

COMPANY REGISTRATION NUMBER 2833330

**Virgin Net Limited**  
**Financial Statements**  
**31 December 2007**



# Virgin Net Limited

## Financial Statements

Year ended 31 December 2007

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# Virgin Net Limited

## Company Information

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<b>The board of directors</b>	R M Mackenzie R C Gale
<b>Joint company secretaries</b>	R M Mackenzie G E James
<b>Registered office</b>	160 Great Portland Street London W1W 5QA
<b>Auditor</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

# Virgin Net Limited

## The Directors' Report

Year ended 31 December 2007

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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 activity of the company, was and will continue to be, to act as a broadband internet and telephone service provider. The service is aimed primarily at customers with a BT telephone line who are not on Virgin Media's cabled network.

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.

# Virgin Net Limited

## The Directors' Report *(continued)*

### Year ended 31 December 2007

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#### Principal activity and business review *(continued)*

Turnover has increased by 6.7% to £60,197,000 for the year ended 31 December 2007 from £56,425,000 in 2006. The increase in turnover was predominantly due to the rise in the number of broadband and telephone customers served by the company, which generally generate higher revenues than Pay-As-You-Go and unmetered customers.

Gross profit margins have fallen to 22.3% for the year ended 31 December 2007 from 36.6% in 2006. The decrease was predominantly due to a fall in the number of higher margin Pay-As-You-Go and unmetered customers served by the company together with an increase in the one-off direct costs associated with attracting new Broadband customers.

Selected statistics for customers served by the company at 31 December 2007 and 31 December 2006 are shown in the table below:

Year ended 31 December	2007	2006
Revenue generating units:		
Internet:		
Broadband	275,000	236,000
Pay-As-You-Go (narrowband)	4,000	10,000
Unmetered (narrowband)	112,000	225,000
Fixed-line telephone	84,000	6,000
Total	<u>475,000</u>	<u>477,000</u>

Administrative expenses decreased by 12.5% in 2007 over 2006. The decrease was mainly due to a reduction in the number of people employed by the company due to certain functions, such as telesales being amalgamated with the Virgin Media group's Cable operations.

The company reported an operating loss of £2,659,000 for the year ended 31 December 2007 compared to an operating profit of £2,225,000 in 2006. The change was predominantly due to the reasons stated above.

The company reported a decrease in both net assets and net current assets as at 31 December 2007 as a result of normal operations. No external finance was arranged or settled and there was no movement in the called up equity share capital of the company as at 31 December 2007. Operations are financed through the company's own working capital and inter-company balances with fellow group undertakings.

#### Future developments

During 2008 the Virgin Media group announced that as a result of Local Loop Unbundling (LLU) it has now installed its own equipment in a number of BT exchanges. This allows the company to offer customers in certain areas ADSL internet services at faster speeds (up to 16 Mb) and lower prices. The service is aimed primarily at customers with a BT telephone line who are not on Virgin Media's cabled network.

#### Results and dividends

The loss for the financial year amounted to £1,702,000 (2006 - profit of £2,798,000). The directors have not recommended an ordinary dividend (2006 - £nil).

# Virgin Net Limited

## The Directors' Report *(continued)*

Year ended 31 December 2007

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### Financial risk management

The company's operations expose it to a variety of financial risks that include liquidity 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.

#### *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 M Mackenzie  
R C Gale

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  
Company secretary and director

Approved by the directors on 14<sup>th</sup> January 2009

# Virgin Net Limited

## Statement of Directors' Responsibilities

Year ended 31 December 2007

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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.

# Virgin Net Limited

## Independent Auditor's Report to the Members of Virgin Net Limited

Year ended 31 December 2007

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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 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, 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 members those matters we are required to state to them 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 members as a body, 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.



# Virgin Net Limited

Independent Auditor's Report to the Members of Virgin Net Limited *(continued)*

Year ended 31 December 2007

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## 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

14 January 2009

# Virgin Net Limited

## Profit and Loss Account

Year ended 31 December 2007

	Note	2007 £000	2006 £000
Turnover		60,197	56,425
Cost of sales		(46,750)	(35,797)
Gross profit		13,447	20,628
Administrative expenses		(16,106)	(18,404)
Operating (loss)/profit	2	(2,659)	2,224
Interest receivable	4	666	574
(Loss)/profit on ordinary activities before taxation		(1,993)	2,798
Tax on (loss)/profit on ordinary activities	5	291	—
(Loss)/profit for the financial year	14	(1,702)	2,798

All of the activities of the company are classed as continuing.

### Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the loss of £1,702,000 attributable to the shareholders for the year ended 31 December 2007 (2006 - profit of £2,798,000).

The notes on pages 10 to 17 form part of these financial statements.

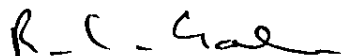
# Virgin Net Limited

## Balance Sheet

31 December 2007

	Note	2007 £000	2006 £000
<b>Fixed assets</b>			
Intangible assets	6	—	—
Tangible assets	7	250	410
		<u>250</u>	<u>410</u>
<b>Current assets</b>			
Debtors	8	15,775	4,469
Cash at bank		—	15,241
		<u>15,775</u>	<u>19,710</u>
<b>Creditors: Amounts falling due within one year</b>	9	<u>(9,080)</u>	<u>(11,473)</u>
<b>Net current assets</b>		<b>6,695</b>	<b>8,237</b>
<b>Total assets less current liabilities</b>		<b><u>6,945</u></b>	<b><u>8,647</u></b>
<b>Capital and reserves</b>			
Called-up equity share capital	13	13,318	13,318
Share premium account	14	37,327	37,327
Share options reserve	14	7	7
Profit and loss account	14	(43,707)	(42,005)
<b>Shareholders' funds</b>	14	<b><u>6,945</u></b>	<b><u>8,647</u></b>

These financial statements were approved by the directors on 14<sup>th</sup> January 2009 and are signed on their behalf by:



R C Gale  
Director

The notes on pages 10 to 17 form part of these financial statements.

# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

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### 1. Accounting policies

#### *Accounting convention*

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

#### *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 15).

#### *Turnover*

Turnover represents the value of services provided, stated net of Value Added Tax, and is attributable to continuing activities, being the provision of telephony and internet services and revenue derived from advertising sales and commission for the use of the company website, all of which is derived from operations in the United Kingdom. The directors consider this to be a single class of business.

#### *Intangible fixed assets*

Customer lists were capitalised at cost and amortised over a straight-line basis, which was deemed to be twelve months.

#### *Tangible fixed assets*

Depreciation is provided on all tangible fixed assets 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:

Fixtures and fittings	3 - 4 years
Computer equipment	3 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.

#### *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.

#### *Trade and other debtors*

Trade and other debtors are stated at their recoverable amount. Provision is made when the amount receivable is not considered recoverable and the full amount is written off when the probability for recovery of a balance is assessed as being remote.

# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

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

#### *Share-based payments*

The company has no share-based compensation plans. Certain of the company's employees participated in the Virgin Media Inc. Stock Incentive Plan, which is described in Virgin Media Inc.'s Annual Report and summarised in note 10 below.

Certain employees of the company 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)/profit

Operating (loss)/profit is stated after charging:

	2007	2006
	£000	£000
Depreciation of owned fixed assets	179	162
Loss on disposal of fixed assets	—	17
Auditor's remuneration		
- as auditor	6	20

The directors' remuneration is paid by Virgin Media Limited and disclosed in the group accounts of Virgin Media Finance PLC.

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.

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.

# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

### 3. Staff costs

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

	2007	2006
	No	No
Office administration	5	9
Sales and marketing	13	25
Operations	23	45
	<u>41</u>	<u>79</u>

The aggregate payroll costs of the above were:

	2007	2006
	£000	£000
Wages and salaries	2,465	4,254
Social security costs	109	469
Other pension costs	21	104
Equity-settled share-based payments	-	7
	<u>2,595</u>	<u>4,834</u>

The number of staff employed by the company reduced significantly during the year, due to its operations being amalgamated with those of the Virgin Media group's cable segment. The company is not expected to have any directly employed staff during the year ended 31 December 2008, but will be charged an allocation of staff costs by the Virgin Media group.

### 4. Interest receivable

	2007	2006
	£000	£000
Bank interest receivable	<u>666</u>	<u>574</u>

### 5. Taxation

#### (a) Analysis of credit in the year

The tax credit is made up as follows:

	2007	2006
	£000	£000
<b>Current tax credit:</b>		
Current tax on loss for the year	291	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
	<u>291</u>	<u>-</u>
Total tax credit on loss on ordinary activities		

# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

### 5. Taxation (continued)

#### (b) Factors affecting current tax 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)/profit on ordinary activities before taxation	(1,993)	2,798
(Loss)/profit on ordinary activities multiplied by the rate of tax	(598)	839
Expenses not deductible for tax purposes	19	240
Decelerated capital allowances	99	81
Utilisation of tax losses	-	(1,142)
Unrelieved tax losses	189	-
Group relief claimed without payment	-	(18)
Total current tax (note 5(a))	(291)	-

#### (c) Factors that may affect future tax charges

Deferred tax assets of £4,776,000 (2006 - £4,215,000) in respect of tax losses and £1,333,000 (2006 - £1,275,000) in respect of depreciation in excess of capital allowances have not been recognised as there is currently no persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse.

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.

As a result of the change in the standard rate of corporation tax the movements in deferred tax assets not recognised include the following reductions:

	£000
Tax losses	(341)
Depreciation in excess of capital allowances	(95)
	(436)

# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

### 6. Intangible fixed assets

	Customer lists <i>Restated</i> £000
<b>Cost</b>	
At 1 January 2007 and 31 December 2007	<u>11,600</u>
<b>Amortisation</b>	
At 1 January 2007 and 31 December 2007	<u>(11,600)</u>
<b>Net book value</b>	
At 31 December 2007	<u>—</u>
At 31 December 2006	<u>—</u>

Both cost and accumulated amortisation were understated by £1,600,000 in the prior year. Both amounts have been restated in the current year and there was no impact on either the Balance Sheet or Profit and Loss Account.

### 7. Tangible fixed assets

	Fixtures & fittings £000	Electronic equipment £000	Total £000
<b>Cost</b>			
At 1 January 2007	44	665	709
Additions	<u>—</u>	<u>19</u>	<u>19</u>
At 31 December 2007	<u>44</u>	<u>684</u>	<u>728</u>
<b>Depreciation</b>			
At 1 January 2007	43	256	299
Charge for the year	<u>1</u>	<u>178</u>	<u>179</u>
At 31 December 2007	<u>44</u>	<u>434</u>	<u>478</u>
<b>Net book value</b>			
At 31 December 2007	<u>—</u>	<u>250</u>	<u>250</u>
At 31 December 2006	<u>1</u>	<u>409</u>	<u>410</u>

### 8. Debtors

	2007 £000	2006 £000
Trade debtors	2,055	2,379
Amounts owed by group undertakings	10,578	—
Prepayments and accrued income	<u>3,142</u>	<u>2,090</u>
	<u>15,775</u>	<u>4,469</u>



# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

### 9. Creditors: Amounts falling due within one year

	2007	2006
	£000	£000
Bank loans and overdrafts	9	–
Trade creditors	–	169
Amounts owed to group undertakings	–	6,829
Corporation tax	–	291
Accruals and deferred income	9,071	4,184
	<u>9,080</u>	<u>11,473</u>

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

### 10. 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 participated in the share-based compensation plan of Virgin Media Inc., in the year ended 31 December 2006, as summarised below.

#### *Share option plans*

The Virgin Media Inc. Stock Incentive Plan is intended to encourage Virgin Media Inc. share ownership by employees, directors and independent contractors so that they may acquire or increase their proprietary interest in the group, and to encourage such employees and independent contractors to remain in the group's employ or service and to put forth maximum efforts for the success of the business. To accomplish such purposes, the plan provides that Virgin Media Inc. may grant incentive share options, non-qualified share options, restricted shares, restricted share units and share awards.

All options have a 10 year term and vest and become fully exercisable within 5 years of continued employment. The company accounts for the plan under the fair value recognition provisions of Financial Reporting Standard 20 'Share-based Payment' (FRS 20).

The expense recognised for equity-settled share-based payments in respect of employee services received during the year to 31 December 2007 is £nil (2006 - £7,262). There are no cash settlement alternatives.

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	2007	2006
Risk-free Interest Rate	-	4.59%
Expected Dividend Yield	-	0.00%
Expected Volatility	-	30.31%
Expected Lives	-	4.0 years

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.

# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

### 10. Share-based payments *(continued)*

A summary of the activity and related information of the Virgin Media Inc. Stock Option Plans, pertaining to the employees for the year ended 31 December 2007 is as follows:

	2007 Options	2007 Weighted Average Exercise Price	2006 Options	2006 Weighted Average Exercise Price
As at 1 January	24,864	\$25.17	-	-
Transferred out	(24,864)	\$25.17	-	-
Granted	-	-	24,864	\$25.17
Exercised	-	-	-	-
Expired	-	-	-	-
Forfeited	-	-	-	-
<b>Outstanding at end of year</b>	<b>-</b>	<b>-</b>	<b>24,864</b>	<b>\$25.17</b>
<b>Exercisable at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

For the share options outstanding as at 31 December 2006, the weighted average remaining contractual life was 9.92 years. The weighted average fair value of options granted during the year ended 31 December 2006 was \$7.78. The range of exercise prices for options outstanding at 31 December 2006 was \$24.29 - \$26.42.

### 11. 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.

### 12. 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.

# Virgin Net Limited

## Notes to the Financial Statements

Year ended 31 December 2007

### 13. Share capital

#### Authorised share capital:

	2007	2006
	£000	£000
19,055,650 Ordinary shares of £1 each	<u>19,056</u>	<u>19,056</u>

#### Allotted, called up and fully paid:

	2007		2006	
	No	£000	No	£000
Ordinary shares of £1 each	<u>13,317,888</u>	<u>13,318</u>	<u>13,317,888</u>	<u>13,318</u>

### 14. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Share premium account	Share options reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 January 2006	13,318	37,327	—	(44,803)	5,842
Profit for the year	—	—	—	2,798	2,798
Recognition of equity-settled share-based payments in the year	—	—	7	—	7
At 31 December 2006 and 1 January 2007	<u>13,318</u>	<u>37,327</u>	<u>7</u>	<u>(42,005)</u>	<u>8,647</u>
Loss for the year	—	—	—	(1,702)	(1,702)
At 31 December 2007	<u>13,318</u>	<u>37,327</u>	<u>7</u>	<u>(43,707)</u>	<u>6,945</u>

### 15. Parent undertaking and controlling party

The company's immediate parent undertaking is ntl Internet Services 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.