75177

ntl Glasgow

(formerly CableTel Glasgow)

Report and Accounts

31 December 1998

COMPANIES HOUSE
28 JAN 2000
GLASGOW

GLA G02HCNLJ 0152
COMPANIES HOUSE 31/01/00

ERNST & YOUNG

Registered No. 75177

DIRECTORS
L Wood (Chairman)
R M Mackenzie
D W Kelham

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

The Royal Bank of Scotland plc
98 Buchanan Street
Glasgow G1 3BA

REGISTERED OFFICE
ntl House
60 Maxwell Road
Glasgow G41 1PR

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £36,503,000 (1997 - loss of £37,764,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the provision of telecommunications services to residential and business customers.

The company changed its name on 6 June 1999 to ntl Glasgow.

FUTURE DEVELOPMENTS

The directors aim to maintain the marketing and sales policies that have established the company as a significant business, providing high quality telecommunications services. They consider that 1999 will show continued growth.

YEAR 2000 COMPLIANCE

The operation of the company's business depends not only on its own computer systems, but also on those of its suppliers and customers. The company could be exposed to risk, in the event that there is a failure by the company or other parties to remedy year 2000 issues.

A group-wide programme, designed to address the impact of the year 2000 on the company's business, has been commissioned by the board and is well underway. Action plans have been developed which will identify the risk areas without disruption to underlying business activities, and also address the impact on the business of failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain, because at least some level of failure may still occur. However, the board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. Costs of implementing the action plans will be paid by NTL Group Limited, and disclosed in the accounts of NTL (UK) Group, Inc.

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 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.

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DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

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

The 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 during the year and thereafter were as follows:

L Wood	(appointed 30 June 1998)
D W Kelham	(appointed 30 September 1999)
R A McKellar	(appointed 30 June 1998, resigned 30 September 1999)
R M Mackenzie	(appointed 12 June 1998)
J B Knapp	(resigned 30 June 1998)
S Wagner	(resigned 30 June 1998)
H Heidary	(resigned 30 June 1998)
D H Giesen	(resigned 30 June 1998)

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

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 1998, should be consulted. NTL (UK) Group, Inc. is the group parent undertaking and is registered in England and Wales as a foreign company with number FC18124.

AUDITORS

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

By order of the board

R M Mackenzie
Secretary

27 JAN 2000

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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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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.

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REPORT OF THE AUDITORS
to the members of ntl Glasgow (formerly CableTel Glasgow)

We have audited the accounts on pages 6 to 15, 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

27 JAN 2000

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
TURNOVER	3	40,591	24,192
Cost of sales		14,552	10,416
GROSS PROFIT		26,039	13,776
Other operating costs		9,419	11,826
Administrative expenses		33,632	25,054
OPERATING LOSS	4	(17,102)	(23,104)
Interest receivable		125	1,924
Interest payable	7	(19,616)	(16,584)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(36,503)	(37,764)
Tax on loss on ordinary activities	8	-	-
LOSS FOR THE FINANCIAL YEAR	15	(36,503)	(37,764)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss for the year of £36,503,000 (1997 - loss of £37,764,000).

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BALANCE SHEET
at 31 December 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	9	200,161	181,988
Investments	10	-	-
		200,161	181,988
CURRENT ASSETS			
Debtors	11	6,483	5,378
Cash at bank and in hand		2,814	7,340
		9,297	12,718
CREDITORS: amounts falling due within one year	12	317,074	265,819
NET CURRENT LIABILITIES		(307,777)	(253,101)
		(107,616)	(71,113)
CAPITAL AND RESERVES - EQUITY			
Called up share capital	14	19,290	19,290
Share premium account	15	8,351	8,351
Profit and loss account	15	(135,257)	(98,754)
		(107,616)	(71,113)

D. W. Kelham

D W Kelham
Director

27 JAN 2000

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NOTES TO THE ACCOUNTS
at 31 December 1998

1. FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared on the going concern concept 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 company'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	-	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

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.

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2. ACCOUNTING POLICIES (continued)

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 shown in the balance sheet represent the total grants received to date less amounts amortised.

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 loss account.

Lease 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 personal pension plan for eligible employees.

The company also operates a defined benefit pension scheme covering all eligible employees prior to the 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 (see note 18).

Cash flow statement
The company has taken advantage of the exemption under FRS1 (revised) not to prepare a cash flow statement as a subsidiary which is at least 90% owned by the ultimate parent undertaking.

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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:	*1998* *£'000*	*1997* *£'000*
Cable television	19,008	10,217
Telephony	20,591	13,799
Internet	382	46
Other	610	130
	40,591	24,192

4. OPERATING LOSS

This is stated after charging/(crediting):	*1998* *£'000*	*1997* *£'000*
Depreciation of owned fixed assets	14,629	9,602
Government grant amortised	(4)	(9)
Auditors' remuneration - audit services	-	(10)
Operating lease rentals - land and buildings	246	246
Exchange difference on foreign currency borrowings	-	4,947

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

5. STAFF COSTS

	1998 *£'000*	*1997* *£'000*
Wages and salaries	9,857	7,834
Social security costs	953	771
Other pension costs	293	204
	11,103	8,809

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

	1998 *No.*	*1997* *No.*
Operations	219	113
Network	86	133
Selling, general and administration	212	170
	517	416

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6. DIRECTORS' EMOLUMENTS

The directors' emoluments were paid by the management company, CableTel (UK) Limited until 30 June 1998 and by NTL Group Limited from that date, in which 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.

7. INTEREST PAYABLE

	1998 *£'000*	*1997* *£'000*
Bank loans and overdrafts	4	25
Notes payable to parent undertaking	19,612	16,559
	19,616	16,584

8. TAX ON LOSS ON ORDINARY ACTIVITIES

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

9. TANGIBLE FIXED ASSETS

	Network *£'000*	*Construction in progress* *£'000*	*Other* *£'000*	*Total* *£'000*
Cost:				
At 1 January 1998	183,365	4,030	20,771	208,166
Transfer	4,030	(4,030)	-	-
Additions	27,088	5,557	157	32,802
At 31 December 1998	214,483	5,557	20,928	240,968
Depreciation:				
At 1 January 1998	21,972	-	4,206	26,178
Charge for the year	13,089	-	1,540	14,629
At 31 December 1998	35,061	-	5,746	40,807
Net book value:				
At 31 December 1998	179,422	5,557	15,182	200,161
At 1 January 1998	161,393	4,030	16,565	181,988

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9. TANGIBLE FIXED ASSETS (continued)

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

	1998 *£'000*	*1997* *£'000*
Freehold	2,890	3,025
Long leasehold	551	606
Short leasehold	718	788
	4,159	4,419

10. INVESTMENTS

At the 31 December 1998 the company had an investment in shares acquired at the cost of £1, representing some 8.72% of the voting rights of CableTel Scotland Limited. CableTel Scotland holds 10.1% of the voting rights in the company.

11. DEBTORS

	1998 *£'000*	*1997* *£'000*
Trade debtors	5,156	2,732
Amounts due from parent undertaking	-	62
Other debtors	-	1,374
Prepayments and accrued income	1,327	1,210
	6,483	5,378

12. CREDITORS: amounts falling due within one year

	1998 *£'000*	*1997* *£'000*
Short term loans	-	120
Trade creditors	1,942	3,605
Amounts due to group undertakings	3,784	3,857
Long-term advances from parent undertaking	53,224	17,352
Notes payable to parent undertaking	225,745	215,399
Interest payable to parent undertaking	19,612	16,559
Other creditors	2,410	795
Accruals and deferred income	10,357	8,132
	317,074	265,819

Included in accruals and deferred income is £255,000 (1997 - £259,000) of regional development grants which remain unamortised at the balance sheet date.

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

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13. 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.

14. SHARE CAPITAL

	1998 *£'000*	*1997* *£'000*
Authorised:		
100,000,000 ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid:		
19,290,267 ordinary shares of £1 each	19,290	19,290

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	*Share premium account £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 January 1997	19,290	8,351	(60,990)	(33,349)
Loss for the year	-	-	(37,764)	(37,764)
At 31 December 1997	19,290	8,351	(98,754)	(71,113)
Loss for the year	-	-	(36,503)	(36,503)
At 31 December 1998	19,290	8,351	(135,257)	(107,616)

16. CAPITAL COMMITMENTS

Amounts contracted but not provided for in the accounts amounted to £68,000 (1997 - £3,162,000).

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17. OTHER FINANCIAL COMMITMENTS

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

	Land and buildings		*Other*	
	1998	*1997*	*1998*	*1997*
	£'000	*£'000*	*£'000*	*£'000*
Operating leases which expire:				
within one year	-	-	-	4
In two to five years	14	-	-	55
In over five years	335	246	-	-
	349	246	-	59

18. PENSION COMMITMENTS

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

The company also 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 scheme is funded by the payment of contributions to separately administered trust funds.

The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the partly projected unit credit method, with a control period. The results of the most recent valuation, which was conducted as at 31 March 1997, was as follows:

Main assumptions:

Rate of return on investments (% per annum)	8.0
Rate of salary increases (% per annum)	6.0
Rate of pension increases (% per annum)	3.5
Market value of scheme's assets (£000)	821
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	98%

19. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is ntl Communications Limited. It has included the company in its group accounts, copies of which are available from its registered office: NTL House, Bartley Wood Business Park, Hook, Hampshire RG27 9XA

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 company, are available from the Secretary, NTL Incorporated, 110 East 59th Street, 26th Floor, New York, NY 10022, USA.

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20. RELATED PARTIES

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.

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