3173552

NTL INVESTMENT HOLDINGS LIMITED

Report and Accounts

31 December 2000

ERNST & YOUNG

# NTL Investment Holdings Limited

Registered No. 3173552

**DIRECTORS**
J B Knapp
J Gregg

**SECRETARY**
R M Mackenzie

**DEPUTY COMPANY SECRETARY**
G E James

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

**BANKERS**
Bank of Scotland
38 Threadneedle Street
London EC2P 2EH

**REGISTERED OFFICE**
NTL House
Bartley Wood Business Park
Hook
Hampshire RG27 9UP

DIRECTORS' REPORT

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

**RESULTS AND DIVIDENDS**
The loss for the year, after taxation, amounted to £3,654,000 (1999 – profit of £1,568,000). The directors do not recommend the payment of a dividend (1999 – £nil).

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**
The company is the parent undertaking of NTL Group Limited.

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

**DIRECTORS AND THEIR INTERESTS**
The directors who served during the year ended 31 December 2000 and thereafter were as follows:

| | |
|---|---|
| S Carter | (appointed 1 December 2000; resigned 20 February 2002) |
| B Dew | (appointed 20 February 2001; resigned 1 February 2002) |
| J Gregg | (appointed 20 February 2002) |
| D W Kelham | (appointed 30 May 2000; resigned 1 December 2000) |
| J B Knapp | (appointed 20 February 2002) |
| R M Mackenzie | (appointed 30 May 2000; resigned 20 February 2002) |
| S Ross | (appointed 1 November 2000; resigned 20 February 2002) |
| L Wood | (resigned 1 December 2000) |

The directors had no interest in the share capital of the company requiring disclosure under the Companies Act 1985.

The company seeks exemption not to disclose the directors' interests in the common stock of NTL Incorporated, a company incorporated on the USA and the ultimate parent undertaking of the company.

**AUDITORS**
On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be reappointed as the company's auditor in accordance with the elective resolution passed by the company under section 386 of the Companies Act 1985.

By order of the Board

G E James
Deputy Company Secretary

30 SEP 2002

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NTL INVESTMENTS HOLDINGS LIMITED

We have audited the company's accounts for the year ended 31 December 2000 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 15. These accounts have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

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

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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.

**Fundamental uncertainty – going concern**

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

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

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

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

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000, and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

3 0 SEP 2002

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

| | Notes | 2000 £000 | 1999 £000 |
|---|---|---|---|
| Administrative expenses | | – | 15 |
| **OPERATING LOSS** | 3 | – | (15) |
| Interest receivable | 4 | 150,265 | 99,787 |
| Interest payable | 5 | (153,919) | (98,204) |
| **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | (3,654) | 1,568 |
| Tax on (loss)/profit on ordinary activities | 6 | – | – |
| **(LOSS)/PROFIT FOR THE FINANCIAL YEAR** | 12 | (3,654) | 1,568 |

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss for the year of £3,654,000 (1999 – profit of £1,568,000).

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# BALANCE SHEET
at 31 December 2000

| | Notes | 2000<br>£000 | 1999<br>£000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investment in subsidiary undertakings | 7 | 3,077,785 | 1,649,104 |
| **CURRENT ASSETS** | | | |
| Debtors | 8 | 2,524,335 | 1,795,720 |
| Cash at bank and in hand | | 52,662 | 27,810 |
| | | 2,576,997 | 1,823,530 |
| **CREDITORS:** amounts falling due within one year | 9 | (2,845,878) | (2,339,705) |
| **NET CURRENT LIABILITIES** | | (268,881) | (516,175) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 2,808,904 | 1,132,929 |
| **CREDITORS:** amounts falling due after more than one year | 10 | (250,948) | – |
| **NET ASSETS** | | 2,557,956 | 1,132,929 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 11 | – | – |
| Share premium account | 12 | 2,579,072 | 1,150,391 |
| Profit and loss account | 12 | (21,116) | (17,462) |
| **EQUITY SHAREHOLDERS' FUNDS** | | 2,557,956 | 1,132,929 |

J Gregg
Director

3 0 SEP 2002

## 1A. FUNDAMENTAL ACCOUNTING CONCEPT

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

The company has historically required, and continues to require, significant amounts of capital to finance its investments in subsidiary undertakings and other working capital needs. The company has historically met these liquidity requirements through borrowings from commercial banks and from NTL Incorporated ("the Company") and its subsidiaries (collectively "NTL").

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

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

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

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

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

**1A. FUNDAMENTAL ACCOUNTING CONCEPT** (continued)

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

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

**1B. RECAPITALISATION PROCESS**

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

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

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

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

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

**1B. RECAPITALISATION PROCESS** (continued)

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

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

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

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



**2. ACCOUNTING POLICIES**

***Accounting convention***

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

***Group accounts***

As the company is a wholly owned subsidiary of another undertaking incorporated in the United Kingdom, it has taken advantage of section 228 of the Companies Act 1985 and is exempt from the obligation to prepare and deliver group accounts. These accounts therefore present information about NTL Investment Holdings Limited as an individual undertaking and not about its group.

***Deferred taxation***

Deferred taxation is provided using the liability method on all timing differences which 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.

***Cash flow statement***

The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% owned by the ultimate parent undertaking.

NOTES TO THE ACCOUNTS
at 31 December 2000

**2. ACCOUNTING POLICIES** (continued)

***Investments***
The company values investments at cost, less any provision for impairment.

**3. OPERATING LOSS**
The auditors' remuneration is paid by NTL Group Limited and disclosed in the accounts of NTL (UK) Group, Inc.

None of the directors received any remuneration during the year (1999 – £nil).

**4. INTEREST RECEIVABLE**

| | *2000* | *1999* |
|---|---|---|
| | *£000* | *£000* |
| Bank interest | 3,635 | 1,583 |
| Interest receivable on notes to subsidiary undertaking | 146,630 | 98,204 |
| | 150,265 | 99,787 |

**5. INTEREST PAYABLE**

| | *2000* | *1999* |
|---|---|---|
| | *£000* | *£000* |
| Bank interest | 3,178 | – |
| Interest payable on notes payable to parent undertaking | 150,741 | 98,204 |
| | 153,919 | 98,204 |

**6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**
There is no corporation tax charge as the company incurred losses during the year.

**7. INVESTMENTS**

| | *Shares in subsidiary undertakings* |
|---|---|
| | *£000* |
| Cost | |
| At 1 January 2000 | 1,649,104 |
| Additions in the year | 2,857,362 |
| Disposals | (1,428,681) |
| At 31 December 2000 | 3,077,785 |

7. **INVESTMENTS** (continued)

Details of the principal investments in which the company holds at least 20% of the nominal value of any class of share capital are as follows:

| *Name of company* | *Holding* | *Proportion held* | | *Nature of business* |
|---|---|---|---|---|
| ***Subsidiary undertakings*** | | | | |
| NTL Group Limited | Ordinary shares | 100% | | Holding company |
| National Transcommunications Limited | Ordinary shares | 100% | # | Transmission services |
| DTELS Limited | Ordinary shares | 100% | # | Radiocommunications services |
| X-Tant Limited | Ordinary shares | 100% | # | Telecommunications |
| NTL Telecom Services Limited | Ordinary shares | 100% | # | Telecommunications |
| NTL (Triangle) LLC | Common Stock | 100% | #(i) | Holding company |
| Cambridge Holding Company Limited | Ordinary shares | 100% | # | Holding company |
| ntl Cambridge Limited | Ordinary shares | 100% | # | Telecommunications |
| Anglia Cable Communications Limited | Ordinary shares | 100% | # | Telecommunications |
| East Coast Cable Limited | Ordinary shares | 100% | # | Telecommunications |
| ntl Teesside Limited | Ordinary shares | 100% | # | Telecommunications |
| CableTel Newport | Ordinary shares | 100% | # | Holding company |
| ntl South Wales Limited | Ordinary shares | 100% | # | Telecommunications |
| Metro South Wales Limited | Ordinary shares | 100% | # | Telecommunications |

# Held by a subsidiary undertaking
(i) Registered in the USA

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

The company has taken advantage of section 231(5) of the Companies Act 1995 and disclosed only those investments that have a principal affect on results or assets.

On 31 December 2000 the company acquired CableTel Newport from NTL Communications Limited for a consideration of £1,424,681,000 satisfied by the issue of two £1 ordinary shares. The investment has been included in the company's balance sheet at its fair value at the date of acquisition.

**7. INVESTMENTS** (continued)

Analysis of the acquisition of this business is as follows:

| | *Book value and fair value to company* |
|---|---|
| | *£000* |
| Intangible fixed assets | 2,636 |
| Tangible fixed assets | 199,973 |
| Debtors | 9,096 |
| Bank and cash | 2,828 |
| Creditors due within one year | (220,842) |
| Net assets | (6,309) |
| Goodwill | 1,434,990 |
| | 1,428,681 |
| Discharged by: | |
| Shares | 1,428,681 |

On 31 December 2000 the company sold CableTel Newport to NTL Group Limited for a consideration of £1,424,681,000.

**8. DEBTORS**

| | *2000* | *1999* |
|---|---|---|
| | *£000* | *£000* |
| Loan notes due from group undertakings | 2,181,871 | 1,532,926 |
| Amount owed by group undertakings | 195,834 | 164,590 |
| Interest receivable from group undertakings | 146,630 | 98,204 |
| | 2,524,335 | 1,795,720 |

**9. CREDITORS:** amounts falling due within one year

| | *2000* | *1999* |
|---|---|---|
| | *£000* | *£000* |
| Notes payable to parent undertaking | 2,027,859 | 1,575,726 |
| Interest payable to parent undertaking | 150,741 | 98,204 |
| Long term advances from parent undertaking | 665,207 | 665,207 |
| Other creditors | 2,071 | 568 |
| | 2,845,878 | 2,339,705 |

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NOTES TO THE ACCOUNTS
at 31 December 2000

**10. CREDITORS:** amounts falling due after more than one year

| | *2000* | *1999* |
|---|---|---|
| | *£000* | *£000* |
| Bank loans and overdrafts | 250,948 | – |

**11. SHARE CAPITAL**

| | *2000* | *1999* | *2000* | *1999* |
|---|---|---|---|---|
| | *No.* | *No.* | *£000* | *£000* |
| *Authorised:* | | | | |
| Ordinary shares of £1 each | 1,000 | 1,000 | 1 | 1 |
| *Allotted, called up and fully paid:* | | | | |
| Ordinary shares of £1 each | 118 | 116 | – | – |

On 31 December 2000 two ordinary shares were issued, fully paid for £1,428,681,000.



**12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

| | *Share capital £000* | *Share premium account £000* | *Profit and loss account £000* | *Total share-holders' funds £000* |
|---|---|---|---|---|
| At 1 January 1999 | – | 61,505 | (19,030) | 42,475 |
| Profit for the year | – | – | 1,568 | 1,568 |
| Arising on share issue | – | 1,088,886 | – | 1,088,886 |
| At 1 January 2000 | – | 1,150,391 | (17,462) | 1,132,929 |
| Loss for the year | – | – | (3,654) | (3,654) |
| Arising on share issue | – | 1,428,681 | – | 1,428,681 |
| At 31 December 2000 | – | 2,579,072 | (21,116) | 2,557,956 |

**13. RELATED PARTY TRANSACTIONS**
The company has taken advantage of the exemption under FRS 8 not to disclose transactions with group undertakings as a subsidiary undertaking which is at least 90% controlled by the ultimate parent undertaking.

## 14. POST BALANCE SHEET EVENTS

*Impairment*

In 2001 the directors of the company's ultimate parent undertaking NTL Incorporated performed an review to assess whether there was any impairment in the value of NTL's intangible assets, tangible fixed assets and investments. This review was performed because of significantly lower value valuations of other companies in similar industries, the fact that the book value of NTL's net assets significantly exceeded its market capitalisation, and because it was expected that forecasts for future growth would not be achieved because of the substantial funding constraints outlined in notes 1 and 2. The review was performed in accordance with generally accepted accounting principles in the US. As a result of this review, NTL Incorporated recorded a loss on impairment of $9.5 billion in its consolidated financial statements included in its Form 10-K filed with the Securities and Exchange Commission for the year ended 31 December 2001.

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

*Senior credit facility*

On 21 February 2001, the company along with fellow subsidiary undertakings, became party to a senior secured credit facility with a syndicate of banks. The company is a guarantor of borrowings under this facility of certain other group companies. Borrowings under the facility are secured by security over the assets of certain members of the group including those of the company.

## 15. ULTIMATE 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 9UP.

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