COMPANY REGISTRATION NUMBER 2514287

Telewest Communications Group Limited

Financial Statements

31 December 2007

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Telewest Communications Group Limited

Company Information

The board of directors	R C Gale R M Mackenzie
Company secretary	G E James
Registered office	160 Great Portland Street London W1W 5QA
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

The directors present their report and the financial statements of the company for the year ended 31 December 2007.

Principal activities and business review

The principal activities of the company were, and will continue to be, to provide national and international communications transport services and wholesale internet access solutions for communications companies in the UK. In the prior year, the company's activities were the service provider operations for the legacy Telewest regions and the provision of management and administration services to other cable broadband group undertakings. At the end of 2006, Virgin Media Limited became the principal employer for employees previously employed by the company.

The company is a wholly owned subsidiary undertaking of Virgin Media Inc., which changed its name from NTL Incorporated on 6 February 2007 as part of the rebrand to Virgin Media. Virgin is one of the most recognised consumer brands in the world and gives the group a prominent profile in a crowded communications marketplace. The Virgin Media group believes that the strong heritage and reputation of the Virgin brand is a powerful competitive advantage and the Virgin Media group's distinctive approach to advertising, packaging and marketing differentiates it from the competition.

The Virgin Media group is a leading UK entertainment and communications business providing the first "quad-play" offering of television, broadband, fixed line telephone and mobile telephone services in the UK, together with one of the most advanced TV on demand services available in the UK market.

At 31 December 2007, by customer numbers, the Virgin Media group was the UK's largest residential broadband and mobile virtual network provider and the second largest provider in the UK of pay television and fixed line telephone services. The Virgin Media group believes that its advanced, deep fibre access network enables it to offer faster and higher quality broadband services than its digital subscriber line, or DSL, competitors.

Through ntl:Telewest Business, the Virgin Media group provides a complete portfolio of voice, data and internet solutions to leading businesses, public sector organisations and service providers in the UK.

Through Virgin Media Television, the Virgin Media group also provides a broad range of programming through its wholly-owned channels, such as Virgin 1, Living and Bravo; through UKTV, its joint ventures with BBC Worldwide; and through the portfolio of retail television channels operated by sit-up tv.

Turnover has decreased by 19.8% to £190,884,000 for the year ended 31 December 2007 from £237,936,000 in 2006. For the year ended 31 December 2007, the consolidation of the entire group's service provider revenue within the company has increased turnover by £148 million. However, turnover has been reduced by the absence of management services fees, which totalled £195 million for the year ended 31 December 2006, and are now received by Virgin Media Limited, the fellow group undertaking which now provides those services.

There are no key performance indicators used for the company by management, other than the main headings as shown in the company's Profit and Loss Account and Balance Sheet.

Operating loss has increased from £98,961,000 in 2006 to £544,496,000 in 2007. There are four major factors in this increase:-

1. A substantial increase in the cost base from the increased service provider activity in 2007, offset partially by the increased margins from this revenue.

2. As a result of a review of the recoverability of inter-company receivables, an increase to the provision against inter-company debt of £161,018,000 has been made (2006 - increase of £4,000).

Principal activities and business review *(continued)*

3. In accordance with company policy, goodwill was reviewed at the end of the first full financial year following the acquisition on 18 December 2006 and a provision for impairment losses of £64,083,000 has been made.

4. As a result of an impairment review of investments, an increase to the provision of £147,740,000 has been made (2006 - £nil).

The primary driver for the change in the provisions is a decline in the valuation of the underlying assets in the Virgin Media group as shown by a third party valuation as at 31 December 2007. During this year, apart from finance leases, no external finance was arranged or settled and there was no movement in the called up equity share capital of the company.

The company reported an increase in net current liabilities and a transition from net assets to net liabilities for the year ended 31 December 2007 as a result of operations as described above. Operations were financed through the company's own working capital and inter-company balances with fellow group undertakings. All employee related costs and operating lease commitments have been transferred through inter-company accounts to a fellow wholly-owned group company, therefore the company now pays management charges on the basis described in note 2 to the financial statements.

Future developments
The Virgin Media group's deep fibre access network has enabled it to take a leading position in the roll-out of next generation broadband access technologies in the UK. During 2008 and 2009, the Virgin Media group plans to deploy the next generation of wideband cable broadband technology enabling ultra-fast broadband services of 50Mb and higher. The investment in next generation broadband access technologies is the latest in a series of significant infrastructure investments to ensure that the Virgin Media group remains at the forefront of communication and entertainment services in the UK.

Results and dividends
The loss for the financial year amounted to £547,921,000 (2006 - loss of £107,572,000). The directors have not recommended an ordinary dividend (2006 - £nil).

Financial risk management
The company's operations expose it to a variety of financial risks that include liquidity, interest rate, currency and credit risks.

Liquidity risk
The Virgin Media group manages its financial risk via secure, long-dated and cost-effective funding for the group's operations in order to minimise the adverse effects of fluctuations in the financial markets on the value of its financial assets and liabilities, profitability and cash flows.

The Virgin Media group's external debt is used to satisfy the funding requirements of group undertakings via inter-company loans on terms which generally match those of the external debt. In addition, working capital is managed centrally within the Virgin Media group creating further inter-company trading balances, on terms which are generally interest free.

Interest rate risk
The group's policy is to manage its interest cost using a mix of fixed and variable rate financial instruments and to hedge all or part of the exposure to increased interest rates. The group's policy is not to hedge against interest rate risk in respect of inter-company debt. However, the company may reduce all or part of the risk by loaning funds to other group undertakings and charging interest at the same rate as the original borrowing.

The company's financial instruments comprise interest free and interest bearing inter-company debt where the rates are not fixed. As a result, it is subject to the risk that interest rates will be increased.

Financial risk management *(continued)*

Currency risk

Foreign currency risk arises when the company has financial instruments denominated in a currency that is not the functional currency. The group's policy is to manage currency risk in relation to third party borrowings through the use of external hedging instruments. The group's policy is not to hedge against inter-company debt held in foreign currencies. However the company may reduce all or part of the risk by loaning funds to other group undertakings in the same currency as the original borrowings.

Credit risk

Credit risk is the risk that one party to a transaction will cause a financial loss for the other party by failing to discharge an obligation. The company's policies are aimed at minimising such losses, by generally requiring that customers satisfy credit worthiness criteria.

The group's inter-company funding arrangements are managed centrally. Recoverability of inter-company receivables is assessed annually. The provision for non-recoverability may increase or decrease as a result of that review.

The directors will revisit the appropriateness of these policies should the company's operations change in size or nature.

Directors

The directors who served the company during the year and thereafter were as follows:

R C Gale
R M Mackenzie

Virgin Media Inc. has indemnified the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force as at the date of approving the directors' report.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

Signed on behalf of the directors

R M Mackenzie
Director

Approved by the directors on 17 December 2008

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Member of Telewest Communications Group Limited

Year ended 31 December 2007

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
London

17 December 2008

Telewest Communications Group Limited

Profit and Loss Account

Year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover		**190,884**	237,936
Cost of sales		**(70,577)**	(11,348)
Gross profit		**120,307**	226,588
Administrative expenses		**(664,803)**	(325,549)
Operating loss	2	**(544,496)**	(98,961)
Interest receivable	4	**51,400**	1,639
Interest payable and similar charges	5	**(58,063)**	(10,250)
Loss on ordinary activities before taxation		**(551,159)**	(107,572)
Tax on loss on ordinary activities	6	**3,238**	–
Loss for the financial year	19	**(547,921)**	(107,572)

All of the activities of the company in the current year are classed as continuing.

In the prior year the principal activity of the company was to provide management services to fellow group undertakings. This activity was effectively discontinued from 31 December 2006 and is now carried out by Virgin Media Limited, a fellow group undertaking.

The principal activities of the company are to provide national and international communications transport services and wholesale internet access solutions for communications companies in the UK. On 18 December 2006 the rights to provide these activities on the NTL network were transferred from ntl National Networks Limited, an immediate subsidiary undertaking. Prior to that date the company had performed these services only in respect to the Telewest network.

Statement of Total Recognised Gains and Losses
There are no recognised gains or losses other than the loss of £547,921,000 attributable to the shareholder for the year ended 31 December 2007 (2006 - loss of £107,572,000).

The notes on page 88 form part of these financial statements.

Telewest Communications Group Limited

Balance Sheet

31 December 2007

	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	7	**88,607**	190,863
Tangible assets	8	**1,023,378**	912,959
Investments	9	**1,038,843**	1,186,583
		2,150,828	2,290,405
Current assets			
Debtors	10	**4,858,389**	4,609,777
Cash at bank		**272**	8,426
		4,858,661	4,618,203
Creditors: Amounts falling due within one year	11	**(6,136,528)**	(5,515,545)
Net current liabilities		**(1,277,867)**	(897,342)
Total assets less current liabilities		**872,961**	1,393,063
Creditors: Amounts falling due after more than one year	12	**(1,150,048)**	(1,122,229)
		(277,087)	270,834
Capital and reserves			
Called-up equity share capital	18	**1,735,851**	1,735,851
Other reserves	19	**1,650**	1,650
Profit and loss account	19	**(2,014,588)**	(1,466,667)
(Deficit)/shareholder's funds	19	**(277,087)**	270,834

These financial statements were approved by the directors on 17 December 2008 and are signed on their behalf by:

R C Gale

R C Gale
Director

The notes on pages 10 to 24 form part of these financial statements.

1. Accounting policies

Accounting convention
The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

Fundamental accounting concept
The financial statements have been prepared on the going concern basis because the ultimate parent undertaking has given the necessary assurances that sufficient resources will be made available so that the company can meet its liabilities as and when they fall due, for at least twelve months from the date of approval of these financial statements.

Group accounts
The company has taken advantage of the exemption from preparing group accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of another company incorporated in Great Britain which prepares group accounts (see note 20). These financial statements therefore present information about the company as an individual undertaking and not about its group.

Investments
Investments are recorded at cost, less any provision for impairment. The company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there was an event not foreseen in the original impairment calculations, such as a change in use of the assets or a change in economic conditions. The reversal of impairment loss would be to the extent of the lower of the recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Cash flow statement
The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 20).

Turnover
Turnover represents the value of services provided, stated net of Value Added Tax, and is attributable to continuing activities, being the provision of service provider operations comprising principally the sale of spare capacity on the Virgin Media network to third parties. The directors consider this to be a single class of business. In the prior year, turnover also included the value, stated net of Value Added Tax, of management and administration services provided to other cable broadband group undertakings. All turnover is derived from operations in the United Kingdom.

Intangible fixed assets
Positive goodwill arising on an acquisition is capitalised and classified as an asset on the Balance Sheet. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value might not be recovered.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Separately identifiable intangible assets such as customer lists and purchased goodwill are amortised over their useful economic lives, estimated to be five years, on a straight line basis.

1. **Accounting policies** *(continued)*

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than land, so as to write off the cost of a tangible fixed asset, less its estimated residual value, on a straight line basis over the useful economic life of that asset as follows:

Network assets	3 - 40 years
Other fixed assets:	
- Freehold property	50 years
- Leasehold property	period of lease
- Other	3 - 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Finance leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for future instalments.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease until the commitments have been transferred to a fellow group company who manages such commitments for the Virgin Media group.

Pension costs

For the year ended 31 December 2006, the company operated a defined contribution scheme or contributed to a third party scheme of the employee's choice, however these responsibilities have been adopted by a fellow wholly-owned group company. The amount charged against the Profit and Loss Account represents the contributions payable directly by the company to the selected schemes in respect of the financial year.

1. Accounting policies *(continued)*

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for deferred tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Share-based payments
The company has no share-based compensation plans. During the year ended 31 December 2006, certain of the company's employees participated in the stock-based compensation plan of Virgin Media Inc., which is described in Virgin Media Inc.'s Annual Report and summarised in note 14 below.

Certain employees (including directors) of the group receive an element of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value of share options is determined using the Black-Scholes option pricing model. The cumulative expense recognised for equity settled transactions at each reporting date reflects the extent to which the vesting period has expired and management's estimate of the number of awards that will ultimately vest. No expense is recognised for awards that do not ultimately vest.

2. Operating loss

Operating loss is stated after charging/(crediting):

	2007	2006
	£000	£000
Amortisation of intangible fixed assets (note 7)	102,256	–
Depreciation of owned fixed assets	163,975	85,692
Depreciation of assets held under finance lease agreements	16,033	14,480
Profit on disposal of fixed assets	(61)	(572)
Auditor's remuneration		
- as auditor	19	12
Operating lease costs:		
Other	–	3,169
Net loss on foreign currency translation	377	–
Provision against investments in subsidiary undertakings (note 9)	147,740	–
Provision against amounts due from group undertakings (note 10)	161,018	4
Reorganisation costs	7,515	–

The amortisation charge for the year of £102,256,000 comprises the customer lists amortisation of £6,800,000, goodwill amortisation of £31,373,000 and the goodwill impairment provision amounting to £64,083,000.

Auditor's remuneration disclosed above represents costs allocated to the company by the fellow group undertakings that pay all auditor's remuneration on behalf of the Virgin Media group. The company is exempt from disclosing additional information regarding non-audit services, as the disclosures required under Regulation 4 (1) (b) of Section 390B of the Companies Act 1985, are made in the group accounts of Virgin Media Finance PLC on a consolidated basis.

Valuations of the reporting segments of the Virgin Media group were performed by the ultimate parent company for the purposes of reviewing its goodwill balances for potential impairment. As a result of these valuations each intermediate investment holding company in the Virgin Media group has performed impairment reviews of its direct investments in the light of the changes in ownership, use of assets and economic conditions.

The impairment review of investments concluded that their carrying value was in excess of their recoverable amount. As a result investments have been written down by £147,740,000 (2006 - £nil). The primary driver for the change in the provisions is a decline in the valuation of the underlying assets in the Virgin Media group as shown by a third party valuation as at 31 December 2007.

The group's inter-company funding arrangements are managed centrally. Recoverability of inter-company receivables is assessed annually. The provision for non-recoverability may decrease or increase as a result of that review. For the year ended 31 December 2007, there was an increase in provision of £161,018,000 (2006 - provision increase of £4,000). The primary driver for the change in the provisions is a decline in the valuation of the underlying assets in the Virgin Media group as shown by a third party valuation as at 31 December 2007.

Reorganisation costs mainly represent the company's allocation of redundancy and property exit costs resulting from the group's ongoing restructuring programme following the merger of the NTL group with the Telewest group.

2. Operating loss *(continued)*

Operating loss is stated after charging/(crediting): *(continued)*

Certain expenses are specifically attributable to the company. Where costs are incurred by other group companies on behalf of the company, expenses are allocated to the company on a basis that, in the opinion of the directors, is reasonable.

Included in the prior year's turnover is an amount recharged to group undertakings in respect of the services of the employees amounting to £194,417,000. The service provider operations generated turnover for the year ended 31 December 2006 amounting to £42,546,000 which is primarily derived from the legacy Telewest network since the NTL network back bone assets were not acquired by the company until 18 December 2006.

3. Staff costs

The average number of staff employed by the company during the financial year amounted to:

	2007	2006
	No	No
Customer operations	–	3,393
Business Operations	–	732
Networks	–	714
Corporate and IT	–	783
	–	5,622

The aggregate payroll costs of the above were:

	2007	2006
	£000	£000
Wages and salaries	–	175,592
Social security costs	–	17,693
Other pension costs	–	5,618
Equity-settled share-based payments	–	11,036
	–	209,939

The company no longer has any directly employed staff but is charged an allocation of staff costs by the Virgin Media group. Details of staff numbers and staff costs are disclosed in the group accounts of Virgin Media Finance PLC.

In the prior year, the company made the services of its employees available to fellow subsidiary undertakings who reimbursed the company for the associated staff costs of the employees. The amounts recharged for these services in 2006 were £194,417,000.

Other pension costs represent contributions payable by the company to its defined contribution scheme. At the end of 2006, Virgin Media Limited became the principal employer for employees previously employed by the company and also adopted the responsibilities concerning all pension contributions. There were no outstanding contributions to the scheme at 31 December 2007 (2006 - £nil).

4. Interest receivable

	2007	2006
	£000	£000
Interest from group undertakings	**51,400**	1,639

5. Interest payable and similar charges

	2007	2006
	£000	£000
Bank facility fees and other charges	**493**	4,059
Interest charges on finance lease agreements	**4,477**	4,183
On amounts due to group undertakings	**53,093**	2,008
	58,063	10,250

6. Taxation

(a) Analysis of credit in the year

	2007 £000	2006 £000
Current tax:		
Corporation tax	-	-
Consortium relief receivable in respect of prior periods	(3,238)	-
Total current tax credit	(3,238)	-

(b) Factors affecting current tax charge/(credit)

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%).

The difference between the effective statutory rate and the actual current tax credit is reconciled as follows:

	2007 £000	2006 £000
Loss on ordinary activities before taxation	(551,159)	(107,572)
Loss on ordinary activities multiplied by the rate of tax	(165,347)	(32,272)
Expenses not deductible for tax purposes	122,572	5,738
Group relief claimed without payment	(3,134)	-
Unrelieved tax losses	-	68,974
Other short term timing differences	146	-
Decelerated/(accelerated) capital allowances	45,763	(42,440)
Consortium relief receivable regarding prior year	(3,238)	-
Total current tax (note 6(a))	(3,238)	-

(c) Factors that may affect future tax charges

Deferred tax assets of £132 million (2006 - £93 million) in respect of depreciation in excess of capital allowances and short term timing differences have not been recognised as there is insufficient certainty as to the availability of future taxable profits.

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008. This rate change will affect the amount of the future cash tax payments to be made by the Virgin Media group. The deferred tax asset has been adjusted in the current year to reflect this change.

The reduction in the year in deferred tax assets not recognised include the following amounts in respect of the change in the standard rate of corporation tax:

	£000
Depreciation in excess of capital allowances	(9,489)

7. Intangible fixed assets

	Goodwill £000	Customer lists £000	Total £000
Cost			
At 1 January 2007 and 31 December 2007	**156,863**	**34,000**	**190,863**
Amortisation			
Charge for the year (note 2)	**95,456**	**6,800**	**102,256**
At 31 December 2007	**95,456**	**6,800**	**102,256**
Net book value			
At 31 December 2007	**61,407**	**27,200**	**88,607**
At 31 December 2006	156,863	34,000	190,863

The goodwill amortisation charge for the year amounted to £31,373,000 and the goodwill impairment provision amounted to £64,083,000. The gross carrying value of goodwill prior to accumulated impairment losses was £125,490,000.

8. Tangible fixed assets

	Network £000	Other £000	Total £000
Cost			
At 1 January 2007	**1,791,794**	**448,698**	**2,240,492**
Additions	**252,554**	**39,126**	**291,680**
Disposals	**(26,716)**	**(360,001)**	**(386,717)**
At 31 December 2007	**2,017,632**	**127,823**	**2,145,455**
Depreciation			
At 1 January 2007	**927,147**	**400,386**	**1,327,533**
Charge for the year	**136,910**	**43,098**	**180,008**
On disposals	**(26,087)**	**(359,377)**	**(385,464)**
At 31 December 2007	**1,037,970**	**84,107**	**1,122,077**
Net book value			
At 31 December 2007	**979,662**	**43,716**	**1,023,378**
At 31 December 2006	864,647	48,312	912,959

Land and buildings

Included within the 'other' net book value of £43,716,000 is £20,108,000 (2006 - £20,735,000) relating to freehold land and buildings and £5,809,000 (2006 - £7,347,000) relating to short leasehold land and buildings.

8. Tangible fixed assets *(continued)*

Finance lease agreements

Included within the net book value of £1,023,378,000 is £77,454,000 (2006 - £40,702,000) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £16,033,000 (2006 - £14,480,000).

9. Investments

	Subsidiary undertakings
	£000
Cost	
At 1 January 2007 and 31 December 2007	1,186,583
Value impaired	
Written off in year (note 2)	147,740
At 31 December 2007	147,740
Net book value	
At 31 December 2007	1,038,843
At 31 December 2006	1,186,583

At each reporting date the company assess whether there is an indication that an investment may be impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The company utilised external professional valuations to assist in its own valuation of its investments. In the opinion of the directors the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

The company has taken advantage of the exemption under Section 228 of the Companies Act 1985 not to disclose the aggregate amount of capital and reserves, and the result for the year for each of the subsidiary undertakings on the basis that their results are included in the group accounts of Virgin Media Finance PLC (see note 20).

The company has taken advantage of Section 231(5) of the Companies Act 1985 and disclosed only those investments whose results or financial position principally affected the figures shown in the company's financial statements.

9. Investments *(continued)*

All of the material investments in which the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are dormant except for:

Name of Company	*Country of Incorporation*	*Holdings*	*Proportion Held*	*Nature of Business*
Birmingham Cable Limited	UK	Ordinary	47%	Telecoms
ntl Funding Limited	UK	Ordinary	100%	Finance
ntl National Networks Limited	UK	Ordinary	100%	Finance

10. Debtors

	2007	2006
	£000	£000
Trade debtors	**9,884**	8,414
Amounts owed by group undertakings	**4,844,357**	4,195,559
Other debtors	**–**	403,867
Other prepayments and accrued income	**4,148**	1,937
	4,858,389	4,609,777

Amounts owed by group undertakings are generally interest free and stated after deducting an impairment provision of £732,887,000 (2006 - £571,869,000).

Amounts owed by group undertakings are generally repayable on demand but are not expected to be recovered in full within one year.

Amounts owed by group undertakings include inter-company loans, not due within one year, amounting to £156,349,000 (2006 - £719,884,000) which bear interest at rates ranging from 4.84% to 7.99% (2006 - 4.8% to 6.7%).

11. Creditors: Amounts falling due within one year

	2007	2006
	£000	£000
Amounts owed to group undertakings	6,108,607	5,293,064
Taxation and social security	–	3,115
Finance lease agreements	19,432	16,867
Other creditors	1,967	52,965
Accruals and deferred income	6,522	149,534
	6,136,528	5,515,545

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

12. Creditors: Amounts falling due after more than one year

	2007	2006
	£000	£000
Amounts owed to group undertakings	1,116,249	1,090,861
Finance lease agreements	33,799	31,368
	1,150,048	1,122,229

Amounts owed to group undertakings are unsecured and repayable on demand but are not expected to be repaid within five years. £1,025,449,000 (2006 - £994,554,000) of this amount bears interest at rates in the range 5.03% to 5.23% (2006 - 5.23%). The remainder of the amounts owed to group undertakings is interest free.

13. Commitments under finance lease agreements

Future commitments under finance lease agreements are as follows:

	2007	2006
	£000	£000
Amounts payable within 1 year	19,432	16,867
Amounts payable between 1 and 2 years	11,582	9,661
Amounts payable between 3 and 5 years	22,217	4,697
Amounts payable after more than 5 years	-	17,010
	53,231	48,235

14. Share-based payments

Equity-settled share-based payments

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc. Accordingly, the company has no share-based compensation plans of its own, although certain of the company's employees (including directors) participated in the stock-based compensation plan of Virgin Media Inc., as summarised below.

Share option plans

The Virgin Media Inc. Stock Option Plan is intended to provide incentives to certain employees of the Virgin Media group to foster and promote the long-term growth and performance of the group and to better align such employees' interests with those of the group.

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 Virgin Media Inc. Stock Option Plan, the company accounts for the plan under the fair value recognition provisions of Financial Reporting Standard 20 "Share-based Payment" (FRS 20).

The company had no employees for the year ended 31 December 2007 as Virgin Media Limited had become the principal employer, however there were options granted in the year ended 31 December 2006.

The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Year ended 31 December	2006
Risk-free Interest Rate	4.86%
Expected Dividend Yield	0.00%
Expected Volatility	25.28%
Expected Lives	2.486

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical realised volatility of the ultimate parent company's stock, matched to the expected life of the option, is indicative of future trends, which may not necessarily be the actual outcome.

14. Share-based payments *(continued)*

The company had no employees for the year ended 31 December 2007. A summary of the activity and related information of the Virgin Media Inc. Stock Option Plan, pertaining to the employees of the company, for the year ended 31 December 2006 is as follows:

	2007 Options	2007 Weighted Average Exercise Price	2006 Options	2006 Weighted Average Exercise Price
As at 1 January	2,001,440	$19.41	-	-
Transferred out	(2,001,440)	$19.41	-	-
Granted	-	-	2,799,885	$18.01
Exercised	-	-	(680,110)	14.00
Forfeited	-	-	(118,335)	17.33
Outstanding at end of year	-	-	2,001,440	$19.41
Exercisable at end of year	-	-	275,781	$16.64

The weighted average share price at the date of exercise for the options exercised in 2006 was $25.33.

For the share options outstanding as at 31 December 2006, the weighted average remaining contractual life was 8.43 years. The weighted average fair value of options granted during the year ended 31 December 2006 was $8.19. The range of exercise prices for options outstanding at 31 December 2006 was $0.02 - $29.69.

Non-vested shares

	2007 Options	*2007 Weighted Average Exercise Price*	*2006 Options*	*2006 Weighted Average Exercise Price*
Non-vested at 1 January	87,500	$25.34	-	-
Granted	-	-	87,500	$25.34
Transferred out	(87,500)	($25.34)	-	-
Non-vested at 31 December	-	-	87,500	$25.34

Non-vested shares are shares or options issued with certain restrictions attached, which can be either service-based or performance related. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the weighted average assumptions listed above.

The expense recognised for equity-settled share-based payments in respect of employee services received during the year to 31 December 2006 was £11,036,000. There are no cash settlement alternatives. Employees have transferred to Virgin Media Limited and have retained any rights to the Virgin Media Inc. share-based compensation plan.

15. Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2007	2006
	£000	£000
Operating leases which expire:		
After more than 5 years	-	1,930

Commitments under operating leases have been transferred to Virgin Media Limited.

16. Contingent liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks under which it has guaranteed the borrowings of certain Virgin Media group companies. At 31 December 2007, the maximum contingent liability represented by outstanding borrowings by these companies amounted to approximately £4,905 million (2006 - £5,125 million). Borrowings under the facility are secured against the assets of certain members of the group including those of the company.

The company has joint and several liabilities under a group VAT registration.

17. Related party transactions

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

18. Share capital

Authorised share capital:

	2007	2006
	£000	£000
1,750,000,000 (2006 - 1,750,000,000) Ordinary shares of £1 each	**1,750,000**	1,750,000

Allotted, called up and fully paid:

		2007		2006
	No	**£000**	No	£000
Ordinary shares of £1 each	**1,735,850,552**	**1,735,851**	1,735,850,552	1,735,851

On 18 December 2006, 1,735,850,550 ordinary shares with an aggregate nominal value of £1,735,850,550 were issued at par in consideration for the reduction in amounts due to group undertakings totalling approximately £1,735,851,000.

19. Reconciliation of shareholder's funds and movement on reserves

	Share capital £000	Share options reserve £000	Capital reserve £000	Profit and loss account £000	Total share-holder's funds £000
At 1 January 2006	–	–	1,650	(1,359,095)	(1,357,445)
Loss for the year	–	–	–	(107,572)	(107,572)
New equity share capital issued	1,735,851	–	–	–	1,735,851
Recognition of equity-settled share-based payments in the year	–	11,036	–	–	11,036
Recharged in year	–	(11,036)	–	–	(11,036)
At 31 December 2006 and 1 January 2007	1,735,851	–	1,650	(1,466,667)	270,834
Loss for the year	–	–	–	(547,921)	(547,921)
At 31 December 2007	1,735,851	–	1,650	(2,014,588)	(277,087)

20. Parent undertaking and controlling party

The company's immediate parent undertaking is Telewest Communications Holdings Limited.

The smallest and largest groups of which the company is a member and for which group accounts have been drawn up are those headed by Virgin Media Finance PLC and Virgin Media Inc., respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2007 was Virgin Media Inc., a company incorporated in the state of Delaware, United States of America. Virgin Media Inc. changed its name from NTL Incorporated on 6 February 2007.

Copies of all sets of group accounts, which include the results of the company, are available from the Secretary, Virgin Media, 160 Great Portland Street, London, W1W 5QA.