

# NTL Group Limited

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Registered No. 2591237

## **DIRECTORS**

R M Mackenzie  
R A McKellar  
L Wood  
S Wagner  
J Thorp

## **SECRETARY**

R M Mackenzie

## **AUDITORS**

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

## **BANKERS**

Bank of Scotland  
38 Threadneedle Street  
London EC2P 2EH

## **REGISTERED OFFICE**

Bristol House  
Farnborough Aerospace Centre  
Farnborough  
Hampshire GU14 6XP



## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company is the parent undertaking of National Transcommunications Limited, DTELS Limited, NTL Limited, NTL Trustees Limited, NTL Insurance Limited and NTL Networks Limited. NTL Limited, NTL Trustees Limited and NTL Networks Limited did not trade during the year.

#### *Environmental*

The group continues to place active emphasis on its environmental responsibilities, and its commitment to the environment is an integral part of its corporate programme. A priority for 1998 is to continue to inform and educate those who work for the group, with regards to its concerns for the environment.

#### *Employment policies*

The group remains committed to the continuing introduction and practice of progressive employment policies which reflect changing business, social and employee needs.

Particular emphasis continues to be placed on achieving equal opportunities in employment through specific recruitment and training programmes and in creating greater confidence among all employees of cultural differences.

Many efforts have been made by the group to provide as much suitable employment as possible for disabled people. Depending on their skills and abilities, disabled employees have the same opportunities for promotion, career development and training as other employees.

#### *Employee involvement*

The group is dedicated to increasing the practical involvement of individuals in the running of their businesses. The group's philosophy is to encourage all employees to contribute to improving business performance through the utilisation of their knowledge, experience, ideas and suggestions. In encouraging an open approach which seeks to involve people in every level of the business, great emphasis is placed on effective communication. Employees are briefed as widely as possible about activities and developments across the company via newsletters, electronic notice boards and a quarterly video presentation by the Chief Executive Officer and Chief Operating Officer of the company's ultimate parent undertaking, NTL Incorporated.

Employees are entitled to participate in a performance related bonus scheme, a sharesave plan, and in some cases participate in the company's ultimate parent undertaking stock option plan. Such schemes foster the effective development of team spirit and greater involvement within the group.

#### *NTL (UK) Group, Inc.*

For a more detailed review of the NTL group's business activities and future prospects, the report and accounts of NTL (UK) Group, Inc. for the year ended 31 December 1997, should be consulted. NTL (UK) Group, Inc. is the group parent undertaking of the company and is registered in England and Wales as a foreign company with number FC18124.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £184,000 (1996 -£12,558,000 ).

The directors do not recommend the payment of a dividend.

DIRECTORS' REPORT

**DIRECTORS AND THEIR INTERESTS**

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

J F Gregg	(resigned 30 June 1998)
R M Mackenzie	
R A McKellar	
J A Okas	(resigned 31 July 1997)
L Wood	(appointed 30 June 1998)
S Wagner	(appointed 30 June 1998)
S Thorp	(appointed 30 June 1998)

No director had any interests in the share capital of the company.

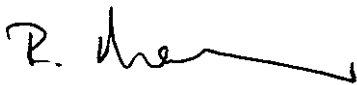
**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

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**

Ernst & Young have expressed their willingness to continue in office as 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.



R M Mackenzie  
Secretary

29/10/98

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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**REPORT OF THE AUDITORS**  
**to the members of NTL Group Limited**

We have audited the accounts on pages 6 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 4 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.

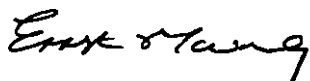
**Basis of opinion**

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'Ernst & Young'.

Ernst & Young  
Registered Auditor  
London

29/10/98

# NTL Group Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
Administrative expenses/(income)		19	(105)
<b>OPERATING (LOSS)/PROFIT</b>	2	(19)	105
Income from investments	3	200	13,500
Bank interest receivable		3	104
Interest payable	4	-	(1,151)
		203	12,453
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		184	12,558
Taxation	5	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		184	12,558
Interim dividend paid		-	8,500
Final dividend reversed		-	(4,398)
	6	-	4,102
<b>RETAINED PROFIT FOR THE YEAR</b>	11	184	8,456

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

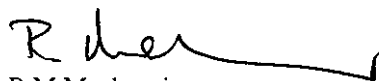
There are no recognised gains or losses other than the profit for the financial year of £184,000 (1996 - £8,456,000 profit).

# NTL Group Limited

## BALANCE SHEET

at 31 December 1997

	Notes	1997 £000	1996 £000
<b>FIXED ASSETS</b>			
Investment in subsidiary undertakings	8	58,489	58,489
<b>CURRENT ASSETS</b>			
Debtors	9	677	326
Cash at bank and in hand		—	1
		677	327
<b>CREDITORS: amounts falling due within one year</b>	10	169	3
<b>NET CURRENT ASSETS</b>		508	324
		58,997	58,813
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	726	726
Share premium account	12	48,484	48,484
Capital redemption reserve	12	11	11
Profit and loss account	12	9,776	9,592
		58,997	58,813



R M Mackenzie  
Director

29/10/98

# NTL Group Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Group accounts*

As the company is a wholly owned subsidiary of another undertaking registered in the United Kingdom, it has taken advantage of section 228 of the Companies Act 1985 and not prepared group accounts. These accounts therefore present information about NTL Group Limited as an individual undertaking and not about its group.

#### *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.

#### *Cash flow statement*

The company has taken advantage of the exemption under FRS1 as a subsidiary which is more than 90% owned by the ultimate parent undertaking.

### 2. OPERATING (LOSS)/PROFIT

This is stated after charging:

	1997 £000	1996 £000
Auditors' remuneration - as auditors	—	3

### 3. INCOME FROM INVESTMENTS

	1997 £000	1996 £000
Dividends received from subsidiary undertaking	200	13,500

### 4. INTEREST PAYABLE

	1997 £000	1996 £000
Bank loans and overdrafts	—	1,151

### 5. TAXATION

There is no taxation charge due to the company claiming group relief.



# NTL Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 6. DIVIDENDS

	1997 £000	1996 £000
Interim dividend	—	8,500
Final dividend reversed	—	(4,398)
	—	4,102

### 7. INVESTMENTS

	<i>Subsidiary undertakings £000</i>
Cost:	
At 1 January 1997	58,489
At 31 December 1997	58,489

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

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>Holdings</i>	<i>Proportion held</i>	<i>Nature of business</i>
<b><i>Subsidiary undertakings</i></b>			
National Transcommunications Limited	Ordinary shares	100%	Transmission services
NTL Limited	Ordinary shares	100%	Non-trading
NTL Trustees Limited	Ordinary shares	100%	Non-trading
DTELS Limited	Ordinary shares	100%	Radio communications services
NTL Networks Limited	Ordinary shares	100%	Non-trading
NTL Insurance Limited *	Ordinary shares	100%	Offshore insurance

\* Incorporated in Guernsey

# NTL Group Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 8. DEBTORS

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
VAT recoverable	4	13
Loan to subsidiary undertaking	473	313
Inter group dividend	200	—
	<u>677</u>	<u>326</u>

### 9. CREDITORS: amounts falling due within one year

	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Amounts due to ultimate parent undertaking	166	—
Accruals	3	3
	<u>169</u>	<u>3</u>

### 10. SHARE CAPITAL

	<i>Authorised</i> <i>£000</i>	<i>Allotted, called up and fully paid</i> <i>£000</i>
5,378,375 new ordinary shares of £0.01 each of which 5,179,681 represents fully paid up issued shares	54	52
5,243,153 new ordinary shares of US\$0.20 each of which 5,179,680 represents fully paid up issued shares	682	674
At 31 December 1997 and 1996	<u>736</u>	<u>726</u>

NOTES TO THE ACCOUNTS  
at 31 December 1997

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Capital redemption reserve £000</i>	<i>Total share- holders' funds £000</i>
At 1 January 1996	50	2,483	1,136	11	3,680
Bonus issue of 1c shares	674	(674)	—	—	—
Shares issued during the year	2	46,675	—	—	46,677
Profit for the year	—	—	4,058	—	4,058
Dividends reversed	—	—	4,398	—	4,398
At 1 January 1997	726	48,484	9,592	11	58,813
Profit for the year	—	—	184	—	184
At 31 December 1997	726	48,484	9,776	11	58,997

12. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking for which group accounts are drawn up and of which the company is a member is NTL Incorporated, a company incorporated in the State of Delaware, United States of America. Copies of the consolidated financial statements are available from the Secretary, NTL Incorporated, 110 East 59th Street, 26th Floor, New York, NY 10022, USA.

The immediate parent undertaking for which group accounts are drawn up and of which the company is a member is NTL Investment Holdings Limited.

13. RELATED PARTIES

The company has taken advantage of the non-disclosure exemption of FRS 8 as an undertaking which is more than 90% controlled by the ultimate parent undertaking.

14. POST BALANCE SHEET EVENTS

On 30 June 1998 the company participated in a group restructuring programme which resulted in the transfer to the company of the trade, assets and liabilities of a number of group undertakings, at market value.

In June 1998 NTL Group Limited entered into an acquisition agreement with Vision Networks III B.V. for the acquisition of the operations of ComTel Limited and Telecential Communications. The company completed the first phase of the acquisition in June 1998 and completed the second and final phase in September 1998, for a total consideration of £475 million in cash and £75 million in new NTL Incorporated 'PIK' preferred stock. The cash portion was financed by an amendment to the existing bank facility arrangement between NTL (UK) Group Inc., NTL Investment Holdings Limited and Chase Manhattan Bank.

In addition to this acquisition NTL has entered into a number of smaller acquisitions since the year end.