NTL (UK) Group, Inc.

Registered No. FC018124

RE-SCAN

DIRECTORS
L Wood
R M Mackenzie
R A McKellar

SECRETARY
R M Mackenzie

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

REGISTERED OFFICE
Bristol House
Farnborough Aerospace Centre
Farnborough
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DIRECTORS' REPORT

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

RESULTS AND DIVIDEND

The group loss for the year, after taxation and minority interests, amounted to £173,466,000 (1996 – loss of £55,165,000). The directors do not recommend the payment of a dividend.

THE COMPANY

The company is incorporated in the State of Delaware in the United States of America, and is the principal holding company for the United Kingdom subsidiary companies of NTL Incorporated.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

As predicted in last year's report, 1997 has proved to be another year of significant progress for the company. NTL's performance during the year reflects its determination to become an integrated communications company with national and international reach, coupled with the broadest range of services in its industry in the United Kingdom.

Management and operations

Throughout 1997, through the diligence and hard work of our Associates, the company has been able to report significant increases in activity in all our lines of business. In 1997, the company invested very heavily in its national networks and has moved a major step forward in their completion and integration. The result is that currently the company has the only national fibre optic network in the United Kingdom with the high capacity necessary to deliver multiple services to businesses and residential customers. This is coupled with NTL's respected track record in broadcasting and carrier services, where the company continues to win major long term contracts.

The re-organisation of the structure of the NTL group has proved highly successful under the stewardship of the company's new Chief Operating Officer, Leigh Wood.

Business telecoms division

The business telecommunications division is now up and running under the NTL brand. The extension of NTL's network across the country allows us to serve both local and national businesses beyond our current built areas, and predominantly to use our own network instead of other carriers. The broadband technology of NTL's national network lets us extend beyond conventional telephony to offer an advanced super-highway that organisations can use to transform the way they work.

Also in this division, the Vision Services group continues to win contracts from Government and Local Authorities.

Carrier services division

The wholesale operation of the company's carrier services division won substantial new business from national and international companies including Orange and Vodafone for cellular telephone services; AT&T and Global One for telecommunications networks, and the BBC, Flextech and Turner Communications for satellite services.

NTL's tradition of uninterrupted service is doubly important for the mission critical needs of our carrier customers. We demonstrate superior reliability at competitive prices through such factors as the "self-healing" characteristics of SDH technology in our optical fibre networks and the resilience we have built into our satellite services.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Carrier services division (continued)
Carrier services is forging into the international market, and has acquired capacity on a transatlantic cable for North American connection, with future onward connections to France, Germany, the Netherlands and Italy.

This division is also concentrating on the satellite services that will deliver digital transmission services to broadcasters for the launch of their digital services.

Residential services division
The dramatic increase in customers for telephony and cable TV services during 1997 has validated the company's approach to combining services and offering consumers more choice. NTL continues to retain an exceptionally high figure of 85% of customers on an annual basis, and of those, 90% subscribe to both cable TV and telephony services. Our penetration of homes to which we have marketed has reached 40% and is climbing. On all these fronts NTL is a clear industry leader.

This division has been working on the launch of Front Row, a joint venture with other cable operators for the delivery of a new "movies on demand" service.

Broadcasting and radiocommunications division
NTL's broadcast business is the UK's leader in its field. NTL's unique experience of radio and television transmission, built up over forty years, generates a continuous stream of revenue typically through contracts of ten years or more. NTL currently has an order book of more than £1.3 billion.

One such long term contract is for broadcasting the new Channel 5. NTL completed the design, build and integration of the infrastructure on time in March 1997 to provide 43 transmitter stations. In addition, NTL has won long term contracts to deliver the forthcoming digital terrestrial television services for Channel 3, 4, 5 and S4C and is rolling out the network for programming to start late in 1998.

This division's radio broadcasting business is expanding fast.

This division's business with all emergency services continues to grow, and it is expanding from a well established base to offer radio maintenance, contracting and facilities leasing services for a widening range of telecoms network customers.

Cellular site services, particularly for mobile phone companies such as Vodafone and One-2-One, continues to provide good growth. More than 1,100 mobile sites were built by this division during 1997, and with each major operator planning growth, we expect this business to continue its steep upward climb.

Internet services division
Internet services are a major part of NTL's overall growth strategy. Whether the division sells internet access wholesale to other service providers or direct to our own customers it has high potential for attracting new customers in minutes of use through our networks. Enormous drives during 1997 brought a rise in internet business and residential customers to more than 100,000. Through greater awareness of the scale of NTL's services and the strength of the NTL network, we are on the same high growth curve for 1998 and set to become one of the first internet service providers to move into operating profit.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Internet services division (continued)
NTL is the backbone for customers of both the highly successful Virgin Net and Which? Online, supplying all the network and call centre operations. Among industry accolades for the quality of our service, *Internet Magazine* voted Virgin Net "Service Provider of the Year" against competition from larger rivals.

Further developments will include intranets and internet voice and fax, all of which offer significant cost savings for users but also take NTL into large, high growth and highly profitable market places. The end of 1998 will bring the convergence of the internet and television as we begin to roll out digital set top boxes into our residential markets. These devices will be capable of giving the 90% of UK homes currently without access to the internet a means of receiving high speed service directly over their television sets. With NTL's expertise in all of the technologies required, we are unique in being fully capable of delivering this revolutionary new service, end to end.

Digital services division
NTL's digital services division brings together its now considerable understanding of digital technologies amassed from NTL's pioneering work in digital broadcasting and its involvement with the bid for digital radio broadcasting and its involvement with the bid for digital terrestrial television licences.

NTL is capitalising on this base of expertise by deploying digital broadcast technology for NTL's own cable operations, with the roll out of these services due to begin in late 1998. The digital services team is also developing a wide array of interactive services - initially within our cable areas but longer term extending beyond our network. The vision NTL is developing will allow customers to move easily between a range of information and entertainment services - multiple television channels, movies, a sophisticated electronic listings guide, local information and transactional services like shopping and banking - all based on open internet standards.

The International arm of this division draws on NTL's broad skill base to take up overseas opportunities in the broadcast market, and in 1997 opened negotiations to design and build digital television systems for customers in developing countries.

As the arm of digital communications unfolds, this unique combination of facilities, technical capability and experience positions NTL to take a leading role in the global transition of broadcasting into the digital future.

Prospects
By the end of 1997, NTL positioned itself as a major player in the telecommunications and broadcasting market place, and in 1998 intends to maintain this momentum to drive it into the premier league of communications companies for the emerging digital era, aiming for substantial increases in turnover. We enter 1998 with confidence and much enthusiasm.

CHANGE OF NAME
The company's name was changed from CableTel UK Group, Inc. to NTL (UK) Group, Inc. on 20 March 1997.

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. A priority for 1997 was to continue to inform and educate those who work for the group, with regard to the company's concerns for the environment.

EMPLOYMENT POLICIES

NTL remains committed to the continuing introduction and practice of progressive employment policies that 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.

Efforts have been made by operating companies 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 parent undertaking, NTL Incorporated.

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.

DIRECTORS AND THEIR INTERESTS

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

L Wood	(Chairman and President)	(appointed 9 July 1997)
R M Mackenzie		
R A McKellar	(Treasurer)	(appointed 10 October 1997)
H R Heidary	(resigned 30 June 1998)	
T S Dellarocco	(resigned 30 June 1998)	
D H Giesen	(resigned 30 June 1998)	
A Hindley	(resigned 30 June 1998)	
D Jain	(resigned 30 June 1998)	
S Macdonald	(resigned 30 June 1998)	
G K Melly	(resigned 30 June 1998)	
T M Ryan	(resigned 30 June 1998)	
S Wagner	(resigned 30 June 1998)	
T P Smith	(retired 9 April 1997)	

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

POLITICAL AND CHARITABLE DONATIONS

During the year political donations of £973 were made to the Labour Party and various charitable donations totalling £11,702.

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. Ma

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 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;
- 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 for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of NTL (UK) Group, Inc.

We have audited the accounts on pages 9 to 29, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 12 to 15.

Respective responsibilities of directors and auditors
As described on page 7 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 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.

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 1997 and of the loss of the group for the year then ended.

Ernst & Young

Ernst & Young
Registered Auditor
London
29/10/98

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

	Notes	*1997* *£000*	*1996* *£000*
TURNOVER	3	294,540	131,136
Cost of sales		92,835	86,942
GROSS PROFIT		201,705	44,194
Administrative expenses		127,072	48,001
Other operating costs		192,901	50,260
Loss in associated undertaking		–	11
		(319,973)	(98,272)
OPERATING LOSS	4	(118,268)	(54,078)
Interest receivable	7	13,781	32,598
Interest payable	8	(70,181)	(65,022)
		(56,400)	(32,424)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(174,668)	(86,502)
Tax on loss on ordinary activities	9	(205)	(1,360)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(174,463)	(85,142)
Minority interests		997	29,977
LOSS FOR THE FINANCIAL YEAR	21	(173,466)	(55,165)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the loss for the year of £173,466,000 (1996 - loss £55,165,000).

GROUP BALANCE SHEET
at 31 December 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Intangible assets	11	163,527	103,960
Tangible assets	12	1,044,826	658,236
		1,208,353	762,196
CURRENT ASSETS			
Stocks	14	–	88
Debtors	15	72,380	241,209
Cash and cash equivalents		38,846	204,102
		111,226	445,399
CREDITORS: amounts falling due within one year	16	1,251,649	981,844
NET CURRENT LIABILITIES		(1,140,423)	(536,445)
TOTAL ASSETS LESS CURRENT LIABILITIES		67,930	225,751
CREDITORS: amounts falling due after more than one year	17	1,300	143,524
		66,630	82,227
PROVISION FOR LIABILITIES AND CHARGES	19	(8,736)	(3,597)
MINORITY INTERESTS		63	22,082
		57,957	100,712
CAPITAL AND RESERVES			
Called up share capital	20	–	–
Share premium account	21	298,296	167,714
Goodwill write-off reserve	21	–	(129)
Profit and loss account	21	(240,339)	(66,873)
		57,957	100,712

L Wood) Chairman and President

R M Mackenzie) Director

29/10/98

ERNST & YOUNG

BALANCE SHEET
at 31 December 1997

	Notes	*1997* *£000*	*1996* *£000*
FIXED ASSETS			
Investments	13	98,181	139,762
CURRENT ASSETS			
Debtors	15	1,244,331	798,116
Cash and cash equivalents		142	–
		1,244,473	798,116
CREDITORS: amounts falling due within one year	16	1,044,358	770,164
NET CURRENT ASSETS		200,115	27,952
		298,296	167,714
CAPITAL AND RESERVES			
Called up share capital	20	–	–
Share premium account	21	298,296	167,714
Profit and loss account	21	–	–
		298,296	167,714

L Wood) Chairman and President

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 group can meet its liabilities as and when they fall due.

2. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The group accounts consolidate the accounts of NTL (UK) Group, Inc. and all of its subsidiary undertakings drawn up to 31 December. No profit and loss account is presented for NTL (UK) Group, Inc.

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.

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.

Goodwill

Goodwill, being the net excess of the cost of shares in subsidiaries over the value attributable to their net assets on acquisition, is deducted from reserves in the year of acquisition. Goodwill arising on the acquisition of NTL Group Limited and its subsidiary undertakings in May 1996 has been capitalised and is being amortised on a straight line basis over 30 years. Goodwill arising on the acquisition in the year of the remaining interests in CableTel Glasgow and CableTel Kirklees, additional interest in CableTel Newport (thereby increasing the company's interests to 95%) and the whole of the CableTel Herts and Beds Limited, CableTel Central Hertfordshire Limited, CableTel Hertfordshire Limited, CableTel North Bedfordshire Limited and Columbia Management Limited is being amortised over the residual licence periods for each of the franchises involved.

Intangible fixed assets

Costs incurred in securing the licences to run cable television services have been capitalised, and are written off to the profit and loss account from the date services commence to the date the relevant franchise expires.

2. ACCOUNTING POLICIES (continued)

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 fixed assets of the group acquired as part of the acquisition of NTL Group Limited and its subsidiary undertakings in 1996 are being depreciated over the remaining useful lives of the assets concerned.

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 fifteen years.

2. **ACCOUNTING POLICIES** (continued)

Stocks

Stocks held for resale are stated at the lower of cost and net realisable value. Stocks relating to network construction have been included within tangible fixed assets.

Stocks of maintenance spares have been included within tangible fixed assets and are valued at average cost less provisions for obsolescence, slow moving and surplus items. Such stock items are charged to profit and loss as they are consumed.

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.

Regional development grants

Regional development grants are credited to trading profit over the estimated useful economic lives of the assets to which they relate. The amounts in the balance sheet represent the total grants received to date less amounts amortised.

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.

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.

Pensions

The group contributions either to independent personal pension plans or to the NTL sponsored group personal pension plan of eligible employees.

The group operates a defined benefit pension scheme covering all eligible employees of a subsidiary company prior to that company becoming part of the NTL group. The scheme was closed to new entrants with effect from 6 April 1994. Payments made to the scheme are charged to the profit and loss account and represent a proper charge to cover the accruing liabilities on a continuing basis. The pension scheme is subject to valuation, by an independent actuary, every three years.

The group also continues to operate a defined contribution scheme for employees of a predecessor company. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The scheme is a substitute for part of the state scheme and the benefits are guaranteed to be no less than a minimum defined in terms of members' earnings. Any shortfall between the members' accounts and the value of the guarantee has to be met by the group. The scheme is reviewed every three years to assess whether any additional contributions are required. The last review, which was undertaken during 1993, indicated no shortfall existed in respect ofd the minimum guarantee.

National Transcommunications Limited, a subsidiary of NTL (UK) Group, Inc., operates a pension plan (The Plan) of the defined benefit type which was established on 1 January 1991. DTELS Limited, another subsidiary of NTL Investment Holdings Limited, 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.

2. ACCOUNTING POLICIES (continued)

Pensions (continued)
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

Cash flow statement
The company has taken advantage of the exemption under FRS 1 (revised) as a subsidiary which is more than 90% controlled by the ultimate parent undertaking.

Leasing and hire purchase commitments
Assets held under finance leases and hire purchase contracts, which are those where substantially all of the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents 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.

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.

3. TURNOVER AND SEGMENTAL ANALYSIS

Turnover, substantially all of which arises in the United Kingdom, represents the invoiced amount of services provided, stated net of value added tax, and is attributable to the continuing activities of television and radio broadcasting, cable television, telephone and telecommunications services, and management services to related companies. 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.

Turnover, group loss on ordinary activities before taxation and net assets are analysed as follows:

	Cable television, telephone and telecommunications		*Television, radio broadcasting and national telecommunications*			*Total*
	1997	*1996*	*1997*	*1996*	*1997*	*1996*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
TURNOVER						
Ongoing	91,234	48,753	174,094	82,383	265,328	131,136
Acquisitions	29,212	–	–	–	29,212	–
	120,446	48,753	174,094	82,383	294,540	131,136
PROFIT/(LOSS)						
Ongoing	(113,857)	(72,091)	20,945	18,013	(92,912)	(54,078)
Acquisitions	(25,356)	–	–	–	(25,356)	–
Operating profit/(loss)	(139,213)	(72,091)	20,945	18,013	(118,268)	(54,078)
Interest receivable					13,781	32,598
Interest payable					(70,181)	(65,022)
Loss on ordinary activities before taxation					(174,668)	(86,502)
NET ASSETS						
Ongoing	(3,884)	10,438	67,562	68,192	63,678	78,630
Acquisitions	(5,784)	–	–	–	(5,784)	–
	(9,668)	10,438	67,562	68,192	57,894	78,630
Minority interests					63	22,082
Total net assets					57,957	100,712

NOTES TO THE ACCOUNTS
at 31 December 1997

3. TURNOVER AND SEGEMENTAL ANALYSIS (continued)

	1997 *£000*	*1996* *£000*
Broadcast transmission and national telecommunications	174,094	82,383
Cable television	40,895	19,172
Telephony	67,384	21,860
Internet	5,026	337
Management services	7,087	6,950
Other	54	434
	294,540	131,136

4. OPERATING LOSS

This is stated after charging/(crediting):

	1997 *£000*	*1996* *£000*
Depreciation of owned fixed assets	71,538	36,046
Depreciation of assets held under finance leases	2,757	2,660
Amortisation of intangible assets	9,554	2,545
Auditors' remuneration – audit services	453	428
– other services	412	283
Gain/(loss) on disposal of tangible fixed assets	649	(138)
Government grant amortised	(9)	(158)
Operating lease rentals – plant and machinery	2,541	1,372
– land and buildings	10,173	5,605
Exchange loss/(gain)	14,174	(6,393)
Research and development	1,101	808
Reorganisation costs	9,517	274

5. DIRECTORS' REMUNERATION

	1997 *£000*	*1996* *£000*
Emoluments	2,024	1,144
Company contributions paid to money purchase pension scheme	29	21

	1997 *No.*	*1996* *No.*
Members of money purchase pension scheme	3	6

5. DIRECTORS' REMUNERATION (continued)

The amounts in respect of the highest paid director are as follows:

	1997	*1996*
	£000	*£000*
Emoluments	309	198

No contributions were paid to money purchase schemes by the company in respect of the highest paid director.

6. STAFF COSTS

	1997	*1996*
	£000	*£000*
Wages and salaries	85,365	49,024
Social security costs	7,959	4,490
Pension costs	5,041	2,791
	98,365	56,305

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

	1997	*1996*
	No.	*No.*
Broadcast operations	885	873
Telecommunication operations	735	363
Carrier services	118	57
Network	581	469
Selling, general and administration	1,386	795
	3,705	2,557

7. INTEREST RECEIVABLE

	1997	*1996*
	£000	*£000*
Cash and cash equivalents	13,781	19,766
Note receivable from related undertaking	–	12,832
	13,781	32,598

8. INTEREST PAYABLE

	1997	*1996*
	£000	*£000*
Bank loans and overdrafts	7,061	8,549
Deferred financing costs	3,544	2,605
Finance charges payable under leases and hire purchase contracts	382	629
Notes payable to parent undertaking	59,194	53,176
Other interest	-	63
	70,181	65,022

9. TAXATION

	1997	*1996*
	£000	*£000*
UK corporation tax credit	–	(682)
Deferred taxation (note 19)	(205)	(678)
	(205)	(1,360)

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt with in the accounts of the parent undertaking was £nil.

11. INTANGIBLE FIXED ASSETS

Group

	£000
Cost:	
At 1 January 1997	106,564
Additions	69,121
At 31 December 1997	175,685
Amortisation:	
At 1 January 1997	2,604
Provided during the year	9,554
At 31 December 1997	12,158
Net book value:	
At 31 December 1997	163,527
At 1 January 1997	103,960

The additions to intangible assets relate to the goodwill arising upon the acquisition of the remaining interests in CableTel Glasgow and CableTel Kirklees, additional interest in CableTel Newport (thereby increasing the group's interests to 95%) and the whole of the issued share capital of CableTel Herts and

11. INTANGIBLE FIXED ASSETS (continued)

Beds Limited, CableTel Central Hertfordshire Limited, CableTel Hertfordshire Limited, CableTel North Bedfordshire Limited and Columbia Management Limited. In addition the fair value assessment in respect of the 1996 acquisition of NTL Group Limited by NTL Investment Holdings Limited was reduced by £2,843,000. The goodwill is being amortised through the profit and loss account over various periods up to 30 years.

12. TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings £000	*Leasehold land and buildings £000*	*Network £000*	*Construction in progress £000*	*Motor vehicles £000*	*Other £000*	*Total £000*
Cost:							
At 1 January 1997	43,069	6,189	393,924	77,786	10,407	179,807	711,182
Arising on acquisition of subsidiary undertakings	–	38	133,789	23,853	–	17,521	175,201
Additions	–	1,223	135,112	107,184	1,259	41,873	286,651
Disposals	(540)	–	(184)	–	(1,007)	(234)	(1,965)
Transfers	1,327	628	71,718	(150,637)	–	76,964	–
At 31 December 1997	43,856	8,078	734,359	58,186	10,659	315,931	1,171,069
Depreciation:							
At 1 January 1997	509	274	28,716	–	4,298	19,149	52,946
Provided during the year	972	519	32,335	–	2,757	37,712	74,295
Disposals	(16)	–	–	–	(809)	(173)	(998)
Transfers	·	(17)	60	–	–	(43)	–
At 31 December 1997	1,465	776	61,111	–	6,246	56,645	126,243
Net book value:							
At 31 December 1997	42,391	7,302	673,248	58,186	4,413	259,286	1,044,826
At 1 January 1997	42,560	5,915	365,208	77,786	6,109	160,658	658,236

The provision for the permanent diminution in value of fixed assets at 31 December 1997 was £229,000, of which £158,000 was credited in the year.

Motor vehicles are all held under finance leases or hire purchase contracts. Their net book value at 31 December 1997 was £4,413,000 (1996 – £6,109,000).

Included in network and other are the following net book values of freehold and leasehold land and buildings:

	Network 1997 £000	*Other 1997 £000*	*Total 1997 £000*
Freehold	7,413	432	7,845
Long leasehold	3,513	–	3,513
Short leasehold	6,033	967	7,000
	16,959	1,399	18,358

13. INVESTMENTS

Company

	Subsidiary undertakings £000
Cost:	
At 1 January 1997	139,762
Additions in the year	6,539
Adjustment re CableTel Newport: transfer to advances	(48,120)
At 31 December 1997	98,181

Details of the investments in which the group or the company holds more than 20% of the nominal value of any class of share capital are as follows. All are registered in England and Wales unless otherwise noted.

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings			
CableTel Newport	Ordinary shares	95%	Holding company
CableTel Cardiff Limited	Ordinary shares	95%*	Non-trading
CableTel South Wales Limited	Ordinary shares	95%*	Telecommunications
CableTel West Glamorgan Limited	Ordinary shares	95%*	Non-trading
CableTel Surrey and Hampshire Limited	Ordinary shares	100%	Telecommunications
CableTel Kirklees	Ordinary shares	100% (i)	Telecommunications
CableTel Telecom Supplies Limited	Ordinary shares	100%	Supply of equipment
CableTel (UK) Limited	Ordinary shares	100%	Management services
CableTel Limited	Ordinary shares	100%	Non-trading
CableTel Glasgow	'B' Ordinary shares	100%(ii) (iv)	Telecommunications
CableTel Scotland Limited	Ordinary shares	100%(iii) (iv)	Non-trading
CableTel West Riding Limited	Ordinary shares	100%	Non-trading
CableTel Northern Ireland Limited	Ordinary shares	100%	Telecommunications
NTL Internet Limited	Ordinary shares	100%	Internet services
Metro South Wales Limited	Ordinary shares	95%*	Telecommunications
Secure Backup Systems Limited	Ordinary shares	100%	Backup services
Enablis Limited	Ordinary shares	100%	Internet services
Chamber Online Limited	Ordinary shares	100%	Internet services
CableTel Investments Limited	Ordinary shares	100%	Holding company
CableTel North Bedfordshire Limited	Ordinary shares	100% (v)	Telecommunications
CableTel Central Hertfordshire Limited	Ordinary shares	100%*	Telecommunications
CableTel Herts and Beds Limited	Ordinary shares	100%*	Telecommunications
CableTel Hertfordshire Limited	Ordinary shares	100%	Telecommunications
Metro Hertfordshire Limited	Ordinary shares	100%	Telecommunications
Columbia Management Limited	Ordinary shares	100%	Non-trading
Digital Television Network Limited	Ordinary shares	100%	Digital on terrestrial television services
NTL Investment Holdings Limited	Ordinary shares	100%	Holding company

13. INVESTMENTS (continued)

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
NTL Group Limited	Ordinary shares	100%*	Holding company
National Transcommunications Limited	Ordinary shares	100%*	Transmission and broadcast services
NTL Limited	Ordinary shares	100%*	Non-trading
NTL Trustees Limited	Ordinary shares	100%*	Non-trading
DTELS Limited	Ordinary shares	100%*	Radio communications
NTL Networks Limited	Ordinary shares	100%*	Non-trading
NTL Insurance Limited	Ordinary shares	100%*(vi)	Offshore insurance
Prospectre Limited	Ordinary shares Preference shares	100% (iv)	Satellite uplinking and telephony

* held by a subsidiary undertaking

(i) 2.45% held by CableTel West Riding Limited
(ii) 10.07% held by CableTel Scotland Limited
(iii) 8.72% held by CableTel Glasgow
(iv) registered in Scotland
(v) registered in Northern Ireland
(vi) registered in Guernsey

The investment in Prospectre Limited has been written down to £nil.

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

There were no material differences between the book values of the acquired companies and the corresponding fair values.

14. STOCKS

Group

	1997 *£000*	*1996* *£000*
Goods held for resale	–	88

NOTES TO THE ACCOUNTS
at 31 December 1997

15. DEBTORS

	Group 1997 £000	*Group 1996 £000*	*Company 1997 £000*	*Company 1996 £000*
Trade debtors	32,533	13,536	–	–
Notes receivable from subsidiary undertakings	–	–	742,009	451,985
Long-term advances to subsidiary undertakings	–	–	445,068	119,761
Interest receivable from subsidiary undertakings	–	–	57,042	39,538
Note receivable from related undertaking	–	174,000	–	174,000
Interest receivable from related undertaking	–	12,832	–	12,832
Capital amount receivable under finance leases	3,171	4,404	–	–
Advance corporation tax recoverable	–	2,836	–	–
Deferred financing costs	3,943	3,127	–	–
Corporation tax recoverable	–	1,203	–	–
Other debtors	8,419	13,922	–	–
Prepayments and accrued income	24,092	15,349	212	-
Other taxes	57	–	–	–
Amounts due from ultimate parent undertaking	165	–	–	–
	72,380	241,209	1,244,331	798,116

Capital amount receivable under finance leases includes an amount of £2,338,000 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.

16. CREDITORS: amounts falling due within one year

	Group 1997 £000	*Group 1996 £000*	*Company 1997 £000*	*Company 1996 £000*
Long-term advances from parent undertakings	248,755	127,538	244,755	91,458
Amounts due to parent undertakings	4,090	–	–	–
Notes payable to ultimate parent undertaking	770,009	653,985	742,009	625,985
Interest payable to parent undertaking	60,000	53,176	57,042	52,371
Short-term loans	120	120	–	–
Obligations under finance leases and hire purchase contracts (note 18)	2,965	3,111	–	–
Trade creditors	45,893	38,312	–	–
Other creditors	6,720	4,432	–	–
Other taxes and social security costs	3,161	2,845	–	–
Accruals and deferred income	95,805	53,827	202	–
Deferred consideration	350	35,350	350	350
Bank overdrafts	13,487	9,148	–	–
Corporation tax	294	–	–	–
	1,251,649	981,844	1,044,358	770,164

16. CREDITORS: amounts falling due within one year (continued)

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

Deferred consideration of £35,000,000 was paid in May 1997 to the vendors of NTL Group Limited.

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

Group

	1997	*1996*
	£000	*£000*
Obligations under finance leases and hire purchase contracts (note 18)	1,300	3,524
Term loan	–	140,000
	1,300	143,524

The term loan was repaid in October 1997.

In 1997 the company and its subsidiary NTL Investment Holdings Limited (NTLIH) entered into an agreement with The Chase Manhattan Bank pursuant to which Chase has agreed to fully underwrite a £555,000,000, eight-year term loan facility with an initial four year revolving period. By 14 April 1999, Chase's commitment will be reduced to no less than £480,000,000 or such greater amount as is necessary to ensure that the company's United Kingdom operations remain fully funded by reference to an agreed business plan. The facility will be used to finance capital expenditures and working capital for the company's United Kingdom operations, including its local broadband, national telecommunications and national digital television networks. A portion of the facility (£75,000,000) is conditional upon the execution of contracts to provide digital television transmission services to certain third parties. Chase has provided a portion of the £555,000,000 facility in the form of a £350,000,000 facility to the company on the same terms as to restrictions, covenants, guarantees and security as the £555,000,000 facility. As at 31 December 1997 there was no amount outstanding under the £350,000,000 facility. The principal amount outstanding under the £350,000,000 facility is required to be repaid on 31 December 2005. Interest is payable either monthly, quarterly or semi-annually, at the option of NTLIH, at LIBOR plus, at a maximum, 2.25% per annum. The commitment fee is .375% per annum on the unutilised portion of the £350,000,000 facility and is payable quarterly in arrears. The facility is secured by first fixed and floating charges over all present and future assets and undertakings of the group. The facility contains customary financial covenants, and certain restrictions relating to, among other things: (i) incurrence of additional indebtedness or guarantees, (ii) investments, acquisitions and mergers and (iii) dividend and other payment restrictions. In the absence of a default, the facility generally permits payments to the company to pay interest and principal of existing indebtedness of the company.

18. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Group

	1997	*1996*
	£000	*£000*
Amounts payable:		
within one year	3,146	3,445
within two to five years	1,350	3,620
	4,496	7,065
Less: finance charges allocated to future periods	(231)	(430)
	4,265	6,635

	1997	*1996*
	£000	*£000*
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations	2,965	3,111
Non-current obligations	1,300	3,524
	4,265	6,635

19. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	1997	*1996*
	£000	*£000*
Deferred taxation	–	205
Other	8,736	3,392
	8,736	3,597

Deferred taxation - group

The movement in deferred taxation is as follows:

	£000
At 1 January 1997	205
Release to profit and loss account	(205)
At 31 December 1997	–

Deferred taxation provided in the accounts is as follows:

		Provided
	1997	*1996*
	£000	*£000*
Accelerated capital allowances	–	205

19. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

No further provision for deferred tax on accelerated capital allowances has been made as the current capital expenditure plan for the group indicates an excess of capital allowances over depreciation for the foreseeable future. The group also has tax losses carried forward to offset against future liabilities. Book value in excess of tax value refers to revalued assets and assets into which capital gains have been deferred under the roll over provisions. No provision for deferred tax on the disposal of these assets has been made as there is no intention to dispose of these assets in the foreseeable future.

Deferred taxation amounts not provided in the accounts are as follows:

		Not provided
	1997	*1996*
	£000	*£000*
Finance lease debtor	205	342
Accelerated capital allowances	13,569	21,167
Short term timing differences	(3,522)	(1,900)
Book value in excess of tax value	41,438	42,939
	51,690	62,548
Less: advance corporation tax recoverable	(2,843)	(2,836)
	48,847	59,712

Other - group

	Reorganisation	*Relocation*	*Total*
	£000	*£000*	*£000*
At 1 January 1997	3,172	220	3,392
Arising in the year	6,759	182	6,941
Utilised	(1,520)	(77)	(1,597)
At 31 December 1997	8,411	325	8,736

20. SHARE CAPITAL

Authorised

	1997	*1996*
	No.	*No.*
Common stock shares of US$0.01 each	6,000	4,000

Allotted and called up	*1997*	*1996*
	No.	*No.*
Common stock shares of US$0.01 each	4,919	2,819

NOTES TO THE ACCOUNTS
at 31 December 1997

21. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group

	Share capital £000	*Share premium account £000*	*Goodwill write-off reserve £000*	*Profit and loss account £000*	*Total £000*
At 1 January 1996	–	2,217	496	(11,708)	(8,995)
Loss for the year	–	–	–	(55,165)	(55,165)
Goodwill arising on acquisition	–	–	(625)	–	(625)
Shares issued	–	165,497	–	–	165,497
At 1 January 1997	–	167,714	(129)	(66,873)	100,712
Loss for the year	–	–	–	(173,466)	(173,466)
Goodwill arising on acquisition	–	–	129	–	129
Shares issued	–	130,582	–	–	130,582
At 31 December 1997	–	298,296	–	(240,339)	57,957

Company	*Share capital £000*	*Share premium account £000*	*Profit and loss account £000*	*Total £000*
At 1 January 1996	–	2,217	–	2,217
Shares issued	–	165,497	–	165,497
At 31 December 1996	–	167,714	–	167,714
Shares issued	–	130,582	–	130,582
At 31 December 1997	–	298,296	–	298,296

22. CAPITAL COMMITMENTS

	1997 £000	*1996 £000*
Contracted	33,707	30,514

23. PENSION COMMITMENTS

(a) NTL Plan

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 1997. The principal assumptions employed in this valuation were that investment returns would be 9.0% 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 for the group was £4,188,000.

At the date of the actuarial valuation of the Plan the market value of the assets was £97.0 million and the actuarial value of the assets was sufficient to cover 101% of the benefits that had accrued to members, after allowing for the expected future increases in earnings.

(b) CableTel Glasgow Plan

CableTel Glasgow operates a funded pension scheme providing defined benefits. This pension scheme was closed to new entrants with effect from 6 April 1994. The assets of the scheme are held separately from those of the company, being invested in units of an exempt unit trust. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Partly Projected Unit Method, with a control period, and making allowance for new entrants. A valuation was carried out on 6 April 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return of investments and the rate of increase in salaries, which were 9.5% per annum and 7% per annum respectively. In calculating the discounted income value of assets, equity dividends were assumed to increase in the future at 4.5% per annum. At the valuation date, the market value of the scheme's assets amounted to £488,000 and the actuarial value of assets was sufficient to cover 106% of the liabilities for in-service members as calculated on the funding method employed. The pension charge was 21.5% of pensionable salaries.

24. OTHER FINANCIAL COMMITMENTS

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

Group

		Land and buildings		*Other*
	1997	*1996*	*1997*	*1996*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
within one year	53	174	49	16
between two and five years	612	273	547	63
over five years	5,457	7,272	3,812	2,340
	6,122	7,719	4,408	2,419

25. CONTINGENT LIABILITIES

The group has licences issued by the Department of Trade and Industry (DTI) and the Independent Television Commission (ITC) for its cable television, telephone and telecommunications business. The initial terms of the group's licences was 23 years for the DTI licences and 15 years for the ITC licences. The group's licences expire in 2008 to 2016 for the DTI licences and 1999 to 2005 for the ITC licences. The DTI requires a fixed annual renewal fee of £2,500 per licence. The ITC requires an annual licence fee ranging from £1,300 to £7,900 per licence, based on the number of homes in the licensed area, which is subject to adjustment annually.

In addition, the group was awarded certain newly issued licences by the ITC in 1995. Pursuant to the terms of the local delivery licence (LDL) for Northern Ireland, granted to a wholly owned subsidiary of the company, the group is required to make annual cash payments to the ITC for fifteen years commencing in January 1997, in the amount of approximately £14,400,000 (subject to adjustments for inflation). Such payments are in addition to the percentages of qualifying revenue already set by the ITC of 0% for the first ten years and 2% for the last five years of the fifteen year licence.

Pursuant to the terms of the LDL for Glamorgan and Gwent, Wales, granted to a wholly owned subsidiary of the company, the group is required to make annual cash payments to the ITC for fifteen years, commencing in the first full calendar year after the start of operations, in the amount of £104,188. Such payments are in addition to the percentages of qualifying revenue already set by the ITC of 0% for the first five years, 2% for the second five years and 4% for the last five years of the fifteen year licence.

A significant portion of the group's revenues is attributable to the provision of television and radio transmission and distribution services and the provision of telecommunications services. The provision of such services is governed by the Telecommunications Act and the Wireless Telegraphy Act 1949. The group holds five licences under the Telecommunications Act. The initial terms of these licences were 10 or 25 years. These licences expire in 2002 to 2021. The group holds a number of Wireless Telegraphy Act licences which continue in force primarily from year to year unless revoked or unless any of the licence fees are not paid. The current annual fees for these licences is an aggregate of £2,090,000, all of which has been paid in 1997.

26. 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.

27. 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.

28. POST BALANCE SHEET EVENTS

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 (see note 17).

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