

CableTel Glasgow

Report and Accounts

31 December 1996

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DIRECTORS

J B Knapp	(Chairman)
D H Giesen	(Managing Director)
S Wagner	
H Heidary	

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

CableTel House
60 Maxwell Road
Glasgow G41 1PR

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996. The company is an unlimited company having share capital.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £32,040,750 (1995 - £9,635,572 loss). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company holds, inter alia, licences under the Telecommunications Act 1984, the Cable and Broadcasting Act 1984 (as replaced by the Broadcasting Act 1990) and the Broadcasting Act 1990 respectively, to run telecommunications systems and to provide prescribed diffusion services over such systems, in Inverclyde and Eastwood, Bearsden and Milngavie, Paisley and Renfrew, North West Glasgow and Clydebank, and Greater Glasgow.

1996 has proved to be a year of great significance for the future of the company, with continued growth in key areas of its business.

At the year end, the company had satisfied the requirements of its government licences in respect of the installation and activation of its telephone and television systems. In addition, the company has seen its business, and more importantly, its customer base grow significantly during the year.

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 is to 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 specific recruitment and training programmes and in creating greater confidence among all employees of cultural differences.

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 parent company, NTL Incorporated.

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

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

(continued)

Prospects

During 1996, the company established itself as a significant business, providing the highest quality telephony and television services, backed by an unparalleled service commitment, priced to give the best price to the customer.

In 1997, the company expects a continued growth and improvement in performance and customer satisfaction.

NTL (UK) Group, Inc.

For a more detailed review of the CableTel group's business activities and future prospects, the report and accounts of NTL (UK) Group, Inc. for the year ended 31 December 1996, should be consulted. NTL (UK) Group, Inc. is the group parent company of the company and is registered in England and Wales as a foreign company with number FC18124.

FIXED ASSETS

Details of changes in fixed assets during the year are shown in note 9 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

J B Knapp
S Wagner
H Heidary
D H Giesen
M V Pagella (resigned 18 June 1996)

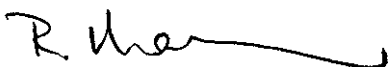
No director had any interest in the share capital of the company.

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 OCT 1997

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;
- 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 Glasgow**

We have audited the accounts on pages 6 to 14, 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.

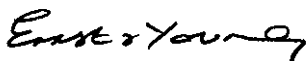
Basis of opinion

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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

29 OCT 1997

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	<i>Notes</i>	<i>1996</i> £	<i>1995</i> £
TURNOVER	3	12,363,352	4,010,331
Cost of sales		6,388,036	1,934,487
GROSS PROFIT		5,975,316	2,075,844
Other operating costs		13,003,987	5,146,569
Administrative expenses		10,627,656	8,292,594
OPERATING LOSS	4	(17,656,327)	(11,363,319)
Interest receivable		1,361,761	1,851,223
Interest payable	7	(15,746,184)	(123,476)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(32,040,750)	(9,635,572)
Tax on loss on ordinary activities	8	-	-
LOSS FOR THE FINANCIAL YEAR	15	(32,040,750)	(9,635,572)

There are no recognised gains or losses other than the loss for the year of £32,040,750 (1995 loss - £9,635,572).

CableTel Glasgow

BALANCE SHEET at 31 December 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	9	157,168,012	103,509,614
Investments	10	1	1
		<u>157,168,013</u>	<u>103,509,615</u>
CURRENT ASSETS			
Debtors	11	3,509,996	70,957,179
Cash at bank and in hand		22,873,942	16,148,664
		<u>26,383,938</u>	<u>87,105,843</u>
CREDITORS: amounts falling due within one year	12	216,901,515	191,924,272
		<u>(190,517,577)</u>	<u>(104,818,429)</u>
NET CURRENT LIABILITIES		<u>(33,349,564)</u>	<u>(1,308,814)</u>
CAPITAL AND RESERVES			
Called up share capital	14	19,290,267	19,290,267
Share premium account	15	8,351,043	8,351,043
Profit and loss account	15	(60,990,874)	(28,950,124)
		<u>(33,349,564)</u>	<u>(1,308,814)</u>

Director

S. Wagner
S. WAGNER

29 OCT 1997

NOTES TO THE ACCOUNTS
at 31 December 1996

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

NOTES TO THE ACCOUNTS

at 31 December 1996

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.

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 of 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).

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:

	1996 £	1995 £
Cable television	6,001,138	2,332,842
Telephony	6,295,584	1,607,985
Internet	11,227	-
Other	55,403	69,504
	<u>12,363,352</u>	<u>4,010,331</u>

NOTES TO THE ACCOUNTS

at 31 December 1996

4. OPERATING LOSS

This is stated after charging/(crediting):

	1996 £	1995 £
Depreciation of owned fixed assets	8,264,521	2,049,358
Government grant amortised	(158,185)	(53,069)
Auditors' remuneration - audit services	23,798	21,258
Operating lease rentals - plant and machinery	43,884	32,971
- land and buildings	330,639	217,010
Foreign exchange gain	(1,605,396)	-

5. STAFF COSTS

	1996 £	1995 £
Wages and salaries	5,814,597	3,636,750
Social security costs	532,603	365,512
Other pension costs	104,646	67,740
	<u>6,451,846</u>	<u>4,070,002</u>

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

	1996 No.	1995 No.
Operations	52	30
Network	126	69
Selling, general and administration	150	82
	<u>328</u>	<u>181</u>

6. DIRECTORS' EMOLUMENTS

	1996 £	1995 £
Remuneration, including pension fund contributions	<u>153,527</u>	<u>59,602</u>

The emoluments, excluding pension contributions, of the highest paid director were £153,527 (1995 - £51,852).

The remaining directors' emoluments are paid by the management company, CableTel (UK) Limited in which accounts their remuneration is disclosed. A proportion of these emoluments is recharged to CableTel Glasgow in the management fee.

NOTES TO THE ACCOUNTS
at 31 December 1996

7. INTEREST PAYABLE

	1996 £	1995 £
Bank loans and overdrafts and other loans wholly repayable within five years	39,361	123,476
Notes payable to parent undertaking	15,706,823	-
	<u>15,746,184</u>	<u>123,476</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

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

9. TANGIBLE FIXED ASSETS

	<i>Network</i> £	<i>Construction in progress</i> £	<i>Other</i> £	<i>Total</i> £
Cost:				
At 1 January 1996	77,306,292	26,134,494	9,054,813	112,495,599
Transfer	26,134,494	(26,134,494)	-	-
Additions	34,879,854	18,914,277	8,256,101	62,050,232
Disposals	-	-	(799,060)	(799,060)
At 31 December 1996	<u>138,320,640</u>	<u>18,914,277</u>	<u>16,511,854</u>	<u>173,746,771</u>
Depreciation:				
At 1 January 1996	6,913,650	-	2,072,335	8,985,985
Charge for the year	7,065,132	-	1,199,389	8,264,521
Disposals	-	-	(671,747)	(671,747)
At 31 December 1996	<u>13,978,782</u>	<u>-</u>	<u>2,599,977</u>	<u>16,578,759</u>
Net book value:				
At 31 December 1996	<u>124,341,858</u>	<u>18,914,277</u>	<u>13,911,877</u>	<u>157,168,012</u>
At 1 January 1996	<u>70,392,642</u>	<u>26,134,494</u>	<u>6,982,478</u>	<u>103,509,614</u>

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

	£
Freehold	3,047,571
Long leasehold	589,396
Short leasehold	534,386
	<u>4,171,353</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

10. INVESTMENTS

At the year end the company had an investment in shares acquired at the cost of £1, representing some 25% of the voting rights of CableTel Scotland Limited, a company registered in Scotland, which in turn holds 10.1% of the voting rights in the company. CableTel Scotland Limited is not regarded as an associated company under Statement of Standard Accounting Practice No. 1 as the company does not consider itself to be able to exercise significant influence, due to other more dominant shareholders. CableTel Scotland Limited is non-trading, and its major asset is its investment in the company. The particulars of the classes of shares held are stated below:

<i>Number of shares and class held</i>	<i>Percentage of class held</i>	<i>Percentage of equity/ voting rights held</i>
1,500,000 ordinary shares of 2.5p each	14	4.37
7,227,812 'D' ordinary shares of 0.5p each	36	21.08

11. DEBTORS

	<i>1996 £</i>	<i>1995 £</i>
Trade debtors	1,447,231	679,218
Amounts due from fellow subsidiary undertakings	-	62,543,343
Amounts due from parent undertaking	-	6,000,000
Other debtors	1,524,863	1,430,873
Prepayments and accrued income	537,902	303,745
	<u>3,509,996</u>	<u>70,957,179</u>

12. CREDITORS: amounts falling due within one year

	<i>1996 £</i>	<i>1995 £</i>
Short term loans	120,000	120,000
Loan from European Investment Bank	-	1,015,800
Trade creditors	3,600,007	6,393,151
Long-term advances from parent undertakings	1,287,522	-
Amounts due to parent undertakings	3,856,529	9,514,195
Notes payable to parent undertakings	183,677,088	-
Interest payable to parent undertakings	15,706,823	-
Amounts due to fellow subsidiary undertakings	-	169,138,026
Other creditors	570,184	226,937
Accruals and deferred income	8,083,362	5,516,163
	<u>216,901,515</u>	<u>191,924,272</u>

Included in accruals and deferred income is £526,273 (1995 - £426,385) of regional development grants which remain unamortised at the balance sheet date.

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

NOTES TO THE ACCOUNTS

at 31 December 1996

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

	1996 No.	Authorised 1995 No.
Ordinary shares of £1 each	7,500,000	7,500,000
"B" ordinary shares of £1 each	92,500,000	92,500,000
	<u>100,000,000</u>	<u>100,000,000</u>
		Allotted and called up
	1996 £	1995 £
Ordinary shares of £1 each	6,736,853	6,736,853
"B" ordinary shares of £1 each		
- fully paid	11,553,414	11,553,414
- partly paid	1,000,000	1,000,000
	<u>19,290,267</u>	<u>19,290,267</u>

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 1995	19,290,267	8,351,043	(19,314,552)	8,326,758
Loss for the year			(9,635,572)	(9,635,572)
At 1 January 1996	19,290,267	8,351,043	(28,950,124)	(1,308,814)
Loss for the year			(32,040,750)	(32,040,750)
At 31 December 1996	<u>19,290,267</u>	<u>8,351,043</u>	<u>(60,990,874)</u>	<u>(33,349,564)</u>

16. CAPITAL COMMITMENTS

	1996 £	1995 £
Contracted	5,993,498	15,616,916
Authorised but not contracted	<u>18,677,078</u>	<u>7,024,909</u>

NOTES TO THE ACCOUNTS
at 31 December 1996

17. OTHER FINANCIAL COMMITMENTS

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	£	£	£	£
Operating leases which expire:				
within one year	10,000	-	1,264	-
within two to five years	-	-	44,839	31,180
in over five years	249,496	217,010	-	1,791
	<u>259,496</u>	<u>217,010</u>	<u>46,103</u>	<u>32,971</u>

18. PENSION COMMITMENTS

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

19. 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 (formerly International CableTel 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.

20. 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.