COMPANY REGISTRATION NUMBER 03173552

Virgin Media Investment Holdings Limited

Financial Statements

31 December 2013

Virgin Media Investment Holdings Limited

Financial Statements

Year ended 31 December 2013

Contents | **Pages**

Virgin Media Investment Holdings Limited

Company Information

The board of directors	R D Dunn M O Hifzi T Mockridge D M Strong
Company secretary	G E James
Registered office	Bartley Wood Business Park Hook Hampshire RG27 9UP
Auditor	KPMG LLP Chartered Accountants One Snowhill Snow Hill Queensway Birmingham B4 6GH

Principal activities and business review

The principal activity of the company during the year was, and will continue to be, that of a holding company. The material investments of the company are shown in note 17. In addition, the company has significant intergroup financing arrangements with fellow group undertakings and holds derivative instruments to minimise the group's exposure to fluctuations in exchange rates and interest rates.

At 31 December 2013 the company was a wholly owned 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.

The Virgin Media Inc. consolidated group (the 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 customers. The group believes its advanced, deep-fibre cable access network enables it to offer faster and higher quality broadband internet services than our digital subscriber line, or DSL competitors. As a result, it provides our customers with a leading next generation broadband internet service and one of the most advanced interactive digital cable services available in the U.K. market.

As of 31 December 2013, the group provided services to approximately 4.9 million residential cable customers on its network. The group is also one of the UK's largest mobile virtual network operators by number of customers, providing mobile telephony services to 1.9 million contract mobile customers and 1.1 million prepay mobile customers over third party networks. As of 31 December 2013, 84% of residential customers on the group's cable network received multiple services from the group, and 66% were "triple play" customers, receiving broadband internet, digital cable and fixed-line telephony services from the group.

In addition the group provides broadband internet, fixed-line and mobile telephony and other connectivity services to businesses, public sector organisations and service providers.

The company reported a decrease in net current liabilities and an increase in net assets for the year ended 31 December 2013 as a result of normal operations. During the year, the company has issued 16,246 £0.001 ordinary shares, which have been acquired by a fellow group undertaking for consideration of £589.9 million.

The directors do not use key performance indicators (KPI's) to assess the performance of the company as its principal activity is that of a holding company.

The company has not received any dividends from its subsidiaries during the period (2012 - £nil).

Future outlook

The directors will continue to review management policies in light of changing trading and market conditions. Further detail of the future outlook of the group is provided in Virgin Media Inc.'s financial statements and annual report for 2013, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

Principal risks and uncertainties

Financial and operational risk management is undertaken as part of the group operations as a whole. The company's operations expose it to a variety of operational and financial risks. These are considered in more detail in the financial statements of Virgin Media Inc. which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

Signed on behalf of the directors

G E James
Company Secretary

Approved by the directors on 30 June 2014

The directors present their report and the financial statements of the company for the year ended 31 December 2013.

Results and dividends
The loss for the financial year amounted to £162,615,000 (2012 - loss of £214,020,000). The directors have not recommended an ordinary dividend (2012 - £nil).

Financial instruments
Details of the company's financial risk management objectives and policies are included in note 11 to the accounts.

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

C B E Withers	(Resigned 31 March 2014)
R D Dunn	(Appointed 7 June 2013)
M O Hifzi	(Appointed 31 March 2014)
T Mockridge	(Appointed 7 June 2013)
D M Strong	(Appointed 22 November 2013)
R C Gale	(Resigned 29 November 2013)

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.

Going concern
After making suitable enquiries and obtaining the necessary assurances from Virgin Media Inc., a wholly owned subsidiary of Liberty Global plc and the intermediate holding company which heads the Virgin Media group, that sufficient resources will be made available to meet any liabilities as they fall due should the company's income not be sufficient, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so. On this basis the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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

Auditor
On 5 June 2014, Ernst and Young LLP resigned as auditors and subsequently KPMG LLP were appointed.

Signed on behalf of the directors

M.O. Hf

M O Hifzi
Director

Approved by the directors on 30 June 2014

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of Virgin Media Investment Holdings Limited for the year ended 31 December 2013 on pages 9 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member 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 member, 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 6, 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 company's affairs as at 31 December 2013 and of its loss for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- 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 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, or returns adequate for our audit have not been received from branches not visited by us; or

- the 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.

Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

30 June 2014

Virgin Media Investment Holdings Limited

Profit and Loss Account

Year ended 31 December 2013

	Note	2013 £000	2012 £000
Administrative income/(expenses)		**89,405**	(24,488)
Operating profit/(loss)	**2**	**89,405**	(24,488)
Other interest receivable and similar income	**4**	**244,538**	186,181
Interest payable and similar charges	**5**	**(496,558)**	(370,544)
Loss on ordinary activities before tax		**(162,615)**	(208,851)
Tax on loss on ordinary activities	**6**	**–**	(5,169)
Loss for the financial year	**15**	**(162,615)**	(214,020)

All results relate to continuing operations.

The notes on pages 12 to 28 form part of these financial statements.

Virgin Media Investment Holdings Limited

Statement of Total Recognised Gains and Losses

Year ended 31 December 2013

	2013	2012
	£000	£000
Loss for the financial year attributable to the shareholder	**(162,615)**	(214,020)
Loss on cash flow hedges taken to equity	**(2,767)**	(47,714)
Total gains and losses recognised since the last annual report	**(165,382)**	(261,734)

The notes on pages 12 to 28 form part of these financial statements.

Virgin Media Investment Holdings Limited

Balance Sheet

31 December 2013

	Note	2013 £000	2012 £000
Fixed assets			
Investments	7	**6,192,129**	6,022,129
Current assets			
Debtors due after one year	8	**761,384**	159,166
Debtors due within one year	8	**3,674,482**	2,403,562
Cash at bank		**139**	143
		4,436,005	2,562,871
Creditors: Amounts falling due within one year	9	**(9,546,420)**	(8,079,582)
Net current liabilities		**(5,110,415)**	(5,516,711)
Total assets less current liabilities		**1,081,714**	505,418
Creditors: Amounts falling due after more than one year	10	**(253,723)**	(101,941)
Net assets		**827,991**	403,477
Capital and reserves			
Share capital	14	**–**	–
Share premium account	15	**15,715,440**	15,125,544
Hedging reserve	15	**(72,443)**	(69,676)
Profit and loss account	15	**(14,815,006)**	(14,652,391)
Shareholder's funds	15	**827,991**	403,477

These financial statements were approved by the directors on 30 June 2014 and are signed on their behalf by:

Robert D D

R D Dunn
Director

The notes on pages 12 to 28 form part of these financial statements.

1. Accounting policies

A summary of the principal accounting policies is set out below. All accounting policies have been applied consistently, unless noted below.

Basis of accounting
The financial statements have been prepared under the historical cost convention, modified to include the revaluation of financial instruments in accordance with the Companies Act 2006, and applicable UK accounting standards.

Fundamental accounting concept
After making suitable enquiries and obtaining the necessary assurances from Virgin Media Inc., a wholly owned subsidiary of Liberty Global plc and the intermediate holding company which heads the Virgin Media group, that sufficient resources will be made available to meet any liabilities as they fall due should the company's income not be sufficient, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so. On this basis the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Group accounts
The company has taken advantage of the exemption from preparing group accounts afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of another company incorporated in the United Kingdom which prepares group accounts (see note 16). These financial statements therefore present information about the company as an individual undertaking and not about its group.

Investments
Investments are recorded at cost, less provision for impairment as appropriate. 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.

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.

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

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:

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

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are taken to the Profit and Loss Account.

Derivative financial instruments and hedging

The group has established policies and procedures to govern the management of its exposure to interest rate and foreign currency exchange rate risks, through the use of derivative financial instruments, including interest rate swaps, cross-currency interest rate swaps and foreign currency forward rate 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 assets when the fair value is positive and as 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.

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

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 cashflow 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 FRS 26, must be 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 in the statement of total recognised gains and losses, while the ineffective portion is recognised in profit or loss. Amounts taken to the statement of total recognised gains and losses are reclassified to the profit and loss account 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 profit and loss account as the recognised hedged item.

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 the hedging reserve remain in equity until the forecast transaction occurs and are reclassified to the profit and loss account 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.

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 profit and loss account 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.

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

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

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.

2. **Operating profit/(loss)**

Operating profit/(loss) is stated after (crediting)/charging:

	2013	2012
	£000	£000
Net (profit)/loss on foreign currency translation	**(89,405)**	24,488

Auditor's remuneration of £5,000 (2012 - £5,000) represents costs allocated to the company by fellow group undertakings that pay all auditor's remuneration on behalf of the group.

The directors received remuneration for the year of £4,017 (2012 - £2,500) in relation to qualifying services as directors of this company, all of which was paid by, and is disclosed in the financial accounts of Virgin Media Limited. In 2013 this included an element relating to compensation for loss of office.

3. **Staff costs**

The company does not have any directly employed staff and is not charged an allocation of staff costs by the group.

4. **Other interest receivable and similar income**

	2013	2012
	£000	£000
Bank interest receivable	**243**	353
Interest on amounts owed by group undertakings	**215,458**	160,478
Finance income	**28,837**	25,350
	244,538	186,181

5. **Interest payable and similar charges**

	2013	2012
	£000	£000
Interest on bank loan and related charges	**5,963**	3,199
Interest on amounts owed to group undertakings	**330,639**	315,867
Losses on derivative instruments	**124,320**	26,129
Finance costs	**35,636**	25,349
	496,558	370,544

6. Tax on loss on ordinary activities

The tax charge is made up as follows:

	2013 £000	2012 £000
Current tax:		
Adjustments to tax charge in respect of prior years	-	5,169
Total current tax	-	5,169
Deferred tax:		
Total deferred tax	-	-
Total tax charge on loss on ordinary activities	-	5,169

The tax assessed on the loss on ordinary activities for the year is higher than (2012 - higher) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%). The differences are explained below:

	2013 £000	2012 £000
Loss on ordinary activities before tax	(162,615)	(208,851)
Loss on ordinary activities multiplied by rate of tax	(37,808)	(51,168)
Effects of:		
Adjustments to tax charge in respect of previous periods	-	5,169
Group relief surrendered without payment	37,808	51,168
Total current tax	-	5,169

Deferred tax assets in respect of the following amounts have not been recognised as there is currently no persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse.

	2013 £000	2012 £000
Unrealised losses on derivative financial instruments	14,488	16,025

Factors affecting current and future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The unprovided deferred tax assets have been calculated using the enacted rate of 20% (2012 - 23%).

7. Investments

	Subsidiary undertakings £000
Cost	
At 1 January 2013	**6,022,129**
Additions	**170,000**
At 31 December 2013	**6,192,129**
Net book value	
At 31 December 2013	**6,192,129**
At 31 December 2012	6,022,129

All of the material investments in which the company holds at least 20% of direct and indirect nominal value of any class of share capital, all of which are unlisted, are shown in note 17.

In the opinion of the directors the aggregate value of the investments in subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

During the year, the company has purchased an additional 170,000,000 newly issued £1 shares in Virgin Media SFA Finance Limited, a wholly owned subsidiary of the company, for consideration of £170,000,000.

The company has taken advantage of Section 410 of the Companies Act 2006 and disclosed only those investments whose results or financial position materially affected the figures shown in the company's annual financial statements.

8. Debtors

	2013 £000	2012 £000
Amounts owed by group undertakings	**4,224,865**	2,387,181
Derivative financial assets	**211,001**	160,551
Prepayments and accrued income	–	11,342
Other debtors	–	3,654
	4,435,866	2,562,728

The debtors above include the following amounts falling due after more than one year:

	2013 £000	2012 £000
Amounts owed by group undertakings	**578,133**	–
Derivative financial assets	**183,251**	159,166
	761,384	159,166

8. Debtors *(continued)*

The amounts owed by group undertakings falling due after more than one year, comprise loan notes which incur interest at a rate of 8.375% and are repayable in April 2023.

The analysis of amounts owed by group undertaking is:

	2013	2012
	£000	£000
Loans advanced to group undertakings	**3,998,736**	2,217,933
Other amounts owed by group undertakings	**226,129**	169,248
	4,224,865	2,387,181

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

9. Creditors: Amounts falling due within one year

	2013	2012
	£000	£000
Derivative financial liabilities	**69,232**	2,134
Amounts owed to group undertakings	**9,438,722**	8,064,479
Consortium relief recoverable	**–**	5,177
Vendor financing	**37,809**	–
Accruals and deferred income	**657**	7,792
	9,546,420	8,079,582

During the year, the company has entered into vendor financing arrangements to manage the working capital requirement of the group in respect of the acquisition of plant and equipment. The amounts owed pursuant to these arrangements are interest bearing, payable within one year, and include VAT which was paid on our behalf by the vendor.

The analysis of amounts owed to group undertaking is:

	2013	2012
	£000	£000
Loans advanced by group undertakings	**6,517,204**	5,260,978
Other amounts owed to group undertakings	**2,921,518**	2,803,501
	9,438,722	8,064,479

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

The loan notes advanced by group undertakings include a U.S. dollar denominated loan of $5,375,044,000 (2012 - $3,530,555,000), which had a carrying value of £3,262,302,000 (2012 - £2,193,552,000) at the balance sheet date.

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

	2013	2012
	£000	£000
Derivative financial liabilities	253,723	101,941

11. Derivative instruments and hedging activities

The group manages its treasury operations on a group basis and consequently, derivative financial instruments are designed to mitigate the risks experienced by the group as a whole rather than as a specific company. The group has obligations in a combination of U.S. dollars and 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 rate and foreign currency exchange rates is to decrease the volatility of it 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 swaps and foreign currency forward rate contracts. 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 creditors.

Financial and operational risk management is undertaken as part of the group's operations as a whole. These are considered in more detail in the financial statements of Virgin Media Inc. which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

The derivative financial instruments held by the company are recorded at fair value on the balance sheet in accordance with FRS 26 "Financial instruments: recognition and measurement". The fair values of these derivative financial instruments 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. As such, these derivative instruments are classified within level 2 under the fair value hierarchy defined in FRS 29 "Financial instruments: disclosures".

11. Derivative instruments and hedging activities ***(continued)***

The fair values of derivative financial instruments recognised in the balance sheet of the company are as follows:

	2013	2012
	£000	£000
Fair value hedges	**27,545**	–
Derivatives not designated as hedges	**205**	1,385
Current assets (note 8)	**27,750**	1,385
Cash flow hedges	**–**	3,311
Fair value hedges	**35,608**	138,932
Derivatives not designated as hedges	**147,643**	16,923
Non-current assets (note 8)	**183,251**	159,166
Derivatives not designated as hedges	**(69,232)**	(2,134)
Current liabilities (note 9)	**(69,232)**	(2,134)
Cash flow hedges	**–**	(62,083)
Fair value hedges	**(863)**	–
Derivatives not designated as hedges	**(252,860)**	(39,858)
Non-current liabilities (note 10)	**(253,723)**	(101,941)
Aggregate net fair value of derivative financial instruments	**(111,954)**	56,476

Cross currency interest rate swaps

The company has entered into cross-currency swaps and cross-currency interest rate swaps with principal amounts of $6,501.5 million (2012: $4,450 million).

The company manages derivative instruments for the group and therefore the debt being hedged is not in the company's own Balance Sheet other than as reflected through inter-company loan notes on matching terms.

11. Derivative instruments and hedging activities *(continued)*

The terms of the outstanding cross-currency swaps and cross-currency interest rate swaps used to mitigate the foreign exchange and interest rate risk relating to the pound sterling value of interest payments on US dollar denominated senior notes at 31 December 2013 were as follows:

Final maturity date	Hedge type	Notional amount due from counterparty $000	Notional amount due to counterparty £000	Weighted average interest rate due from counterparty	Weighted average interest rate due to counterparty
November 2016	Not designated	55,000	27,700	6.50%	7.03%
January 2018	Not designated	1,000,000	615,700	6.50%	7.05%
April 2019	Not designated	291,500	186,200	5.38%	5.49%
October 2019	Not designated	500,000	302,300	8.38%	9.07%
June 2020	Not designated	1,384,600	901,400	6 month US LIBOR + 2.75%	6 month US LIBOR + 3.18%
October 2020	Not designated	1,370,400	881,600	6 month US LIBOR + 2.75%	6 month US LIBOR + 3.10%
January 2021	Fair value	500,000	308,900	5.25%	6 month US LIBOR + 1.94%
February 2022	Not designated	1,400,000	873,600	5.01%	5.35%
		6,501,500	4,097,400		

In addition to the cross-currency swaps and cross-currency interest rate swaps shown above the company also holds the following outstanding swap agreements with other companies within the Virgin Media group:

Final maturity date	Hedge type	Notional amount due from counterparty £000	Notional amount due to counterparty $000	Weighted average interest rate due from counterparty	Weighted average interest rate due to counterparty
April 2023	Not designated	641,300	1,000,000	6.375%	6.00%
April 2023	Not designated	339,900	530,000	6.375%	6.00%
		981,200	1,530,000		

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 June 2013, the group entered into new cross-currency interest rate swaps to mitigate the foreign exchange rate risk associated with the $2,755 US LIBOR + 2.75% term loan of the Group Credit Facility.

On 15 August 2013, the cross-currency interest rate swaps maturing November 2016 were partially settled, and the company received net cash of £22.1 million.

11. Derivative instruments and hedging activities *(continued)*

Interest rate swaps - hedging of interest rate sensitive obligations

At 31 December 2013 the company had outstanding interest rate swap agreements to manage the exposure to volatility in future cash flows on the interest payments associated with the senior credit facility, which accrue on a variable basis based on LIBOR.

The company has also entered into interest rate swap agreements to manage its exposure to changes in the fair value of certain group debt obligations due to interest rate fluctuations. The interest rate swaps allow the company 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.

The terms of outstanding interest rate swap contracts at 31 December 2013 were as follows:

Maturity date	Hedge type	Notional amount	Weighted average interest rate due from counterparty	Weighted average interest rate due to counterparty
		£000s		
December 2015	Not designated	600,000	6 month LIBOR	2.86%
October 2018	Not designated	2,155,000	6 month LIBOR	1.52%
January 2021	Fair value	650,000	5.50%	6 month LIBOR +1.84%
January 2021	Not designated	650,000	6 month LIBOR +1.84%	3.87%
April 2018	Not designated	300,000	6 month LIBOR	1.37%
		4,355,000		

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

Cash flow hedges

The company applied hedge accounting to certain of its derivative instruments prior to the LG/VM Transaction, but subsequently has elected to de-designate these derivative instruments.

Prior to the LG/VM Transaction, for derivative instruments that were designated and qualify as cash flow hedges, the effective portion of the gain or loss on derivatives were reported as unrealised gains and losses in the statement of total recognised gains and losses 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 profit and loss account 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 profit and loss account in the period in which they occur. The following table presents the effective amount of gain or loss recognised in other comprehensive income and amounts reclassified to earnings during the year ended 31 December 2013.

11. Derivative instruments and hedging activities *(continued)*

Included within amounts reclassified to earnings is £8.0 million of net losses that have been recycled through the profit and loss in respect of swaps for which either designation was revoked, or the hedged instrument was settled as part of refinancing activities.

The following table presents the effective amount of gain or loss recognised through the statement of total recognised gains and losses:

	2013	2012
	£000	£000
Gain/(loss) on cash flow hedges taken to equity	**63,565**	(141,949)
Amounts reclassified to profit & loss account - foreign exchange losses	**(66,054)**	85,374
Amounts reclassified to profit & loss account - interest payable and similar charges	**(278)**	8,861
Net loss through statement of total recognised gains and losses	**(2,767)**	(47,714)

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 profit or loss account 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.

Gains or losses representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognised as gains or losses on derivative instruments in the profit and loss account in the period in which they occur. During the year ended 31 December 2013 the company recognised an ineffectiveness loss of £8.5 million, which consists of a £13.5 million loss in respect of the derivative instruments offset by a £5.0 million gain in respect of the underlying bonds, compared to £4.2 million in the year ended 31 December 2012.

Derivatives not qualifying for hedge accounting
Any gains or losses arising from changes in fair value of a derivative which was deemed ineffective or not qualifying for hedge accounting are taken to the profit and loss account.

12. 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 2013, this comprised term facilities that amounted to £2,638 million (2012 - £750 million) and a revolving credit facility of £660 million (2012 - £450 million). With the exception of the revolving credit facility, all available amounts were borrowed under the senior secured credit facility with an equivalent aggregate value of £2,638 million (2012 - £750 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 2013 amounted to £4,081 million (2012 - £2,582 million). Borrowings under the notes are secured against the assets of certain members of the group including those of this company.

12. Contingent liabilities *(continued)*

During March 2014, a fellow group undertaking of the company, issued (i) $425 million principal amount of 5.5% senior secured notes due 15 January 2025 (ii) £430 million principal amount of 5.5% senior secured notes due 15 January 2025 and (iii) £225 million principal amount of 6.25% senior secured notes due 28 March 2029. The net proceeds of the issuance of these senior secured notes were used to redeem an equivalent aggregate amount of £875 million of the group's existing senior secured notes.

In April 2014, a fellow group undertaking issued a further £175 million principal amount of 6.25% senior secured notes due 28 March 2029. In addition, fellow group undertakings entered into (i) a new £100 million term loan ("Facility D") that matures on 30 June 2022 and (ii) a new £849.4 million term loan ("Facility E") that matures on 30 June 2023, each under the existing senior secured credit facility, and for which all available amounts were borrowed with an equivalent aggregate value of £949.4 million.

On 22 May 2014, the net proceeds from the issuance of the £175 million senior secured notes, along with borrowings under Facility D and Facility E, were used to fully redeem an equivalent aggregate amount of £592.7 million and £600 million of the group's existing senior secured notes and senior secured credit facility respectively.

Following the refinancing activities detailed above, the amounts borrowed under the senior secured credit facility amounted to £1,324.4 million and $2,755.0 million and the amounts borrowed under the senior secured notes amounted to £2,558.4 million and $1,872.9 million.

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 2013 amounted to approximately £1,302 million (2012 - £1,824 million).

13. 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 (see note 16).

14. Share capital

Allotted, called up and fully paid:

	2013		2012	
	No	**£000**	No	£000
Ordinary shares (2012 - 224,552) of £0.001 each	**240,798**	-	224,552	-

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

	Share capital £000	Share premium account £000	Hedging reserve £000	Profit and loss account £000	Total share-holder's funds £000
At 1 January 2012	–	15,125,544	(21,962)	(14,438,371)	665,211
Loss for the year	–	–	–	(214,020)	(214,020)
Increase/(Decrease) in fair value of cashflow hedges	–	–	(47,714)	–	(47,714)
At 31 December 2012 and 1 January 2013	–	15,125,544	(69,676)	(14,652,391)	403,477
Loss for the year	–	–	–	(162,615)	(162,615)
New equity share capital subscribed	–	589,896	–	–	589,896
Increase/(Decrease) in fair value of cashflow hedges	–	–	(2,767)	–	(2,767)
At 31 December 2013	–	15,715,440	(72,443)	(14,815,006)	827,991

16. Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Media Finance PLC.

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 2013 are Virgin Media Finance PLC and Liberty Global plc, respectively.

On 7 June 2013 Liberty Global, Inc. and Virgin Media Inc. completed a series of mergers, which resulted in the company's ultimate parent and controlling party changing to Liberty Global plc.

The company's ultimate parent undertaking and controlling party at 31 December 2013 was Liberty Global plc.

Copies of 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.

17. Investments

The material investments in which the company held at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows:

Name of Company	Holdings	Proportion Held	Nature of Business
Virgin Media Finco Limited	Ordinary	100%#	Finance
Virgin Media Investments Limited	Ordinary	100%	Holding
Virgin Media Secured Finance PLC	Ordinary	100%	Finance
Virgin Media SFA Finance Limited	Ordinary	100%	Finance
VMIH Sub Limited	Ordinary	100%#	Holding
Virgin Media Limited	Ordinary	100%#	Telecoms
Virgin Media Payments Limited	Ordinary	100%#	Collections
BCMV Limited	Ordinary	100%#	Telecoms
ntl Business (Ireland) Limited	Ordinary	100%#	Telecoms
Diamond Cable Communications Limited	Ordinary	100%#	Holding
ntl Midlands Limited	Ordinary	100%#	Telecoms
ntl Funding Limited	Ordinary	100%#	Telecoms
NTL (Triangle) LLC	Common Stock	100%#(ii)	Holding
ntl Cambridge Limited	Ordinary	100%#	Telecoms
ntl Irish Holdings Limited	Ordinary	100%#	Telecoms
ntl Midlands Leasing Limited	Ordinary	100%#	Leasing
ntl Rectangle Limited	Ordinary	100%#	Holding
X-Tant Limited	Ordinary	100%#	Telecoms
ntl (South Hertfordshire) Limited	Ordinary	100%#	Telecoms
ntl CableComms Limited	Ordinary	100%#	Telecoms
ntl CableComms Bolton	Ordinary	100%#(i)	Telecoms
ntl CableComms Bromley	Ordinary	100%#(i)	Telecoms
ntl CableComms Bury and Rochdale	Ordinary	100%#(i)	Telecoms
ntl CableComms Cheshire	Ordinary	100%#(i)	Telecoms
ntl CableComms Derby	Ordinary	100%#(i)	Telecoms
ntl CableComms Greater Manchester	Ordinary	100%#(i)	Telecoms
ntl CableComms Macclesfield	Ordinary	100%#(i)	Telecoms
ntl CableComms Oldham and Tameside	Ordinary	100%#(i)	Telecoms
ntl CableComms Solent	Ordinary	100%#(i)	Telecoms
ntl CableComms Staffordshire	Ordinary	100%#(i)	Telecoms
ntl CableComms Stockport	Ordinary	100%#(i)	Telecoms
ntl CableComms Surrey	Ordinary	100%#(i)	Telecoms
ntl CableComms Sussex	Ordinary	100%#(i)	Telecoms
ntl CableComms Wessex	Ordinary	100%#(i)	Telecoms
ntl CableComms Wirral	Ordinary	100%#(i)	Telecoms
ntl Wirral Telephone and Cable TV Company	Ordinary	100%#(i)	Telecoms
ntl Communications Services Limited	Ordinary	100%#	Telecoms
ntl (CWC) Limited	Ordinary	100%#	Telecoms
ntl Business Limited	Ordinary	100%#	Telecoms
Virgin Net Limited	Ordinary	100%#	Telecoms

held by subsidiary undertaking
(i) unlimited company
(ii) incorporated in the USA
(iii) registered in Scotland

17. List of investments ***(continued)***

Name of Company	Holdings	Proportion Held	Nature of Business
Telewest UK Limited	Ordinary	100%#	Holding
Virgin Media Business Limited	Ordinary	100%#	Telecoms
Telewest Communications (South West) Limited	Ordinary	100%#	Telecoms
Telewest Communications (Cotswolds) Limited	Ordinary	100%#	Telecoms
Cable London 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
Birmingham Cable Limited	Ordinary	100%#	Telecoms
Eurobell (Holdings) Limited	Ordinary	100%#	Telecoms
Eurobell (Sussex) Limited	Ordinary	100%#	Telecoms
Eurobell (South West) Limited	Ordinary	100%#	Telecoms
Eurobell (West Kent) Limited	Ordinary	100%#	Telecoms
Eurobell Internet Services Limited	Ordinary	100%#	Telecoms
Telewest Communications Networks Limited	Ordinary	100%#	Holding
Telewest Communications (London South) Limited	Ordinary	100%#	Telecoms
Telewest Communications (South East) Limited	Ordinary	100%#	Telecoms
Telewest Communications (South Thames Estuary) Limited	Ordinary	100%#	Holding
Telewest Communications (Midlands & North West) Limited	Ordinary	100%#	Telecoms
M&NW Network Limited	Ordinary	100%#	Telecoms
M&NW Network II Limited	Ordinary	100%#	Telecoms
Telewest Communications (Cumbernauld) Limited	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Dumbarton) Limited	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Dundee & Perth) Limited	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Falkirk) Limited	Ordinary	100%#(iv)	Telecoms
Telewest Communications (Glenrothes) Limited	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Motherwell) Limited	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Scotland) Limited	Ordinary	100%#(iii)	Telecoms
Telewest Communications (North East) Limited	Ordinary	100%#	Telecoms
Yorkshire Cable Communications Limited	Ordinary	100%#	Telecoms
Barnsley Cable Communications Limited	Ordinary	100%#	Telecoms
Downcast Cable Communications Limited	Ordinary	100%#	Telecoms
Habitat Cable Communications Limited	Ordinary	100%#	Telecoms
Shuffled Cable Communications Limited	Ordinary	100%#	Telecoms
Wakefield Cable Communications Limited	Ordinary	100%#	Telecoms
Middlesex Cable Limited	Ordinary	100%#	Telecoms
Windsor Television Limited	Ordinary	100%#	Telecoms
Virgin Media Wholesale Limited	Ordinary	100%#	Telecoms
Bluebottle Call Limited	Ordinary	100%#	Telecoms

held by subsidiary undertaking
(i) unlimited company
(ii) incorporated in the USA
(iii) registered in Scotland

17. List of investments *(continued)*

Name of Company	Holdings	Proportion Held	Nature of Business
BCMV Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Bolton Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Bromley Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Derby Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Greater Manchester Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Surrey Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Sussex Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Wessex Leasing Limited	Ordinary	100%#	Leasing
ntl CableComms Wirral Leasing Limited	Ordinary	100%#	Leasing
ntl Wirral Telephone and Cable TV Company Leasing Limited	Ordinary	100%#	Leasing
Telewest Communications (Midlands and North West) Leasing Limited	Ordinary	100%#	Limited
W Television Leasing Limited	Ordinary	100%#	Limited
Flextech Broadband Limited	Ordinary	100%#	Holding

All companies are registered in England and Wales unless otherwise noted.

\# held by subsidiary undertaking
(i) unlimited company
(ii) incorporated in the USA
(iii) registered in Scotland