

Registered No. 2591237

ntl GROUP LIMITED

Report and Accounts

31 December 2001



ntl Group Limited

Registered No. 2591237

DIRECTORS

R M Mackenzie

S E Schubert

SECRETARY

R M Mackenzie

DEPUTY COMPANY SECRETARY

G E James

AUDITORS

Ernst & Young LLP

1 More London Place

London SE1 2AF

REGISTERED OFFICE

ntl House

Bartley Wood Business Park

Hook

Hampshire RG27 9UP

ntl Group Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £16,814,301,000 (2000 – loss of £373,389,000). The directors do not recommend the payment of a dividend (2000 – £nil).

PRINCIPAL ACTIVITIY AND REVIEW OF THE BUSINESS

The principal activity of the company is the provision of telephone, digital and analogue cable television and Internet services to residential customers and data, telephone and Internet services to business customers.

On 21 February 2001, the company acquired ntl (CWC Holdings) from its parent undertaking in exchange for the company's ordinary shares.

At 31 December 2001, 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 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 £16,150,891,000 (see Note 5).

On 8 May 2002, NTL Incorporated, the company's ultimate parent undertaking, and certain of NTL Incorporated's holding company subsidiaries, filed a "pre-arranged" joint reorganisation plan under Chapter 11 of the United States Bankruptcy Code (the "Plan"). 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 and the Plan was consummated on 10 January 2003. Pursuant to the Plan NTL 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").

FUTURE DEVELOPMENTS

The directors aim to maintain the marketing and sales policies that have established the company as a significant business, providing high quality telecommunications services. They consider that 2002 will show continued growth.

CHARITABLE DONATIONS

During the year various charitable donations totalling £202,000 (2000 – £29,000) 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.

DIRECTORS' REPORT

EMPLOYMENT POLICIES AND DISABLED EMPLOYEES

ntl 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 fulfill the requirements of the job. Depending on their skills and abilities, disabled employees have the same opportunities for promotion, career development and training as other employees.

EMPLOYEE INVOLVEMENT

The company is dedicated to increasing the practical involvement of individuals in the running of their businesses. The company's philosophy is to encourage all employees to contribute to improving business performance through the utilisation of their knowledge, experience, ideas and suggestions. In encouraging an open approach which seeks to involve people in every level of the business, great emphasis is placed on effective communication. Employees are briefed as widely as possible about activities and developments across the group 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 during the year ended 31 December 2001, and thereafter, were as follows:

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)
P G Douglas	(resigned 11 February 2002)
B Dew	(resigned 1 February 2002)
D A Smerglia	(alternate to S A Carter; resigned 11 February 2002)
K J Stanton	(alternate to S Ross; resigned 11 February 2002)
D W Kelham	(resigned 18 January 2001)
S Wagner	(resigned 30 January 2001)
J B Knapp	(appointed 20 February 2002; resigned 1 October 2003)
J 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)

The directors had no interest in the share capital of the company. The company seeks exemption not to disclose the directors' interest in the common stock of NTL Incorporated, a company incorporated in the USA and the ultimate parent undertaking of the company.

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 2001, the company had an average of 73 days purchases outstanding in trade creditors (2000 - 64 days).

ntl Group Limited

DIRECTORS' REPORT

AUDITORS

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

By order of the Board



R M Mackenzie
Company Secretary

17 October 2003

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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 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 MEMBERS OF NTL GROUP LIMITED

We have audited the company's accounts for the year ended 31 December 2001, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 27. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members 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 Statements of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

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

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

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2001, and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

17 October 2003

ntl Group Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
TURNOVER	2	554,381	236,210
Cost of sales		(197,343)	(73,896)
GROSS PROFIT		357,038	162,314
Net operating costs	4	(17,024,291)	(415,579)
OPERATING LOSS	3	(16,667,253)	(253,265)
Interest receivable	8	46,799	34,621
Interest payable	9	(193,847)	(154,745)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(16,814,301)	(373,389)
Taxation	10	-	-
LOSS FOR THE YEAR	20	(16,814,301)	(373,389)

All operations are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company had no recognised gains and losses other than those reflected in the profit and loss account for the year ended 31 December 2001 and year ended 31 December 2000.

ntl Group Limited

BALANCE SHEET at 31 December 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Intangible assets	11	-	2,765,140
Tangible assets	12	1,343,411	1,537,824
Investments	13	-	3,180,366
		<u>1,343,411</u>	<u>7,483,330</u>
CURRENT ASSETS			
Debtors	14	120,969	2,297,485
Cash at bank and in hand		40,267	19,199
		<u>161,236</u>	<u>2,316,684</u>
CREDITORS: amounts falling due within one year	15	(457,368)	(7,541,937)
NET CURRENT LIABILITIES		<u>(296,132)</u>	<u>(5,225,253)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,047,279</u>	<u>2,258,077</u>
CREDITORS: amounts falling due after more than one year	16	(9,003,774)	(38,369)
PROVISION FOR LIABILITIES AND CHARGES	18	(83,657)	(20,497)
NET (LIABILITIES)/ASSETS		<u>(8,040,152)</u>	<u>2,199,211</u>
CAPITAL AND RESERVES			
Share capital	19	726	726
Share premium account	20	9,431,965	2,857,027
Capital redemption reserve	20	11	11
Profit and loss account	20	(17,472,854)	(658,553)
EQUITY SHAREHOLDERS' FUNDS		<u>(8,040,152)</u>	<u>2,199,211</u>



R M Mackenzie
Director

17 October 2003

NOTES TO THE ACCOUNTS

at 31 December 2001

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.

Accounting convention

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

Group accounts

As the company is a wholly owned subsidiary of another undertaking incorporated in the United Kingdom, it has taken advantage of section 228 of the Companies Act 1985 and is exempt from the obligation to prepare and deliver group accounts. These accounts therefore present information about NTL Group Limited as an individual undertaking and not about its group.

Intangible fixed assets

Goodwill is capitalised, classified as an asset on the balance sheet and amortised evenly over the directors' estimate of its useful economic life. Goodwill is reviewed for impairment at the end of the first full financial year following acquisitions and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation and prematurity period

Cable system assets:

During the time while the 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 rates as follows 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:

Leasehold buildings	– Length of lease
Cable and ducting	– 40 years
Network	– 15 years
Head end equipment	– 15 years
Subscriber equipment	– 4 to 15 years
Computer equipment	– 3 to 5 years

As stocks relate to network construction, they 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

NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Depreciation and prematurity period (continued)

Non-cable system assets:

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

Freehold buildings	– 50 years
Leasehold land and buildings	– Length of lease
Furniture and fixtures	– 10 years
Plant, machinery and office equipment	– 3 to 10 years
Capitalised overhead	– 3 to 15 years
Motor vehicles	– 4 years

Capitalised overhead

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

Investments

Investments are included at cost less any provision for impairment.

Impairment review

In accordance with FRS 11 "Impairment of Fixed Assets and Goodwill", the carrying value of the company's tangible fixed assets, intangible fixed assets and investments in subsidiaries have been compared to 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 2002 before applying the UK's long-term growth rate.

The discount rate used to arrive at this calculation was 16.6% on a pre-tax basis.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Research and development

Research and development expenditure is written off as incurred.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are taken to the profit and loss account.

Deferred taxation

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

NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Finance leases

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.

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 company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

Pensions

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

The company operates a funded defined benefit pension scheme. The pension scheme was closed to new entrants with effect from 6 April 1994. 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.

Cash flow statement

The company has taken advantage of the exemption under FRS1 (revised) not to prepare a cash flow statement as it is a subsidiary undertaking which is at least 90% owned by the ultimate parent undertaking.

2. TURNOVER

Turnover represents the invoiced amount of services provided, stated net of value added tax, and is attributable to one continuing activity, being the provision of information, communications and entertainment services, all of which is attributable to the United Kingdom.

Turnover is analysed as follows:

	2001 £000	2000 £000
Cable television	221,752	94,560
Telephony	213,437	90,947
Internet	87,038	37,014
Other	32,154	13,689
	<u>554,381</u>	<u>236,210</u>

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

3. OPERATING LOSS

This is stated after charging:

	2001 £000	2000 £000
Depreciation of owned fixed assets	256,694	154,311
Depreciation of assets held under finance leases	3,670	2,183
Amortisation of goodwill	188,446	20,686
Operating lease rentals	24,966	10,444
– land and buildings	19,452	365
– plant and machinery	159,024	20,957
Reorganisation costs	159,024	20,957
Impairment charge (see note 5)	16,150,891	-
	<u>16,150,891</u>	<u>-</u>

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

4. EXCEPTIONAL ITEMS

	2001 £000	2000 £000
Reorganisation costs	159,024	20,957
	<u>159,024</u>	<u>20,957</u>

Reorganisation costs represent the costs of restructuring the company to reflect its size and current trading position. The principal constituents are redundancy costs, lease termination costs and professional fees.

5. IMPAIRMENT CHARGE

	2001 £000	2000 £000
Impairment of intangible assets (see note 11)	2,576,694	-
Impairment of tangible fixed assets (see note 12)	300,057	-
Impairment of investments (see note 13)	9,755,304	-
Impairment of amounts due from group undertakings	3,518,836	-
	<u>16,150,891</u>	<u>-</u>

In accordance with FRS 11 "Impairment of Fixed Assets and Goodwill", the carrying value of the company's intangible and tangible fixed assets 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 exploited properly. 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 2002 before applying the UK's long-term growth rate.

The discount rate used to arrive at this calculation was 16.6% on a pre-tax basis.

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

6. STAFF COSTS

	2001 £000	2000 £000
Wages and salaries	435,479	125,503
Social security costs	41,563	12,179
Other pension costs	17,101	3,718
	<u>494,143</u>	<u>141,400</u>

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

	2001 No.	2000 No.
Selling, general and administration	7,355	3,056
Operations	7,035	1,942
Networks	1,014	401
	<u>15,404</u>	<u>5,399</u>

7. DIRECTORS' EMOLUMENTS

	2001 £000	2000 £000
Emoluments	<u>1,087</u>	<u>1,627</u>
Company contributions paid to money purchase pension schemes	<u>24</u>	<u>12</u>
	2001 No.	2000 No.
Members of money purchase scheme	4	3
Members of defined benefit pension scheme	<u>1</u>	<u>2</u>

The amounts in respect of the highest paid director are as follows:

	2001 £000	2000 £000
Emoluments	<u>471</u>	<u>409</u>

In respect of the highest paid director, the company paid £4,700 contributions to money purchase schemes (2000 - £nil).

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

8. INTEREST RECEIVABLE

	2001	2000
	£000	£000
Bank interest	-	2,113
Interest on loan notes receivable from group companies	46,799	32,273
Other	-	235
	<u>46,799</u>	<u>34,621</u>

9. INTEREST PAYABLE

	2001	2000
	£000	£000
Bank loans and overdrafts	4,083	3,397
Finance charges payable under leases and hire purchase contracts	3,939	4,718
Interest on loan notes payable to group companies	185,825	146,630
	<u>193,847</u>	<u>154,745</u>

10. TAXATION

There is no corporation taxation charge as the company incurred losses during the year (2000 - £nil).

11. INTANGIBLE ASSETS

	Goodwill	Licence acquisition costs	Total
	£000	£000	£000
Cost:			
At 1 January 2001 and 31 December 2001	2,817,472	9,225	2,826,697
Amortisation:			
At 1 January 2001	61,557	-	61,557
Charge for the year	188,446	-	188,446
Impairment charge	2,567,469	9,225	2,576,694
At 31 December 2001	2,817,472	9,225	2,826,697
Net book value:			
At 31 December 2001	-	-	-
At 31 December 2000	2,755,915	9,225	2,765,140

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

12. TANGIBLE FIXED ASSETS

	<i>Network</i> <i>£000</i>	<i>Construction in progress</i> <i>£000</i>	<i>Other</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost:				
At 1 January 2001	1,090,000	243,371	579,676	1,913,047
Additions	346,934	12,156	6,229	365,319
Transfers	2,528	-	(445)	2,083
Disposals	-	-	(881)	(881)
Reclassifications	8,575	-	(8,575)	-
At 31 December 2001	1,448,037	255,527	576,004	2,279,568
Depreciation:				
At 1 January 2001	270,042	-	105,181	375,223
Charge for the year	163,151	-	97,213	260,364
Impairment	300,057	-	-	300,057
Transfers	712	-	588	1,300
Disposals	-	-	(787)	(787)
Reclassifications	5,353	-	(5,353)	-
At 31 December 2001	739,315	-	196,842	936,157
Net book value:				
At 31 December 2001	708,722	255,527	379,162	1,343,411
At 1 January 2001	819,958	243,371	474,495	1,537,824

Included in the net book value of network cable, plant and equipment is £37,911,000 (2000 - £41,581,000) in respect of assets held under finance leases and similar hire purchase contracts. Accumulated depreciation on these assets is £13,063,000 (2000 - £9,393,000) and the charge for the year is £3,670,000 (2000 - £2,183,000).

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

	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
Freehold	21,343	9,442
Long leasehold	11,843	2,733
Short leasehold	11,840	2,731
	45,026	14,906

ntl Group Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

13. INVESTMENTS

	<i>Subsidiary undertakings £000</i>
Cost:	
At 1 January 2001	3,180,366
Additions	6,574,938
At 31 December 2001	9,755,304
Provision for impairment:	
At 1 January 2001	-
Impairment	9,755,304
At 31 December 2001	9,755,304
Net book value:	
At 31 December 2001	-
At 31 December 2000	3,180,366

In the opinion of the directors the investments in subsidiary undertakings is fully impaired at 31 December 2001.

On 21 February 2001 the company acquired the ordinary shares of the ntl (CWC Holdings) from its parent undertaking for a consideration of £6,574,938,000 satisfied by the issue of one £0.01 ordinary share.

Analysis of the acquisition is as follows:

	<i>Book value £000</i>	<i>Fair value adjustments £000</i>	<i>Fair value £000</i>
Net assets acquired:			
Tangible fixed assets	3,375,545	(224,350)	3,151,195
Debtors	277,647	-	277,647
Cash	25,966	-	25,966
Creditors: amounts falling due within one year	(323,187)	-	(323,187)
Borrowings	(2,648,036)	-	(2,648,036)
Provisions	(10,990)	(238,815)	(249,805)
Minority interests	(7,543)	-	(7,543)
	689,402	(463,165)	226,237
Goodwill			6,348,701
Fair value of consideration			6,574,938
Satisfied by:			
Issue of ordinary shares			6,574,938

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

13. INVESTMENTS (continued)

The principal fair value adjustments relate to:

- An adjustment of £224,350,000 relating to the alignment of accounting policies between the company and ntl (CWC Holdings).
- An adjustment to provide for onerous obligations and other items of £238,815,000 not recorded in the books of ntl (CWC Holdings).

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>Name of company</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>			
National Transcommunication Limited	Ordinary shares	100% #	Transmission services
ntl Cambridge Limited	Ordinary shares	100% #	Telecommunications
ntl Communications (Ireland) Limited	Ordinary shares	100% # (ii)	Telecommunications
ntl (Triangle) LLC	Common stock	100% # (iii)	Holding company
X-Tant Limited	Ordinary shares	100% #	Telecommunications
ntl (Aylesbury and Chiltern) Limited	Ordinary shares	100% #	Telecommunications
ntl (Broadland) Limited	Ordinary shares	100% #	Telecommunications
ntl (County Durham) Limited	Ordinary shares	100% #	Telecommunications
ntl (CWC Holdings)	Ordinary shares	100% # (i)	Holding company
ntl (CWC) Programming Limited	Ordinary shares	100% #	Telecommunications
ntl (Ealing) Limited	Ordinary shares	100% #	Telecommunications
ntl (Fenland) Limited	Ordinary shares	100% #	Telecommunications
ntl (Hampshire) Limited	Ordinary shares	100% #	Telecommunications
ntl (Harrogate) Limited	Ordinary shares	100% #	Telecommunications
ntl (Harrow) Limited	Ordinary shares	100% #	Telecommunications
ntl (Kent) Limited	Ordinary shares	100% #	Telecommunications
ntl (Leeds) Limited	Ordinary shares	100% #	Telecommunications
ntl (Norwich) Limited	Ordinary shares	100% #	Telecommunications
ntl (Peterborough) Limited	Ordinary shares	100% #	Telecommunications
ntl (South East) Limited	Ordinary shares	100% #	Telecommunications
ntl (South Hertfordshire) Limited	Ordinary shares	33.3% #	Telecommunications
ntl (South London) Limited	Ordinary shares	100% #	Telecommunications
ntl (Wearside) Limited	Ordinary shares	100% #	Telecommunications
ntl (West London) Limited	Ordinary shares	100% #	Telecommunications
ntl (York) Limited	Ordinary shares	100% #	Telecommunications
ntl CableComms Bolton	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Bromley	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Bury and Rochdale	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Cheshire	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Derby	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Greater Manchester	Ordinary shares	100% # (i)	Telecommunications

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

13. INVESTMENTS (continued)

<i>Name of company</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>			
ntl CableComms Macclesfield	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Oldham and Tameside	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Solent	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Staffordshire	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Stockport	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Surrey	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Sussex	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Wessex	Ordinary shares	100% # (i)	Telecommunications
ntl CableComms Wirral	Ordinary shares	100% # (i)	Telecommunications
ntl Communications Services Limited	Ordinary shares	100% #	Telecommunications
ntl Wirral Telephone and Cable TV Company	Ordinary shares	100% #	Telecommunications

held by subsidiary undertaking

- (i) Unlimited company
- (ii) incorporated in the Republic of Ireland
- (iii) Registered in USA

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.

The group 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

	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	42,643	40,911
Loan notes due from fellow subsidiaries	-	2,093,143
Loan notes due from parent undertaking	-	42,800
Long-term advances to group companies	-	32,190
Interest receivable on loan notes	-	32,273
Amounts due from group undertakings	-	31,258
Capital amounts receivable under finance leases	-	700
Other debtors	34,124	2,806
Prepayments and accrued income	44,202	21,404
	<u>120,969</u>	<u>2,297,485</u>

The original cost of assets acquired for the purpose of letting under finance leases was £nil (2000 - £10,092,000).

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

15. CREDITORS: amounts falling due within one year

	2001 £000	2000 £000
Bank overdraft	-	2,278
Obligations under finance leases and hire purchase contracts (note 17)	372	372
Trade creditors	234,566	217,534
Other creditors	5,839	7,967
Other taxes and social security costs	15,206	17,010
Accruals and deferred income	201,385	211,530
Loan notes to parent undertakings	-	2,309,189
Loan notes to fellow subsidiaries	-	4,250,469
Long-term advances from group companies	-	61,174
Interest payable on loan notes	-	146,630
Amounts due to parent undertakings	-	317,784
	<u>457,368</u>	<u>7,541,937</u>

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

	2001 £000	2000 £000
Obligations under finance leases and hire purchase contracts (note 17)	38,042	38,369
Loan notes to parent undertakings	2,927,285	-
Loan notes to fellow subsidiaries	2,876,385	-
Long-term advances from group companies	42,583	-
Interest payable on loan notes	185,825	-
Amounts due to parent undertakings	2,933,654	-
	<u>9,003,774</u>	<u>38,369</u>

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2001 £000	2000 £000
Amounts payable:		
Within one year	4,311	4,121
Within two to five years	15,600	15,600
Over five years	106,872	111,328
	<hr/>	<hr/>
	126,783	131,049
Less: finance charges allocated to future periods	(88,369)	(92,308)
	<hr/>	<hr/>
	38,414	38,741
	<hr/>	<hr/>

Finance leases and hire purchase contracts are analysed as follows:

	2001 £000	2000 £000
Current obligations (note 15)	372	372
Non-current obligations (note 16)	38,042	38,369
	<hr/>	<hr/>
	38,414	38,741
	<hr/>	<hr/>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Reorganisation</i> £000
Cost:	
At 1 January 2001	20,497
Provided in the year	159,024
Utilised in the year	(95,864)
	<hr/>
At 31 December 2001	83,657
	<hr/>

A provision has been created for expected restructuring costs resulting from a review of the company's business following the ntl group's recent acquisitions. The provision includes employee severance costs and lease exit costs. The employee severance costs will be incurred by December 2002. The provision for lease exit costs will be utilised as the leases are exited.

Deferred tax

The deferred tax assets in respect of accelerated capital allowances, unutilised losses and other timing differences have not been recognised in the accounts on the grounds of prudence.

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

19. SHARE CAPITAL

	2001 No.	2000 No.	2001 £000	2000 £000
Authorised:				
Ordinary shares of £0.01 each	5,378,375	5,378,375	54	54
Ordinary shares of US\$0.20	5,243,153	5,243,153	682	682
	<u>10,621,528</u>	<u>10,621,528</u>	<u>736</u>	<u>736</u>
Allotted, called up and fully paid:				
Ordinary shares of £0.01 each	5,179,797	5,179,796	52	52
Ordinary shares of US\$0.20	5,179,680	5,179,680	674	674
	<u>10,359,477</u>	<u>10,359,476</u>	<u>726</u>	<u>726</u>

On 21 February 2001 one ordinary share of £0.01 was issued fully paid, for £6,574,938,000 as consideration for the acquisition of ntl (CWC Holdings).

20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 31 December 1999	726	1,428,346	11	(285,164)	1,143,919
Loss for the year	-	-	-	(373,389)	(373,389)
Issue of shares	-	1,428,681	-	-	1,428,681
At 31 December 2000	726	2,857,027	11	(658,553)	2,199,211
Loss for the year	-	-	-	(16,814,301)	(16,814,301)
Issue of shares	-	6,574,938	-	-	6,574,938
At 31 December 2001	726	9,431,965	11	(17,472,854)	(8,040,152)

21. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £62,519,000 (2000 – £1,075,000).

The company is also contracted to IBM under an IT outsource agreement until 31 August 2013. At 31 December 2001, the total outstanding commitment was £1.1 billion. In September 2003, the contract was re-negotiated and the total commitment reduced to £494 million.

NOTES TO THE ACCOUNTS
at 31 December 2001

22. PENSION COMMITMENTS

Defined contribution scheme

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.

Defined benefit scheme

The company operates a funded defined benefit pension scheme. The pension scheme was closed to new entrants with effect from 6 April 1994. 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.

The scheme's assets are measured at fair value. The scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond. As a closed scheme, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

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:

A full actuarial valuation was carried out at 5 April 2000 and updated to 31 December 2001 by a qualified independent actuary. The main assumptions used by the actuary at 31 December 2001 were:

Rate of increase in salaries	4.0%
Rate of increase in pensions in payment	2.5%
Discount rate	6.0%
Inflation assumption	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	91.0%

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

22. PENSION COMMITMENTS (continued) Defined benefit scheme (continued)

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 £000</i>
Equities	8.0%	8,965
Bonds	5.0%	1,627
Cash and other	3.5%	249
Total market value of assets		10,841
Present value of scheme liabilities		(11,891)
Deficit in the scheme		(1,050)
Related deferred tax asset		315
Net pension liability		(735)

Contributions to the defined benefit scheme during the year were £665,000 (2000: £nil). The amount of outstanding contributions at 31 December 2001 included within creditors: amounts falling due within one year were £nil (2000: £nil).

The company's reserves under full implementation of FRS 17 Retirement Benefits would be as follows:

	<i>2001 £000</i>
Profit and loss account	(17,472,854)
Add back SSAP 24 charge	665
Profit and loss account excluding SSAP 24 charge	(17,472,189)
FRS 17 deficit	(735)
Profit and loss account including FRS 17 deficit	(17,472,924)

ntl Group Limited

NOTES TO THE ACCOUNTS at 31 December 2001

23. OTHER FINANCIAL COMMITMENTS

At 31 December 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	2,682	101	1,195	-
Within two to five years	9,005	279	4,572	3,560
Over five years	25,395	8,782	25,998	3,191
	<u>37,082</u>	<u>9,162</u>	<u>31,765</u>	<u>6,751</u>

24. RELATED PARTY TRANSACTIONS

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

25. 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 2001 the maximum contingent liability represented by outstanding borrowings by these companies amounted to approximately £2,885 million (31 December 2000 - £2,277 million). Borrowings under the facility are secured by security over the assets of certain members of the group including those of the company.

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 both 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.

NOTES TO THE ACCOUNTS
at 31 December 2001

27. POST BALANCE SHEET EVENT

The directors are performing an impairment review for the purposes of the company's accounts for the year ended 31 December 2002 in accordance with the requirements of Financial Reporting Standard No. 11 "Impairment of Fixed Assets and Goodwill". At the date of approval of the accounts for the year ended 31 December 2001 this review had not been completed, and so the directors are unable to determine the likelihood or possible magnitude of any losses which may result from this review.