

# CableTel Surrey & Hampshire Limited

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Registered No. 2740651

## **DIRECTORS**

R McKellar  
L Wood  
R M Mackenzie

## **SECRETARY**

R M Mackenzie

## **AUDITORS**

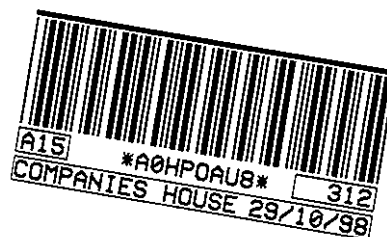
Ernst & Young  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

## **BANKERS**

National Westminster Bank PLC  
31 Promenade  
Cheltenham  
Gloucestershire GL50 1LH

## **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.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £17,005,000 (1996 loss - £235,000). The directors do not recommend the payment of a dividend.

### PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is to run telecommunications systems and to provide communication, entertainment and information services over such systems in Surrey and Hampshire, for which the company is licensed under the Telecommunications Act 1984 and the Broadcasting Act 1990.

The company has reported another year of strong progress in revenue, allied to expansion in all areas of the business. This performance during the year reflects the company's determination to become the premier new era communications company, and its drive towards a fully integrated approach to the provision of telecommunications services. The company continues to extend its network and develop innovative new services making it one of the clear leaders in the telecommunications market.

The outlook for the future is challenging, but the company's well-defined plans will ensure its success and growth in profitability.

#### *Environmental*

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

#### *Employment policies*

The company 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 promoting an environment free from discrimination, harassment and victimisation. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

Many efforts have been made by the company 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 company is dedicated to increasing the practical involvement of individuals in the running of their businesses. The company'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.

DIRECTORS' REPORT

**PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

(continued)

***Employee involvement*** (continued)

Associates 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 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.

**DIRECTORS AND THEIR INTERESTS**

The directors during the year and thereafter were as follows:


J B Knapp	-	resigned 30.6.98
G K Melly	-	resigned 30.6.98
H Heidary	-	resigned 30.6.98
S Wagner	-	resigned 30.6.98
R M Mackenzie	-	appointed 12.6.98
R McKellar	-	appointed 30.6.98
L Wood	-	appointed 30.6.98

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

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office as auditors. The company passed an elective resolution, in accordance with Section 379A of the Companies Act 1985, on 7 March 1994 to dispense with the requirement to appoint auditors annually under the provisions of Section 386 of the Act. Accordingly, Ernst & Young will remain in office as auditors.

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 CableTel Surrey & Hampshire Limited

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

**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.

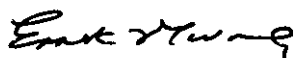
**Basis of opinion**

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London

29/10/98

# CableTel Surrey & Hampshire Limited

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

	Notes	1997 £'000	1996 £'000
<b>TURNOVER</b>	3	14,521	6,692
Cost of sales		6,089	3,242
<b>GROSS PROFIT</b>		8,432	3,450
Other operating costs		6,653	6,883
Administrative expenses		16,157	6,142
<b>OPERATING LOSS</b>	4	(14,378)	(9,575)
Interest receivable		1,379	16,039
Interest payable	7	(4,006)	(6,699)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(17,005)	(235)
Tax on loss on ordinary activities	8	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>	14	(17,005)	(235)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss for the year of £17,005,000 (1996 loss - £235,000).

# CableTel Surrey & Hampshire Limited

## BALANCE SHEET

at 31 December 1997

	Notes	1997 £'000	1996 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	102,126	93,194
<b>CURRENT ASSETS</b>			
Debtors	10	3,243	1,627
Cash at bank and in hand		1,549	51,718
		4,792	53,345
<b>CREDITORS: amounts falling due within one year</b>	11	127,853	150,469
<b>NET CURRENT LIABILITIES</b>		(123,061)	(97,124)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(20,935)	(3,930)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	-	-
Profit and loss account	14	(20,935)	(3,930)
		(20,935)	(3,930)



R M Mackenzie

Director

29/10/98

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 1. FUNDAMENTAL ACCOUNTING CONCEPT

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

### 2. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Depreciation and prematurity period*

During the time while the 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:

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

As stocks relate to network construction, they 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-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:

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



# CableTel Surrey & Hampshire Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 2. ACCOUNTING POLICIES (continued)

#### *Capitalised overhead*

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

#### *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 at which it is anticipated the timing differences will reverse.

#### *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 the loss account.

#### *Leasing commitments*

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

#### *Pensions*

The company makes a defined contribution to the NTL sponsored group personal pension plan of eligible employees.

#### *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.

### 3. TURNOVER

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

Turnover is analysed as follows:

	1997 £'000	1996 £'000
Cable television	5,380	2,633
Telephony	8,658	3,959
Internet	100	39
Other	383	61
	<u>14,521</u>	<u>6,692</u>

# CableTel Surrey & Hampshire Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

### 4. OPERATING LOSS

This is stated after charging/(crediting):

	1997 £'000	1996 £'000
Depreciation of owned fixed assets	5,873	4,280
Auditors' remuneration - audit services	-	18
- other services	-	15
Operating lease rentals - plant and machinery	39	46
- land and buildings	519	310
Exchange difference on foreign currency borrowings	3,431	(2,408)

### 5. STAFF COSTS

	1997 £'000	1996 £'000
Wages and salaries	4,844	4,760
Social security costs	500	491
Other pension costs	84	64
	5,428	5,315

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

	1997 No.	1996 No.
Operations	61	52
Network	69	85
Selling, general and administration	107	91
	237	228

### 6. DIRECTORS' EMOLUMENTS

The directors' emoluments are paid by the management company, CableTel (UK) Limited, in which accounts their remuneration is disclosed. A proportion of these emoluments, which it is not possible to identify separately, is recharged to CableTel Surrey & Hampshire Limited in the management fee.

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
Notes payable to parent undertaking	4,006	6,699

### 8. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no taxation charge due to a tax loss for the year.

# CableTel Surrey & Hampshire Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 9. TANGIBLE FIXED ASSETS

	<i>Network</i>	<i>Construction in progress</i>	<i>Other</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 January 1997	77,507	8,357	13,452	99,316
Transfers	8,357	(8,357)	-	-
Additions	7,962	4,197	2,646	14,805
At 31 December 1997	93,826	4,197	16,098	114,121
Depreciation:				
At 1 January 1997	4,360	-	1,762	6,122
Charge for the year	4,334	-	1,539	5,873
At 31 December 1997	8,694	-	3,301	11,995
Net book value:				
At 31 December 1997	85,132	4,197	12,797	102,126
At 1 January 1997	73,147	8,357	11,690	93,194

Included in network and other is the following net book value of freehold and leasehold buildings:

	<i>Network</i>	<i>Other</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Freehold	-	-	-
Short leasehold	1,348	239	1,587
	1,348	239	1,587

### 10. DEBTORS

	<i>1997</i>	<i>1996</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	1,483	194
Other debtors	1,007	789
Prepayments and accrued income	753	644
	3,243	1,627

# CableTel Surrey & Hampshire Limited

## NOTES TO THE ACCOUNTS

at 31 December 1997

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

	1997 £'000	1996 £'000
Trade creditors	958	1,922
Amounts due to ultimate parent undertaking	629	-
Notes payable to parent undertaking	51,881	70,516
Long-term advances from parent undertakings	65,485	64,969
Amounts due to parent undertaking	-	629
Interest payable to parent undertaking	3,988	6,699
Other creditors	593	7
Accruals and deferred income	4,319	5,727
	<u>127,853</u>	<u>150,469</u>

Long-term advances from parent undertakings relate to advances in respect of share capital to be issued by the company.

### 12. DEFERRED TAXATION

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

### 13. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1997 No.	1996 No.	1997 £	1996 £
Ordinary shares of £1 each	1,000,000	1,000,000	1	1

### 14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 1997	-	(3,695)	(3,695)
Loss for the year	-	(235)	(235)
At 31 December 1997	-	(3,930)	(3,930)
Loss for the year	-	(17,005)	(17,005)
	-	(20,935)	(20,935)

# CableTel Surrey & Hampshire Limited

## NOTES TO THE ACCOUNTS at 31 December 1997

### 15. CAPITAL COMMITMENTS

	1997 £'000	1996 £'000
Contracted	790	558
Authorised but not contracted	3,566	696

### 16. OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Operating leases which expire:				
within one year	-	12	-	13
within two to five years	-	-	42	-
in over five years	222	533	-	-
	222	545	42	13

### 17. 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 (UK) Group, Inc., a company incorporated in the State of Delaware, United States of America.

### 18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8 as a subsidiary undertaking which is more than 90% controlled by the ultimate parent undertaking.

### 19. POST BALANCE SHEET EVENTS

On 30 June 1998, the company participated in a group restructuring programme which resulted in the transfer of its trade, assets and liabilities to NTL Group Limited, a fellow group company, at market value.