

Registered number
2379804

ntl CABLECOMMS CHESHIRE

Report and Accounts

31 December 2002



ntl CABLECOMMS CHESHIRE

Registered number

2379804

Directors

R M Mackenzie

S E Schubert

G N Roberts (alternate director)

R C Gale (alternate director)

Joint Company Secretaries

R M Mackenzie

G E James

Auditors

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Bankers

National Westminster Bank PLC

PO Box 9

31 Promenade

Cheltenham

Gloucs

GL50 1LH

Solicitors

Travers Smith Braithwaite

10 Snow Hill

London

EC1A 2AL

Registered Office

ntl House

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Hook

Hampshire RG27 9UP

ntl CABLECOMMS CHESHIRE

Directors' Report

The directors present their report and accounts for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The company made a loss for the year of £28,830,000 (2001 – loss of £28,876,000). The preference dividend of £494,000 to the non-equity shareholders for the year ended 31 December 2002 (2001–£494,000) has not been declared but an appropriation equal to the dividend has been made in the profit and loss account in accordance with FRS 4 "Capital Instruments". The retained loss for the year of £29,324,000 (2001 – retained loss of £29,370,000) has been transferred to reserves.

PRINCIPAL ACTIVITY

The principal activity of the company is to provide cable television services and telecommunication services and run certain of the telecommunication systems over which they are provided.

On 8 May 2002, NTL Incorporated ("NTL"), the company's ultimate parent undertaking, and certain of NTL Incorporated's holding company subsidiaries, filed a "pre-arranged" joint reorganisation plan 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. Pursuant to the Plan, NTL Incorporated was split into two separate companies, NTL Incorporated (previously NTL Communications Corp), holding NTL's main UK and Ireland assets (including the company) (referred to as "New NTL"), and NTL Europe, Inc. (previously NTL Incorporated), holding NTL's continental European and certain other assets (referred to as "NTL Euroco"). On 10 January 2003, the Plan became effective, and NTL Incorporated emerged from Chapter 11 reorganisation.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and thereafter and their interests in the share capital of the company were as follows:

S A Carter	(resigned 20 February 2002)
S Ross	(resigned 20 February 2002)
R M Mackenzie	(resigned 20 February 2002; re-appointed 10 January 2003)
J B Knapp	(appointed 20 February 2002; resigned 1 October 2003)
J F Gregg	(appointed 20 February 2002; resigned 10 January 2003)
B Richter	(appointed 10 January 2003; resigned 1 May 2003)
S E Schubert	(appointed 1 May 2003)
G N Roberts	(alternate director to R M Mackenzie) (appointed 24 March 2004)
R C Gale	(alternate director to S E Schubert) (appointed 24 March 2004)

The directors had no interest in the share capital of the company requiring disclosure under the Companies Act 1985. The company seeks exemption under SI802, The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, not to disclose the directors' interests in the common stock of NTL Incorporated, a company incorporated in the United States of America and the ultimate parent undertaking of the company.

COMPANY SECRETARY

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

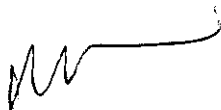
On 24 March 2004, G E James was appointed joint company secretary.

ntl CABLECOMMS CHESHIRE
Directors' Report

AUDITORS

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

By order of the board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

R M Mackenzie
Company Secretary

23 JUL 2004

ntl CABLECOMMS CHESHIRE

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ntl CABLECOMMS CHESHIRE

We have audited the company's accounts for the year ended 31 December 2002, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 14. 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 Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with United Kingdom law and accounting standards.

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 2002 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

23 JUL 2004

ntl CABLECOMMS CHESHIRE
Profit and Loss Account
for the year ended 31 December 2002

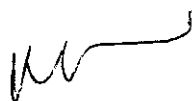
	Notes	2002 £'000	2001 £'000
Turnover	2	19,940	20,313
Cost of sales		(7,276)	(8,709)
Gross profit		<u>12,664</u>	<u>11,604</u>
Other operating expenses		(41,071)	(40,087)
Operating loss	3	<u>(28,407)</u>	<u>(28,483)</u>
Interest payable	5	(423)	(393)
Loss on ordinary activities before taxation		<u>(28,830)</u>	<u>(28,876)</u>
Taxation	6	-	-
Loss for the financial year		<u>(28,830)</u>	<u>(28,876)</u>
Dividends	10	(494)	(494)
Retained loss for the financial year	10	<u>(29,324)</u>	<u>(29,370)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than those reflected in the profit and loss account for the years ended 31 December 2002 and 31 December 2001.

ntl CABLECOMMS CHESHIRE**Balance Sheet****as at 31 December 2002**

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	7	25,243	52,355
Creditors: amounts falling due within one year	8	(5,508)	(3,790)
Net current liabilities		(5,508)	(3,790)
Net assets		<u>19,735</u>	<u>48,565</u>
Capital and reserves			
Called up share capital	9	124,615	124,615
Profit and loss account	10	(104,880)	(76,050)
Shareholders' deficit		<u>19,735</u>	<u>48,565</u>
Equity interests	12	15,670	44,994
Non-equity interests	12	4,065	3,571
		<u>19,735</u>	<u>48,565</u>



R M Mackenzie
Director

23 JUL 2004

ntl CABLECOMMS CHESHIRE
Notes to the Accounts
for the year ended 31 December 2002

1 Accounting policies

Fundamental accounting concept

The accounts have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances such that sufficient resources will be made available for the foreseeable future so that the company can meet its liabilities as and when they fall due.

Accounting convention

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

In preparing the accounts for the current year, the company has adopted FRS 18 "Accounting Policies" and FRS 19 "Deferred Tax".

Group accounts

The company has taken advantage of the exemption from preparing group accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of another company incorporated in Great Britain which prepares group accounts (see note 14).

Depreciation and prematurity period

Network assets:

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

Freehold buildings	-	50 years
Leasehold buildings	-	length of lease
Cable and ducting	-	40 years
Network	-	15 years
Head end equipment	-	15 years
Subscriber equipment	-	4-15 years
Computer equipment	-	3-5 years

During the time while the company's cable systems are partially under construction and partially in service ("the prematurity period"), depreciation of the network is charged monthly on its estimated costs at the end of the prematurity period, which is taken as two years, using the above rates scaled down by the ratio of average, actual or estimated number of subscribers, whichever is greater, in the current period to the estimated subscriber base at the end of this period.

Construction in progress:

Stocks relating to network construction have been included in fixed assets. Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials and consumables	-	purchase cost
Work in progress	-	cost of direct materials and labour

Other:

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

Freehold buildings	-	50 years
Leasehold land and buildings	-	length of lease
Furniture and fixtures	-	10 years
Plant and office equipment	-	3-10 years
Motor vehicles	-	4 years
Computer equipment	-	3-5 years
Satellite equipment	-	4 years

ntl CABLECOMMS CHESHIRE
Notes to the Accounts
for the year ended 31 December 2002

1 Accounting policies (continued)

Impairment review

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

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

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

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- (a) provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold;
- (b) provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- (c) deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Cash flow statement

The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 14).

ntl CABLECOMMS CHESHIRE
Notes to the Accounts
for the year ended 31 December 2002

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.

3 Operating loss	2002	2001
	£'000	£'000
This is stated after charging:		
Depreciation of fixed assets	3,399	10,914
Impairment charge (see note 4)	<u>25,149</u>	<u>12,551</u>

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

ntl Group Limited, a fellow group undertaking, employs most of the employees of the NTL Group. Details of staff numbers and staff costs for the group are disclosed in the accounts of ntl Group Limited. The company does not have any directly employed associates.

4 Impairment charge	2002	2001
	£'000	£'000
Impairment of tangible fixed assets	<u>25,149</u>	<u>12,551</u>

5 Interest payable	2002	2001
	£'000	£'000
Interest on amounts owed to group companies	<u>423</u>	<u>393</u>

6 Taxation

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

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

ntl CABLECOMMS CHESHIRE
Notes to the Accounts
for the year ended 31 December 2002

6 Taxation (continued)

(b) Factors affecting current tax charge

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

	2002	2001
	£'000	£'000
Loss on ordinary activities before tax	<u>(28,830)</u>	<u>(28,876)</u>
Loss on ordinary activities multiplied by the applicable statutory rate 30% (2001 - 30%)	(8,649)	(8,663)
Expenses not deductible for tax purposes	1,408	1,967
Depreciation in excess of capital allowances	8,623	7,088
Utilisation of tax losses brought forward	<u>(1,382)</u>	<u>(392)</u>
Total current tax charge	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

Deferred tax assets have not been recognised in respect of tax losses of £15,447,705 and depreciation in excess of capital allowances of £10,924,036 as there is insufficient certainty as to the availability of future taxable profits.

7 Tangible fixed assets

	Network	Construction in	Other	Total
	£'000	progress	£'000	£'000
Cost		£'000		
At 1 January 2002	91,125	383	1,027	92,535
Additions	1,436	-	-	1,436
Transfers	383	(383)	-	-
At 31 December 2002	<u>92,944</u>	<u>-</u>	<u>1,027</u>	<u>93,971</u>
Depreciation				
At 1 January 2002	39,810	-	370	40,180
Charge for the year	3,364	-	35	3,399
Impairment	25,149	-	-	25,149
At 31 December 2002	<u>68,323</u>	<u>-</u>	<u>405</u>	<u>68,728</u>
Net book value				
At 31 December 2002	<u>24,621</u>	<u>-</u>	<u>622</u>	<u>25,243</u>
At 31 December 2001	<u>51,315</u>	<u>383</u>	<u>657</u>	<u>52,355</u>

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

	2002	2001
	£'000	£'000
Freehold	36	37
Short leasehold	<u>586</u>	<u>620</u>

ntl CABLECOMMS CHESHIRE
Notes to the Accounts
for the year ended 31 December 2002

8 Creditors: amounts falling due within one year	2002	2001
	£'000	£'000
Amounts owed to parent undertakings and undertakings in which the company has a participating interest	5,508	3,790
	<u>5,508</u>	<u>3,790</u>

9 Share capital	2002	2001
	£'000	£'000
Authorised:		
300 preference shares of £1 each	-	-
124,615,385 'A' ordinary shares of £1 each	124,615	124,615
	<u>124,615</u>	<u>124,615</u>
Allotted, called up and fully paid:		
300 preference shares of £1 each	-	-
124,615,385 'A' ordinary shares of £1 each	124,615	124,615
	<u>124,615</u>	<u>124,615</u>

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.

Ordinary Shareholders

After payment of the preference dividend, all 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 2002 (2001 - £494,000) has not been declared. An appropriation equal to the dividend has been made in the profit and loss account in accordance with FRS 4 "Capital Instruments" and is shown in the Reconciliation of Shareholders' Funds and Movements on Reserves (see note 12).

ntl CABLECOMMS CHESHIRE
Notes to the Accounts
for the year ended 31 December 2002

10 Profit and loss account	2002 £'000	2001 £'000
At 1 January	(76,050)	(47,174)
Retained loss	(29,324)	(29,370)
	<hr/>	<hr/>
	(105,374)	(76,544)
Undeclared dividends due to non-equity shareholders	494	494
	<hr/>	<hr/>
At 31 December	(104,880)	(76,050)
<i>Cumulative undeclared dividends due to non-equity shareholders</i>		
At start of year	3,571	3,077
Appropriated during the year	494	494
	<hr/>	<hr/>
At end of year	4,065	3,571
 11 Reconciliation of shareholders' funds and movements on reserves	 2002 £'000	 2001 £'000
Loss for the year	(28,830)	(28,876)
Non-equity dividends not declared	(494)	(494)
	<hr/>	<hr/>
	(29,324)	(29,370)
Reversal of non-equity dividends	494	494
	<hr/>	<hr/>
Net movement in shareholders' funds	(28,830)	(28,876)
Opening shareholders' funds	48,565	77,441
	<hr/>	<hr/>
Closing shareholders' funds	19,735	48,565
 Total shareholders' funds		
Equity share capital	124,615	124,615
Non-equity share capital	-	-
Profit and loss account	(104,880)	(76,050)
	<hr/>	<hr/>
Total shareholders' funds	19,735	48,565

ntl CABLECOMMS CHESHIRE
Notes to the Accounts
for the year ended 31 December 2002

Reconciliation of shareholders' funds and movements on reserves (continued)	2002	2001
	£'000	£'000
Shareholders' funds allocated to non-equity		
Non-equity share capital	-	-
Cumulative dividends not yet declared	4,065	3,571
	<u>4,065</u>	<u>3,571</u>
Shareholders' funds allocated to deficit equity		
Difference between shareholders' funds and amount allocated to non-equity interests	<u>15,670</u>	<u>44,994</u>
Made up as follows:		
Equity share capital	124,615	124,615
Profit and loss account	(104,880)	(76,050)
Cumulative dividends due to non-equity shareholders	(4,065)	(3,571)
	<u>15,670</u>	<u>44,994</u>

12 Contingent liabilities

The company, along with fellow subsidiary undertakings, is party to a senior secured credit facility with a syndicate of banks. The company is a guarantor of borrowings under this facility of certain other group companies. At 31 December 2002 the maximum contingent liability represented by outstanding borrowings by these companies amounted to approximately £3,193 million (2001 - £2,885 million). Borrowings under the facility are secured by security over the assets of certain members of the group including those of the company.

In April 2004, this facility was replaced by a new senior secured credit facility under which the company's assets are secured.

13 Related parties

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.

14 Parent undertaking and controlling party

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 all sets of group accounts, which include the results of the company, are available from The Secretary, NTL Incorporated, ntl House, Bartley Wood Business Park, Hook, Hampshire RG27 9UP.