

Registered No. 2379804

ntl CABLECOMMS CHESHIRE

Report and Accounts

31 December 2001



Registered No. 2379804

**DIRECTORS**

J B Knapp  
R M Mackenzie  
S Schubert

**SECRETARY**

R M Mackenzie

**DEPUTY COMPANY SECRETARY**

G E 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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

### RESULTS AND DIVIDENDS

The company made a loss for the year, before dividends, of £28,876,000 (period ended 31 December 2000 – loss of £10,921,000). The preference dividend of £494,000 to the non-equity shareholders for the year ended 31 December 2001 (period ended 31 December 2000 – £371,000) has not been declared but an appropriation equal to the dividend has been made in the profit and loss account in accordance with Financial Reporting Standard No. 4. The retained loss for the year of £29,370,000 (period ended 31 December 2000 – £11,292,000) has been transferred to reserves.

### PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is the provision of cable television and communications services under licences awarded to it for the Cheshire area.

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").

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 2001 and thereafter are shown below:

S Carter	(resigned 20 February 2002)
B Dew	(resigned 1 February 2002)
J Gregg	(appointed 20 February 2002; resigned 10 January 2003)
J B Knapp	(appointed 20 February 2002)
R Mackenzie	(resigned 20 February 2002; re-appointed 10 January 2003)
S Ross	(resigned 20 February 2002)
B Richter	(appointed 10 January 2003; resigned 1 May 2003)
S Schubert	(appointed 1 May 2003)

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.

### AUDITORS

Ernst & Young LLP will remain in office 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

7 July 2003

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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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NTL CABLECOMMS CHESHIRE**

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 16. 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 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.

### **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*

Ernst & Young LLP  
Registered Auditor  
London

7 July 2003

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2001

		<i>Nine month</i>	
		<i>Year ended period ended</i>	
		<i>31 December 31 December</i>	
		<i>2001</i>	<i>2000</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>TURNOVER</b>		20,313	13,234
Cost of sales		(8,709)	(5,762)
<b>GROSS PROFIT</b>		11,604	7,472
Other operating expenses		(40,873)	(15,233)
<b>OPERATING LOSS</b>		(29,269)	(7,761)
Interest receivable / (payable)	5	393	(3,160)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(28,876)	(10,921)
Taxation	6	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(28,876)	(10,921)
Dividends	10	(494)	(371)
<b>RETAINED LOSS FOR THE YEAR/PERIOD</b>	11	(29,370)	(11,292)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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

**BALANCE SHEET**  
at 31 December 2001

		31 December	31 December
		2001	2000
	Notes	£000	£000
<b>FIXED ASSETS</b>			
Tangible assets	7	52,355	73,595
		<u>52,355</u>	<u>73,595</u>
<b>CURRENT ASSETS</b>			
Debtors	8	-	3,846
<b>CREDITORS: amounts due within one year</b>	9	(3,790)	-
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(3,790)</u>	<u>3,846</u>
<b>NET ASSETS</b>		<u>48,565</u>	<u>77,441</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	10	124,615	124,615
Profit and loss account	11	(76,050)	(47,174)
<b>SHAREHOLDER'S FUNDS</b>		<u>48,565</u>	<u>77,441</u>
Equity interests	12	44,994	74,364
Non-equity interests	12	3,571	3,077
		<u>48,565</u>	<u>77,441</u>



R M Mackenzie  
Director

7 July 2003

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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 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 derives from local, national and international telecommunications and cable television services.

***Tangible fixed assets and depreciation***

Tangible fixed assets are recorded at cost which includes materials, direct labour and administrative expenses directly attributable to the design, construction and connection of the telecommunications and cable television networks and equipment.

General administrative expenses to be capitalised include all overheads of those departments responsible solely for design (including feasibility studies), construction and connection. Where departments spend only part of their time on functions directly connected with design, construction and connection, the relevant proportion of total overheads is capitalised. Costs which are initially capitalised on projects under construction where the projects do not become operational are written off to the profit and loss account, once it is determined that the project will not become operational.

Costs of departments relating to revenue related operations, such as direct selling, marketing and other customer related departments, are not capitalised.

***Impairment review***

In accordance with FRS 11 "Impairment of Fixed Assets and Goodwill", the carrying value of the Company's tangible fixed assets 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 UK Group's core telecommunications operations, ntl:Home and ntl:Business, 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.

***Depreciation***

Depreciation is provided on the difference between the cost of tangible fixed assets and their estimated residual value in equal annual instalments over the estimated useful lives of the assets.

The current estimated useful lives are as follows:

	<i>Lives</i>
Land and buildings:	
Freehold buildings	– to 40 years
Leasehold land and buildings	– to 40 years or term of lease if less
Leasehold improvements	– remaining term of lease or expected useful life of the improvements
Communications network plant and equipment:	



**NOTES TO THE ACCOUNTS**  
at 31 December 2001

**1. ACCOUNTING POLICIES (continued)**

**Depreciation (continued)**

Ducting and network construction	–	10 to 40 years
Electronic equipment and cabling	–	10 to 20 years
Other network plant and equipment	–	6 to 25 years
Non-network plant and equipment	–	3 to 10 years

Freehold land, where the cost is distinguishable from the cost of the building thereon, is not depreciated.

After a portion of the network is fully constructed and released to operations, depreciation of the network commences when target rates of penetration are achieved or no later than one year after the release date.

**Deferred taxation**

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The company provides for deferred tax only when there is a reasonable probability that the liability will arise in the foreseeable future. Where deferred tax is provided, the liability method is used. No deferred tax assets are recognised in respect of accumulated tax losses except where necessary to reduce a deferred tax liability to nil.

**Provisions**

The company accounts for provisions in accordance with Financial Reporting Standard No. 12 'Provisions and Contingencies'. Consequently, provisions are only recognised when the company has a legal or constructive obligation to transfer economic benefits as a result of past events. The amount recognised as a provision is a realistic and prudent estimate of the expenditure required to settle the obligation.

**Statement of cash flows**

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 the company of which consolidated accounts are publicly available (see note 15).

**Trading results**

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

**2. DIRECTORS' AND AUDITORS' REMUNERATION**

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

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

**3. STAFF NUMBERS AND COSTS**

ntl Group Limited, 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 Group Limited.

**4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Loss on ordinary activities before taxation is stated after charging:

	<i>Nine month</i>	
	<i>Year ended period ended</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Depreciation of tangible fixed assets	10,914	2,949
Impairment of tangible fixed assets	12,551	-

# NOTES TO THE ACCOUNTS at 31 December 2001

## 5. INTEREST RECEIVABLE AND (PAYABLE)

	<i>Nine month</i>	
	<i>Year ended period ended</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Interest on loans from / (to) fellow group undertakings	393	(3,160)

## 6. TAXATION

There is no corporation tax charge for the financial year (period ended 31 December 2000 – £nil). There is no unprovided deferred tax liability. There is a deferred tax asset in respect of unutilised losses that has not been recognised on the grounds of prudence.

## 7. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>	<i>Network, cable, plant and equipment</i>	<i>Non- network plant and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2001	1,010	89,285	15	90,310
Additions	-	2,230	-	2,230
Disposals	-	(5)	-	(5)
At 31 December 2001	1,010	91,510	15	92,535
Accumulated depreciation:				
At 1 January 2001	314	16,386	15	16,715
Charge for the year	39	10,875	-	10,914
Impairment charge	-	12,551	-	12,551
At 31 December 2001	353	39,812	15	40,180
Net book value:				
At 31 December 2001	657	51,698	-	52,355
At 31 December 2000	696	72,899	-	73,595

Network, cable and equipment includes £383,000 (31 December 2000 – £1,566,000) in respect of assets not yet in service and consequently upon which depreciation has not been charged.

The net book value of land and buildings comprised:

	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Freehold	37	39
Short leasehold	620	657
	657	696

**NOTES TO THE ACCOUNTS**  
at 31 December 2001

**8. DEBTORS**

	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by fellow group undertakings	-	3,846

**9. CREDITORS: amounts falling due within on year**

	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Amounts due to fellow group undertakings	3,790	-

**10. SHARE CAPITAL**

	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2001</i>	<i>2000</i>	<i>2000</i>
	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Authorised:				
Preference shares of £1 each	300	-	300	-
'A' ordinary shares of £1 each	124,615,385	124,615	124,615,385	124,615
	124,615,685	124,615	124,615,685	124,615
Allotted, called up and fully paid:				
Preference shares of £1 each	300	-	300	-
'A' ordinary shares of £1 each	124,615,385	124,615	124,615,385	124,615
	124,615,685	124,615	124,615,685	124,615

**Shareholders' voting rights**

In the opinion of the directors, the primary rights attached to the various classes of shares are as follows:

£1 preference shares

The right to attend and speak but not vote at all general meetings of the company.

£1 'A' ordinary shares

The right to attend, speak and vote at all general meetings of the company.

**Distributable profits**

Distributable profits are allocated on the following basis:

Preference Shareholders

A fixed cumulative preferential dividend at the rate £494,000 per annum. This dividend will accrue on a daily basis from 11 October 1993 until 11 October 2014. After payment of the preference dividend, the Preference Shareholders are entitled to 15% of the remaining distributable profits.

# NOTES TO THE ACCOUNTS

at 31 December 2001

## 10. SHARE CAPITAL (continued)

### Ordinary Shareholders

After payment of the preference dividend, Ordinary Shareholders are entitled to 85% of the remaining distributable profits.

### **Dividends**

The preference dividend of £494,000 to the non-equity shareholders for the year ended 31 December 2001 (period ended 31 December 2000 – £371,000) has not been declared. An appropriation equal to the dividend has been made in the profit and loss account in accordance with Financial Reporting Standard No. 4 and is shown in the statement of Reconciliation Of Shareholders' Funds And Movement On Reserves (see note 12).

## 11. PROFIT AND LOSS ACCOUNT

	31 December 2001 £000	31 December 2000 £000
At start of year/period	(47,174)	(36,253)
Retained loss for the year/period	(29,370)	(11,292)
	<u>(76,544)</u>	<u>(47,545)</u>
Undeclared dividends due to non-equity shareholders	494	371
At end of year/period	<u>(76,050)</u>	<u>(47,174)</u>
<b>Cumulative undeclared dividends due to non-equity shareholders</b>		
	31 December 2001 £000	31 December 2000 £000
At start of year/period	3,077	2,706
Appropriated during the year/period	494	371
At end of year/period	<u>3,571</u>	<u>3,077</u>

# NOTES TO THE ACCOUNTS

at 31 December 2001

## 12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	31 December 2001	31 December 2000
	£000	£000
Loss for the year/period	(28,876)	(10,921)
Issue of Ordinary Shares	-	-
Non-equity dividends not declared	(494)	(371)
	(29,370)	(11,292)
Reversal of non-equity dividends	494	371
Net movement in shareholders' funds	(28,876)	(10,921)
Opening shareholders' funds	77,441	88,362
Closing shareholders' funds	48,565	77,441
<b>Total Shareholders' Funds</b>		
Equity share capital	124,615	124,615
Profit and loss account	(76,050)	(47,174)
Total shareholders' funds	48,565	77,441
<b>Shareholders' funds allocated to non-equity</b>		
Cumulative dividends not yet declared	3,571	3,077

	31 December 2001	31 December 2000
	£000	£000
<b>Shareholders' funds allocated to equity</b>		
Difference between shareholders' funds and amount allocated to non-equity interests	44,994	74,364
Made up as follows:		
Equity share capital	124,615	124,615
Profit and loss account	(76,050)	(47,174)
Cumulative dividends due to non-equity shareholders	(3,571)	(3,077)
	44,994	74,364

## 13. 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.

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**NOTES TO THE ACCOUNTS**

at 31 December 2001

**14. 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.

**15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING UNDERTAKING**

The company's immediate parent undertaking is ntl CableComms Holdings No, 1 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, 110 East 59th Street, 26th Floor, NY 10022, USA.

**16. 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.