

ntl (KENT) LIMITED

(formerly Cable & Wireless Communications (Kent) Limited)

Report and Accounts

31 March 2000



REPORT AND ACCOUNTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Bryony Dew
Robert Mackenzie
Stephen Carter
Stuart Ross

SECRETARY

R Mackenzie

REGISTERED OFFICE

ntl House
Bartley Wood Business Park
Hook
Hampshire
RG27 9UP

AUDITORS

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

ntl (Kent) Limited's principal activity is the provision of cable television and telecommunications services in the South East Kent franchise area.

The Directors expect the operations of the Company to continue to expand in the forthcoming year.

On 26 July 1999, Cable and Wireless plc, NTL Inc 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 Inc 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 Inc, 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 (Kent) Limited.

RESULTS AND DIVIDENDS

The Company made a loss for the year of £4,244,000 (Year ended 31 March 1999: loss of £5,804,000). The Directors do not recommend the payment of a dividend (1999: £nil).

DIRECTORS AND THEIR INTERESTS

The Directors currently serving or who held office during the year were as follows:

R Drolet	(resigned 30 May 2000)
G Wallace	(resigned 1 April 1999)
R Beveridge	(appointed 1 April 1999) (resigned 30 May 2000)
G Clarke	(appointed 1 April 1999) (resigned 30 May 2000)
M Molyneux	(appointed 1 April 1999) (resigned 30 May 2000)
Bryony Dew	(appointed 30 May 2000)
David Kelham	(appointed 30 May 2000) (resigned 1 December 2000)
Robert Mackenzie	(appointed 30 May 2000)
Leigh Wood	(appointed 30 May 2000) (resigned 1 December 2000)
Stuart Ross	(appointed 1 November 2000)
Stephen Carter	(appointed 1 December 2000)

Where those Directors serving at the year end held any interest in the shares of Cable and Wireless plc or Cable & Wireless Communications Ltd (now renamed ntl (CWC) Ltd), such interest is disclosed in the accounts of Cable & Wireless Communications Ltd, except as stated below.

DIRECTORS' REPORT**DIRECTORS AND THEIR INTERESTS (Continued)**

Options to subscribe for ordinary shares in Cable and Wireless plc:

		At 1 April 1999 (or later date of appointment)	Granted Number	Exercised Number	At 31 March 2000	Exercise Price	Date from which exercisable	Expiry Date
R Drolet	(i)	3,289	-	-	3,289	£5.59	01/03/01	31/08/06
	(ii)	-	14,258	-	14,258	£9.82	22/12/02	22/12/06
	(iii)	-	3,054	-	3,054	£9.82	22/12/02	22/12/09
	(iv)	-	13,236	-	13,236	£0.00	31/03/02	
M Molyneux	(i)	4,816	-	-	4,816	£3.58	01/03/01	31/08/01
	(ii)	8,866	-	-	8,866	£4.21	03/07/99	02/07/03
	(ii)	-	11,202	-	11,202	£9.82	22/12/02	22/12/06
	(iii)	7,134	-	-	7,134	£4.21	03/07/99	02/07/06
R Beveridge	(ii)	-	15,276	-	15,276	£9.82	22/12/02	22/12/06
	(iii)	-	3,054	-	3,054	£9.82	22/12/02	22/12/09
	(iv)	-	16,365	-	16,365	£0.00	31/03/02	

- (i) Granted under the Cable and Wireless Employee Savings-Related Share Option Scheme.
(ii) Granted under the Cable and Wireless Senior Employees Share Option Scheme.
(iii) Granted under the Cable and Wireless Revenue Approved Share Option Scheme.
(iv) Granted under the Cable and Wireless Performance Share plan.

EMPLOYEES

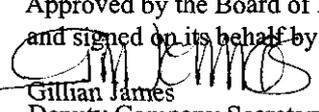
The Company has no employees. Substantially all Group Company employees are employed by a fellow subsidiary, ntl (CWC) Ltd.

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.

Approved by the Board of Directors

and signed on its behalf by


Gillian James
Deputy Company Secretary

30/4/ 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss for the financial period:

The Directors are responsible for ensuring that in preparing the accounts, the Company has:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards, subject to any explanations and material departures disclosed in the notes to the accounts; and
- prepared 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 the financial position of the Company which 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.

AUDITORS' REPORT TO THE MEMBERS OF ntl (KENT) LIMITED

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

Respective responsibilities of Directors and Auditors

As described on page 4, the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 circumstances of the Company, 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 at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street

London

WC2R 2PS

30 April 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2000

	Note	Year ended 31 March 2000 £'000	Year ended 31 March 1999 £'000
TURNOVER	2	3,343	2,580
Cost of Sales		(1,304)	(1,107)
GROSS PROFIT		2,039	1,473
Other operating expenses (net)		(1,668)	(363)
Depreciation and amortisation	7	(1,099)	(865)
OPERATING PROFIT / (LOSS)		(728)	245
Net interest payable	3	(4,431)	(6,049)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(5,159)	(5,804)
Taxation	6	915	-
LOSS FOR THE FINANCIAL PERIOD	14	(4,244)	(5,804)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 31 March 2000

	Year ended 31 March 2000 £'000	Year ended 31 March 1999 £'000
Opening balance	(13,974)	(8,170)
Loss for the financial period	(4,244)	(5,804)
Closing balance	(18,218)	(13,974)

All activities derive from continuing operations.

The Company had no recognised gains or losses other than those reflected in the profit and loss account.

The accompanying notes form an integral part of these statements.

BALANCE SHEET
31 March 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	7	32,081	35,129
CURRENT ASSETS			
Debtors	8	-	50
Cash at bank and in hand		-	61
		-	111
CREDITORS: amounts falling due within one year	9	(50,299)	(45,151)
NET CURRENT LIABILITIES		(50,299)	(45,040)
TOTAL ASSETS LESS CURRENT LIABILITIES		(18,218)	(9,911)
CREDITORS: amounts falling due after more than one year	10	-	(4,063)
NET LIABILITIES		(18,218)	(13,974)
CAPITAL AND RESERVES			
Called up equity share capital	12	-	-
Profit and loss account	14	(18,218)	(13,974)
EQUITY SHAREHOLDERS' FUNDS		(18,218)	(13,974)

These accounts were approved by the Board of Directors on 30/4/

2001, and signed on its behalf by:

S Ross
 Director



The accompanying notes form an integral part of this statement.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**1. STATEMENT OF ACCOUNTING POLICIES**

The principal accounting policies, which have been applied consistently in the preparation of the accounts for this year and previous period, are as follows:

(a) Basis of preparation

The accounts are prepared in accordance with applicable Accounting Standards in the United Kingdom and on the historical cost basis.

Having regard to the special nature of the Group's business, an analysis of operating costs in the manner prescribed by the Companies Act 1985 is not meaningful. In the circumstances therefore the Directors have, as permitted by paragraph 3 (3) of Schedule 4 to the Companies Act 1985, adapted the prescribed format to the requirements of the Group's business.

(b) 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.

(c) 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.

(i) Capitalisation of interest

Interest is capitalised as part of the cost of separately identifiable major capital projects, up to the time that such projects are substantially complete. The amount of interest capitalised is calculated as the capitalisation rate multiplied by the weighted average carrying amount of major capital projects under construction. During the period to 31 March 1999, the capitalisation rate was the company's weighted average cost of 8%. The net book value of capitalised interest in this company relates to amounts capitalised up to 31 March 1999. For each of the following financial years, capitalised interest will be presented within the balance sheet of ntl Communications Services Limited.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(ii) 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:

	Lives:
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:	
- ducting and network construction	10 to 40 years
- electronic equipment and cabling	10 to 15 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.

(d) Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. Depreciation on the relevant assets and interest are charged to the profit and loss account.

All other leases are operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

(e) 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. No deferred tax assets are recognised in respect of accumulated losses except where necessary to reduce a deferred tax liability to nil.

(f) Foreign currencies

Transactions are recorded in sterling at the rate of exchange ruling on the date of the transaction, except for those for which forward cover has been purchased. All monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. All exchange differences arising are dealt with through the profit and loss account.

(g) 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 17).

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

2. TURNOVER

Turnover is attributable principally to the provision of 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 profit / (loss) or net liabilities is shown.

3. NET INTEREST PAYABLE

	Year ended 31 March 2000 £'000	Year ended 31 March 1999 £'000
Interest payable to fellow Group undertakings	4,431	6,049
	<u>4,431</u>	<u>6,049</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	Year ended 31 March 2000 £'000	Year ended 31 March 1999 £'000
Depreciation of owned tangible fixed assets	592	655
Depreciation of fixed assets held under finance leases	507	210
	<u>592</u>	<u>655</u>
	<u>507</u>	<u>210</u>

The auditors' remuneration for the current financial year and the preceding financial period has been borne by a fellow Group undertaking.

None of the Directors received any emoluments from the Company during the period (1999: £nil).

5. STAFF NUMBERS AND COSTS

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

6. TAXATION

	31 March 2000 £'000	31 March 1999 £'000
The UK corporation tax charge / (credit) for the year comprises:		
Receipt in respect of Group relief surrendered	(915)	-
	<u>(915)</u>	<u>-</u>

No corporation tax has been charged as the Company has made a loss for the financial year (1999: £nil). The Company has significant tax losses available for offset against future profits of the same trade. There is no unprovided deferred tax liability.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

7. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Network cable, plant and equipment £'000	Non-network plant and equipment £'000	Total £'000
Cost				
At 1 April 1999	2,068	35,933	422	38,423
Transfers	-	(3,039)	-	(3,039)
Additions	49	944	-	993
At 31 March 2000	<u>2,117</u>	<u>33,838</u>	<u>422</u>	<u>36,377</u>
Accumulated depreciation				
At 1 April 1999	818	2,327	149	3,294
Transfers	-	(97)	-	(97)
Charge for the year	139	902	58	1,099
At 31 March 2000	<u>957</u>	<u>3,132</u>	<u>207</u>	<u>4,296</u>
Net book value				
At 31 March 2000	<u>1,160</u>	<u>30,706</u>	<u>215</u>	<u>32,081</u>
At 31 March 1999	<u>1,250</u>	<u>33,606</u>	<u>273</u>	<u>35,129</u>

Included in Network, cable, plant and equipment are assets held under finance leases with a net book value of £3,262,000 (1999: £3,769,000). The net book value includes capitalised interest of £nil (1999: £404,000).

Network, cable, plant and equipment includes £2,098,000 (1999: £18,655,000) 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:

	2000 £'000	1999 £'000
Freehold	357	364
Short leasehold	803	886
	<u>1,160</u>	<u>1,250</u>

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Prepayments and accrued income	-	50
	<u>-</u>	<u>50</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£'000	£'000
Amounts due to fellow Group undertakings	50,299	45,151

Since the final quarter of 1997, the current assets and liabilities of the Company have been managed by ntl Communications Services Ltd. The net balance payable by the company to ntl Communications Services Ltd is included within amounts owed to parent and subsidiary undertakings.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000	1999
	£'000	£'000
Amounts due to fellow Group undertakings	-	4,063

11. OBLIGATIONS UNDER FINANCE LEASES

	2000	1999
	£'000	£'000
The finance lease obligations to which the Company is committed fall due as follows:		
Within one to two years	-	316
Within two to five years	-	986
In five or more years	-	2,761
	<u>-</u>	<u>4,063</u>

The finance lease contract is with ntl (South East) Limited, the Company's parent Company.

12. SHARE CAPITAL

	2000	1999
	£	£
Authorised		
2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Called up, allotted and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. CAPITAL COMMITMENTS

The Company guarantees the obligations of ntl (South East) Limited under its £135 million lease facility.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

14. RESERVES

	Profit and loss account £'000
As at 1 April 1999	(13,974)
Loss for the financial year	(4,244)
	<hr/>
As at 31 March 2000	<u>(18,218)</u>

15. 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 (CWC) Ltd Group Companies.

16. SUBSEQUENT EVENTS

Certain key steps have taken place subsequent to the balance sheet date in relation to the acquisition of CWC ConsumerCo by NTL Inc and the acquisition of CWC DataCo by Cable and Wireless plc ("the Transaction") as detailed below.

Following the announcement on 10 May 2000 by the UK Secretary of State of the clearance of France Telecom's investment in NTL Inc, all necessary conditions to the ntl (CWC) Ltd Scheme of Arrangement which forms part of the Transaction were satisfied.

On 24 May 2000, NTL Inc exercised the option granted to it by Cable and Wireless plc, required for completion of the Transaction, which took place on 30 May 2000. Following completion, NTL Inc, a company incorporated in the USA, became the ultimate parent undertaking of the company.

17. ULTIMATE PARENT COMPANY AND CONTROLLING UNDERTAKING

The largest Group in which the results of the Company are consolidated is that of which Cable and Wireless plc is the parent Company. The consolidated accounts of Cable and Wireless plc may be obtained from 124 Theobalds Road, London, WC1X 8RX.

The smallest Group in which the results of the Company are consolidated is that of which ntl (CWC) Ltd is the parent Company. The consolidated accounts of ntl (CWC) Ltd may be obtained from Caxton Way, Watford Business Park, Watford, Hertfordshire, WD1 8XH.

The Company is dependent on the financial support of NTL Inc in order to meet its obligations as they fall due. NTL Inc has indicated that it will continue to support the Company, thereby enabling it to meet its obligations as they fall due, for a period of not less than one year from the date of this report.

Since 30 May 2000, the Directors regard NTL Inc, a company registered in USA, as the ultimate parent and controlling undertaking. Prior to that date the Directors regarded Cable and Wireless plc as the ultimate parent company and controlling undertaking.