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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K/A  
Amendment No. 1**

(Mark  
One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-22616

**NTL Incorporated**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**52-1822078**

(I.R.S. Employer Identification No.)

**909 Third Avenue, Suite 2863 New York, New York**

(Address of Principal Executive Office)

**10022**

(Zip Code)

**(212) 906-8440**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(g) of the Act:**

Common Stock, par value \$0.01 per share

Warrants to purchase shares of Common Stock

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required

to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

The aggregate market value of the registrant's voting stock held by non-affiliates as of June 30, 2004, based on the closing price for the registrant's common stock on the Nasdaq National Market on such date, was \$4,363,146,929.

As of March 11, 2005, there were 87,741,486 shares of the registrant's common stock, par value \$0.01 per share, issued and outstanding, excluding shares of the registrant's common stock issuable upon the exercise of Series A Warrants to purchase 10,313,158 shares of the registrant's common stock.

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for its 2005 Annual Meeting of Stockholders are incorporated by reference into Part III.

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**EXPLANATORY NOTE**

This Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 adds an additional footnote to our financial statements. This additional footnote, "21. Condensed consolidated financial information," contains condensed consolidated financial information on a combined basis about:

- the issuer and guarantors of our £375 million aggregate principal amount of 9.75% senior notes due 2014, \$425 million aggregate principal amount of 8.75% senior notes due 2014, €225 million aggregate principal amount of 8.75% senior notes due 2014 and \$100 million aggregate principal amount of floating rate senior notes due 2012, all issued by our wholly-owned subsidiary, NTL Cable PLC, on April 13, 2004; and
- our subsidiaries who are not guarantors of these notes.

This footnote was not required in our Annual Report on Form 10-K when originally filed. We will be filing a registration statement with respect to an exchange of the above-referenced privately-placed notes for notes registered with the Securities and Exchange Commission. This footnote will be required for purposes of that registration statement. Except for the correction of typographical errors and the renumbering as footnote 22 of the original footnote 21, "Reorganization and Emergence from Chapter 11," appearing in our original Form 10-K filing, our financial statements are unchanged.

No other information in our Form 10-K has been updated since the original filing date of March 16, 2005.

**NTL INCORPORATED AND SUBSIDIARIES  
FORM 10-K/A  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

- (a) (1) *Financial Statements*—See list of Financial Statements on page F-1.
- (2) *Financial Statement Schedules*—See list of Financial Statement Schedules on page F-1.
- (3) *Exhibits*—See Exhibit Index on page 4.

## EXHIBIT INDEX

### Exhibit No.

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- 2.1 Agreement and Plan of Merger, dated as of February 9, 2000, by and among NTL Incorporated (now NTL Europe, Inc.), NTL Holdings Incorporated (now NTL (Delaware), Inc.) and Holdings Merger Sub Inc. (Incorporated by reference to Exhibit 2.1 to Amendment No. 1 to the Registration Statement on Form S-3/A filed by NTL (Delaware), Inc. and NTL Incorporated on July 14, 2000, File No. 333-36434)
- 2.2 Agreement and Plan of Merger, dated as of March 26, 1999, by and among NTL Incorporated (now NTL (Delaware), Inc.), NTL Communications Corp. (now NTL Incorporated) and NTL Mergerco, Inc. (Incorporated by reference to Exhibit 2.1 to Amendment No. 2 to The Registration Statement on Form S-3/A filed by NTL Incorporated and NTL Communications Corp. on June 3, 1999, File No. 333-72335)
- 2.3 Share Exchange Agreement, dated as of June 16, 1998, as amended, by and among NTL Incorporated and the shareholders of Diamond Cable Communications Limited (Incorporated by reference to Annex A to the Proxy Statement filed by NTL Incorporated on January 29, 1999, File No. 000-22616)
- 2.4 Amendment No. 1 to Share Exchange Agreement, dated as of December 21, 1998, by and among NTL Incorporated and the shareholders of Diamond Cable Communications Limited (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed by NTL Incorporated on December 23, 1998, File No. 000-22616)
- 2.5 Restated Transaction Agreement, dated as of July 26, 1999, by and among Bell Atlantic Corporation, Cable and Wireless PLC, Cable & Wireless Communications PLC and NTL Incorporated (Incorporated by reference to Annex J to the Proxy Statement filed by NTL Incorporated on February 11, 2000, File No. 000-25691)
- 2.6 Second Amended Joint Plan of Reorganization Plan of NTL Incorporated and Certain Subsidiaries, dated July 15, 2002 (as subsequently modified) (Incorporated by reference to Exhibit 2.8 of NTL Incorporated's Registration Statement on Form S-1, filed on February 12, 2003 as amended on June 28, 2003 (File No. 333-103135)
- 2.7 Master Agreement relating to National Transcommunications Limited and NTL Digital Limited among NTL Group Limited, NTL (Chichester) Limited, NTL Digital Ventures Limited, Macquarie U.K. Broadcast Limited and Macquarie U.K. Broadcast Holdings Limited, dated 1 December 2004 (Incorporated by reference to Exhibit 2.10 to the Current Report on Form 8-K filed on February 3, 2005, File No. 000-22616)
- 2.8 Deed of Variation to the Master Agreement among NTL Group Limited, NTL (Chichester) Limited, NTL Digital Ventures Limited, Macquarie U.K. Broadcast Limited and Macquarie U.K. Broadcast Holdings Limited, dated 23 December 2005 (Incorporated by reference to Exhibit 2.11 to the Current Report on Form 8-K on February 3, 2005, File No. 000-22616)
- 2.9 Second Deed of Variation to the Master Agreement among NTL Group Limited, NTL (Chichester) Limited, NTL Digital Ventures Limited, Macquarie U.K. Broadcast Limited and Macquarie U.K. Broadcast Holdings Limited, dated 27 January 2005 (Incorporated by reference to Exhibit 2.12 to the Current Report on Form 8-K on February 3, 2005, File No. 000-22616)

- 2.10 Third Deed of Variation to the Master Agreement among NTL Group Limited, NTL (Chichester) Limited, NTL Digital Ventures Limited, Macquarie U.K. Broadcast Limited and Macquarie U.K. Broadcast Holdings Limited, dated 31 January 2005 (Incorporated by reference to Exhibit 2.13 to the Current Report on Form 8-K filed on February 3, 2005, File No. 000-22616)
- 2.11 Deed of Accession and Adherence to the Master Agreement among NTL Group Limited, NTL (Chichester) Limited, NTL Digital Ventures Limited, Macquarie U.K. Broadcast Limited, Macquarie U.K. Broadcast Holdings Limited and NTL Ventures Limited, dated 27 January 2005 (Incorporated by reference to Exhibit 2.14 to the Current Report on Form 8-K filed on February 3, 2005, File No. 000-22616)
- 3.1 Amended and Restated Certificate of Incorporation of NTL Communications Corp. (now NTL Incorporated) (Incorporated by reference to Exhibit 1 to the Registration Statement on Form 8-A filed on January 10, 2003, File No. 000-22616)
- 3.2 Amended and Restated By-Laws of NTL Incorporated (as of November 4, 2004), (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on November 10, 2004, File No. 000-22616)
- 4.1 Equity Registration Rights Agreement, dated as of January 10, 2003, by and among NTL Incorporated and the stockholders listed on the signature pages thereto (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on January 10, 2003, File No. 000-22616)
- 4.2 Exchange and Registration Rights Agreement, dated as of January 9, 2003, by and among NTL Incorporated, the Guarantors listed on the signature pages thereto and the initial purchasers of the Notes listed on the signature pages thereto (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on January 10, 2003, File No. 000-22616)
- 4.3 Registration Rights Agreement, dated as of September 26, 2003, between NTL Incorporated and W.R. Huff Asset Management Co., L.L.C. (Incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1, File No. 333-109194)
- 4.4 Registration Rights Agreement, dated as of September 26, 2003, between NTL Incorporated and Franklin Mutual Advisers, LLC on behalf of and in its capacity as agent and investment manager for various holders (Incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-1, File No. 333-109194)
- 4.5 Registration Rights Agreement, dated as of September 26, 2003, between NTL Incorporated and Oaktree Capital Management, LLC on behalf of and in its capacity as the general partner or investment manager of certain funds and accounts it manages (Incorporated by reference to Exhibit 4.5 to the Registration Statement on Form S-1, File No. 333-109194)
- 4.6 Participating Purchaser Agreement, dated as of September 26, 2003, between NTL Incorporated and W.R. Huff Asset Management Co., L.L.C. (Incorporated by reference to Exhibit 4.15 to the Registration Statement on Form S-1, File No. 333-109194)
- 4.7 Participating Purchaser Agreement, dated as of September 26, 2003, between NTL Incorporated and Franklin Mutual Advisers, LLC (Incorporated by reference to Exhibit 4.16 to the Registration Statement on Form S-1, File No. 333-109194)

- 4.8 Series A Warrant Agreement, dated as of January 10, 2003, by and between NTL Incorporated and Continental Stock Transfer & Trust Company, as Warrant Agent (Incorporated by reference to Exhibit 3 to the Registration Statement on Form 8-A filed on January 10, 2003, File No. 000-22616)
- 4.9 Rights Agreement, dated as of January 10, 2003, by and between NTL Incorporated and Continental Stock Transfer & Trust Company, as Rights Agent (Incorporated by reference to Exhibit 4 to the Registration Statement on Form 8-A filed on January 10, 2003, File No. 000-22616)
- 4.10 Amendment to Rights Agreement, dated as of September 26, 2003, by and between NTL Incorporated and Continental Stock Transfer & Trust Company, as Rights Agent (Incorporated by reference to Exhibit 4.12 to the Registration Statement on Form S-1, File No. 333-109194)
- 4.11 Amendment to Rights Agreement, dated as of March 16, 2004, by and between NTL Incorporated and Continental Stock Transfer & Trust Company, as Rights Agent (Incorporated by reference to Exhibit 99.1 to the Form 8A/A filed by NTL Incorporated on March 16, 2004, File No. 000-22616)
- 4.12 Indenture, dated as of April 13, 2004, by and among NTL Cable PLC, the Guarantors listed on the signature pages thereto and the Bank of New York, as Trustee (Incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K filed on April 20, 2004, File No. 000-22616).
- 4.13\*\* Exchange and Registration Rights Agreement, dated as of April 13, 2004, by and among NTL Cable PLC, the Guarantors listed on the signature pages thereto and the Initial Purchasers listed in the signature pages thereto.
- 10.1 Tax Sharing Agreement, dated January 10, 2003, by and between NTL Europe, Inc. and its affiliates, and NTL Incorporated (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed by NTL Incorporated on January 10, 2003, File No. 000-22616)
- 10.2 Demerger Agreement, dated January 10, 2003, by and between NTL Europe, Inc. and NTL Incorporated (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed by NTL Incorporated on January 10, 2003, File No. 000-22616)
- 10.3 Form of 2003 Stock Option Plan of NTL Incorporated (Incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 filed by NTL Incorporated on February 12, 2003, File No. 333-103135)
- 10.4 Summary Terms of NTL Group 2003 Bonus Scheme (Incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.5 Framework Agreement For The Provision of IT Outsourcing Services, dated as of May 23, 2001, by and between NTL Group Limited and IBM U.K. Limited (Incorporated by reference to Exhibit 10.9 to the 2001 Annual Report on Form 10-K, filed by NTL Incorporated on April 16, 2001, File No. 0-30673)
- 10.6 Amendment, dated as of April 5, 2002 to the Framework Agreement For The Provision of IT Outsourcing Services, dated as of May 23, 2001, by and between NTL Group Limited IBM U.K. Limited and IBM U.K. Financial Services Limited (Incorporated by reference to Exhibit 10.10 to the 2001 Annual Report on Form 10-K filed by NTL Incorporated on April 16, 2001, File No. 0-30673)

- 10.7 Amendment, dated as of September 30, 2003 to Framework Agreement for the Provision of IT Outsourcing Services, dated as of May 23, 2001, by and among NTL Group Limited, IBM U.K. Limited and IBM U.K. Financial Services Limited (Incorporated by reference to Exhibit 10.12 to Amendment No. 1 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.8 Employment Agreement, dated as of March 4, 2003 between NTL Incorporated and Howard Kalika (Incorporated by reference to Exhibit 10.18 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.9 Employment Agreement, dated as of March 4, 2003 between NTL Incorporated and Richard Martin (Incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.10 Employment Agreement, dated as of March 4, 2003 between NTL Incorporated and Scott Schubert (Incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.11 Employment Agreement, dated as of September 17, 2003 between NTL Incorporated and James F. Mooney (Incorporated by reference to Exhibit 10.22 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.12 Restricted Stock Agreement, dated as of March 28, 2003 between NTL Incorporated and James F. Mooney (Incorporated by reference to Exhibit 10.30 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.13 Form of Director and Officer Indemnity Agreement and a schedule of persons to whom the agreement has been provided (Incorporated by reference to Exhibit 10.31 to the Registration Statement on Form S-1, File No. 333-109194)
- 10.14 Amended and Restated Employment Agreement, dated as of May 6, 2004, between NTL Incorporated and Simon Duffy (Incorporated by reference to Exhibit 10.1 to NTL Incorporated's Quarterly Report on Form 10-Q filed on May 7, 2004, File No. 000-22616)
- 10.15 Employment Agreement, dated as of May 28, 2004, between NTL Incorporated and Bryan Hall (Incorporated by reference to Exhibit 10.1 to NTL Incorporated's Quarterly Report on Form 10-Q filed on August 6, 2004, File No. 000-22616)
- 10.16 Employment Agreement, dated as of September 6, 2004, between NTL Incorporated and Jacques Kerrest (Incorporated by reference to Exhibit 10.1 to NTL Incorporated's Quarterly Report on Form 10-Q filed on November 9, 2004, File No. 000-22616)
- 10.17 Letter Agreement, dated as of September 6, 2004, between NTL Incorporated and Scott Schubert (Incorporated by reference to Exhibit 10.2 to NTL Incorporated's Quarterly Report on Form 10-Q filed on November 9, 2004, File No. 000-22616)
- 10.18\*\* Confirmation of Amendment of Employment Agreement dated as of March 4, 2003, dated as of December 22, 2004, between NTL Incorporated and Richard Martin
- 10.19\*\* Rules of Long-Term Incentive Plan
- 10.20 Amended and Restated NTL 2004 Stock Incentive Plan (Incorporated by reference to Appendix A to the Proxy Statement filed on April 8, 2004, File No. 000-22616)
- 10.21 NTL Group 2004 Bonus Scheme (Incorporated by reference to Appendix B to the Proxy Statement filed on April 8, 2004, File No. 000-22616)

- 10.22 NTL Incorporated Sharesave Plan (Incorporated by reference to Appendix C to the Proxy Statement filed on April 8, 2004, File No. 000-22616)
- 10.23 £2,425,000,000 Senior Facilities Agreement between NTL Incorporated, NTL Investment Holdings Limited, Credit Suisse First Boston, Deutsche Bank AG London, Goldman Sachs International, Morgan Stanley Dean Witter Bank Limited, BNP Paribas, Citibank N.A. London, Crédit Lyonnais, Fortis Bank S.A./N.V., GE Capital Structured Finance Group Limited, HSBC Bank PLC, and Société Générale, as Mandated Lead Arrangers, Credit Suisse First Boston, as Facility Agent and Security Trustee, GE Capital Structured Finance Group Limited, as Administrative Agent, and the other Lenders parties thereto, dated as of April 13, 2004 (Incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on April 20, 2004, File No. 000-22616)
- 10.24 High Yield Intercreditor Deed among NTL Cable PLC as Issuer, NTL Investment Holdings Limited as Borrower and as High Yield Guarantor, Credit Suisse First Boston as Facility Agent and Bank Group Security Trustee, The Bank of New York as High Yield Trustee, the Senior Lenders named therein, the Intergroup Debtor named therein and the Intergroup Creditor named therein (Incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K filed on April 20, 2004, File No. 000-22616)
- 10.25\*\* Restricted Stock Agreement, dated as of May 6, 2004 between NTL Incorporated and James F. Mooney
- 10.26 NTL Group 2005 Bonus Scheme (Incorporated by reference to Appendix B to the Proxy Statement filed on April 5, 2005, File No. 000-22616)
- 12.1\*\* Computation of Ratio of Earnings to Fixed Charges
- 14.1 Code of Ethics (Incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K, File No. 000-22616)
- 21.1 Subsidiaries of the registrant (Incorporated by reference to Exhibit 21.1 to the Registration Statement on Form S-1, File No. 333-109194)
- 23.1\* Consent of Ernst & Young LLP
- 31.1\* Certification of Chief Executive Officer, pursuant to Rule 13(a)-14(a) and Rule 15d-14(a) of the Exchange Act
- 31.2\* Certification of Chief Financial Officer, pursuant to Rule 13(a)-14(a) and Rule 15d-14(a) of the Exchange Act
- 32.1\* Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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\* Filed herewith.

\*\* Previously filed.



**Item 15(a)(1) and (2)****NTL INCORPORATED AND SUBSIDIARIES****INDEX TO CONSOLIDATED FINANCIAL STATEMENTS****AND FINANCIAL STATEMENT SCHEDULES**

The following consolidated financial statements of NTL Incorporated and Subsidiaries are included in Item 8:

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets—December 31, 2004 and 2003	F-3
Consolidated Statements of Operations—Years ended December 31, 2004, 2003 and 2002 and January 1, 2003	F-5
Consolidated Statements of Cash Flows—Years ended December 31, 2004, 2003 and 2002 and January 1, 2003	F-7
Consolidated Statement of Shareholders' Equity—Years ended December 31, 2004, 2003 and 2002	F-9
Notes to Consolidated Financial Statements	F-11

The following consolidated financial statement schedules of NTL Incorporated and Subsidiaries are included in Item 15 (d):

Schedule I—Condensed Financial Information of Registrant	F-67
Schedule II—Valuation and Qualifying Accounts	F-71

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders  
NTL Incorporated (formerly NTL Communications Corp.)

We have audited the accompanying consolidated balance sheets of NTL Incorporated (formerly NTL Communications Corp.) and subsidiaries as of December 31, 2004 and 2003 (Successor), and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2004 for the Successor and for the year ended December 31, 2002 for the Predecessor. Our audits also included the financial statement schedules listed in the Index at item 15(d). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NTL Incorporated (formerly NTL Communications Corp.) and subsidiaries as of December 31, 2004 and 2003 (Successor), and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2004 for the Successor and for the year ended December 31, 2002 for the Predecessor, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 22 to the consolidated financial statements, effective January 10, 2003 the Company emerged from bankruptcy and applied fresh start accounting. As a result, the consolidated balance sheets as of December 31, 2004 and 2003 and the related statements of consolidated operations and cash flows for each of the two years in the period ended December 31, 2004 are presented on a different basis than that for the periods before fresh start and, therefore, are not comparable. Additionally, as discussed in Note 13 of the consolidated financial statements, as of January 1, 2003, the Company began expensing compensation expense related to stock options to conform with the provisions of Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*". As discussed in Note 2 of the consolidated financial statements, as of January 1, 2002, the Company changed its method of accounting for goodwill and other intangible assets to conform with the provisions of Statement of Financial Accounting Standards No. 142, "*Goodwill and Other Intangible Assets*".

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of NTL Incorporated's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP  
London, England  
March 16, 2005, except for Note 21,  
as to which the date is April 8, 2005

## NTL INCORPORATED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)

	December 31,	
	2004	2003
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 240.0	\$ 795.9
Restricted cash	31.4	26.9
Marketable securities	22.1	—
Accounts receivable—trade, less allowance for doubtful accounts of \$90.7 (2004) and \$24.9 (2003)	410.4	353.2
Prepaid expenses	85.0	69.9
Current assets held for sale	80.5	69.3
Other current assets	8.0	27.0
Total current assets	877.4	1,342.2
Fixed assets, net	6,933.8	7,031.8
Reorganization value in excess of amounts allocable to identifiable assets	383.6	363.8
Customer lists, net	698.1	807.8
Other intangible assets, net	10.4	—
Investments in and loans to affiliates, net	1.3	9.5
Other assets, net of accumulated amortization of \$15.2 (2004) and \$70.1 (2003)	236.4	229.8
Other assets held for sale	1,384.2	1,387.9
<b>Total assets</b>	<b>\$ 10,525.2</b>	<b>\$ 11,172.8</b>

See accompanying notes.

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	December 31,	
	2004	2003
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable	\$ 230.6	\$ 249.5
Accrued expenses and other current liabilities	602.9	653.3
Interest payable	99.4	194.6
Deferred revenue	224.2	224.4
Current liabilities of discontinued operations	144.1	96.5
Current portion of long-term debt	116.8	2.3
	<hr/>	<hr/>
Total current liabilities	1,418.0	1,420.6
Long-term debt, net of current portion	5,657.1	5,728.4
Deferred revenue and other long-term liabilities	420.9	323.5
Deferred income taxes	—	—
Long-term liabilities of discontinued operations	3.5	2.3
Commitments and contingent liabilities		
Shareholders' equity		
Preferred stock—\$.01 par value; authorized 5.0 (2004 and 2003) shares; issued and outstanding none	—	—
Common stock—\$.01 par value; authorized 400.0 (2004 and 2003) shares; issued and outstanding 87.7 (2004) and 86.9 (2003) shares	0.9	0.9
Additional paid-in capital	4,376.9	4,325.0
Unearned stock-based compensation	(29.8)	(15.0)
Accumulated other comprehensive income	512.0	341.3
Accumulated (deficit)	(1,834.3)	(954.2)
	<hr/>	<hr/>
Total shareholders' equity	3,025.7	3,698.0
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 10,525.2</b>	<b>\$ 11,172.8</b>
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See accompanying notes.

**NTL INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share data)

	Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
<b>Revenue</b>	\$ 3,800.1	\$ 3,206.0	\$ 2,878.5
<b>Costs and expenses</b>			
Operating costs (exclusive of depreciation shown separately below)	(1,562.3)	(1,329.9)	(1,319.6)
Selling, general and administrative expenses	(964.6)	(862.4)	(739.2)
Long-lived asset impairments	—	—	(445.1)
Other charges	(43.7)	(37.9)	(382.7)
Depreciation	(1,104.8)	(1,117.0)	(1,416.9)
Amortization	(196.3)	(173.3)	(63.7)
	(3,871.7)	(3,520.5)	(4,367.2)
<b>Operating (loss)</b>	(71.6)	(314.5)	(1,488.7)
<b>Other income (expense)</b>			
Interest income and other, net	13.0	17.0	30.9
Interest expense (contractual interest of \$1,425.4 (2002))	(496.6)	(746.4)	(780.2)
(Loss) on extinguishment of debt	(290.1)	—	—
Recapitalization expense	—	—	(152.9)
Share of (losses) income from equity investments	(0.1)	1.8	1.4
Foreign currency transaction (losses) gains	(44.7)	54.0	(94.1)
<b>(Loss) from continuing operations before income taxes</b>	(890.1)	(988.1)	(2,483.6)
Income tax (expense) benefit	(10.5)	(0.1)	14.5
(Loss) from continuing operations	(900.6)	(988.2)	(2,469.1)
<b>Discontinued operations</b>			
Income from discontinued operations before income taxes	20.5	34.0	82.1
Income tax benefit	—	—	11.2
Income from discontinued operations	20.5	34.0	93.3
<b>Net (loss)</b>	\$ (880.1)	\$ (954.2)	\$ (2,375.8)
<b>Basic and diluted loss from continuing operations per common share—(pro forma in 2002)</b>	\$ (10.33)	\$ (15.64)	\$ (41.50)
<b>Basic and diluted net loss per common share—(pro forma in 2002)</b>	\$ (10.09)	\$ (15.10)	\$ (39.93)
<b>Average number of shares outstanding—(pro forma in 2002)</b>	87.2	63.2	59.5

See accompanying notes.

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	January 1, 2003
	<u>Predecessor Company</u>
Gain on debt discharge	\$ 8,451.6
Fresh-start adoption—intangible assets	856.3
Fresh-start adoption—long-term debt	221.3
Fresh-start adoption—deferred tax liability	27.7
Fresh-start adoption—accrued expenses	(120.4)
Fresh-start adoption—fixed assets	(3,567.6)
Recapitalization expense	(8.0)
	<hr/>
Income from continuing operations	5,860.9
Fresh-start adoption—intangible assets	665.4
Fresh-start adoption—deferred tax liability	(96.3)
Fresh-start adoption—fixed assets	372.7
	<hr/>
Income from discontinued operations	941.8
	<hr/>
<b>Net income</b>	<b>\$ 6,802.7</b>
	<hr/>
<b>Pro forma basic and diluted income from continuing operations per common share</b>	<b>\$ 98.50</b>
	<hr/>
<b>Pro forma basic and diluted net income per common share</b>	<b>\$ 114.33</b>
	<hr/>
<b>Pro forma average number of shares outstanding</b>	<b>59.5</b>
	<hr/>

See accompanying notes.

## NTL INCORPORATED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
<b>Operating Activities:</b>			
Net (loss)	\$ (880.1)	\$ (954.2)	\$ (2,375.8)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,433.7	1,436.6	1,541.6
Asset impairments	—	—	445.1
Non-cash compensation	26.7	13.0	—
Non-cash restructuring charge	—	—	7.5
Share of (income) losses from equity investments	(4.2)	0.5	3.4
Provision for losses on accounts receivable	53.8	27.4	55.2
Provision for cancellation of receivables from PTV Inc.	—	—	284.4
Deferred income taxes	7.4	(10.9)	(29.3)
Loss on extinguishment of debt	290.1	—	—
Amortization of original issue discount and deferred finance costs	17.2	136.3	96.7
Other	—	0.7	145.1
Changes in operating assets and liabilities, net of effect from business acquisitions and dispositions:			
Accounts receivable	(70.9)	3.2	108.9
Other current assets	19.7	(27.2)	72.5
Prepaid expenses	(25.2)	7.7	—
Other assets	13.5	—	0.1
Accounts payable	(37.4)	(39.9)	(144.5)
Accrued expenses and other current liabilities	(82.3)	(105.0)	12.6
Deferred revenue	(41.4)	32.9	35.2
Other long-term liabilities	(14.5)	—	—
<b>Net cash provided by operating activities</b>	<b>706.1</b>	<b>521.1</b>	<b>258.7</b>
<b>Investing activities</b>			
Purchase of fixed assets	(556.8)	(574.2)	(680.9)
Investments in and loans to affiliates	16.9	5.4	(6.7)
(Increase) in other assets	—	—	(166.5)
Proceeds from sale of assets	2.3	—	15.1
Acquisitions, net of cash acquired	(34.5)	—	—
Purchases of marketable securities	(22.1)	—	(10.8)
Proceeds from sales of marketable securities	—	5.2	5.6
<b>Net cash (used in) investing activities</b>	<b>(594.2)</b>	<b>(563.6)</b>	<b>(844.2)</b>

See accompanying notes.

	Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
<b>Financing activities</b>			
Proceeds from borrowings, net of financing costs	5,270.2	—	670.1
Net proceeds from rights offering	—	1,367.0	—
Proceeds from employee stock options	8.0	3.0	—
Principal payments on long-term debt	(5,957.7)	(1,249.1)	(8.6)
Proceeds from borrowings from NTL (Delaware), Inc.	—	—	135.2
Contribution from NTL (Delaware), Inc.	—	—	3.9
Net cash provided by financing activities	(679.5)	120.9	800.6
Effect of exchange rate changes on cash and cash equivalents	11.7	76.8	35.8
(Decrease) increase in cash and cash equivalents	(555.9)	155.2	250.9
Cash and cash equivalents at beginning of year	795.9	640.7	251.1
Cash and cash equivalents at end of year	\$ 240.0	\$ 795.9	\$ 502.0
<b>Supplemental disclosure of cash flow information</b>			
Cash paid during the year for interest exclusive of amounts capitalized	\$ 547.0	\$ 583.4	\$ 410.0
Income taxes paid	0.3	—	1.4
<b>Supplemental schedule of non-cash financing activities</b>			
Contribution from NTL (Delaware), Inc.	\$ —	\$ —	\$ 123.9
			January 1, 2003
			Predecessor Company
<b>Net cash (used in) operating activities</b>			\$ (46.9)
<b>Investing activities</b>			
Decrease in other assets			162.8
Net cash provided by investing activities			162.8
<b>Financing activities</b>			
Proceeds from borrowings, net of financing costs			396.3
Principal payments			(373.5)
Net cash provided by financing activities			22.8
Increase in cash and cash equivalents			138.7
Cash and cash equivalents, beginning of period			502.0
Cash and cash equivalents, end of period			\$ 640.7

See accompanying notes.

## NTL INCORPORATED AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)

(in millions, except per share data)

	Series Preferred Stock \$.01 Par Value		Common Stock \$.01 Par Value		Additional Paid-In Capital	Unearned Stock- Based Compensation
	Shares	Par	Shares	Par		
<b>Predecessor company</b>						
Balance, December 31, 2001	—	\$—	—	\$ —	\$ 13,917.7	\$ —
Contribution from NTL (Delaware), Inc., net	—	—	—	—	127.8	—
Comprehensive loss:	—	—	—	—	—	—
Net loss for the year ended December 31, 2002	—	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—
Pension liability adjustment	—	—	—	—	—	—
Unrealized net gains on derivatives	—	—	—	—	—	—
<b>Balance, December 31, 2002</b>	—	—	—	—	14,045.5	—
Comprehensive income:						
Net income (loss) January 1, 2003	—	—	—	—	—	—
Issuance of common stock	—	—	50.5	0.5	1,062.1	—
Fresh-start adoption—other	—	—	—	—	(12,180.5)	—
<b>Reorganized company</b>						
Balance, January 1, 2003	—	—	50.5	0.5	2,927.1	—
Issuance of shares into escrow	—	—	0.1	—	2.3	(2.3)
Issuance of restricted stock	—	—	0.2	—	1.7	(1.7)
Issuance of shares as payment of bonus	—	—	—	—	0.3	—
Exercise of stock options	—	—	0.2	—	3.0	—
Stock options at fair value	—	—	—	—	24.0	(24.0)
Escrow shares amortized to operations	—	—	—	—	—	2.3
Restricted stock amortized to operations	—	—	—	—	—	1.0
Stock options amortized to operations	—	—	—	—	—	9.7
Net proceeds from Rights Offering	—	—	35.9	0.4	1,366.6	—
Comprehensive loss:						
Net loss for the year ended December 31, 2003	—	—	—	—	—	—
Currency translation adjustment	—	—	—	—	—	—
Pension liability adjustment	—	—	—	—	—	—
<b>Balance, December 31, 2003</b>	—	—	86.9	0.9	4,325.0	(15.0)
Exercise of stock options	—	—	0.7	—	8.0	—
Stock option grants at fair value	—	—	—	—	30.2	(30.2)
Repurchase of restricted stock	—	—	—	—	(1.8)	—
Issuance of restricted stock	—	—	0.1	—	4.2	(4.2)
Issuance of shares	—	—	—	—	3.9	(3.9)
Performance related bonus plan	—	—	—	—	7.4	(3.2)
Restricted stock amortized to operations	—	—	—	—	—	2.9
Issuance of stock amortized to operations	—	—	—	—	—	3.7
Stock options amortized to operations	—	—	—	—	—	18.4
Performance related bonus plan amortized to operations	—	—	—	—	—	1.7
Comprehensive loss:						
Net loss for the year ended December 31, 2004	—	—	—	—	—	—

Currency translation adjustment	—	—	—	—	—	—
Net unrealized losses on derivative instruments	—	—	—	—	—	—
Pension liability adjustment	—	—	—	—	—	—
	<u>—</u>	<u>\$—</u>	<u>87.7</u>	<u>\$ 0.9</u>	<u>\$ 4,376.9</u>	<u>\$ (29.8)</u>
<b>Balance, December 31, 2004</b>	<b>—</b>	<b>\$—</b>	<b>87.7</b>	<b>\$ 0.9</b>	<b>\$ 4,376.9</b>	<b>\$ (29.8)</b>

See accompanying notes.

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	Accumulated Other Comprehensive Income (Loss)					Total				
	Comprehensive Income (Loss)	Foreign Currency Translation	Pension Liability Adjustments	Net Unrealized (Losses) Gains on Derivatives	Accumulated (Deficit)					
<b>Predecessor Company</b>										
<b>Balance, December 31, 2001</b>	\$	(900.9)	\$	—	\$	(3.6)	\$	(16,192.2)	\$	(3,179.0)
Contribution from NTL (Delaware), Inc., net		—		—		—		—		127.8
Comprehensive loss:										
Net loss for the year ended December 31, 2002	\$	(2,375.8)		—		—		(2,375.8)		(2,375.8)
Currency translation adjustment		351.0	351.0	—		—		—		351.0
Pension liability adjustment		(103.7)		(103.7)		—		—		(103.7)
Unrealized net gains on derivatives		3.6		—		3.6		—		3.6
<b>Total</b>	\$	(2,124.9)								
<b>Balance, December 31, 2002</b>		(549.9)		(103.7)		—		(18,568.0)		(5,176.1)
Comprehensive income:										
Net income January 1, 2003	\$	6,802.7		—		—		6,802.7		6,802.7
Issuance of common stock				—		—		—		1,062.6
Fresh-start adoption—other		549.9		103.7		—		11,765.3		238.4
<b>Reorganized Company</b>										
<b>Balance, January 1, 2003</b>										2,927.6
Issuance of shares into escrow				—		—		—		—
Issuance of restricted stock				—		—		—		—
Issuance of shares as payment of bonus				—		—		—		0.3
Exercise of stock options				—		—		—		3.0
Stock options at fair value				—		—		—		—
Escrow shares amortized to operations				—		—		—		2.3
Restricted stock amortized to operations				—		—		—		1.0
Stock options amortized to operations				—		—		—		9.7
Net proceeds from rights offering				—		—		—		1,367.0
Comprehensive loss:										
Net loss for the year ended December 31, 2003	\$	(954.2)		—		—		(954.2)		(954.2)
Currency translation adjustment		342.0	342.0	—		—		—		342.0
Pension liability adjustment		(0.7)		(0.7)		—		—		(0.7)
<b>Total</b>	\$	(612.9)								
<b>Balance, December 31, 2003</b>		342.0		(0.7)		—		(954.2)		3,698.0
Exercise of stock options				—		—		—		8.0
Stock option grants at fair value				—		—		—		—
Repurchase of restricted stock				—		—		—		(1.8)
Issuance of restricted stock				—		—		—		—
Issuance of shares				—		—		—		—
Performance of related bonus plans				—		—		—		4.2
Restricted stock amortized to operations				—		—		—		2.9
Issuance of stock amortized to operations				—		—		—		3.7
Stock options amortized to operations				—		—		—		18.4
Performance related bonus plans amortized to operations				—		—		—		1.7
Comprehensive loss:										
Net loss for the year ended December 31, 2004	\$	(880.1)		—		—		(880.1)		(880.1)
Currency translation adjustment		220.0	220.0	—		—		—		220.2
Net Unrealized losses on derivatives instruments		(45.9)		—		(45.9)		—		(45.9)
Pension liability adjustment		(3.4)		(3.4)		—		—		(3.4)
<b>Total</b>	\$	(709.4)								
<b>Balance, December 31, 2004</b>	\$	562.0	\$	(4.1)	\$	(45.9)	\$	(1,834.3)	\$	3,025.7

See accompanying notes.

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**NTL INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Organization and Business***Historical Structure of the Company*

NTL Incorporated, or the Company, is a Delaware corporation and is publicly-traded on the Nasdaq National Market in the United States. The Company's historical structure is as follows:

The Company was incorporated in 1993 as a Delaware corporation and continued as a publicly-traded holding company until February 1999. From February 1999 until January 10, 2003, the Company was a wholly-owned subsidiary of NTL (Delaware), Inc., a Delaware corporation, which was incorporated in February 1999, to effect a reorganization into a holding company structure. The holding company structure was implemented to pursue opportunities outside of the UK and Ireland, and was accomplished through a merger. The Company's stockholders at the time became stockholders of the new holding company, NTL (Delaware), Inc., and the Company became a wholly-owned subsidiary of the new holding company. The new holding company took the name NTL Incorporated until May 2000 when it was changed to NTL (Delaware), Inc., its current name.

In May 2000 another new holding company structure was implemented in connection with the acquisition of the residential assets of Cable & Wireless Communications plc, referred to in this annual report as CWC (the operations acquired from CWC are called ConsumerCo), and was similarly accomplished through a merger. The stockholders of NTL (Delaware), Inc. became stockholders of the new holding company, and NTL (Delaware), Inc. became a subsidiary of the new holding company, and the Company remained a subsidiary of NTL (Delaware), Inc., referred to in this annual report as NTL Delaware. The new holding company then took the name NTL Incorporated, which remained its name until January 10, 2003, at which time its name was changed to NTL Europe, Inc., referred to in this annual report as NTL Europe. On February 21, 2001, NTL Europe contributed the assets of ConsumerCo to the Company.

On January 10, 2003, the Company emerged from reorganization under Chapter 11 of the United States Bankruptcy Code. Pursuant to the plan of reorganization, which is referred to as the Plan, the Company's former parent, NTL Europe, Inc., and its subsidiaries and affiliates were split into two separate groups, with the Company and NTL Europe each emerging as independent public companies. The Company was renamed "NTL Incorporated" and became the holding company for the former NTL group's principal UK and Ireland assets. NTL Europe became the holding company for the former NTL group's continental European and various other assets. All of the outstanding securities of NTL Europe and some of its subsidiaries, including the Company, were cancelled. The Company issued shares of its common stock and Series A warrants and NTL Europe issued shares of its common stock and preferred stock to various former creditors and stockholders. As a result, the Company is no longer affiliated with NTL Europe. NTL Europe has since changed its name to PTV, Inc., or PTV.

The Company conducts its operations through direct and indirect wholly-owned subsidiaries.

*Business*

The Company is one of the leading communications and content distribution companies in the UK and the Republic of Ireland, providing broadband internet access, telephone and television services to residential customers. The Company also provides internet and telephone services to residential customers who are not connected to its cable network, via access to other companies' telecommunications networks and via an internet service provider operated by its subsidiary, Virgin Net Limited. The Company offers what it refers to as a "triple play" bundle of internet, telephone and

television services through competitively-priced bundled packages. The Company also provides a range of voice services to businesses and public sector organizations as well as a variety of data communications solutions from high speed internet access to fully managed business communications networks and communication transport services.

The Company's services are delivered through its wholly-owned local access communications network. The design and capability of the Company's network provides it with the ability to offer "triple play" bundled services to residential consumers and a broad portfolio of reliable, competitive communications solutions to business customers.

The Company provides services to three categories of customers: residential customers, business customers and customers in the Republic of Ireland as follows:

- *Consumers.* The Company provides internet, telephone and cable television services to residential customers in the UK;
- *Business.* The Company provides internet, data and voice services to large businesses, public sector organizations and small and medium-sized enterprises, or SMEs, communications transport services, and wholesale internet access solutions to internet service providers, or ISPs; and
- *Ireland.* The Company provides internet, cable television and multiple microwave distribution system television services, or MMDS, to residential customers in the Republic of Ireland and internet, data and voice services to business customers in the Republic of Ireland.

## 2. Significant Accounting Policies

### *Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The Company operated its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court during the period from May 8, 2002 until January 10, 2003. Accordingly, the Company's consolidated financial statements for periods prior to its emergence from Chapter 11 reorganization were prepared in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* ("SOP 90-7"). In addition, the Company adopted fresh-start reporting upon its emergence from Chapter 11 reorganization in accordance with SOP 90-7. For financial reporting purposes, the effects of the consummation of the Plan as well as adjustments for fresh-start reporting have been recorded in the accompanying condensed consolidated financial statements as of January 1, 2003.

Pursuant to fresh-start reporting, a new entity was deemed created for financial reporting purposes and the carrying values of assets and liabilities were adjusted. The carrying values of assets were adjusted to their reorganization values that are equivalent to their estimated fair values. The carrying values of liabilities were adjusted to their present values. Since fresh-start reporting materially changed the carrying values recorded in the Company's consolidated balance sheet, a black line separates the financial statements for periods after the adoption of fresh-start reporting from the financial statements for periods prior to the adoption.

The term "Predecessor Company" refers to the Company and its subsidiaries for periods prior to and including December 31, 2002. The term "Reorganized Company" refers to the Company and its subsidiaries for periods subsequent to January 1, 2003. The effects of the consummation of the Plan as well as adjustments for fresh-start reporting recorded as of January 1, 2003 are Predecessor Company transactions and are presented in the accompanying consolidated statements of operations and cash flows dated January 1, 2003. All other results of operations and cash flows on January 1, 2003 are Reorganized Company transactions.

On December 1, 2004, the company reached an agreement for the sale of its broadcast operations. The sale completed on January 31, 2005. As of December 31, 2004, the broadcast operations are accounted for as a discontinued operation and therefore, broadcast's results of operations have been removed from the Company's results of continuing operations for all periods presented in this Annual Report. The results of operations of broadcast have been excluded from the components of "Loss from Continuing Operations" and shown under the caption "Income from Discontinued Operations" in the Statements of Operations.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the amount of uncollectible accounts and notes receivable, the amount to be paid to terminate certain agreements included in restructuring costs, amounts accrued for vacated properties, the amount to be paid for other liabilities, the Company's pension expense and pension funding requirements, amounts to be paid under the Company's employee incentive plans, costs for interconnection, the amount of costs to be capitalized in connection with the construction and installation of the Company's network and facilities, the value of investments, long-lived assets and goodwill and the computation of the Company's income tax expense and liability. Actual results could differ from those estimates.

### *Fair Values*

The Company has determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The Company has based these fair value estimates on pertinent information available to it as of December 31, 2004 and 2003.

### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and entities where the Company's interest is greater than 50%. Intercompany accounts and transactions have been eliminated in consolidation.

***Reclassification***

Certain prior year amounts, principally consisting of long-term prepayments and deferred revenues related to circuit commitments, have been reclassified to conform to the current year presentation.

***Foreign Currency Translation***

The functional currencies of the Company are the Pound Sterling and the Euro, while its reporting currency is the United States Dollar. The assets and liabilities of the Company's UK and Ireland subsidiaries have been translated using the exchange rates in effect at the balance sheet dates, and revenues and expenses are translated at the average rates for the respective years. Exchange gains and losses on translation of the Company's net equity investments in its subsidiaries are reported as a separate component of accumulated other comprehensive income (loss) in shareholders' equity. Foreign currency transaction gains and losses are recorded in the statement of operations.

***Cash Equivalents***

Cash equivalents are short-term highly liquid investments purchased with a maturity of three months or less. Cash equivalents were \$45.8 million and \$59.6 million at December 31, 2004 and 2003, respectively, which consisted primarily of bank term deposits and corporate commercial paper. At December 31, 2004 and 2003, none of the cash equivalents were denominated in foreign currencies.

Restricted cash balances of \$31.4 million and \$26.9 million as at December 31, 2004 and 2003, respectively represent cash balances collateralized against performance bonds given on behalf of the Company.

***Trade Receivables***

The Company's trade receivables are stated at outstanding principal balance, net of allowance for doubtful accounts. Allowances for doubtful accounts are estimated based on the current aging of trade receivables, prior collection experience and future expectations of conditions that might impact recoverability. The allowance for doubtful accounts is \$90.7 million at December 31, 2004 and \$24.9 million at December 31, 2003.

***Concentrations of Credit Risk***

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Company's cash equivalents are in high quality securities placed with major banks and financial institutions. Concentrations of credit risk with respect to trade receivables are limited because of the large number of customers and their dispersion across geographic areas. The Company performs periodic credit evaluations of its Business customers' financial condition and generally does not require collateral. At December 31, 2004, the Company did not have significant credit risk concentrations. No single group or customer represents greater than 10% of total accounts receivable.

***Fixed Assets***

Fixed assets, net totaled \$6,933.8 million and \$7,031.8 million, representing 65.8% and 62.9% of total assets at December 31, 2004 and 2003, respectively. In accordance with SOP 90-7, upon

emergence from Chapter 11 reorganization, the Company adopted fresh-start reporting as of January 1, 2003. Pursuant to fresh-start reporting, the carrying values of fixed assets were adjusted to their reorganization values, which were equivalent to their estimated fair values. These adjusted carrying values became the revised cost basis of the Company's fixed assets at January 1, 2003. Fixed assets, net were written down by \$3,567.6 million to reflect this adjustment.

The cost of fixed assets includes amounts capitalized for labor and overhead expended in connection with the design and installation of the Company's operating network equipment and facilities. Costs associated with initial customer installations, additions of network equipment necessary to enable enhanced services, acquisition of additional fixed assets and replacement of existing fixed assets are capitalized. The costs of reconnecting the same service to a previously installed premise are charged to expense in the period incurred. Costs for repairs and maintenance are charged to expense as incurred.

Labor and overhead costs directly related to the construction and installation of fixed assets, including payroll and related costs of some employees and related rent and other occupancy costs, are capitalized. The payroll and related costs of some employees that are directly related to construction and installation activities are capitalized based on specific time devoted to these activities where identifiable. In cases where the time devoted to these activities is not specifically identifiable, the Company capitalizes costs based upon estimated allocations. The Company continues to enhance its processes to reduce reliance upon these estimates in determining amounts capitalized. The labor and overhead costs capitalized in the years ended December 31, 2004, 2003 and 2002 were approximately \$101.4 million, \$116.9 million and \$176.4 million, respectively.

The following table illustrates the calculation of labor and overhead costs capitalized as a percentage of total operating costs and selling, general and administrative expenses and as a percentage of cash used to purchase fixed assets (in millions except percentages).

	Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
Labor and overhead costs capitalized	\$101.4	\$116.9	\$176.4
Total operating costs and selling, general and administrative expenses	2,526.9	2,192.3	2,058.8
Labor and overhead costs capitalized as a percentage of total operating costs and selling, general and administrative expenses	4.0%	5.3%	8.6%
Purchase of fixed assets	523.2	554.5	647.3
Labor and overhead costs capitalized as a percentage of purchase of fixed assets	19.4%	21.1%	27.3%

Interest is capitalized as a component of the cost of fixed assets constructed. In 2004, 2003 and 2002, total interest incurred was \$496.6 million, \$751.9 million and \$826.5 million, respectively, of which interest of \$nil, \$5.5 million and \$46.3 million, respectively, was capitalized.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Land and fixed assets held for sale are not depreciated. Estimated useful lives are as follows:

Operating equipment:

Cable distribution plant	8–30 years
Switches and headends	8–10 years
Customer premises equipment	5–10 years
Other operating equipment	8–20 years

Other equipment:

Buildings	30 years
Leasehold improvements	20 years or, if less, the lease term
Computer infrastructure	3–5 years
Other equipment	5–12 years

### ***Intangible Assets***

Intangible assets include non-compete agreements, trademark license agreements and customer lists. Non-compete agreements represent the portion of purchase price in business combinations allocated to agreements not to compete. Non-compete agreements are amortized over the non-compete period which is principally one year. Trademark license agreements represent the portion of purchase price allocated to agreements to license trademarks acquired in business combinations. Trademark licenses are amortized over the period in which the Company expects to derive benefits, which is principally five years. Customer lists represent the portion of the purchase price allocated to the value of the customer base. Customer lists are amortized on a straight-line basis over the period in which the Company expects to derive benefits, which is principally three or five years. Intangible assets held for sale are not amortized.

In addition, the Company's total reorganization value exceeded the amounts allocable to identifiable assets resulting in a new indefinite-lived intangible asset as a consequence of applying fresh-start reporting. This is not amortized but is reviewed annually (or more frequently under certain conditions) for impairment in accordance with FASB Statement No. 142, *Goodwill and Other Intangible Assets* (FAS 142).

Effective January 1, 2002, the Company adopted FAS 142. Upon adoption, the Company performed an analysis of its intangible assets to determine whether they should be classified and accounted for as part of or separate from goodwill. The Company reclassified the carrying value of workforce in place included in other intangibles to goodwill. The Company determined that license acquisition costs would no longer be subject to amortization, since they are deemed to have an indefinite useful life. The Company also determined that no changes in the useful lives of the customer lists were required. The Company also performed an evaluation for impairment of its goodwill and license acquisition costs as of January 1, 2002 and determined that no impairment charge was required.

### ***Asset Retirement Obligations***

As of January 1, 2003, the Company adopted FASB Statement No. 143, *Accounting for Asset Retirement Obligations* (FAS 143). FAS 143 addresses financial accounting and reporting for obligations

associated with the retirement of tangible long-lived assets and the related asset retirement costs. The adoption of FAS 143 did not result in any recognition of liabilities by the Company during its fiscal year ended December 31, 2004 and 2003.

The Company accrues for the liability in respect of dilapidation on its leasehold properties over the term of the lease in accordance with FASB Statement No. 13, *Accounting for Leases*.

### ***Impairment of Long-Lived Assets***

Long-lived assets, including fixed assets and amortizable definite lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses the recoverability of the carrying value of long-lived assets, by first grouping its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (the asset group) and, secondly, estimating the undiscounted future cash flows that are directly associated with and expected to arise from the use of and eventual disposition of such asset group. The Company estimates the undiscounted cash flows over the remaining useful life of the primary asset within the asset group. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, the Company records an impairment charge to the extent the carrying value of the long-lived asset exceeds its fair value. The Company determines fair value through quoted market prices in active markets or, if quoted market prices are unavailable, through the performance of internal analysis of discounted cash flows or external appraisals. The undiscounted and discounted cash flow analyses are based on a number of estimates and assumptions, including the expected period over which the asset will be utilized, projected future operating results of the asset group, discount rate and long-term growth rate.

Reorganization value in excess of amounts allocable to identifiable assets is reviewed for impairment each year.

As of December 31, 2004, the Company reviewed its long-lived assets for impairment and determined that there was no impairment of the Company's long-lived assets as of December 31, 2004.

### ***Equity Method Investments***

All investments in which the Company has the ability to exercise significant influence over the investee, but less than a controlling voting interest, are accounted for using the equity method. Equity method investments are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investees' net income or losses after the date of investment, additional contributions made and dividends received. Prior to the adoption of FAS 142, the difference between the Company's recorded investment and its proportionate interest in the book value of the investees' net assets were being amortized on a straight-line basis over 10 years. The Company evaluates the carrying value of its equity method investments and tests for impairment in accordance with APB Opinion No. 18.

### ***Deferred Financing Costs***

Deferred financing costs of \$147.8 million and \$134.9 million as of December 31, 2004 and 2003, respectively, are included in other assets. Deferred financing costs are incurred in connection with the

issuance of debt and are amortized over the term of the related debt using a straight-line basis, since this method is materially consistent with the effective interest basis.

### **Restructuring Costs**

As of January 1, 2003, the Company adopted FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (FAS 146) and recognizes a liability for costs associated with restructuring activities when the liability is incurred. The adoption of FAS 146 did not have a significant effect on the results of operations, financial condition or cash flows of the Company.

Prior to 2003, the Company recognized a liability for costs associated with restructuring activities at the time of a commitment to restructure is given in accordance with EITF 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*.

### **Revenue Recognition**

The Company recognizes revenue only when it is realized or realizable and earned. The Company recognizes revenue when all of the following are present:

- Persuasive evidence of an arrangement exists between the Company and its customers;
- Delivery has occurred or the services have been rendered;
- The price for the service is fixed or determinable; and
- Collectibility is reasonably assured.

Revenues are invoiced and recorded as part of a periodic billing cycle, and are recognized as the services are provided. At the end of each period, adjustments are recorded to defer revenue relating to services billed in advance and to accrue for earned but unbilled services.

- *Telephone, cable television and internet revenues* are recognized as the services are provided to customers.
- *Bundled services revenue* is recognized at the time the services are provided to the customer or the performance of all of the services have been completed. The Company applies the provisions of EITF No 00-21, *Accounting for revenue arrangements with multiple deliverables* to assess whether the components of the bundled services should be recognized separately.
- *Installation revenues* The Company applies the provisions of FASB Statement No. 51, *Financial Reporting by Cable Television Companies* in relation to connection and activation fees for cable television, as well as telephone and internet services, on the basis that the Company markets and maintains a unified fiber network through which the Company provides all of these services. Installation revenues are recognized at the time the installation has been completed to the extent that those fees are less than direct selling costs. Installation fees in excess of direct selling costs are deferred and amortized over the expected life of the customer's connection.
- *Rental revenue* in respect of line rentals and rental of equipment provided to customers is recognized on a straight-line basis over the term of the rental agreement.

### Advertising Expense

The Company charges the cost of advertising to expense as incurred. Advertising costs were \$80.6 million, \$60.4 million and \$32.8 million in 2004, 2003 and 2002, respectively.

### Stock-Based Compensation

The Company has a number of stock-based employee compensation plans, described more fully in Note 13. Effective January 1, 2003, the Company adopted the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, (FAS 123). Under the prospective method of adoption selected by the Company under provision of FASB Statement No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* (FAS 148), the recognition provisions will be applied to all employee awards granted, modified, or settled after January 1, 2003.

Prior to 2003, the Company's employees participated in the various stock option plans of its former ultimate parent company. The Company accounted for the stock-based compensation plans of its former ultimate parent company under Accounting Principals Board Opinion No. 25, *Accounting for Stock Issued to Employees*, (APB 25) and related interpretations. No stock-based employee compensation cost was reflected in 2002, as all options granted under these plans had an intrinsic value of zero on the date of the grant. All options to purchase shares of the Company's former ultimate parent company's common stock were cancelled on the Effective Date pursuant to the Plan.

If the Company had elected to adopt the fair value recognition provisions of FAS 123 as of January 1, 2002, pro forma net income and diluted net income per share for 2002 (Predecessor Company) would be as follows (in millions, except per share data):

(Loss) from continuing operations, as reported	\$ (2,469.1)
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(250.4)
	<hr/>
Pro forma (loss) from continuing operations	\$ (2,719.5)
	<hr/>
Earnings per share:	
Basic and diluted (loss) from continuing operations per share	\$ (41.50)
	<hr/>
Basic and diluted (loss) from continuing operations per share, pro forma	\$ (45.71)
	<hr/>

Pursuant to the NTL Group Bonus Schemes, participants are eligible to receive a bonus payment equal to a percentage of their base salary as determined by their level of employment based upon the attainment of performance targets. Bonus payments are made in two installments. Half of the bonus owing to various participants is payable in cash and the other half may, at the Company's discretion, be paid in shares of the Company's common stock.

### Pensions

The Company accounts for its defined benefit pension plans using FASB Statement No. 87, *Employer's Accounting for Pensions* (FAS 87) and the disclosure rules under FASB Statement No. 132 (revised), *Employers Disclosures about Pensions and Other Postretirement Benefits, an Amendment of FASB Statements 87, 88 and 106*. Under FAS 87, pension expense is recognized on an accrual basis over

employees' approximate service periods. Pension expense calculated under FAS 87 is generally independent of funding decisions or requirements. The Company recognized expense for its defined benefit pension plans of \$3.8 million and \$2.8 million in 2004 and 2003, respectively.

The fair value of the Company's pension plans' assets increased from \$301.9 million at December 31, 2003 to \$380.9 million at December 31, 2004. The Company contributed \$28.3 million in cash to its defined benefit pension plans in 2004.

The calculation of pension expense and the Company's pension liability requires the use of a number of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from the assumptions. The Company believes that the two most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate.

When calculating pension expense for 2004, the Company assumed that its plans' assets would generate a long-term rate of return of between 7.4% and 7.9%. This range is higher than the assumed rates of between 6.6% and 7.9% used to calculate the 2003 expense. The Company determines its expected long-term rate of return assumption based on historical experience and by evaluating input from the trustee managing the plan's assets, including the trustee's review of asset class return expectations by several consultants and economists as well as long-term inflation assumptions. The Company's expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on its goal of earning the highest rate of return while maintaining risk at acceptable levels. The plan strives to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio.

The Company discounted its future pension obligations using rates of between 4.8% and 5.3% at December 31, 2004 and rates of between 5.5% and 6.0% for 2003. The Company determined the appropriate discount rate based on the current rates earned on long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The pension liability and future pension expense both increase as the discount rate is reduced.

At December 31, 2004, the Company has unrecognized actuarial losses of \$29.9 million. These losses will be recognized as a component of pension expense in future years.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in the Company's pension plans will impact its future pension expense and liabilities. The Company cannot predict with certainty what these factors will be in the future.

### ***Derivative Financial Instruments***

The Company is exposed to various market risks, including changes in foreign currency exchange rates and interest rates. As some of the Company's indebtedness accrues interest at variable rates, it has exposure to volatility in future cash flows and earnings associated with variable interest rate payments. Also, a substantial portion of the Company's revenue and operating costs are earned and paid in pounds sterling and, to a lesser extent, euros, but it pays interest and principal obligations on some of its indebtedness in U.S. dollars. As a result, the Company has exposure to volatility in future cash flows and earnings associated with changes in foreign currency exchange rates on payments of principal and interest on a portion of its indebtedness.

The Company's objective in managing its exposure to fluctuations in interest rates and foreign currency exchange rates is to decrease the volatility of its earnings and cash flows caused by changes in underlying rates. To achieve this objective, the Company enters into derivative financial instruments. The Company has established policies and procedures to govern the strategic management of these exposures through a variety of derivative financial instruments, including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate contracts. By policy, the Company does not enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed.

In accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), the Company recognizes derivative financial instruments as either assets or liabilities measured at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. To the extent that the derivative instrument is designated and considered to be effective as a cash flow hedge of an exposure to future changes in interest rates or foreign currency exchange rates, the change in fair value of the instrument is deferred in other comprehensive income. Amounts recorded in other comprehensive income are reclassified to the income statement to match the corresponding cash flows on the underlying hedged transaction. Changes in fair value of any instrument not designated as a hedge or considered to be ineffective as a hedge are reported in earnings immediately.

### ***Software Development Costs***

The Company capitalizes costs related to computer software developed or obtained for internal use in accordance with SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Software obtained for internal use has generally been enterprise-level business and finance software that the Company customizes to meet its specific operational needs. Costs incurred in the application development phase are capitalized and amortized over their useful lives, generally three to five years. The Company has not sold, leased or licensed software developed for internal use to its customers and the Company has no intention of doing so in the future.

### ***Income Taxes***

The Company provides for income taxes in accordance with FASB Statement No. 109, *Accounting for income taxes*. Judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. The Company recognizes deferred tax assets only if it is more likely than not that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. The Company has considered future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognized.

### ***Loss from Continuing Operations Per Share and Net Loss Per Share***

Basic and diluted loss from continuing operations per share and net loss per share are computed by dividing the loss from continuing operations and net loss respectively by the average number of shares outstanding during the years ended December 31, 2004, 2003 and 2002, as adjusted for the effect of the rights offering in November 2003. Options to purchase 3.1 million shares and 0.1 million

shares of restricted stock at December 31, 2004 are excluded from the calculation of diluted net loss per share, since the inclusion of such options and shares is anti-dilutive. The average number of shares outstanding is computed as follows (in millions):

	Year Ended December 31,		
	2004	2003	2002
			(pro forma)
Number of shares outstanding at start of period(1)	86.8	50.5	50.5
Issues of common stock	0.4	3.7	—
Adjustment for the effect of the rights offering	—	9.0	9.0
Average number of shares outstanding	87.2	63.2	59.5

(1) Excludes 0.1 million shares of restricted stock

Pro forma basic and diluted loss from continuing operations per share and net loss per share for periods prior to January 1, 2003 are computed as if the 50.0 million shares issued in connection with the reorganization plan and the 500,000 shares issued in connection with the issuance of the Exit Notes were outstanding for those periods. Owing to the effect of the rights offering, the average number of shares outstanding at January 1, 2003 increased by 9.0 million shares.

### 3. Recent Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued Statement No. 123 (revised 2004), *Share Based Payment* (FAS 123R), which is a revision of FAS 123. FAS 123R also supersedes APB 25 and amends FASB Statement No. 95, *Statement of Cash Flows*. The Company previously adopted FAS 123 in 2003 as discussed in Note 2. FAS 123R differs from FAS 123, by requiring all entities to measure liabilities incurred in stock based payment transactions at fair value rather than measuring the liability at its intrinsic value. FAS 123R requires entities to estimate the number of instruments for which the requisite service period is expected to be rendered rather than accounting for forfeitures as they occur. Under FAS 123R, modifications to the terms or conditions of an award are measured by comparing the fair value of the modified award with the fair value of the award immediately before the modification, as opposed to measuring the effects of a modification as the difference between the fair value of the modified award at the date it is granted and the awards value immediately before the modification. FAS 123R will also clarify and expand current guidance under FAS 123 including the measurement of fair value, classifying an award as either equity or as a liability and attributing compensation cost to reporting periods. FAS 123R amends FAS 95 requiring that the excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. The statement is effective in the first interim or annual reporting period beginning after June 15, 2005.

FAS 123R provides two alternatives for adoption: (1) a "modified prospective" method in which compensation cost is recognized for all awards granted subsequent to the effective date of this statement as well as for the unvested portion of awards outstanding as of the effective date and (2) a "modified retrospective" method which follows the approach in the "modified prospective" method, but also permits entities to restate prior periods to reflect compensation cost calculated under FAS 123 for pro forma amounts disclosure. The Company plans to adopt FAS 123R using the modified prospective



	December 31,	
	2004	2003
<b>Current liabilities of discontinued operations</b>		
Accounts payable	\$ 29.0	\$ 10.5
Accrued expenses	66.7	40.5
Deferred revenue	48.4	45.5
	\$ 144.1	\$ 96.5
	December 31,	
	2004	2003
<b>Long-term liabilities of discontinued operations</b>		
Deferred income taxes	\$ 0.2	\$ 0.1
Other long-term liabilities	3.3	2.2
	\$ 3.5	\$ 2.3

## 5. Asset Impairments

Asset impairment charges were \$445.1 million in the year ended December 31, 2002. These charges are non-cash charges to write-down certain assets to their estimated fair values based on an assessment that their carrying value was not recoverable. These charges include fixed assets of \$56.0 million, license acquisition costs of \$29.0 million and goodwill of \$360.1 million. The charge with respect to fixed assets was estimated based upon the technological obsolescence of certain network and other equipment. The charge with respect to license acquisition costs and goodwill was determined in accordance with FAS 142.

There were no asset impairment charges recorded in the years ended December 31, 2003 and 2004.

## 6. Acquisitions and Disposals

On November 8, 2004, the Company acquired Virgin Media Group's remaining interests in Virgin Net Limited, together with all the remaining minority interests held by existing and former management, for £23.9 million, or \$43.8 million. These acquisitions have taken the Company's ownership of Virgin Net Limited, the joint venture formed by Virgin and the Company in 1996, to 100 per cent. The Company has accounted for the acquisition under the purchase method of accounting in FASB Statement No. 141, *Business Combinations*. The Company has consolidated the results of operations of Virgin Net in its income statement from November 8, 2004. Prior to that date, the Company accounted for its investment in Virgin Net Limited using the equity method of accounting.

On December 1, 2004, the Company reached an agreement to sell its broadcast operations, a provider of commercial television and radio transmission services, to a consortium led by Macquarie Communications Infrastructure Group. The sale completed on January 31, 2005. See Note 4—Discontinued Operations.

## 7. Fixed Assets

Fixed assets consist of (in millions):

	Estimated Useful Life	December 31,	
		2004	2003
Operating equipment			
Cable distribution plant	8–30 years	\$ 6,171.8	\$ 5,723.2
Switches and headends	8–10 years	610.6	567.2
Customer premises equipment	5–10 years	1,524.1	1,133.5
Other operating equipment	8–20 years	126.5	117.5
Total operating equipment		8,433.0	7,541.4
Other equipment			
Land	—	8.6	8.0
Buildings	30 years	125.2	118.9
Leasehold improvements	20 years or, if less, the lease term	131.2	122.3
Computer infrastructure	3–5 years	438.4	301.5
Other equipment	5–12 years	109.6	100.4
Total other equipment		813.0	651.1
Accumulated depreciation		9,246.0 (2,409.9)	8,192.5 (1,218.5)
Construction in progress		6,836.1 97.7	6,974.0 57.8
		\$ 6,933.8	\$ 7,031.8

## 8. Intangible Assets

Intangible assets consist of (in millions):

	Estimated useful life	December 31,	
		2004	2003
Intangible assets not subject to amortization:			
Reorganization value in excess of amounts allocable to identifiable assets		\$ 383.6	\$ 363.8
Intangible assets subject to amortization:			
Cost			
Non-compete agreements	1 year	\$ 5.4	\$ —
Trademark licences	5 years	6.1	—
Customer lists	3–5 years	1,105.4	996.9
		1,116.9	996.9
Accumulated amortization			
Non-compete agreements		0.9	—
Trademark licences		0.2	—
Customer lists		407.3	189.1
		408.4	189.1
		\$ 708.5	\$ 807.8

Estimated aggregate amortization expense for each of the five succeeding fiscal years from December 31, 2004 is as follows: \$215.8 million in 2005, \$209.5 million in 2006, \$208.3 million in 2007, \$68.2 million in 2008 and \$6.7 million in 2009.

The change in the carrying amount of reorganization value in excess of amounts allocable to identifiable assets during the year ended December 31, 2004 is as follows (in millions):

Reorganization value in excess of amounts allocable to identifiable assets—January 1, 2004	\$ 363.8
Foreign currency exchange translation adjustments	27.2
Adjustment to deferred tax accounts	(7.4)
Reorganization value in excess of amounts allocable to identifiable assets—December 31, 2004	\$ 383.6

The increase in reorganization value in excess of amounts allocable to identifiable assets during the year ended December 31, 2004 includes a tax benefit of \$7.4 million that is primarily attributable to the use of deferred tax assets that existed as of January 10, 2003 that were previously offset by a valuation allowance.

## 9. Leases

A summary of assets held under capital leases are as follows (in millions).

	December 31,	
	2004	2003
Cable distribution plant	\$ 57.8	\$ 53.9
Switches and headends	4.8	4.6
	62.6	58.5
Less: accumulated depreciation	(14.5)	(6.9)
	\$ 48.1	\$ 51.6

Amortization of assets held under capital leases is included within the depreciation expense.

Future minimum annual payments at December 31, 2004 are as follows (in millions). The table reflects the Company's contractual obligations.

	Capital Leases	Operating Leases
Year ended December 31:		
2005	\$ 8.8	\$ 83.4
2006	8.4	75.4
2007	8.3	71.6
2008	7.8	65.0
2009	7.7	56.2
Thereafter	189.6	358.4
Total minimum lease payments	230.6	\$ 710.0
Less: amount representing interest	(156.0)	
Present value of net minimum obligations	74.6	
Less: current portion	(1.3)	
	\$ 73.3	

Leases for buildings, offices space and equipment extend through 2031. Total rental expense for the years ended December 31, 2004, 2003, and 2002 under operating leases was \$135.8 million, \$110.0 million and \$123.7 million respectively.

## 10. Long-Term Debt

Long-term debt consists of (in millions):

	December 31, 2004	December 31, 2003
8.75% Senior Notes due 2014	\$ 425.0	\$ —
9.75% Sterling Senior Notes due 2014	718.5	—
8.75% Euro Senior Notes due 2014	304.6	—
Floating Rate Senior Notes due 2012	100.0	—
Senior credit facility	4,148.1	4,968.6
11.2% Senior Discount Debentures, less unamortized discount of \$115.4 (2003)	—	401.9
10% Senior Sterling Notes, less unamortized discount of \$38.7 (2003)	—	202.2
9 <sup>1</sup> / <sub>8</sub> % Senior Notes, less unamortized discount of \$26.5 (2003)	—	83.4
Capital leases	74.6	71.4
Other	3.1	3.2
	<u>5,773.9</u>	<u>5,730.7</u>
Less: current portion	(116.8)	(2.3)
	<u>\$ 5,657.1</u>	<u>\$ 5,728.4</u>

The effective interest rates on the variable interest rate debt were as follows:

	December 31,	
	2004	2003
Floating Rate Senior Notes due 2012	7.07%	—
Senior credit facility		
Revolving facility	—	6.55%
Term facility	7.13%	9.05%

In April 2004 the Company completed its refinancing transaction from which it raised approximately \$5.9 billion of new indebtedness and repaid approximately \$5.5 billion of its existing indebtedness. The refinancing transaction extended the maturities on substantially all of the Company's debt and lowered its weighted average interest expense. In particular:

- On April 13, 2004, the Company's wholly owned, newly formed subsidiary, NTL Cable PLC, issued £375 million aggregate principal amount of 9.75% senior notes due 2014, \$425 million aggregate principal amount of 8.75% senior notes due 2014, €225 million aggregate principal amount of 8.75% senior notes due 2014 and \$100 million aggregate principal amount of floating rate senior notes due 2012, together referred to as the Senior Notes.
- Also, on April 13, 2004, the Company entered into a new £2,425 million senior secured credit facility, which the Company refers to as its senior credit facility, and which includes a £250 million revolving credit facility. On April 14, 2004 the Company drew down £2,175 million of its senior credit facility, which, together with some of the proceeds from the issuance of the new notes and cash on hand, the Company used to repay its then-existing senior credit facility. At December 31, 2004, the revolving facility is undrawn. The senior credit facility is secured by most of the Company's assets.

- The remaining proceeds from the notes offering, together with cash on hand, were used on May 13, 2004 to redeem the 10% Senior Sterling Notes due 2008, the 9<sup>1</sup>/<sub>8</sub>% Senior Notes due 2008 and the 11.2% Senior Discount Debentures due 2007 and pay transaction costs.

The refinancing transaction resulted in a loss on extinguishment of debt as follows (in millions):

Redemption price		\$	5,508.9
Net carrying amount:			
Face value	\$	5,497.5	
Unamortized discount		(163.3)	
Unamortized issue costs		(115.4)	
			<u>5,218.8</u>
Loss on extinguishment of debt		\$	<u>290.1</u>

### ***Outstanding Public Notes***

The terms of the Senior Notes and senior credit facility as at December 31, 2004 are summarized below.

#### *Senior Notes*

- *9.75% Senior Notes due April 15, 2014*—The principal amount at maturity is £375 million. Interest is payable semi-annually on April 15 and October 15 commencing October 15, 2004.
- *8.75% Senior Notes due April 15, 2014*—The principal amount at maturity is \$425 million. Interest is payable semi-annually on April 15 and October 15 commencing October 15, 2004.
- *8.75% Senior Notes due April 15, 2014*—The principal amount at maturity is €225 million. Interest is payable semi-annually on April 15 and October 15 commencing October 15, 2004.
- *Floating Rate Senior Notes due October 15, 2012*—The principal amount at maturity is \$100 million. The interest rate on the floating rate senior notes is the three-month LIBOR plus 5.00%. Interest is payable quarterly on January 15, April 15, July 15 and October 15, commencing July 15, 2004.

#### *Senior credit facility*

- The principal amount outstanding is £2,165.0 million or \$4,148.1 million. The Company's senior credit facility comprises a term facility denominated in a combination of pound sterling, euros and U.S. dollars totaling £2,165.0 million or \$4,148.1 million, and a revolving facility of £250 million, or \$479.0 million. The term facility was fully drawn and the revolving facility was undrawn at December 31, 2004.
- The Company's senior credit facility bears interest at LIBOR plus mandatory costs plus a margin rate. The term facility and the revolving facility have different margin rates. At December 31, 2004, the effective average annual interest rate on the term facility was 7.13%. Interest is payable at least semi-annually.

- The principal amount outstanding under the term facility is repayable by semi-annual installments beginning September 2004.
- The senior credit facility is secured over most of the Company's assets.
- The Company is subject to financial maintenance tests under its senior credit facility, including a test of liquidity, coverage and leverage ratios applied to the Company and some of its subsidiaries. As at December 31, 2004, the Company was in compliance with these covenants.

The agreements governing the Senior Notes and the senior credit facility significantly restrict the ability of the Company's subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances. In addition, the agreements significantly, and, in some cases, absolutely restrict the Company's ability and the ability of most of its subsidiaries to:

- Incur or guarantee additional indebtedness;
- Pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations;
- Make investments;
- Sell assets, including the capital stock of subsidiaries;
- Enter into sale/leaseback transactions;
- Create liens;
- Enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- Merge or consolidate or transfer all or substantially all of its assets; and
- Enter into transactions with affiliates.

During 2004, 2003 and 2002, the Company recognized \$17.2 million, \$58.8 million and \$96.7 million, respectively, of original issue discount as interest expense.

Long-term debt repayments, excluding capital leases, as of December 31, 2004 are due as follows (in millions).

Year ended December 31:		
2005	\$	115.4
2006		229.6
2007		365.7
2008		497.5
2009		489.1
Thereafter		4,002.0
		<hr/>
Total debt payments	\$	5,699.3
		<hr/>

On February 4, 2005, the Company voluntarily prepaid £500 million of the senior credit facility which included the scheduled repayments due in 2005. As a consequence, scheduled repayments in

2006 and beyond have also reduced. The effects of the voluntary prepayment are not reflected in the table above.

## 11. Derivative Financial Instruments

The Company is exposed to various market risks, including changes in foreign currency exchange rates and interest rates. As some of the Company's indebtedness accrues interest at variable rates, it has exposure to volatility in future cash flows and earnings associated with variable interest rate payments. Also, substantially all of the Company's revenue and operating costs are earned and paid in pounds sterling and, to a lesser extent, euros, but it pays interest and principal obligations on some of its indebtedness in U.S. dollars. As a result, the Company has exposure to volatility in future cash flows and earnings associated with changes in foreign currency exchange rates on payments of principal and interest on a portion of its indebtedness.

The Company's objective in managing its exposure to fluctuations in interest rates and foreign currency exchange rates is to decrease the volatility of its earnings and cash flows caused by changes in underlying rates. To achieve this objective, the Company enters into derivative financial instruments. The Company has established policies and procedures to govern the strategic management of these exposures through a variety of derivative financial instruments, including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate contracts. By policy, the Company does not enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed.

In accordance with FAS 133, the Company recognizes derivative financial instruments as either assets or liabilities measured at fair value. Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. To the extent that the derivative instrument is designated and considered to be effective as a cash flow hedge of an exposure to future changes in interest rates or foreign currency exchange rates, the change in fair value of the instrument is deferred in other comprehensive income. Amounts recorded in other comprehensive income are reclassified to the income statement to match the corresponding cash flows on the underlying hedged transaction. Changes in fair value of any instrument not designated as a hedge or considered to be ineffective as a hedge are reported in earnings immediately.

The fair values of the Company's derivative instruments were as follows (in millions):

	December 31,	
	2004	2003
<i>Included within other assets:</i>		
Interest rate swaps	\$ 2.3	\$ —
<i>Included within other current liabilities:</i>		
Foreign currency forward rate contracts	\$ 3.9	\$ —
<i>Included within deferred revenue and other long-term liabilities</i>		
Foreign currency forward rate contracts	\$ 64.6	\$ —
Interest rate swaps	48.2	—
	\$ 112.8	\$ —

#### *Interest Rate Swaps—Hedging of Interest Rate Sensitive Obligations*

As of December 31, 2004, the Company has entered into interest rate swap agreements to manage the exposure to variability in future cash flows on the interest payments associated with £1,250 million of its outstanding senior credit facility, which accrues at variable rates based on LIBOR. The interest rate swaps allow the Company to receive interest based on LIBOR in exchange for payments of interest at fixed rates of 5.30% and 5.10%. The interest rate swaps became effective on October 14, 2004 and mature on April 14, 2007. The net settlement of \$1.6 million under the hedges is included within interest expense for the year ended December 31, 2004.

The Company has designated these interest rate swaps as cash flow hedges under FAS 133, because they hedge against changes in the amount of future cash flows attributable to changes in LIBOR. As of December 31, 2004, the Company recorded \$25.1 million of unrealized losses in accumulated other comprehensive income (loss) as a result of the decrease in fair market value of these interest rate hedges. There was no realized gain or loss arising from any ineffectiveness of the hedges.

#### *Cross-Currency Interest Rate Swaps—Hedging the Interest Payments of Senior Notes and senior credit facility*

At December 31, 2004, the Company has entered into cross-currency interest rate swaps with principal amounts of \$920.2 million and €151.0 million. The Company currently hedges the pound sterling value of interest payments on the U.S. dollar denominated 8.75% Senior Notes due 2014, interest payments on its U.S. dollar denominated Floating Rate Notes due 2012, interest payments on its U.S. dollar denominated senior credit facility, and the pound sterling value of interest payments on the euro denominated senior credit facility. Under these cross-currency swaps, the Company receives interest in U.S. dollars at a fixed rate of 8.75% and variable rate based on LIBOR, and in euros at variable rate based on LIBOR, in exchange for payments of interest in pound sterling at a fixed rate of 9.42%, and variable rate LIBOR based on the pound sterling equivalent of \$920.2 million and €151.0 million. The net settlement of \$4.6 million under the hedges is included within interest expense for the year ended December 31, 2004.

The Company has designated these cross-currency swaps as cash flow hedges under FAS 133 because they hedge the changes in the pound sterling value of the interest payments on its U.S. dollar denominated Senior Notes and U.S. dollar and euro denominated senior credit facility, that result from changes in the U.S. dollar, euro and pound sterling exchange rates. As of December 31, 2004, the Company recorded \$23.1 million of unrealized losses and \$2.3 million of unrealized gains in accumulated other comprehensive income (loss) as a result of the changes in fair market value of these cross currency interest rate hedges. There was no realized gain or loss arising from any ineffectiveness of the hedges.

*Foreign Currency Forward Rate Contracts—Hedging the Principal Obligations of the U.S. Dollar Senior Notes and senior credit facility*

As of December 31, 2004, the Company has entered into foreign currency forward rate contracts to purchase \$820.2 million and €151.0 million, maturing in April 2009. These contracts hedge changes in the pound sterling, U.S. dollar and euro value of the principal obligation of the 8.75% Senior Note due 2014, and variable rate LIBOR senior credit facility, caused by changes in the U.S. dollar, euro and pound sterling exchange rates.

*Foreign Currency Forward Rate Contracts—Hedging the stock repurchase program*

As of December 31, 2004, the Company has entered into foreign currency forward rate contracts to sell £100 million and option contracts to sell an additional £100 million maturing in March 2005. These contracts are associated with the Company's recently announced stock repurchase program and hedge changes in the pound sterling value of the Company's stock price caused by changes in the U.S. dollar pound sterling exchange rate. On January 31, 2005, the Company announced that it intends to use up to £475 million of the proceeds from the sale of the broadcast operations to repurchase shares of its common stock. In February 2005, the Company used approximately \$130 million to effect repurchases in the open market.

The forward rate contracts are not effective hedges under FAS 133. As such, the contracts are carried at fair value on the Company's balance sheet with changes in the fair value recognized immediately in the income statement. The forward rate contracts do not subject the Company to material volatility in its earnings and cash flows because changes in the fair value directionally and partially mitigate the gains or losses on the translation of its U.S. dollar denominated debt into its functional currency pound sterling in accordance with FASB Statement No. 52, "Foreign Currency Translation". Changes in fair value of these contracts are reported with foreign exchanges gains (losses).

Net changes in the fair value of the forward rate contracts recognized in (loss) from continuing operations for the three years ended December 31, 2004 were as follows (in millions):

	Year Ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
Net loss in fair value of forward rate contracts	\$ 68.5	\$ —	\$ —

## 12. Fair Values of Financial Instruments

The Company in estimating its fair value disclosures for financial instruments used the following methods and assumptions:

*Cash and cash equivalents, and restricted cash:* The carrying amounts reported in the consolidated balance sheets approximate fair value.

*Marketable securities:* The carrying amounts reported in the consolidated balance sheets approximate fair value.

*Long-term debt:* The carrying amounts of the bank credit facilities approximate their fair values. The fair values of the Company's other debt in the following table are based on the quoted market prices.

The carrying amounts and fair values of the Company's financial instruments are as follows (in millions):

	December 31, 2004		December 31, 2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 240.0	\$ 240.0	\$ 795.9	\$ 795.9
Restricted cash	31.4	31.4	26.9	26.9
Marketable securities	22.1	22.1	—	—
Long-term debt:				
8.75% Senior Notes due 2014	\$ 425.0	\$ 482.4	\$ —	\$ —
9.75% Sterling Senior Notes due 2014	718.5	774.3	—	—
8.75% Euro Senior Notes due 2014	304.6	340.3	—	—
Floating Rate Senior Notes due 2012	100.0	103.5	—	—
Senior credit facility	4,148.1	4,148.1	4,968.6	4,968.6
11.2% Debentures	—	—	401.9	522.5
10% Sterling Notes	—	—	202.2	248.7
9 <sup>1</sup> / <sub>8</sub> % Notes	—	—	83.4	113.7

**NTL INCORPORATED AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**13. Stock-Based Compensation Plans**

At December 31, 2004, the Company has a number of stock-based compensation plans, which are described below. The Company accounts for the fair value of its grants under these plans in accordance with FAS 123. The compensation cost that has been charged against income for these plans was \$26.4 million, \$12.6 million and \$nil for 2004, 2003 and 2002, respectively.

*Stock Option Plans*

The NTL Stock Option Plans are intended to provide incentives to certain employees of the Company and its subsidiaries to foster and promote the long-term growth and performance of the Company and to better align such employees' interests with the stockholders of the Company. Under the NTL Stock Option Plans, options to purchase up to 8.6 million shares of the Company's common stock may be granted from time to time to certain employees of the Company and its subsidiaries. Accordingly, the Company has reserved 8.6 million shares of common stock for issuance under the NTL Stock Option Plans.

All options have a 10 year term and vest and become fully exercisable over a period of 3 to 5 years of continued employment. For the NTL Stock Option Plans, the Company adopted the fair value recognition provisions of FAS 123. Under the prospective method of adoption selected by the Company under the provisions of FAS 148, the recognition provisions have been applied to all employee awards granted, modified, or settled after January 1, 2003.

Prior to 2003, the Company's employees participated in the various stock option plans of its former ultimate parent company. The Company accounted for stock options using the intrinsic value method under APB 25 and related Interpretations.

Pro forma information regarding net income and earnings per share, as presented in Note 2, is required by FAS 123, as amended by FAS 148, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement upon its initial effective date. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for 2004, 2003 and 2002:

	For the Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
Risk-free Interest Rate	3.97%	3.91%	4.47%
Expected Dividend Yield	0%	0%	0%
Expected Volatility	0.837	0.869	0.702
Expected Lives	3.438	3.443	10

A summary of the activity and related information of the NTL Stock Option Plans and the Company's former parent's stock option plans for the years ended December 31 is as follows:

	2004		2003		2002	
	Reorganized Company		Reorganized Company		Predecessor Company	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
		(in millions)		(in millions)		(in millions)
Outstanding-beginning of year	3.2	\$ 13.85	—	\$ —	71.9	\$ 36.13
Granted	0.8	47.04	3.9	13.85	—	—
Exercised	(0.7)	13.03	(0.2)	13.94	—	—
Expired	—	—	—	—	—	—
Forfeited	(0.2)	12.67	(0.5)	13.80	(3.7)	—
Outstanding-end of year	3.1	\$ 22.84	3.2	\$ 13.85	68.2	\$ 36.06
Exercisable at end of the year	0.4	\$ 20.51	0.3	\$ 12.54	34.3	\$ 30.37
Weighted-average grant date fair value of options granted during the year	\$ 50.21		\$ 6.14		—	

All of the options to purchase shares of the Company's former ultimate parent company were cancelled on the Effective Date pursuant to the reorganization plan.

Exercise prices for options outstanding as of December 31, 2004 are as follows:

Range of exercise prices	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number of shares currently exercisable	Weighted average exercise price
\$0.01	200,000	\$ 0.01	9.3	33,333	\$ 0.01
\$9.00 to \$15.00	2,242,677	13.39	8.3	317,477	14.40
\$40.00 to \$50.00	160,000	44.53	9.1	25,000	40.00
\$50.01 to \$60.00	131,300	59.08	9.3	2,500	58.32
\$60.01 to \$70.00	207,000	60.40	9.7	—	—
\$70.01 to \$80.00	200,000	71.60	9.0	40,000	71.60

### ***NTL Group Bonus Schemes***

Participants in the NTL Group Bonus Schemes are eligible to receive a bonus payment equal to a percentage of their base salary as determined by their level of employment based upon the attainment of performance targets. Bonus payments are made in two installments. Half of the bonus owing to various participants is payable in cash and the other half may, at the Company's discretion, be paid in shares of common stock.

In accordance with the NTL Group Bonus Schemes, 33,259 shares were awarded in June 2003, 38,265 shares were awarded in December 2003 and 27,819 shares were awarded in June 2004.

## Restricted Stock Grants

The Company has granted a total of 267,500 shares of restricted common stock to its chairman and certain employees. The shares vest over periods of up to three years. The Company has also granted a total of 40,000 shares of restricted common stock to persons who were then employees of W.R. Huff Asset Management Co., L.L.C. or its affiliates, as discussed in Note 17.

In connection with its emergence from Chapter 11, the Company granted a total of 133,912 shares of restricted common stock to its then-executive officers and other employees.

## 14. Employee Benefit Plans

Certain subsidiaries of the Company operate defined benefit pension plans in the United Kingdom and Republic of Ireland. The assets of the Plans are held separately from those of the Company and are invested in specialized portfolios under the management of an investment group. The pension cost is calculated using the projected unit method. The Company's policy is to fund amounts to the defined benefit plans necessary to comply with the funding requirements as prescribed by the laws and regulations in the United Kingdom and the Republic of Ireland.

The Company's defined benefit pension plans use a measurement date of December 31:

### *Obligations and Funded Status*

	Year Ended December 31,	
	2004	2003
	(In millions)	
<b>Change in Projected Benefit Obligation</b>		
Benefit obligation at beginning of year	\$ 458.8	\$ 363.7
Service cost	12.0	11.4
Interest cost	25.8	20.3
Members contributions	3.5	3.1
Plan amendments	—	0.1
Actuarial losses	31.4	24.9
Benefits paid	(12.3)	(11.5)
FAS 88 events	2.4	2.7
Expenses	—	(0.7)
Foreign currency exchange rate changes	37.1	44.8
Benefit obligation at end of year	\$ 558.7	\$ 458.8

	Year Ended December 31,	
	2004	2003
	(In millions)	
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	\$ 301.9	\$ 234.1
Actual return on plan assets	34.7	38.7
Employer contributions	28.3	8.7
Employee contributions	3.5	3.1
FAS 88 events	—	—
Benefits paid	(12.3)	(11.5)
Expenses	—	(0.7)
Foreign currency exchange rate changes	24.8	29.5
Fair value of plan assets at end of year	\$ 380.9	\$ 301.9

	Year Ended December 31,	
	2004	2003
	(In millions)	
Funded status	\$ (177.8)	\$ (156.8)
Unrecognized net losses	29.9	5.6
Unamortized prior service costs	0.1	0.1
Unrecognized transition obligation	—	—
Net amount recognized	\$ (147.8)	\$ (151.1)

	Year Ended December 31,	
	2004	2003
	(In millions)	
<b>Amounts Recognized in the Statement of Financial Position Consist of:</b>		
Prepaid benefit cost	\$ —	\$ —
Accrued benefit liability	(151.9)	(151.8)
Intangible asset	—	—
Accumulated other comprehensive income	4.1	0.7
Other	—	—
Net amount recognized	\$ (147.8)	\$ (151.1)

The accumulated benefit obligation for all defined benefit plans was \$511.4 million and \$424.1 million at December 31, 2004 and 2003, respectively.

**Information for pension plans with an accumulated benefit obligation in excess of plan assets**

	Year Ended December 31,	
	2004	2003
	(In millions)	
Accumulated benefit obligation	\$ 511.4	\$ 424.1
Fair value of plan assets	380.9	301.9

**Information for pension plans with an projected benefit obligation in excess of plan assets**

	Year Ended December 31,	
	2004	2003
	(In millions)	
Projected benefit obligation	\$ 558.7	\$ 458.8
Fair value of plan assets	380.9	301.9

**Components of Net Periodic Benefit Costs**

	Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
	(In millions)		
Service cost	\$ 12.0	\$ 11.4	\$ 11.1
Interest cost	25.8	20.3	17.7
Expected return on plan assets	(25.7)	(19.8)	(21.5)
Amortization of transition obligation	—	—	0.9
Amortization of prior service costs	—	—	0.4
Recognized actuarial loss	(0.1)	—	0.1
FAS 88 adjustment	2.4	3.5	1.8
Total net periodic benefit cost	\$ 14.4	\$ 15.4	\$ 10.5

The Company has retained the earned pension and other post-retirement benefits liabilities related to the broadcast operations. Accordingly, the information disclosed in the tables above includes continuing and discontinued operations.

**Additional Information**

December 31,	
2004	2003
(in millions)	

Increase in minimum liability included in other comprehensive income	\$	3.4	\$	0.7
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**Assumptions**

Weighted-average assumptions used to determine benefit obligations

	December 31,	
	2004	2003
Discount rate	5.24%	5.51%
Rate of compensation increase	3.03%	3.02%

Weighted-average assumptions used to determine net periodic benefit costs

	December 31,	
	2004	2003
Discount rate	5.51%	5.51%
Expected long-term rate of return on plan assets	7.49%	6.70%
Rate of compensation increase	3.02%	3.87%

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be yields generally prevailing on such assets at the measurement date. The higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long-term rate on assets is then the average of these rates taking into account the underlying assets portfolios of the pension plans.

**Plan Assets**

NTL's pension plan weighted-average assets allocations at December 31, 2004, and 2003, by asset category are as follows:

<b>Asset Category</b>	December 31,	
	2004	2003
Equity Securities	66.7%	76.2%
Debt Securities	31.6%	22.5%
Real Estate	0.2%	0.0%
Other	1.5%	1.3%
Total	100.0%	100.0%

The trustees of the main defined benefit pension plan, which makes up over 80% of the assets of the five defined benefit pension plans of the company, have in place an agreement with the investment managers that targets an allocation of 64% equities and 36% bonds and cash at December 31, 2004. Deviations from these central targets are permitted from time to time. Because the main defined benefit pension plan is now closed to new entrants, the investment strategy is moving towards a higher proportion of bonds over time to reflect the steadily maturing profile of liabilities.

There were no shares of the Company's common stock included in the Equity Securities at December 31, 2004 and 2003 respectively.

**Cash flows****Contributions**

At December 31, 2004, all of the Company's pension plans have projected benefit obligations exceeding plan assets totaling \$177.8 million. The Company will need to fund these deficits in accordance with the laws and regulations of the United Kingdom and the Republic of Ireland. The Company expects to contribute a total of approximately £60.3 million, or \$115.6 million, during 2005, of which £56.6 million (\$108.4 million) relates to a single contribution to reduce deficits in two of the Company's pension plans.

**Estimated Future Benefit Payments**

The benefits expected to be paid out of the pension plans in total are set out below for each of the next five years and the following five years in aggregate. The benefits expected to be paid are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2004 and include estimated future employee services.

	<b>Pension Benefits</b>	
	<b>(in millions)</b>	
2005	\$	12.8
2006		13.8
2007		15.1
2008		16.3
2009		17.6
Years 2010 - 2014		110.3

**Defined Contribution Pension Plans**

The Company's subsidiaries operate defined contribution pension plans in the UK and Republic of Ireland. The Company's expense in relation to these plans was \$17.9 million, \$16.5 million and \$13.9 million for the years ended December 31, 2004, 2003 and 2002 respectively.

**15. Other Charges Including Restructuring Charges**

Other charges of \$43.7 million in 2004 relate to the Company's announcement to consolidate call centers and include \$22.8 million for involuntary employee termination and related costs for approximately 2,000 employees, of whom approximately 250 were still employed by the Company at December 31, 2004, \$4.4 million for lease exit costs and \$16.5 million for other costs including recruitment and training costs. On April 7, 2004, the Company announced the consolidation over the next 18 months of its 13 UK customer service call centers into three equipped to handle anticipated expansion of its customer base. Following an internal review, three specialist call centers will be retained and developed and will be supported by four sales and customer support sites, located throughout the UK. As part of the consolidation, the Company intends to make additional investments in technology and training in order to streamline processes and generate efficiencies. As of December 31, 2004, the Company has incurred £23.8 million, or \$43.7 million, and it expects to incur a total of approximately £29.0 million, or \$55.6 million, of costs to fully execute this program.

Other charges of \$37.9 million in 2003 include restructuring charges of \$33.9 million and \$4.0 million of professional fees. Other charges of \$382.7 million in 2002 include restructuring charges of \$98.3 million and non-cash charges of \$284.4 million primarily for allowances for the cancellation of receivables from the Company's former ultimate parent company and certain of its subsidiaries in accordance with the Plan.

Restructuring charges of \$33.9 million and \$98.3 million for the years ended December 31, 2003 and 2002, respectively, relate to the Company's actions to reorganize, re-size and reduce operating costs and create greater efficiency in various areas. An aggregate of \$7.5 million of the 2002 restructuring charges were for the write-off of equipment and other assets that are not in use and will not require any future cash outlays. There were no such costs in 2003. The employee severance and related costs in 2003 were for approximately 940 employees all of whom were terminated by the Company as of December 31, 2004. These costs in 2002 were for approximately 680 employees to be terminated, all of whom were terminated by the Company as of December 31, 2004.

The following table summarizes the restructuring charges incurred and utilized in 2002, 2003 and 2004 (in millions):

	<b>Involuntary Employee Termination and Related Costs</b>	<b>Lease Exit Costs</b>	<b>Agreement Modifications</b>	<b>Fixed Assets</b>	<b>Other</b>	<b>Total</b>
Balance, December 31, 2001	\$ 66.0	\$ 33.5	\$ 27.7	\$ —	\$ —	\$ 127.2
Released	(0.6)	(15.1)	(11.5)	—	—	(27.2)
Charged to expense	31.8	78.9	1.2	7.5	6.1	125.5
Utilized	(78.4)	(18.6)	(16.2)	(7.5)	(4.8)	(125.5)
Balance, December 31, 2002	18.8	78.7	1.2	—	1.3	100.0
Foreign currency exchange translation adjustments	1.6	13.3	0.1	—	0.2	15.2
Released	(3.4)	(1.2)	(0.3)	—	(1.6)	(6.5)
Charged to expense	38.9	0.8	0.5	—	0.2	40.4
Utilized	(55.9)	(19.5)	(1.0)	—	(0.1)	(76.5)
Balance, December 31, 2003	—	72.1	0.5	—	—	72.6
Foreign currency exchange translation adjustments	0.1	4.5	—	—	—	4.6
Released	—	—	—	—	—	—
Charged to expense	22.8	4.4	—	—	16.5	43.7
Utilized	(19.6)	(23.3)	(0.2)	—	(16.5)	(59.6)
Balance, December 31, 2004	\$ 3.3	\$ 57.7	\$ 0.3	\$ —	\$ —	\$ 61.3

## 16. Income Taxes

The expense (benefit) for income taxes consists of the following (in millions):

	Year Ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
Current:			
Federal	\$ 0.2	\$ —	\$ —
State and local	2.4	1.6	(1.2)
Foreign	0.5	—	—
Total current	3.1	1.6	(1.2)
Deferred:			
Federal	6.6	—	—
Foreign	0.8	(1.5)	(13.3)
Total deferred	7.4	(1.5)	(13.3)
	\$ 10.5	\$ 0.1	\$ (14.5)

The Company's 2004 current tax expense relates to federal alternative minimum tax, state and local taxes, and to foreign taxes not covered by net operating losses. The deferred tax expense relates to the use of deferred tax assets that were covered by a valuation allowance that existed as of January 10, 2003.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax liabilities and assets are as follows (in millions):

	December 31,	
	2004	2003
Deferred tax liabilities:		
Intangibles	\$ 201.7	\$ 238.2
Depreciation and amortization	51.6	50.2
Total deferred tax liabilities	253.3	288.4
Deferred tax assets:		
Net operating losses	1,887.7	1,813.4
Capital losses	9,709.5	9,195.9
Depreciation and amortization	2,355.5	2,051.0
Purchase accounting liabilities	15.9	32.6
Other	52.7	67.1
Total deferred tax assets	14,021.3	13,160.0
Valuation allowance for deferred tax assets	(13,768.0)	(12,871.6)
Net deferred tax assets	253.3	288.4
Net deferred tax liabilities	\$ —	\$ —

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At December 31, 2004, December 31, 2003 and January 10, 2003, the Company had a valuation allowance against its deferred tax assets to the extent it was not more likely than not that such assets would be realized in the future. To the extent the Company realizes a benefit attributable to the valuation allowance that existed as of January 10, 2003, such benefit would reduce excess reorganization value, then reduce other intangible assets existing at that date, then be credited to paid in capital. Substantially all of the valuation allowance at December 31, 2004 would be treated in this way. In 2004, the Company recognised such a benefit to the extent of \$7.4 million, resulting in a deferred tax expense and a reduction in reorganization value of this amount.

On the adoption of Fresh Start reporting, adjustments were made to the Company's deferred tax balance, which were refined during 2003 giving rise to an adjustment to reorganization value in excess of amounts allocable to identifiable assets. The net effect of these adjustments was a decrease in the deferred tax liability of \$92.7 million.

As discussed in note 22, the Company emerged from Chapter 11 bankruptcy on January 10, 2003. The restructuring of the Company's debt gave rise to cancellation of debt income in 2003, which was non-taxable since the debt cancellation was in connection with a bankruptcy reorganization. However, to the extent that such amount was excluded from U.S. taxable income, certain tax attributes were subject to reduction, including certain U.S. net operating loss carryforwards. The reduction of tax attributes, which is reflected in the above table, had no impact on the Company's financial statement position since the deferred tax assets related to these tax attributes were offset by a corresponding valuation allowance. Furthermore, the reorganization caused an ownership change pursuant to Internal Revenue Service Code Section 382. Section 382 will limit the Company's ability to utilize any remaining U.S. net operating loss carryforwards that existed at January 10, 2003. In addition, Section 382 will severely limit the Company's ability to utilize remaining U.S. capital loss carryforwards within the five-year carryforward period.

At December 31, 2004, the Company had net operating loss carryforwards of approximately \$400 million for U.S. federal income tax purposes that expire in varying amounts commencing in 2010. This excludes net operating loss carryforwards of certain companies that are taxable in both the U.S. and the United Kingdom. In addition, the Company has capital loss carryforwards of approximately \$7.7 billion for U.S. federal income tax purposes that expire in 2006. The Company does not expect to realize any significant benefit from these capital losses for various reasons, including the Section 382 limitation discussed above. The Company has United Kingdom net operating loss carryforwards of approximately \$5.7 billion that have no expiration date. Pursuant to United Kingdom law, these losses are only available to offset income of the separate entity that generated the loss. A portion of the United Kingdom net operating loss carryforward relates to dual resident companies, of which the U.S. net operating loss carryforward amount is approximately \$2.2 billion. Section 382 will severely limit the Company's ability to utilize a significant portion of these losses for U.S. purposes. The Company also has United Kingdom capital loss carryforwards of approximately \$23.3 billion that have no expiration date. However, the Company does not expect to realize any significant benefit from these capital losses, which can only be used to the extent the Company generates United Kingdom taxable capital gain income in the future.

At December 31, 2004, the Company had fixed assets on which future United Kingdom tax deductions can be claimed of approximately \$14.5 billion. The maximum that can be claimed in any one year is 25% of the remaining balance, after additions, disposals and prior claims.

The reconciliation of income taxes computed at U.S. federal statutory rates to income tax expense is as follows (in millions):

	Year Ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
(Benefit) at federal statutory rate (35%)	\$ (311.5)	\$ (334.0)	\$ (869.3)
Add:			
Non-deductible assets impairments	—	—	155.8
Non-deductible expenses	118.0	45.9	—
Foreign losses with no benefit	159.7	208.0	541.2
U.S. losses with no benefit	—	43.4	159.0
Difference in U.S. and foreign tax rates	41.6	35.2	—
State and local income tax	2.3	1.6	(1.2)
Other	0.4	—	—
	<u>\$ 10.5</u>	<u>\$ 0.1</u>	<u>\$ (14.5)</u>

## 17. Related Party Transactions

The Company has identified the following persons as being related parties of the Company with whom it has entered into transactions as described below:

- Franklin Mutual Advisers, LLC. Franklin Mutual Advisers LLC is one of the principal stockholders and owned 8.3% of the Company's common stock as of December 31, 2004;
- NTL Europe, Inc., the Company's former ultimate parent company. NTL Europe ceased to be a related party on January 10, 2003 when the Company emerged from bankruptcy under Chapter 11;
- Oaktree Capital Management, LLC. Oaktree Capital Management LLC is one of the principal stockholders and owned 7.1% of the Company's common stock as of December 31, 2004; and
- W.R. Huff Asset Management Co., L.L.C. W.R. Huff Asset Management Co., L.L.C., through its managed accounts and affiliates, is one of the principal stockholders and in that manner owned 11.9% of the Company's common stock as of December 31, 2004. In addition, William R. Huff is a member of the board of directors of the Company and the president of the managing member of W.R. Huff Asset Management Co., L.L.C.

## Refinancing Transactions

In November 2003, the Company effected an approximately \$1.4 billion rights offering in which the Company distributed to each of its stockholders proportionate rights to purchase shares of its common stock. The rights were transferable, subject to various exceptions. The proceeds from the rights offering were used in part to prepay in full an outstanding principal amount of approximately \$554.1 million under the Company's 19% Senior Secured Notes due 2010 and to repay in full a working capital facility with an outstanding principal amount of approximately \$684.9 million.

In connection with the Company's rights offering, on September 26, 2003, the Company entered into two separate participating purchaser agreements with each of W.R. Huff Asset Management Co., L.L.C., on behalf of certain of its affiliates and managed accounts, and Franklin Mutual Advisers LLC, as agent and investment advisor for certain funds. Each participating purchaser held shares of the Company's common stock or was the general partner or investment manager of managed funds and third party accounts that directly held shares of the Company's common stock.

Pursuant to these agreements, W.R. Huff Asset Management Co., L.L.C., on behalf of managed accounts and affiliates, and Franklin Mutual Advisers LLC, on behalf of funds for which it acts as an agent or investment advisor, each agreed in advance of the rights offering to exercise the basic subscription privilege for all of the rights distributed to their respective managed accounts, affiliates and funds in the rights offering. The rights offering prospectus indicated to the Company's stockholders that these parties had made advance commitments. Other stockholders did not have to commit to exercise their subscription privileges in advance.

W.R. Huff Asset Management Co., L.L.C., on behalf of managed accounts and affiliates, purchased 4,582,594 shares of the Company's common stock for \$40.00 per share and Franklin Mutual Advisers LLC, on behalf of funds for which it acts as an agent or investment advisor, purchased 2,974,908 shares of the Company's common stock for \$40.00 per share. This was the same price offered to all recipients of rights in the offering. W.R. Huff Asset Management Co., L.L.C., on behalf of managed accounts and affiliates, also purchased approximately 25,000 shares of the Company's common stock for \$40.00 per share pursuant to the over-subscription privilege available to all rights holders in the offering. Franklin Mutual Advisers LLC, on behalf of funds for which it acts as an agent or investment advisor, also purchased 35,752 shares of the Company's common stock for \$40.00 pursuant to the over-subscription privilege available to all rights holders in the offering.

The shares of the Company's common stock that each participating purchaser received upon the exercise of the rights that the participating purchaser had committed to exercise constituted restricted stock for the purposes of the Securities Act of 1933. Accordingly, the Company entered into a registration rights agreement with each participating purchaser. The Company filed a registration statement on February 13, 2004 to fulfill its obligations under these agreements.

The Company completed a transaction on April 13, 2004 in which the Company's indirect wholly owned subsidiary, NTL Cable PLC, issued £375 million aggregate principal amount of 9.75% senior notes due 2014, \$425 million aggregate principal amount of 8.75% senior notes due 2014, €225 million aggregate principal amount of 8.75% senior notes due 2014 and \$100 million aggregate principal amount of floating rate senior notes due 2012. Some of the Company's significant stockholders were holders of the 10% senior sterling notes due 2008 and 9<sup>1</sup>/<sub>8</sub>% senior notes due 2008 of Diamond Holdings Limited and of the 11.2% discount debentures due 2007 of NTL (Triangle) LLC, which were redeemed on May 13, 2004 in connection with the transaction. Some of these stockholders, including managed accounts and affiliates of W.R. Huff Asset Management Co., L.L.C., acquired a substantial quantity of the notes issued in the transaction. On behalf of managed accounts and affiliates, W.R. Huff Asset Management Co., L.L.C. is a significant participant in the market for non-investment grade debt securities.

Pursuant to the participating purchaser agreements, and in consideration for their advance commitments in the rights offering, managed accounts and affiliates for which W.R. Huff Asset Management Co., L.L.C. acts as an investment adviser were paid fees totaling \$5.3 million on

March 24, 2004 and funds for which Franklin Mutual Advisers LLC acts as an agent or investment adviser were paid fees totaling \$3.1 million on November 24, 2003 and \$0.3 million on March 17, 2004. In consideration for financial and business services, subject to the successful completion of the refinancing, a related entity of W.R. Huff Asset Management Co., L.L.C. was paid \$7.5 million on April 27, 2004.

In May 2004, the Company's board granted to each of Eric Koza and Karim Samii, who were then each employees of W.R. Huff Asset Management Co., L.L.C. or its affiliates, the right to receive 20,000 restricted shares of the Company's common stock under the 2003 Stock Option Plan. The restricted stock award was made in consideration of financial and business services provided to the Company by Messrs. Koza and Samii. Mr. Samii is no longer an employee of W. R. Huff Asset Management Co., L.L.C. or its affiliates. Shares authorized under the 2003 Stock Option Plan, including those granted to Messrs. Koza and Samii, were registered under a registration statement on Form S-8 that the Company filed with the SEC on May 6, 2004.

## **Chapter 11 Reorganization and Exit Notes**

At the time of the Company's emergence from Chapter 11 reorganization, the Company issued shares of its common stock and Series A warrants to various former creditors and stockholders of the entity then known as NTL Europe, Inc., or NTL Europe, and some of its subsidiaries, including the Company, which was then one of NTL Europe's subsidiaries. The Company's principal stockholders were creditors or stockholders of NTL Europe and, accordingly, received a significant amount of their present equity interest in the Company from that issuance.

### **Registration Rights Agreements**

At the time of the Company's emergence from Chapter 11 reorganization, the Company granted various registration rights to some of the persons who were then stockholders and warrant holders of the Company. In connection with the rights offering, the Company granted various registration rights to the participating purchasers as described above, and to affiliates of Oaktree Capital Management, LLC.

### **Relationship with NTL Europe**

At the time of the completion of the Plan, the Company had entered into several agreements with NTL Europe, now known as PTV, Inc., including a Demerger Agreement and a Tax Sharing Agreement.

#### ***Demerger Agreement***

The Demerger Agreement enables NTL Europe and the Company to have access to records and documents that NTL Europe and the Company require but which are held by or in the control of the other. In addition, the agreement provides that, to the extent possible, all warranties, indemnities or liabilities relating to assets or companies which the Company currently owns, but which were originally acquired by NTL Europe or one of its subsidiaries before being transferred to the Company or one of the Company's subsidiaries, are transferred to the Company or the Company is given the benefit of the warranties, covenants and indemnities relating to these assets or companies.

### ***Tax Sharing Agreement***

Until consummation of the Plan, the Company was a part of a federal consolidated income tax group having NTL Europe as the common parent corporation. Under the Plan, the Company separated from the NTL Europe consolidated group, becoming a separate federal consolidated tax group. The Company entered into a Tax Sharing Agreement which allocates rights and responsibilities for tax matters between the Company and NTL Europe and its affiliates.

In general, the Company has control over, and is responsible for, the preparation and filing of the Company's own tax returns and also any joint tax returns that include the Company and the NTL Europe companies.

For 2002 and the portion of 2003 during which the Company was included in a joint tax return with NTL Europe, the Company would be liable for any tax liability attributable to the Company and NTL Europe would be liable for any tax liability attributable to NTL Europe and its affiliates. The Company has the exclusive right to determine the portion of tax liability attributable to the Company and NTL Europe on any reasonable basis. Any refunds of taxes paid with respect to joint returns will also be reasonably apportioned between the Company and NTL Europe on a similar basis.

NTL Europe's U.K. affiliates are required, as the Company may direct, to surrender group relief up to the maximum permitted by law to some of the Company's U.K. affiliates for tax periods before, or that include, the date of the completion of the Plan as the Company may direct. This group relief allows the Company's U.K. affiliates to use deductions from NTL Europe's U.K. affiliates to reduce foreign taxable income. The Company also has the ability to cause NTL Europe's U.K. affiliates to amend any claims for the surrender of group relief in order to give effect to such surrender.

The Company has the exclusive right to control, contest and represent its interests and NTL Europe's interest in any audit relating to a joint tax return. The Company also has the right to resolve, settle or agree to any deficiency, claim or adjustment proposed, asserted or assessed in connection with any joint return if the matter involved could affect the Company. However, NTL Europe has the exclusive authority to handle audits that relate solely to NTL Europe or its affiliates to the extent the asserted liability or matter either:

- is with respect to tax issues for which NTL Europe escrowed amounts pursuant to this tax sharing agreement and the amount at issue does not exceed any amounts escrowed by NTL Europe for these taxes or
- could not otherwise create liability for the Company or its affiliates.

The Company has an obligation to provide NTL Europe with information in order to keep NTL Europe informed and to permit NTL Europe an opportunity to participate in discussions with tax authorities regarding tax issues that involve NTL Europe or its affiliates. The Company has the right to reasonably apportion any of the costs associated with its responding to an audit, claim or asserted deficiency of NTL Europe.

NTL Europe's ability to perform its continuing obligations under the Tax Sharing Agreement could be affected by a sale of some or all of its assets or by a change of control. Accordingly, NTL Europe is required to provide the Company with notice of any change of control of it or any of its affiliates. The Company and NTL Europe have customary rights and obligations to cooperate, exchange information, provide notice and resolve disputes with respect to tax matters.

## 18. Shareholders' Equity

### *Series A Warrants*

On the effective date of the Plan, the Company issued Series A warrants to some of its former creditors and stockholders. The Series A warrants were initially exercisable for a total of 8,750,496 shares of common stock at an exercise price of \$309.88 per share. After adjustment to account for the rights offering in accordance with the anti-dilution adjustment provisions described below, the Series A warrants are exercisable for a total of 10,313,158 shares of common stock at an exercise price of \$262.93 per share. The Series A warrants expire on January 10, 2011. The agreement governing the Series A warrants is governed by New York law. The Series A warrants are listed on the Nasdaq National Market under the symbol "NTLIW." The Series A warrants may be subject to further change.

### *Stock repurchase program*

On January 31, 2005, the Company announced that it intended to use up to £475.0 million of the proceeds from the sale of its broadcast operations to repurchase shares of its common stock. In February 2005, the Company used approximately \$130.0 million to effect share repurchases in the open market.

## 19. Commitments and Contingent Liabilities

At December 31, 2004, the Company was committed to pay approximately \$315.5 million for equipment and services and for investment in, and loans to, affiliates. This amount includes approximately \$70.2 million for operations and maintenance contracts and other commitments from January 1, 2006 to 2013. The aggregate amount of the fixed and determinable portions of these obligations for the succeeding five fiscal years is as follows (in millions):

Year ended December 31:		
2005	\$	245.3
2006		68.2
2007		2.0
2008		—
2009		—
	\$	<u>315.5</u>

The Company is involved in certain disputes and litigation arising in the ordinary course of its business. None of these matters are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company's banks have provided guarantees in form of performance bonds on the Company's behalf as part of the Company's contractual obligations. The fair value of the guarantees has been

calculated by reference to the monetary value for each performance bond. The amount of commitment expires over the following periods (in millions):

Year ended December 31:	
2005	\$ 22.3
2006	0.2
2007	—
2008	—
2009	—
Thereafter	15.9
	<hr/>
	\$ 38.4
	<hr/>

## 20. Industry Segments

The Company implemented a reorganization of its business segments during the fourth quarter of 2004. As a result, the Company has one reportable segment. The Company describes its different products and services offered over its broadband communications network and its routes to market in Note 1, but the products and services are solely multiple services offered to customers in bundled packages. The products and services have similar economic characteristics, are all communications related, have similar or the same distribution methods and have the same regulatory environment.

### *Geographic information*

	United States	United Kingdom	Ireland	Total
	(In millions)			
<b>2004</b>				
Revenues	\$ —	\$ 3,667.1	\$ 133.0	\$ 3,800.1
Long-lived assets	1.3	8,098.4	163.9	8,263.6
<b>2003</b>				
Revenues	\$ —	\$ 3,087.5	\$ 118.5	\$ 3,206.0
Long-lived assets	2.3	8,264.3	176.1	8,442.7
<b>2002</b>				
Revenues	\$ —	\$ 2,788.5	\$ 90.0	\$ 2,878.5
Long-lived assets	163.6	11,185.1	137.9	11,486.6

## 21. Condensed consolidated financial information

On April 13, 2004, the Company's wholly owned, newly-formed subsidiary, NTL Cable PLC, or NTL Cable, issued £375 million aggregate principal amount of 9.75% senior notes due 2014, \$425 million aggregate principal amount of 8.75% senior notes due 2014, €225 million aggregate principal amount of 8.75% senior notes due 2014 and \$100 million aggregate principal amount of floating rate senior notes due 2012, together referred to as the Senior Notes. The Company and certain of its subsidiaries, namely Communications Cable Funding Corp., NTL (UK) Group, Inc. and NTL

Communications Limited, have guaranteed the Senior Notes on a senior basis. NTL Investment Holdings Limited, or NTLIH, has guaranteed the Senior Notes on a senior subordinated basis.

The Company presents the following condensed consolidated financial information as of December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002 and January 1, 2003 as required by Article 3-10(d) of Regulation S-X.

December 31, 2004							
Balance sheets	Company	NTL Cable	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
(in millions)							
Cash and cash equivalents	\$ 73.1	\$ 2.2	\$ —	\$ —	\$ 164.7	\$ —	\$ 240.0
Restricted cash	—	—	—	—	31.4	—	31.4
Marketable securities	22.1	—	—	—	—	—	22.1
Current assets held for sale	—	—	—	—	80.5	—	80.5
Other current assets	0.8	—	—	—	502.6	—	503.4
<b>Total current assets</b>	<b>96.0</b>	<b>2.2</b>	<b>—</b>	<b>—</b>	<b>779.2</b>	<b>—</b>	<b>877.4</b>
Fixed assets, net	—	—	—	—	6,933.8	—	6,933.8
Intangible assets, net	—	—	—	—	1,092.1	—	1,092.1
Investments in, and loans to, affiliates	2,953.9	3,315.1	2,886.1	7,495.6	1.3	(16,650.7)	1.3
Other assets, net	—	—	—	150.1	86.3	—	236.4
Other assets held for sale	—	—	—	—	1,384.2	—	1,384.2
<b>Total assets</b>	<b>\$ 3,049.9</b>	<b>\$ 3,317.3</b>	<b>\$ 2,886.1</b>	<b>\$ 7,645.7</b>	<b>\$ 10,276.9</b>	<b>\$ (16,650.7)</b>	<b>\$ 10,525.2</b>
Current liabilities of discontinued operations	\$ —	\$ —	\$ —	\$ —	\$ 144.1	\$ —	\$ 144.1
Other current liabilities	24.2	129.2	1.7	362.6	1,476.0	(719.8)	1,273.9
<b>Total current liabilities</b>	<b>24.2</b>	<b>129.2</b>	<b>1.7</b>	<b>362.6</b>	<b>1,620.1</b>	<b>(719.8)</b>	<b>1,418.0</b>
Long-term debt	—	2,584.0	105.2	6,561.5	9,760.1	(13,353.7)	5,657.1
Other long-term liabilities	—	—	—	112.9	308.0	—	420.9
Long-term liabilities of discontinued operations	—	—	—	—	3.5	—	3.5
Shareholders' equity	3,025.7	604.1	2,779.2	608.7	(1,414.8)	(2,577.2)	3,025.7
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,049.9</b>	<b>\$ 3,317.3</b>	<b>\$ 2,886.1</b>	<b>\$ 7,645.7</b>	<b>\$ 10,276.9</b>	<b>\$ (16,650.7)</b>	<b>\$ 10,525.2</b>

December 31, 2003

Balance sheets	Company	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
	(in millions)					
Cash and cash equivalents	\$ 112.8	\$ 37.5	\$ 71.1	\$ 574.5	\$ —	\$ 795.9
Restricted cash	—	—	—	26.9	—	26.9
Current assets held for sale	—	—	—	69.3	—	69.3
Other current assets	6.7	—	—	443.4	—	450.1
<b>Total current assets</b>	<b>119.5</b>	<b>37.5</b>	<b>—</b>	<b>1,114.1</b>	<b>—</b>	<b>1,342.2</b>
Fixed assets, net	—	—	—	7,031.8	—	7,031.8
Intangible assets, net	—	—	—	1,171.6	—	1,171.6
Investments in, and loans to, affiliates	3,607.3	3,436.4	7,540.5	9.5	(14,584.2)	9.5
Other assets, net	—	—	76.7	153.1	—	229.8
Other assets held for sale	—	—	—	1,387.9	—	1,387.9
<b>Total assets</b>	<b>\$ 3,726.8</b>	<b>\$ 3,473.9</b>	<b>\$ 7,688.3</b>	<b>\$ 10,868.0</b>	<b>\$ (14,584.2)</b>	<b>\$ 11,172.8</b>
Current liabilities of discontinued operations	\$ —	\$ —	\$ —	\$ 96.5	\$ —	\$ 96.5
Other current liabilities	28.8	0.1	173.3	1,556.6	(434.7)	1,324.1
<b>Total current liabilities</b>	<b>28.8</b>	<b>0.1</b>	<b>173.3</b>	<b>1,653.1</b>	<b>(434.7)</b>	<b>1,420.6</b>
Long-term debt	—	289.9	5,899.9	9,224.9	(9,686.3)	5,728.4
Other long-term liabilities	—	—	—	323.5	—	323.5
Long-term liabilities of discontinued operations	—	—	—	2.3	—	2.3
Shareholders' equity	3,698.0	3,183.9	1,615.1	(335.8)	(4,463.2)	3,698.0
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,726.8</b>	<b>\$ 3,473.9</b>	<b>\$ 7,688.3</b>	<b>\$ 10,868.0</b>	<b>\$ (14,584.2)</b>	<b>\$ 11,172.8</b>

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## Year ended December 31, 2004

Statements of operations	Year ended December 31, 2004						
	Company	NTL Cable	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
	(in millions)						
Revenue	\$ —	\$ —	\$ —	\$ —	\$ 3,800.1	\$ —	\$ 3,800.1
Operating costs	—	—	—	—	(1,562.3)	—	(1,562.3)
Selling, general and administrative expenses	(38.3)	—	—	—	(926.3)	—	(964.6)
Other charges	—	—	—	—	(43.7)	—	(43.7)
Depreciation and amortization	—	—	—	—	(1,301.1)	—	(1,301.1)
Operating loss	(38.3)	—	—	—	(33.3)	—	(71.6)
Interest and other income, net	1.2	190.4	161.7	532.3	10.1	(882.7)	13.0
Interest expense	—	(195.7)	—	(553.6)	(630.0)	882.7	(496.6)
Loss on extinguishment of debt	—	—	—	(64.7)	(225.4)	—	(290.1)
Share of loss from equity investments	—	—	—	—	(0.1)	—	(0.1)
Foreign currency (losses) gains	(3.9)	3.8	0.6	(55.9)	10.7	—	(44.7)
Income tax expense	(2.6)	—	(6.4)	—	(1.5)	—	(10.5)
Loss from continuing operations	(43.6)	(1.5)	155.9	(141.9)	(869.5)	—	(900.6)
Income from discontinued operations	—	—	—	—	20.5	—	20.5
Equity in net loss of subsidiaries	(836.5)	(1,022.4)	(1,007.1)	(880.5)	—	3,746.5	—
Net loss	\$ (880.1)	\$ (1,023.9)	\$ (851.2)	\$ (1,022.4)	\$ (849.0)	\$ 3,746.5	\$ (880.1)

## Year ended December 31, 2003

Statements of operations	Year ended December 31, 2003					Total
	Company	Other guarantors	NTLIH	All other subsidiaries	Adjustments	
	(in millions)					
Revenue	\$ —	\$ —	\$ —	\$ 3,206.0	\$ —	\$ 3,206.0
Operating costs	—	—	—	(1,329.9)	—	(1,329.9)
Selling, general and administrative expenses	(34.3)	—	—	(828.1)	—	(862.4)
Other charges	(12.3)	—	—	(25.6)	—	(37.9)
Depreciation and amortization	—	—	—	(1,290.3)	—	(1,290.3)
Operating loss	(46.6)	—	—	(267.9)	—	(314.5)
Interest and other income, net	2.0	86.6	516.9	14.3	(602.8)	17.0
Interest expense	(112.0)	(75.4)	(466.8)	(695.0)	602.8	(746.4)
Share of income from equity investments	—	—	—	1.8	—	1.8
Foreign currency gains	1.9	—	—	52.1	—	54.0
Income tax (expense) benefit	(1.6)	—	—	1.5	—	(0.1)
Loss from continuing operations	(156.3)	11.2	(50.1)	(893.2)	—	(988.2)
Income (loss) from discontinued operations	—	—	—	34.0	—	34.0
Equity in net loss of subsidiaries	(797.9)	(813.0)	(862.8)	—	2,473.7	—
Net loss	\$ (954.2)	\$ (801.8)	\$ (812.7)	\$ (859.2)	\$ 2,473.7	\$ (954.2)

## January 1, 2003

Statements of operations	January 1, 2003					Total
	Company	Other guarantors	NTLIH	All other subsidiaries	Adjustments	
	(in millions)					
Gain on debt discharge	\$ 7,322.8	\$ —	\$ —	\$ 1,128.8	\$ —	\$ 8,451.6
Fresh-start adoption—intangible assets	—	—	—	856.3	—	856.3
Fresh-start adoption—long-term debt	—	—	—	221.3	—	221.3
Fresh-start adoption—deferred tax liability	—	—	—	27.7	—	27.7
Fresh-start adoption—accrued expenses	—	—	—	(120.4)	—	(120.4)
Fresh-start adoption—fixed assets	(0.8)	—	—	(3,566.8)	—	(3,567.6)
Recapitalization expense	(8.0)	—	—	—	—	(8.0)
Income from continuing operations	7,314.0	—	—	(1,453.1)	—	5,860.9
Income from discontinued operations	—	—	—	941.8	—	941.8
Equity in net loss of subsidiaries	(511.3)	(511.3)	(626.3)	—	1,648.9	—
Net income (loss)	\$ 6,802.7	\$ (511.3)	\$ (626.3)	\$ (511.3)	\$ 1,648.9	\$ 6,802.7

## Year ended December 31, 2002

Statements of operations	Company	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
	(in millions)					
Revenue	\$ —	\$ —	\$ —	\$ 2,878.5	\$ —	\$ 2,878.5
Operating costs	—	—	—	(1,319.6)	—	(1,319.6)
Selling, general and administrative expenses	(37.9)	22.3	—	(723.6)	—	(739.2)
Long-lived asset impairments	—	—	—	(445.1)	—	(445.1)
Other charges	(154.8)	—	—	(227.9)	—	(382.7)
Depreciation and amortization	(26.7)	—	—	(1,453.9)	—	(1,480.6)
Operating loss	(219.4)	22.3	—	(1,291.6)	—	(1,488.7)
Interest and other income, net	9.4	377.2	552.1	21.5	(929.3)	30.9
Interest expense	(280.3)	(64.2)	(573.1)	(791.9)	929.3	(780.2)
Recapitalization expense	(87.8)	—	—	(65.1)	—	(152.9)
Share of income from equity investments	—	—	—	1.4	—	1.4
Foreign currency (losses) gains	(282.0)	—	—	187.9	—	(94.1)
Income tax benefit	1.2	—	—	13.3	—	14.5
(Loss) income from continuing operations	(858.9)	335.3	(21.0)	(1,924.5)	—	(2,469.1)
Income from discontinued operations	—	—	—	93.3	—	93.3
Equity in net loss of subsidiaries	(1,516.9)	(1,852.8)	(1,798.7)	—	5,168.4	—
Net loss	\$ (2,375.8)	\$ (1,517.5)	\$ (1,819.7)	\$ (1,831.2)	\$ 5,168.4	\$ (2,375.8)

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## Year ended December 31, 2004

Statements of cash flows	Company	NTL Cable	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
	(in millions)						
Net cash (used in) provided by operating activities	\$ (25.6)	\$ 2.2	\$ (0.3)	\$ 246.3	\$ 483.5	\$ —	\$ 706.1
Investing activities:							
Purchases of fixed assets	—	—	—	—	(556.8)	—	(556.8)
(Advances to) repayments from affiliates	—	(1,437.0)	(38.2)	(311.6)	16.9	1,786.8	16.9
Proceeds from sale of assets	—	—	—	—	2.3	—	2.3
Acquisitions, net	—	—	—	—	(34.5)	—	(34.5)
Purchases of marketable securities	(22.1)	—	—	—	—	—	(22.1)
Net cash (used in) investing activities	(22.1)	(1,437.0)	(38.2)	(311.6)	(572.1)	1,786.8	(594.2)
Financing activities:							
Proceeds from borrowings, net	—	1,437.0	—	5,069.6	1,206.0	(2,442.4)	5,270.2
Proceeds from employee stock options	8.0	—	—	—	—	—	8.0
Principal payments	—	—	—	(5,077.3)	(1,536.0)	655.6	(5,957.7)
Net cash provided by (used in) financing activities	8.0	1,437.0	—	(7.7)	(330.0)	(1,786.8)	(679.5)
Effect of exchange rate changes	—	—	1.0	1.9	8.8	—	11.7
(Decrease) increase in cash and cash equivalents at start of period	(39.7)	2.2	(37.5)	(71.1)	(409.8)	—	(555.9)
Cash and cash equivalents at end of period	112.8	—	37.5	71.1	574.5	—	795.9
Cash and cash equivalents at end of period	\$ 73.1	\$ 2.2	\$ —	\$ —	\$ 164.7	\$ —	\$ 240.0

Year ended December 31, 2003						
Statements of cash flows	Company	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
(in millions)						
Net cash (used in) provided by operating activities	\$ (189.2)	\$ (74.6)	\$ (107.5)	\$ 873.7	\$ 18.7	\$ 521.1
Investing activities:						
Purchases of fixed assets	—	—	—	(574.2)	—	(574.2)
(Advances to) repayments from affiliates	(814.3)	(123.0)	276.0	5.4	661.3	5.4
Proceeds from sales of marketable securities	5.2	—	—	—	—	5.2
Net cash (used in) provided by investing activities	(809.1)	(123.0)	276.0	(568.8)	661.3	(563.6)
Financing activities:						
Proceeds from borrowings, net	—	833.5	245.3	308.3	(1,387.1)	—
Proceeds from rights offering, net	1,367.0	—	—	—	—	1,367.0
Proceeds from employee stock options	3.0	—	—	—	—	3.0
Principal payments	(554.1)	(700.3)	(398.3)	(303.5)	707.1	(1,249.1)
Net cash provided by (used in) financing activities	815.9	133.2	(153.0)	4.8	(680.0)	120.9
Effect of exchange rate changes	—	4.7	6.9	65.2	—	76.8
(Decrease) increase in cash	(182.4)	59.7	22.4	374.9	—	155.2
Cash and cash equivalents at start of period	295.2	97.2	48.7	199.6	—	640.7
Cash and cash equivalents at end of period	\$ 112.8	\$ 37.5	\$ 71.1	\$ 574.5	\$ —	\$ 795.9

January 1, 2003						
Statements of cash flows	Company	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
(in millions)						
Net cash (used in) provided by operating activities	\$ (69.7)	\$ 22.8	\$ —	\$ —	\$ —	\$ (46.9)
Investing activities:						
(Advances to) repayments from affiliates	(171.3)	—	103.7	—	67.6	—
Decrease in other assets	—	162.8	—	—	—	162.8
Net cash (used in) provided by investing activities	(171.3)	162.8	103.7	—	67.6	162.8
Financing activities:						
Proceeds from borrowings, net	500.0	171.3	(103.7)	—	(171.3)	396.3
Principal payments	—	(373.5)	—	(103.7)	103.7	(373.5)
Net cash provided by (used in) financing activities	500.0	(202.2)	(103.7)	(103.7)	(67.6)	22.8
Effect of exchange rate changes	—	—	—	—	—	—
(Decrease) increase in cash	259.0	(16.6)	—	(103.7)	—	138.7
Cash and cash equivalents at start of period	36.2	113.8	48.7	303.3	—	502.0
Cash and cash equivalents at end of period	\$ 295.2	\$ 97.2	\$ 48.7	\$ 199.6	\$ —	\$ 640.7

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Year ended December 31, 2002

Statements of cash flows	Year ended December 31, 2002					
	Company	Other guarantors	NTLIH	All other subsidiaries	Adjustments	Total
	(in millions)					
Net cash provided by (used in) operating activities	\$ 52.9	\$ (57.2)	\$ (4.7)	\$ 383.8	\$ (116.1)	\$ 258.7
Investing activities:						
Purchases of fixed assets	—	—	—	(680.9)	—	(680.9)
(Advances to) repayments from affiliates	(93.9)	(474.2)	(453.3)	(6.7)	1,021.4	(6.7)
Increase in other assets	—	(166.5)	—	—	—	(166.5)
Proceeds from sales of assets	—	—	—	15.1	—	15.1
Purchases of marketable securities	(10.8)	—	—	—	—	(10.8)
Proceeds from sales of marketable securities	5.6	—	—	—	—	5.6
Net cash (used in) investing activities	(99.1)	(640.7)	(453.3)	(672.5)	1,021.4	(844.2)
Financing activities:						
Proceeds from borrowings, net	—	670.1	451.2	480.7	(931.9)	670.1
Principal payments	—	—	(22.1)	(13.1)	26.6	(8.6)
Proceeds from borrowings from NTL (Delaware), Inc	—	135.2	—	—	—	135.2
Contribution from NTL (Delaware), Inc	3.9	—	—	—	—	3.9
Net cash provided by financing activities	3.9	805.3	429.1	467.6	(905.3)	800.6
Effect of exchange rate changes	—	6.4	5.6	23.8	—	35.8
(Decrease) increase in cash	(42.3)	113.8	(23.3)	202.7	—	250.9
Cash and cash equivalents at start of period	78.5	—	72.0	100.6	—	251.1
Cash and cash equivalents at end of period	\$ 36.2	\$ 113.8	\$ 48.7	\$ 303.3	\$ —	\$ 502.0

## 22. Reorganization and Emergence from Chapter 11

### *Background of Restructuring*

Both the equity and debt capital markets experienced periods of significant volatility in 2001 and 2002, particularly for securities issued by telecommunications and technology companies. As a result, the ability of the Company's former ultimate parent company and its subsidiaries to access those markets as well as its ability to obtain financing from its bank lenders and equipment suppliers became severely restricted. In addition, the Company's former ultimate parent company and its subsidiaries, including the Company, had no further funds available, or were unable to draw upon funds, under the Company's credit facilities. As a result of these factors, together with its substantial leverage, on January 31, 2002, the Company's former ultimate parent company announced that it had appointed professional advisors to advise on strategic and recapitalization alternatives to strengthen its balance sheet, reduce debt and put an appropriate capital structure in place for its business.

Promptly upon obtaining the requisite waivers from the lenders under its credit facilities in March 2002, the Company's former ultimate parent company and certain of its subsidiaries commenced

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negotiations with a steering committee of the unofficial committee of its bondholders and the committee's legal and financial advisors.

The Company's former ultimate parent company and its subsidiaries failed to make interest payments on some of the outstanding notes starting on April 1, 2002. The Company's former ultimate parent company also failed to declare or pay dividends on certain series of its outstanding preferred stock owing to a lack of available surplus under Delaware law.

On April 16, 2002, the Company's former ultimate parent company announced that it and an unofficial committee of its bondholders had reached an agreement in principle on a comprehensive recapitalization of the former NTL group. To implement the proposed recapitalization plan, on May 8, 2002, the Company, the Company's former ultimate parent company and certain of the other subsidiaries of the Company's former ultimate parent company filed cases and a pre-arranged joint reorganization plan under Chapter 11 of the U.S. Bankruptcy Code. In connection with the filing, some members of the unofficial creditors' committee of bondholders entered into a credit facility agreement (the "DIP facility") committing to provide a wholly-owned subsidiary of the Company with up to \$500.0 million in new debt financing. NTL Delaware committed to provide up to an additional \$130.0 million under the DIP facility.

As a result of the payment defaults, as well as the voluntary filing under Chapter 11 by the Company's former ultimate parent company and certain of its subsidiaries on May 8, 2002, there was an event of default under all of the Company's former ultimate parent company and its subsidiaries' credit facilities and the indentures governing all of their publicly traded debt, other than debt of NTL (Triangle) LLC.

The Bankruptcy Court confirmed the Plan on September 5, 2002. During the fall of 2002, the Company's former ultimate parent company negotiated with a group of lenders to enter into a new financing arrangement to repay the DIP facility, to repay certain obligations and to provide liquidity to the Company and its subsidiaries. The Plan became effective on January 10, 2003 (the "Effective Date"), at which time the Company emerged from Chapter 11 reorganization. In connection with the Company's emergence from Chapter 11 reorganization, the Company and certain of its subsidiaries issued \$558.249 million aggregate principal face amount of 19% Senior Secured Notes due 2010 (the "Exit Notes") on January 10, 2003. Initial purchasers of the Company's Exit Notes also purchased 500,000 shares of the Company's common stock on that date. The gross proceeds from the sale of the Exit Notes and such shares totaled \$500.0 million. The proceeds were used in part to repay amounts outstanding under the DIP facility and to purchase from NTL Delaware a £90.0 million note of the Company's subsidiary, NTL (UK) Group Inc., and to repay certain other obligations. Also on January 10, 2003, the Company and its lending banks amended the Company's existing credit facilities. The Exit Notes were repaid on November 17, 2003 following the Company's rights offering.

In connection with the Company's Chapter 11 reorganization, UBS Securities LLC provided advisory services to the Company for which they received customary fees, including an amount of up to \$4.0 million payable in April 2004 in shares of the Company's common stock. The shares will be issued if the value of the shares received by the Company's former debt holders in the Chapter 11 reorganization exceeds specified levels. The shares will be valued for these purposes based upon the market price of the shares over the 60-day trading period commencing January 10, 2004.

### *Reorganization Value*

The Company adopted fresh-start reporting upon its emergence from Chapter 11 reorganization in accordance with SOP 90-7. The Company engaged an independent financial advisor to assist in the determination of its reorganization value as defined in SOP 90-7. The Company and its independent financial advisor determined the Company's reorganization value was \$11,247.5 million. This determination was based upon various valuation methods, including discounted projected cash flow analysis, selected comparable market multiples of publicly traded companies and other applicable ratios and economic information relevant to the operations of the Company. Certain factors that were incorporated into the determination of the Company's reorganization value included the following:

- Reporting unit 10-year cash flow projections.
- Corporate income tax rates of 30% in the UK and 12.5% in Ireland.
- Present value discount factors of 14.5%, 15.0% and 16.0% depending upon the reporting unit.
- Residual value representing the sum of the value beyond 10 years into perpetuity was calculated using the Gordon Growth Model.

The cash flow projections were based on economic, competitive and general business conditions prevailing when the projections were prepared. They were also based on a variety of estimates and assumptions which, though considered reasonable by management, may not be realized, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control. A change in the estimates and assumptions about revenue, operating cash flow, tax rates and capital expenditures may have had a significant effect on the determination of the Company's reorganization value.

The Company determined that its reorganization value computed as of the Effective Date, consisted of the following (in millions):

Present value of discounted cash flows of the emerging entity	\$	9,811.0
Current assets		1,237.0
Other assets		199.5
		<hr/>
Reorganization value	\$	11,247.5
		<hr/>

The Company adopted fresh-start reporting because the holders of its voting common shares immediately before filing and confirmation of the Plan received less than 50% of the voting shares of

the emerging company, and because the Company's reorganization value is less than its post-petition liabilities and allowed claims, as shown below (in millions):

Allowed claims:		
Liabilities subject to compromise	\$	10,157.8
Post petition liabilities:		
Current liabilities		7,965.3
Deferred income taxes		94.4
		<hr/>
		18,217.5
Reorganization value		(11,247.5)
		<hr/>
	\$	6,970.0
		<hr/>

### ***Gain on Debt Discharge***

The Company realized a gain of \$8,451.6 million in connection with the recapitalization of its debt in accordance with the Plan. This gain has been reflected in the results of operations of the Predecessor Company on January 1, 2003. A summary of the gain on debt discharge follows (in millions):

Liabilities subject to compromise:		
Pre-petition long-term debt subject to compromise	\$	9,814.2
Accounts payable and accrued expenses		1.6
Interest payable		316.8
Due to NTL Europe, Inc.		25.2
		<hr/>
		10,157.8
Unamortized deferred financing costs		(127.9)
		<hr/>
		10,029.9
Claims assumed and consideration exchanged:		
Diamond Holdings' notes assumed		327.3
Interest payable assumed		38.0
Accounts payable and accrued expenses assumed		1.6
Due to NTL Europe, Inc. assumed		25.2
Value of Reorganized Company's common stock		1,186.2
		<hr/>
		1,578.3
		<hr/>
	\$	8,451.6
		<hr/>

**Recapitalization Expense**

The joint reorganization plan provided that recapitalization costs be allocated between the Company and NTL Europe. Recapitalization expense consisted of the following (in millions):

	Year Ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
Payroll and related	\$ —	\$ —	\$ (36.2)
Professional fees	—	—	(116.7)
	\$ —	\$ —	\$ (152.9)
			January 1, 2003
			Predecessor Company
Payroll and related			\$ —
Professional fees			(8.0)
			\$ (8.0)

Details of operating cash receipts and payments resulting from the recapitalization are as follows (in millions):

	Year Ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
Payroll and related costs paid	\$ —	\$ —	\$ (32.9)
Professional fees	—	—	(39.0)
Net operating cash flows from recapitalization items	\$ —	\$ —	\$ (71.9)
			January 1, 2003
			Predecessor Company
Payroll and related costs paid			\$ —
Professional fees			(8.0)
Net operating cash flows from recapitalization items			\$ (8.0)

**Fresh-start reporting**

In accordance with SOP 90-7, the Company adopted the provisions of fresh-start reporting as of January 1, 2003. The following reconciliation of the Predecessor Company's consolidated balance sheet

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as of December 31, 2002 to that of the Reorganized Company as of January 1, 2003 gives effect to the emergence from Chapter 11 reorganization and the adoption of fresh-start reporting.

The Company engaged an independent financial advisor to assist in the determination of the reorganization value (or fair value) of its assets and the present value of its liabilities. This determination resulted in the fresh-start reporting adjustments to write-down fixed assets and write-up intangible assets to their fair values. In addition, the Company's total reorganization value exceeded the amounts allocable to identifiable assets that resulted in a new indefinite-lived intangible asset.

The adjustments titled "Emergence from Chapter 11" reflect the consummation of the Plan, including the cancellation of a substantial portion of the Company's outstanding debt and the issuance of shares of new common stock and Series A warrants to various former creditors and stockholders of the Company's former ultimate parent company and certain of its subsidiaries, including the Company. The adjustments titled "Fresh-Start" reflect the adoption of fresh-start reporting.

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	December 31, 2002			January 1, 2003
	Predecessor company	Emergence from Chapter 11	Fresh- start	Reorganized company
	(in millions)			
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 502.0	\$ 138.7	\$ —	\$ 640.7
Marketable securities	5.2	—	—	5.2
Accounts receivable—trade, net	355.4	—	—	355.4
Current assets held for sale	55.2	—	—	55.2
Due from affiliates	1.6	—	—	1.6
Prepaid expenses	156.9	—	—	156.9
Other current assets	94.4	(72.4)	—	22.0
Total current assets	1,170.7	66.3	—	1,237.0
Fixed assets, net	10,602.1	—	(3,567.6)	7,034.5
Intangible assets, net	395.3	—	504.0	899.3
Investments in and loans to affiliates, net	13.5	—	—	13.5
Reorganization value in excess of amounts allocable to identifiable assets	—	—	352.3	352.3
Other assets held for sale	481.7	—	1,038.1	1,519.8
Other assets, net	378.1	(187.0)	—	191.1
<b>Total assets</b>	<b>\$ 13,041.4</b>	<b>\$ (120.7)</b>	<b>\$ (1,673.2)</b>	<b>\$ 11,247.5</b>
<b>Liabilities and shareholders' equity (deficit)</b>				
Liabilities not subject to compromise				
Current liabilities:				
Accounts payable	\$ 374.7	\$ 0.7	\$ —	\$ 375.4
Accrued expenses	715.5	6.6	(32.7)	689.4
Accrued construction costs	70.4	—	—	70.4
Interest payable	177.3	38.0	—	215.3
Deferred revenue	327.4	—	—	327.4
Current liabilities of discontinued operations	73.1	—	—	73.1
Other current liabilities	271.5	(234.6)	—	36.9
Current portion of long-term debt	5,955.4	(5,952.3)	—	3.1
Total current liabilities	7,965.3	(6,141.6)	(32.7)	1,791.0
Long-term debt	—	6,540.1	—	6,540.1
Long-term debt discount	—	—	(221.3)	(221.3)
Other	—	—	47.2	47.2
Deferred income taxes	47.8	—	(27.8)	20.0
Long-term liabilities of discontinued operations	46.6	—	96.3	142.9
Commitments and contingent liabilities	—	—	—	—
Liabilities subject to compromise	10,157.8	(10,157.8)	—	—
Shareholders' equity (deficit):				
Common stock—old	—	—	—	—
Common stock—new	—	0.5	—	0.5
Additional paid-in capital	14,045.5	1,194.1	(12,312.5)	2,927.1
Accumulated other comprehensive (loss) income	(653.6)	0.4	653.2	—
(Deficit) retained earnings	(18,568.0)	8,443.6	10,124.4	—
	(5,176.1)	9,638.6	(1,534.9)	2,927.6
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 13,041.4</b>	<b>\$ (120.7)</b>	<b>\$ (1,673.2)</b>	<b>\$ 11,247.5</b>

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***Pro Forma Results of Operations***

The consolidated pro forma results of operations for the year ended December 31, 2002 assuming the emergence from Chapter 11 reorganization and the adoption of fresh-start reporting occurred on January 1, 2002 follows (in millions, except per share data). The pro forma results of operations are not necessarily indicative of the results that would have occurred had the emergence from Chapter 11 reorganization and the adoption of fresh-start reporting occurred on January 1, 2002, or that might occur in the future.

	<b>Year ended December 31,</b>	
	<b>2002</b>	
Total revenue	\$	2,878.5
Loss from continuing operations		(1,686.7)
Loss from continuing operations per share		(28.35)

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## NTL INCORPORATED

## SCHEDULE I—CONDENSED FINANCIAL INFORMATION OF REGISTRANT

## CONDENSED BALANCE SHEETS

(In millions, except per share data)

	December 31,	
	2004	2003
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 73.1	\$ 112.8
Marketable securities	22.1	—
Other current assets	0.8	6.7
	<hr/>	<hr/>
Total current assets	96.0	119.5
Investments in and loans to affiliates, net	2,953.9	3,607.3
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 3,049.9</b>	<b>\$ 3,726.8</b>
	<hr/>	<hr/>
<b>Liabilities and shareholders' equity</b>		
Current liabilities	\$ 24.2	\$ 28.8
Shareholders' equity		
Preferred stock—\$.01 par value; authorized 5.0 (2004 and 2003); issued and outstanding none	—	—
Common stock—\$.01 par value; authorized 400.0 (2004 and 2003) shares issued and outstanding 87.7 (2004) and 86.9 (2003) shares	0.9	0.9
Additional paid-in capital	4,376.9	4,325.0
Unearned stock compensation	(29.8)	(15.0)
Accumulated other comprehensive income	512.0	341.3
(Deficit)	(1,834.3)	(954.2)
	<hr/>	<hr/>
Total shareholders' equity	3,025.7	3,698.0
	<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,049.9</b>	<b>\$ 3,726.8</b>
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See accompanying notes.

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**NTL INCORPORATED**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
**STATEMENT OF OPERATIONS**

(In millions)

	Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
<b>Costs and expenses</b>			
General and administrative expenses	\$ (38.3)	\$ (34.3)	\$ (37.9)
Other charges	—	(12.3)	(154.8)
Depreciation	—	—	(0.5)
Amortization	—	—	(26.2)
<b>Operating (loss)</b>	(38.3)	(46.6)	(219.4)
<b>Other income (expense)</b>			
Interest income and other, net	1.2	2.0	9.4
Interest expense (contractual interest of \$831.3 (2002))	—	(112.0)	(280.3)
Recapitalization expense	—	—	(87.8)
Foreign currency transaction (losses) gains	(3.9)	1.9	(282.0)
<b>(Loss) before income taxes and equity in net (loss) of subsidiaries</b>	(41.0)	(154.7)	(860.1)
Income tax (expense) benefit	(2.6)	(1.6)	1.2
<b>(Loss) before equity in net (loss) of subsidiaries</b>	(43.6)	(156.3)	(858.9)
Equity in net (loss) of subsidiaries	(836.5)	(797.9)	(1,516.9)
<b>Net (loss)</b>	\$ (880.1)	\$ (954.2)	\$ (2,375.8)
			<b>January 1, 2003</b>
			<b>Predecessor Company</b>
Gain on debt discharge			\$ 7,322.8
Fresh-start adoption—fixed assets			(0.8)
Recapitalization expense			(8.0)
Share of (losses) from equity investments			(511.3)
<b>Net income</b>			\$ 6,802.7

See accompanying notes.

**NTL INCORPORATED**  
**CONDENSED FINANCIAL INFORMATION OF REGISTRANT**  
**STATEMENT OF CASH FLOWS**

(In millions)

	Year ended December 31,		
	2004	2003	2002
	Reorganized Company	Reorganized Company	Predecessor Company
Net cash (used in) provided by operating activities	(\$ 25.6)	(\$ 189.2)	\$ 52.9
<b>Investing activities</b>			
Purchase of marketable securities	(22.1)	—	(10.8)
Proceeds from sales of marketable securities	—	5.2	5.6
Investments in and loans to affiliates	—	(814.3)	(93.9)
Net cash (used in) investing activities	(22.1)	(809.1)	(99.1)
<b>Financing activities</b>			
Contribution from NTL (Delaware), Inc.	—	—	3.9
Net proceeds from rights offering	—	1,367.0	—
Proceeds from exercise of stock options	8.0	3.0	—
Principal payments on long-term debt	—	(554.1)	—
Net cash provided by financing activities	8.0	815.9	3.9
(Decrease) in cash and cash equivalents	(39.7)	(182.4)	(42.3)
Cash and cash equivalents, beginning of period	112.8	295.2	78.5
Cash and cash equivalents, end of period	\$ 73.1	\$ 112.8	\$ 36.2
<b>Supplemental disclosure of cash flow information</b>			
Cash paid for interest	\$ —	\$ 47.3	\$ 96.4
Income taxes paid	0.3	—	—
<b>Supplemental schedule of non-cash financing activities</b>			
Contribution from NTL (Delaware) Inc.	\$ —	\$ —	\$ 123.9
			January 1, 2003
			Predecessor Company
Net cash (used in) operating activities			\$ (69.7)
Net cash provided by investing activities			(171.3)
Net cash provided by financing activities			500.0
Increase in cash and cash equivalents			259.0
Cash and cash equivalents, beginning of period			36.2
Cash and cash equivalents, end of period			\$ 295.2

See accompanying notes.

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**NTL INCORPORATED****NOTES TO CONDENSED FINANCIAL INFORMATION OF REGISTRANT****1. Corporate Restructuring**

On January 10, 2003, the Company emerged from reorganization under Chapter 11 of the United States Bankruptcy Code. Pursuant to the plan of reorganization, which is referred to as the Plan, the Company's former parent, NTL Europe, Inc., or NTL Europe, and its subsidiaries and affiliates were split into two separate groups, with the Company and NTL Europe, each emerging as independent public companies. The Company was renamed "NTL Incorporated" and became the holding company for the former NTL group's principal UK and Ireland assets. NTL Europe became the holding company for the former NTL group's continental European and various other assets. All of the outstanding securities of NTL Europe and some of its subsidiaries, including the Company, were cancelled. The Company issued shares of its common stock and Series A warrants and NTL Europe issued shares of its common stock and preferred stock to various former creditors and stockholders. As a result, the Company is no longer affiliated with NTL Europe.

**2. Basis of Presentation**

In the Company's condensed financial statements, the Company's investment in subsidiaries is stated at cost plus equity in the undistributed earnings of the subsidiaries. The Company's share of net loss of its subsidiaries is included in net loss using the equity method of accounting. The condensed financial statements should be read in conjunction with the Company's consolidated financial statements.

**3. Leases**

Leases for office space end in 2007. Total rental expense for the years ended December 31, 2004, 2003 and 2002 under operating leases was \$0.4 million, \$1.1 million and \$1.4 million, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 2004 are \$0.4 million.

**4. Other**

On the Effective Date, the Company loaned Communications Cable Funding Corp., (a wholly-owned subsidiary), \$160.6 million for the repayment of debt to NTL Delaware, Inc. Interest is payable on demand at a rate of 5.28516% per annum and will be increased to 15% per annum. On December 22, 2003, Communications Cable Funding Corp. repaid \$4.6 million of the loan and on April 7, 2004, the Company contributed the remaining \$156.0 million of the loan to the capital of Communications Cable Funding Corp.

In addition, on the Effective Date, the Company acquired the public debt of Diamond Cable Communications Limited aggregating \$1,373.1 million (including interest of \$136.5 million). On February 4, 2003, the Company released Diamond Cable Communications Limited from its obligations under these notes.

On September 28, 2001, the Company loaned NTL Europe, Inc. \$150.0 million in cash and received 15.0% Promissory Notes due December 31, 2004. Interest is payable monthly in cash at a rate of 15.0% per year beginning on October 31, 2001. Upon emergence from Chapter 11 reorganization and in accordance with the Plan, these notes were canceled.

No cash dividends were paid to the registrant by subsidiaries for the years ended December 31, 2004, 2003, and 2002.



## QuickLinks

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