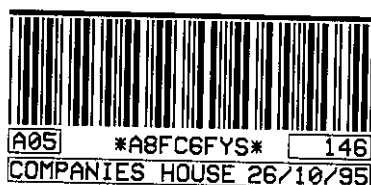


2591237

NTL Group Limited

Report and Accounts

31 December 1994



NTL Group Limited

Registered No. 2591237

DIRECTORS

D S Chambers	
Dr J R Forrest	(deputy chairman)
R A F Heath	(non-executive)
F C Jacob	(non-executive)
R A McKellar	
J A Okas	
Sir Alfred Shepperd	(non-executive)
A J Sukawaty	
A S Walsh	(chairman)

SECRETARY

M H Stokes

AUDITORS

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

BANKERS

Bank of Scotland
38 Threadneedle Street
London EC2P 2EH

REGISTERED OFFICE

Crawley Court
Crawley
Winchester SO21 2QA

Our fourth year of trading witnessed the continuation of rapid development of new business and strong underlying financial performance against the background of major investment in continuing growth.

Group turnover advanced by 23% to £115.7 million. The rise in group administration expenses from £8.3 million to £10.6 million was principally accounted for by the incorporation of DTELS Limited and the investment in strategic reorganisation of our other business areas. Operating profit decreased by 4% to £19.1 million after charging one-off restructuring costs associated with the acquisition of DTELS Limited amounting to £5.8 million. Group profit before tax increased by 3% from £15.5 to £16.0 million.

Retained profit for the year was £6.7 million. This together with the goodwill arising from the acquisition of DTELS Limited of £10.3 million strengthened the group balance sheet and shareholders funds increased from £14.9 million to £31.6 million during the year.

Our core price regulated business - providing television transmission for Channel 3, Channel 4 and S4C - remains of fundamental importance, and we maintained our income in this sector. The majority of the increase in turnover resulted from expansion of our non price-regulated business where revenues increased by 56% to £61.6 million which represented a total of 53% of turnover of the group. It was particularly gratifying that we achieved export sales in excess of £9.7 million during the year, an increase of 49% over the previous year.

During the year we again took advantage of the general downward trend in interest rates and margins and increased the facilities available to the group by £15 million to £65 million. Of this facility there is currently an unutilised balance of £37 million available.

The rapid development of NTL and the need to continue to capitalise on its investments in new areas, whilst maintaining a strong focus on its traditional customer base, made strengthening of the management team during 1994 a priority. The appointment of Andrew Sukawaty as Chief Executive and the new role for John Forrest as Deputy Chairman will enable NTL to maximise its potential and move forward to its next stage of development.

The continued strong performance of the group has been achieved through the willingness and responsiveness of our staff to adapt to the change required to enable NTL to compete effectively in highly competitive markets. The fact that we have seized the opportunities presented by technological advances in broadcasting and telecommunications technology is a testament to the dedication, commitment and skills of the people in our business.

I would like to thank them for their hard work and continued support.



Chairman

The directors present their report and accounts for the year ended 31 December 1994.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £10,011,000. The directors recommend that a first and final dividend of £3,282,000 should be paid to the holders of the 'A' ordinary shares, in accordance with their entitlement under the articles of association, and that the balance of £6,729,000 be transferred to reserves.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

NTL Group Limited is the parent undertaking of National Transcommunications Limited (NTL), DTELS Limited, NTL Limited and NTL Trustees Limited. Neither NTL Limited nor NTL Trustees Limited traded during the year.

NTL provides television and radio distribution and transmission services together with a range of other products and services to organisations in the broadcasting and telecommunications industries.

In March 1994, the company acquired the issued share capital of DTELS Limited from the Secretary of State for the Home Department. DTELS Limited carries on the business of providing radio and telecommunications installation, maintenance and consultancy services, previously known as DTELS, whose principal customers operate in the emergency services sector.

During the year, NTL's Advanced Products division transferred the production of its world-leading range of digital compression products to its new manufacturing facility at Eastleigh, near Southampton.

In September 1994, Mr Andrew Sukawaty was appointed as chief executive, replacing Dr John Forrest who becomes deputy chairman. Mr Sukawaty brings to the Group considerable experience of the telecommunications industry, both in North America and Europe.

Turnover has not been analysed by class of business as in the directors' opinion such information, if disclosed, would not be in the interests of the group.

FUTURE DEVELOPMENTS

The company will continue to support the expansion of NTL's range of products and services, particularly in the areas of digital transmission systems and network services. The expected award of the Channel Five television licence during 1995 will provide the prospect for NTL to bid for the construction and operation of the first new television network in the UK since the company's engineering staff completed the Channel 4 network in 1982. The restructuring of the DTELS business will be completed during 1995 and will be re-badged under the trading name of 'NTL Radio Communications'. The forthcoming decision on the future of the BBC's transmission services is expected to enable the private sector to compete for the provision of these services. NTL has already publicly welcomed this possibility and has expressed its interest in bidding to provide them.

RESEARCH AND DEVELOPMENT

Through the Advanced Products division of its subsidiary NTL, the company continues to develop innovative solutions to the needs of the broadcasting and telecommunications industries world-wide, particularly in the area of digital transmission. In February 1995, NTL commenced trial transmissions of the world's first terrestrial four-channel digital television service in the London area, using MPEG-2 equipment developed by the Advanced Products division.

The amount of research and development expenditure charged to the profit and loss account during the year was £4,494,000.

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

I Armitage	- non-executive
D S Chambers	
Dr J R Forrest	- deputy chairman
R A F Heath	- non-executive
R A McKellar	
J A Okas	
Sir Alfred Shepperd	- non-executive
A J Sukawaty	- appointed 23.9.94
A S Walsh	- chairman

Mr Armitage resigned as a director on 21 February 1995. Ms F C Jacob was appointed as a director on 21 February 1995.

CHARITABLE DONATIONS

The total amount donated for charitable purposes during the year was £8,267.

EMPLOYMENT POLICIES

The company has a policy of equality of employment opportunity irrespective of sex, race, creed or colour. It is also committed to giving full and fair consideration to applications for employment from disabled people having regard to their particular aptitudes and abilities and, where possible, to the retention of those staff who become disabled whilst employed by the company.

Staff and NTL's recognised trade union are regularly briefed on the company's performance in relation to the business plans, together with other important organisational and commercial issues.

ACQUISITION OF DTELS LIMITED

The adjusted consideration paid for the issued share capital of DTELS Limited was £6,500,000, part of which was financed by the issue, on 1 March 1994, of £4,000,000 of 8% unsecured loan stock 1997/2000 which was subsequently repaid on 31 January 1995. The fair value of the net assets acquired under this transaction totalled £17,136,000.

PROPERTIES

The directors are of the opinion that the aggregate market value of properties owned by the company and its subsidiary undertakings is not less than their book value.

DIRECTORS' REPORT

SHARE CAPITAL

On 25 November 1994, the company undertook a restructuring of its share capital, further details of which are given in note 24 to the accounts.

SHARE OPTIONS

In December 1994, share options were granted in respect of 242,655 'C' ordinary shares of the company. The normal dates within which these options may be exercised are as follows:

<i>Share options</i>	<i>Normal exercise dates</i>		
55,768	September 1996	-	September 2001
22,121	September 1997	-	September 2001
164,766	December 1997	-	December 2001

Options over a further 62,126 'C' ordinary shares were granted in January 1995.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year, insurance for the directors and officers of the company was provided through participation in a Directors' and Officers' Liability Insurance policy purchased and maintained by the company within the terms of Section 310(3) of the Companies Act 1985.

AUDITORS

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

By order of the board.



M H Stokes
Secretary
28 March 1995

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 group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of NTL Group Limited

We have audited the accounts on pages 8 to 27, which have been prepared under the historical cost convention and on the basis of the accounting policy set out on pages 12 to 14.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

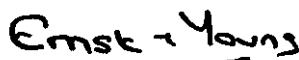
Basis of opinion

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 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 1994 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

28 March 1995

NTL Group Limited

CONSOLIDATED GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 1994

	Notes	As at 1 January 1994 £000	Continuing Operations Acquisitions 1994 £000	Total 1994 £000	Total 1993 £000
TURNOVER	2	102,964	12,732	115,696	93,759
Cost of sales	3	68,912	11,012	79,924	65,560
Gross profit		<u>34,052</u>	<u>1,720</u>	<u>35,772</u>	<u>28,199</u>
Administrative expenses	3	9,623	946	10,569	8,272
Restructuring costs	4	-	5,853	5,853	-
Loss in associated undertaking	5	226	-	226	-
OPERATING PROFIT/(LOSS)	6	<u>24,203</u>	<u>(5,079)</u>	<u>19,124</u>	<u>19,927</u>
Interest receivable	8			418	740
Interest payable	9			(3,541)	(5,210)
				<u>(3,123)</u>	<u>(4,470)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				16,001	15,457
Tax on profit on ordinary activities	10			5,990	4,563
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				<u>10,011</u>	<u>10,894</u>
Final dividend proposed	11			3,282	-
RETAINED PROFIT FOR THE YEAR	13			<u>6,729</u>	<u>10,894</u>

A statement on the movement in reserves is given in note 13.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £10,011,000 in the year ended 31 December 1994 and of £10,894,000 in the year ended 31 December 1993.

NTL Group Limited

CONSOLIDATED GROUP BALANCE SHEET

at 31 December 1994

	Notes	£000	1994 £000	1993 £000
FIXED ASSETS				
Tangible assets	14		67,489	60,957
Investments	16		7	1
			<u>67,496</u>	<u>60,958</u>
CURRENT ASSETS				
Stocks	17		8,014	4,342
Debtors: amounts falling due: after one year	18	7,337		55
within one year		<u>18,218</u>		<u>4,839</u>
			25,555	4,894
Cash at bank and in hand	19		3,066	4,883
			<u>36,635</u>	<u>14,119</u>
CREDITORS: amounts falling due within one year	20		34,790	26,093
NET CURRENT ASSETS/(LIABILITIES)			<u>1,845</u>	<u>(11,974)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>69,341</u>	<u>48,984</u>
CREDITORS: amounts falling due after more than one year	21		25,000	28,000
PROVISION FOR LIABILITIES AND CHARGES	22		4,218	2,649
ACCRUALS AND DEFERRED INCOME	23		8,511	3,438
			<u>37,729</u>	<u>34,087</u>
			<u>31,612</u>	<u>14,897</u>
CAPITAL AND RESERVES				
Called up share capital	24		50	25
Share premium account	13		2,483	2,513
Capital reserve account	13		1,433	1,269
Capital redemption reserve	13		11	-
Goodwill write-off reserve	13		4,959	(5,350)
Profit and loss account	13		22,676	16,440
			<u>31,612</u>	<u>14,897</u>

R. S. Kelly Chairman

R. M. Kelly - Director

28 March 1995

NTL Group Limited

COMPANY BALANCE SHEET
at 31 December 1994

	Notes	1994 £000	1993 £000
FIXED ASSETS			
Investment in subsidiary undertakings	16	58,089	51,262
CURRENT ASSETS			
Debtors: amounts falling due within one year	18	7,333	5,616
CREDITORS: amounts falling due within one year	20	10,665	7,684
NET CURRENT LIABILITIES		(3,332)	(2,068)
TOTAL ASSETS LESS CURRENT LIABILITIES		54,757	49,194
CREDITORS: amounts falling due after more than one year	21	52,096	46,545
ACCRUALS AND DEFERRED INCOME	23	92	67
		52,188	46,612
		2,569	2,582
CAPITAL AND RESERVES			
Called up share capital	24	50	25
Share premium account	13	2,483	2,513
Capital redemption reserve	13	11	-
Profit and loss account	13	25	44
		2,569	2,582

G. S. N. Hall - Chairman

RAH-Kell - Director

28 March 1995

NTL Group Limited

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 1994

	Notes	1994 £000	1993 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	6(b)	30,315	28,483
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		406	749
Interest paid		(3,858)	(5,418)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(3,452)	(4,669)
TAXATION			
Taxation paid		(4,542)	(5,001)
TAX PAID		(4,542)	(5,001)
INVESTING ACTIVITIES			
Purchase of DTELS Ltd	15	(6,827)	-
Payments to acquire tangible fixed assets		(15,962)	(13,488)
Receipts from sales of tangible fixed assets		1,186	114
Purchase of redeemable preference shares in Prospectre Ltd		(200)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(21,803)	(13,374)
NET CASH INFLOW BEFORE FINANCING		518	5,439
FINANCING			
Issue of ordinary share capital	25	(6)	(50)
Re-purchase of ordinary shares	25	329	-
Unsecured loan stock (received)/repaid	25	(4,000)	22,680
Term loan repaid/(received)	25	7,000	(10,000)
Grants received	25	(59)	(137)
NET CASH OUTFLOW FROM FINANCING		3,264	12,493
DECREASE IN CASH AND CASH EQUIVALENTS	26	(2,746)	(7,054)
		518	5,439

1. ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The group accounts consolidate the accounts of NTL Group Limited and all its subsidiary undertakings drawn up to 31 December 1994. No profit and loss account is presented for NTL Group Limited as permitted by section 230 of the Companies Act 1985.

The group profit and loss account includes the results of DTELS Limited for the ten month period from its acquisition on 1 March 1994. The purchase consideration has been allocated to assets and liabilities on the basis of fair value at the date of acquisition.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 31 December 1994.

The consolidated accounts also include the accounts for NTL Limited and NTL Trustees Limited, which have not traded since their incorporation.

Goodwill

Depending on the circumstances of each acquisition, purchased goodwill is either set-off directly against reserves or amortised through the profit and loss account over the directors' estimate of its useful life.

Turnover

Turnover includes the value of goods and services supplied to third party customers and is exclusive of VAT. Turnover related to facilities leasing and other contracts which span financial years are included to the extent that the proportion of the contract period falls into the current financial year.

Where charges are separately made to customers in respect of electricity, circuits or licence fees where no uplift is applied, these are reported as reductions in operating costs and are not included in turnover.

Finance and operating leases

Assets acquired under finance leases are capitalised and subsequently dealt with under the same accounting policies as other tangible fixed assets, excluding the interest portion of costs which is expensed.

Costs arising under operating leases are charged evenly over the term of the lease.

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

Amounts receivable under finance leases represent the unpaid capital element of the original cost of equipment.

The interest element of income from such leasing contracts is credited to the profit and loss account on a straight line basis over the term of the lease.

1. ACCOUNTING POLICIES (continued)

Fixed assets

Tangible fixed assets represent the cost of capital works and equipment purchased from third parties. Where a contribution is received towards the cost of an asset, the recorded cost is reduced by the contribution. Where the contribution is in excess of the cost, the excess contribution is included as turnover.

Assets are capitalised in the month following the month in which the asset goes into service.

The cost of company staff effort and their related costs associated with capital projects are not capitalised, but are written off as incurred.

Depreciation

The depreciation of tangible fixed assets is calculated on a straight line basis by reference to the cost, expected useful lives, and the possible effect of technological change.

Depreciation is charged on a monthly basis with effect from the month of capitalisation.

The principal rates of depreciation are as follows:

Freehold land	-	Nil
Freehold buildings	-	2% per annum
Leasehold land and buildings	-	Over the lesser of the term of the lease or 50 years
Plant and equipment	-	5% to 10% per annum
Test equipment	-	20% per annum
Computer equipment	-	33% per annum
Furniture and fixtures	-	10% to 33% per annum
Satellite equipment	-	25% per annum
Vehicles	-	25% per annum

The fixed assets of the group acquired as part of the purchase of National Transcommunications Limited and of DTELS Limited are being depreciated over the remaining useful lives of the assets concerned.

Stocks

Stocks held by the group are maintenance spares and manufacturing stocks. Stocks are valued at average cost less provisions for obsolescence, slow moving and surplus items. Stock items are charged to profit and loss as they are consumed. Manufacturing stocks are valued at the lower of cost or net realisable value.

Research and development

The cost of research and development expenditure is written off as incurred. Equipment used in the research and development area is capitalised and a depreciation charge is made to research and development expenditure under the depreciation policy.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Currency translation

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated at the rate of exchange ruling at the balance sheet date, all differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS

at 31 December 1994

1. ACCOUNTING POLICIES (continued)

Pensions

National Transcommunications Limited, the principal subsidiary of NTL Group Limited, operates a pension plan (The Plan) of the defined benefit type which was established on 1 January 1991. DTELS Limited, another subsidiary of NTL Group Limited was acquired during the year and is a participating employer in the Plan. The assets of the Plan are held separately from those of the company and are invested in specialised portfolios under the management of Clerical Medical Investment Group.

The regular pension cost is assessed using the attained age method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lifetimes of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss accounts are treated as either provisions or prepayments in the balance sheet.

Government grants

Grants of a revenue nature are credited to income in the period to which they relate.

Warranties

An appropriate provision is made for potential customer claims relating to current year sales of video compression products.

2. TURNOVER

Turnover includes the value of charges made for transmission services, distribution services, products, facilities leasing, interest on rental of equipment under finance leases, research and development contracts, other contracts, rents from properties, excess above cost in respect of capital works contributions from third parties and site charges made to the BBC under the site sharing agreement.

Turnover is analysed by geographical area as follows:

	1994 £000	1993 £000
<i>Geographical area</i>		
United Kingdom	105,969	87,231
Europe	5,062	3,554
Scandinavia	1,108	-
North America	621	2,556
Africa, Asia and Australasia	2,936	418
	<u>115,696</u>	<u>93,759</u>

Turnover has not been analysed by class of business as in the directors' opinion such information, if disclosed, would not be in the interests of the group.

NOTES TO THE ACCOUNTS
at 31 December 1994

3. **COST OF SALES AND ADMINISTRATIVE EXPENSES**

Included in cost of sales is an amount of £49,000 (1993 - £1,507,000) and in administrative expenses an amount of £275,000 (1993 - £13,000) in respect of reorganisation costs as follows:

	1994 £000	1993 £000
Provision made for reorganisation costs	275	1,367
Provision made for rent and rates costs of vacated premises	49	149
Relocation costs of premises and plant and equipment	-	4
	<u>324</u>	<u>1,520</u>

4. **RESTRUCTURING COSTS**

Costs and provisions in respect of reorganisation costs incurred in DTELS Limited following its acquisition by the group.

	£000
Reorganisation costs	<u>5,853</u>

5. **LOSS IN ASSOCIATED UNDERTAKING**

The loss in associated undertaking is in respect of 50% share in the operating losses of Prospectre Limited for the fourteen month period ended 31 December 1994.

6. **OPERATING PROFIT**

(a) This is stated after charging/(crediting):

	1994 £000	1993 £000
Staff costs	31,363	23,876
Auditors' remuneration - as auditors	57	45
Auditors' remuneration - for other services	47	50
Depreciation of owned fixed assets	9,473	9,662
Operating lease rentals - land and buildings	2,330	1,724
Operating lease rentals - plant and machinery	3,369	3,086
Independent Local Radio (ILR) contract provision	(164)	(282)
Grants receivable	(83)	(90)
Directors' emoluments	986	630
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS
at 31 December 1994

6. OPERATING PROFIT (continued)

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1994 £000	1993 £000
Operating profit	19,124	19,927
Depreciation	9,473	9,662
(Profit)/loss on disposal of tangible fixed assets	(271)	102
ILR contract provision released	(164)	(282)
Grants received	(83)	(90)
(Increase) in stocks	(2,805)	(1,598)
(Increase) in debtors	(10,079)	(566)
Increase in creditors	11,882	1,328
Decrease in finance lease debtor	3,238	-

Net cash inflow from ordinary operating activities	30,315	28,483
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(c) Staff costs

	1994 £000	1993 £000
Wages and salaries	25,779	19,530
Social security costs	2,249	1,752
Pension costs	3,335	2,594
	31,363	23,876

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

	1994 No.	1993 No.
Regional operations	693	367
Engineering services	180	165
Administrative	97	90
Business development	49	41
Advanced products	86	63
Nexus	3	2
	1,108	728

7.(a) DIRECTORS' REMUNERATION

Directors' emoluments, including pension contributions, amounted to £985,771 (1993 - £630,226). This includes an amount of £40,136 (1993 - £27,491) paid to third party companies in respect of directors' fees.

The remuneration of the chairman, excluding pension contributions, amounted to £94,902 (1993 - £90,938). The remuneration of the highest paid director, excluding pension contributions, amounted to £109,386 (1993 - £141,197). In addition, a payment of £260,000 was made to the highest paid director as compensation for the surrender of accrued benefits on the termination of a previous employment.

NOTES TO THE ACCOUNTS
at 31 December 1994

7.(a) DIRECTORS' REMUNERATION (continued)

The remuneration of those directors employed under executive service agreements includes payments related to the achievement of performance objectives, which have been determined by the remuneration committee.

The emoluments, excluding pension contributions, of the directors fell within the following ranges:

		1994 No.	1993 No.
£5,001	- £10,000	-	1
£15,001	- £20,000	2	2
£20,001	- £25,000	1	-
£90,001	- £95,000	2	2
£95,001	- £100,000	2	1
£100,001	- £105,000	-	1
£120,001	- £125,000	1	-
£140,001	- £145,000	-	1
£365,001	- £370,000	1	-

7(b). DIRECTORS' INTERESTS IN SHARES AND OPTIONS

	'A' ordinary shares		'B' ordinary shares		'C' ordinary shares		Options over 'C' ordinary shares	
	31.12.94	1.1.94	31.12.94	1.1.94	31.12.94	1.1.94	31.12.94	1.1.94
I Armitage	1,294	1,294	-	-	1,294	-	-	-
D S Chambers	-	-	13,000	26,000	13,000	-	-	-
Dr J R Forrest	-	-	14,000	28,000	14,000	-	-	-
R A F Heath	-	-	-	-	-	-	-	-
R A McKellar	-	-	14,000	28,000	14,000	-	-	-
J A Okas	-	-	14,000	28,000	14,000	-	-	-
Sir Alfred Shepperd	-	-	-	-	-	-	-	-
A J Sukawaty	-	-	1,520	-	1,520	-	167,304	-
A S Walsh	-	-	-	-	-	-	6,275	-

No other director of the company had a notifiable interest in the shares of the company or in any subsidiary undertaking as at 31 December 1994.

8. INTEREST RECEIVABLE

	1994 £000	1993 £000
Interest receivable on short-term deposits	410	736
Interest received net of tax	8	4
	<u>418</u>	<u>740</u>

9. INTEREST PAYABLE

	1994 £000	1993 £000
Term loan interest	2,983	2,725
Unsecured loan stock interest	357	2,214
Legal costs in respect of restructured facilities	195	270
Other interest	6	1
	<u>3,541</u>	<u>5,210</u>

NOTES TO THE ACCOUNTS
at 31 December 1994

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994 £000	1993 £000
Based on profit for the year:		
UK corporation tax at 33.0%	6,365	4,993
UK corporation tax - prior years	(377)	(430)
Overseas tax incurred on royalty income	4	14
Double taxation relief	(2)	(14)
	<u>5,990</u>	<u>4,563</u>

11. DIVIDENDS

	1994 £000	1993 £000
Final proposed	<u>3,282</u>	<u>-</u>

12. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £310,000.

13. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	Share capital £000	Share premium £000	Profit and loss account £000	Capital reserve £000	Capital redemption reserve £000	Goodwill write off reserve £000	Total Share- holders' funds £000
As at 1 January 1993	25	2,463	5,828	987		(5,350)	3,953
Shares issued during the year		50					50
ILR Contract Provision released			(282)	282			-
Profit attributable to members of the group			10,894				10,894
As at 31 December 1993	<u>25</u>	<u>2,513</u>	<u>16,440</u>	<u>1,269</u>	<u>-</u>	<u>(5,350)</u>	<u>14,897</u>
Shares issued during the year		6					6
Bonus issue of 'C' ordinary shares	25	(25)					
Shares re-purchased during the year for cancellation		(11)	(329)		11		(329)
Arising on acquisition of DTELS Ltd						10,309	10,309
ILR Contract Provision released			(164)	164			
Profit attributable to members of the group			10,011				10,011
Dividends			(3,282)				(3,282)
As at 31 December 1994	<u>50</u>	<u>2,483</u>	<u>22,676</u>	<u>1,433</u>	<u>11</u>	<u>4,959</u>	<u>31,612</u>

NOTES TO THE ACCOUNTS
at 31 December 1994

13. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS (continued)

Company	Share capital £000	Share premium £000	Profit and loss account £000	Capital redemption reserve £000	Total Share- holders' funds £000
As at 1 January 1993	25	2,463	32		2,520
Shares issued during the year		50			50
Profit attributable to members of the company			12		12
As at 31 December 1993	25	2,513	44	-	2,582
Shares issued during the year		6			6
Bonus issue of 'C' ordinary shares	25	(25)			
Shares re-purchased during the year for cancellation		(11)	(329)	11	(329)
Profit attributable to members of the company			3,592		3,592
Dividends			(3,282)		(3,282)
As at 31 December 1994	50	2,483	25	11	2,569

14. TANGIBLE ASSETS

Group

	Freehold	Land & Buildings Long lease	Short lease	Plant and equipment	Furniture and fittings	Total assets in use	Assets under con- struction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost:								
At 1 January 1994	9,285	-	4,802	59,871	5,091	79,049	5,174	84,223
Assets acquired on purchase of subsidiary	1,520	195	-	821	79	2,615	-	2,615
Additions	-	-	-	-	-	-	14,305	14,305
Assets brought into commission	295	-	112	12,628	1,381	14,416	(14,416)	-
Disposals	(5)	-	-	(1,526)	(140)	(1,671)	-	(1,671)
Reclassification of assets	(33)	-	(54)	131	(44)	-	-	-
At 31 December 1994	11,062	195	4,860	71,925	6,367	94,409	5,063	99,472
Depreciation:								
At 1 January 1994	(425)	-	(466)	(19,523)	(2,852)	(23,266)	-	(23,266)
Charge to profit and loss	(236)	(3)	(237)	(7,915)	(1,082)	(9,473)	-	(9,473)
Disposals	-	-	-	628	128	756	-	756
Reclassification of assets	15	-	-	(63)	48	-	-	-
At 31 December 1994	(646)	(3)	(703)	(26,873)	(3,758)	(31,983)	-	(31,983)
Net book value:								
At 31 December 1994	10,416	192	4,157	45,052	2,609	62,426	5,063	67,489
At 1 January 1994	8,860	-	4,336	40,348	2,239	55,783	5,174	60,957

NOTES TO THE ACCOUNTS
at 31 December 1994

14. TANGIBLE ASSETS (continued)

The total provision for the permanent diminution in value of fixed assets at 31 December 1994 was £175,000 (1993 - £123,000) which was expensed during the year.

	1994 £000	1993 £000
Capital expenditure		
Amounts contracted but not provided	1,769	2,961
Amounts authorised but not contracted for	4,388	11,244

15. INVESTMENT IN SUBSIDIARY

Company

On 1 March 1994 the company acquired 4 ordinary shares of £1 each in DTELS Limited being 100% of its issued share capital, for a consideration of £6,500,000 excluding the cost of acquisition. This was satisfied by the issue of loan stock £4,000,000 and from the company's own cash resources.

The negative goodwill arising on the acquisition of DTELS Limited during the period has been transferred to reserves.

Analysis of the acquisition of DTELS Limited:

	Book value £000	Revaluation £000	Other provisions £000	Fair value to the Group £000
Net assets at date of acquisition				
Assets acquired:				
Fixed assets	4,756	(2,141) a	-	2,615
Stocks	867	-	-	867
Current assets excluding cash	13,811	(27) b	-	13,784
Total assets	19,434	(2,168)	-	17,266
Provision for holiday pay liabilities	-	-	(130) c	(130)
Total liabilities	-	-	(130)	(130)
Net assets	19,434	(2,168)	(130)	17,136
Consideration paid for DTELS Limited				(6,500)
Costs associated with the acquisition				(327)
Negative goodwill arising on acquisition written off to reserves				10,309

NTL Group Limited

NOTES TO THE ACCOUNTS at 31 December 1994

15. INVESTMENT IN SUBSIDIARY (continued)

Adjustments:

- (a) Change in value of test equipment and computer equipment following reassessment of expected lives of the assets and change in value of vehicles to reflect their net realisable value.
- (b) Write down of finance lease debtor to net realisable value.
- (c) Provision for holiday pay liabilities.

	£000
Investment in subsidiary:	
Consideration paid for DTELS Limited	6,500
Costs associated with acquisition	327
	<u>6,827</u>

16. INVESTMENTS

Company

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holdings</i>	<i>Proportion held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>				
National Transcommunications Limited	England and Wales	Ordinary shares	100%	Transmission services
NTL Limited (formerly NTL Services Limited)	England and Wales	Ordinary shares	100%	Non-trading
NTL Trustees Limited	England and Wales	Ordinary shares	100%	Non-trading
DTELS Limited	England and Wales	Ordinary shares	100%	Radio Communications Services

The registered office of all subsidiaries is Crawley Court, Crawley, Winchester SO21 2QA.

*Subsidiary
undertakings
£000*

Cost:	
At 1 January 1994	51,262
Additions	6,827
	<u>58,089</u>
At 31 December 1994	

In the opinion of the directors the investments in subsidiary undertakings are worth not less than cost.

NOTES TO THE ACCOUNTS
at 31 December 1994

16. INVESTMENTS (continued)

<i>Name of company</i>	<i>Country of registration</i>	<i>Holdings</i>	<i>Proportion held</i>	<i>Nature of business</i>
<i>Associated undertaking</i>				
Prospectre Limited	Scotland	Ordinary shares	50%*	Satellite uplinking & telephony services
		Preference shares	50%*	

The investment in Prospectre Limited has been written down to £7,000 in the year.

* 100% held by a subsidiary undertaking

The registered office of Prospectre Limited is 15 Golden Square, Aberdeen, Scotland AB9 1JF.

17. STOCKS

	<i>1994</i> <i>£000</i>	<i>1993</i> <i>£000</i>
Spares	4,517	3,302
Manufacturing stock/finished goods	3,497	1,040
	<u>8,014</u>	<u>4,342</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

18. DEBTORS

	<i>1994</i> <i>£000</i>	<i>Group</i> <i>1993</i> <i>£000</i>	<i>1994</i> <i>£000</i>	<i>Company</i> <i>1993</i> <i>£000</i>
Trade	13,781	3,154	-	-
Capital amount receivable under finance leases	8,780	-	-	-
Other debtors	303	117	-	-
Prepayments and accrued income	2,672	1,621	14	14
Dividend receivable from National Transcommunications Limited	-	-	7,309	5,600
VAT recoverable	19	2	19	2
	<u>25,555</u>	<u>4,894</u>	<u>7,333</u>	<u>5,616</u>

Capital amount receivable under finance leases includes an amount of £7,276,000 which is due after more than one year. Original cost of assets acquired for the purpose of letting under finance leases was £10,092,000.

Included in other debtors is an amount of £61,000 (1993 - £55,000) which is due after more than one year. This is in respect of house purchase loans and car purchase loans to employees, under the approved company schemes.

NTL Group Limited

NOTES TO THE ACCOUNTS
at 31 December 1994

19. CASH AT BANK AND IN HAND

	1994	Group 1993	1994	Company 1993
	£000	£000	£000	£000
Cash at bank	743	68	-	-
Cash in hand	23	15	-	-
Cash on short-term deposit	2,300	4,800	-	-
	<u>3,066</u>	<u>4,883</u>	<u>-</u>	<u>-</u>

20. CREDITORS: amounts falling due within one year

	1994	Group 1993	1994	Company 1993
	£000	£000	£000	£000
Interest due on term loan	252	369	252	369
Bank overdraft	1,477	548	17	14
Trade creditors	12,098	9,642	32	41
Current corporation tax	6,321	4,906	-	-
Other taxes and social security	2,541	2,300	55	253
ILR contract provision	-	164	-	-
Other creditors	1,819	1,164	27	7
Current instalments due on term loan	7,000	7,000	7,000	7,000
Dividend payable	3,282	-	3,282	-
	<u>34,790</u>	<u>26,093</u>	<u>10,665</u>	<u>7,684</u>

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

	1994	Group 1993	1994	Company 1993
	£000	£000	£000	£000
Term loan:				
due between two and five years	14,000	21,000	14,000	21,000
due between one and two years	7,000	7,000	7,000	7,000
	<u>21,000</u>	<u>28,000</u>	<u>21,000</u>	<u>28,000</u>
Loan from subsidiary undertaking	-	-	27,096	18,545
Unsecured loan stock 1997/2000				
due between two and five years	4,000	-	4,000	-
	<u>25,000</u>	<u>28,000</u>	<u>52,096</u>	<u>46,545</u>
ILR contract provision	-	164	-	-
less due within one year	-	(164)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>25,000</u>	<u>28,000</u>	<u>52,096</u>	<u>46,545</u>

NOTES TO THE ACCOUNTS
at 31 December 1994

21. **CREDITORS:** amounts falling due after more than one year (continued)

The term loan is scheduled to be repaid between 1995 and 1998. The floating charge on the assets of the company and of National Transcommunications Limited, a subsidiary undertaking, was released on 30 November 1994.

The unsecured loan stock 1997/2000 was redeemed on 31 January 1995.

22. **PROVISIONS FOR LIABILITIES AND CHARGES**

	<i>Group</i>		<i>Company</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Reorganisation provision	3,032	1,752	-	-
Relocation provision	344	193	-	-
Rent and rates provision	220	376	-	-
Reorganisation and refurbishment of office accommodation	-	50	-	-
Product warranty	622	278	-	-
	<u>4,218</u>	<u>2,649</u>	<u>-</u>	<u>-</u>

The reorganisation provision is in respect of the termination costs of employees which arises from a restructuring of the group.

The relocation provision is in respect of commitments made by the group to employees who have moved location within the group.

The rent and rates provision is in respect of vacated premises.

Product warranty is in respect of video compression product which carries a minimum of one year warranty. An appropriate provision is made for potential customer claims relating to current year sales.

Deferred taxation amounts not provided are as follows:

	<i>Not provided</i>	
	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>
<i>Group</i>		
Capital allowances in advance of depreciation	7,334	6,700
Rental equipment	258	-
Other timing differences	(863)	(699)
	<u>6,729</u>	<u>6,001</u>
Less: advance corporation tax	-	-
	<u>6,729</u>	<u>6,001</u>

No provision for deferred tax has been made as the current capital expenditure plan for the group for the foreseeable future indicates an excess in aggregate of capital allowances over depreciation.

NOTES TO THE ACCOUNTS
at 31 December 1994

23. ACCRUALS AND DEFERRED INCOME

	1994 £000	Group 1993 £000	1994 £000	Company 1993 £000
Accruals	4,819	1,145	92	67
Deferred income	3,692	2,293	-	-
	<u>8,511</u>	<u>3,438</u>	<u>92</u>	<u>67</u>

24. SHARE CAPITAL

Group and company

	Authorised £000	Allotted, called up and fully paid £000
2,198,000 'A' Ordinary shares of 1p each	22	22
289,925 'B' Ordinary shares of 1p each (1993 - 352,085)	3	3
2,884,000 'C' Ordinary shares of 1p each of which 2,487,925 represents fully paid up issued shares	29	25
12 Redeemable special shares of 1p each	-	-
	<u>54</u>	<u>50</u>

On 25 November 1994, the company undertook a restructuring of its share capital in order to establish an Inland Revenue approved share option scheme. This involved the creation of a new class of 'C' ordinary shares, 2,487,925 of which were issued as a 'one for one' bonus to all the registered holders of the 'A' and 'B' ordinary shares. Prior to the bonus issue, 56,000 'B' ordinary shares were redesignated as 'A' ordinary shares, 6,450 'B' ordinary shares were repurchased for cancellation by the company, and the remaining 25,625 unissued 'B' ordinary shares were cancelled.

'A' ordinary shares

The 'A' ordinary shares have the right to the payment of a dividend equal to one third of the consolidated post tax profits (the 'Participating 'A' Ordinary Dividend'). The 'A' ordinary shares each carry one vote.

'B' and 'C' ordinary shares

The 'B' and 'C' ordinary shares rank *pari passu* with the 'A' ordinary shares for any dividend declared after payment of the Participating 'A' Ordinary Dividend and also for any distribution on a winding up. The 'B' and 'C' ordinary shares ordinarily carry no voting rights.

Redeemable special shares

The 12 redeemable special shares carry no voting rights, nor any rights to a dividend or to a distribution on a winding up. Redeemable special shares may be redeemed at par, or converted to deferred shares, upon any of the following events:

- (i) the holder ceasing to hold 'A' ordinary shares;
- (ii) the company obtaining a Stock Exchange listing; or
- (iii) the sale of at least 50% of the equity other than to a qualifying institution (as defined in the articles of association).

The articles of association also require that the consent of 75% of the holders of the redeemable special shares shall be obtained in respect of certain transactions or events.

NTL Group Limited

NOTES TO THE ACCOUNTS at 31 December 1994

24. SHARE CAPITAL (continued)

Analysis of changes in share capital during the year:

	£000
At 1 January 1994	25
Bonus issue of 'C' ordinary shares for nil consideration	25
	<u>50</u>

During the year the company allotted 290 'B' ordinary shares of 1p each, at £22.00 per share, amounting to £6,380.

25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Group

	Share capital £000	Share premium £000	Profit and loss account £000	Loans and debentures £000	Grants receivable £000
Balance at 1 January 1993	25	2,463	5,828	47,680	(58)
Cash inflows from financing	-	50	-	10,000	137
Cash outflows from financing	-	-	-	(22,680)	-
Non-cash movements	-	-	10,612	-	(90)
Balance at 31 December 1993	<u>25</u>	<u>2,513</u>	<u>16,440</u>	<u>35,000</u>	<u>(11)</u>
Cash inflows from financing	-	6	-	4,000	59
Cash outflows from financing	-	-	(329)	(7,000)	-
Non-cash movements	25	(36)	6,565	-	(83)
Balance at 31 December 1994	<u>50</u>	<u>2,483</u>	<u>22,676</u>	<u>32,000</u>	<u>(35)</u>

26. CASH AND CASH EQUIVALENTS

Analysis of balances as shown in the group balance sheet and changes during the current year and previous year:

Group

	1994 £000	1993 £000
At 1 January	4,335	11,389
Net cash outflow	(2,746)	(7,054)
Balance at 31 December	<u>1,589</u>	<u>4,335</u>
	1994 £000	1993 £000
Represented by:		
Cash at bank	743	68
Cash in hand	23	15
Cash on short-term deposit	2,300	4,800
Overdraft	(1,477)	(548)
	<u>1,589</u>	<u>4,335</u>

NOTES TO THE ACCOUNTS
at 31 December 1994

27. PENSION COMMITMENTS

The Plan is operated by National Transcommunications Limited, a wholly owned subsidiary of NTL Group Limited.

The pension cost is assessed in accordance with the advice of a qualified actuary using the attained age method. The most recent actuarial valuation of the Plan was performed as at 1 January 1994. The principal assumptions employed in this valuation were that investment returns would be 9.5% per annum, that salary increases would be 8.0% per annum and that dividend income would increase at 4.75% per annum.

The pension cost for the year was £3,538,130. This included £52,213 in respect of amortisation of past service liabilities over the future working lifetime of the current membership. The regular costs included an allowance for the possible effect of the favourable early retirement terms offered under the Plan.

At the date of the actuarial valuation of the Plan the market value of the assets was £75.0 million and the actuarial value of the assets was sufficient to cover 99% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

28. OTHER FINANCIAL COMMITMENTS

At 31 December 1994 the group had annual commitments under non-cancellable operating leases as set out below:

		<i>Land and Buildings</i>		<i>Other</i>
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	120	65	-	-
Within two to five years	342	202	-	-
In over five years	1,658	1,542	2,987	2,944
	<u>2,120</u>	<u>1,809</u>	<u>2,987</u>	<u>2,944</u>