidiary undertakings have decreased by £25,834,000. For the year ended 31 December 2002, revenues have decreased by £83,939,000, cost of sales have decreased by £48,669,000, other operating costs have decreased by £32,855,000 and amounts due to subsidiary undertakings have increased by £2,415,000.

Accounting convention

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

In preparing the accounts for the current year, the group has adopted FRS 18 "Accounting Policies", FRS 19 "Deferred Tax" and the transitional arrangements of FRS 17 "Retirement Benefits" relating to accounting periods ending on or after 22 June 2002.

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.

ntl GROUP LIMITED
Notes to the Accounts
for the year ended 31 December 2002

1 Accounting policies (continued)

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.

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.

ntl GROUP LIMITED
Notes to the Accounts
for the year ended 31 December 2002

1 Accounting policies (continued)

Impairment review

In accordance with FRS 11 "Impairment of Fixed Assets and Goodwill", the carrying values of the company's intangible and tangible fixed assets and investments in subsidiary undertakings have been compared with their recoverable amounts, represented by their value in use to the company.

The directors consider that the underlying assets of the company's core telecommunications operations are only now beginning to be properly exploited. In addition there are significant barriers to entry, both in terms of the necessary capital investment and regulatory control of the telecommunications sector, which limit the extent to which future competition will erode the expected rates of growth and the level of returns that the assets are expected to generate. As a result the value in use has been derived from discounted cash flow projections that have assumed a period of ten years from 1 January 2003 before applying the UK's long-term growth rate.

The discount rate used to arrive at this calculation was 21.4% on a pre-tax basis.

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.

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.

ntl GROUP LIMITED
Notes to the Accounts
for the year ended 31 December 2002

1 Accounting policies (continued)

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 Net other operating expenses

	Revised 2002 £'000	Revised 2001 £'000
Employee costs (see note 6)	460,415	494,143
Depreciation of fixed assets	374,514	256,694
Depreciation of assets held under finance leases and hire purchase contracts	5,724	3,670
Amortisation	1,458	188,446
Operating lease rentals: land and buildings	35,324	24,966
plant and machinery	48,396	19,452
Reorganisation costs (see note 4)	40,872	159,024
Impairment charge (see note 5)	631,572	16,150,891
Loss on disposal of fixed assets	7,528	-
Costs recharged to fellow group undertakings	(588,904)	(289,828)
	<u>1,016,899</u>	<u>17,007,458</u>

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 2002

4 Exceptional items	2002	2001
	£'000	£'000

Reorganisation costs	40,872	159,024
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Reorganisation costs represent employee redundancy costs, lease termination costs and professional fees arising from the review of the ntl group's business during 2001 and 2002. It is expected that the majority of this provision will be utilised by 31 December 2003.

5 Impairment charge	2002	2001
	£'000	£'000

Impairment of intangible assets (see note 11)	1,042	2,576,694
Impairment of tangible fixed assets (see note 12)	630,530	300,057
Impairment of investments (see note 13)	-	9,755,304
Impairment of amounts due from group undertakings	-	3,518,836
	<u>631,572</u>	<u>16,150,891</u>

6 Staff costs	2002	2001
	£'000	£'000

Wages and salaries	410,556	435,479
Social security costs	33,981	41,563
Other pension costs	911	665
defined benefit		
defined contribution	14,967	16,436
	<u>460,415</u>	<u>494,143</u>

Average number of employees during the year:	Number	Number
Broadcast operations	738	932
Telecommunication operations	4,825	5,851
Carrier services	67	252
Networks	577	1,014
Selling, general and administration	6,961	7,355
	<u>13,168</u>	<u>15,404</u>

ntl GROUP LIMITED
Notes to the Accounts
for the year ended 31 December 2002

7 Directors' emoluments

	2002	2001
	£'000	£'000
Emoluments	4,136	1,087
Company contributions paid to money purchase pension schemes	44	24
Highest paid director:		
Emoluments	2,056	471
Company contributions paid to money purchase pension schemes	32	5
	2,088	476
Number of directors in company pension schemes:	2002	2001
	Number	Number
Money purchase schemes	6	4
Defined benefit schemes	-	1

There were no transactions, during the year, with any of the Directors.

8 Interest receivable

	2002	2001
	£'000	£'000
Bank interest	5,210	-
Interest on loan notes receivable from group companies	199,867	46,799
	205,077	46,799

9 Interest payable

	2002	2001
	£'000	£'000
Interest on loan notes payable to group companies	367,436	185,825
Finance charges payable under leases and hire purchase contracts	3,235	3,939
Other	5,482	4,083
	376,153	193,847

ntl GROUP LIMITED
Notes to the Accounts
for the year ended 31 December 2002

10 Taxation

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2002	2001
	£'000	£'000
Current tax charge:		
Current tax on income for the period	-	-
	<hr/>	<hr/>
	-	-
Deferred tax :		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
	-	-
Total tax charge on loss on ordinary activities	<hr/>	<hr/>
	-	-

(b) Factors affecting current tax charge

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

	Revised	Revised
	2002	2001
	£'000	£'000
Loss on ordinary activities before tax	<hr/>	<hr/>
	(28,563)	(16,840,135)
Loss on ordinary activities multiplied by the applicable		
statutory rate 30% (2001 - 30%)	(8,569)	(5,052,041)
Expenses not deductible for tax purposes - Including investment write off	(253,808)	4,731,696
Capital allowances in excess of depreciation	267,349	255,042
Other short term timing differences	(5,696)	25,050
Unrelieved tax losses	-	7,235
Group relief without payment	724	33,018
Total current tax charge	<hr/>	<hr/>
	-	-

(c) Factors that may affect future tax charges

No deferred tax has been recognised in respect of tax on gains arising from revaluation of assets, as the group is not committed to the disposal of the assets.

Deferred tax assets have not been recognised in respect of tax losses of £148,956,485, depreciation in excess of capital allowances of £570,267,885 and other timing differences of £26,014,853 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 2002

11 Intangible fixed assets

	Goodwill £'000	Licences £'000	Customer lists £'000	Total £'000
Cost				
At 1 January 2002	2,817,472	9,225	-	2,826,697
Additions	-	-	2,500	2,500
At 31 December 2002	<u>2,817,472</u>	<u>9,225</u>	<u>2,500</u>	<u>2,829,197</u>
Amortisation				
At 1 January 2002	2,817,472	9,225	-	2,826,697
Charged during the year	-	-	1,458	1,458
Impairment charge for the year	-	-	1,042	1,042
At 31 December 2002	<u>2,817,472</u>	<u>9,225</u>	<u>2,500</u>	<u>2,829,197</u>
Net book value				
At 1 January and 31 December 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12 Tangible fixed assets

	Network £'000	Construction in progress £'000	Other £'000	Total £'000
Cost				
At 1 January 2002	1,750,320	255,527	273,721	2,279,568
Additions	288,840	-	190,912	479,752
Transfers	114,755	(114,755)	-	-
Disposals	(76)	-	(15,840)	(15,916)
At 31 December 2002	<u>2,153,839</u>	<u>140,772</u>	<u>448,793</u>	<u>2,743,404</u>
Depreciation				
At 1 January 2002	769,466	-	166,691	936,157
Charge for the year	276,793	-	103,445	380,238
Impairment charge for the year	630,530	-	-	630,530
Disposals	(16)	-	(8,372)	(8,388)
At 31 December 2002	<u>1,676,773</u>	<u>-</u>	<u>261,764</u>	<u>1,938,537</u>
Net book value				
At 31 December 2002	<u>477,066</u>	<u>140,772</u>	<u>187,029</u>	<u>804,867</u>
At 31 December 2001	<u>980,854</u>	<u>255,527</u>	<u>107,030</u>	<u>1,343,411</u>

Included in the net book value of network is £32,187,000 (2001 - £37,911,000) in respect of assets held under finance leases and similar hire purchase contracts. Accumulated depreciation on these assets is £18,787,000 (2001 - £13,063,000) and the charge for the year is £5,724,000 (2001 - £3,670,000).

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

	2002 £'000	2001 £'000
Freehold	23,256	21,343
Long leasehold	14,280	11,843
Short leasehold	14,280	11,840
	<u>51,816</u>	<u>45,026</u>

ntl GROUP LIMITED
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13 Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2002	9,755,304
Additions	846,673
Disposals	(51,200)
At 31 December 2002	<u>10,550,777</u>
Provision for impairment	
At 1 January 2002	9,755,304
Impairment charge for the year	-
Disposals	(51,200)
At 31 December 2002	<u>9,704,104</u>
Net book value	
At 31 December 2002	<u>846,673</u>
At 31 December 2001	<u>-</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.

On 20 November 2002 the company purchased the share capital of ntl (Chichester) Limited from ntl Rectangle Limited, a subsidiary company, for a consideration of £1.

On the same day the company sold its investment in National Transcommunications Limited to ntl (Chichester) Limited, for a consideration of £846,673,000 satisfied by the issue of five hundred £1 ordinary shares in ntl (Chichester) Limited.

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 shares	100%	Holding
National Transcommunications Limited	Ordinary shares	100% #	Telecoms
ntl Cambridge Limited	Ordinary shares	100% #	Telecoms
ntl Rectangle Limited	Ordinary shares	100%	Holding
NTL (Triangle) LLC	Common stock	100% (ii)	Holding
X-Tant Limited	Ordinary shares	100%	Telecoms
ntl (Aylesbury and Chiltern) Limited	Ordinary shares	100% #	Telecoms
ntl (Broadland) Limited	Ordinary shares	100% #	Telecoms
ntl (County Durham) Limited	Ordinary shares	100% #	Telecoms
ntl (CWC) Programming	Ordinary shares	100% #	Telecoms
ntl (Ealing) Limited	Ordinary shares	100% #	Telecoms
ntl (Fenland) Limited	Ordinary shares	100% #	Telecoms
ntl (Hampshire) Limited	Ordinary shares	100% #	Telecoms
ntl (Harrogate) Limited	Ordinary shares	100% #	Telecoms
ntl (Harrow) Limited	Ordinary shares	100% #	Telecoms
ntl (Kent) Limited	Ordinary shares	100% #	Telecoms
ntl (Leeds) Limited	Ordinary shares	100% #	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 (Norwich) Limited	Ordinary shares	100% #	Telecoms
ntl (Peterborough) Limited	Ordinary shares	100% #	Telecoms
ntl (South East) Limited	Ordinary shares	100% #	Telecoms
ntl (South Hertfordshire) Limited	Ordinary shares	33.3% #	Telecoms
ntl (South London) Limited	Ordinary shares	100% #	Telecoms
ntl (Wearside) Limited	Ordinary shares	100% #	Telecoms
ntl (West London) Limited	Ordinary shares	100% #	Telecoms
ntl (York) Limited	Ordinary shares	100% #	Telecoms
ntl CableComms Bolton	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Bromley	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Bury and Rochdale	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Cheshire	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Derby	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Greater Manchester	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Macclesfield	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Oldham and Tameside	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Solent	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Staffordshire	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Stockport	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Surrey	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Sussex	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Wessex	Ordinary shares	100% # (i)	Telecoms
ntl CableComms Wirral	Ordinary shares	100% # (i)	Telecoms
ntl Communications Services Limited	Ordinary shares	100% #	Telecoms
ntl Wirral Telephone and Cable TV Company	Ordinary shares	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

	2002	2001
	£'000	£'000
Trade debtors	46,248	42,643
Other debtors	-	34,124
Prepayments and accrued income	46,350	44,202
	<u>92,598</u>	<u>120,969</u>

ntl GROUP LIMITED
Notes to the Accounts
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15 Creditors: amounts falling due within one year	2002	2001
	£'000	£'000
Obligations under finance lease and hire purchase contracts (see note 17)	372	372
Trade creditors	212,933	234,566
Other taxes and social security costs	33,929	15,206
Other creditors	12,633	5,839
Accruals and deferred income	138,501	201,385
	<u>398,368</u>	<u>457,368</u>

16 Creditors: amounts falling due after one year	Revised	Revised
	2002	2001
	£'000	£'000
Obligations under finance lease and hire purchase contracts (see note 17)	37,849	38,042
Amounts due to subsidiary undertakings	28,249	25,834
Loan notes payable to parent undertaking	3,064,928	2,927,285
Loan notes payable to subsidiary undertakings	2,885,925	2,876,385
Long-term advances from group undertakings	42,583	42,583
Interest payable on loan notes	309,770	185,825
Amounts due to parent undertaking	3,149,434	2,933,654
	<u>9,518,738</u>	<u>9,029,608</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 18 December 2003, the company capitalised £2,033 million of the notes payable to parent undertaking 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.

Borrowings are repayable as follows:

	Revised	Revised
	2002	2001
	£'000	£'000
Amounts falling due:		
In one year or less or on demand	372	372
In more than one year but not more than two years	704	704
In more than two years but not more than five years	1,119	1,119
In more than five years	9,516,915	9,027,785
	<u>9,519,110</u>	<u>9,029,980</u>
Less: amounts falling due within one year	(372)	(372)
Creditors: amounts falling due after more than one year	<u>9,518,738</u>	<u>9,029,608</u>

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

	Revised	Revised
	2002	2001
	£'000	£'000
Obligations under finance lease and hire purchase contracts (see note 17)	36,026	36,219
Amounts due to subsidiary undertakings	28,249	25,834
Loan notes payable to parent undertaking	3,064,928	2,927,285
Loan notes payable to subsidiary undertakings	2,885,925	2,876,385
Interest payable on loan notes	309,770	185,825
Long-term advances from group undertakings	42,583	42,583
Amounts due to parent undertaking	3,149,434	2,933,654
	<u>9,516,915</u>	<u>9,027,785</u>

ntl GROUP LIMITED
Notes to the Accounts
for the year ended 31 December 2002

17 Obligations under finance leases and hire purchase contracts	2002	2001
	£'000	£'000
Amounts payable:		
Within one year	4,311	4,311
Within two to five years	15,600	15,600
Over five years	103,444	106,872
	123,355	126,783
Less: finance charges allocated to future periods	(85,134)	(88,369)
	<u>38,221</u>	<u>38,414</u>

Finance leases and hire purchase contracts are analysed as follows:

Current obligations (see note 15)	372	372
Non-current obligations (see note 16)	37,849	38,042
	<u>38,221</u>	<u>38,414</u>

18 Provisions for liabilities and charges

	2002	2001
	£'000	£'000
At 1 January	83,657	20,497
Provided in the year	40,872	159,024
Utilised in the year	(67,684)	(95,864)
At 31 December	<u>56,845</u>	<u>83,657</u>

The provision represents reorganisation costs of restructuring the group. The principal constituents are redundancy costs, lease termination costs and professional fees. It is anticipated that the majority of the provision will be utilised within one year of the balance sheet date.

ntl GROUP LIMITED
Notes to the Accounts
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19 Share capital

	2002	2001
	£'000	£'000
Authorised:		
5,378,375 ordinary shares of £0.01 each	54	54
5,243,153 ordinary shares of US\$0.20 each	682	682
	<u>736</u>	<u>736</u>
Allotted, called up and fully paid:		
5,179,797 ordinary shares of £0.01 each	52	52
5,179,680 ordinary shares of US\$0.20 each	674	674
	<u>726</u>	<u>726</u>

In 2003, the company issued two ordinary shares in exchange for the capitalisation of debt and interest totalling £2,050 million (see note 27).

20 Reconciliation of shareholder's funds and movements on reserves

	Share capital	Other reserves	Share premium account	Revised Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2001	726	11	2,857,027	(658,553)	2,199,211
Issue of shares	-	-	6,574,938	-	6,574,938
Loss for the year (revised)	-	-	-	(16,840,135)	(16,840,135)
At 1 January 2002 (revised)	726	11	9,431,965	(17,498,688)	(8,065,986)
Loss for the year (revised)	-	-	-	(28,563)	(28,563)
At 31 December 2002 (revised)	<u>726</u>	<u>11</u>	<u>9,431,965</u>	<u>(17,527,251)</u>	<u>(8,094,549)</u>

ntl GROUP LIMITED
Notes to the Accounts
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21 Capital commitments	2002	2001
	£'000	£'000
Amounts contracted for but not provided in the accounts	82,623	62,519

On 30 September 2003, the company successfully renegotiated its contract with IBM for the provision of IT services. The total capital commitment has now been reduced to £181.5 million at 31 December 2002.

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 £10,034,000 (2001 - £10,693,000). The amount of outstanding contributions at 31 December 2002 included within creditors: amounts falling due within one year were £nil (2001: £nil).

Defined benefit schemes

The company operates a defined benefit pension scheme. The pension scheme has never been open to new entrants except when the scheme started and new entrants were transferred from other schemes. The assets of the scheme are held separately from those of the company, being invested in units of an exempt unit trust. The scheme is funded by the payment of contributions to separately administered trust funds. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the partly projected unit credit method with a control period. Payments made to the scheme are charged to the profit and loss account and represent a proper charge to cover the accruing liabilities on a continuing basis.

Full actuarial valuations have been carried out up to 31 December 2002 by a qualified independent actuary. The main assumptions used by the actuaries were:

ntl Group Plan

Date of last actuarial valuation was on 31 December 2002.

Assumptions used:	2002	2001
Rate of increase in salaries	3.9%	4.0%
Rate of increase in pensions in payment	2.4%	2.5%
Discount rate	5.5%	6.0%
Inflation assumption	2.4%	2.5%
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	55%	91%

ntl GROUP LIMITED
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22 Pension commitments (continued)

In November 2000, the Accounting Standards Board issued FRS 17 "Retirement Benefits" replacing SSAP 24 "Accounting for Pension Costs". FRS 17 is fully effective for periods ending on or after 1 January 2005, though certain disclosures are required in the transitional period for periods ending on or after 22 June 2001. These further disclosures are included below.

The fair value of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities which are derived from cash flows over long periods and thus inherently uncertain, were:

	<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	7.0%	7,827	8.0%	8,965
Bonds	5.0%	1,219	5.0%	1,627
Cash and other	4.0%	47	3.5%	249
Total market value of assets		9,093		10,841
Present value of scheme liabilities		(16,500)		(11,891)
Deficit in the scheme		(7,407)		(1,050)
Related deferred tax asset		2,222		315
Net pension liability		(5,185)		(735)

Contributions to the defined benefit scheme during the year were £911,000 (2001: £665,000). The amount of outstanding contributions at 31 December 2002 included within creditors: amounts falling due within one year were £nil (2001: £nil).

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

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

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

	<i>£'000</i>
Expected return on pension scheme assets	841
Interest on pension scheme liabilities	(704)
	<u>137</u>

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

	<i>£'000</i>
Actual return less expected return on pension scheme assets	(3,358)
Experience gains and losses arising on pension scheme liabilities	-
Changes in assumptions underlying the present value of the scheme liabilities	(2,283)
	<u>(5,641)</u>

ntl GROUP LIMITED
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22 Pension commitments (continued)

Movement in scheme deficit during the year:

	£'000
Deficit at start of year	(1,050)
Total operating charge	(1,764)
Company contributions	911
Other financing charges	137
Actuarial loss	(5,641)
Deficit at end of year	<u>(7,407)</u>

Total actuarial gains and (losses):

	£'000
Difference between the expected and actual return on scheme assets	
Amount (£)	(3,358)
Percentage of scheme assets	(36.9)%

Experience gains and losses arising on scheme liabilities

Amount (£)	-
Percentage of the present value of scheme liabilities	-

Total actuarial loss recognised in the statement of total recognised gains and losses

Amount (£)	(5,641)
Percentage of the present value of scheme liabilities	(34.2)%

	Revised 2002 £'000	Revised 2001 £'000
The company's reserves under full implementation of FRS 17 would be as follows:		
Profit and loss account	(17,527,251)	(17,498,688)
Add back SSAP 24 charge	911	665
Profit and loss account excluding SSAP 24 pension charge	(17,526,340)	(17,498,023)
FRS 17 deficit	(5,185)	(735)
Profit and loss account including FRS 17 deficit	<u>(17,531,525)</u>	<u>(17,498,758)</u>

23 Other financial commitments

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

	Land and Buildings		Other	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Operating leases which expire:				
within one year	108	2,682	8,004	1,195
within two to five years	1,331	9,005	8,472	4,572
in over five years	28,606	25,395	2,473	25,998
	<u>30,045</u>	<u>37,082</u>	<u>18,949</u>	<u>31,765</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 2002 the maximum contingent liability represented by outstanding borrowings by these companies amounted to approximately £3,193 million (2001 - £2,885 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.

Up to 10 January 2003, the ultimate parent undertaking and controlling party was NTL Incorporated (later renamed NTL Europe, Inc.), a company incorporated in the state of Delaware, United States of America. From 10 January 2003, the company's ultimate parent undertaking and controlling party is NTL Communications Corp (later renamed 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 30 September 2003, the company successfully renegotiated its contract with IBM for the provision of IT services. The total capital commitment has now been reduced to £181.5 million at 31 December 2002.

On 30 September 2003, the company acquired the trades and assets of Telecential (Herts) Partnership and Telecential (Northants) Partnership.

On 18 December 2003, the company capitalised a further £2,033 million of the notes payable to parent undertaking, together with accrued interest, for the issue of one ordinary share of the company. As a result of these transactions, debt and interest totalling £2,033 million included within creditors at 31 December 2002 was capitalised during 2003.