

Registered Number
05061787

Virgin Media Finance PLC
Reports and Financial Statements
31 December 2014



Virgin Media Finance PLC

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Virgin Media Finance PLC
Directors and Officers
Registered Number
05061787

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Virgin Media Finance PLC
Strategic Report
for the year ended 31 December 2014

The directors present their Strategic Report on the group for the year ended 31 December 2014

For the purposes of this Strategic Report, Directors' Report and financial statements, the Virgin Media Finance PLC group will be referred to as "the group", Virgin Media Finance PLC the entity will be referred to as "the company", the group headed by Virgin Media Inc will be referred to as "the Virgin Media group", and the group headed by Liberty Global plc will be referred to as "the Liberty Global group"

The company is a subsidiary undertaking of Virgin Media Inc ("Virgin Media"). Virgin Media became a wholly-owned subsidiary of Liberty Global plc ("Liberty Global") as a result of a series of mergers that were completed on 7 June 2013 (the "LG/VM Transaction") This is referred to in more detail in the consolidated financial statements of Virgin Media Inc which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP

During December 2014, the Virgin Media group was involved in a group wide restructure which impacted the company through the following transactions:

- On 16 December 2014 Virgin Media Communications Limited, the company's immediate parent, contributed 34,584 of its holding of the company's shares to Merger Sub Inc, a fellow group undertaking, in return for two shares of Merger Sub Inc
- On 29 December 2014 Virgin Media Communications Limited contributed 18,260 of its holding of the company's shares to VMFH Limited, a fellow group undertaking, in exchange for 4,479,773,758 shares of VMFH Limited Virgin Media Communications Limited then assumed intercompany notes and accumulated interest payable of £2,850,182,000, in return for an intercompany receivable due from Virgin Media Group LLC, the immediate parent Virgin Media Communications Limited Subsequently, Virgin Media Communications Limited sold its shares in VMFH Limited to the company in exchange for the company assuming the intercompany notes payable along with the issuance of an additional note of \$46,743,000 (£30,053,000) for total consideration of £2,880,235,000. These shares are held within a Treasury Share reserve in the Group Balance Sheet.

PRINCIPAL ACTIVITIES

The Virgin Media group operates under the Virgin Media brand in the United Kingdom (U.K.)

The group provides digital cable, broadband internet, fixed-line telephony and mobile services in the U.K. to both residential and business-to-business (B2B) customers The group is one of the U.K.'s largest providers of residential digital cable, broadband internet and fixed-line telephony services in terms of the number of customers The group believes its advanced, deep-fibre cable access network enables us to offer faster and higher quality broadband services than our digital subscriber line, or DSL competitors As a result, it provides our customers with a leading, next-generation broadband service and one of the most advanced interactive TV services available in the U.K. market

The group's residential broadband subscribers generally access the internet at various download speeds ranging up to 152 Mbps depending on the tier of service selected. The group determines pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors

The group's digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including digital cable-on-demand), digital cable recorders, high definition and 3D programming and access to over-the-top content. The group provides mobile services to our customers using a third-party network through a MVNO arrangement In addition, the group provides broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organizations and service providers

As of 31 December 2014, the Virgin Media group provided services to approximately 5.0 million residential cable customers on its network The group is also one of the largest mobile virtual network operators by number of customers, providing mobile telephony services to 2.1 million contract mobile customers and 1.0 million prepay mobile customers over third party networks As of 31 December 2014, 84% of residential customers on the group's cable network received multiple services and 66% were "triple-play" customers, receiving broadband internet, digital cable and fixed-line telephony services from the group

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Liberty Global is the largest international cable company with operations in 14 countries. As of 31 December 2014, Liberty Global's market-leading triple-play services are provided through next-generation networks and innovative technology platforms that connected 27 million customers subscribing to 56 million television, broadband internet and telephony services. In addition, Liberty Global served 5 million mobile subscribers across nine countries at 31 December 2014.

PRINCIPAL ACTIVITIES (continued)

The principal activity of the company is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies. The company's investments include substantially all of the Virgin Media group's trading operating companies.

The group's reporting segments are based on its method of internal reporting and the information used by its chief executive officer, who is the chief operating decision maker, or CODM, to evaluate segment performance and make capital allocation decisions.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

For the year ended 31 December 2014, revenue increased by 2.3% to £4,094.2 million from £4,002.8 million in 2013 primarily as result of an increase in cable subscription revenue, partially offset by a reduction in other revenue. See further discussion of revenue under '*Performance against Key Performance Indicators*' below.

Cost of sales decreased by 1.2% to £1,203.0 million for the year ended 31 December 2014, from £1,218.1 million in 2013. This decrease has been driven by a decrease in network-related expenses due in part to a retroactive reduction in local authority charges for network infrastructure following a review by the U.K. government, reduction in interconnect costs due to lower fixed-line call volumes and rates, decreased costs associated with our non-cable subscriber base, and a decrease in mobile handset costs as a result of continued growth in Subscriber Identity Module ("SIM") only contracts. This decrease has been partially offset by an increase in programming and costs primarily due to the net effect of increased costs for sports rights and increased costs due to higher rates for certain basic and premium services.

Gross profit increased by 3.8% to £2,891.2 million for the year ended 31 December 2014, from £2,784.7 million for the year ended 31 December 2013 primarily due to the reasons detailed above. Gross margin has increased by 1% to 70.6% for the year ended 31 December 2014 from 69.6% for year ended 2013.

Administrative expenses decreased by 3.3% to £2,111.0 million for the year ended 31 December 2014, from £2,182.5 million for the year ended 31 December 2013. The decrease was primarily due to lower share-based payment expense which decreased from £80.4 million in 2013 to £27.9 million in 2014. The higher cost in 2013 is primarily due to the modification of awards and associated national insurance costs on consummation of the LG/VM Transaction. Depreciation decreased from £863.1 million to £850.3 million due to certain assets becoming fully depreciated during the year, partially offset by lower gains on the disposal of assets.

Finance income increased to £392.7 million for the year ended 31 December 2014, from £330.6 million for the year ended 31 December 2013. The increase in income was primarily as a result of interest income earned on loan receivables from other Virgin Media group undertakings and on related party loan receivables from other Liberty Global group undertakings due to higher loan balances. This was partially offset by foreign exchange gains in 2013 due to the weakening of the U.S. dollar relative to the pound sterling in respect of the U.S. dollar denominated debt issued by the group, compared to the foreign exchange losses in 2014.

Finance costs increased to £652.6 million for the year ended 31 December 2014, from £626.7 million for the year ended 31 December 2013. The increase in costs was principally driven by an increase in interest payable due to the net effect of higher average outstanding third party debt offset by lower weighted average interest rates, increased loss on extinguishment of debt, and foreign exchange losses due to the strengthening of the U.S. dollar relative to the pound sterling in respect of the U.S. dollar denominated debt issued by the group. These increases were partially offset by changes in the fair value of derivative financial instruments which following the LG/VM Transaction are no longer designated as accounting hedges.

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REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Performance against Key Performance Indicators

Revenue

Revenue includes amounts received from residential subscribers for ongoing services, as well as revenue earned from services to business customers, interconnect fees and other categories of non-subscription revenue. The use of the term "subscription revenue" in the following discussion refers to amounts received from cable and mobile residential customers for ongoing services. Other revenue includes, among other items, interconnect revenue, mobile interconnect revenue, non-cable services, mobile handset sales, installation revenue and late fees

Revenue by major category for the years ended 31 December 2014 and 2013 was as follows

| Revenue | 2014 £ million | 2013 £ million | Increase/ (decrease) |
|----------------------------|-------------------|-------------------|-------------------------|
| Subscription revenue | | | |
| Cable | 2,815.4 | 2,718.3 | 3.6 % |
| Mobile | 479.9 | 440.3 | 9.0 % |
| Total subscription revenue | 3,295.3 | 3,158.6 | 4.3 % |
| Business | 609.6 | 598.7 | 1.8 % |
| Other revenue | 189.3 | 245.5 | (22.9%) |
| | <u>4,094.2</u> | <u>4,002.8</u> | <u>2.3 %</u> |

The increase in cable subscription revenue was primarily due to an increase in the average number of broadband subscribers, and an increase in cable average revenue per user ("cable ARPU") to £49.05 for the year ended 31 December 2014 from £48.02 for the year ended 31 December 2013. The increase in cable ARPU was due to selective price increases in February 2014 and October 2013, the successful up-selling and cross-selling to existing customers, partially offset by a decrease in telephony usage, price discounting, and a change in legislation with respect to the charging of VAT. Cable products per customer remained consistent at 2.5 as at 31 December 2014 and 2013, and "triple play" penetration grew to 65.9% at 31 December 2014 from 65.7% at 31 December 2013. A triple play customer is a customer who subscribes to all three of the group's cable television, broadband and fixed-line telephone services

For the year ended 31 December 2014, mobile subscription revenue increased to £479.9 million from £440.3 million for the same period in 2013. The increase in mobile subscription revenue is due to an increase in the number of customers taking postpaid mobile services and price increases in July 2014 and July 2013, partially offset by a decrease in the number of prepaid mobile customers, a reduction in chargeable usage as subscribers move to higher-limit and unlimited usage bundles, and a decrease due to higher proportions of our postpaid customers taking lower-priced SIM-only contracts

Other revenue for the year ended 31 December 2014 decreased to £189.3 million from £245.5 million for the year ended 31 December 2013. The decrease in other revenue is primarily due to a decline in interconnect revenue as a result of a reduction of fixed-line termination rates in February 2014 and mobile termination rates in April 2013, a decline in our non-cable subscriber base, lower cable installation activities, partially offset by an increase in mobile handset sales

Business revenue for the years ended 31 December 2014 and 2013 was as follows

| Business Revenue | 2014 £ million | 2013 £ million | Increase/ (decrease) |
|------------------------|-------------------|-------------------|-------------------------|
| Data | 439.5 | 396.0 | 11.0 % |
| Voice | 127.6 | 147.3 | (13.4%) |
| Other | 42.5 | 55.4 | (23.3%) |
| Total Business Revenue | <u>609.6</u> | <u>598.7</u> | <u>1.8 %</u> |

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REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Business data revenue increased to £439.5 million for the year ended 31 December 2014 from £396.0 million for the year ended 31 December 2013. This increase was primarily due to increased volumes and an increase in the amortisation of deferred upfront fees.

Business voice revenue decreased to £127.6 million for the year ended 31 December 2014 from £147.3 million for the year ended 31 December 2013. This decrease was primarily due to lower telephony termination rates and a decline in voice usage.

Other business revenue includes equipment sales and certain non-recurring contract termination and modification fees. Other revenue has decreased to £42.5 million for the year ended 31 December 2014 from £55.4 million for the year ended 31 December 2013, primarily due to a reduction of upfront fees.

Summary residential cable statistics

Selected statistics for the group's residential cable customers are shown below:

| | 2014 | 2013 |
|---------------------------------|------------|------------|
| Total cable customers | 4,902,600 | 4,730,000 |
| Cable products | | |
| Television | 3,610,800 | 3,599,100 |
| Telephone | 4,144,300 | 3,976,900 |
| Broadband | 4,291,900 | 4,222,800 |
| Total cable products | 12,047,000 | 11,798,800 |
| Cable products per customer (i) | 2.5x | 2.5x |
| Triple play penetration | 65.9% | 65.7% |
| Cable ARPU (ii) | £49.05 | £48.02 |

(i) Each telephone, television and broadband internet subscriber directly connected to the Virgin Media group's network counts as one product. Accordingly, a subscriber who receives both telephone and television services counts as two products. Products may include subscribers receiving some services for free or at a reduced rate in connection with promotional offers.

(ii) Cable ARPU is calculated by dividing the average monthly subscription revenue (excluding installation, late fees, interconnect and mobile services revenue) for the indicated period, by the average of the opening and closing number of Customer Relationships for the period.

The total number of cable products grew to 12,047,000 at 31 December 2014 from 11,798,800 at 31 December 2013, representing a net increase in products of 248,200.

The group has seen particularly strong demand for 100 Mbps and 152 Mbps broadband speeds, which are not widely achievable on the main alternative network. The number of customers taking 100 Mbps and faster speeds has grown and now represents 28% of our total internet subscribers. The number of television products also increased and our advanced TV service, TiVo, continued to gain traction. By year end, the proportion of our television customers with TiVo increased to 68%. The group's telephone subscriber numbers increased following initiatives to improve customer understanding of the value that the home phone provides in the bundle.

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REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Summary mobile statistics

Selected statistics for the group's mobile customers are shown below

| | 2014 | 2013 |
|-------------------------------|------------------|------------------|
| Postpaid mobile customers (i) | 2,109,400 | 1,879,100 |
| Prepaid mobile customers (i) | 943,600 | 1,111,100 |
| Total mobile customers | <u>3,053,000</u> | <u>2,990,200</u> |
| Mobile ARPU (ii) | £15.40 | £14.36 |

(i) Postpaid Mobile Subscribers represent the number of active SIM cards relating to either a mobile service or a mobile broadband contract. Customers are considered as active if they have entered into a contract for a minimum 30-day period and have not been disconnected. Prepaid Mobile Subscribers are considered active if they have made an outbound call or text in the preceding 30 days.

(ii) Mobile monthly average revenue per user ("Mobile ARPU") is calculated by dividing the average monthly mobile subscription revenue (excluding activation, handset fees and late fees) for the indicated period by the average of the opening and closing balances of total mobile subscribers in service for the period.

Between 31 December 2013 and 31 December 2014, the number of mobile customers increased by a net 62,800 customers. Postpaid customer net gains of 230,300 were offset by a loss of 167,500 prepaid customers. Of the group's mobile subscribers, 69% took postpaid contracts, as compared to 63% at the end of 2013.

Future outlook

The operations of the group include substantially all the operational activity of the Virgin Media group and as such the group aligns its future objectives with the Virgin Media group.

Virgin Media group's net cable subscriber growth was 13,700 during the three months ended 31 March 2015 during which time the Virgin Media group added 18,800 postpaid mobile subscribers. Additionally, the group announced a network expansion programme which is expected to connect up to four million homes to the network through 2020. Further information is provided in Virgin Media Inc.'s financial statements and annual report for 2014 and in the Q1 2015 Selected Operating and Financial Results release, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

FINANCING

As of 31 December 2014 the group had £9,309.7 million of financial liabilities compared with £9,019.7 million as at 31 December 2013. The principal changes to financial liabilities during the year are discussed below.

Senior credit facility

In April 2014, the Virgin Media Credit Facility Borrowers entered into a new £100.0 million term loan (VM Facility D) and a new £849.4 million term loan (VM Facility E), each under the VM Credit Facility. The proceeds received from the VM Facility D and E, the VM revolving credit facility and the additional £175.0 million proceeds of the 2029 VM Senior Secured Notes, were used to fully redeem the \$1,000.0 million and £875.0 million principal amounts of the senior secured notes due 2018, together with the redemption of VM Facility C with a principal amount of £600.0 million.

At 31 December 2014, all four term loan facilities had been drawn and the group had full availability under its £660 million revolving credit facility.

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FINANCING (continued)

Senior notes and senior secured notes

At 31 December 2014, the group had in issue US dollar and pounds sterling denominated senior unsecured notes and senior secured notes with a principal amount outstanding of £1,374.3 million (2013 - £1,276.1 million) and £3,850.3 million (2013 - £4,095.2 million), net of issue costs respectively

On 28 March 2014, Virgin Media Secured Finance PLC issued \$425.0 million 5.5% senior secured notes due 2025, £430.0 million 5.5% senior secured notes due 2025 and £225.0 million 6.25% senior secured notes due 2029. In April 2014, the net proceeds were used to redeem all of the £875.0 million 7.0% senior secured notes due 2018, including the related redemption premium

In April 2014, Virgin Media Secured Finance PLC issued £175.0 million principal amount of 6.25% senior secured notes due 28 March 2029 at an issue price of 101.75%. The net proceeds together with the proceeds from VM Facilities D and E (as defined and described above) were used to fully redeem the \$1.0 billion principal amount of 6.5% senior secured notes due 2018

On 7 October 2014, the company issued £300.0 million principal amount of 6.375% senior notes and \$500.0 million principal amount of 6.0% senior notes due 2024. The net proceeds were used to fully redeem the \$507.1 million principal amount of 8.375% and the £253.5 million principal amount of 8.875% senior notes due 2019

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The group is exposed to volatility in its cash flows and earnings resulting from changes in interest rates and foreign currency exchange rates. The group has entered into various derivative instruments with a number of counterparties to manage this volatility of its cash flows and earnings.

The group has entered into cross-currency interest rate swaps to manage interest rate and foreign exchange rate currency exposures resulting from the variable and fixed rates of interest paid on dollar denominated debt obligations and movements in fair value on certain of its U.S. dollar denominated debt. Additionally, the group has entered into interest rate swaps to manage interest rate exposures resulting from the variable and fixed rates of interest paid on sterling denominated debt obligations and movements in fair value on certain of its sterling denominated debt. The group has also entered into US dollar forward rate contracts to manage foreign exchange rate currency exposures related to certain committed and forecasted purchases. See Note 22 to the financial statements for further information on the group's derivative instruments.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk management

Details of the financial risks and how they are managed are outlined in note 21 to the financial statements. The principal financial risks faced by the group are credit risk, interest rate risk, foreign exchange rate risk and liquidity risk

Principal non-financial risks

Virgin Media Finance PLC is a member of the Virgin Media group, which manages the principal non-financial risks and uncertainties and is headed by Virgin Media Inc. These risks, among others, are discussed in more detail in Virgin Media Inc's annual report, which is available to the public on its website at www.libertyglobal.com/ir under "Fixed Income Filings". The information on the website is not part of this report. The principal non-financial risks include the following:

- economic and business conditions and industry trends in the markets in which we operate,
- the competitive environment in the cable television, broadband and telecommunications industries in the UK, including competitor responses to our products and services,
- instability in global financial markets, including sovereign debt issues in the European Union (EU) and related fiscal reforms,
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt,
- changes in consumer television viewing preferences and habits,

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PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- consumer acceptance of our existing service offerings, including our digital cable, broadband internet, fixed-line telephony and mobile and B2B (as defined in this annual report) service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- the group's ability to manage rapid technological changes,
- the group's ability to maintain or increase the number of subscriptions to our digital cable, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household,
- the group's ability to provide satisfactory customer service, including support for new and evolving products and services,
- the group's ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers,
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital,
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings,
- government intervention that impairs our competitive position, including any intervention that would open our broadband distribution networks to competitors and any adverse change in our accreditations or licenses,
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate,
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks,
- the ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- the availability of attractive programming for our digital cable services at reasonable costs,
- uncertainties inherent in the development and integration of new business lines and business strategies;
- the group's ability to adequately forecast and plan future network requirements,
- the availability of capital for the acquisition and/or development of telecommunications networks and services,
- the group's ability to successfully integrate and realise anticipated efficiencies from the LG/VM Transaction and from businesses we or Liberty Global may acquire,
- leakage of sensitive customer data,
- the outcome of any pending or threatened litigation,
- the loss of key employees and the availability of qualified personnel,
- changes in the nature of key strategic relationships with partners and joint ventures,
- adverse changes in public perception of the "Virgin" brand, which we and others license from Virgin Group Limited, and any resulting impacts on the goodwill of customers toward us, and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events

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EVENTS SINCE THE BALANCE SHEET DATE

On 12 February 2015, a wholly-owned subsidiary of the company paid aggregate cash consideration of €1,341.3 million (£993.8 million at the transaction date) to acquire a 65% controlling interest in UPC Broadband Ireland Limited (UPC Ireland) and its subsidiaries from a subsidiary of Liberty Global outside of the Virgin Media group and 100% of a €634.3 million (£470.0 million at the transaction date) receivable from Lynx Europe 2 Limited, another subsidiary of Liberty Global, on an 8.5% note receivable due in 2023. The remaining 35% non-controlling interest in UPC Ireland was acquired by another subsidiary of Liberty Global outside the Virgin Media group.

On 28 January 2015, in contemplation of the UPC Ireland acquisition:

- Virgin Media Secured Finance plc, a wholly-owned subsidiary of the company, issued £300.0 million 5.125% senior secured notes due 2025, and
- the company issued \$400.0 million (£263.6 million at the transaction date) 5.75% senior notes due 2025 and €460.0 million (£344.2 million at the transaction date) 4.50% senior notes due 2025.

On 30 March 2015, Virgin Media Secured Finance PLC issued \$500 million (£336.8 million at transaction date) 5.25% senior secured notes due 2026 and £525 million 4.875% senior secured notes due 2027.

On 31 March 2015 the proceeds received were used to:

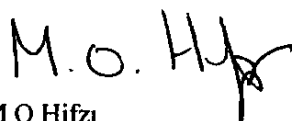
- redeem 10% of £1,100 million 6% senior secured notes due 2021
- redeem 10% of \$1,000 million 5.375% senior secured notes due 2021
- redeem 10% of £430 million 5.5% senior secured notes due 2025
- repay \$400 million of the VM Facility B, and
- fully repay \$375 million of the VM Facility A.

On 30 April 2015, Virgin Media Secured Finance PLC issued a further \$500 million (£329.3 million at transaction date) in addition to the \$500 million 5.25% senior secured notes due 2026 issued on 30 March 2015. The proceeds received were used to repay \$500 million of VM Facility B (principal amount of \$2,355 million following the prepayment on 31 March 2015) on 1 May 2015.

On 5 June 2015, a wholly-owned subsidiary of the company issued a new \$1,855 million term loan "VM Facility F". The proceeds received from VM Facility F were used to fully repay the remaining \$1,855 million of VM Facility B (principal amount of \$1,855 million following the prepayment on 1 May 2015).

On 13 February 2015, the Virgin Media group announced our intention to undertake a network extension programme in order to achieve what the group believe will be attractive returns. Pursuant to the proposed programme the group may connect up to an estimated four million additional homes and businesses to our broadband communications network in the UK from 2015 through 2020 (the Network Extension). These additional premises were identified through a detailed review of our existing network in the UK that highlighted an opportunity to drive further scale by targeting accretive network extensions. The Network Extension will be completed in phases and will initially focus on the most accretive expansion opportunities. For more information regarding the Network Extension, see *Management's Discussion and Analysis of Financial Results* included in Part II of the Virgin Media group's annual report.

On behalf of the board



M O Hifzi
Director
25 June 2015

Virgin Media Finance PLC
Directors' Report
for the year ended 31 December 2014

The directors present their report and the financial statements for the group for the year ended 31 December 2014

RESULTS AND DIVIDENDS

The group made a profit for the year, after taxation, of £513.8 million (2013 – loss of £70.1 million). The directors have not recommended the payment of a dividend (2013 – £nil).

DIRECTORS AND THEIR INTERESTS

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

P A Buttery (appointed on 1 February 2015)

R D Dunn

M O Hifzi (appointed on 31 March 2014)

T Mockridge

D M Strong (resigned on 31 January 2015)

C B E Withers (resigned on 31 March 2014)

The directors of the company have been indemnified 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 for directors serving during the financial year and as at the date of approving the Directors' Report.

EMPLOYMENT POLICIES AND DISABLED EMPLOYEES

Virgin Media remains committed to the continuing introduction and practice of progressive employment policies which reflect changing business, social and employee needs.

Virgin Media aims to ensure that everyone connected to it is treated fairly and equally, whether they are a current or former member of staff, job applicant, customer or supplier.

Nobody should be discriminated against, either directly or indirectly, on the grounds of gender, gender reassignment, marital status, pregnancy, race, ethnic origin, colour, nationality, national origin, disability, sexual orientation, religion or belief, age, political affiliation or trade union membership. The policy applies to anyone who works for, who has worked for or who applies to work for Virgin Media or its partners. That means permanent, temporary, casual or part-time staff, anyone on a fixed-term contract, agency staff and consultants working with Virgin Media, ex-employees and people applying for jobs. This applies to all aspects of employment, including recruitment and training.

Virgin Media gives full consideration to applications from employees with disabilities where they can adequately fulfil the requirements of the job. Depending on their skills and abilities, employees with a disability have the same opportunities for promotion, career development and training as other employees. Where existing employees become disabled, it is Virgin Media's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

In line with Liberty Global's 'Code of Business Conduct', the group's employees and directors are expected to display responsible and ethical behaviour, to follow consistently both the meaning and intent of this Code and to act with integrity in all of the group's business dealings. Managers and supervisors are expected to take such action as is necessary and appropriate to ensure that the group's business processes and practices are in full compliance with the Code.

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EMPLOYMENT POLICIES AND DISABLED EMPLOYEES (continued)

Employee Involvement

The Virgin Media group is dedicated to increasing the practical involvement of individuals in the running of its business. It seeks to achieve this as follows:

- all employees are encouraged to understand the aims of the Virgin Media group and of their own business area and to contribute to improving business performance through their knowledge, experience, ideas and suggestions. This requires strong communication to ensure that employees are briefed as widely as possible about activities and developments across Virgin Media. The online news channel, open forums, newsletters and team meetings play important roles in this, as do the development of people management skills and the ongoing conversations about performance and development which underpin mid-year and year-end reviews,
- the Virgin Media group ensures that all employees are involved and consulted through "Voice" which operates at a national, divisional and local level. It enables employees and employers to have an open and transparent relationship with a flow of information. It is focused around sharing information, involving employees in decision making, gaining access to knowledge and experience or resolving differences of opinion. Involving employees in decision making enhances confidence and job satisfaction, creates a sense of belonging and empowerment, reduces stress and impacts positively on wellbeing.

The Virgin Media group fosters a team spirit among employees and their greater involvement by offering participation in bonus or local variable reward schemes and team development opportunities. Virgin Media also operates a recognition scheme designed to reward employees for behaviours which are consistent with the Virgin Media values and has a volunteering scheme which allows employees to take a day each year to volunteer with a charity or organisation of their choice.

CHARITABLE AND POLITICAL DONATIONS

During the year charitable donations totalling £142,442 (2013 - £344,820) were made but no political donations were made in the year (2013 - £nil).

ENVIRONMENTAL POLICIES

The Virgin Media group has a long-term commitment to growing a responsible and sustainable business and creating positive impacts for people and communities in the U.K. Accountability for delivering the sustainability strategy sits with its Corporate Responsibility Committee. Chaired by the Virgin Media group's Chief Executive Officer, it comprises members of senior management who represent its core business functions. Supported by the Virgin Media group's dedicated Sustainability Team, the Corporate Responsibility Committee meets quarterly to review the Virgin Media group's progress.

The Virgin Media group continues to use its expertise, infrastructure and resources to pursue its strategic focus on the positive impact of digital technology in people's lives, communities and society at large. In 2013 the long-standing Virgin Media Pioneers initiative, which uses digital technology to support the next generation of entrepreneurs, increased its participant numbers by approximately 50% to nearly 6000 members. Virgin Media also completed a major engagement programme called "Our Digital Future" to better understand the nation's hopes, concerns and attitudes toward the internet and our increasingly digital lives. Over 3,000 people had their say online and in person, including Virgin Media staff, customers, members of the public, policy makers and digital experts, and plans are now in place to launch a series of commitments and provide people with useful tools to help them to get the best from life online.

In 2014 Virgin Media continued to focus on three priority areas to improve sustainability across the Virgin Media group: its products, its operations and its people. Targets for improved performance were set across each of these areas, in addition to the Virgin Media group's long-term target of reducing its 2007 carbon footprint by 15% by 2015.

The Virgin Media group will continue to share updates on its performance and key highlights on its progress through its award winning sustainability website <http://www.virginmedia.com/sustainability>.

Virgin Media Finance PLC
Directors' Report
for the year ended 31 December 2014

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2014, the group had an average of 30 days purchases outstanding in trade creditors. The company had no trade creditors, as its function is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies

GOING CONCERN

As Virgin Media Finance PLC is either a direct or indirect parent of substantially all of the trading companies in the Virgin Media group, these consolidated financial statements include the majority of the trade and assets of the overall Virgin Media group. Whilst forecasts and projections, which take account of reasonably possible changes in trading performance, have not been prepared at a Virgin Media Finance PLC group level, they have been prepared for the Virgin Media group as a whole. These forecasts and projections showed that cash on hand, together with cash from operations and the undrawn revolving credit facility, are expected to be sufficient for the Virgin Media group's and hence the group's cash requirements through to 30 June 2016.

Taking into account these forecasts and projections and after making enquiries, the directors have a reasonable expectation the group has adequate support and resources to continue in operational existence for the foreseeable future.

For these reasons the directors continue to adopt the going concern basis in preparing these financial statements.

CORPORATE GOVERNANCE

The group is committed to conducting business with honesty, integrity and respect. Corporate governance affects the way the group directs its relationship with its stakeholders. The group believes that the highest standards of corporate governance are essential to the group's business integrity and performance. The group has adopted a number of policies and procedures to support solid corporate governance in every area of the group's operations.

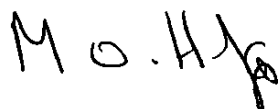
Corporate Governance Guidelines adopted by the Liberty Global Board of Directors serve as a framework for Board governance over the affairs of the group for the benefit of its shareholders. These include Code of Business Conduct, Code of Ethics, Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter and Succession Planning Committee Charter.

Further information on Corporate Governance is available to the public on Liberty Global's website at www.libertyglobal.com/cr under the heading "Corporate Responsibility". The information on the website is not part of this report.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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 required by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the board of directors



M O Hifzi
Director

Approved by the directors on 25 June 2015

Virgin Media Finance PLC

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements for the year ended 31 December 2014

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the directors confirm that to the best of their knowledge

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

**Independent Auditor's Report to the Members of Virgin Media Finance PLC
for the year ended 31 December 2014**

We have audited the financial statements of Virgin Media Finance PLC for the year ended 31 December 2014 set out on pages 15 to 92. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



John Cain (Senior statutory auditor)
For and on behalf of KPMG LLP, Statutory Auditor
15 Canada Square
London
E14 5GL

29 June 2015

Virgin Media Finance PLC
Group Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2014

| | Notes | 2014 £ million | 2013 £ million |
|---------------------------------------------------------------------------------------------|-------|-------------------|-------------------|
| Revenue | 3 | 4,094.2 | 4,002.8 |
| Cost of sales | | <u>(1,203.0)</u> | <u>(1,218.1)</u> |
| Gross profit | | 2,891.2 | 2,784.7 |
| Administrative expenses | | <u>(2,111.0)</u> | <u>(2,182.5)</u> |
| Group operating profit | 4 | 780.2 | 602.2 |
| Finance income | 7 | 392.7 | 330.6 |
| Finance costs | 8 | <u>(652.6)</u> | <u>(626.7)</u> |
| Net finance costs | | <u>(259.9)</u> | <u>(296.1)</u> |
| Profit before taxation | | 520.3 | 306.1 |
| Tax expense | 9 | <u>(6.5)</u> | <u>(376.2)</u> |
| Profit/(loss) for the year attributable to equity holders of the parent | | <u>513.8</u> | <u>(70.1)</u> |
| Other Comprehensive Income | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Actuarial (losses)/gains on defined benefit pension plans | 29 | (24.9) | 1.0 |
| Tax on defined benefit pension plans | 9 | <u>5.0</u> | <u>(5.1)</u> |
| | | <u>(19.9)</u> | <u>(4.1)</u> |
| <i>Items that will or may be subsequently reclassified to profit or loss</i> | | | |
| Impact of movements in cash flow hedges | 22 | 14.2 | (2.7) |
| Tax on cash flow hedges | 22 | 11.6 | 2.8 |
| Exchange differences on the retranslation of foreign operations | | <u>11.8</u> | <u>(12.1)</u> |
| | | <u>37.6</u> | <u>(12.0)</u> |
| Total comprehensive profit/(loss) for the year attributable to equity holders of the parent | | <u>531.5</u> | <u>(86.2)</u> |

Virgin Media Finance PLC
Group Balance Sheet
as at 31 December 2014

| | Notes | 31 December 2014 £ million | 31 December 2013 £ million |
|--------------------------------------|--------|----------------------------------|----------------------------------|
| Non-current assets | | | |
| Intangible assets | 10 | 2,071.2 | 2,089.1 |
| Property, plant and equipment | 11 | 4,220.5 | 4,256.2 |
| Financial assets | 13 | 2,400.2 | 2,436.8 |
| Trade and other receivables | 14 | 51.8 | 50.4 |
| Deferred tax assets | 9 | 2,265.2 | 2,332.5 |
| | | <u>11,008.9</u> | <u>11,165.0</u> |
| Current assets | | | |
| Financial assets | 13 | 28.0 | 27.8 |
| Trade and other receivables | 14 | 1,217.0 | 2,959.5 |
| Inventories | 15 | 19.3 | 16.3 |
| Cash and short term deposits | 16 | 13.8 | 29.4 |
| | | <u>1,278.1</u> | <u>3,033.0</u> |
| Total assets | | <u>12,287.0</u> | <u>14,198.0</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | (1,646.4) | (1,459.5) |
| Financial liabilities | 18 | (817.7) | (628.7) |
| Provisions | 20 | (10.1) | (18.6) |
| | | <u>(2,474.2)</u> | <u>(2,106.8)</u> |
| Non-current liabilities | | | |
| Trade and other payables | 17 | (83.8) | (65.2) |
| Financial liabilities | 18 | (8,492.0) | (8,391.0) |
| Deferred tax liabilities | 9 | (59.9) | (140.7) |
| Provisions | 20 | (91.6) | (60.1) |
| Defined benefit pension plan deficit | 29 | (22.7) | (25.6) |
| | | <u>(8,750.0)</u> | <u>(8,682.6)</u> |
| Total liabilities | | <u>(11,224.2)</u> | <u>(10,789.4)</u> |
| Net assets | | <u>1,062.8</u> | <u>3,408.6</u> |
| Capital and reserves | | | |
| Equity share capital | 23, 25 | 0.1 | 0.1 |
| Share premium account | 25 | 3,323.2 | 3,323.2 |
| Treasury share reserve | 25 | (2,880.2) | - |
| Other capital reserves | 25 | (1,337.6) | (1,337.6) |
| Unrealised gains and losses | 25 | (38.5) | (64.3) |
| Foreign currency translation reserve | 25 | (0.3) | (12.1) |
| Retained earnings | | 1,996.1 | 1,499.3 |
| Total equity | | <u>1,062.8</u> | <u>3,408.6</u> |

These financial statements were approved by the directors on 25 June 2015 and are signed on their behalf by



R D Dunn
Director

Company Registration Number: 05061787

Virgin Media Finance PLC
Group Statement of Changes in Equity
for the year ended 31 December 2014

| | Equity share capital | Share premium account | Treasury shares reserve | Other capital reserves | Unrealised gains and losses | Foreign currency translation reserve | Retained earnings | Total equity |
|---------------------------------------|-------------------------|-----------------------------|-------------------------------|---------------------------|-----------------------------------|-----------------------------------------------|----------------------|-----------------|
| | £ million | £ million | £ million | £ million | £ million | £ million | £ million | £ million |
| At 31 December 2012 | 0.1 | 3,323.2 | - | (1,337.6) | (64.4) | - | 1,584.0 | 3,505.3 |
| Total comprehensive income/(loss) | - | - | - | - | 0.1 | (12.1) | (74.2) | (86.2) |
| Tax on share based payments | - | - | - | - | - | - | (10.5) | (10.5) |
| At 31 December 2013 | 0.1 | 3,323.2 | - | (1,337.6) | (64.3) | (12.1) | 1,499.3 | 3,408.6 |
| Total comprehensive income | - | - | - | - | 25.8 | 11.8 | 493.9 | 531.5 |
| Treasury shares acquired by the group | - | - | (2,880.2) | - | - | - | - | (2,880.2) |
| Tax on share based payments | - | - | - | - | - | - | 2.9 | 2.9 |
| At 31 December 2014 | 0.1 | 3,323.2 | (2,880.2) | (1,337.6) | (38.5) | (0.3) | 1,996.1 | 1,062.8 |

See note 25 for an explanation of each reserve

Virgin Media Finance PLC
Group Cash Flow Statement
for the year ended 31 December 2014

| | Notes | 2014 £ million | 2013 £ million |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------|-------------------|
| Operating activities | | | |
| Profit/(loss) for the year | | 513 8 | (70 1) |
| <i>Adjustments to reconcile profit/(loss) for the year attributable to equity holders of the parent to net cash inflow from operating activities</i> | | | |
| Depreciation of property, plant and equipment | 11 | 850 3 | 863 1 |
| Amortisation of intangible assets | 10 | 99 7 | 94 7 |
| Impairment of network assets | | - | 9 2 |
| Net finance costs | | 365 3 | 408 6 |
| Share-based payments | 24 | 27 9 | 80 4 |
| Income taxes | | 6 0 | 369 5 |
| Gain on disposal of property, plant & equipment | | (7 8) | (58 9) |
| Unrealised (gains)/losses on derivative instruments | | (84 8) | 164 4 |
| Non-cash foreign exchange movements | | 20 9 | (93 7) |
| (Increase)/decrease in trade and other receivables | | (14 6) | 17 3 |
| (Increase)/decrease in inventories | | (3 0) | 1 2 |
| Decrease in prepayments and other assets | | 27 1 | 18 9 |
| Decrease in trade and other payables | | (35 1) | (55 7) |
| Increase in accruals, deferred income and other current liabilities | | 93 8 | 40 1 |
| Increase in deferred income and other long term liabilities | | 20 7 | 2 9 |
| Movement in provisions | | 20 1 | (11 8) |
| Net cash inflow provided by continuing operating activities | | <u>1,386 5</u> | <u>1,850 2</u> |
| Net cash inflow from operating activities | | <u>1,900 3</u> | <u>1,780 1</u> |
| Investing activities | | | |
| Purchase of property, plant and equipment | | (602.7) | (718.1) |
| Loans to parent and group undertakings | | (847 2) | (3,872 1) |
| Proceeds on sale of property, plant and equipment | | 2.2 | 5 5 |
| Acquisition net of cash acquired | | (9 0) | - |
| Change in restricted cash | | 0 6 | 0 4 |
| Interest received | | 392.3 | 232 4 |
| Net cash outflow from investing activities | | <u>(1,063 8)</u> | <u>(4,351 9)</u> |
| Financing activities | | | |
| Interest paid | | (621 5) | (622 9) |
| Settlement of cross currency interest rate swaps | | (1 3) | 20 8 |
| New borrowings, net of financing fees | | 2,057 1 | 4,270 3 |
| Repayment of borrowings | | (2,195 8) | (1,171 8) |
| Capital lease payments | | (90 3) | (91 0) |
| Net cash outflow from financing activities | | <u>(851 8)</u> | <u>2,405 4</u> |
| Effect of exchange rate changes on cash and cash equivalents | | (0 3) | (0 1) |
| Net decrease in cash and cash equivalents | | <u>(15 6)</u> | <u>(166 5)</u> |
| Cash and cash equivalents at 1 January | 16 | <u>29 4</u> | <u>195 9</u> |
| Cash and cash equivalents at 31 December | 16 | <u>13 8</u> | <u>29 4</u> |

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Virgin Media Finance PLC for the year ended 31 December 2014 were authorised for issue by the board of directors on 25 June 2015 and the Group Balance Sheet was signed on the board's behalf by R D Dunn. Virgin Media Finance PLC is a public limited company incorporated and domiciled in England & Wales. The company's shares are not publicly traded although the Senior Notes issued by the company are registered on the Luxembourg Stock Exchange.

2 Accounting policies

The principal accounting policies adopted by the group are set out below and have all been applied consistently throughout the current year and the preceding year except as discussed below.

Basis of preparation

The group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the group for the year ended 31 December 2014 and applied in accordance with the Companies Act 2006. The separate financial statements of the parent company are prepared under UK GAAP.

The financial statements are prepared on the going concern basis because, after making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Further detail is contained in the Directors' Report on page 12.

The group financial statements are presented in sterling and all values are rounded to the nearest one hundred thousand pounds, except when otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the group's financial statements for the year ended 31 December 2014.

Prior period information has been presented on a consistent basis with the current year presentation.

Foreign exchange movements have been presented within finance income and/or costs to align with the nature of how these gains and/or losses arise (see notes 7 and 8).

New standards, amendments and interpretations adopted by the group

In the current year, the group has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. The application of these new standards is not material to the company.

New standards, amendments and interpretations not adopted

The following standards and interpretations have been issued with an effective date for accounting periods beginning after the date of these financial statements:

| <i>International Accounting Standards (IAS/IFRSs/IFRICs)</i> | | <i>Effective Date</i> |
|---------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------|
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2017 |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and amortisation | 1 January 2016 |

In the view of the directors none of these are expected to have a significant effect on the financial statements of the group, except as set out below:

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

2 Accounting policies (continued)

Change in accounting policy

In these financial statements the group has changed its accounting policies in the following areas

Subsidiaries

As a result of IFRS 10 (2011), the group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10, the group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the group's investees were required.

Disclosure of interests in other entities

As a result of IFRS 12, the group has expanded disclosures about its interests in subsidiaries and equity-accounted investees.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The most significant judgments and estimations used by management in the process of applying the group's accounting policies are discussed below:

Impairment of intangible assets

Goodwill and intangible assets with indefinite lives are assessed for impairment annually and when such indicators exist.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows. Where fair value less cost to sell is used, the valuation must represent the fair value of the cash-generating unit in an orderly transaction between market participants under current market conditions, less costs to sell.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires a determination of the most appropriate valuation model for the grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires a determination of the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend. The model used and assumptions made are disclosed in note 24.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Details of the measurement of the group's deferred tax asset recognition and measurement are provided in note 9.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

2 Accounting policies (continued)

Property, plant and equipment

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost of each asset over the shorter of its leasing period or estimated useful life. Useful lives are reviewed annually and where adjustments are required, these are made prospectively.

Labour costs relating to the design, construction and development of the network, capital projects, and related services are capitalised and depreciated on a straight-line basis over the life of the relevant assets.

Basis of consolidation

The group accounts consolidate the financial statements of Virgin Media Finance PLC and the entities it controls (its subsidiaries) drawn up to 31 December each year.

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency translation

The group's consolidated financial statements are presented in sterling, which is also the parent company's functional currency. Transactions in foreign currencies are initially recorded in the local entity's functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are taken to the Group Income Statement, except where hedge-accounting is applied and for differences on monetary assets and liabilities that form part of the group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are reclassified from equity to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The group measures goodwill at the acquisition date as

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interests in the acquiree, plus
- the fair value of the existing equity interest in the acquiree, less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

2 Accounting policies (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset. Property, plant and equipment acquired through business combinations is initially recorded at fair value on acquisition.

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis at rates calculated to write off the cost of each asset over the shorter of its leasing period or estimated useful life as follows:

Network assets, cable plant and equipment

Network assets - 3 - 30 years

Network assets includes construction in progress which is not depreciated and comprises of materials, consumables and direct labour relating to network construction and is stated at the cost incurred in bringing each product to its present location and condition, as follows:

| | |
|-------------------------------|---------------------------------------|
| Raw materials and consumables | - purchase cost |
| Work in progress | - cost of direct materials and labour |

Other fixed assets

| | |
|------------------------------------|-----------------------------------------------|
| Property held under finance lease | - period of lease |
| Freehold property, other than land | - 30 years |
| Leasehold improvements | - 20 years or, if less, the term of the lease |
| Furniture and fixtures | - 5 - 12 years |
| Computer equipment | - 3 - 5 years |
| Motor vehicles | - 5 years |

Labour costs relating to the design, construction and development of the network, capital projects, and related services are capitalised and depreciated on a straight-line basis over the life of the relevant assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

2 Accounting policies (continued)

Impairment of intangible assets and property, plant and equipment

In accordance with IAS 36 'Impairment of Assets', the group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Group Income Statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed, other than on goodwill, only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Provisions for liabilities and charges

Provisions are recorded when the group has a legal or constructive obligation as a result of a past event for which it is probable that the group will be required to settle by an outflow of economic benefits and for which a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation.

Leases

Assets held under finance leases, which transfer to the group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the Group Income Statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are generally depreciated over the estimated useful life of the asset; certain assets held under finance leases are depreciated over the lease term where this is shorter than the estimated useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Group Income Statement on a straight line basis over the lease term.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

Finance costs which are incurred in connection with the issuance of debt are deferred and set off against the borrowings to which they relate. Deferred finance costs are amortised over the term of the related debt using the effective interest method.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

2 Accounting policies (continued)

Derivative financial instruments and hedging

Subsequent to the consummation of the LG/VM Transaction derivatives are generally not designated as hedges for accounting purposes. The group has established policies and procedures to govern the management of risks associated with fluctuating interest rates and foreign currency exchange rates through the use of derivative financial instruments, including interest rate swaps, cross-currency interest rate swaps and foreign currency forward contracts.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date. Derivatives are recognised as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The foreign currency forward rate contracts, interest rate swaps and cross-currency interest rate swaps are valued using internal models based on observable inputs, counterparty valuations or market transactions in either the listed or over-the-counter markets, adjusted for non-performance risk. Non-performance risk is based upon quoted credit default spreads for counterparties to the contracts and swaps. Derivative contracts which are subject to master netting arrangements are not offset and have not provided, nor require, cash collateral with any counterparty.

While these instruments are subject to the risk of loss from changes in exchange rates and interest rates, these losses would generally be offset by gains in the related exposures. Financial instruments are only used to hedge underlying commercial exposures. The group does not enter into derivative financial instruments for speculative trading purposes, nor does it enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed.

For derivatives which are designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

The group designates certain derivatives as either fair value hedges, when hedging exposure to variability in the fair value of recognised assets or liabilities or firm commitments, or as cash flow hedges, when hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Derivatives that are not part of an effective hedging relationship as set out in IAS 39 are classified as held for trading and measured at fair value through profit or loss.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends upon the nature of the hedging relationship and are treated as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the net unrealised gains and losses reserve, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income and accumulated in equity are reclassified to the Group Income Statement when the hedged transaction is recognised in profit or loss, such as when a forecast sale or purchase occurs, in the same line of the income statement as the recognised hedged item. Where the hedged item is the cost of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred to the initial measurement of the cost of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are reclassified to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to the Group Income Statement or to the initial carrying amount of the non-financial asset or liability above. If the related transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Virgin Media Finance PLC
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2 Accounting policies (continued)

Fair value hedges

For fair value hedges, the changes in the fair value of the hedging instrument are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, then the fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Inventories

Inventory consists of goods for resale which are valued at the lower of cost or net realisable value using the first-in, first-out (FIFO) method. Cost represents the invoiced purchase cost of inventory. Net realisable value is based on judgements, using currently available information about obsolete, slow moving or defective inventory. Based upon these judgements and estimates, which are applied consistently from period to period, an adjustment is made to state the carrying amount of inventory held for resale at the lower of cost and net realisable value.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made where there is objective evidence that the group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and short term deposits

Cash and short-term deposits in the Group Balance Sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the Group Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Tax

Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. The directors periodically evaluate positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Virgin Media Finance PLC
Notes to the Group Financial Statements
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2 Accounting policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Pensions

The group contributes to the Virgin Media sponsored group personal pension plans for eligible employees. Contributions to these schemes are recognised in the Group Income Statement in the period in which they become payable, in accordance with the rules for each of the plans

The group operates two defined benefit pension plans, both of which require contributions to be made to separately administered funds. Both plans are closed to new entrants.

The regular cost of providing benefits under the defined benefit plans is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related scheme assets are re-measured using the current actuarial assumptions and the resultant gain or loss recognised in the Group Income Statement during the period in which the settlement or curtailment occurs

The interest element of the defined benefit pension cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on scheme assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect of fair value of the scheme assets of contributions received and benefits paid during the year. The difference between the expected return on scheme assets and the interest cost is recognised in the Group Income Statement.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

2 Accounting policies (continued)

Actuarial gains and losses are recognised in full in the Group Statement of Comprehensive Income in the period in which they occur

The defined benefit pension asset or liability in the Group Balance Sheet comprises the total for each scheme of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price.

Revenue recognition

Revenue is recognised to the extent that it is realised or realisable and earned. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT. The following criteria must also be met before revenue is recognised.

- persuasive evidence of an arrangement exists between the group and the group's customer,
- delivery has occurred or the services have been rendered
- the price for the service is fixed or determinable, and
- recoverability is reasonably assured

Residential

Fixed-line telephone, mobile telephone, cable television and internet revenues are recognised as the services are provided to customers. Adjustments are made at the end of each period to defer revenue relating to services billed in advance and to accrue for earned but unbilled services.

Revenue from prepaid mobile customers is recorded as deferred revenue prior to commencement of the services and is recognised within revenue as the services are rendered.

Rental revenue in respect of line rentals provided to customers is recognised on a straight-line basis over the term of the rental agreement.

Business

Revenues from connectivity services are recognised as services are provided. Rental revenues in respect of line rentals provided to customers are recognised on a straight-line basis over the term of the rental agreement.

Installation revenues are generally not considered to be a separable service and are recognised over the contract term.

Other income

Interest income is recognised as interest accrues according to the effective interest method which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount.

Residential installation revenues are recognised at the time the installation has been completed to the extent that those fees are less than the direct selling costs, which is generally the case. Installation fees in excess of direct selling costs are deferred and amortised over the expected life of the customer's connection.

Mobile handset and other equipment revenues are recognised when the goods have been delivered and title has passed. Equipment revenue is stated net of discounts earned through service usage.

Share-based payments

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc. and Liberty Global plc. The company has no share-based compensation plans. Prior to 7 June 2013, the group's directors and certain of its employees participated in the share-based compensation plans of Virgin Media Inc. Following the LG/VM Transaction, the share-based compensation plans were modified to be share-based compensation plans of Liberty Global plc as summarised in note 24 below, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions) of Liberty Global plc common stock.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

2 Accounting policies (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date which they are granted. The fair value of options and share appreciation rights are determined using the Black-Scholes model. The fair value of restricted share units is determined using either the share price at the grant date or the Monte Carlo model, depending on the conditions attached to the restricted share units being granted. These transaction costs are recognised, together with a corresponding increase in either equity or amounts owed to parent undertakings, over the service period, or, if applicable, over the period in which any performance conditions are fulfilled, which ends on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the number of awards that are estimated to ultimately vest, in the opinion of management at that date and based on the best available information.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In connection with the LG/VM Transaction, the modification of the Virgin Media share-based compensation plans to Liberty Global share-based compensation plans resulted in a remeasurement of the fair value of the awards as at 7 June 2013. The remeasured fair value of these awards will be amortised over the remaining service periods of the unvested awards, subject to forfeitures and the satisfaction of performance conditions.

3 Segment information

The principal activity of the company is to facilitate the group's financing structure by implementing the group's capital management policies, making and facilitating external borrowings and holding investments in subsidiary companies. The company's investments include substantially all of the Virgin Media group's trading operating companies.

The group's reporting segments are based on its method of internal reporting and the information used by its chief executive officer, who is the chief operating decision maker, or CODM, to evaluate segment performance and make capital allocation decisions.

It has been determined that the group comprises a single operating segment. This reflects how the CODM reviews the results of our business based on revenue and profitability measures.

There is no material difference between the revenue presented to the CODM and the revenue of the Virgin Media Finance PLC group. Revenue for the group, which operates entirely within the U.K., was £4,094.2 million (2013 - £4,002.8 million) and was entirely derived from the sale of goods and services.

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

4 Group operating profit

This is stated after charging/(crediting)

| | 2014 £ million | 2013 £ million |
|------------------------------------------------------------------------------|-------------------|-------------------|
| Depreciation of property, plant and equipment | 775.6 | 790.1 |
| Depreciation of assets held under finance leases and hire purchase contracts | 74.7 | 73.0 |
| Total depreciation | <u>850.3</u> | <u>863.1</u> |
| Amortisation of intangible assets | <u>99.7</u> | <u>94.7</u> |
| Operating lease payments - minimum lease payments | 20.5 | 15.6 |
| - rent of commercial premises | 26.4 | 27.5 |
| Total operating lease payments recognised as an expense | <u>46.9</u> | <u>43.1</u> |
| Gain on disposal of property, plant and equipment | <u>(7.8)</u> | <u>(58.9)</u> |
| Cost of inventories recognised within cost of sales | 124.5 | 135.4 |
| Write downs of inventories to net realisable value | 3.9 | 2.6 |
| Total cost of inventories | <u>128.4</u> | <u>138.0</u> |
| Impairment of network assets | <u>-</u> | <u>9.2</u> |

Amortisation of intangible assets of £94.7 million for the year ended 31 December 2013 has been reclassified from depreciation of property, plant and equipment. (See note 11)

5 Auditor's remuneration

The group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the group

| | 2014 £ '000 | 2013 £ '000 |
|-----------------------------------------------------------------------------------------|----------------|----------------|
| Audit services | | |
| • Statutory audit services - audit of the parent company and group financial statements | 507 | 507 |
| Fees payable to the company's auditors and their associates for other services | | |
| • Statutory audit services - statutory accounts of the company's subsidiaries | 173 | 173 |
| Fees in respect of pension schemes | | |
| • Audit | 22 | 22 |
| | <u>702</u> | <u>702</u> |

Fees paid to the auditor for audit and other services to the company are not disclosed in its individual accounts as the group accounts are required to disclose such fees on a consolidated basis.

Fees payable to the company's auditors and their associates for other services represents fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the group's auditors

Fees in respect of the pension schemes in 2013 were payable to the previous auditor

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

6 Staff costs and directors' emoluments

(a) Staff costs

| | 2014 | 2013 |
|-----------------------------------|------------------|------------------|
| | £ million | £ million |
| Wages and salaries | 518.8 | 589.0 |
| Social security costs | 57.0 | 73.4 |
| Other pension costs (see note 29) | | |
| - defined benefit | 0.1 | 1.6 |
| - defined contribution | 19.0 | 19.1 |
| Total staff costs | 594.9 | 683.1 |

Included in wages and salaries is a total expense for share-based payments of £27.9 million (2013 - £80.4 million), all of which arises from transactions accounted for as equity-settled share-based payment transactions

(b) Average staff numbers

The average monthly number of employees during the year was:

| | 2014 | 2013 |
|---------------------------------|---------------|---------------|
| | No. | No. |
| Consumer | 4,398 | 4,460 |
| Business | 1,004 | 868 |
| Access, Networks and Technology | 7,527 | 7,508 |
| Corporate and Support | 771 | 1,238 |
| Total staff numbers | 13,700 | 14,074 |

(c) Directors' emoluments

| | 2014 | 2013 |
|---------------------------------------------------------------------------------------------------|---------------|---------------|
| | £ '000 | £ '000 |
| Directors' emoluments | 5,551 | 1,801 |
| Company contributions paid to money purchase pension plans | 101 | 113 |
| Highest paid director | | |
| Emoluments | 1,673 | 643 |
| Company contributions paid to money purchase pension plans | 26 | 38 |
| | 1,699 | 681 |
| | 2014 | 2013 |
| | No. | No. |
| Number of directors accruing benefits under money purchase plans | 5 | 5 |
| Number of directors who exercised share options under schemes operated by ultimate parent company | 4 | 3 |
| Number of directors with shares received or receivable under long term incentive plans | 5 | 5 |

During 2014 £nil (2013 - £322,500) payments were made to directors as compensation for loss of office

There were no other transactions with directors during the year

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

7 Finance income

| | 2014 £ million | 2013 £ million |
|-------------------------------------------------|-------------------|-------------------|
| Interest on amounts due from group undertakings | 187.7 | 124.6 |
| Interest on amounts due from related parties | 204.4 | 106.8 |
| Gain on foreign exchange | - | 98.2 |
| Other finance income | 0.6 | 1.0 |
| Total finance income | 392.7 | 330.6 |

Other finance income and interest on amounts due from group undertakings and related parties are recognised using the effective interest rate method in accordance with IAS 39 'Financial Instruments Recognition and Measurement'

8 Finance costs

| | 2014 £ million | 2013 £ million |
|---------------------------------------------|-------------------|-------------------|
| Interest payable on | | |
| Senior credit facility and vendor financing | 123.1 | 71.6 |
| Senior notes | 334.2 | 321.0 |
| Loans from parent undertakings | 13.2 | 12.8 |
| Loss on derivative financial instruments | 17.8 | 178.6 |
| Loss on debt extinguishment | 121.9 | 24.3 |
| Interest payable on finance leases | 10.7 | 12.5 |
| Other interest and fees | 0.6 | 2.1 |
| Loss on foreign exchange | 28.8 | - |
| Interest on pensions | 0.5 | 1.1 |
| Unwinding of discounts on provisions | 1.8 | 2.7 |
| Total finance costs | 652.6 | 626.7 |

Interest payable is recognised using the effective interest rate method.

For the year ended 31 December 2014, loss on extinguishment of debt was £121.9 million and related to the redemption premia paid and the write off of deferred financing costs as a result of the redemption of the senior notes, senior secured notes and senior credit facilities as a result of refinancing activities during 2014 (see note 18)

For the year ended 31 December 2013, loss on extinguishment of debt was £24.3 million and related to the redemption premia paid and the write off of deferred financing costs as a result of the redemption of the senior notes, senior secured notes and senior credit facilities during June 2013. The redemption was triggered following the LG/VM Transaction which represented a "Change of Control" event that required the group to offer to repurchase certain existing senior notes and senior secured notes (see note 18).

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

9 Taxation

(a) Tax expense on profit on ordinary activities

| | 2014 £ million | 2013 £ million |
|---------------------------------------------------|-------------------|-------------------|
| <i>Current income tax</i> | | |
| Foreign taxes | 0.7 | 0.6 |
| <i>Deferred income tax</i> | | |
| Reduction in future tax rate | 4.7 | 323.7 |
| Origination and reversal of temporary differences | 1.1 | 51.9 |
| | <u>5.8</u> | <u>375.6</u> |
| Total tax expense in Group Income Statement | <u>6.5</u> | <u>376.2</u> |

(b) Reconciliation of the total tax expense in Group Income Statement

The tax expense in the Group Income Statement is lower than the standard rate of corporation tax in the U.K. of 21.5% (2013 – 23.25%). The differences are reconciled below:

| | 2014 £ million | 2013 £ million |
|-------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Accounting profit before income tax | <u>520.3</u> | <u>306.1</u> |
| Accounting profit multiplied by the UK standard rate of corporation tax of 21.5% (2013– 23.25%) | 111.9 | 71.2 |
| Expenses not deductible for tax purposes | 9.3 | (13.8) |
| Utilisation of tax losses and other deductions | (147.4) | - |
| Foreign taxes | 0.7 | 0.6 |
| Other | - | (2.4) |
| Movement in deferred tax assets due to change in tax rate | 4.7 | 323.7 |
| Adjustment relating to prior years | 27.3 | (3.1) |
| Total tax expense recognised in the group income statement | <u>6.5</u> | <u>376.2</u> |

(c) Reconciliation of the total tax expense

| | 2014 £ million | 2013 £ million |
|--------------------------------------------------------------|-------------------|-------------------|
| Tax recognised in equity on share based compensation expense | (2.9) | 10.5 |
| Tax recognised in equity on hedges and pensions | (16.6) | 2.3 |
| Tax recognised in the Group Income Statement | 6.5 | 376.2 |
| Total tax (income)/expense | <u>(13.0)</u> | <u>389.0</u> |

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

9 Taxation (continued)

(d) Recognised deferred tax

Recognised deferred tax assets less deferred tax liabilities at 31 December 2014 and 31 December 2013 were as follows

| 31 December 2014 | | | |
|-------------------------------------------------------|------------------|------------------|------------------|
| | UK | Dual | Total |
| | £ million | resident | £ million |
| | | £ million | |
| Deferred tax assets | | | |
| Net operating losses | 242.3 | 76.8 | 319.1 |
| Derivative instruments | 24.4 | - | 24.4 |
| Depreciation and amortisation | 1,881.7 | - | 1,881.7 |
| Other | 36.5 | 3.5 | 40.0 |
| Total deferred tax assets | 2,184.9 | 80.3 | 2,265.2 |
| Deferred tax liabilities | | | |
| Depreciation and amortisation | - | (59.9) | (59.9) |
| Total deferred tax liabilities | - | (59.9) | (59.9) |
| Net deferred tax assets less deferred tax liabilities | 2,184.9 | 20.4 | 2,205.3 |

| 31 December 2013 | | | |
|-------------------------------------------------------|------------------|------------------|------------------|
| | UK | Dual | Total |
| | £ million | resident | £ million |
| | | £ million | |
| Deferred tax assets | | | |
| Net operating losses | 264.8 | 171.6 | 436.4 |
| Derivative instruments | 4.4 | - | 4.4 |
| Depreciation and amortisation | 1,797.9 | - | 1,797.9 |
| Other | 91.2 | 2.6 | 93.8 |
| Total deferred tax assets | 2,158.3 | 174.2 | 2,332.5 |
| Deferred tax liabilities | | | |
| Depreciation and amortisation | - | (140.7) | (140.7) |
| Total deferred tax liabilities | - | (140.7) | (140.7) |
| Net deferred tax assets less deferred tax liabilities | 2,158.3 | 33.5 | 2,191.8 |

The group has determined it probable that in future it will generate sufficient pre-tax profits to utilise substantially all of its deferred tax assets related to unclaimed capital allowances and net operating losses.

Virgin Media Finance PLC
Notes to the Group Financial Statements
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9 Taxation (continued)

(e) Unrecognised deferred tax

Deferred tax assets in respect of the following amounts have not been recognised as there is not currently persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse

| | 2014 £ million | 2013 £ million |
|--------------------------|-------------------|-------------------|
| Net operating losses | 29.9 | 29.9 |
| Capital losses | 2,422.5 | 2,422.5 |
| Other timing differences | 149.2 | 143.2 |
| | <u>2,601.6</u> | <u>2,595.6</u> |

Reductions in the U.K. corporation tax rate from 24% to 23% (effective from 1 April 2013) and to 21% (effective 1 April 2014) were substantively enacted on 3 July 2012 and 2 July 2013 respectively. A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the group's future current tax charge accordingly. The deferred tax assets have been calculated using the enacted rate of 20%.

10 Intangible assets

(a) Summary of intangible assets

| | Goodwill £ million | IT Software £ million | Total £ million |
|------------------------------------------------|-----------------------|--------------------------|--------------------|
| Cost | | | |
| At 1 January 2013 | 2,079.2 | - | 2,079.2 |
| Reclassification | | 357.3 | 357.3 |
| At 31 December 2013 and 1 January 2014 | <u>2,079.2</u> | <u>357.3</u> | <u>2,436.5</u> |
| Additions | - | 81.9 | 81.9 |
| Disposals | - | (171.2) | (171.2) |
| At 31 December 2014 | <u>2,079.2</u> | <u>268.0</u> | <u>2,347.2</u> |
| Accumulated amortisation and impairment | | | |
| At 1 January 2013 | 138.0 | - | 138.0 |
| Reclassification | | 114.7 | 114.7 |
| Amortisation charge | - | 94.7 | 94.7 |
| At 31 December 2013 and 1 January 2014 | <u>138.0</u> | <u>209.4</u> | <u>347.4</u> |
| Amortisation charge | - | 99.7 | 99.7 |
| Disposals | - | (171.1) | (171.1) |
| At 31 December 2014 | <u>138.0</u> | <u>138.0</u> | <u>276.0</u> |
| Net book value | | | |
| At 31 December 2014 | <u>1,941.2</u> | <u>130.0</u> | <u>2,071.2</u> |
| At 31 December 2013 and 1 January 2014 | <u>1,941.2</u> | <u>147.9</u> | <u>2,089.1</u> |
| At 1 January 2013 | <u>1,941.2</u> | <u>155.5</u> | <u>2,096.7</u> |

The amortisation charge has been recognised through administrative expenses in the Group Income Statement

Costs relating to capitalised IT software that is not integral to equipment with a net book value of £242.6 million as at 31 December 2013, have been reclassified from property, plant and equipment to intangible assets retrospectively (see note 11).

10 Intangible assets (continued)

(b) Impairment of goodwill and intangible assets with indefinite lives

Goodwill is not amortised, but is tested for impairment annually or more frequently if circumstances indicate a possible impairment exists in accordance with IAS 36 '*Impairment of Assets*'.

Goodwill is allocated to Cash Generating Units (CGUs), the assets of which are separately operated and monitored, and are judged to independently generate cash inflows. Following the LG/VM transaction the manner in which management monitors operations and makes decisions about continuing or disposing of assets and/or operations has changed, such that there is only one CGU relating to the group's cable network which is the core operating asset used to deliver services

At 1 January and 31 December 2013 and 2014, the carrying amount of goodwill was £1,941.2 million.

As part of the Virgin Media group restructure in December 2014 (see Strategic Report), a valuation of the Virgin Media group was carried out based on discounted cash flow projections. The valuation confirmed that the Virgin Media group was valued in excess of the group's goodwill carrying value. The Directors consider this valuation as a reasonable basis for the fair value less costs to sell of the Virgin Media group at 31 December 2014, and was also a relevant valuation of the group given the group comprises substantially all of the trade and assets of the Virgin Media group.

On the basis of the level by which the fair value less costs to sell exceed the carrying value of the unit, indications are that the likelihood of the current recoverable amount being less than the current carrying amount of the unit would be remote.

It was concluded as a result of the above assessment that no impairment to goodwill was required for the years ended 31 December 2014 and 2013.

Virgin Media Finance PLC
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11 Property, plant and equipment

| | Network assets £ million | Other £ million | Total £ million |
|----------------------------------------|-----------------------------------------|----------------------------|----------------------------|
| Cost | | | |
| At 1 January 2013 | 9,760.8 | 1,245.3 | 11,006.1 |
| Reclassification | - | (357.3) | (357.3) |
| Additions | 860.9 | - | 860.9 |
| Transfers | (117.6) | 117.6 | - |
| Disposals | (83.7) | (42.9) | (126.6) |
| At 31 December 2013 and 1 January 2014 | 10,420.4 | 962.7 | 11,383.1 |
| Additions | 771.9 | 32.9 | 804.8 |
| On acquisition of sub | 9.7 | 0.3 | 10.0 |
| Transfers | (27.2) | 27.2 | - |
| Disposals | (133.5) | (51.2) | (184.7) |
| At 31 December 2014 | 11,041.3 | 971.9 | 12,013.2 |
| Depreciation | | | |
| At 1 January 2013 | 5,530.8 | 933.7 | 6,464.5 |
| Reclassification | - | (114.7) | (114.7) |
| Provided during the year | 813.1 | 50.0 | 863.1 |
| Disposals | (72.4) | (13.6) | (86.0) |
| At 31 December 2013 and 1 January 2014 | 6,271.5 | 855.4 | 7,126.9 |
| Provided during the year | 809.2 | 41.1 | 850.3 |
| Disposals | (123.4) | (61.1) | (184.5) |
| At 31 December 2014 | 6,957.3 | 835.4 | 7,792.7 |
| Net book value | | | |
| At 31 December 2014 | 4,084.0 | 136.5 | 4,220.5 |
| At 31 December 2013 and 1 January 2014 | 4,148.9 | 107.3 | 4,256.2 |
| At 1 January 2013 | 4,230.0 | 311.6 | 4,541.6 |

Costs relating to capitalised IT software that is not integral to equipment with net book value of £242.6 million as at 31 December 2013, have been reclassified to intangible assets from property, plant and equipment retrospectively (see note 10). Included in network assets are assets with a net book value of £178.8 million (2013 - £154.9 million) which have not yet been placed into service and on which depreciation has not commenced

Assets held under finance leases

Included in the net book value of property, plant and equipment is £197.2 million (2013 - £255.2 million) in respect of assets held under finance leases and similar hire purchase contracts. Accumulated depreciation on these assets is £171.1 million (2013 - £151.1 million) and the charge for the year was £74.7 million (2013 - £73.0 million)

The group did not capitalise any borrowings costs during the year

Included in 'Other' are the following net book values of freehold and leasehold land and buildings and leasehold improvements

| | 2014 £ million | 2013 £ million |
|------------------------|---------------------------|---------------------------|
| Freehold | 42.7 | 47.5 |
| Leasehold | 33.3 | 33.9 |
| Leasehold improvements | 11.9 | 16.3 |
| | <u>87.9</u> | <u>97.7</u> |

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12 Investments

Investments in subsidiaries

Details of the principal investments in which the group holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are detailed in note 31

13 Financial assets

| | 2014 £ million | 2013 £ million |
|--------------------------------------|-------------------|-------------------|
| <i>Non-current</i> | | |
| Restricted cash | 1 0 | 1 6 |
| Derivative instruments (see note 22) | 102 0 | 137 9 |
| Amounts owed by related parties | <u>2,297.2</u> | <u>2,297 3</u> |
| | <u>2,400 2</u> | <u>2,436 8</u> |
| <i>Current</i> | | |
| Derivative instruments (see note 22) | <u>28 0</u> | <u>27 8</u> |
| | <u>28 0</u> | <u>27 8</u> |

Amounts owed by related parties are in respect of loan notes receivable from Lynx Europe 2 Limited, which is part of the Liberty group but sits outside the Virgin Media group. The loan notes mature on 15 April 2023 and have an aggregate principal balance of £2,297.3 million and bear interest at a rate of 8.5%.

14 Trade and other receivables

| | 2014 £ million | 2013 £ million |
|-------------------------------------|-------------------|-------------------|
| <i>Non-current</i> | | |
| Prepayments and accrued income | <u>51 8</u> | <u>50 4</u> |
| | <u>51 8</u> | <u>50 4</u> |
| <i>Current</i> | | |
| Trade receivables | 382 8 | 368.2 |
| Amounts owed by parent undertakings | - | 2,385.2 |
| Amounts owed by related parties | 744.6 | 88 0 |
| Prepayments and accrued income | <u>89 6</u> | <u>118.1</u> |
| | <u>1,217 0</u> | <u>2,959 5</u> |

Prepayments and accrued income classified as non-current include long term telecommunications contracts with terms in excess of one year

Current amounts owed by parent undertakings and related parties are unsecured and repayable on demand.

Virgin Media Finance PLC
Notes to the Group Financial Statements
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14 Trade and other receivables (continued)

Trade receivables are non-interest bearing, are generally on 30-90 day terms and are stated net of provision for non-recoverability. The group's trade and other receivables have been reviewed for indicators of impairment and it was concluded that a provision for non-recoverability of £17.9 million (2013 - £13.1 million) was required. The carrying value of trade receivables is considered to be a fair approximation of fair value. Movements in the provision for impairment of receivables were as follows

| | £ million |
|---------------------|-----------|
| At 1 January 2013 | 9.0 |
| Charge for the year | 33.6 |
| Utilised | (29.5) |
| At 31 December 2013 | 13.1 |
| Charge for the year | 33.1 |
| Utilised | (28.3) |
| At 31 December 2014 | 17.9 |

The ageing analysis of trade receivables is as follows

| | Total £ million | Neither past due nor impaired £ million | Balances past due | | | |
|------------------|--------------------|--------------------------------------------------|-----------------------|---------------------------|---------------------------|-----------------------|
| | | | <30 days £ million | 30 - 60 days £ million | 60 - 90 days £ million | >90 days £ million |
| 31 December 2014 | 382.8 | 270.2 | 50.8 | 24.6 | 10.9 | 26.3 |
| 31 December 2013 | 368.2 | 228.2 | 74.6 | 27.5 | 18.1 | 19.8 |

15 Inventories

| | 2014 £ million | 2013 £ million |
|------------------|-------------------|-------------------|
| Goods for resale | 19.3 | 16.3 |
| | <u>19.3</u> | <u>16.3</u> |

16 Cash and short term deposits

| | 2014 £ million | 2013 £ million |
|--------------------------|-------------------|-------------------|
| Cash at bank and in hand | 7.6 | 22.1 |
| Short-term deposits | 6.2 | 7.3 |
| | <u>13.8</u> | <u>29.4</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents including overdrawn cash book balances at 31 December 2014 was £13.8 million (2013 - £29.4 million).

Virgin Media Finance PLC
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17 Trade and other payables

| | 2014 £ million | 2013 £ million |
|---------------------------------------------------|-------------------|-------------------|
| <i>Current</i> | | |
| Trade payables | 247.9 | 274.5 |
| VAT, payroll taxes and social security costs | 97.4 | 78.1 |
| Interest payable to parent and group undertakings | 95.2 | 94.7 |
| Interest payable | 141.4 | 92.1 |
| Amounts owed to group undertakings | 265.4 | 207.6 |
| Amounts owed to related party | 13.8 | 8.4 |
| Accruals and deferred income | 785.3 | 704.1 |
| | <u>1,646.4</u> | <u>1,459.5</u> |

Trade payables are non-interest bearing and normally repayable on terms of up to 120 days. Trade payables, interest payable and amounts owed to group undertakings are financial liabilities which are excluded from note 18.

Amounts owed to group undertakings and related parties are unsecured and repayable on demand.

| | 2014 £ million | 2013 £ million |
|--------------------------|-------------------|-------------------|
| <i>Non-current</i> | | |
| Other long term payables | 83.8 | 65.2 |
| | <u>83.8</u> | <u>65.2</u> |

18 Financial liabilities

| | 2014 £ million | 2013 £ million |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| <i>Current</i> | | |
| Current obligations under finance lease and hire purchase contracts (see note 19) | 71.6 | 86.9 |
| Loan notes due to parent and group undertakings | 458.4 | 434.9 |
| Derivative instruments (see note 22) | 61.9 | 69.1 |
| Vendor financing | 225.8 | 37.8 |
| | <u>817.7</u> | <u>628.7</u> |
| <i>Non-current</i> | | |
| Non-current obligations under finance lease and hire purchase contracts (see note 19) | 92.2 | 138.5 |
| Non-current instalments due on senior credit facility | 3,073.7 | 2,627.5 |
| Senior notes | 1,374.4 | 1,276.1 |
| Senior secured notes | 3,850.3 | 4,095.2 |
| Derivative instruments (see note 22) | 101.4 | 253.7 |
| | <u>8,492.0</u> | <u>8,391.0</u> |
| <i>Total financial liabilities</i> | <u>9,309.7</u> | <u>9,019.7</u> |

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

18 Financial liabilities (continued)

Borrowings at 31 December were repayable as follows

| | 2014 £ million | 2013 £ million |
|----------------------------------------------------------|-------------------|-------------------|
| Amounts falling due | | |
| Within one year | 225.8 | 472.7 |
| In more than two years but not more than five years | - | 1,465.8 |
| In more than five years | 8,365.1 | 6,607.0 |
| | 8,590.9 | 8,545.5 |
| Less: issue costs | (66.7) | (74.0) |
| Borrowings: amounts falling due after more than one year | 8,524.2 | 8,471.5 |
| Financial liabilities not classed as borrowings | 785.5 | 548.2 |
| Total financial liabilities | 9,309.7 | 9,019.7 |

Financial liabilities not classed as borrowings include obligations under finance leases and hire purchase contracts, interest rate swaps and cross-currency interest rate swaps

Loans not wholly repayable within five years are as follows

| | 2014 £ million | 2013 £ million |
|--------------------------|-------------------|-------------------|
| Senior notes | 1,392.4 | 1,296.3 |
| Senior secured notes | 3,889.4 | 2,683.2 |
| Senior credit facilities | 3,083.3 | 2,627.5 |
| | 8,365.1 | 6,607.0 |

Amounts due to parent and fellow group undertakings

Loan notes due to group undertakings are technically payable on demand as they do not include an unconditional right to defer payment and hence have been classified as current in accordance with IAS 1 'Presentation of Financial Statements'. However, the Directors are of the opinion that, in the ordinary course of business, repayment within such a time scale is unlikely to be required.

Vendor financing

The group enters into vendor financing arrangements to finance certain of our property and equipment additions. The amounts owed pursuant to these arrangements are interest bearing, payable within one year, and include VAT which was paid on the group's behalf by the vendor. Repayments of vendor financing obligations are included in the repayment of borrowings in the Group Cash Flow Statement.

Virgin Media Finance PLC
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for the year ended 31 December 2014

18 Financial liabilities (continued)

Senior notes

| | 2014 £ million | 2013 £ million |
|--------------------------------------------------------------------|-------------------|-------------------|
| <i>Senior notes consist of</i> | | |
| <i>U.S. Dollar</i> | | |
| 8.375% senior notes due 2019 (principal at maturity \$507 million) | - | 302.7 |
| 5.25% senior notes due 2022 (principal at maturity \$95 million) | 61.0 | 57.3 |
| 4.875% senior notes due 2022 (principal at maturity \$119 million) | 76.2 | 71.6 |
| 6.375% senior notes due 2023 (principal at maturity \$530 million) | 340.2 | 319.9 |
| 6% senior notes due 2024 (principal at maturity \$500 million) | 320.9 | - |
| | <u>798.3</u> | <u>751.5</u> |
| <i>Sterling</i> | | |
| 8.875% senior notes due 2019 (principal at maturity £254 million) | - | 250.7 |
| 5.125% senior notes due 2022 (principal at maturity £44 million) | 44.1 | 44.1 |
| 7.00% senior notes due 2023 (principal at maturity £250 million) | 250.0 | 250.0 |
| 6.375% senior notes due 2024 (principal at maturity £300 million) | 300.0 | - |
| | <u>594.1</u> | <u>544.8</u> |
| Less: issue costs | (18.0) | (20.2) |
| Total senior notes | <u>1,374.4</u> | <u>1,276.1</u> |

During November 2009, the company issued \$600 million aggregate principal amount of 8.375% senior notes due 2019 and £350 million aggregate principal amount of 8.875% senior notes due 2019. The senior notes due 2019 are unsecured senior obligations and rank pari passu with the company's outstanding senior notes due 2022. Interest is payable on 15 April and 15 October each year. On 9 November 2012, \$92.9 million of the principal amount of the \$600 million 8.375% senior notes due 2019 and £96.5 million of the principal amount of the £350 million 8.875% senior notes due 2019 were redeemed by paying £179.4 million, using the net proceeds from the issue of the \$900 million and £400 million senior notes due 2022, and cash on the group's balance sheet. On 24 October 2014, the net proceeds from the issue of £300 million and \$500 million senior notes due 2024 (see below) were used to fully redeem the \$507.1 million (£325.5 million) principal amount of 8.375% senior notes due 2019 and the £253.5 million principal amount of 8.875% senior notes due 2019.

On 13 March 2012, the company issued dollar denominated 5.25% senior notes due 2022 with a principal amount outstanding of \$500 million. The 5.25% senior notes are unsecured senior obligations of the company and rank pari passu with the company's outstanding senior notes due 2019 and 2022. Interest is payable semi-annually on 15 February and 15 August each year. On 11 June 2013, under the "Change of Control" event as described below, \$405 million of the principal amount of these senior notes was redeemed.

On 30 October 2012, the company issued dollar denominated 4.875% senior notes due 2022 with a principal amount outstanding of \$900 million, and sterling 5.125% senior notes due 2022 with a principal amount outstanding of £400 million. The 4.875% and 5.125% senior notes due 2022 are unsecured senior obligations of the company and rank pari passu with the company's outstanding senior notes due 2019 and 2022. Interest is payable semi-annually on 15 February and 15 August each year. On 11 June 2013, under the "Change of Control" as described below, \$781.3 million of the principal amount of the 4.875% \$900 million senior notes due 2022, and £355.9 million of the 5.125% £400 million senior notes due 2022 was redeemed.

In February 2013, subsidiaries of Liberty Global issued \$530 million 6.375% and £250 million 7% senior notes due 2023, together with the \$1,000 million 5.375% and £1,100 6% senior secured notes due 2021 in connection with the execution of the LG/VM Transaction. On completion of the LG/VM Transaction, these notes were assumed by the group.

Virgin Media Finance PLC
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18 Financial liabilities (continued)

On 11 June 2013, as a result of the LG/VM Transaction, the company and Virgin Media Secured Finance PLC redeemed the following senior notes and senior secured notes

- (i) Senior notes issued by the company
 - \$405 million (244.5 million) of the 5.25% senior notes due 2022,
 - \$781.3 million (£471.6 million) of the 4.875% senior notes due 2022
 - £355.9 million of the 5.125% senior notes due 2022
- (ii) Senior secured notes issued by Virgin Media Secured Finance PLC
 - \$52.1 million (£31.4 million) of the 5.25% senior secured notes due January 2021
 - £21.6 million of the 5.50% senior secured notes due January 2021

On 7 October 2014, the company issued £300.0 million principal amount of 6.375% senior notes due 15 October 2024 and \$500.0 million (£320.9 million) principal amount of 6.0% senior notes due October 15, 2024. Interest is payable semi-annually on 15 April and 15 October each year, beginning 15 April 2015.

Senior secured notes

| | 2014 £ million | 2013 £ million |
|------------------------------------------------------------------------------|-------------------|-------------------|
| <i>Senior secured notes consist of</i> | | |
| U.S. Dollar | | |
| 6.50% senior secured notes due 2018 (principal at maturity \$1,000 million) | - | 598.4 |
| 5.25% senior secured notes due 2021 (principal at maturity \$448 million) | 316.6 | 293.1 |
| 5.375% senior secured notes due 2021 (principal at maturity \$1,000 million) | 641.8 | 603.6 |
| 5.5% senior notes due 2025 (principal at maturity \$425 million) | 272.8 | - |
| | <u>1,231.2</u> | <u>1,495.1</u> |
| Sterling | | |
| 7.00% senior secured notes due 2018 (principal at maturity £875 million) | - | 867.4 |
| 5.50% senior secured notes due 2021 (principal at maturity £628 million) | 725.2 | 686.5 |
| 6.00% senior secured notes due 2021 (principal at maturity £1,100 million) | 1,100.0 | 1,100.0 |
| 5.5% senior secured notes due 2025 (principal at maturity £430 million) | 430.0 | - |
| 6.25% senior secured notes due 2029 (principal at maturity £400 million) | 403.0 | - |
| | <u>2,658.2</u> | <u>2,653.9</u> |
| Less: issue costs | (39.1) | (53.8) |
| Total senior secured notes | <u>3,850.3</u> | <u>4,095.2</u> |

On 19 January 2010, Virgin Media Secured Finance PLC, issued dollar denominated 6.50% senior secured notes due 2018 with a principal amount outstanding of \$1,000 million and sterling denominated 7% senior secured notes due 2018 with a principal amount outstanding of £875 million. Interest is payable semi-annually on 15 June and 15 December each year, beginning 15 June 2010. The senior secured notes due 2018 rank pari passu with the senior credit facility and, subject to certain exemptions, share in the same guarantees and security which has been granted in favour of the senior credit facility. In April 2014, the net proceeds from the issue of the \$425 million and £430 million senior secured notes due 2025 and £225 senior secured notes due 2029 (see below) were used to redeem the entire £875.0 million principal amount of 7.0% senior secured notes due 2018 including the related redemption premium. The net proceeds of the £175 million senior secured note due 2029 (see below), together with the proceeds from VM Facilities D and E (as defined and described below) were used to fully redeem the \$1.0 billion (£641.8 million) principal amount of 6.5% senior secured notes due 2018.

On 3 March 2011, Virgin Media Secured Finance PLC, issued dollar denominated 5.25% senior secured notes due 2021 with a principal amount outstanding of \$500 million and sterling denominated 5.5% senior secured notes due 2021 with a principal amount outstanding of £650 million. Interest is payable semi-annually on 15 June and 15 December each year, beginning 15 June 2010. The senior secured notes due 2021 rank pari passu with and, subject to certain exceptions, share in the same guarantees and security which have been granted in favour of the senior credit facility and senior secured notes due 2018. On 11 June 2013, under the "Change of Control" as described above, \$52.1 million of the principal amount of the 5.25% \$500 million senior notes due 2021, and £21.6 million of the 5.5% £650 million senior notes due 2021 was redeemed.

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18 Financial liabilities (continued)

See above in *Senior notes* section in relation to the issue of 5.25% senior secured notes due January 2021 and the 5.50% senior secured notes due January 2021 in 2013

On 28 March 2014, Virgin Media Secured Finance PLC issued \$425.0 million 5.5% senior secured notes due 2025, £430.0 million 5.5% senior secured notes due 2025 and £225.0 million 6.25% senior secured notes due 2029. Interest is payable semi-annually on 15 January and 15 July each year, beginning 15 January 2015

On 1 April 2014, Virgin Media Secured Finance issued £175.0 million principal amount of 6.25% senior secured notes due 28 March 2029 at an issue price of 101.75% of face value. Interest is payable semi-annually on 15 January and 15 July each year, beginning 15 January 2015.

Senior credit facility

| | 2014 £ million | 2013 £ million |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| <i>The senior credit facility consists of</i> | | |
| <i>U.S. Dollar</i> | | |
| VM Facility B | 1,761.1 | 1,655.3 |
| LIBOR + 2.75% senior credit facility due 2020 (principal at maturity \$2,755 million) | | |
| <i>Sterling</i> | | |
| VM Facility A | | |
| LIBOR + 3.25% senior credit facility due 2020 (principal at maturity £375 million) | 375.0 | 375.0 |
| VM Facility C | | |
| LIBOR + 3.75% senior credit facility due 2020 (principal at maturity £600 million) | - | 597.2 |
| VM Facility D | | |
| LIBOR + 3.25% senior credit facility due 2022 (principal at maturity £100 million) | 99.8 | - |
| VM Facility E | | |
| LIBOR + 3.5% senior credit facility due 2023 (principal at maturity £849.4 million) | 847.4 | - |
| | 3,083.3 | 2,627.5 |
| Less: issue costs | (9.6) | - |
| Senior credit facility due after more than one year | 3,073.7 | 2,627.5 |

On 7 June 2013, the Virgin Media Borrowing Group entered into the VM Credit Facility on 14 June 2013, pursuant to which the lenders thereunder agreed to provide the borrowers with a £375.0 million term loan (VM Facility A), \$2,755.0 million (£1,768.2 million) term loan (VM Facility B), £600.0 million term loan (VM Facility C) and a £660.0 million revolving credit facility (the VM Revolving Facility). With the exception of the VM Revolving Facility, all available amounts were borrowed under the VM Credit Facility in June 2013

In April 2014, the Virgin Media Credit Facility Borrowers entered into a new £100.0 million term loan (VM Facility D) and a new £849.4 million term loan (VM Facility E), each under the VM Credit Facility. The proceeds received from the VM Facility D and E, the VM revolving credit facility and the additional £175.0 million proceeds of the 2029 VM Senior Secured Notes, were used to fully redeem the \$1,000.0 million and £875.0 million principal amounts of the senior secured notes due 2018 together with the redemption of VM Facility C from existing liquidity with a principal amount of £600.0 million

The VM Credit Facility requires that certain members of the Virgin Media Borrowing Group that generate not less than 80% of such group's EBITDA (as defined in the VM Credit Facility) in any financial year, guarantee the payment of all sums payable under the VM Credit Facility and such group members are required to grant first-ranking security over all or substantially all of their assets to secure the payment of all sums payable. In addition, the holding company of each borrower must give a share pledge over its shares in such borrower.

Virgin Media Finance PLC
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for the year ended 31 December 2014

18 Financial liabilities (continued)

At 31 December 2014, all four term loan facilities had been drawn and the group had full availability under its £660.0 million revolving credit facility

In addition to mandatory prepayments which must be made for certain disposal proceeds (subject to certain de minimis thresholds), the lenders may cancel their commitments and declare the loans due and payable after 30 business days following the occurrence of a change of control in respect of Virgin Media Investment Holdings Limited, subject to certain exceptions

The VM Credit Facility contains certain customary events of default, the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders to (i) cancel the total commitments, (ii) accelerate all outstanding loans and terminate their commitments there under and/or (iii) declare that all or part of the loans be payable on demand. The VM Credit Facility contains certain representations and warranties customary for facilities of this type, which are subject to exceptions, baskets and materiality qualifications

The VM Credit Facility restricts the ability of certain members of the Virgin Media Borrowing Group to, among other things, (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions and (iii) create certain security interests over their assets, in each case, subject to carve-outs from such limitations

The VM Credit Facility requires the borrowers to observe certain affirmative undertakings or covenants, which covenants are subject to materiality and other customary and agreed exceptions. In addition, the VM Credit Facility also requires compliance with various financial covenants such as Senior Net Debt to Annualised EBITDA and Total Net Debt to Annualised EBITDA, each capitalised term as defined in the VM Credit Facility

In addition to customary default provisions, the VM Credit Facility provides that any event of default with respect to indebtedness of £50.0 million or more in the aggregate of the company, and its subsidiaries is an event of default under the VM Credit Facility

The VM Credit Facility permits certain members of the Virgin Media Borrowing Group to make certain distributions and restricted payments to its parent company (and indirectly to Liberty Global) through loans, advances or dividends subject to compliance with applicable covenants.

Restrictions

The agreements governing the senior notes and the senior credit facility significantly, and, in some cases, absolutely restrict the group's ability and the ability of most of its subsidiaries to

- incur or guarantee additional indebtedness,
- pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations,
- make investments,
- sell assets, including shares in subsidiaries,
- create liens,
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- merge or consolidate or transfer substantially all of the group's assets, and
- enter into transactions with affiliates

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19 Leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts

The group uses finance leases and hire purchase contracts to acquire plant and equipment. These leases have terms of renewal but no material purchase options or escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases and hire purchases contracts are as follows:

| | 2014 | 2013 |
|---------------------------------------------------|------------------|------------------|
| | £ million | £ million |
| <i>Future minimum payments due</i> | | |
| Not later than one year | 78.7 | 96.7 |
| After one year but not more than five years | 70.7 | 119.4 |
| After five years | 142.5 | 145.4 |
| | <u>291.9</u> | <u>361.5</u> |
| Less: finance charges allocated to future periods | (128.1) | (136.1) |
| Present value of minimum lease payments | <u>163.8</u> | <u>225.4</u> |

The present value of minimum lease payments is analysed as follows:

| | 2014 | 2013 |
|---------------------------------------------|------------------|------------------|
| | £ million | £ million |
| <i>Amounts falling due</i> | | |
| Not later than one year | 71.6 | 86.9 |
| After one year but not more than five years | 57.7 | 103.9 |
| After five years | 34.5 | 34.6 |
| | <u>163.8</u> | <u>225.4</u> |

Operating lease agreements where the group is lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | Land & buildings | | Other | |
|---------------------------------------------|-----------------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | £ million | £ million | £ million | £ million |
| Not later than one year | 22.7 | 23.6 | 14.1 | 14.1 |
| After one year but not more than five years | 63.9 | 60.5 | 19.6 | 29.1 |
| After five years | 28.3 | 38.6 | 17.7 | 13.1 |
| | <u>114.9</u> | <u>122.7</u> | <u>51.4</u> | <u>56.3</u> |

The group has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have varied durations, some can be exited with as little as two months notice whilst the terms of some run indefinitely until notice is served.

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20 Provisions

| | Property related costs £ million | National Insurance £ million | Other provisions £ million | Total £ million |
|----------------------------------------|-------------------------------------------|------------------------------------|----------------------------------|--------------------|
| At 31 December 2013 and 1 January 2014 | | | | |
| Current | 5 0 | 7 8 | 5 8 | 18 6 |
| Non-current | 50 2 | 4 8 | 5 1 | 60 1 |
| | 55 2 | 12 6 | 10 9 | 78 7 |
| Established during the year | 0 5 | 6 9 | 10 6 | 18 0 |
| Used during the year | (2 4) | (5 1) | (14 8) | (22 3) |
| Revisions in cashflow estimates | 0 8 | - | (5 5) | (4 7) |
| Movement in discount rate | 32 0 | - | - | 32 0 |
| At 31 December 2014 | 86 1 | 14 4 | 1 2 | 101 7 |
| Analysed as | | | | |
| Current | 2 5 | 6 4 | 1 2 | 10 1 |
| Non-current | 83 6 | 8 0 | - | 91 6 |
| | 86 1 | 14 4 | 1 2 | 101 7 |

Property related costs

Property related costs expected to be incurred are mainly in relation to dilapidations costs on leasehold properties. The majority of the costs are expected to be incurred over the next 25 years.

National Insurance

Provision has been made for National Insurance contributions on share options and restricted stock unit grants, which are expected to be exercised. The provision is expected to be incurred over the next 4 years.

Other provisions

Other provision elements mainly consist of redundancy costs. Following the LG/VM Transaction the Virgin Media group commenced the implementation of a restructuring plan in 2013 aimed at realising synergies on redundancy costs as a result of the merger. Other provisions have not been discounted as they are short term in nature.

21 Financial Risk Management Objectives and Policies

The group's principal financial liabilities, other than derivatives, comprise bank loans (senior credit facility), senior notes, senior secured notes, finance leases, vendor financing, trade payables, hire purchase contracts and loans made to parent and fellow group undertakings. With the exception of trade payables the main purpose of the financial liabilities is to raise finance for the Virgin Media group's operations. The group has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations.

The group is exposed to various market risks, including credit risk, foreign exchange rate risk, liquidity risk and interest rate risk. Market risk is the potential loss arising from adverse changes in market rates and prices. As some of the group's indebtedness accrues interest at variable rates there is exposure to volatility in future cash flows and earnings associated with variable interest payments.

Also, substantially all of the group revenues and costs (excluding interest) are earned and paid in pounds sterling, but interest and principal obligations on some indebtedness are in U S dollars. As a result the group has exposure to volatility in future cash flows and earnings associated with changes in foreign exchange rates on payments of interest and principal amounts on a portion of its indebtedness.

21 Financial Risk Management Objectives and Policies (continued)

The group has entered into various derivative instruments to manage interest rate risk, and foreign exchange risk with respect to the U.S. dollar, comprising of interest rate swaps, cross-currency interest rate swaps and foreign currency forward contracts. The objective is to reduce the volatility of the group's cash flows and earnings caused by changes in underlying rates.

The main risks arising from the group's financial liabilities are described below:

Interest rate risk

The group is subject to interest rate risk because it has substantial indebtedness at variable rates of interest. At 31 December 2014, before taking into account hedging instruments, interest is determined on a variable basis on £3,073.7 million (2013 - £2,627.5 million) or 36% (2013 - 31%) of indebtedness, relating solely to amounts drawn down on the senior credit facility. The group aims to reduce the volatility of its cash flows and earnings as a result of fluctuations in interest rates through the use of derivative financial instruments.

Interest rate risk profile of financial assets

The group's financial assets include cash on money market deposit at call, seven day and monthly rates, and amounts owed by parent undertakings and related parties charged at variable interest rates.

Sensitivity analysis of changes in interest rates

Interest rate risks are presented by way of a sensitivity analysis in accordance with IFRS 7 'Financial Instruments Disclosures'. These show the effects of changes in market interest rates on interest payments, interest income and expense, other components and, as appropriate, equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in market interest rates of non-derivative financial instruments with fixed interest rates only affect income if measured at fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined by IFRS 7.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of interest rate sensitivities.

Changes in the market interest rate of interest rate derivatives (interest rate swaps and cross-currency interest rate swaps) that are not part of a hedging relationship as set out in IAS 39 'Financial Instruments Recognition and Measurement' affect gains or losses on derivatives and are therefore taken into consideration in the calculation of interest rate sensitivities.

Foreign currency forward rate contracts are not subject to interest rate risks and therefore do not affect interest rate sensitivities.

Based on debt at 31 December 2014, including amounts owed to and due from parent and group undertakings, and taking into consideration hedging instruments, a 0.25% movement in market interest rates would result in an annual increase or decrease in the gross interest expense of £13.1 million (2013 - a 0.25% movement in market interest rates would result in an annual increase or decrease in the gross interest expense of £13.9 million). Movements in gross interest expense would be recognised in finance income and finance costs in the Group Income Statement.

21 Financial Risk Management Objectives and Policies (continued)

Foreign currency exchange rate risk

The group is also subject to foreign currency exchange risks, because substantially all of its revenues and operating expenses are denominated in pounds sterling, but interest and principal obligations with respect to a portion of its indebtedness is denominated in U S dollars. To the extent that the pound declines in value against the U S dollar, the effective cost of servicing U S dollar denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses.

As of 31 December 2014 the group had £3,790.6 million (2013 - £3,901.9 million), or 44% (2013 - 46%) of external indebtedness, denominated in U S dollars (see note 18). The group has a programme in place to mitigate the risk of losses arising from adverse changes in foreign currency exchange rates which uses a number of derivative financial instruments. When taking into consideration cross currency interest rate swaps and foreign currency forward rate contracts, the majority of external debt is hedged against foreign currency exchange rate risk.

For the year ended 31 December 2014 the group had foreign currency losses of £28.8 million (2013 - gains of £98.2 million).

The losses for the year ended 31 December 2014 were primarily due to the weakening of the sterling pound relative to the U.S. dollar in respect of the U S dollar denominated debt issued by the group, partially offset by the U S dollar denominated debt advanced to group undertakings.

The gains for the year ended 31 December 2013 were primarily due to the weakening of the U S dollar relative to the pound sterling in respect of the U S dollar denominated debt issued by the group to which hedge accounting is not applied.

At 31 December 2014 the group had £89.6 million of euro denominated inter-company liabilities (2013 - £96.1 million). The group had £30.0 million of U S dollar denominated inter-company payables (2013 - receivables of £2,296.4 million).

Sensitivity analysis of changes in foreign currency exchange rates

For the presentation of market risks, IFRS 7, 'Financial Instruments: Disclosures' requires sensitivity analysis that shows the effects of hypothetical changes of foreign currency exchange rates of relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative of the year as a whole.

Currency risks are defined by IFRS 7 as arising on account of financial instruments being denominated in a currency other than the functional currency and being of a monetary nature. Relevant risk variables are generally all non-functional currencies in which the group has financial liabilities, excluding amounts due to parent undertakings.

The currency sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial instruments (liquid assets, receivables and finance lease liabilities) are directly denominated in the functional currency. There are therefore no foreign exchange fluctuations in respect of these instruments which have an effect on profit or loss or shareholders' equity. Interest income and expense from financial instruments are also either recorded in the functional currency or transferred to the functional currency using derivatives.

The group has a number of derivative instruments with various counterparties to manage its exposure to changes in foreign currency exchange rates. Exchange rate fluctuations, on which the financial instruments are based, affect gains or losses on derivatives in the finance income or finance costs lines, respectively, of the Group Income Statement.

Virgin Media Finance PLC
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21 Financial Risk Management Objectives and Policies (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the pound sterling against US dollar exchange rates with all other variables remaining constant, of the group's profit before tax. Due to foreign exchange translation of monetary assets and liabilities, the impact of translating the net assets of foreign operations into sterling is excluded from the sensitivity analysis.

| | Increase/ decrease in exchange rates | Effect on profit/(loss) before tax £ million |
|--------------------|---------------------------------------------------------|-----------------------------------------------------------------|
| 2014 | | |
| Sterling/US dollar | +20% | 641.8 |
| Sterling/US dollar | -20% | (962.6) |
| Sterling/euro | +20% | 21.1 |
| Sterling/euro | -20% | (31.6) |
| 2013 | | |
| Sterling/US dollar | +20% | 374.4 |
| Sterling/US dollar | -20% | (561.7) |
| Sterling/euro | +20% | 22.3 |
| Sterling/euro | -20% | (33.4) |

Liquidity risk and capital management

The company is a wholly owned subsidiary and its ultimate parent company is Liberty Global plc. Capital management policies are operated at a Virgin Media group level by the management of Liberty Global plc. The agreements that govern the Virgin Media group's indebtedness set out financial maintenance tests and restrictive covenants, and it is the policy of the Virgin Media group to maintain adequate headroom against these tests and covenants.

The Virgin Media group's business is capital intensive and the Virgin Media group is highly leveraged. The Virgin Media group has significant cash requirements for operating costs, capital expenditure and interest expense. The level of the Virgin Media group's capital and operating expenditures are affected by significant amounts of capital required to connect customers to the network, expand and upgrade the network and offer new services. Cash on hand, together with cash from operations and an undrawn credit facility, are expected to be sufficient for the Virgin Media group's cash requirements through to 30 June 2016. The Virgin Media group has significant scheduled repayments that may need to be financed through means other than reliance on cash flow from operations, such as raising additional debt or equity, refinancing the existing facility, possible loans from parent undertakings or related parties, sale of assets or other means. It may not be possible to obtain adequate financing, or sell assets at all, or on favourable terms, or the terms of the senior credit facility or senior notes may prevent the Virgin Media group from incurring additional indebtedness or selling assets. However, significant steps have been taken to defer repayments or make additional prepayments as described below.

As of 31 December 2014 the group had £8,687.9 million of external debt (including finance leases, vendor financing and net of deferred finance costs) outstanding, compared to £8,262.0 million as of 31 December 2013 and cash and cash equivalents of £13.8 million compared to £29.4 million at 31 December 2013.

The principal amount outstanding under the senior credit facility at 31 December 2014 was £3,073.7 million (2013 - £2,627.5 million). The senior credit facility comprises three term facilities denominated in pounds sterling of £1,322.2 million (2013 - two term facilities of £972.2 million), one term facility denominated in US dollar of £1,761.1 million (2013 - £1,655.3 million) and a revolving facility of £660.0 million (2013 - £660.0 million). At 31 December 2014, £3,073.7 million (2013 - £2,627.5 million) of the term facility had been drawn. The group had full availability under its £660 million revolving credit facility for bank guarantees and standby letters of credit.

Virgin Media Finance PLC
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21 Financial Risk Management Objectives and Policies (continued)

On 14 March 2014, Virgin Media Secured Finance PLC issued \$425.0 million 5.5% senior secured notes due 2025, £430.0 million 5.5% senior secured notes due 2025 and £225.0 million 6.25% senior secured notes due 2029. In April 2014, the net proceeds were used to redeem all of the £875.0 million 7.0% senior secured notes due 2018, including the related redemption premium. The net proceeds from the above were used to redeem the entire £875.0 million principal amount of 7.0% senior secured notes due 2018.

In April 2014, Virgin Media Secured Finance PLC issued £175.0 million principal amount of 6.25% senior secured notes due 28 March 2029 at an issue price of 101.75% of face value, and the Virgin Media Credit Facility Borrowers entered into a new £100.0 million term loan (VM Facility D) and a new £849.4 million term loan (VM Facility E), each under the VM Credit Facility. The net proceeds were used to fully redeem the \$1.0 billion (£641.8 million) principal amount of 6.5% senior secured notes due 2018 and the redemption of VM Facility C with a principal amount of £600.0 million.

On 7 October 2014, the company issued £300.0 million principal amount of 6.375% senior notes due 15 October 2024 and \$500.0 million (£320.9 million) principal amount of 6.0% senior notes due October 15, 2024. On 24 October 2014, the net proceeds were used to fully redeem the \$507.1 million (£325.5 million) principal amount of 8.375% senior notes due 2019 and the £253.5 million principal amount of 8.875% senior notes due 2019.

As a result of the refinancing steps described above, and in the prior year, the group no longer has any scheduled principal payments on its senior notes and senior credit facility until 2020. However, if the group was unable to meet the prepayment condition or service these obligations through cash flows from operations, then it would need to secure additional funding such as raising additional debt or equity, refinancing the existing facility, selling assets or using other means. It may not be possible to obtain financing or sell assets, at all or on favourable terms, or the group may be contractually prevented by the terms of its senior notes or senior credit facility from incurring additional indebtedness or selling assets.

A maturity analysis of financial liabilities, outstanding at 31 December 2014, showing the remaining contractual undiscounted amounts payable, including interest commitments, is shown below:

| | Less than 1 year £ million | 1 to 5 years £ million | Greater than 5 years £ million | Total £ million |
|---------------------------------------------------------------|----------------------------------|---------------------------|--------------------------------------|--------------------|
| 2014 | | | | |
| Senior credit facility, senior notes and senior secured notes | 712.9 | 2,071.2 | 9,087.8 | 11,871.9 |
| Vendor financing | 225.8 | - | - | 225.8 |
| Finance lease and hire purchase contracts | 78.7 | 70.7 | 142.5 | 291.9 |
| Derivative contracts | 18.5 | 29.3 | 115.5 | 163.3 |
| 2013 | | | | |
| Senior credit facility, senior notes and senior secured notes | 441.9 | 4,466.8 | 6,039.5 | 10,948.2 |
| Vendor financing | 37.8 | - | - | 37.8 |
| Finance lease and hire purchase contracts | 96.7 | 119.4 | 145.4 | 361.5 |
| Derivative contracts | - | 66.2 | 256.6 | 322.8 |

The above amounts exclude other financial liabilities, such as trade payables, which are all repayable in less than one year. Amounts owed to parent and group undertakings have also been excluded as they are repayable on demand.

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21 Financial Risk Management Objectives and Policies (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, trade receivables and derivative contracts

At 31 December 2014, the group had £13.8 million (2013 - £29.4 million) in cash and cash equivalents. These cash and cash equivalents are on deposit with a number of major financial institutions and, as part of the Virgin Media group's cash management process, regular evaluations of the credit standing of these institutions are performed using a range of metrics. The group has not experienced any losses in cash balances and management do not believe it is exposed to any significant credit risk on its cash balances

Concentrations of credit risk with respect to trade receivables are limited because of the large number of customers and their distribution across a wide geographic area. The Virgin Media group performs periodic credit evaluations of its business customers' financial condition and generally does not require collateral. No single group or customer represents greater than 10% of total accounts receivable

Concentrations of credit risk with respect to derivative contracts are focused within a limited number of international financial institutions with which the Virgin Media group transacts and relate only to derivatives with recorded asset balances. The Liberty Global group performs regular reviews of the financial institutions with which it transacts as to their credit worthiness and financial condition. The group includes a credit risk adjustment based upon the credit default swap spread in the valuation of derivative instruments, however, the group does not expect there to be any significant non-performance risks associated with its counterparties.

22 Financial Instruments

Derivative Instruments and Hedging Activities - financial risk management

The company and group have obligations in a combination of U.S. dollars and pound sterling at fixed and variable interest rates. As a result the group is exposed to variability in its cash flows and earnings resulting from changes in foreign currency exchange rates and interest rates.

The group's objective in managing its exposure to interest rates and foreign currency exchange rates is to decrease the volatility of its earnings and cash flows caused by changes in the underlying rates. The group has established policies and procedures to govern these exposures and has entered into derivative financial instruments including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate contracts. Subsidiaries of Virgin Media Finance PLC hold financial instruments which hedge the foreign currency risk of debt issued by its ultimate parent company Virgin Media Inc. It is the group's policy not to enter into derivative financial instruments for speculative trading purposes, nor to enter into derivative financial instruments with a level of complexity or with a risk that is greater than the exposure to be managed. The amounts below include amounts relating to short term as well as long term payables

The group applied hedge accounting to certain of its derivative instruments prior to the LG/VM Transaction, and subsequent to the LG/VM Transaction has elected not to designate derivative instruments as accounting hedges, although these remain economic hedges

The fair values of derivative financial instruments recorded in the Group Balance Sheet are shown in notes 13 (Financial assets) and 18 (Financial liabilities)

Virgin Media Finance PLC
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22 Financial Instruments (continued)

The fair values of derivative financial instruments recognised in the Group Balance Sheet are as follows

| | 2014 £ million | 2013 £ million |
|------------------------------------------------|-------------------|-------------------|
| <i>Included within current assets</i> | | |
| <i>Fair value hedges</i> | | |
| Interest rate swaps | 19.2 | 19.8 |
| Cross-currency interest rate swaps | 8.3 | 7.8 |
| <i>Derivatives not designated as hedges</i> | | |
| Cross-currency interest rate swaps | 0.5 | 0.2 |
| | <u>28.0</u> | <u>27.8</u> |
| <i>Included within non-current assets</i> | | |
| <i>Fair value hedges</i> | | |
| Interest rate swaps | 67.7 | 34.8 |
| Cross-currency interest rate swaps | 28.4 | 0.8 |
| <i>Derivatives not designated as hedges</i> | | |
| Interest rate swaps | - | 101.9 |
| Cross-currency interest rate swaps | 5.9 | 0.4 |
| | <u>102.0</u> | <u>137.9</u> |
| <i>Included within current liabilities</i> | | |
| <i>Derivatives not designated as hedges</i> | | |
| Interest rate swaps | 46.5 | 43.6 |
| Cross-currency interest rate swaps | 15.4 | 25.5 |
| | <u>61.9</u> | <u>69.1</u> |
| <i>Included within non-current liabilities</i> | | |
| <i>Fair value hedges</i> | | |
| Interest rate swaps | - | 0.9 |
| <i>Derivatives not designated as hedges</i> | | |
| Interest rate swaps | 19.8 | 13.5 |
| Cross-currency interest rate swaps | 81.6 | 239.3 |
| | <u>101.4</u> | <u>253.7</u> |

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22 Financial Instruments (continued)

Cross-currency interest rate swaps - hedging the principal and interest payments of senior notes and senior credit facility

The terms of the group's outstanding cross-currency interest rate swaps, used to mitigate the interest and foreign exchange rate risks relating to the pound sterling value of principal and interest payments on U.S. dollar denominated senior notes and senior secured notes at 31 December 2014, were as follows:

| Final maturity date of hedges | Hedge type | Notional amount due from counterparty \$ million | Notional amount due to counterparty £ million | Weighted average interest rate due from counterparty | Weighted average interest rate due to counterparty |
|-------------------------------|----------------|-----------------------------------------------------|--------------------------------------------------|------------------------------------------------------|----------------------------------------------------|
| November 2016 | Not designated | 55.0 | 27.7 | 6.50% | 7.03% |
| April 2019 | Not designated | 291.5 | 186.2 | 5.38% | 5.49% |
| October 2019 | Not designated | 50.0 | 30.3 | 8.38% | 8.98% |
| October 2019 - October 2022 | Not designated | 50.0 | 30.7 | 6.00% | 5.75% |
| June 2020 | Not designated | 1,384.6 | 901.4 | 6 month US LIBOR +2.75% | 6 month LIBOR +3.18% |
| October 2020 | Not designated | 1,370.4 | 881.6 | 6 month US LIBOR +2.75% | 6 month LIBOR +3.10% |
| January 2021 | Fair Value | 500.0 | 308.9 | 5.25% | 6 month LIBOR +2.06% |
| February 2022 | Not designated | 1,400.0 | 873.6 | 5.01% | 5.49% |
| October 2022 | Not designated | 450.0 | 272.0 | 6.00% | 6.43% |
| January 2022 | Not designated | 425.0 | 255.8 | 5.50% | 5.82% |
| | | <u>5,976.5</u> | <u>3,768.2</u> | | |

All of the cross-currency interest rate swaps include exchanges of the notional amount at the start and end of the contract except for the contracts maturing in November 2016 for which the only cash flows are solely interest payments and receipts. During March and October 2014, the group entered into new cross-currency interest rate swaps to mitigate the foreign exchange rate risk associated with the \$425m 5.5% senior secured note 2025 and the \$500m 6.0% senior note 2024 respectively. On May 2014, the cross-currency interest rate swaps maturing January 2018 and October 2019 were partially settled, and the company received net cash of £1.3 million.

Interest rate swaps - hedging of interest rate sensitive obligations

As of 31 December 2014, the group had outstanding interest rate swap agreements to manage the exposure to variability in future cash flows on the interest payments associated with its senior credit facility which accrues at variable rates based on LIBOR. The group has also entered into interest rate swap agreements to manage its exposure to changes in the fair value of certain debt obligations due to interest rate fluctuations. The interest rate swaps allow the group to receive or pay interest based on six month LIBOR or fixed rates in exchange for payments or receipts of interest at six month LIBOR or fixed rates.

Virgin Media Finance PLC
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22 Financial Instruments (continued)

The terms of the group's outstanding interest rate swap contracts at 31 December 2014 were as follows:

| Final maturity date of hedge | Hedge type | Notional amount £ million | Weighted average interest rate due from counterparty | Weighted average interest rate due to counterparty |
|------------------------------|----------------|------------------------------|------------------------------------------------------|----------------------------------------------------|
| December 2015 | Not designated | 600 0 | 6 month LIBOR | 2 90% |
| October 2018 | Not designated | 2,155 0 | 6 month LIBOR | 1 52% |
| January 2021 | Fair value | 650 0 | 5 50% | 6 month LIBOR +1 84% |
| January 2021 | Not designated | 650 0 | 6 month LIBOR +1 84% | 3 87% |
| April 2018 | Not designated | 300 0 | 6 month LIBOR | 1 37% |

The notional amounts of multiple derivative instruments that mature within the same calendar month are shown in aggregate

Cash flow hedges

The group has elected not to designate derivative instruments as accounting hedges, although these remain economic hedges

Prior to the LG/VM Transaction, for derivative instruments that were designated and qualified as cash flow hedges, the effective portion of the gain or loss on derivatives was reported as unrealised gains and losses in the Group Statement of Comprehensive Income and reclassified into earnings in the same period or periods during which the hedged transactions affected earnings. Prior to the LG/VM Transaction, gains or losses representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness were recognised as gains or losses on derivative instruments in the Group Income Statement in the period in which they occurred

Since the LG/VM Transaction, changes in the fair values of derivative instruments are recorded as gains or losses on derivative instruments in the Group Income Statement in the period in which they occur. The following table presents movements in Other Comprehensive Income related to cash flow hedges for the year ended 31 December 2014

| | Total £ million | Interest rate swaps £ million | Cross currency interest rate swaps £ million | Tax effect £ million |
|----------------------------------------------------------------------------------|--------------------|----------------------------------|-------------------------------------------------|-------------------------|
| Balance at 31 December 2013 | (64 3) | 2 6 | (74 8) | 7 9 |
| Amounts recognised in Statement of Comprehensive Income reclassified to earnings | 14.2 | (1 3) | 15 5 | - |
| Tax effect recognised | 11.6 | - | - | 11 6 |
| Balance at 31 December 2014 | <u>(38.5)</u> | <u>1.3</u> | <u>(59 3)</u> | <u>19 5</u> |

Included within amounts reclassified to earnings is £14 2 million of net losses that have been recycled from the cash flow hedge reserve through the income statement in respect of swaps for which either designation was revoked, or the hedged instrument was settled as part of refinancing activities

Virgin Media Finance PLC
Notes to the Group Financial Statements
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22 Financial Instruments (continued)

Fair value hedges

For derivative instruments that are designated and qualify as fair value accounting hedges, the gain or loss on derivatives is recognised in the Group Income Statement in the period in which they occur, together with any changes in the fair value of the hedged debt obligations due to changes in the hedged risks

Derivatives not qualifying for hedge accounting

Prior to the LG/VM Transaction, any gains or losses arising from changes in fair value of a derivative which was deemed ineffective or not qualifying for hedge accounting, were taken to the Group Income Statement.

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying values and fair values of the group's financial assets and financial liabilities, where different, as at 31 December

| | 2014 Carrying value £ million | 2014 Fair value £ million | 2013 Carrying value £ million | 2013 Fair value £ million |
|----------------------------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Senior credit facility | (3,083.3) | (3,038.9) | (2,627.5) | (2,649.3) |
| 8.375% U.S. dollar senior notes due 2019 | - | - | (302.7) | (334.4) |
| 8.875% pound sterling senior notes due 2019 | - | - | (250.7) | (276.9) |
| 5.25% U.S. dollar senior notes due 2022 | (61.5) | (58.1) | (57.3) | (51.1) |
| 4.875% U.S. dollar senior notes due 2022 | (76.7) | (73.1) | (71.6) | (62.8) |
| 5.125% pound sterling senior notes due 2022 | (44.5) | (44.7) | (44.1) | (40.9) |
| 7.0% pound sterling senior notes due 2023 | (250.0) | (272.8) | (250.00) | (261.10) |
| 6.375% U.S. dollar senior notes due 2023 | (340.1) | (356.7) | (319.92) | (327.70) |
| 6.375% pound sterling senior notes due 2024 | (300.0) | (324.0) | - | - |
| 6% U.S. dollar senior notes due 2024 | (320.9) | (336.9) | - | - |
| 6.50% U.S. dollar senior secured notes due 2018 | - | - | (598.4) | (626.6) |
| 7.00% pound sterling senior secured notes due 2018 | - | - | (867.4) | (910.0) |
| 6.0% pound sterling senior secured notes due 2021 | (1,100.0) | (1,161.9) | (1,100.0) | (1,135.1) |
| 5.50% pound sterling senior secured notes due 2021 | (636.8) | (677.1) | (686.5) | (634.3) |
| 5.375% U.S. dollar senior secured notes due 2021 | (641.8) | (663.1) | (603.6) | (608.9) |
| 5.25% U.S. dollar senior secured notes due 2021 | (295.3) | (300.3) | (293.1) | (276.8) |
| 5.5% pound sterling senior secured notes due 2025 | (430.0) | (445.9) | - | - |
| 5.5% U.S. dollar senior notes due 2025 | (272.8) | (282.5) | - | - |
| 6.25% pound sterling senior secured notes due 2029 | (403.0) | (433.3) | - | - |

The carrying values of amounts not listed above approximate their fair values.

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or
Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
Inputs other than quoted prices that are observable for the asset or liability
- Level 3 Unobservable inputs for the asset or liability

The group endeavours to utilise the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The group has determined that all of its financial assets and liabilities that are stated at fair value fall in levels 1 and 2 in the fair value hierarchy described above.

Virgin Media Finance PLC
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22 Financial Instruments (continued)

As at 31 December 2014, the fair value of the financial instruments held by the group is as follows

| | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
|-----------------------------------------------|----------------------|----------------------|----------------------|--------------------|
| <i>Financial assets at fair value</i> | | | | |
| Cash, short term deposits and restricted cash | 14.8 | - | - | 14.8 |
| Cross-currency interest rate swaps | - | 43.1 | - | 43.1 |
| Interest rate swaps | - | 86.9 | - | 86.9 |
| | <u>14.8</u> | <u>130.0</u> | <u>-</u> | <u>144.8</u> |
| <i>Financial liabilities at fair value</i> | | | | |
| Senior credit facility | 3,038.9 | - | - | 3,038.9 |
| Senior notes | 1,466.3 | - | - | 1,466.3 |
| Senior secured notes | 3,964.1 | - | - | 3,964.1 |
| Cross-currency interest rate swaps | - | 97.0 | - | 97.0 |
| Interest rate swaps | - | 66.3 | - | 66.3 |
| | <u>8,469.3</u> | <u>163.3</u> | <u>-</u> | <u>8,632.6</u> |

In estimating the fair value of other financial instruments, the group used the following methods and assumptions

Cash and short term deposits, and restricted cash. The carrying amounts reported in the Group Balance Sheet approximate fair value due to the short maturity and nature of these financial instruments

Derivative financial instruments As a result of the group's financing activities, it is exposed to market risks from changes in interest and foreign currency exchange rates, which may adversely affect its operating results and financial position. When deemed appropriate, the group minimises risks from interest and foreign currency exchange rate fluctuations through the use of derivative financial instruments. The foreign currency forward rate contracts, interest rate swaps and cross-currency interest rate swaps are valued using broker quotations, or market transactions in either the listed or over-the counter markets, adjusted for non-performance risk. As such, these derivative instruments are classified within level 2 of the fair value hierarchy.

Senior notes, senior secured notes and credit facility The fair values of the senior credit facility, senior notes and senior secured notes in the above table are based on the quoted market prices in active markets for the underlying third party debt and incorporate non-performance risk. Accordingly, the inputs used to value the senior notes and senior secured notes are classified within level 1 of the fair value hierarchy.

During the year, there were no transfers between Level 1 and Level 2 and no transfers into or out of the Level 3

23 Equity share capital

| | 2014 £ '000 | 2013 £ '000 |
|-------------------------------------------|----------------|----------------|
| <i>Allotted, called up and fully paid</i> | | |
| 92,456 ordinary shares of £1 each | <u>92</u> | <u>92</u> |

Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

24 Share-based payments

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc and Liberty Global plc. The company has no share-based compensation plans. To 7 June 2013, the group's directors and certain of its employees participated in the share-based compensation plans of Virgin Media Inc. From 7 June 2013, following the merger of Virgin Media Inc and Liberty Global, Inc, the share based compensation plans issued to employees were modified to be share based-compensation plans of Liberty Global plc.

Liberty Global Share Incentive Plans

The Share Incentive Plans are intended to encourage Liberty Global plc share ownership by employees and directors so that they may acquire or increase their proprietary interest in the Liberty Global and Virgin Media groups, and to encourage such employees and directors to remain in the group's employment or service and to put forth maximum efforts for the success of the business. To accomplish such purposes, the plans provide that as of 31 December 31 2014, Liberty Global was authorized to grant incentive awards under the Liberty Global 2014 Incentive Plan.

Generally, the compensation committee of Liberty Global's board of directors may grant non-qualified share options, SARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing under any of the incentive plans (collectively, awards). Ordinary shares issuable pursuant to awards made under these incentive plans will be made available from either authorized but unissued shares or shares that have been issued but reacquired by Liberty Global. Awards may be granted at or above fair value in any class of ordinary shares. The maximum number of Liberty Global shares with respect to which awards may be issued under the Liberty Global 2014 Incentive Plan is 100 million (of which no more than 50 million shares may consist of Class B ordinary shares), subject to anti-dilution and other adjustment provisions in the respective plan. As of 31 December 2014, the Liberty Global 2014 Incentive Plan had 89,582,279 ordinary shares available for grant.

In connection with the LG/VM Transaction, Liberty Global assumed the VM Incentive Plan. Awards under the VM Incentive Plan issued prior to 7 June 2013 have a 10-year term and become fully exercisable within five years of continued employment. Certain performance-based awards that were granted during the first quarter of 2013 were cancelled upon completion of the LG/VM Transaction. These cancelled awards were subsequently replaced by PSUs that were granted under the VM Incentive Plan on 24 June 2013. For the remaining performance-based awards that were outstanding prior to 7 June 2013, the performance objectives lapsed upon the completion of the LG/VM Transaction and such awards vest on the third anniversary of the grant date.

Awards (other than performance-based awards) under (i) the Liberty Global 2014 Incentive Plan, (ii) the Liberty Global 2005 Incentive Plan and (iii) under the VM Incentive Plan after 7 June 2013 generally (a) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (b) expire seven years after the grant date. RSUs vest on the date of the first annual general meeting of Liberty Global shareholders following the grant date. These awards may be granted at or above fair value in any class of ordinary shares.

No further awards will be granted under the Liberty Global 2005 Incentive Plan or the VM Incentive Plan.

Liberty Global Performance Awards

The following is a summary of the material terms and conditions with respect to Liberty Global's performance-based awards for certain executive officers and key employees for which awards were granted under the Liberty Global Incentive Plan and the Virgin Media Incentive Plan.

Virgin Media Finance PLC
Notes to the Group Financial Statements
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24 Share-based payments (continued)

Liberty Global PSUs

PSUs are granted to executive officers and key employees annually based on a target annual equity value for each executive and key employee, of which approximately two-thirds would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. Each PSU represents the right to receive one Class A or Class C ordinary share, as applicable, subject to performance and vesting. Generally, the performance period for the PSUs covers a two-year period and the performance target is based on the achievement of a specified compound annual growth rate (CAGR) in a consolidated operating cash flow metric (as defined in the applicable underlying agreement), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR), and the participant's annual performance ratings during the two-year performance period. A performance range of 75% to 125% of the target OCF CAGR generally results in award recipients earning 50% to 150% of their respective PSUs, subject to reduction or forfeiture based on individual performance. The PSUs generally vest 50% on each of 31 March and 30 September of the year following the end of the performance period. During the Successor periods, Liberty Global granted PSUs to certain of our executive officers and key employees.

Liberty Global Challenge Performance Awards

Effective 24 June 2013, Liberty Global's compensation committee approved the Challenge Performance Awards, which consisted solely of PSARs for Liberty Global's senior executive officers and a combination of PSARs and PSUs for other executive officers and key employees. Each PSU represents the right to receive one Class A ordinary share or one Class C ordinary share of Liberty Global, as applicable, subject to performance and vesting. The performance criteria for the Challenge Performance Awards will be based on the participant's performance and achievement of individual goals in each of the years 2013, 2014 and 2015. Subject to forfeitures and the satisfaction of performance conditions, 100% of each participant's Challenge Performance Awards will vest on 24 June 2016. The PSARs have a term of seven years and base prices equal to the respective market closing prices of the applicable class on the grant date. During the Successor periods, Liberty Global granted PSARs to certain of our executive officers.

Virgin Media Stock Incentive Plans

Equity awards were granted to certain of our employees prior to the LG/VM Transaction under certain incentive plans maintained and administered by our company and no new grants will be made under these incentive plans. The equity awards granted include stock options, restricted shares, RSUs and performance awards.

Stock Options

A summary of the activity of the group's share option grants to employees during the year ended 31 December 2014 is given below:

| Liberty Global Class A Ordinary Shares | Options | Weighted Average Exercise price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 1 January 2014 | 1,714,481 | \$15.30 | |
| Transfers | (32,349) | \$19.15 | |
| Cancelled | (51,826) | \$22.49 | |
| Exercised | (562,819) | \$14.59 | |
| Outstanding at 31 December 2014 | 1,067,487 | \$15.21 | 5.6 |
| Exercisable at 31 December 2014 | 630,167 | \$10.38 | 4.2 |

Virgin Media Finance PLC
Notes to the Group Financial Statements
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24 Share-based payments (continued)

| Liberty Global Class C Ordinary Shares | Options | Weighted Average Exercise price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 4,327,381 | \$13.84 | |
| Transfers | (79,683) | \$17.51 | |
| Cancelled | (128,419) | \$21.13 | |
| Exercised | (1,881,344) | \$20.50 | |
| Outstanding at 31 December 2014 | 2,237,935 | \$15.07 | 6.0 |
| Exercisable at 31 December 2014 | 1,148,501 | \$8.42 | 4.8 |

A summary of the activity of the group's share option grants relating to employees of the group during the year ended 31 December 2013 is given below

| Virgin Media Awards | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 1 January 2013 | 10,248,798 | \$18.33 | |
| Granted | 1,070,934 | \$37.87 | |
| Cancelled | (324,513) | \$21.69 | |
| Exercised | (2,485,429) | \$16.44 | |
| Outstanding at 7 June 2013 | 8,509,790 | \$21.21 | 6.8 |
| Exercisable at 7 June 2013 | 3,410,963 | \$17.96 | 4.8 |

| Liberty Global Class A Ordinary Shares | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) |
|---------------------------------------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------|
| Issued in exchange for Virgin Media Options on 7 June 2013 | 3,376,658 | \$29.12 | |
| Cancelled | (144,329) | \$52.78 | |
| Exercised | (1,501,458) | \$25.03 | |
| Transfers | (16,390) | \$43.38 | |
| Outstanding at 31 December 2013 | 1,714,481 | \$30.57 | 7.0 |
| Exercisable at 31 December 2013 | 675,130 | \$19.69 | 5.3 |

| Liberty Global Class C Ordinary Shares | Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) |
|---------------------------------------------------------------|------------------|------------------------------------------------|------------------------------------------------------------------------|
| Issued in exchange for Virgin Media Options on 7 June 2013 | 2,518,875 | \$24.58 | |
| Cancelled | (107,690) | \$48.77 | |
| Exercised | (1,092,500) | \$20.53 | |
| Transfers | (12,235) | \$42.35 | |
| Outstanding at 31 December 2013 | 1,306,450 | \$25.80 | 7.0 |
| Exercisable at 31 December 2013 | 531,670 | \$14.44 | 5.4 |

Virgin Media Finance PLC
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24 Share-based payments (continued)

The weighted average share prices of Liberty Global Class A and Class C shares during the period 1 January 2014 to 31 December 2014 for options exercised were \$50.65 and \$48.95, respectively

In connection with the LG/VM Transaction, 8,509,790 Virgin Media stock options were exchanged for 3,376,658 Liberty Global Class A stock options and 2,518,875 Liberty Global Class C stock options in 2013

The weighted average share prices of Liberty Global Class A and Class C shares during the period 7 June 2013 to 31 December 2013 for options exercised were \$78.97 and \$74.80, respectively

The weighted average share price of Virgin Media shares during the period 1 January 2013 to 7 June 2013 for options exercised was \$46.23.

The range of exercise prices for options outstanding at 31 December 2014 was \$4.92 to \$28.36 (2013 – \$9.84 to \$56.42)

The fair values for the Virgin Media Awards and the Virgin Media Replacement Awards options were estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions

| | Virgin Media Replacement Awards | Virgin Media Awards |
|---------------------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| | Period from 7 June to 31 December 2013 | Period from 1 January to 7 June 2013 |
| Risk-free Interest Rate | 1.00% | 0.40% - 1.42% |
| Expected Dividend Yield | none | 0.41% - 0.50% |
| Expected Volatility | 23.6% - 32.6% | 31.1% - 50.9% |
| Expected Lives of Options | 0.4 - 4.6 years | 3.0 - 7.3 years |
| Weighted Average Grant Date Fair Value of Awards Granted in the Period | \$45.64 | \$29.13 |

The ranges shown for expected lives and expected volatility of the Virgin Media Replacement Awards exclude the awards for certain former employees of the group who were expected to exercise their awards immediately or soon after the LG/VM Transaction. For these awards, the assumptions used for expected life and volatility were essentially nil.

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

Restricted Stock Units

A summary of the activity of the group's RSU grants relating to employees of the group during the year ended 31 December 2014 is given below

| Liberty Global Class A Ordinary Shares | RSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 453,087 | \$38.85 | |
| Granted | 51,632 | \$41.04 | |
| Forfeited | (13,803) | \$39.03 | |
| Release from restrictions | (211,313) | \$38.68 | |
| Transfers | (20,601) | \$39.99 | |
| Outstanding - 31 December 2014 | 259,002 | \$39.00 | 6.3 |

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24 Share-based payments (continued)

| Liberty Global Class C Ordinary Shares | RSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 1,134,213 | \$36.27 | |
| Granted | 103,264 | \$39.23 | |
| Forfeited | (33,094) | \$36.55 | |
| Release from restrictions | (526,538) | \$35.22 | |
| Transfers | (50,177) | \$37.61 | |
| Outstanding - 31 December 2014 | 627,668 | \$36.54 | 6.4 |

A summary of the activity of the group's RSU grants relating to employees of the group during the year ended 31 December 2013 is given below

| Virgin Media Awards | RSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 1 January 2013 | 1,781,742 | \$15.64 | |
| Granted | 50,101 | \$39.39 | |
| Released from restrictions | (858,701) | \$14.10 | |
| Forfeited | (578,801) | \$15.34 | |
| Outstanding at 7 June 2013 | 394,341 | \$22.43 | 7.8 |

| Liberty Global Class A Ordinary Shares | RSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|---------------------------------------------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Issued in exchange for Virgin Media PSUs and RSUs on 7 June 2013 | 900,408 | \$76.24 | |
| Granted | 8,334 | \$69.70 | |
| Released from restrictions | (411,356) | \$76.21 | |
| Forfeited | (31,038) | \$76.24 | |
| Transfers | (13,261) | \$78.92 | |
| Outstanding at 31 December 2013 | 453,087 | \$76.06 | 7.8 |

| Liberty Global Class C Ordinary Shares | RSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|---------------------------------------------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Issued in exchange for Virgin Media PSUs and RSUs on 7 June 2013 | 671,923 | \$71.51 | |
| Granted | 8,334 | \$65.56 | |
| Released from restrictions | (307,078) | \$71.48 | |
| Forfeited | (23,159) | \$71.51 | |
| Transfers | (9,457) | \$75.00 | |
| Outstanding at 31 December 2013 | 340,563 | \$71.30 | 7.8 |

In connection with the LG/VM Transaction, 394,341 Virgin Media RSUs were exchanged for 110,321 Liberty Global Class A RSUs and 82,328 Liberty Global Class C RSUs

Virgin Media Finance PLC
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24 Share-based payments (continued)

Performance Stock Units

A summary of the activity of the group's PSU grants relating to employees of the group during the year ended 31 December 2014 is given below

| Liberty Global Class A Ordinary Shares | PSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 109,571 | \$34.89 | |
| Granted | 61,654 | \$40.60 | |
| Performance adjustment (a) | (4,004) | \$26.18 | |
| Release from restrictions | (8,578) | \$26.94 | |
| Transfers | (6,986) | \$35.60 | |
| Outstanding - 31 December 2014 | 151,657 | \$37.80 | 1.2 |

| Liberty Global Class C Ordinary Shares | PSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 301,737 | \$32.58 | |
| Granted | 135,378 | \$38.60 | |
| Performance adjustment (a) | (12,012) | \$24.74 | |
| Release from restrictions | (25,734) | \$25.42 | |
| Transfers | (17,984) | \$33.29 | |
| Outstanding - 31 December 2014 | 381,385 | \$36.71 | 1.2 |

(a) Represents the reduction in PSUs associated with the first quarter 2014 determination that 66.3% of the PSUs that were granted in 2012 (the 2012 PSUs) had been earned. As of 31 December 2014, all of the earned 2012 PSUs have been released from restrictions

A summary of the activity of the group's PSU grants relating to employees of the group during the year ended 31 December 2013 is given below

| Virgin Media Awards | PSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------|------------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 1 January 2013 | 2,408,426 | \$22.40 | |
| Granted | 632,762 | \$39.66 | |
| Released from restrictions | (14,964) | \$24.08 | |
| Forfeited | (251,936) | \$22.59 | |
| Outstanding at 7 June 2013 | 2,774,288 | \$26.31 | 8.5 |

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24 Share-based payments (continued)

| Liberty Global Class A Ordinary Shares | PSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 7 June 2013 | - | - | |
| Granted | 164,412 | \$69.90 | |
| Released from restrictions | (6,580) | \$40.75 | |
| Forfeited | (75,273) | \$69.70 | |
| Transfers | 27,012 | \$55.78 | |
| Outstanding at 31 December 2013 | 109,571 | \$68.31 | 1.7 |

| Liberty Global Class C Ordinary Shares | PSUs | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|---------------|-------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 7 June 2013 | - | - | |
| Granted | 134,258 | \$65.81 | |
| Released from restrictions | (6,580) | \$39.21 | |
| Forfeited | (58,607) | \$65.56 | |
| Transfers | 27,012 | \$53.00 | |
| Outstanding at 31 December 2013 | 96,083 | \$64.19 | 1.7 |

In connection with the LG/VM Transaction, 419,717 of the Virgin Media PSUs were cancelled, and the remaining 2,354,571 PSUs were exchanged for 790,087 Liberty Global Class A RSUs and 589,595 Liberty Global Class C RSUs

Stock Appreciation Rights

A summary of the activity of the group's SARs grants relating to employees of the group during the year ended 31 December 2014 is given below

| Liberty Global Class A Ordinary Shares | SARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 95,831 | \$27.95 | |
| Granted | 377,344 | \$40.77 | |
| Forfeited | (11,930) | \$40.91 | |
| Exercised | (16,727) | \$36.02 | |
| Transfers | 8,258 | \$28.62 | |
| Outstanding - 31 December 2014 | 452,776 | \$38.01 | 5.5 |
| Exercisable at 31st December 2014 | 95,471 | \$30.22 | 1.9 |

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24 Share-based payments (continued)

| Liberty Global Class C Ordinary Shares | SARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|------------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 287,493 | \$26.83 | |
| Granted | 777,712 | \$38.87 | |
| Forfeited | (23,860) | \$39.09 | |
| Exercised | (43,501) | \$33.70 | |
| Transfers | 24,774 | \$27.38 | |
| Outstanding - 31 December 2014 | 1,022,618 | \$35.42 | 5.7 |
| Exercisable at 31st December 2014 | 252,229 | \$27.62 | 4.4 |

A summary of the activity of the group's SARs grants relating to employees of the group during the year ended 31 December 2013 is given below.

| Liberty Global Class A Ordinary Shares | SARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 7 June 2013 | - | - | |
| Granted | 17,632 | \$80.67 | |
| Transfers | 78,199 | \$49.97 | |
| Outstanding at 31 December 2013 | 95,831 | \$55.62 | 5.2 |
| Exercisable at 31 December 2013 | 36,859 | \$40.38 | 4.2 |

| Liberty Global Class C Ordinary Shares | SARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|---------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 7 June 2013 | - | - | |
| Granted | 17,632 | \$76.52 | |
| Transfers | 78,199 | \$47.47 | |
| Outstanding at 31 December 2013 | 95,831 | \$52.81 | 5.2 |
| Exercisable at 31 December 2013 | 36,859 | \$38.74 | 4.2 |

The fair values for the SARs were estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions

| Liberty Global Awards | 1 January to 31 December 2014 | Period from 7 June to 31 December 2013 |
|---------------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------|
| Risk-free Interest Rate | 0.99% - 1.31% | 0.78% - 0.81% |
| Expected Dividend Yield | none | none |
| Expected Volatility | 25.5% - 26.5% | 26.5% - 26.7% |
| Expected Lives | 3.2 - 3.9 years | 3.2 years |
| Weighted Average Grant Date Fair Value of Awards Granted in the Period | \$8.04 | \$15.57 |

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24 Share-based payments (continued)

Performance Stock Appreciation Rights

A summary of the activity of the group's PSARs grants relating to employees of the group during the year ended 31 December 2014 is given below

| Liberty Global Class A Ordinary Shares | PSARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 267,498 | \$36.00 | |
| Granted | 10,000 | \$43.58 | |
| Exercised | (6,248) | \$35.03 | |
| Transfers | (10,000) | \$35.03 | |
| Outstanding - 31 December 2014 | 261,250 | \$35.59 | 5.5 |
| Exercisable at 31st December 2014 | - | - | - |

| Liberty Global Class C Ordinary Shares | PSARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding - 1 January 2014 | 802,494 | \$34.35 | |
| Granted | 30,000 | \$43.03 | |
| Exercised | (18,744) | \$33.41 | |
| Transfers | (30,000) | \$33.41 | |
| Outstanding - 31 December 2014 | 783,750 | \$34.02 | 5.5 |
| Exercisable at 31st December 2014 | - | - | - |

A summary of the activity of the group's PSARs grants relating to employees of the group during the year ended 31 December 2013 is given below.

| Liberty Global Class A Ordinary Shares | PSARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 7 June 2013 | - | - | |
| Granted | 353,750 | \$71.16 | |
| Forfeited | (86,252) | \$69.70 | |
| Outstanding at 31 December 2013 | 267,498 | \$71.63 | 6.5 |
| Exercisable at 31 December 2013 | - | - | - |

| Liberty Global Class C Ordinary Shares | PSARs | Weighted Average Base Price | Weighted Average Remaining Contractual Term (years) |
|-----------------------------------------------|----------------|--------------------------------------------|------------------------------------------------------------------------|
| Outstanding at 7 June 2013 | - | - | |
| Granted | 353,750 | \$66.96 | |
| Forfeited | (86,252) | \$65.56 | |
| Outstanding at 31 December 2013 | 267,498 | \$67.41 | 6.5 |
| Exercisable at 31 December 2013 | - | - | - |

Virgin Media Finance PLC
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24 Share-based payments (continued)

The fair values for the PSARs were estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

| <u>Liberty Global Awards</u> | 1 January to 31 December 2014 | Period from 7 June to 31 December 2013 |
|---------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|
| Risk-free Interest Rate | 0.81% | 0.78% - 0.81% |
| Expected Dividend Yield | none | none |
| Expected Volatility | 25.50% | 26.5% - 26.7% |
| Expected Lives | 3.1 years | 3.2 years |
| Weighted Average Grant Date Fair Value of Awards Granted in the Period | \$8.15 | \$15.57 |

Total Expense

The expense relating to the payment of share-based compensation of the group's directors and its employees is £27.9 million (2013 - £80.4 million)

25 Reserves

Equity share capital

The balance classified as share capital represents the nominal value on issue of the company's equity share capital, comprising £1 ordinary shares

Share premium

Share premium represents the amount of consideration received for the company's equity share capital in excess of the nominal value of shares issued.

Treasury share reserve

The treasury share reserve was created as result of the group wide restructure involving the company and fellow Virgin Media group companies (see Strategic Report). The treasury share reserve represents the historic cost of the company's equity share capital together with share premium held by VMFH Limited, which is a wholly owned subsidiary of the company. VMFH Limited acquired 19.7% of the company's equity share capital from Virgin Media Communications Limited on 29 December 2014.

Other capital reserves comprising merger reserve and capital contributions

The results of subsidiary undertakings acquired through group reorganisations have given rise to the requirement to make adjustments on consolidation in the merger reserve.

Unrealised gains and losses

This reserve records the portion of gain or loss on hedging instruments that are determined to be effective hedges, and the exchange differences on retranslation of foreign operations.

Foreign currency translation reserve

This reserve records the gain or loss on the retranslation of subsidiary undertakings with functional currencies other than pound sterling.

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26 Post balance sheet events

On 12 February 2014, a wholly-owned subsidiary of the company paid aggregate cash consideration of €1,341.3 million (£993.8 million at the transaction date) to acquire a 65% controlling interest in UPC Broadband Ireland Ltd (UPC Ireland) and its subsidiaries from a subsidiary of Liberty Global outside of the Virgin Media group and 100% of a €634.3 million (£470.0 million at the transaction date) cash payment from Lynx Europe 2 Limited, another subsidiary of Liberty Global, on an 8.5% note receivable due in 2023. The remaining 35.0% non-controlling interest in UPC Ireland was acquired by another subsidiary of Liberty Global outside the Virgin Media group.

On 28 January 2015, in contemplation of the UPC Ireland acquisition.

- Virgin Media Secured Finance plc, a wholly-owned subsidiary of the company, issued £300.0 million 5.125% senior secured notes due 2025, and
- the company issued \$400.0 million (£263.6 million at the transaction date) 5.75% senior notes due 2025 and €460.0 million (£344.2 million at the transaction date) 4.50% senior notes due 2025.

On 30 March 2015, Virgin Media Secured Finance plc issued \$500 million (£336.8 million at transaction date) 5.25% senior secured notes due 2026 and £525 million 4.875% senior secured notes due 2027.

On 31 March 2015 the proceeds received were used to

- redeem 10% of £1,100 million 6% senior secured notes due 2021
- redeem 10% of \$1,000 million 5.375% senior secured notes due 2021
- redeem 10% of £430 million 5.5% senior secured notes due 2025
- prepaid \$400 million of the VM Facility B
- fully prepaid \$375 million of the VM Facility A

On 30 April 2015, Virgin Media Secured Finance plc issued further borrowing of \$500 million (£329.3 million at transaction date) in addition to the \$500 million 5.25% senior secured notes due 2026 issued on 30 March 2015. The proceeds received were used to prepaid \$500 million of VM Facility B (principal amount of \$2,355 million following the prepayment on 31 March 2015) on 1 May 2015.

On 5 June 2015, a wholly-owned subsidiary of the company issued a new \$1,855 million term loan "VM Facility F". The proceeds received from VM Facility F were used to fully repay the remaining \$1,855 million of VM Facility B (principal amount of \$1,855 million following the repayment on 1 May 2015).

On 13 February 2015, the Virgin Media group announced our intention to undertake a network extension programme, in order to achieve what we believe will be attractive returns. Pursuant to the proposed program we may connect up to an estimated four million additional homes and businesses to our broadband communications network in the U.K. from 2015 through 2020 (the Network Extension). These additional premises were identified through a detailed review of our existing network in the U.K. that highlighted an opportunity to drive further scale by targeting accretive network extensions. The Network Extension will be completed in phases and will initially focus on the most accretive expansion opportunities. For more information regarding the Network Extension, see *Management's Discussion and Analysis of Financial Results* included in Part II of the Virgin Media group's annual report.

27 Capital commitments

| | 2014 £ million | 2013 £ million |
|---------------------------------------------------------|-------------------|-------------------|
| Amounts contracted for but not provided in the accounts | 147.3 | 119.3 |

Virgin Media Finance PLC
Notes to the Group Financial Statements
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28 Contingent liabilities

The group's application of VAT with respect to certain revenue generating activities has been challenged by the U K tax authorities. The group has estimated its maximum exposure in the event of an unfavorable outcome to be £40.3 million as of 31 December 2014. No portion of this exposure has been accrued by the group as the likelihood of loss is not considered to be probable. A court hearing was held at the end of September 2014 in relation to the U K tax authorities' challenge and the court's decision is expected at some point in 2015.

On 19 March 2014, the U.K. government announced a change in legislation with respect to the charging of VAT in connection with prompt payment discounts such as those that the group offers to fixed-line telephone customers. The changes, which took effect on 1 May 2014, impacted the company and some of its competitors. As a result of this legislation, the group's revenue was £28.9 million lower during 2014, as compared to 2013. Recent correspondence from the U.K. government indicates that it may seek to challenge the group's application of the prompt payment discount rules prior to the 1 May 2014 change in legislation. If such a challenge were to be issued by the U.K. government, the group could be required to make a payment of the challenged amount in order to make an appeal. The group currently estimate that the challenged amount could be up to approximately £65 million before any penalties or interest. Any challenge and subsequent appeal would likely be subject to court proceedings that could delay the ultimate resolution of this matter for an extended period of time. No portion of this potential exposure has been accrued by the group as no claim has been asserted or assessed and the likelihood of loss is not considered to be probable.

29 Pension and other post-retirement benefits

The group operates two defined benefit schemes in the UK, the NTL Pension Plan and the 1999 ntl Pension Scheme, which provide both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service.

Defined contribution plans

The group contributes to the Virgin Media sponsored group personal pension plans of eligible employees. Contributions are charged to the Group Income Statement as they become payable, in accordance with the rules of the plans.

Contributions to the defined contribution plans during the period were £19.0 million (2013 - £19.1 million). The amount of outstanding contributions at 31 December 2014 included within current liabilities was £2.7 million (2013 - £3.3 million).

Defined benefit plans

The group recognises any actuarial gains and losses in each period in the Group Statement of Comprehensive Income.

• 1999 ntl Pension Scheme

A subsidiary, Virgin Media Limited, operates a funded pension plan providing defined benefits ("1999 ntl Pension Plan"). The plan has never been opened to new entrants except when the plan began and subsequently on 31 May 2007, on both occasions new members were transferred from other existing plans. The assets of the plan are held separately from those of the company, being invested in units of exempt unit trusts. The plan is funded by the payment of contributions to separately administered trust funds. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method with a control period.

• NTL Pension Plan

A subsidiary, Virgin Media Limited, operates a funded pension plan providing defined benefits ("NTL Pension Plan"). The pension plan was closed to new entrants as of 6 April 1998. The Plan was closed to future accrual on 31 January 2014. The assets of the plan are held separately from those of the company, in an independently administered trust. The plan is funded by the payment of contributions to this separately administered trust. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

The plans' assets are measured at fair value. The plans' liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond.

Virgin Media Finance PLC
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29 Pension and other post-retirement benefits (continued)

Changes in the present value of the defined benefit obligation are as follows

| | 2014 | 2013 |
|---------------------------------------------|------------------|------------------|
| | £ million | £ million |
| Defined benefit obligation at start of year | 447 0 | 431 1 |
| Current service cost | 0 1 | 1 6 |
| Interest cost | 19 6 | 18 6 |
| Experience gains | (3 7) | (8 8) |
| Impact of changes in financial assumptions | 57 3 | 18 6 |
| Employee contributions | - | 0 3 |
| Benefits paid | (12 3) | (14 4) |
| Defined benefit obligation at end of year | <u>508 0</u> | <u>447 0</u> |

Movements in net defined benefit liability can be shown as follows

| | Defined benefit obligation | | Fair value of plan assets | | Net defined benefit liability/(asset) | |
|-------------------------------------------------|-----------------------------------|------------------|----------------------------------|------------------|----------------------------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | £ million | £ million | £ million | £ million | £ million | £ million |
| Balance at 1 January | 447 0 | 431 1 | (421 4) | (384 6) | 25 6 | 46 5 |
| Included in income statement | | | | | | |
| Current service cost | 0 1 | 1 6 | - | - | 0 1 | 1 6 |
| Interest cost/(income) | 19 6 | 18 6 | (19 1) | (17.5) | 0 5 | 1 1 |
| Included in OCI | | | | | | |
| Actuarial loss/(gain) arising from | | | | | | |
| Changes in financial assumptions | 57 3 | 18 6 | - | - | 57 3 | 18 6 |
| Experience adjustments | (3.7) | (8 8) | - | - | (3 7) | (8 8) |
| Return on plan assets excluding interest income | - | - | (28 7) | (10 8) | (28 7) | (10 8) |
| Other | | | | | | |
| Contributions paid by the employer | - | - | (28 4) | (22 6) | (28 4) | (22 6) |
| Contributions paid by the employee | - | 0 3 | - | (0 3) | - | - |
| Benefits paid | (12 3) | (14 4) | 12 3 | 14 4 | - | - |
| Balance at 31 December | 508 0 | 447 0 | (485 3) | (421 4) | 22 7 | 25 6 |

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29 Pension and other post-retirement benefits (continued)

Changes in the fair value of plan assets are as follows

| | 2014 £ million | 2013 £ million |
|------------------------------------------------|-------------------|-------------------|
| Fair value of the plan assets at start of year | 421.4 | 384.6 |
| Expected return on assets | 19.1 | 17.5 |
| Actual less expected return on assets | 28.7 | 10.8 |
| Employer contributions | 28.4 | 22.6 |
| Employee contributions | - | 0.3 |
| Benefits paid | (12.3) | (14.4) |
| Fair value of plan assets at end of year | <u>485.3</u> | <u>421.4</u> |

The amounts recognised in the Group Balance Sheet, for the current and previous four periods are as follows

| | 2014 £ million | 2013 £ million | 2012 £ million | 2011 £ million | 2010 £ million |
|-----------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Present value of funded defined benefit obligations | (508.1) | (447.0) | (431.1) | (424.6) | (390.1) |
| Fair value of plan assets | <u>485.4</u> | <u>421.4</u> | <u>384.6</u> | <u>381.0</u> | <u>351.1</u> |
| Deficit in plans | <u>(22.7)</u> | <u>(25.6)</u> | <u>(46.5)</u> | <u>(43.6)</u> | <u>(39.0)</u> |
| Experience gains/(losses) on plan liabilities | 3.7 | 8.8 | 24.8 | (4.1) | 5.8 |
| Experience gains/(losses) on plan assets | 28.7 | 10.8 | (18.1) | 3.2 | 21.4 |

The amounts recognised in the Group Income Statement for the year are as follows

| | 2014 £ million | 2013 £ million |
|------------------------------------------------------------------------------------|-------------------|-------------------|
| <i>Charged to operating profit</i> | | |
| Current service cost | <u>0.1</u> | <u>1.6</u> |
| Total recognised in arriving at operating profit | <u>0.1</u> | <u>1.6</u> |
| <i>Charged/(credited) to net finance expense</i> | | |
| Expected return on pension plan assets | (19.1) | (17.5) |
| Interest on pension plan liabilities | <u>19.6</u> | <u>18.6</u> |
| Total net finance cost | <u>0.5</u> | <u>1.1</u> |
| Taken to the Group Statement of Comprehensive Income: | | |
| Experience gains on plan assets | (28.7) | (10.8) |
| Experience gains on plan liabilities | (3.7) | (8.8) |
| Changes in assumptions underlying the present value of the plan liabilities | <u>57.3</u> | <u>18.6</u> |
| Actuarial losses/(gains) recognised in the Group Statement of Comprehensive Income | <u>24.9</u> | <u>(1.0)</u> |

The group expects to contribute £24.8 million to the defined benefit pension plans in 2015

The cumulative amount of actuarial losses, net of tax, recognised since 1 January 2004 in the Group Statement of Comprehensive Income is £141.5 million (2013 - £116.6 million). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £76.4 million in the group is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group Statement of Comprehensive Income before 1 January 2004.

Virgin Media Finance PLC
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29 Pension and other post-retirement benefits (continued)

Principal actuarial assumptions are as follows

| | 2014 | 2013 |
|--------------------------------------------------------|------|------|
| Discount rate | 3.6% | 4.5% |
| Annualised expected return on plan assets for the year | 4.9% | 6.1% |
| Rate of salary increases | 3.6% | 3.9% |
| Rate of pension increases | 4.0% | 3.7% |
| Rate of inflation | 2.0% | 2.4% |
| Life expectancy for: | | |
| Male aged 45 | 88.7 | 88.6 |
| Male aged 65 | 87.4 | 87.3 |
| Female aged 45 | 91.1 | 91.1 |
| Female aged 65 | 89.6 | 89.5 |

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of an increase in the respective assumptions by 0.25 percent. Assumed life expectancy has been assumed to increase by 1 year.

| | 2014 £ million | 2013 £ million |
|-----------------------------------|-------------------|-------------------|
| Discount rate | (15.6) | (13.2) |
| Rate of inflation (RPI) | 4.7 | 4.5 |
| Rate of inflation (CPI) | 2.5 | 1.8 |
| Assumed life expectancy at age 65 | 12.1 | 10.7 |

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 1 January 2012 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

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

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29 Pension and other post-retirement benefits (continued)

Our pension plan weighted-average asset allocations by asset category and by fair value hierarchy level at 31 December 2014 and 2013 were as follows

| 2014 | Long term rate of return | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
|-----------------------------------|-----------------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|
| Equities | 6.45% | 152.6 | - | - | 152.6 |
| Property | 5.95% | - | - | 4.5 | 4.5 |
| Corporate bonds | 3.55% | 134.0 | - | - | 134.0 |
| Hedge funds | 5.95% | 77.1 | 10.5 | - | 87.6 |
| Insurance policy (buy-in) | 3.55% | - | - | 101.4 | 101.4 |
| Cash and other | 2.45% | 5.3 | - | - | 5.3 |
| Total market value of assets | | <u>369.0</u> | <u>10.5</u> | <u>105.9</u> | <u>485.4</u> |
| Present value of plan liabilities | | | | | (508.1) |
| Net pension liability | | | | | <u>(22.7)</u> |
| 2013 | Long term rate of return | Level 1 £ million | Level 2 £ million | Level 3 £ million | Total £ million |
| Equities | 7.80% | 138.9 | - | - | 138.9 |
| Property | 7.30% | - | - | 4.7 | 4.7 |
| Corporate bonds | 4.45% | 102.8 | - | - | 102.8 |
| Hedge funds | 7.30% | 71.1 | 9.2 | - | 80.3 |
| Insurance policy (buy-in) | 4.45% | - | - | 92.6 | 92.6 |
| Cash and other | 3.80% | 2.1 | - | - | 2.1 |
| Total market value of assets | | <u>314.9</u> | <u>9.2</u> | <u>97.3</u> | <u>421.4</u> |
| Present value of plan liabilities | | | | | (447.0) |
| Net pension liability | | | | | <u>(25.6)</u> |

The trustees of one of the group's defined benefit plans purchased an insurance contract that will pay an income stream to the plan which is expected to match all future cash outflows in respect of certain liabilities. The fair value of this insurance contract is presented as an asset of the plan and is measured based on the future cash flows to be received under the contract discounted using the same discount rate used to measure the associated liabilities.

Virgin Media Finance PLC
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29 Pension and other post-retirement benefits (continued)

A reconciliation of the beginning and ending balances of our plan assets measured at fair value using Level 3 inputs is as follows

| | £ million |
|-------------------------------------------|--------------|
| Balance at 1 January 2014 | 97.3 |
| Gains relating to assets held at year-end | 9.4 |
| Purchases of investments | (0.8) |
| Balance at 31 December 2014 | <u>105.9</u> |

The benefits expected to be paid out of the pension plans in total are set out below for each of the next five years and the following five years in aggregate. The benefits expected to be paid are based on the same assumptions used to measure the benefit obligation at 31 December 2014 and include estimated future employee services.

| | £ million |
|-------------------|-----------|
| 2015 | 14.5 |
| 2016 | 15.4 |
| 2017 | 16.9 |
| 2018 | 17.9 |
| 2019 | 18.5 |
| 2020 through 2024 | 108.1 |

Weighted average duration of the defined benefit obligation 18.0 years

30 Related party transactions

During the year, the group entered into transactions in the ordinary course of business with other related parties. Transactions entered into during the year, and trading balances outstanding at 31 December with other related parties, are as follows:

| | Services rendered to related party £ million | Services rendered by related party £ million | Interest charged to related party £ million | Interest charged by related party £ million | Amounts owed by related party £ million | Amounts owed to related party £ million |
|----------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|------------------------------------------------|------------------------------------------------|--------------------------------------------|--------------------------------------------|
| <i>Related party</i> | | | | | | |
| Parent undertakings | | | | | | |
| 2014 | 0.1 | - | 187.1 | - | - | (30.0) |
| 2013 | 5.6 | - | 123.1 | - | 2,335.7 | - |
| Other entities with significant influence over the group | | | | | | |
| 2014 | - | - | 0.6 | - | - | (77.7) |
| 2013 | - | - | 0.7 | (3.1) | 49.5 | (94.7) |
| Fellow subsidiary undertakings | | | | | | |
| 2014 | 47.6 | - | - | (13.2) | - | (711.3) |
| 2013 | 51.1 | - | 0.8 | (9.7) | - | (642.5) |
| Liberty Global group undertakings | | | | | | |
| 2014 | - | (35.0) | 204.4 | - | 744.6 | (13.8) |
| 2013 | - | (70.5) | 106.8 | - | 88.0 | (8.4) |

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30 Related party transactions (continued)

Parent undertakings

The group is headed by Virgin Media Inc and has been indebted to the group, which receives interest income according to the terms of each loan agreement. The group recharges the ultimate parent company for certain costs directly attributed to the operations of that company including allocable payroll and related expenses.

Entities with significant influence over the group

Virgin Media Group LLC, a company with significant influence over the group has been indebted to the group and receives interest income according to the terms of each loan agreement. The group has been indebted to VM Sundial Limited, an entity with significant influence over the group, incurring interest charges according to the terms of each loan arrangement.

Fellow subsidiary undertakings

The net recovery of debts by Virgin Media Limited relating to the customers of fellow subsidiary undertakings, namely ntl Kirklees and ntl Glasgow, through centralised debt collection and treasury operations, generates trading balances which are offset by operating expenses and capital purchases that are also recharged by Virgin Media Limited. Virgin Media Limited is an indirect subsidiary of the company whilst ntl Kirklees and ntl Glasgow are both outside the group headed by the company.

Liberty Group undertakings

The company's ultimate parent is Liberty Global plc which also controls the group and the Virgin Media group. The LG/VM Transaction was funded in part by new debt raised by the group which was passed up to Liberty Global entities that sit outside the Virgin Media group. The debt attracts interest which Liberty Global entities pay to the group according to the terms of each loan arrangement.

Terms and conditions of transactions with related parties

The terms of the loans payable to parent undertakings are as outlined in note 18. Certain expenses are specifically attributable to each company in the group. Where costs are incurred by Virgin Media Limited on behalf of other group companies, expenses are allocated to the other group companies on a basis that, in the opinion of the directors, is reasonable.

Compensation of key management personnel (including directors)

| | 2014 £ million | 2013 £ million |
|------------------------------|-------------------|-------------------|
| Short-term employee benefits | 4.2 | 4.8 |
| Post-employment benefits | 0.2 | 0.4 |
| Termination benefits | 0.1 | 3.1 |
| Non-equity incentive plan | 4.0 | 1.0 |
| Share based payments | 8.7 | 45.8 |
| | <u>17.2</u> | <u>55.1</u> |

The higher share based payment expense in 2013 was as a result of modification of awards on consummation of the LG/VM Transaction as detailed in note 24.

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31 Principal subsidiary undertakings

The investments in which the group held at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows. All are registered in England and Wales unless otherwise noted

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|---------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Direct shareholdings of Virgin Media Finance PLC | | | |
| VMFH Limited | Ordinary | 100% | Holding |
| Virgin Media Investment Holdings Limited | Ordinary | 100% | Holding |
| Indirect shareholdings | | | |
| Flextech Homeshopping Limited | Ordinary | 100% | Telecoms |
| Imminus (Ireland) Limited | Ordinary | 100%^ | Telecoms |
| NTL (Triangle) LLC | Common stock | 100% | Holding |
| ntl Business Limited | Ordinary | 100% | Holding |
| ntl CableComms Group Limited | Ordinary | 100% | Holding |
| NTL UK CableComms Holdings, Inc | Common stock | 100%* | Holding |
| Virgin Media Business Limited | Ordinary | 100% | Telecoms |
| Virgin Media Investments Limited | Ordinary | 100% | Telecoms |
| Virgin Media Limited | Ordinary | 100% | Telecoms |
| Virgin Media Payments Limited | Ordinary | 100% | Collections |
| Virgin Media Wholesale Limited | Ordinary | 100% | Telecoms |
| Virgin Mobile Telecoms Limited | Ordinary | 100% | Telecoms |
| Virgin Net Limited | Ordinary | 100% | Telecoms |
| Action Stations (2000) Limited | Ordinary | 92.50% | Telecoms |
| Action Stations (Lakeside) Limited | Ordinary | 100% | Telecoms |
| Birmingham Cable Finance Limited | Ordinary | 100%+ | Telecoms |
| Cable Finance Limited | Ordinary | 100%+ | Telecoms |
| Crystalvision Productions Limited | Ordinary | 50% | Telecoms |
| IVS Cable Holdings Limited | Ordinary | 100%+ | Holding |
| Matchco Limited | Ordinary | 76% | Telecoms |
| Mayfair Way Management Limited | Ordinary | 83.33% | Telecoms |
| ntl (V) Plan Pension Trustees Limited | Ordinary | 100% | Telecoms |
| ntl Pension Trustees Limited | Ordinary | 100% | Telecoms |
| Screenshop Limited | Ordinary | 100% | Telecoms |
| Smashedatom Limited | Ordinary | 60% | Telecoms |
| Virgin Media Employee Medical Trust Limited | Ordinary | 100% | Telecoms |
| NNS UK Holdings 1 LLC | Common stock | 100%* | Holding |
| NNS UK Holdings 2, Inc | Common stock | 100%* | Holding |
| North CableComms Holdings, Inc | Common stock | 100% | Holding |

registered in Scotland

* incorporated in the USA

+ incorporated in Jersey, Channel Islands

^ incorporated in Ireland

⌞ incorporated in Northern Ireland

μ unlimited company

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31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings (continued) | | | |
| North CableComms LLC | Ordinary | 100%* | Telecoms |
| North CableComms Management, Inc | Common stock | 100%* | Telecoms |
| NTL Bromley Company | Common stock | 100%* μ | Telecoms |
| NTL CableComms Group, Inc | Common stock | 100%* | Telecoms |
| NTL Chartwell Holdings 2, Inc | Common stock | 100%* | Holding |
| NTL Chartwell Holdings, Inc | Common stock | 100%* | Holding |
| NTL North CableComms Holdings, Inc | Common stock | 100%* | Holding |
| NTL North CableComms Management, Inc | Common stock | 100%* | Telecoms |
| NTL Programming Subsidiary Company | Common stock | 100%* μ | Telecoms |
| NTL Solent Company | Common stock | 100%* μ | Telecoms |
| NTL South CableComms Holdings, Inc | Common stock | 100%* | Holding |
| NTL South CableComms Management, Inc | Common stock | 100%* | Telecoms |
| NTL Surrey Company | Common stock | 100%* μ | Telecoms |
| NTL Sussex Company | Common stock | 100%* μ | Telecoms |
| NTL Wessex Company | Common stock | 100%* μ | Telecoms |
| NTL Winston Holdings, Inc | Common stock | 100%* | Holding |
| NTL Wirral Company | Common stock | 100%* μ | Telecoms |
| South CableComms Holdings, Inc | Common stock | 100%* | Holding |
| South CableComms LLC | Ordinary | 100%* | Telecoms |
| South CableComms Management, Inc | Common stock | 100%* | Telecoms |
| Telewest Global Finance LLC | Common stock | 100%* | Telecoms |
| Virgin Media Bristol LLC | Common stock | 100%* | Holding |
| Winston Investors LLC | Ordinary | 100%* | Telecoms |
| Indirect shareholdings - guaranteed under Section 479(C) of the Companies Act 2006 | | | |
| Barnsley Cable Communications Limited | Ordinary | 100% | Telecoms |
| BCM V Leasing Limited | Ordinary | 100% | Leasing |
| BCM V Limited | Ordinary | 100% | Telecoms |
| Birmingham Cable Limited | Ordinary | 100% | Telecoms |
| Blue Yonder Workwise Limited | Ordinary | 100% | Telecoms |
| Cable Camden Limited | Ordinary | 100% | Telecoms |
| Cable Enfield Limited | Ordinary | 100% | Telecoms |
| Cable Hackney & Islington Limited | Ordinary | 100% | Telecoms |
| Cable Haringey Limited | Ordinary | 100% | Telecoms |
| Cable London Limited | Ordinary | 100% | Holding |
| Cambridge Holding Company Limited | Ordinary | 100% | Holding |

registered in Scotland

* incorporated in the USA

+ incorporated in Jersey, Channel Islands

^ incorporated in Ireland

⊔ incorporated in Northern Ireland

μ unlimited company

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31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings - guaranteed under Section 479(C) of the Companies Act 2006 (continued) | | | |
| Diamond Cable Communications Limited | Ordinary | 100% | Holding |
| Doncaster Cable Communications Limited | Ordinary | 100% | Telecoms |
| Eurobell (Holdings) Limited | Ordinary | 100% | Holding |
| Eurobell (South West) Limited | Ordinary | 100% | Telecoms |
| Eurobell (Sussex) Limited | Ordinary | 100% | Telecoms |
| Eurobell (West Kent) Limited | Ordinary | 100% | Telecoms |
| Eurobell Internet Services Limited | Ordinary | 100% | Telecoms |
| Flextech (1992) Limited | Ordinary | 100% | Telecoms |
| Flextech Broadband Limited | Ordinary | 100% | Holding |
| Flextech C | Ordinary | 100% μ | Telecoms |
| Flextech Communications Limited | Ordinary | 100% | Telecoms |
| Flextech Family Channel Limited | Ordinary | 100% | Telecoms |
| Flextech IVS Limited | Ordinary | 100% | Telecoms |
| Flextech L Limited | Ordinary | 100% | Telecoms |
| Flextech Limited | Ordinary | 100% | Holding |
| Flextech T Limited | Ordinary | 100% | Telecoms |
| General Cable Holdings Limited | Ordinary | 100% | Holding |
| Halifax Cable Communications Limited | Ordinary | 100% | Telecoms |
| M&NW Network II Limited | Ordinary | 100% | Telecoms |
| M&NW Network Limited | Ordinary | 100% | Telecoms |
| Middlesex Cable Limited | Ordinary | 100% | Telecoms |
| ntl (B) Limited | Ordinary | 100% | Holding |
| ntl (CWC) Limited | Ordinary | 100% | Holding |
| ntl (South Hertfordshire) Limited | Ordinary | 100% | Telecoms |
| ntl Bolton Cablevision Holding Company | Ordinary | 100% μ | Holding |
| ntl Business (Ireland) Limited | Ordinary | 100% | Telecoms |
| ntl CableComms Bolton | Ordinary | 100% μ | Telecoms |
| ntl CableComms Bolton Leasing Limited | Ordinary | 100% | Leasing |
| ntl CableComms Bromley | Ordinary | 100% μ | Telecoms |
| ntl CableComms Bromley Leasing Limited | Ordinary | 100% | Leasing |
| ntl CableComms Bury and Rochdale | Ordinary | 100% μ | Telecoms |
| ntl CableComms Cheshire | Ordinary | 100% μ | Telecoms |
| ntl CableComms Derby | Ordinary | 100% μ | Telecoms |
| ntl CableComms Derby Leasing Limited | Ordinary | 100% | Leasing |
| ntl CableComms East Lancashire | Ordinary | 100% μ | Telecoms |
| ntl CableComms Greater Manchester | Ordinary | 100% μ | Telecoms |

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Virgin Media Finance PLC
Notes to the Group Financial Statements
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31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings - guaranteed under Section 479(C) of the Companies Act 2006 (continued) | | | |
| ntl CableComms Greater Manchester Leasing Limited | Ordinary | 100% | Leasing |
| ntl CableComms Holdings No 1 Limited | Ordinary | 100% | Holding |
| ntl CableComms Limited | Ordinary | 100% | Telecoms |
| ntl CableComms Macclesfield | Ordinary | 100% μ | Telecoms |
| ntl CableComms Oldham and Tameside | Ordinary | 100% μ | Telecoms |
| ntl CableComms Solent | Ordinary | 100% μ | Telecoms |
| ntl CableComms Staffordshire | Ordinary | 100% μ | Telecoms |
| ntl CableComms Stockport | Ordinary | 100% μ | Telecoms |
| ntl CableComms Surrey | Ordinary | 100% μ | Telecoms |
| ntl CableComms Surrey Leasing Limited | Ordinary | 100% | Leasing |
| ntl CableComms Sussex | Ordinary | 100% μ | Telecoms |
| ntl CableComms Sussex Leasing Limited | Ordinary | 100% | Leasing |
| ntl CableComms Wessex | Ordinary | 100% μ | Telecoms |
| ntl CableComms Wessex Leasing Limited | Ordinary | 100% | Leasing |
| ntl CableComms Wirral | Ordinary | 100% μ | Telecoms |
| ntl CableComms Wirral Leasing Limited | Ordinary | 100% | Leasing |
| ntl Cambridge Limited | Ordinary | 100% | Telecoms |
| ntl Communications Services Limited | Ordinary | 100% | Telecoms |
| ntl Derby Cablevision Holding Company | Ordinary | 100% μ | Holding |
| ntl Funding Limited | Ordinary | 100% | Finance |
| ntl Irish Holdings Limited | Ordinary | 100% | Telecoms |
| ntl Manchester Cablevision Holding Company | Ordinary | 100% μ | Holding |
| ntl Midlands Leasing Limited | Ordinary | 100% | Leasing |
| ntl Midlands Limited | Ordinary | 100% | Telecoms |
| ntl National Networks Limited | Ordinary | 100% | Telecoms |
| ntl Rectangle Limited | Ordinary | 100% | Holding |
| ntl Victoria Limited | Ordinary | 100% | Telecoms |
| ntl Wirral Telephone and Cable TV Company | Ordinary | 100% μ | Telecoms |
| ntl Wirral Telephone and Cable TV Company Leasing Limited | Ordinary | 100% | Telecoms |
| Sheffield Cable Communications Limited | Ordinary | 100% | Telecoms |
| Smallworld Cable Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Central Lancashire) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Cotswolds) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Cumbernauld) Limited | Ordinary | 100%# | Telecoms |
| Telewest Communications (Dumbarton) Limited | Ordinary | 100%# | Telecoms |
| Telewest Communications (Dundee & Perth) Limited | Ordinary | 100%# | Telecoms |

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Virgin Media Finance PLC
Notes to the Group Financial Statements
for the year ended 31 December 2014

31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings - guaranteed under Section 479(C) of the Companies Act 2006 (continued) | | | |
| Telewest Communications (Falkirk) Limited | Ordinary | 100%# | Telecoms |
| Telewest Communications (Fylde & Wyre) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Glenrothes) Limited | Ordinary | 100%# | Telecoms |
| Telewest Communications (Liverpool) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (London South) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Midlands and North West) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Midlands and North West) Leasing Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Motherwell) Limited | Ordinary | 100%# | Telecoms |
| Telewest Communications (Midlands) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (North East) Limited | Ordinary | 100% | Investment |
| Telewest Communications (South East) Limited | Ordinary | 50% | Investment |
| Telewest Communications (South Thames Estuary) Limited | Ordinary | 50% | Telecoms |
| Telewest Communications (South West) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Southport) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (St Helens & Knowsley) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Telford) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Tyneside) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Wigan) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications Networks Limited | Ordinary | 100% | Holding |
| Telewest Limited | Ordinary | 100% | Holding |
| The Cable Corporation Limited | Ordinary | 100% | Holding |
| Theseus No 1 Limited | Ordinary | 100% | Telecoms |
| Theseus No 2 Limited | Ordinary | 100% | Telecoms |
| TVS Television Limited | Ordinary | 100% | Telecoms |
| United Artists Investments Limited | Ordinary | 100% | Telecoms |
| Virgin Media Communications Networks Limited | Ordinary | 100% | Telecoms |
| Virgin Media Finco Limited | Ordinary | 100% | Finance |
| Virgin Media Secretaries Limited | Ordinary | 100% | Finance |
| Virgin Media Secured Finance PLC | Ordinary | 100% | Finance |
| Virgin Media SFA Finance Limited | Ordinary | 100% | Finance |
| VMIH Sub Limited | Ordinary | 100% | Holding |
| W Television Leasing Limited | Ordinary | 100% | Leasing |
| Wakefield Cable Communications Limited | Ordinary | 100% | Telecoms |
| Windsor Television Limited | Ordinary | 100% | Telecoms |
| X-TANT Limited | Ordinary | 100% | Telecoms |
| Yorkshire Cable Communications Limited | Ordinary | 100% | Telecoms |

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Virgin Media Finance PLC
Notes to the Group Financial Statements
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31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings - guaranteed under Section 394(C) of the Companies Act 2006 | | | |
| Anglia Cable Communications Limited | Ordinary | 100%# | Telecoms |
| Avon Cable Investments Limited | Ordinary | 100% | Telecoms |
| Birmingham Cable Corporation Limited | Ordinary | 100% | Telecoms |
| Bluebottle Call Limited | Ordinary | 100% | Telecoms |
| Bradford Cable Communications Limited | Ordinary | 100% | Telecoms |
| Cable Adnet Limited | Ordinary | 100% | Telecoms |
| Cable Communications Limited | Ordinary | 100% | Telecoms |
| Cable Internet Limited | Ordinary | 100% | Telecoms |
| Cable on Demand Limited | Ordinary | 100% | Telecoms |
| CableTel (UK) Limited | Ordinary | 100% | Telecoms |
| CableTel Herts and Beds Limited | Ordinary | 100% | Telecoms |
| CableTel Northern Ireland Limited | Ordinary | 100%L | Telecoms |
| CableTel Surrey and Hampshire Limited | Ordinary | 100% | Telecoms |
| Cambridge Cable Services Limited | Ordinary | 100% | Telecoms |
| Capital City Cablevision Limited | Ordinary | 100%# | Telecoms |
| CCL Corporate Communication Services Limited | Ordinary | 100% | Telecoms |
| Central Cable Sales Limited | Ordinary | 100% | Telecoms |
| Continental Shelf 16 Limited | Ordinary | 100% | Telecoms |
| Credit-Track Debt Recovery Limited | Ordinary | 100% | Telecoms |
| Crystal Palace Radio Limited | Ordinary | 100%# | Telecoms |
| Dundee Cable & Satellite Limited | Ordinary | 100%# | Telecoms |
| East Coast Cable Limited | Ordinary | 100% | Telecoms |
| Ed Stone Limited | Ordinary | 100% | Telecoms |
| EMS Investments Limited | Ordinary | 100% | Telecoms |
| Eurobell (IDA) Ltd | Ordinary | 100% | Telecoms |
| Eurobell (No 2) Limited | Ordinary | 100% | Telecoms |
| Eurobell (No 3) Limited | Ordinary | 100% | Telecoms |
| Eurobell Limited | Ordinary | 100% | Telecoms |
| Filegale Limited | Ordinary | 100% | Telecoms |
| Fleximedia Limited | Ordinary | 100% | Holding |
| Flexitech (Kindernet Investment) Limited | Ordinary | 100% | Telecoms |
| Flexitech (Travel Channel) Limited | Ordinary | 100% | Telecoms |
| Flexitech B Limited | Ordinary | 100% | Telecoms |
| Flexitech Broadband Holdings Limited | Ordinary | 100% | Holding |
| Flexitech Broadcasting Limited | Ordinary | 100% | Telecoms |
| Flexitech Childrens Channel Limited | Ordinary | 100% | Telecoms |

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Virgin Media Finance PLC
Notes to the Group Financial Statements
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31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings - guaranteed under Section 394(C) of the Companies Act 2006 (continued) | | | |
| Flextech Digital Broadcasting Limited | Ordinary | 100% | Telecoms |
| Flextech Distribution Limited | Ordinary | 100% | Telecoms |
| Flextech Interactive Limited | Ordinary | 100% | Holding |
| Flextech Media Holdings Limited | Ordinary | 100% | Holding |
| Flextech Video Games Limited | Ordinary | 100% | Telecoms |
| General Cable Group Limited | Ordinary | 100% | Holding |
| General Cable Investments Limited | Ordinary | 100% | Holding |
| General Cable Limited | Ordinary | 100% | Holding |
| General Cable Programming Limited | Ordinary | 100% | Telecoms |
| Hieronymous Limited | Ordinary | 100%# | Telecoms |
| Interactive Digital Sales Limited | Ordinary | 100% | Telecoms |
| Jewel Holdings | Ordinary | 100% μ | Holding |
| Lanbase European Holdings Limited | Ordinary | 100% | Holding |
| Lanbase Limited | Ordinary | 100% | Holding |
| Network Gaming Consulting Limited | Ordinary | 100% | Telecoms |
| ntl (Aylesbury and Chiltern) Limited | Ordinary | 100% | Telecoms |
| ntl (Broadland) Limited | Ordinary | 100% | Telecoms |
| ntl (County Durham) Limited | Ordinary | 100% | Telecoms |
| ntl (CRUK) | Ordinary | 100% μ | Telecoms |
| ntl (CWC Holdings) | Ordinary | 100% μ | Holding |
| ntl (CWC) Corporation Limited | Ordinary | 100% | Telecoms |
| ntl (CWC) UK | Ordinary | 100% μ | Telecoms |
| ntl (Ealing) Limited | Ordinary | 100% | Telecoms |
| ntl (Hampshire) Limited | Ordinary | 100% | Telecoms |
| ntl (Harrogate) Limited | Ordinary | 100% | Telecoms |
| ntl (Kent) Limited | Ordinary | 100% | Telecoms |
| ntl (Leeds) Limited | Ordinary | 100% | Telecoms |
| ntl (Norwich) Limited | Ordinary | 100% | Telecoms |
| ntl (Peterborough) Limited | Ordinary | 100% | Telecoms |
| ntl (South East) Limited | Ordinary | 100% | Telecoms |
| ntl (South London) Limited | Ordinary | 100% | Telecoms |
| ntl (Southampton and Eastleigh) Limited | Ordinary | 100% | Telecoms |
| ntl (V) | Ordinary | 100% μ | Telecoms |
| ntl (Wearside) Limited | Ordinary | 100% | Telecoms |
| ntl (West London) Limited | Ordinary | 100% | Telecoms |
| ntl (YorCan) Limited | Ordinary | 100% | Telecoms |

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Virgin Media Finance PLC
Notes to the Group Financial Statements
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31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings - guaranteed under Section 394(C) of the Companies Act 2006 (continued) | | | |
| ntl (York) Limited | Ordinary | 100% | Telecoms |
| ntl Acquisition Company Limited | Ordinary | 100% | Telecoms |
| ntl CableComms Holdings No 2 Limited | Ordinary | 100% | Holding |
| ntl CableComms Manchester Limited | Ordinary | 100% | Telecoms |
| ntl Chartwell Holdings Limited | Ordinary | 100% | Holding |
| ntl Darlington Limited | Ordinary | 100% | Telecoms |
| ntl Fawnspring Limited | Ordinary | 100% | Telecoms |
| ntl Holdings (Broadland) Limited | Ordinary | 100% | Holding |
| ntl Holdings (East London) Limited | Ordinary | 100% | Holding |
| ntl Holdings (Fenland) Limited | Ordinary | 100% | Holding |
| ntl Holdings (Leeds) Limited | Ordinary | 100% | Holding |
| ntl Holdings (Norwich) Limited | Ordinary | 100% | Holding |
| ntl Holdings (Peterborough) Limited | Ordinary | 100% | Holding |
| ntl Internet Services Limited | Ordinary | 100% | Holding |
| ntl Microclock Services Limited | Ordinary | 100% | Telecoms |
| ntl Partcheer Company Limited | Ordinary | 100% | Telecoms |
| ntl Sideoffer Limited | Ordinary | 89% | Telecoms |
| ntl Solent Telephone and Cable TV Company Limited | Ordinary | 100% | Telecoms |
| ntl South Central Limited | Ordinary | 100% | Telecoms |
| ntl South Wales Limited | Ordinary | 100% | Telecoms |
| ntl Streetunique Projects Limited | Ordinary | 100% | Telecoms |
| ntl Streetunit Projects Limited | Ordinary | 100% | Telecoms |
| ntl Streetusual Services Limited | Ordinary | 100% | Telecoms |
| ntl Streetvision Services Limited | Ordinary | 100% | Telecoms |
| ntl Streetvital Services Limited | Ordinary | 100% | Telecoms |
| ntl Streetwarm Services Limited | Ordinary | 91.09% | Telecoms |
| ntl Streetwide Services Limited | Ordinary | 100% | Telecoms |
| ntl Strikeagent Trading Limited | Ordinary | 100% | Telecoms |
| ntl Strikeamount Trading Limited | Ordinary | 100% | Telecoms |
| ntl Strikeapart Trading Limited | Ordinary | 100% | Telecoms |
| ntl Teesside Limited | Ordinary | 100% | Telecoms |
| ntl Telecom Services Limited | Ordinary | 100% | Telecoms |
| ntl Trustees Limited | Ordinary | 100% | Telecoms |
| ntl UK Telephone and Cable TV Holding Company Limited | Ordinary | 100% | Holding |
| ntl Victoria II Limited | Ordinary | 100% | Holding |
| ntl Winston Holdings Limited | Ordinary | 100% | Holding |

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Virgin Media Finance PLC
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31 Principal subsidiary undertakings (continued)

| <i>Subsidiary</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Principal activities</i> |
|-------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|---------------------------------|
| Indirect shareholdings - guaranteed under Section 394(C) of the Companies Act 2006 (continued) | | | |
| Omne Telecommunications Limited | Ordinary | 100% | Telecoms |
| Perth Cable Television Limited | Ordinary | 100%# | Telecoms |
| Pinnacle Debt Recovery Limited | Ordinary | 100% | Telecoms |
| Rapid Business Solutions Limited | Ordinary | 100% | Telecoms |
| Rapid Travel Solutions Limited | Ordinary | 100% | Telecoms |
| SANE Network Limited | Ordinary | 100%# | Telecoms |
| Southwestern Bell International Holdings Limited | Ordinary | 100% | Holding |
| Telewest Communications (Internet) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (North West) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Publications) Limited | Ordinary | 100% | Telecoms |
| Telewest Communications (Scotland Holdings) Limited | Ordinary | 100%# | Telecoms |
| Telewest Communications Cable Limited | Ordinary | 100% | Holding |
| Telewest Communications Holdco Limited | Ordinary | 100% | Holding |
| Telewest Communications Holdings Limited | Ordinary | 100% | Holding |
| Telewest Health Trustees Limited | Ordinary | 100% | Telecoms |
| Telewest Parliamentary Holdings Limited | Ordinary | 100% | Holding |
| Telewest Trustees Limited | Ordinary | 100% | Telecoms |
| Telewest UK Limited | Ordinary | 100% | Telecoms |
| Telewest Workwise Limited | Ordinary | 100% | Telecoms |
| The Yorkshire Cable Group Limited | Ordinary | 100% | Holding |
| Virgin Media Directors Limited | Ordinary | 100% | Telecoms |
| Virgin Media Sales Limited | Ordinary | 100% | Telecoms |
| Virgin Mobile Group (UK) Limited | Ordinary | 100% | Holding |
| Virgin Mobile Holdings (UK) Limited | Ordinary | 99.81% | Holding |
| VM Real Estate Limited | Ordinary | 100% | Telecoms |
| VMWH Limited | Ordinary | 100% | Holding |
| Workplace Technologies Trustees Company Limited | Ordinary | 100% | Telecoms |
| Yorkshire Cable Finance Limited | Ordinary | 100% | Telecoms |
| Yorkshire Cable Limited | Ordinary | 100% | Telecoms |
| Yorkshire Cable Properties Limited | Ordinary | 100% | Telecoms |
| Yorkshire Cable Telecom Limited | Ordinary | 100% | Telecoms |

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Virgin Media Finance PLC
Notes to the Group Financial Statements
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31 Principal subsidiary undertakings (continued)

The company will issue a guarantee under Section 479(C) of the Companies Act 2006 for the year ended 31 December 2014 in respect of the subsidiaries listed above in section "Indirect shareholdings – guaranteed under Section 479(C) of the Companies Act 2006". The company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2014, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. These active subsidiaries have taken advantage of the exemption from audit of individual accounts for the year ended 31 December 2014 by virtue of Section 479(A) of the Companies Act 2006.

The guarantee under Section 479(C) of the Companies Act 2006 is in respect of the following subsidiaries, all of which are 100% owned, either directly or indirectly:

The company will issue a guarantee under Section 394(C) of the Companies Act 2006 for the year ended 31 December 2014 in respect of the wholly owned dormant subsidiaries listed above in section "Indirect shareholdings – guaranteed under Section 394(C) of the Companies Act 2006". The company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2014, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. These dormant subsidiaries have taken advantage of the exemption from preparing individual accounts for the year ended 31 December 2014 by virtue of Section 394(A) of the Companies Act 2006.

The guarantee under Section 394(C) of the Companies Act 2006 is in respect of the following dormant subsidiaries, majority of which are 100% owned, either directly or indirectly:

32 Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Communications Limited.

The smallest and largest group of which the company is a member and in to which the company's accounts were consolidated at 31 December 2014 are Virgin Media Inc and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2014 was Liberty Global plc.

Copies of the Virgin Media group accounts referred to above which include the results of the company are available from the company secretary, Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

In addition copies of the consolidated Liberty Global plc accounts are available on Liberty Global's website at www.libertyglobal.com.

Virgin Media Finance PLC
Company Balance Sheet
as at 31 December 2014

| | Notes | 2014 £ million | 2013 £ million |
|--------------------------------------------------------|-------|-------------------|-------------------|
| Fixed assets | | | |
| Investments | 3 | 3,913.1 | 3,913.1 |
| Current assets | | | |
| Debtors (due in more than one year) | 4 | 850.5 | 780.3 |
| Debtors (due in less than one year) | 4 | 14.6 | 25.9 |
| Cash at bank and in hand | | - | 0.1 |
| | | 865.1 | 806.3 |
| Creditors amounts falling due within one year | 5 | (3,203.3) | (322.6) |
| Net current assets | | (2,338.2) | 483.7 |
| Total assets less current liabilities | | 1,574.9 | 4,396.8 |
| Creditors amounts falling due after more than one year | 6 | (1,381.6) | (1,292.9) |
| Net assets | | 193.3 | 3,103.9 |
| Capital and reserves | | | |
| Called up share capital | 7 | 0.1 | 0.1 |
| Share premium account | 8 | 3,323.2 | 3,323.2 |
| Capital contribution | 8 | 5.0 | 5.0 |
| Treasury shares reserve | 8 | (2,880.2) | - |
| Profit and loss account | 8 | (254.8) | (224.4) |
| Equity shareholders' funds | 8 | 193.3 | 3,103.9 |



R.D. Dunn
 Director
 25 June 2015

Company Registration Number 05061787

Virgin Media Finance PLC
Notes to the Company Financial Statements
for the year ended 31 December 2014

1 Accounting policies

The principal accounting policies are summarised below and have all been applied consistently throughout the current year and the preceding year

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006, and applicable U.K. accounting standards

No profit and loss account is presented by the company as permitted by Section 408 of the Companies Act 2006. The company has taken advantage of the exemption in paragraph 2D of FRS 29 '*Financial Instruments Disclosures*' and has not disclosed information required by that standard, as the group's consolidated financial statements, in which the company is included, provide equivalent disclosures for the group under IFRS 7 '*Financial Instruments Disclosures*'

Cash flow statement

The company is exempt from publishing a cash flow statement as permitted by FRS 1 "Cash flow statements (revised 1996)", as it is a wholly owned subsidiary of its ultimate parent company

Investments

The company recognises its investments in subsidiaries at cost, less any provision for impairment. In a group reconstruction where Section 611 of the Companies Act 2006 applies, the cost of investment of the transferor is adopted by the company. Income is recognised from these investments in relation to distributions from profits subject to the impairment of investments

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 investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment 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 investment 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 investment in prior years

Deferred tax

Deferred tax is recognised, as appropriate, 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:

(a) 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 probable that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold, and

(b) 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

Virgin Media Finance PLC
Notes to the Company Financial Statements
for the year ended 31 December 2014

1 Accounting policies (continued)

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Profit and Loss Account, except where hedge-accounting is applied. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits including long term incentives and share-based payments

The company is an indirect, wholly-owned subsidiary of Virgin Media Inc and Liberty Global plc. Accordingly, the company has no share-based compensation plans. The company has no employees. A wholly-owned indirect subsidiary, Virgin Media Limited, is the principal employer of the group's employees. Details of employee costs including long term incentives and share based payments are disclosed in the consolidated financial statements herewith.

Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Future accounting pronouncements

From 1 January 2015 the company will be required to adopt FRS 101 or FRS 102.

2 Profit attributable to members of the parent company

The loss in the accounts of the parent company was £30.4 million (2013 - loss of £1,133.6 million)

3 Investments

| | £ million |
|----------------------------------------|------------------|
| Cost and net book value: | |
| At 1 January 2014 and 31 December 2014 | <u>3,913.1</u> |

Details of the principal investments in which the group or the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, can be seen in note 31 to the group financial statements.

Investments are assessed and impairments released due to a change in the economic conditions or in the expected use of the asset in accordance with FRS 11 "Impairment of fixed assets and goodwill". Based on the investment impairment review as at 31 December 2014, the directors concluded that no release of investment against investments held should be recognised (2013 investment release - £1,154.1 million)

Virgin Media Finance PLC
Notes to the Company Financial Statements
for the year ended 31 December 2014

4 Debtors

| | 2014 £ million | 2013 £ million |
|---------------------------------------------------------------|-------------------|-------------------|
| Loan notes due from group undertakings | 850.5 | 780.3 |
| Amounts due from group undertakings | - | 11.6 |
| Interest receivable on loan notes due from group undertakings | 14.6 | 14.3 |
| | <u>865.1</u> | <u>806.2</u> |

Loans advanced to group undertakings are repayable on demand but are not expected to be recovered in full within one year. The loans advanced to group undertakings include U.S. dollar denominated loans of \$825.9 million (2013 - \$827.0 million) which had a carrying value of £530.1 million (2013 - £499.2 million) at the balance sheet date

Other amounts owed by group undertakings are interest free and are repayable on demand

5 Creditors: amounts falling due within one year

| | 2014 £ million | 2013 £ million |
|--------------------------------------------------|-------------------|-------------------|
| Interest on loan notes due to group undertakings | 59.3 | 2.2 |
| Interest payable on senior notes | 20.8 | 21.4 |
| Amounts owed to group undertakings | 204.8 | 240.1 |
| Loan notes due to group undertakings | 2,918.3 | 58.9 |
| | <u>3,203.2</u> | <u>322.6</u> |

The loan notes advanced by group undertakings comprise pound sterling denominated loans of £119.6 million (2013 - £58.9 million) and U.S. dollar denominated loans of \$4,360.6 million (2013 - nil), which had a carrying value of £2,798.7 million (2013 - nil) at the balance sheet date

Amounts owed to and loan notes due to group undertakings are technically payable on demand as they do not include an unconditional right to defer payment and hence are included in creditors falling due within one year. However, the directors are of the opinion that, in the ordinary course of business, repayment within such a time scale is unlikely to be required

6 Creditors: amounts falling due after more than one year

| | 2014 £ million | 2013 £ million |
|-------------------------|-------------------|-------------------|
| Senior notes | 1,374.3 | 1,277.2 |
| Derivatives liabilities | 7.3 | 15.7 |
| | <u>1,381.6</u> | <u>1,292.9</u> |

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6 Creditors: amounts falling due after more than one year (continued)

Borrowings are repayable as follows

| | 2014 £ million | 2013 £ million |
|-----------------------------------------------------|-------------------|-------------------|
| Amounts falling due | | |
| In more than one year but not more than two years | - | - |
| In more than two years but not more than five years | - | - |
| In more than five years | 1,381.6 | 1,292.9 |
| | <u>1,381.6</u> | <u>1,292.9</u> |

Borrowings not wholly repayable within five years are as follows:

| | 2014 £ million | 2013 £ million |
|-------------------------|-------------------|-------------------|
| Senior notes | 1,374.3 | 1,277.2 |
| Derivatives liabilities | 7.3 | 15.7 |
| | <u>1,381.6</u> | <u>1,292.9</u> |

Total borrowings comprise

| | 2014 £ million | 2013 £ million |
|----------------------------------------------|-------------------|-------------------|
| 8.375% U.S. dollar senior notes due 2019 | - | 302.7 |
| 8.875% sterling senior notes due 2019 | - | 250.7 |
| 5.25% U.S. dollar senior notes due 2022 | 61.0 | 57.3 |
| 4.875% U.S. dollar senior notes due 2022 | 76.2 | 71.6 |
| 5.125% sterling senior notes due 2022 | 44.1 | 44.1 |
| 7.00% sterling senior notes due 2023 | 250.0 | 250.0 |
| 6.375% U.S. dollar senior notes due 2023 | 340.2 | 319.9 |
| 6.00% U.S. dollar senior notes due 2024 | 320.9 | - |
| 6.375% sterling dollar senior notes due 2024 | 300.0 | - |
| | <u>1,392.4</u> | <u>1,296.3</u> |
| Less issue costs | (18.1) | (19.1) |
| Total senior notes | <u>1,374.3</u> | <u>1,277.2</u> |

The company has the following senior notes in issue as at 31 December 2014

- 1) 5.25% senior notes due 15 February 2022 – the principal amount at maturity is \$95 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 August 2012.
- 2) 4.875% senior notes due 15 February 2022 – the principal amount at maturity is \$118.7 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 February 2013.
- 3) 5.125% senior notes due 15 February 2022 – the principal amount at maturity is £44.1 million. Interest is payable semi-annually on 15 February and 15 August commencing 15 February 2013.

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6 Creditors: amounts falling due after more than one year (continued)

4) 7.00% senior notes due 15 April 2023 - the principal amount at maturity is £250 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 October 2013. This senior note was originally issued by subsidiaries of Liberty Global and was then pushed down to the company upon completion of the LG/VM Transaction, see below for further details.

5) 6.375% senior notes due 15 April 2023 - the principal amount at maturity is \$530 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 October 2013. This senior note was originally issued by subsidiaries of Liberty Global and was then pushed down to the company upon completion of the LG/VM Transaction, see below for further details.

6) 6.00% senior notes due 15 October 2024 - the principal amount at maturity is \$500 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 April 2015.

7) 6.375% senior notes due 15 October 2024 - the principal amount at maturity is £300 million. Interest is payable semi-annually on 15 April and 15 October commencing 15 April 2015.

In February 2013, subsidiaries of Liberty Global issued \$530 million 6.375% and £250 million 7.00% senior notes due 2023, together with the \$1,000 million 5.375% and £1,100 6% senior secured notes due 2021 in connection with the execution of the LG/VM Transaction Agreement. On completion of the LG/VM Transaction, these notes were assumed by the company.

During November 2009, the company issued \$600 million aggregate principal amount of 8.375% senior notes due 2019 and £350 million aggregate principal amount of 8.875% senior notes due 2019. On 9 November 2012, \$92.9 million of the principal amount of the \$600 million 8.375% senior notes due 2019 and £96.5 million of the principal amount of the £350 million 8.875% senior notes due 2019 were redeemed by paying £179.4 million, using the net proceeds from the issue of the \$900 million and £400 million senior notes due 2022, and cash from fellow group companies. On 24 October 2014, the net proceeds from the issue of £300 million and \$500 million senior notes due 2024 (see above) were used to fully redeem the \$507.1 million (£325.5 million) principal amount of 8.375% senior notes due 2019 and the £253.5 million principal amount of 8.875% senior notes due 2019.

Virgin Media Inc, a parent company of the company, and all the intermediate holding companies, guarantee the senior notes on a senior basis. Virgin Media Investment Holdings Limited, a direct wholly-owned subsidiary of the company, guarantees the senior notes on a senior subordinated basis and has no significant assets of its own other than its investments in its subsidiaries. The company has given a full and unconditional guarantee of all amounts payable under the terms of the Virgin Media group's senior secured credit facility and senior secured Notes due 2018 and 2021.

7 Share capital

| | 2014 | 2013 |
|-------------------------------------------|-----------|-----------|
| | £ '000 | £ '000 |
| <i>Allotted, called up and fully paid</i> | | |
| 92,456 ordinary shares of £1 each | <u>92</u> | <u>92</u> |

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8 Reconciliation of movements in equity shareholders' funds

| | Share capital £ million | Share premium account £ million | Capital contribution £ million | Treasury shares reserve £ million | Profit and loss account £ million | Total £ million |
|---------------------|-------------------------------|------------------------------------------|--------------------------------------|--------------------------------------------|--------------------------------------------|--------------------|
| At 1 January 2013 | 0.1 | 3,323.2 | 5.0 | - | (1,358.0) | 1,970.3 |
| Loss for the year | - | - | - | - | 1,133.6 | 1,133.6 |
| At 1 January 2014 | 0.1 | 3,323.2 | 5.0 | - | (224.4) | 3,103.9 |
| Own shares acquired | - | - | - | (2,880.2) | - | (2,880.2) |
| Profit for the year | - | - | - | - | (30.4) | (30.4) |
| At 31 December 2014 | 0.1 | 3,323.2 | 5.0 | (2,880.2) | (254.8) | 193.3 |

Share capital

The balance classified as share capital represents the nominal value on issue of the company's share capital, comprising £1 ordinary shares.

Share premium account

Share premium represents the amount of consideration received for the company's share capital in excess of the nominal value of shares issued.

Capital contribution

The £5 million capital contribution was received from Virgin Media Communications Limited as part of a comprehensive group restructuring in 2006.

Treasury shares reserve

The treasury share reserve represents the amount of equity share capital together with share premium held by VMFH Limited, which is a wholly owned subsidiary of Virgin Media Finance PLC. VMFH Limited acquired 19.7% of the company's shares from Virgin Media Communications Limited on 29 December 2014. The company subsequently acquired 100% of the share capital of VMFH Limited from VM Communications Limited.

9 Related party transactions

In accordance with the exemptions offered by FRS 8 "Related Party disclosures" there is no disclosure in these financial statements of transactions with entities that are part of Liberty Global plc, and its subsidiaries.

10 Auditor's and director's remuneration

Fees paid to KPMG LLP and its associates for non-audit services to the parent company itself are not disclosed in the individual accounts of Virgin Media Finance PLC because group financial statements are prepared which to disclose such fees on a consolidated basis.

The directors received remuneration for the year of £3,500 (2013 - £3,500) in relation to qualifying services as directors of this company, all of which was paid by Virgin Media Limited.

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11 Contingent liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks. As at 31 December 2014 this comprised term facilities that amounted to £3,083 million (2013 - £2,638 million) and a revolving facility of £660 million (2013 - £660 million). Borrowings under the facilities are secured against the assets of certain members of the group including those of this company.

In addition, a fellow group undertaking has issued senior secured notes which, subject to certain exceptions, share the same guarantees and security which have been granted in favour of the senior secured credit facility. The amount outstanding under the senior secured notes at 31 December 2014 amounted to £3,760 million (2013 - £4,081 million). Borrowings under the notes are secured against the assets of certain members of the group including those of this company.

On 28 January 2015, a fellow group undertaking issued senior secured notes with an aggregate principal amount of £300 million. The new senior secured notes rank pari passu with the group's existing senior secured notes and senior secured credit facility, and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing senior secured notes.

On 30 March 2015, a fellow group undertaking issued senior secured notes with an aggregate principal amount of £862 million. There was a further issue of these senior secured notes on 30 April 2015 of £326 million. The new senior secured notes rank pari passu with the group's existing senior secured notes and senior secured credit facility, and subject to certain exceptions, share in the same guarantees and security granted in favour of its existing senior secured notes. The net proceeds were used to repay existing debt obligations within the group.

On 5 June 2015, a fellow group undertaking transferred \$1,855 million (£1,214 million) of its existing term facility due 2020 to a new dollar denominated term facility due 2023, under the existing senior secured credit facility. The new term facility will rank pari passu with the group's existing senior secured notes and senior secured credit facility, and subject to certain exemptions, share in the same guarantees and security granted in favour of its existing senior secured notes.

Furthermore, a fellow group undertaking has issued senior notes for which the company, along with certain fellow group undertakings, has guaranteed the notes on a senior subordinated basis. The amount outstanding under the senior notes as at 31 December 2014 amounted to approximately £1,392 million (2013 - £1,303 million).

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

12 Parent undertaking and controlling party

The company's immediate parent undertaking is *Virgin Media Communications Limited*.

The smallest and largest groups of which the company is a member and in to which the company's accounts were consolidated at 31 December 2014 are Virgin Media Finance PLC and Liberty Global plc, respectively.

The company's ultimate parent undertaking and controlling party at 31 December 2014 was Liberty Global plc.

Copies of Virgin Media group accounts referred to above which include the results of the company are available from the company secretary, Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

In addition copies of the consolidated Liberty Global plc accounts are available on Liberty Global's website at www.libertyglobal.com.