2591237

ntl GROUP LIMITED

Report and Accounts

31 December 2000

ERNST & YOUNG

LD5 COMPANIES HOUSE 0427 09/10/02

Registered No. 2591237

DIRECTORS
J B Knapp
J Gregg

SECRETARY
R M Mackenzie

DEPUTY COMPANY SECRETARY
G E James

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

REGISTERED OFFICE
ntl House
Bartley Wood Business Park
Hook
Hampshire RG27 9UP

The directors present their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £373,389,000 (1999 – loss of £172,683,000). The directors do not recommend the payment of a dividend (1999 – nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the provision of telecommunications services to residential and business customers.

In the last quarter of 2000 the company incurred reorganisation costs of £20,957,000, which represented redundancy costs, lease termination costs and professional fees. These costs were incurred to significantly reduce the company's expenditure and to reflect its size and trading position.

On 31 December 2000 the company participated in a group restructuring programme, which resulted in the acquisition of CableTel Newport from NTL Investment Holdings Limited, the company's immediate parent undertaking, for $1,428,681,000.

On 8 May 2002, NTL Incorporated, the company's ultimate parent undertaking, and certain of NTL Incorporated's holding company subsidiaries, announced that they each had filed "prearranged" Chapter 11 cases under United States bankruptcy laws. On 24 May 2002, NTL Incorporated and the other debtors in the Chapter 11 cases filed their amended joint reorganisation plan (the "Plan"), amending and superseding the plan filed on 8 May 2002, and an amended disclosure statement. Under the proposed Plan, approximately $10.6 billion of debt will be converted into equity in two reorganised companies – NTL UK and Ireland and NTL Euroco. The Plan has received agreement in principle from a steering committee of NTL's leading banks, and an unofficial committee of NTL's public bondholders (holding over 50% of the face value of NTL's bonds) has agreed to support the Plan. On 5 September 2002, the Bankruptcy Court confirmed the Plan of Reorganisation, although completion of the Plan is subject to the waiver or satisfaction of certain conditions contained therein.

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 2001 will show continued growth.

CHARITABLE DONATIONS

During the year the company made various charitable donations totalling £12,000 (1999 - £16,000).

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

EMPLOYEE INVOLVEMENT

The company is dedicated to increasing the practical involvement of individuals in the running of their businesses. The company's philosophy is to encourage all employees to contribute to improving business performance through the utilisation of their knowledge, experience, ideas and suggestions. In encouraging an open approach which seeks to involve people in every level of the business, 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 2000, and thereafter, were as follows:

S A Carter	(appointed 1 December 2000; resigned 20 February 2002)
S Ross	(appointed 1 November 2000; resigned 20 February 2002)
R M Mackenzie	(resigned 20 February 2002)
P G Douglas	(resigned 11 February 2002)
B Dew	(appointed 27 May 2000; resigned 1 February 2002)
D A Smerglia	(alternate to S A Carter; appointed 20 December 2000; resigned 11 February 2002)
K J Stanton	(alternate to S Ross; appointed 20 December 2000; resigned 11 February 2002)
P Clesham	(appointed 27 May 2000; resigned 11 July 2000)
D W Kelham	(resigned 18 January 2001)
J P Thorp	(resigned 1 November 2000)
S Wagner	(resigned 30 January 2001)
L C Wood	(resigned 1 December 2000)
J B Knapp	(appointed 20 February 2002)
J Gregg	(appointed 20 February 2002)

The directors had no interest in the share capital of the company requiring disclosure under the Companies Act 1985. 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.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. 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

G E James
Deputy Company Secretary

30 SEP 2002

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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NTL GROUP LIMITED

We have audited the company's accounts for the year ended 31 December 2000, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 26. These accounts have been prepared on the basis of the accounting policies set out therein.

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.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Notes 1A and 1B of the accounts concerning the fundamental uncertainty as to whether or not the company is a going concern. The company is dependent on continuing finance being made available to enable it to meet its liabilities as they fall due. To date, this finance has been provided by bank facilities and borrowings from its ultimate parent undertaking NTL Incorporated and certain of its subsidiaries (collectively "NTL"). As explained in detail in Notes 1A and 1B, NTL Incorporated has entered into a recapitalisation process, the success of which is dependent upon the continuing agreement of NTL's creditors, as well as adequate liquidity being available to complete the process. As part of this process NTL Incorporated and five of its subsidiary undertakings filed, on 8 May 2002, prearranged cases and a pre-negotiated Plan of Reorganisation, as amended on 24 May 2002, with the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the United States Bankruptcy Code. On 5 September 2002, the Bankruptcy Court confirmed the Plan of Reorganisation, although completion of the Plan is subject to the waiver or satisfaction of certain conditions contained therein.

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The Chapter 11 bankruptcy filing constituted an event of default under the terms of the bonds issued by each of the entities which made the filing, and as such amounts outstanding on those bonds became immediately due and payable. The Chapter 11 filing also constituted an event of default under the terms of NTL's UK and Swiss credit facilities, allowing the lenders to declare amounts outstanding on those facilities immediately due and payable.

Should the recapitalisation process not be successfully completed, and should financial support no longer be available to the company, the company would not be able to continue as a going concern.

The accounts do not include any adjustments that would result should the recapitalisation process not be successfully completed and should financial support no longer be available to the company. It is not practical to quantify any adjustments to the carrying value of fixed assets or additional provisions that might be required. In view of the significance of this fundamental uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000, and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

3 0 SEP 2002

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
TURNOVER	2	236,210	158,680
Cost of sales		73,896	55,112
GROSS PROFIT		162,314	103,568
Other operating costs		98,653	51,162
Administrative expenses:			
Recurring		295,969	155,858
Exceptional:			
Reorganisation costs	4	20,957	–
		316,926	155,858
OPERATING LOSS	3	(253,265)	(103,452)
Income from investments	5	–	34
Interest receivable	8	34,621	29,108
Interest payable	9	(154,745)	(98,373)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(373,389)	(172,683)
Tax on loss on ordinary activities	10	–	–
LOSS FOR THE FINANCIAL YEAR	20	(373,389)	(172,683)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss for the year of £373,389,000 (1999 – loss of £172,683,000).

BALANCE SHEET
at 31 December 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Intangible assets	11	2,765,140	414,074
Tangible assets	12	1,537,824	920,254
Investments	13	3,180,366	1,724,257
		7,483,330	3,058,585
CURRENT ASSETS			
Debtors	14	2,297,485	554,935
Cash at bank and in hand		19,199	55,640
		2,316,684	610,575
CREDITORS: amounts falling due within one year	15	(7,541,937)	2,486,924
NET CURRENT LIABILITIES		(5,225,253)	(1,876,349)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,258,077	1,182,236
CREDITORS: amounts falling due after more than one year	16	38,369	37,903
PROVISION FOR LIABILITIES AND CHARGES	18	20,497	414
NET ASSETS		2,199,211	1,143,919
CAPITAL AND RESERVES			
Share capital	19	726	726
Share premium account	20	2,857,027	1,428,346
Capital redemption reserve	20	11	11
Profit and loss account	20	(658,553)	(285,164)
EQUITY SHAREHOLDERS' FUNDS		2,199,211	1,143,919

J Gregg
Director

30 SEP 2002

1A. ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared on the assumption that the company is a going concern. At the date of approving the accounts there exists a fundamental uncertainty regarding the company's ability to continue as a going concern.

The company has historically required, and continues to require, significant amounts of capital to finance construction of its network, connection of customers to its network, investments in subsidiary undertakings, other capital expenditures and working capital needs. The company has historically met these liquidity requirements through borrowings from commercial banks and from NTL Incorporated ("the Company") and its subsidiaries (collectively "NTL").

Interest on bonds issued by NTL Incorporated and certain of its subsidiaries has not been paid since 1 April 2002.

As of 30 June 2002, the Company had approximately $947.5 million in cash, cash equivalents and marketable securities on hand. The Company may require additional cash in the twelve months from 1 July 2002 to 30 June 2003. The Company obtained a Court approved $630 million Debtor In Possession ('DIP') facility (described in note 1B below) on 15 July 2002 to meet the potential cash requirements of the Company and its subsidiaries, excluding Cablecom. The Company believes that cash, cash equivalents and marketable securities on hand at 30 June 2002, and the cash available from the DIP facility and subsequently the planned exit facility will be sufficient for its and its subsidiaries cash requirements during the twelve months from 1 July 2002 to 30 June 2003.

The Company expects that the DIP facility will be replaced with an exit facility for NTL Communications Corp. and its subsidiaries upon the completion of the recapitalisation process, in part because the DIP facility will mature concurrently with the Company's emergence from Chapter 11. Because of the present market conditions which are unfavourable to telecommunications companies generally, there can be no assurance that the NTL Incorporated will successfully obtain an acceptable exit facility, although the Company is presently in discussions with various parties about alternatives.

Furthermore, both the equity and debt capital markets have recently experienced periods of volatility, particularly for securities issued by telecommunications and technology companies. The ability of telecommunications companies to access those markets as well as their ability to obtain financing provided by bank lenders and equipment suppliers has become more restricted and financing costs have increased. During some recent periods, the capital markets have been largely unavailable to new issues of securities by telecommunications companies. NTL's public equity is no longer trading on the New York Stock Exchange, and its public debt securities are trading at or near all time lows.

These factors mean that the company does not have access to its historic sources of capital. Therefore NTL's ability to provide continuing finance to the company depends on a restructuring of some or all of NTL's debt.

Details of NTL Incorporated's proposed recapitalisation plan have been included in note 1B. As stated in note 1B NTL Incorporated and five of its subsidiary undertakings filed, on 8 May 2002, prearranged cases and a pre-negotiated Plan of Reorganisation, as amended on 24 May 2002, with the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the United States Bankruptcy Code. The Chapter 11 bankruptcy filing constituted an event of default under the terms of bonds issued by each of the entities which made the filing, and as such amounts outstanding on those bonds became immediately due and payable. The Chapter 11 filing also constituted an event of default under the terms of NTL's UK and Swiss credit facilities, allowing the lenders to declare amounts outstanding on those facilities immediately due and payable. On 5 September 2002, the Bankruptcy Court confirmed the Plan of Reorganisation, although completion of the Plan is subject to the waiver or satisfaction of certain conditions contained therein.

1A. ACCOUNTING POLICIES (continued)

Fundamental accounting concept (continued)

During the recapitalisation process, the company has maintained normal and regular trade terms with its suppliers and customers. There can be no assurance that the company's suppliers will continue to provide normal trade or credit on acceptable terms, if at all, or those customers will continue to do business or enter into new business with the company.

The recapitalisation plan set out in note 1B is at an early stage and it may be several months before the outcome can be seen with any certainty. When assessing the foreseeable future the directors have been unable to look to a period of twelve months from the date of approval of the accounts. The directors consider that the material uncertainties referred to above cast substantial doubt upon the company's ability to continue as a going concern for the foreseeable future. Should the recapitalisation process not be successfully completed, and should financial support no longer be available to the company, the company would not be able to continue as a going concern. Nevertheless, because of the actions currently being taken by NTL, the directors of the company consider that it is appropriate to prepare the company's accounts on a going concern basis, which assumes that the company is to continue in operational existence for the foreseeable future.

The accounts do not include any adjustments that would result should the recapitalisation process not be completed and should financial support no longer be available to the company. It is not practical to quantify the adjustments to the carrying value of fixed assets or additional provisions that might be required, but should any adjustments be required they may be significant.

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 as follows:

Goodwill arising on the acquisition of the trade of part of the ntl group is being amortised evenly over the directors' estimate of its useful economic life of 15 years.

Goodwill arising on the acquisition of the trade of Net Channel Limited is being amortised evenly over the directors' estimate of its useful economic life of 15 years.

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.

1A. ACCOUNTING POLICIES (continued)

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

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	–	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.

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.

1A. ACCOUNTING POLICIES (continued)

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.

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.

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.

1B. RECAPITALISATION PROCESS

On 31 January 2002, NTL Incorporated announced that it had appointed Credit Suisse First Boston, JP Morgan and Morgan Stanley to advise on strategic and recapitalisation alternatives to strengthen its balance sheet and reduce debt and put an appropriate capital structure in place for its business. Since then, NTL has been evaluating various recapitalisation alternatives to effect a comprehensive consensual reorganisation in a timely manner to minimise negative effects on its business operations.

On 16 April 2002, NTL announced that it had reached an agreement in principle with an unofficial committee of its public bondholders and France Telecom (a significant holder of NTL Incorporated's preferred stock) and had executed a non-binding term sheet on a comprehensive recapitalisation. The members of the committee hold in aggregate over 50% of the face value of NTL and its subsidiaries' public bonds. The recapitalisation, if implemented, would result in a conversion of approximately $10.6 billion of debt into equity.

On 2 May 2002, a steering committee of NTL's bank lenders approved in principle the recapitalisation previously agreed between NTL and its public bondholders, subject to a non-binding term sheet.

In order to implement the proposed recapitalisation, on 8 May 2002 NTL Incorporated, NTL Delaware, NTL CC, Communications Cable Funding Corp., Diamond Cable Communications Limited and Diamond Holdings Limited filed prearranged cases and a pre-negotiated Plan of Reorganisation with the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the United States Bankruptcy Code, because, amongst other things, the bonds issued by all of these companies are governed by New York law. NTL's operating subsidiaries were not included in the Chapter 11 filing. The Chapter 11 bankruptcy filing constituted an event of default under the terms of bonds issued by each of the entities which made the filing, and as such amounts outstanding on those bonds became immediately due and payable. The Chapter 11 filing also constituted an event of default under the terms of NTL's UK and Swiss credit facilities, allowing the lenders to declare amounts outstanding on those facilities immediately due and payable. On 5 September 2002, the Bankruptcy Court confirmed the Plan of Reorganisation, although completion of the Plan is subject to the waiver or satisfaction of certain conditions contained therein.

In connection with the Plan of Reorganisation certain bondholders committed to provide up to $500 million of new debt financing to NTL Incorporated and some of its subsidiaries during the Chapter 11 process. The Bankruptcy Court approved a DIP facility of $630 million (including a $130 million commitment from NTL Delaware and the $500 million from certain bondholders) on 3 July 2002. NTL Delaware has cash on hand and, because the Chapter 11 cases are not substantively consolidated, NTL Incorporated and its debtor subsidiaries and the steering committee of bondholders have concluded that the cash at NTL Delaware is to be used to partially fund the reorganisation of all of the debtors. NTL Delaware will receive interest and is entitled to the same protections as the other bondholder DIP lenders. On 15 July 2002, the various lenders under the DIP facility and NTL Delaware entered into the DIP facility agreement with Communications Cable Funding Corp., a subsidiary of NTL Incorporated, to provide $630 million in financing to Communications Cable Funding Corp.

Under the DIP facility, Communications Cable Funding is the borrower, and all of the other debtors (other than Diamond Cable and Diamond Holdings) are guarantors, except that NTL Communications Corp. is also a co-obligor of the loans from NTL Delaware. Under the DIP facility agreement, the cash (except for the DIP facility proceeds) of the borrower and the guarantors will be cash collateral for the DIP facility and will not be used or transferred for any purpose whatsoever without the consent of the bondholder DIP lenders. All funding needs of the debtors will be funded through the proceeds of the DIP facility, in accordance with a budget and the terms of the DIP facility agreement.

1B. RECAPITALISATION PROCESS (continued)

Under the DIP facility agreement, the loan structure contains three tranches that rank equally with each other. All amounts owed under the DIP facility agreement are required to be paid in full no later than the earlier of (i) the completion of the reorganisation plan, (ii) 1 December 2002, and (iii) the date on which all of the term loans become due and payable in full under the DIP facility agreement, whether by acceleration or otherwise.

On 17 July 2002, NTL drew the first tranche available under the facility in the amount of $229.0 million.

Because of the short maturity of the DIP facility and the longer term liquidity needs of NTL, as well as the requirements under the Bankruptcy Code for confirmation of and the conditions to completion of the Company's proposed Plan of Reorganisation, the Company will require the reorganised NTL and/or Communications Cable Funding Corp. to enter into an exit financing facility. The exit financing or any alternative financing would refinance (at least in part) the DIP facility and may be used as consideration for the refinancing of the note payable to NTL Delaware from NTL (UK) Group, Inc. Because of the present market conditions which are unfavourable to telecommunications companies generally, there can be no assurance that NTL Incorporated will successfully obtain an acceptable exit facility, although the Company is presently in discussions with various parties about alternatives.

NTL Incorporated expects that the exit facility may be secured by various assets of the reorganised NTL, including those which secure the DIP facility, and would rank senior to all current and future subordinated debt of the reorganised NTL.

NTL Incorporated also expects that the exit facility would impose operating and financial restrictions on the reorganised NTL and its subsidiaries. These restrictions would significantly limit or prohibit, among other things, the reorganised NTL's ability and the ability of its subsidiaries to incur additional indebtedness, pay dividends, or make distributions in respect of capital stock, make other restricted payments, enter into sale and leaseback transactions, create liens upon assets, enter into transactions with affiliates or related persons, sell assets, or consolidate, merge, or sell all or substantially all of their assets. The exit facility also likely would require the reorganised NTL to satisfy some of the financial covenants on an ongoing basis. NTL Incorporated cannot determine at this time whether these financial covenants would have a material impact on the reorganised NTL's ability to finance future operations or capital needs or to engage in other business activities.

The terms, covenants, and conditions of an exit facility have not been finalised and remain subject to negotiation and final documentation.

Under the proposed recapitalisation plan, NTL would be split into two companies, one tentatively called NTL UK and Ireland and holding substantially all of NTL's UK and Ireland assets, and one tentatively called NTL Euroco and holding substantially all of NTL's continental European and other assets.

1B. RECAPITALISATION PROCESS (continued)

Notes of Diamond Holdings Limited and NTL (Triangle) LLC would remain outstanding and will be kept current in interest payments. Holders of notes of NTL Incorporated, NTL Delaware (other than France Telecom), NTL CC and Diamond Cable Communications Limited would in the aggregate receive, on account of their ownership of such notes, 100% of the initial common stock of NTL UK and Ireland and approximately 86.5% of the initial common stock of NTL Euroco, as well as certain cash and other property. NTL Delaware bondholders would have the option to reinvest all or a portion of NTL Delaware cash, to be received under the Plan, in additional shares of NTL UK and Ireland common stock, or to receive such cash in the recapitalisation. Existing preferred and common stockholders, including France Telecom, would receive rights (to be priced at a $10.5 billion enterprise value) and warrants (including certain warrants to be received upon exercise of such rights) entitling them to purchase primary common stock of NTL UK and Ireland at the consummation of the proposed plan, in the case of the rights, and for the duration of the eight-year warrants, in the case of the warrants, at prescribed prices. If fully exercised, those rights and warrants would entitle the current preferred stockholders to acquire approximately 23.6% and the current common stockholders to acquire approximately 8.9% of the entity's primary common stock.

The recapitalisation transaction currently contemplates that the UK bank debt will remain unimpaired.

Existing NTL Incorporated preferred stockholders other than France Telecom would also receive approximately 3.2%, and existing common stockholders, other than France Telecom, would receive approximately 10.3% of the primary equity of NTL Euroco. It is contemplated that subject to consummation of the recapitalisation France Telecom would also receive NTL's 27% interest in Noos, pursuant to a pledge of such interest to France Telecom given at the time of its acquisition by NTL.

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:

	2000	*1999*
	£000	*£000*
Cable television	94,560	52,948
Telephony	90,947	71,671
Internet	37,014	24,865
Other	13,689	9,196
	236,210	158,680

3. OPERATING LOSS

This is stated after charging/(crediting):

			2000 £000	1999 £000
Depreciation of owned fixed assets			154,311	69,222
Depreciation of assets held under finance leases			845	1,036
Amortisation of goodwill			20,686	27,247
Operating lease rentals	–	land and buildings	10,444	2,890
	–	plant and machinery	365	267
Reorganisation costs			20,957	(457)

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

4. EXCEPTIONAL ITEMS

	2000 £000	1999 £000
Reorganisation costs	20,957	–

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. INCOME FROM INVESTMENTS

	2000 £000	1999 £000
Dividends receivable from subsidiary undertaking	–	34

6. STAFF COSTS

	2000 £000	1999 £000
Wages and salaries	125,503	62,319
Social security costs	12,179	6,259
Other pension costs	3,718	1,824
	141,400	70,402

6. STAFF COSTS (continued)

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

	2000 *No.*	*1999* *No.*
Selling, general and administration	3,056	1,391
Operations	1,942	1,055
Networks	401	252
	5,399	2,698

7. DIRECTORS' EMOLUMENTS

	2000 *£000*	*1999* *£000*
Emoluments	1,627	747
Company contributions paid to money purchase pension schemes	12	10

	2000 *No.*	*1999* *No.*
Members of money purchase scheme	3	2
Members of defined benefit pension scheme	2	2

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

	2000 *£000*	*1999* *£000*
Emoluments	409	416

No contributions were paid to money purchase pension schemes by the company in respect of the highest paid director.

8. INTEREST RECEIVABLE

	2000 *£000*	*1999* *£000*
Bank interest	2,113	638
Interest on loan notes receivable from group companies	32,273	28,470
Other	235	–
	34,621	29,108

9. INTEREST PAYABLE

	2000	*1999*
	£000	*£000*
Bank loans and overdrafts	3,397	122
Finance charges payable under leases and hire purchase contracts	4,718	47
Interest on loan notes payable to group companies	146,630	98,204
	154,745	98,373

10. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no corporation taxation charge as the company incurred losses during the year.

11. INTANGIBLE ASSETS

	Goodwill	*Licence acquisition costs*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2000	454,945	–	454,945
Additions in the year (note 13)	2,362,527	–	2,362,527
Transfer from subsidiary undertakings	–	9,225	9,225
At 31 December 2000	2,817,472	9,225	2,826,697
Amortisation:			
At 1 January 2000	40,871	–	40,871
Amortised in the year	20,686	–	20,686
At 31 December 2000	61,557	–	61,557
Net book value:			
At 31 December 2000	2,755,915	9,225	2,765,140
At 31 December 1999	414,074	–	414,074

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12. TANGIBLE FIXED ASSETS

	Network *£000*	*Construction in progress* *£000*	*Other* *£000*	*Total* *£000*
Cost:				
At 1 January 2000	543,112	16,960	582,811	1,142,883
Additions	64,180	177,918	130,190	372,288
Transfer from subsidiary undertakings	322,708	48,493	29,361	400,562
Transfers	160,000	–	(160,000)	–
Disposals	–	–	(2,686)	(2,686)
At 31 December 2000	1,090,000	243,371	579,676	1,913,047
Depreciation:				
At 1 January 2000	102,167	–	120,462	222,629
Charge for the year	37,875	–	117,281	155,156
Transfers	130,000	–	(130,000)	–
Disposals	–	–	(2,562)	(2,562)
At 31 December 2000	270,042	–	105,181	375,223
Net book value:				
At 31 December 2000	819,958	243,371	474,495	1,537,824
At 1 January 2000	440,945	16,960	462,349	920,254

Motor vehicles are all held under finance leases or hire purchase contracts. Their net book value at 31 December 2000 was £203,000 (1999 – £27,000).

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

	2000 *Total* *£000*
Freehold	9,442
Long leasehold	2,733
Short leasehold	2,731
	14,906

	Network *£000*	*Other* *£000*	*1999* *Total* *£000*
Freehold	3,527	5,215	8,742
Long leasehold	2,678	–	2,678
Short leasehold	1,596	1,066	2,662
	7,801	6,281	14,082

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13. INVESTMENTS

	Subsidiary undertakings *£000*
Cost:	
At 1 January 2000	1,724,257
Additions	1,431,885
Transfer from subsidiary undertakings	24,371
Disposals	(147)
At 31 December 2000	3,180,366

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 (see note 26).

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.

Name of Company	*Holdings*	*Proportion held*		*Nature of business*
National Transcommunications Limited	Ordinary shares	100%		Transmission services
DTELS Limited	Ordinary shares	100%		Radio communications services
X-Tant Limited	VCPS CRPS	100% 100%	(ii) (iii)	Telecommunications
NTL Telecom Services Limited	Ordinary shares	100%	#	Telecommunications
NTL (Triangle) LLC	Common stock	100%	# (i)	Holding company
Cambridge Holding Company Limited	Ordinary shares	100%	#	Holding company
ntl Cambridge Limited	Ordinary shares	100%	#	Telecommunications
Anglia Cable Communications Limited	Ordinary shares	100%	#	Telecommunications
East Coast Cable Limited	Ordinary shares	100%	#	Telecommunications
ntl Teesside Limited	Ordinary shares	100%	#	Telecommunications
CableTel Newport	Ordinary shares	100%		Holding company
ntl South Wales Limited	Ordinary shares	100%	#	Telecommunications
Metro South Wales Limited	Ordinary shares	100%	#	Telecommunications

\# Held by subsidiary undertaking
(i) Registered in the USA
(ii) VCPS – Voting cumulative preference shares
(iii) CRPS – Cumulative redeemable preference shares

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13. INVESTMENTS (continued)

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.

On 31 December 2000 the company acquired CableTel Newport from NTL Investment Holdings Limited (the immediate parent undertaking of NTL Group Limited) for a consideration of £1,428,681,000 satisfied by the issue of two £1 ordinary shares.

Analysis of the acquisition is as follows:

	Book value and fair value to company £000
Intangible fixed assets	2,636
Tangible fixed assets	199,973
Debtors	9,096
Bank and cash	2,828
Creditors due within one year	(220,842)
Net liabilities	(6,309)
Discharged by:	
Shares	1,428,681

As part of a group restructuring programme the company acquired at market value the trades of the following group companies on 31 December 2000 for a consideration of £2,611,509,000: DTELS Limited, Telecential Communications Partnership, CableTel Newport, CableTel South Wales Limited, Metro South Wales Limited, CableTel Cardiff Limited and CableTel West Glamorgan Limited.

13. INVESTMENTS (continued)

Analysis of the acquisition of these businesses is as follows:

	Book value and fair value to company £000
Intangible fixed assets	9,225
Tangible fixed assets	400,561
Investments	24,371
Debtors	154,573
Cash	19,199
Creditors due within one year	(356,873)
Provisions	(2,074)
Net assets	248,982
Goodwill arising on acquisition	2,362,527
	2,611,509
Discharged by:	
Loan notes	2,611,509

In December 2000 the group acquired the remaining 30% of the share capital of its subsidiary X-Tant Limited for £3,204,000 cash consideration.

14. DEBTORS

	2000 £000	*1999 £000*
Trade debtors	40,911	26,596
Loan notes due from fellow subsidiaries	2,093,143	392,651
Loan notes due from parent undertaking	42,800	42,800
Long-term advances to group companies	32,190	20,334
Interest receivable on loan notes	32,273	28,470
Amounts due from group undertakings	31,258	22,004
Capital amounts receivable under finance leases	700	–
Other debtors	2,806	4,487
Prepayments and accrued income	21,404	17,593
	2,297,485	554,935

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

15. CREDITORS: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft	2,278	2,438
Obligations under finance leases and hire purchase contracts (note 17)	372	694
Trade creditors	217,534	7,111
Loan notes to parent undertakings	2,309,189	1,532,926
Loan notes to fellow subsidiaries	4,250,469	213,200
Long-term advances from group companies	61,174	–
Interest payable on loan notes	146,630	98,204
Amounts due to group undertakings	317,784	515,294
Other creditors	7,967	17,633
Other taxes and social security costs	17,010	4,346
Accruals and deferred income	211,530	95,078
	7,541,937	2,486,924

Included in accruals and deferred income is £nil (1999 – £560,000) of regional development grants which remain unamortised at the balance sheet date.

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

	2000 £000	1999 £000
Obligations under finance leases and hire purchase contracts (note 17)	38,369	37,581
Accruals and deferred income	–	322
	38,369	37,903

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	2000 £000	1999 £000
Amounts payable:		
Within one year	4,121	41,912
Within two to five years	15,600	92,443
Over five years	111,328	-
	131,049	134,355
Less: finance charges allocated to future periods	(92,308)	(96,080)
	38,741	38,275

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17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS (continued)

Finance leases and hire purchase contracts are analysed as follows:

	2000	*1999*
	£000	*£000*
Current obligations (note 15)	372	694
Non-current obligations (note 16)	38,369	37,581
	38,741	38,275

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation
	£000
Cost:	
At 1 January 2000	414
Provided in the year	18,009
Transferred from subsidiary	2,074
At 31 December 2000	20,497

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 2001. 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.

19. SHARE CAPITAL

		Authorised		*Allotted, called up and fully paid*
	2000	*1999*	*2000*	*1999*
	No.	*No.*	*£000*	*£000*
Ordinary shares of £0.01 each	5,378,375	5,378,375	52	52
Ordinary shares of US$0.20	5,243,153	5,243,153	674	674
	10,621,528	10,621,528	726	726

On 31 December 2000 two ordinary shares of £0.01 were issued fully paid for £1,428,681,000.

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 1 January 1999	726	48,484	11	(112,481)	(63,260)
Loss for the year	–	–	–	(172,683)	(172,683)
On share issues	–	1,379,862	–	–	1,379,862
At 31 December 1999	726	1,428,346	11	(285,164)	1,143,919
Loss for the year	–	–	–	(373,389)	(373,389)
On share issues	–	1,428,681	–	–	1,428,681
At 31 December 2000	726	2,857,027	11	(658,553)	2,199,211

21. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £62,519,000 (1999 – £71,085,000).

22. PENSION COMMITMENTS

The company operates a defined contribution pension scheme, the NTL Group Pension Scheme, for its directors and senior employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in 'Creditors: amounts falling due within one year' (note 15), are £1,075,000 (1999 –£438,000).

23. OTHER FINANCIAL COMMITMENTS

At 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings			*Other*
	2000	*1999*	*2000*	*1999*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	101	35	–	–
Within two to five years	279	300	3,560	3,956
Over five years	8,782	6,718	3,191	3,545
	9,162	7,053	6,751	7,501

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. 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 are available from its registered office: ntl House, Bartley Wood Business Park, Hook, Hampshire RG27 9UP.

In the directors' opinion, the ultimate parent undertaking and controlling party is NTL Incorporated, a company incorporated in the State of Delaware, United States of America. Copies of its group accounts, which include the company, are available from the Secretary, NTL Incorporated, 110 East 59th Street, 26th Floor, New York, NY 10022, USA.

26. POST BALANCE SHEET EVENTS

In addition to the post balance sheet events noted in notes 1A and 1B, the directors disclosed the following:

Impairment

In 2001 the directors of the company's ultimate parent undertaking NTL Incorporated performed a review to assess whether there was any impairment in the value of NTL's intangible assets, tangible fixed assets and investments. This review was performed because of significantly lower value valuations of other companies in similar industries, the fact that the book value of NTL's net assets significantly exceeded its market capitalisation, and because it was expected that forecasts for future growth would not be achieved because of the substantial funding constraints outlined in notes 1A and 1B. The review was performed in accordance with generally accepted accounting principles in the US. As a result of this review, NTL Incorporated recorded a loss on impairment of $9.5 billion in its consolidated financial statements included in its Form 10-K filed with the Securities and Exchange Commission for the year ended 31 December 2001.

The directors will perform an impairment review for the purposes of the group's accounts for the year ended 31 December 2001 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 2000 this review had not been completed, and so the directors are unable to determine, and therefore disclose, the magnitude of any resulting losses.

Senior credit facility

On 21 February 2001, the company along with fellow subsidiary undertakings, became 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. Borrowings under the facility are secured by security over the assets of certain members of the group including those of the company.