2670603

CAMBRIDGE HOLDING COMPANY LIMITED

Report and Accounts

31 December 2000

ERNST & YOUNG

LD5 *LIT48EW2*
COMPANIES HOUSE 0411
09/10/02

Registered No. 2670603

DIRECTORS
J B Knapp
J Gregg

SECRETARY
R M Mackenzie

DEPUTY COMPANY SECRETARY
G E James

AUDITORS
Ernst & Young LLP
Becket House
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London SE1 7EU

BANKERS
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DIRECTORS' REPORT

The directors present their report and group accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The group loss for the year, after taxation, amounted to £11,122,000 (1999 – loss of £14,400,000). The directors do not recommend the payment of a dividend (1999 – £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is the parent undertaking of ntl Cambridge Limited, Anglia Cable Communications Limited, East Coast Cable Limited and Southern East Anglia Cable Limited. The principal activity of the group is the provision of telecommunications services to residential and business customers.

On 31 December 2000 the company participated in a group restructuring programme, which resulted in the acquistion by the group of the trade, assets and liabilities of several fellow group companies at market value.

In the last quarter of 2000 the NTL group recognised the negative impact of the collapsing European and US telecommunications markets on its business and accordingly began to implement a strategy to preserve and maximise its enterprise value. This strategy included commencing a major redundancy programme to significantly reduce the group's expenditures and to reflect its size and trading position at that time, the cost of which to the company was £6,658,000.

On 8 May 2002, NTL Incorporated, the group's ultimate parent undertaking, and certain of NTL Incorporated's holding company subsidiaries, announced that they each had filed "prearranged" Chapter 11 cases under United States bankruptcy laws. On 24 May 2002, NTL Incorporated and the other debtors in the Chapter 11 cases filed their amended joint reorganisation plan (the "Plan"), amending and superseding the plan filed on 8 May 2002, and an amended disclosure statement. Under the proposed Plan, approximately $10.6 billion of debt will be converted into equity in two reorganised companies – NTL UK and Ireland and NTL Euroco. The Plan has received agreement in principle from a steering committee of NTL's lending banks, and an unofficial committee of NTL's public bondholders (holding over 50% of the face value of NTL's bonds) has agreed to support the Plan.

FUTURE DEVELOPMENTS

The directors aim to maintain the marketing and sales policies that have established the group as a significant business, providing high quality telecommunications services. They consider that 2001 will show continued growth.

EMPLOYMENT POLICIES AND DISABLED EMPLOYEES

The ntl 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 creating greater awareness among all employees of cultural differences.

The ntl group gives full consideration to applications from disabled persons where a handicapped or disabled person can adequately fulfill the requirements of the job. Depending on their skills and abilities, disabled employees have the same opportunities for promotion, career development and training as other employees.

EMPLOYEE INVOLVEMENT

The ntl group is dedicated to increasing the practical involvement of individuals in the running of their businesses. The ntl 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 group via newsletters, electronic notice boards and presentations by the Chief Executive Officer and Chief Operating Officer.

The ntl group fosters a team spirit among employees and their greater involvement within the group by offering participation in bonus schemes, sharesave plans and share option schemes.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 2000 and thereafter were as follows:

S A Carter	(appointed 1 December 2000, resigned 20 February 2002)
S Ross	(appointed 1 November 2000, resigned 20 February 2002)
R M Mackenzie	(resigned 20 February 2002)
L Wood	(resigned 1 December 2000)
D W Kelham	(resigned 1 December 2000)
J B Knapp	(appointed 20 February 2002)
J Gregg	(appointed 20 February 2002)

No director had any interest in the share capital of the company. The company seeks exemption not to disclose the directors' interest in the common stock of NTL Incorporated, a company incorporated in the USA and the ultimate parent undertaking of the company.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be reappointed 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

GM James

G E James
Deputy Company Secretary

30 SEP 2002

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
- 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 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMBRIDGE HOLDING COMPANY LIMITED

We have audited the group's accounts for the year ended 31 December 2000, which comprise the Group Profit and Loss Account, Statement of Total Recognised Gains and Losses, Group Balance Sheet, Balance Sheet and the related notes 1 to 24. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statements of Directors' Responsibilities, the group's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the group 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 group 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 group'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.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Notes 1A and 1B of the accounts concerning the fundamental uncertainty as to whether or not the group is a going concern. The group is dependent on continuing finance being made available to enable it to meet its liabilities as they fall due. To date, this finance has been provided by bank facilities and borrowings from its ultimate parent undertaking NTL Incorporated and certain of its subsidiaries (collectively "NTL"). As explained in detail in Notes 1A and 1B, NTL Incorporated has entered into a recapitalisation process, the success of which is dependent upon the continuing agreement of NTL's creditors, as well as adequate liquidity being available to complete the process. As part of this process NTL Incorporated and five of its subsidiary undertakings filed, on 8 May 2002, prearranged cases and a pre-negotiated Plan of Reorganisation, as amended on 24 May 2002, with the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the United States Bankruptcy Code.

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The Chapter 11 bankruptcy filing constituted an event of default under the terms of the bonds issued by each of the entities which made the filing, and as such amounts outstanding on those bonds became immediately due and payable. The Chapter 11 filing also constituted an event of default under the terms of NTL's UK and Swiss credit facilities, allowing the lenders to declare amounts outstanding on those facilities immediately due and payable.

Should the recapitalisation process not be successfully completed, and should financial support no longer be available to the group, the group would not be able to continue as a going concern.

The accounts do not include any adjustments that would result should the recapitalisation process not be successfully completed and should financial support no longer be available to the group. It is not practical to quantify any adjustments to the carrying value of fixed assets or additional provisions that might be required. In view of the significance of this fundamental uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2000, and of the loss of the group 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

30 SEP 2002

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2000

	Notes	*2000* *£000*	*1999* *£000*
TURNOVER	3	64,042	53,803
Cost of sales		22,790	18,140
GROSS PROFIT		41,252	35,663
Other operating expenses		52,390	49,629
OPERATING LOSS	4	(11,138)	(13,966)
Interest receivable		368	191
Interest payable	7	(352)	(625)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,122)	(14,400)
Tax on loss on ordinary activities	8	–	–
LOSS FOR THE FINANCIAL YEAR	19	(11,122)	(14,400)

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2000 *£000*	*1999* *£000*
Loss for the financial year	(11,122)	(14,400)
Unrealised surplus on revaluation of tangible fixed assets	–	8,267
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL YEAR	(11,122)	(6,133)

GROUP BALANCE SHEET
at 31 December 2000

	Notes	*2000* *£000*	*1999* *£000*
FIXED ASSETS			
Intangible assets	9	839,170	–
Tangible fixed assets	10	358,538	173,112
		1,197,708	173,112
CURRENT ASSETS			
Debtors	12	20,194	16,104
Cash at bank and in hand		6,629	3,842
		26,823	19,946
CREDITORS: amounts falling due within one year	13	1,230,075	193,433
NET CURRENT LIABILITIES		(1,203,252)	(173,487)
TOTAL ASSETS LESS CURRENT LIABILITIES		(5,544)	(375)
CREDITORS: amounts falling due after more than one year	14	2,843	3,548
PROVISIONS FOR LIABILITIES AND CHARGES	17	6,658	–
NET LIABILITIES		(15,045)	(3,923)
CAPITAL AND RESERVES			
Called up share capital	18	–	–
Share premium account	19	35,096	35,096
Revaluation reserve	19	8,267	8,267
Capital contribution account	19	65,069	65,069
Profit and loss account	19	(123,477)	(112,355)
EQUITY SHAREHOLDERS' DEFICIT		(15,045)	(3,923)

J Gregg
Director

3 0 SEP 2002

COMPANY BALANCE SHEET
at 31 December 2000

	Note	*2000* *£000*	*1999* *£000*
FIXED ASSETS			
Investments	11	96,865	96,865
CURRENT ASSETS			
Debtors - due after more than one year	12	186,829	151,320
CREDITORS: amounts falling due within one year	13	189,377	153,868
NET CURRENT LIABILITIES		(2,548)	(2,548)
NET ASSETS		94,317	94,317
CAPITAL AND RESERVES			
Called up share capital	18	–	–
Share premium account	19	35,096	35,096
Capital contribution account	19	60,069	60,069
Profit and loss account	19	(848)	(848)
EQUITY SHAREHOLDERS' FUNDS		94,317	94,317

J Gregg
Director
30 SEP 2001

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1A. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared on the assumption that the group is a going concern. At the date of approving the accounts there exists a fundamental uncertainty regarding the group's ability to continue as a going concern.

The group has historically required, and continues to require, significant amounts of capital to finance construction of its network, connection of customers to its network, other capital expenditures and working capital needs. The group has historically met these liquidity requirements through borrowings from commercial banks and from NTL Incorporated("the Company") and its subsidiaries (collectively "NTL").

NTL's UK credit facilities are fully drawn. NTL Communications Corp. ("NTL CC"), a wholly-owned subsidiary of NTL Incorporated, did not pay cash interest on certain series of its notes that was due on 1 April 2002, 15 April 2002 and 15 May 2002. NTL Incorporated and NTL (Delaware), Inc ("NTL Delaware"), a wholly-owned subsidiary of NTL Incorporated, also did not pay cash interest and related fees on a series of their notes that were due on 15 April 2002. As of 31 March 2002, the Company had approximately $622.7 million in cash, cash equivalents and marketable securities on hand and, in April 2002, received approximately $306 million net cash proceeds from the sale of its Australian business. The Company may require additional cash in the twelve months from 1 April 2002 to 31 March 2003. The Company expects to obtain a Debtor in Possession ("DIP") Facility to meet the potential cash requirements of the Company and its subsidiaries. The Company believes that cash, cash equivalents and marketable securities on hand at 31 March 2002, the cash received from the sale of NTL Australia and the cash expected to be available from the DIP Facility will be sufficient for its and its subsidiaries cash requirements during the twelve months from 1 April 2002 to 31 March 2003.

Furthermore, both the equity and debt capital markets have recently experienced periods of volatility, particularly for securities issued by telecommunications and technology companies. The ability of telecommunications companies to access those markets as well as their ability to obtain financing provided by bank lenders and equipment suppliers has become more restricted and financing costs have increased. During some recent periods, the capital markets have been largely unavailable to new issues of securities by telecommunications companies. NTL's public equity is no longer trading on the New York Stock Exchange, and its public debt securities are trading at or near all time lows.

These factors mean that the group does not have access to its historic sources of capital. Therefore NTL's ability to provide continuing finance to the group depends on a restructuring of some or all of NTL's debt.

Details of NTL Incorporated's proposed recapitalisation plan have been included in note 1B. As stated in note 1B NTL Incorporated and five of its subsidiary undertakings filed, on 8 May 2002, prearranged cases and a pre-negotiated Plan of Reorganisation, as amended on 24 May 2002, with the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the United States Bankruptcy Code. The Chapter 11 bankruptcy filing constituted an event of default under the terms of bonds issued by each of the entities which made the filing, and as such amounts outstanding on those bonds became immediately due and payable. The Chapter 11 filing also constituted an event of default under the terms of NTL's UK and Swiss credit facilities, allowing the lenders to declare amounts outstanding on those facilities immediately due and payable.

During the recapitalisation process, the group has maintained normal and regular trade terms with its suppliers and customers. There can be no assurance that the group's suppliers will continue to provide normal trade or credit on acceptable terms, if at all, or those customers will continue to do business or enter into new business with the group.

1A. FUNDAMENTAL ACCOUNTING CONCEPT (continued)

The recapitalisation plan set out in note 1B is at an early stage and it may be several months before the outcome can be seen with any certainty. When assessing the foreseeable future the directors have been unable to look to a period of twelve months from the date of approval of the accounts. The directors consider that the material uncertainties referred to above cast substantial doubt upon the group's ability to continue as a going concern for the foreseeable future. Should the recapitalisation process not be successfully completed, and should financial support no longer be available to the group, the group would not be able to continue as a going concern. Nevertheless, because of the actions currently being taken by NTL, the directors of the group consider that it is appropriate to prepare the group's accounts on a going concern basis, which assumes that the group is to continue in operational existence for the foreseeable future.

The accounts do not include any adjustments that would result should the recapitalisation process not be completed and should financial support no longer be available to the group. It is not practical to quantify the adjustments to the carrying value of fixed assets or additional provisions that might be required, but should any adjustments be required they may be significant.

1B. RECAPITALISATION PROCESS

On 31 January 2002, NTL Incorporated announced that it had appointed Credit Suisse First Boston, JP Morgan and Morgan Stanley to advise on strategic and recapitalisation alternatives to strengthen its balance sheet and reduce debt and put an appropriate capital structure in place for its business. Since then, NTL has been evaluating various recapitalisation alternatives to effect a comprehensive consensual reorganisation in a timely manner to minimise negative effects on its business operations.

On 16 April 2002, NTL announced that it had reached an agreement in principle with an unofficial committee of its public bondholders and France Telecom (a significant holder of NTL Incorporated's preferred stock) and had executed a non-binding term sheet on a comprehensive recapitalisation. The members of the committee hold in aggregate over 50% of the face value of NTL and its subsidiaries' public bonds. The recapitalisation, if implemented, would result in a conversion of approximately $10.6 billion of debt into equity.

On 2 May 2002, a steering committee of NTL's bank lenders approved in principle the recapitalisation previously agreed between NTL and its public bondholders, subject to a non-binding term sheet.

In order to implement the proposed recapitalisation, on 8 May 2002 NTL Incorporated, NTL Delaware, NTL CC, Communications Cable Funding Corp., Diamond Cable Communications Limited and Diamond Holdings Limited filed prearranged cases and a pre-negotiated Plan of Reorganisation with the United States Bankruptcy Court for the Southern District of New York under Chapter 11 of the United States Bankruptcy Code, because, amongst other things, the bonds issued by all of these companies are governed by New York law. NTL's operating subsidiaries were not included in the Chapter 11 filing. The Chapter 11 bankruptcy filing constituted an event of default under the terms of bonds issued by each of the entities which made the filing, and as such amounts outstanding on those bonds became immediately due and payable. The Chapter 11 filing also constituted an event of default under the terms of NTL's UK and Swiss credit facilities, allowing the lenders to declare amounts outstanding on those facilities immediately due and payable.

To facilitate the recapitalisation, certain members of the unofficial committee of bondholders have committed to provide up to $500 million of new debt financing to NTL's UK and Ireland operations during the Chapter 11 process and post-recapitalisation, subject to Bankruptcy Court approval. The new financing will ensure that NTL's business operations have access to sufficient liquidity to continue ordinary operations.

1B. RECAPITALISATION PROCESS (continued)

Under the proposed recapitalisation plan, NTL would be split into two companies, one tentatively called NTL UK and Ireland and holding substantially all of NTL's UK and Ireland assets, and one tentatively called NTL Euroco and holding substantially all of NTL's continental European and other assets.

Notes of Diamond Holdings Limited and NTL (Triangle) LLC (in whose consolidated accounts the group is included) would remain outstanding and will be kept current in interest payments. Holders of notes of NTL Incorporated, NTL Delaware (other than France Telecom), NTL CC and Diamond Cable Communications Limited would in the aggregate receive, on account of their ownership of such notes, 100% of the initial common stock of NTL UK and Ireland and approximately 86.5% of the initial common stock of NTL Euroco, as well as certain cash and other property. NTL Delaware bondholders would have the option to reinvest all or a portion of NTL Delaware cash, to be received under the Plan, in additional shares of NTL UK and Ireland common stock, or to receive such cash in the recapitalisation. Existing preferred and common stockholders, including France Telecom, would receive rights (to be priced at a $10.5 billion enterprise value) and warrants (including certain warrants to be received upon exercise of such rights) entitling them to purchase primary common stock of NTL UK and Ireland at the consummation of the proposed plan, in the case of the rights, and for the duration of the eight-year warrants, in the case of the warrants, at prescribed prices. If fully exercised, those rights and warrants would entitle the current preferred stockholders to acquire approximately 23.6% and the current common stockholders to acquire approximately 8.9% of the entity's primary common stock.

The recapitalisation transaction currently contemplates that the UK bank debt will remain unimpaired.

Existing NTL Incorporated preferred stockholders other than France Telecom would also receive approximately 3.2%, and existing common stockholders, other than France Telecom, would receive approximately 10.3% of the primary equity of NTL Euroco. It is contemplated that subject to consummation of the recapitalisation France Telecom would also receive NTL's 27% interest in Noos, pursuant to a pledge of such interest to France Telecom given at the time of its acquisition by NTL.

2. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of cable network and land and buildings, and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of Cambridge Holding Company Limited and its subsidiary undertakings drawn up to 31 December 2000.

The group profit and loss account includes the results of subsidiary undertakings from the date of their acquisition. The purchase consideration has been allocated to assets and liabilities on the basis of fair values at the date of acquisition.

No profit and loss account is presented for Cambridge Holdings Company Limited as permitted by section 230 of the Companies Act 1985. The result attributable to members of the company, and dealt with in its accounts, was £nil (1999 – £nil).

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life of 5 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

2. **ACCOUNTING POLICIES** (continued)

Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings and network have subsequently been revalued as at 11 November 1999 on the basis of open market value for existing use on that date with the revaluation surplus being taken to the revaluation reserve.

On adoption of FRS 15 (Tangible Fixed Assets) the group has followed the transitional provisions to retain the book value of land and buildings, which were revalued in 1999, but not to adopt a policy of revaluation in the future.

These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Depreciation and prematurity period

Cable system assets:

During the time while the group'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 rates set out below 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:

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

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

Non-cable system 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 life as follows:

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

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

2. **ACCOUNTING POLICIES** (continued)

Capitalised overheads
Overheads, including staff costs, relating to the design, construction and development of the network, capital projects and related services have been capitalised. Depreciation of capitalised overheads is provided on a straight-line basis over 15 years.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are taken to the profit and loss account.

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

Leasing and hire purchase commitments
Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Pensions
The group makes a defined contribution to the ntl sponsored group personal pension plans for eligible employees. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

The group also contributes to individual pension plans on a defined contribution basis for certain full-time employees. Contributions are charged in the profit and loss account as they are incurred.

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% owned by the ultimate parent undertaking.

NOTES TO THE ACCOUNTS
at 31 December 2000

3. TURNOVER

Turnover represents the invoiced amount of services provided, stated net of value added tax, and is attributable to one continuing activity – the provision of information, communications and entertainment services, all of which are attributable to the United Kingdom.

Turnover is analysed as follows:

	2000	*1999*
	£000	*£000*
Telephony	48,974	38,364
Cable television	15,068	15,439
	64,042	53,803

4. OPERATING LOSS

Operating loss is stated after charging:

	2000	*1999*
	£000	*£000*
Depreciation of owned fixed assets	13,820	26,868
Depreciation of assets held under finance leases and hire purchase contracts	1,050	1,185
Other operating lease rentals	1,520	1,474

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

5. DIRECTORS' EMOLUMENTS

The directors' emoluments are paid by the management company, NTL Group Limited, in whose accounts their remuneration is disclosed. A proportion of these emoluments, which it is not possible to identify separately, is recharged to the company in the management fee.

6. STAFF COSTS

	2000	*1999*
	£000	*£000*
Wages and salaries	12,723	11,393
Social security costs	1,266	1,145
Other pension costs	369	340
	14,358	12,878

6. STAFF COSTS (continued)

	2000	*1999*
	No.	*No.*
The average number of employees in the year was:		
Administration	411	339
Sales and distribution	142	150
	553	489

7. INTEREST PAYABLE

	2000	*1999*
	£000	*£000*
Bank loans and overdrafts	22	44
Finance charges payable under hire purchase and finance lease contracts	330	580
Other interest	–	1
	352	625

8. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no corporation tax charge arising in the year due to the availability of losses.

9. INTANGIBLE ASSETS

	Goodwill
	£000
Cost:	
At 1 January 2000	–
Additions in the year (see note 11)	839,170
At 31 December 2000	839,170
Amortisation:	
At 1 January 2000	–
Amortised in the year	–
At 31 December 2000	–
Net book value:	
At 31 December 2000	839,170
At 1 January 2000	–

10. TANGIBLE FIXED ASSETS

Group	*Freehold land and buildings £000*	*Network £000*	*Equipment fixtures and fittings £000*	*Total £000*
Cost or valuation:				
At 1 January 2000	6,399	230,885	11,454	248,738
Additions	38	23,695	990	24,723
Transfers	(2)	(3)	5	–
Transfers from group undertakings	5,783	167,506	2,284	175,573
At 31 December 2000	12,218	422,083	14,733	449,034
Depreciation:				
At 1 January 2000	3,438	64,160	8,028	75,626
Charge for the year	(375)	13,013	2,232	14,870
At 31 December 2000	3,063	77,173	10,260	90,496
Net book value:				
At 31 December 2000	9,155	344,910	4,473	358,538
At 1 January 2000	2,961	166,725	3,426	173,112

Included in the above net book values are the following amounts relating to assets held under finance leases and hire purchase contracts:

	2000 £000	*1999 £000*
Network	5,462	6,512

The directors' valued freehold property and network at their open market value for existing use upon acquisition on 11 November 1999. On an historical cost basis these assets would have been included as follows:

	Freehold property £000	*Network £000*
Cost:		
At 31 December 2000	12,935	443,076
At 1 January 2000	5,720	193,147
Cumulative depreciation based on cost:		
At 31 December 2000	3,646	132,350
At 1 January 2000	3,459	50,639

11. INVESTMENTS

Company

	Subsidiary undertakings *£000*
Cost:	
At 1 January and 31 December 2000	96,865

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows:

Name of Company	*Holdings*	*Proportion held*	*Nature of business*
ntl Cambridge Limited	Ordinary shares	100%	Telecommunications
Anglia Cable Communications Limited*	Ordinary shares	100%	Telecommunications
East Coast Cable Limited*	Ordinary shares	100%	Telecommunications
Credit-Track Debt Recovery Limited*	Ordinary shares	100%	Dormant
Southern East Anglia Cable Limited*	Ordinary shares	100%	Dormant
Cambridge Cable Services Limited*	Ordinary shares	100%	Dormant
CCL Corporate Communication Services Limited	Ordinary shares	100%	Dormant

* held by subsidiary undertaking.

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

As part of a group restructuring programme the group acquired, through ntl Cambridge Limited, at market value the trades of the following group companies on 31 December 2000 for a consideration of £928,000,000: ntl Teesside Limited, XL Debt Recovery Agency Limited and ntl Darlington Limited.

11. INVESTMENTS (continued)

Analysis of the acquisition of these businesses is as follows:

	Book value and fair value to company £000
Tangible fixed assets	175,573
Debtors	7,354
Cash	4,095
Creditors due within one year	(94,888)
Provision for liabilities and charges	(3,304)
Net assets	88,830
Goodwill arising on acquisition	839,170
	928,000
Discharged by:	
Loan notes	928,000

12. DEBTORS

	Group 2000 £000	*Group 1999 £000*	*Company 2000 £000*	*Company 1999 £000*
Trade debtors	15,037	4,317	–	–
Amounts owed by group undertakings	1,808	9,334	186,829	151,320
Other debtors	85	995	–	–
Prepayments and accrued income	3,264	1,458	–	–
	20,194	16,104	186,829	151,320

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13. CREDITORS: amounts falling due within one year

	Group		*Company*	
	2000	*1999*	*2000*	*1999*
	£000	*£000*	*£000*	*£000*
Obligations under finance leases and hire purchase contracts (note 16)	663	828	–	–
Bank loans (note 15)	–	457	–	–
Loan notes payable to group undertakings	928,000	–	–	–
Amounts owed to group undertakings	238,242	177,902	153,868	153,868
Long term advances from group undertakings	35,509	–	35,509	–
Trade creditors	1,154	1,871	–	–
Taxation and social security	829	1,486	–	–
Other creditors	1,572	4,970	–	–
Accruals and deferred income	24,106	5,919	–	–
	1,230,075	193,433	189,377	153,868

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

Group

	2000	*1999*
	£000	*£000*
Obligations under finance leases and hire purchase contracts (note 16)	2,843	3,548

15. LOANS

Group

	2000	*1999*
	£000	*£000*
Wholly repayable within five years:		
– bank loan	–	457
Less: included in creditors: amounts falling due within one year	–	(457)
	–	–

	2000	*1999*
	£	*£*
Amounts repayable:		
In one year or less (note 13)	–	457

The group had granted a fixed charge on its freehold land and premises to secure the bank loans. Interest is charged at the rate of 2% above LIBOR.

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

Group	*2000*	*1999*
	£000	*£000*
Amounts payable:		
Within one year	935	1,164
In two to five years	2,768	2,897
In more than five years	737	1,484
	4,440	5,545
Less: finance charges allocated to future periods	(934)	(1,169)
	3,506	4,376

Finance leases and hire purchase contracts are analysed as follows:

	2000	*1999*
	£000	*£000*
Current obligations (note 13)	663	828
Non-current obligations (note 14)	2,843	3,548
	3,506	4,376

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Reorganisation
	£000
At 1 January 2000	–
Provided in the year	6,658
At 31 December 2000	6,658

Reorganisation provisions represent employee severance costs and other contract cancellation costs arising from the review of the ntl group's business in the last quarter of 2000. It is expected that the majority of this provision will be utilised by 31 December 2001.

18. SHARE CAPITAL

	2000	*1999*
	£	£
Authorised:		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	132	132

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

	Share capital £000	*Share premium account £000*	*Revaluation reserve £000*	*Capital contribution account £000*	*Profit and loss account £000*	*Total £000*
Group						
At 1 January 1999	–	35,096	–	60,069	(97,955)	(2,790)
Capital contribution in the year	–	–	–	5,000	–	5,000
Other recognised gains and losses – revaluation surplus	–	–	8,267	–	–	8,267
Loss for the year	–	–	–	–	(14,400)	(14,400)
At 1 January 2000	–	35,096	8,267	65,069	(112,355)	(3,923)
Loss for the year	–	–	–	–	11,122	11,122
At 31 December 2000	–	35,096	8,267	65,069	(123,477)	(15,045)

	Share capital £000	*Share premium account £000*	*Capital contribution account £000*	*Profit and loss account £000*	*Total £000*
Company					
At 1 January 1999	–	35,096	60,069	(848)	94,317
Result for the year	–	–	–	–	–
At 1 January 2000	–	35,096	60,069	(848)	94,317
Result for the year	–	–	–	–	–
At 31 December 2000	–	35,096	60,069	(848)	94,317

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

		Buildings		*Other*
	2000	*1999*	*2000*	*1999*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	1,094	290	1,460	134
Between two and five years	4,244	47	2,202	429
Over five years	11,506	1,000	–	–
	16,844	1,337	3,662	563

21. DEFERRED TAXATION

The deferred tax assets in respect of accelerated capital allowances and unutilised losses and other timing differences have not been recognised on the grounds of prudence.

22. RELATED PARTY TRANSACTIONS

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.

23. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is NTL (Triangle) LLC, which is registered in Delaware, USA.

The company's results are included in the group accounts of NTL Communications Limited, copies of which are available from its registered office: ntl House, Bartley Wood Business Park, Hook, Hampshire RG27 9UP.

In the directors' opinion, the ultimate parent undertaking and controlling party is NTL Incorporated, a company incorporated in the state of Delaware, United States of America. Copies of its group accounts, which include the group, are available from the Secretary, NTL Incorporated, 110 East 59th Street, 26th Floor, New York, NY 10022, USA.

24. POST BALANCE SHEET EVENT

Impairment

In 2001 the directors of the group's ultimate parent undertaking NTL Incorporated performed an review to assess whether there was any impairment in the value of NTL's intangible assets, tangible fixed assets and investments. This review was performed because of significantly lower value valuations of other companies in similar industries, the fact that the book value of NTL's net assets significantly exceeded its market capitalisation, and because it was expected that forecasts for future growth would not be achieved because of the substantial funding constraints outlined in notes 1A and 1B. The review was performed in accordance with generally accepted accounting principles in the US. As a result of this review, NTL Incorporated recorded a loss on impairment of $9.5 billion in its consolidated financial statements included in its Form 10-K filed with the Securities and Exchange Commission for the year ended 31 December 2001.

24. POST BALANCE SHEET EVENT (continued)

The directors will perform an impairment review for the purposes of the group's accounts for the year ended 31 December 2001 in accordance with the requirements of Financial Reporting Standard 11 "Impairment of Fixed Assets and Goodwill". At the date of approval of the accounts for the year ended 31 December 2000 this review had not been completed, and so the directors are unable to determine the likelihood or possible magnitude of any losses which may result from this review.