COMPANY REGISTRATION NUMBER 2833330

Virgin Net Limited

Financial Statements

31 December 2008

Virgin Net Limited

Financial Statements

Year ended 31 December 2008

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Virgin Net Limited

Company Information

The board of directors	R M Mackenzie R C Gale
Joint company secretaries	R M Mackenzie 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 2008.

Principal activities and business review

The principal activity of the company was, and will continue to be, to act as a broadband internet 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. The Virgin Media group is a leading UK entertainment and communications business providing a "quad-play" offering of television, broadband, fixed line telephone and mobile telephone services.

At 31 December 2008, by customer numbers, the Virgin Media group was the UK's largest residential broadband provider and mobile virtual network provider and the second largest provider in the UK of pay television and fixed line telephone services by number of customers. The group owned and operated cable networks that passed approximately 12.6 million homes in the UK and at 31 December 2008 provided services to approximately 4.8 million cable customers on its network, approximately 56% of which were "triple-play" customers, receiving broadband, television and fixed line telephone services. In addition, at 31 December 2008 the Virgin Media group provided mobile telephone services to 2.7 million pre-pay customers and 0.6 million contract customers over third party networks.

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. As a result it provides its customers with leading next generation broadband service and one of the most advanced TV on-demand services available in the UK market.

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 Virgin1, Living and Bravo; and through UKTV, its joint ventures with BBC Worldwide.

Principal activities and business review *(continued)*
Turnover has increased by 0.9% to £60,735,000 for the year ended 31 December 2008 from £60,197,000 in 2007. Revenue growth was predominantly due to increased call revenue from telephone customers, partially offset by a decline in the number of Broadband subscribers.

Gross profit margins remained broadly consistent at 22.7% for the year ended 31 December 2008 compared to 22.3% in 2007.

Selected statistics for customers served by the company at 31 December 2008 and 31 December 2007 are shown in the table below:

Year ended 31 December	**2008**	2007
Revenue generating units:		
Broadband	**252,000**	275,000
Fixed-line telephone	**119,000**	84,000
Total	**371,000**	359,000

Administrative expenses decreased by 9.1% in 2008 over 2007 mainly due to a reduction in the costs allocated to the company by the Virgin Media group, particularly through reduced employee related and facility costs, offset by increased depreciation charges caused by the significant capital expenditure incurred during the year, and an increase in the bad debt expense and bank charges allocated to the company by the Virgin Media group.

The company's operating loss has fallen from £2,659,000 in 2007 to £832,000 in 2008 predominantly due to the reasons stated above.

During the year the company made significant capital expenditure, outside of the Virgin Media group's network. The expenditure should reduce the company's line rental costs and allow it to bill customers for line rental directly, rather than requiring them to rent the line from a different provider. The expenditure should also enable the company to offer enhanced customer propositions in the future.

The company reported a decrease in net current assets and in net assets for the year ended 31 December 2008 as a result of normal operations. During the year, no new external finance was arranged and there was no movement in the called up equity share capital of the company. Operations were financed through the company's own working capital and inter-company balances with fellow group undertakings.

Results and dividends
The loss for the financial year amounted to £832,000 (2007 - loss of £1,702,000). The directors have not recommended an ordinary dividend (2007 - £nil).

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, including the repayment date and interest rate, 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.

Financial risk management *(continued)*

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. Mac

R M Mackenzie
Company secretary and director

Approved by the directors on 25 September 2009

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.

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. 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 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 2008 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

25 September 2009

Virgin Net Limited

Profit and Loss Account

Year ended 31 December 2008

	Note	2008 £000	2007 £000
Turnover		**60,735**	60,197
Cost of sales		**(46,926)**	(46,750)
Gross profit		**13,809**	13,447
Administrative expenses		**(14,641)**	(16,106)
Operating loss	2	**(832)**	(2,659)
Interest receivable	4	**-**	666
Loss on ordinary activities before taxation		**(832)**	(1,993)
Tax on loss on ordinary activities	5	**-**	291
Loss for the financial year		**(832)**	(1,702)

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 £832,000 attributable to the shareholders for the year ended 31 December 2008 (2007 - loss of £1,702,000).

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

Virgin Net Limited

Balance Sheet

31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Intangible assets	6	–	–
Tangible assets	7	3,835	250
		3,835	250
Current assets			
Debtors	8	8,569	15,775
Creditors: Amounts falling due within one year	9	(6,291)	(9,080)
Net current assets		2,278	6,695
Total assets less current liabilities		6,113	6,945
Capital and reserves			
Called-up equity share capital	12	13,318	13,318
Share premium account	13	37,327	37,327
Share options reserve	14	7	7
Profit and loss account	15	(44,539)	(43,707)
Shareholders' funds	16	6,113	6,945

These financial statements were approved by the directors on 25 September 2009 and are signed on their behalf by:

R C Gale

R C Gale
Director

The notes on pages 10 to 17 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.

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 17).

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, 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:

Fixtures and fittings	3 - 12 years
Electronic equipment	3 - 12 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.

2. Operating loss

Operating loss is stated after charging:

	2008	2007
	£000	£000
Depreciation of owned fixed assets	500	179
Auditor's remuneration		
- as auditor	4	6

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.

3. Staff costs

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

	2008	2007
	No	No
Office administration	–	5
Sales and marketing	–	13
Operations	–	23
	–	41

The aggregate payroll costs of the above were:

	2008	2007
	£000	£000
Wages and salaries	–	2,465
Social security costs	–	109
Other pension costs	–	21
	–	2,595

During the prior year the employees of the company transferred to Virgin Media Limited, a fellow group undertaking. The company is now charged an allocation of staff costs by the Virgin Media group. Details of staff numbers and staff costs of the group are disclosed in the group accounts of Virgin Media Finance PLC.

4. Interest receivable

	2008	2007
	£000	£000
Bank interest receivable	–	666

5. Taxation

(a) Analysis of charge in the year

The tax credit is made up as follows:

	2008	2007
	£000	£000
Current tax credit:		
Current tax on loss for the year	-	291
Deferred tax:		
Origination and reversal of timing differences	-	-
Total tax credit on loss on ordinary activities	-	291

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK. In 2008 the average tax rate was 28.50% (2007 - 30%).

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

	2008	2007
	£000	£000
Loss on ordinary activities before taxation	(832)	(1,993)
Loss on ordinary activities multiplied by the rate of tax	(237)	(598)
Expenses not deductible for tax purposes	33	19
Decelerated capital allowances	157	99
Unrelieved tax losses	-	189
Group relief surrendered without payment	47	-
Total current tax (note 5(a))	-	(291)

5. Taxation *(continued)*

(c) Factors that may affect future tax charges

Deferred tax assets in respect of the following amounts 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.

	2008	2007
	£000	£000
Tax losses	**4,328**	4,776
Capital allowances in excess of depreciation	**1,462**	1,333
	5,790	6,109

The UK Corporation tax rate decreased from 30% to 28% from 1 April 2008. This rate change will affect the amount of future tax payments to be made by the company. The unprovided deferred tax assets reflect this change.

6. Intangible fixed assets

	Customer lists
	£000
Cost	
At 1 January 2008 and 31 December 2008	**11,600**
Amortisation	
At 1 January 2008 and 31 December 2008	**11,600**
Net book value	
At 31 December 2008	**–**
At 31 December 2007	–

7. Tangible fixed assets

	Fixtures & Fittings £000	Electronic equipment £000	Total £000
Cost			
At 1 January 2008	44	684	728
Additions	–	4,085	4,085
At 31 December 2008	44	4,769	4,813
Depreciation			
At 1 January 2008	44	434	478
Charge for the year	–	500	500
At 31 December 2008	44	934	978
Net book value			
At 31 December 2008	–	3,835	3,835
At 31 December 2007	–	250	250

8. Debtors

	2008 £000	2007 £000
Trade debtors	2,016	2,055
Amounts owed by group undertakings	4,104	10,578
Prepayments and accrued income	2,449	3,142
	8,569	15,775

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

9. Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Bank loans and overdrafts	–	9
Amounts owed to group undertakings	978	–
Accruals and deferred income	5,313	9,071
	6,291	9,080

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

10. 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 amount outstanding, which as at 31 December 2008 amounted to approximately £4,289 million (2007 - £4,905 million). Borrowings under the facility are secured against the assets of certain members of the group including those of the company.

On 3 June 2009 and 21 July 2009 Virgin Media Finance PLC, a parent undertaking, issued 9.5% Senior Notes due in 2016. The proceeds of the issues, together with existing cash balances, were used to repay £1,012.1 million of the Virgin Media group's obligations under its senior credit facility.

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

11. 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.

12. Share capital

Authorised share capital:

	2008	2007
	£000	£000
19,055,650 Ordinary shares of £1 each	19,056	19,056

Allotted, called up and fully paid:

	2008		2007	
	No	£000	No	£000
Ordinary shares of £1 each	13,317,888	13,318	13,317,888	13,318

13. Share premium account

There was no movement on the share premium account during the financial year.

14. Share options reserve

	2008	2007
	£000	£000
Share options reserve	7	7

15. Profit and loss account

	2008	2007
	£000	£000
Balance brought forward	(43,707)	(42,005)
Loss for the financial year	(832)	(1,702)
Balance carried forward	(44,539)	(43,707)

16. Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Loss for the financial year	(832)	(1,702)
Opening shareholders' funds	6,945	8,647
Closing shareholders' funds	6,113	6,945

17. 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 2008 was Virgin Media Inc., a company incorporated in the state of Delaware, United States of America.

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.