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ntl (SOUTHAMPTON AND EASTLEIGH) LIMITED
(FORMERLY CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH) LIMITED)

Report and Accounts

31 December 2000

ERNST & YOUNG

ntl (Southampton and Eastleigh) Limited
(formerly Cable & Wireless Communications (Southampton and Eastleigh) Limited)

Registered No. 1866504

DIRECTORS
J B Knapp
J Gregg

SECRETARY
R Mackenzie

DEPUTY COMPANY SECRETARY
G James

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

BANKERS
Barclays Bank PLC
54 Lombard Street
London EC3P 3AH

SOLICITORS
Travers Smith Braithwaite
10 Snow Hill
London EC1A 2AL

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

DIRECTORS' REPORT

The directors present their report and accounts for the nine month period ended 31 December 2000.

RESULTS AND DIVIDENDS
The company made a profit for the period ended 31 December 2000 of £19,000 (year ended 31 March 2000 – profit of £25,000).

The directors do not recommend the payment of a dividend for the nine month period ended 31 December 2000 (year ended 31 March 2000 – £nil).

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS
The company hold licences from the Department of Trade and Industry to construct and operate broadband cable networks providing the full range of telecommunication services within the City and the Borough of Eastleigh.

The company holds a prescribed diffusion services licence under the Cable and Broadcasting Act 1984 which continues in effect under the Broadcasting Act 1990. The licence authorises the company to deliver television and radio programme services in the above mentioned cable franchise area.

The company has contracted, ntl Hampshire Limited, a fellow subsidiary undertaking to operate the telecommunication systems and provide television and radio programme services in the above franchise area on its behalf for a licence fee of £25,000 per annum.

On 26 July 1999, Cable and Wireless plc, NTL Incorporated and ntl (CWC) Limited (formerly Cable & Wireless Communications Limited) announced that they had agreed to propose a restructuring of ntl (CWC) Limited to the shareholders of ntl (CWC) Limited.

As part of the restructuring, ntl (CWC) Limited, previously a 52.8% owned subsidiary of Cable and Wireless plc, was separated into its residential cable, business cable, indirect residential telephony, residential internet and digital television development and services businesses, referred to as CWC ConsumerCo, (which includes the company) and its corporate, business, internet protocol and wholesale operations, referred to as CWC DataCo.

On 30 May 2000, the restructuring was completed and NTL Incorporated indirectly acquired all of CWC ConsumerCo and Cable and Wireless plc indirectly acquired the interest in CWC DataCo which was not already attributable to it, thereby achieving 100% ownership of CWC DataCo.

Following completion, NTL Incorporated, a company incorporated in the USA, became the ultimate parent undertaking of the company.

On 13 June 2000, the company changed its name to ntl (Southampton and Eastleigh) Limited.

On 31 December 2001, ntl Hampshire Limited terminated the licence agreement with the company for a payment of £100,000. On the same date, the company paid a dividend of £227,750.

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 lending 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.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors who served during the period ended 31 December 2000 and thereafter are shown below:

R Beveridge	(resigned 30 May 2000)
S Carter	(appointed 1 December 2000; resigned 20 February 2002)
G Clarke	(resigned 30 May 2000)
P Clesham	(appointed 30 May 2000; resigned 11 July 2000)
B Dew	(appointed 30 May 2000; resigned 1 February 2002)
R Drolet	(resigned 30 May 2000)
J Gregg	(appointed 20 February 2002)
D Kelham	(appointed 30 May 2000; resigned 1 December 2000)
J B Knapp	(appointed 20 February 2002)
R Mackenzie	(appointed 30 May 2000; resigned 20 February 2002)
M Molyneux	(resigned 30 May 2000)
S Ross	(appointed 1 November 2000; resigned 20 February 2002)
L Wood	(appointed 30 May 2000; resigned 1 December 2000)

The directors do not hold any interests in the shares of the company. The company seeks exemption not to disclose the directors' interests in the common stock of NTL Incorporated, a company incorporated in the USA and the ultimate parent undertaking of the company.

EMPLOYEES

The company has no employees. Substantially all group employees are employed by a fellow subsidiary, ntl (CWC) Ltd.

PAYMENTS TO SUPPLIERS

The company does not enter into contracts with suppliers. ntl Communications Services Limited (formerly Cable & Wireless Communications Services Limited) and ntl (CWC) Programming Limited (formerly Cable & Wireless Communications Programming Limited), fellow group companies, enter into most contracts with suppliers to the ntl (CWC) Ltd group.

AUDITORS

Arthur Andersen resigned as auditors on 31 July 2001 and Ernst & Young LLP were appointed in their place.

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

By order of the Board

Gill James   05 AUG 2002

G James
Deputy Company Secretary

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NTL (SOUTHAMPTON AND EASTLEIGH) LIMITED (FORMERLY CABLE & WIRELESS COMMUNICATIONS (SOUTHAMPTON AND EASTLEIGH) LIMITED)

We have audited the company's accounts for the period 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 11. 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. in forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Notes 1 and 1(a) 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 1 and 1(a), 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.

Fundamental uncertainty – going concern (continued)

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 profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP 05 AUG 2002

Ernst & Young LLP
Registered Auditor
London

PROFIT AND LOSS ACCOUNT
for the nine month period ended 31 December 2000

	Note	*Nine month period ended 31 December 2000 £000*	*Year ended 31 March 2000 £000*
TURNOVER		19	25
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19	25
Tax on profit on ordinary activities	4	–	–
PROFIT FOR THE FINANCIAL PERIOD/YEAR		19	25

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

A statement of total recognised gains and losses and a reconciliation of movements in shareholders' funds have not been presented because there are no recognised gains and losses or other movements in shareholders' funds in either period/year other than as stated above.

BALANCE SHEET
at 31 December 2000

		31 December 2000	31 March 2000
	Notes	*£000*	*£000*
CURRENT ASSETS			
Debtors	5	71,686	71,667
NET ASSETS		71,686	71,667
CAPITAL AND RESERVES			
Called up equity share capital	6	11,444	11,444
Share premium account	7	60,139	60,139
Profit and loss account	7	103	84
EQUITY SHAREHOLDERS' FUNDS		71,686	71,667

05 AUG 2002

J Gregg
Director

1. 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, 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").

NTL's UK credit facilities are fully drawn. NTL Communications Corp. ("NTL CC"), a wholly-owned subsidiary of NTL Incorporated, did not pay cash interest on certain series of its notes that was due on 1 April 2002, 15 April 2002 and 15 May 2002. NTL Incorporated and NTL (Delaware), Inc ("NTL Delaware"), a wholly-owned subsidiary of NTL Incorporated, also did not pay cash interest and related fees on a series of their notes that were due on 15 April 2002. As of 31 March 2002, the Company had approximately $622.7 million in cash, cash equivalents and marketable securities on hand and, in April 2002, received approximately $306 million net cash proceeds from the sale of its Australian business. The Company may require additional cash in the twelve months from April 1, 2002 to 31 March 2003. The Company expects to obtain a Debtor in Possession ("DIP") Facility to meet the potential cash requirements of the Company and its subsidiaries. The Company believes that cash, cash equivalents and marketable securities on hand at 31 March 2002, the cash received from the sale of NTL Australia and the cash expected to be available from the DIP Facility will be sufficient for its and its subsidiaries cash requirements until 31 March 2003.

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 1(a). As stated in note 1(a) 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.

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.

1. **ACCOUNTING POLICIES** (continued)

Fundamental accounting concepts (continued)
The recapitalisation plan set out in note 1(a) 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 in accordance with applicable accounting standards in the United Kingdom on the historical cost basis.

Basis of accounting
The accounts are prepared in accordance with applicable accounting standards in the United Kingdom on the historical cost basis.

Turnover and revenue recognition
Turnover, which excludes value added tax, is accounted for on the accruals basis. Revenue is recognised in the period in which the service is provided. Turnover represents licence fees in accordance with licence agreements.

Cash flow statement
Under the provisions of Financial Reporting Standard No. 1 (Revised), the company has not prepared a cash flow statement because it is a wholly owned subsidiary of a company of which consolidated accounts are publicly available (see note 11).

Trading results
Turnover is attributable principally to the provision of telecommunications (including cable television) services to the United Kingdom. The directors consider this to be a single class of business and accordingly no segmental analysis of operating profit or net assets is shown.

1a. **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.

1a. RECAPITALISATION PROCESS (continued)

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.

To facilitate the recapitalisation, certain members of the unofficial committee of bondholders have committed to provide up to $500 million of new debt financing to NTL's UK and Ireland operations during the Chapter 11 process and post-recapitalisation, subject to Bankruptcy Court approval. The new financing will ensure that NTL's business operations have access to sufficient liquidity to continue ordinary operations.

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.

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.

1a. RECAPITALISATION PROCESS (continued)

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. DIRECTORS' AND AUDITORS REMUNERATION

The directors did not receive any remuneration during the period (year ended 31 March 2000 – £nil).

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

3. STAFF NUMBERS AND COSTS

ntl (CWC) Ltd, a fellow group company, employs most of the group's employees. Details of staff numbers and staff costs for the group are disclosed in the accounts of ntl (CWC) Ltd.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The company has no current period UK corporation tax liability due to the availability of group relief from other group undertakings (year ended 31 March 2000 – £nil).

5. DEBTORS

	31 December 2000 £000	*31 March 2000 £000*
Due from fellow group undertakings	71,686	71,667

6. SHARE CAPITAL

	31 December 2000 £000	*31 March 2000 £000*
Authorised, allotted, called up and fully paid: 13,608,847 ordinary shares of £1 each	13,609	13,609
Allotted, called up and fully paid: 11,443,824 ordinary shares of £1 each	11,444	11,444

7. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital *£000*	*Share premium* *£000*	*Profit and loss account* *£000*	*Total* *£000*
At 1 April 1999	14,444	60,139	59	71,642
Profit for the year	–	–	25	25
At 31 March 2000	11,444	60,139	84	71,667
Profit for the period	–	–	19	19
At 31 December 2000	11,444	60,139	103	71,686

8. CONTINGENT LIABILITIES

The company's 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 2000 the maximum contingent liability represented by outstanding borrowings by these companies amounted to approximately £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.

9. POST BALANCE SHEET EVENT

On 31 December 2001, ntl Hampshire Limited, a fellow subsidiary undertaking, terminated the licence agreement with the company for a payment of £100,000. On the same date, the company paid a dividend of £227,750.

10. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8 not to disclose related party transactions with ntl group companies.

11. ULTIMATE PARENT UNDERTAKING AND CONTROLLING UNDERTAKING

The largest group in which the results of the company are consolidated is that of which NTL Incorporated is the parent undertaking. The group accounts of NTL Incorporated may be obtained from the Secretary, NTL Incorporated, 110 East 59th Street, 26th Floor, New York, NY 10002 USA.

The smallest group in which the results of the company are consolidated is that of which ntl (CWC Holdings) is the parent undertaking. The group accounts of ntl (CWC Holdings) may be obtained from, ntl ntl House, Bartley Wood Business Park, Hook, Hampshire RG27 9UP.

Since 30 May 2000, the directors regard NTL Incorporated, a company incorporated in the state of Delaware, United States of America as the ultimate parent and controlling undertaking. Prior to that date the directors regarded Cable and Wireless plc as the ultimate parent undertaking and controlling undertaking.