Registered number 3707664

Virgin Mobile Telecoms Limited

Report and Financial Statements

For the 9 months ended 31 December 2006

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Corporate Information

Directors
Virgin Media Secretaries Limited
Virgin Media Directors Limited

Company Secretary
Virgin Media Secretaries Limited

Auditor
Ernst & Young LLP
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Directors' Report

The directors present their report and the audited financial statements for the 9 months ended 31 December 2006

PRINCIPAL ACTIVITIES

The principal activities of the company comprise of the sale of mobile phone handsets (both direct to end customers and to retailers) and the provision of mobile telecommunication services

On 4 July 2006, the entire ordinary share capital of Virgin Mobile Holdings (UK) Limited, the company's parent undertaking, was acquired by Virgin Media Investment Holdings Limited (previously named ntl Investment Holdings Limited), a company incorporated in the United Kingdom and registered in England and Wales Virgin Media Investment Holdings Limited is a wholly-owned subsidiary of Virgin Media Inc (previously named NTL Incorporated), a corporation organised under the laws of the State of Delaware, USA Following the acquisition the company is now a wholly-owned subsidiary undertaking of Virgin Media Inc The Virgin Media group is an innovative and pioneering UK entertainment and communications business and is the first company in the United Kingdom to offer a quad-play package of television, broadband, telephone and mobile The group is one of the UK's most popular residential broadband and pay-as-you-go mobile providers and the second largest provider in the UK of pay television and fixed line telephone services

CHANGE IN ACCOUNTING REFERENCE DATE

The company has changed its accounting reference date to 31 December in order to align it with the other Virgin Media group companies Accordingly the financial statements presented are for a period of 9 months to 31 December 2006 whilst comparative amounts are for the year ended 31 March 2006 and may not be not entirely comparable

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the 9 months ended 31 December 2006, the company continued to grow its prepay and contract customer base This allowed the company to grow its 90 day customer base by 4% from 4,331,590 at 31 March 2006 to 4,522,775 at 31 December 2006 Total turnover for the 9 months ended 31 December 2006 was £441,121,000 (year to 31 March 2006 – £557,402,000) Operating profit and profit after tax for the 9 months ended 31 December 2006 were £32,783,000 (year ended 31 March 2006 – £57,810,000) and £20,364,000 (year ended 31 March 2006 – £44,816,000) respectively

Details of the company's financial position as at 31 December 2006 are given in the balance sheet on page 8

During the forthcoming year the company will continue to grow both its prepay and contract customer bases The company will also continue to remain focused on cost control at all levels of the business Consequently, the directors believe that the company is well placed to continue its success in the forthcoming year and beyond

RESULTS AND DIVIDENDS

The company made a profit for the 9 month period ended 31 December 2006 of £20,364,000 (year ended 31 March 2006 – £44,816,000) The directors do not recommend a dividend (31 March 2006 £80,000,000) During the year ended 31 March 2006, the final dividend of £2,043 5271 per share in respect of the year ended 31 March 2005 was paid, totalling £40,000,000 Also during the year ended 31 March 2006, an interim dividend of £2,043 5271 per share was paid, totalling £40,000,000

PRINCIPAL RISK AND UNCERTAINTIES

Telecommunications Supply Agreement

The company's ability to provide services is dependent on maintaining its Telecommunications Supply Agreement (TSA) or securing agreement with other operators for network services The company's current TSA with T-Mobile is a minimum ten year contract The company currently relies solely on its long-term TSA with T-Mobile for the voice, non-voice and other telecommunication services it provides to its customers

The company's operations expose it to a variety of financial risks that include interest rate, credit, foreign exchange and liquidity risks

Directors' Report

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

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

Interest rate and foreign exchange rate risk
The company is subject to financial risks where interest rates are not fixed or where the debt is denominated in foreign currency The group's policy is to manage its interest cost using a mix of fixed and variable rate financial instruments denominated in sterling and foreign currencies, and to hedge all or part of the exposure to interest rate or foreign currency risk However the group's policy is not to hedge against interest rate or foreign currency risk in respect of inter-company debt

The company's financial instruments mainly comprise interest free inter-company debt The company had no foreign currency denominated financial instruments during the reporting period or prior year

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

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

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

CHARITABLE AND POLITICAL DONATIONS
During the period various charitable donations totalling £95,062 were made but no political donations were made for the period

ENVIRONMENTAL POLICIES
The company continues to place active emphasis on its environmental responsibilities, and its commitment to the environment is an integral part of its corporate programme A priority for the period was to continue to inform and educate those who work for the company, with regards to the group's concerns for the environment

EMPLOYMENT POLICIES AND DISABLED EMPLOYEES
The company remains committed to the continuing introductions and practice of progressive employment policies which reflect changing business, social and employee needs

The group aims to ensure that everyone connected to Virgin Mobile 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 their gender, marital status, gender reassignments, pregnancy, race, ethnic origin, colour, nationality origin, disability, sexual orientations, 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 Mobile That means permanent, temporary, casual or part-time staff, anyone on a fixed-term contract, agency staff and consultants working with us, ex-employees and people applying for jobs This applies to all aspects of employment, including recruitment and training

The company 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 the company's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim

Directors' Report

EMPLOYEE INVOLVEMENT

The company is dedicated to increasing the practical involvement of individuals in the running of their businesses All employees are encouraged to understand the aims of the overall company and their own segment 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 the group

DIRECTORS

The directors who served during the period, were as follows

Thomas Alexander	Resigned 4 July 2006
Alan Gow	Resigned 18 September 2006
Jonathan Steel	Resigned 18 September 2006
Virgin Media Secretaries Limited	Appointed 18 September 2006
Virgin Media Directors Limited	Appointed 18 September 2006

On 16 February 2007, the names of ntl Directors Limited and ntl Secretaries Limited were changed to Virgin Media Directors Limited and Virgin Media Secretaries Limited respectively

The directors had no interest in the share capital of the company requiring disclosure under the Companies Act 1985 The company seeks exemption under The Companies (Disclosure of Directors Interests) (Exceptions) Regulations 1985, not to disclose the directors' interests in the common stock of Virgin Media Inc , a company registered in the state of Delaware, United States of America, and the ultimate parent undertaking of the company

Virgin Media Inc has indemnified the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision is in force as at the date of approving the directors' report

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

Deloitte & Touche LLP resigned as auditors on 18 August 2006, Ernst & Young LLP was appointed on 18 August 2006, and will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985

By order of the board

R M Mackenzie on behalf of
Virgin Media Secretaries Limited
27 November 2007

Statement of Directors' Responsibilities in Relation to the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with IFRS as adopted by the EU

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the company and the financial performance and cash flows of the company for that period

In preparing those financial statements, the directors are also required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- state whether the company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements

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

Independent Auditors' Report to the Member of Virgin Mobile Telecoms Limited

We have audited the financial statements of Virgin Mobile Telecoms Limited for the 9 months ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expenses and the related notes 1 to 28 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's member in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

30/11/07

Income Statement
For the 9 Months ended 31 December 2006

	Notes	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 (1) £'000
Revenue	3	441,121	557,402
Cost of sales	3	(294,467)	(374,806)
Gross profit	3	146,654	182,596
Administrative expenses		(113,871)	(124,786)
Operating profit		32,783	57,810
Finance revenue	7	715	702
Finance costs	8	-	(97)
Profit before tax		33,498	58,415
Tax	9	(13,134)	(13,599)
Profit for the period	21	20,364	44,816

(1) As restated – see note 23

Statement of Recognised Income and Expenses
For the 9 months ended 31 December 2006

There are no other recognised income and expenses other than those disclosed in the Income Statement for the period ending 31 December 2006 For the year ending 31 March 2006 the following retrospective restatements have been made

	Notes	Year ended 31 March 2006 £'000
Loyalty scheme	23	(6,955)
Deferred revenue	23	2,380
Subscriber acquisition costs	23	(16,973)
		(21,548)

The results are derived from continuing operations and are attributable to the equity shareholder of Virgin Mobile Telecoms Limited

Balance Sheet
As at 31 December 2006

	Notes	31 December 2006 £'000	31 March 2006 (1) £'000
Non-current assets			
Intangible assets	12	18,045	15,272
Property, plant and equipment	13	4,446	4,484
Deferred tax asset	9	-	16,300
		22,491	36,056
Current assets			
Inventories	14	6,920	3,476
Trade and other receivables	15	155,394	110,080
Income tax repayable		7,788	-
Cash and short-term deposits	16	25,272	19,779
		195,374	133,335
Total assets		217,865	169,391
Current liabilities			
Financial Liabilities	17	-	(7)
Trade and other payables	18	(133,983)	(102,512)
Income tax payable		-	(2,046)
		(133,983)	(104,565)
Non-current liabilities			
Trade and other payables	18	(15)	(12)
		(15)	(12)
Total liabilities		(133,998)	(104,577)
Net assets		83,867	64,814
Capital and reserves			
Ordinary share capital	19	19	19
Share premium	20	34,700	34,700
Retained earnings	21	49,148	30,095
Total equity	22	83,867	64,814

(1) As restated – see note 23

R C Gale
Virgin Media Directors Limited
Director
27 November 2007

Cash Flow Statement
for the 9 months ended 31 December 2006

	9 months 31 December 2006 £'000	Year ended 31 March 2006 (1) £'000
Operating profit	32,783	57,810
Adjustments for		
Loss/(gain) on derivatives	-	3
Non cash charge in respect of employee share schemes	1,092	1,556
Depreciation of plant, property and equipment	472	3,796
Amortisation of other intangible assets	9,518	11,462
Loss on disposal of plant, property and equipment	-	7
Operating cash flows before movements in working capital	43,865	74,634
(Increase)/decrease in inventories	(3,444)	2,465
(Increase)/decrease in receivables	(45,314)	9,585
Increase in payables	31,474	22,614
Movements in working capital	(17,284)	34,664
Cash generated from operations	26,581	109,298
Current tax paid	(9,071)	(9,588)
Net cash flows from operating activities	17,510	99,710
Cash flows from investing activities		
Interest received	715	702
Purchase of property, plant and equipment	(434)	(2,316)
Purchase of other intangible assets	(12,291)	(10,981)
Net cash used in investing activities	(12,010)	(12,595)
Cash flows from financing activities		
Dividends paid	-	(80,000)
Interest paid	-	(97)
Repayment of borrowings, including finance lease	(7)	(3)
Net cash used in financing activities	(7)	(80,100)
Net increase in cash and cash equivalents	5,493	7,015
Cash and cash equivalents at start of the period	19,779	12,764
Cash and cash equivalents at end of the period	25,272	19,779

(1) As restated – see note 23

Notes to the Financial Statements for the 9 months ended 31 December 2006

1 Authorisation of financial statements and statement of compliance with IFRS
The financial statements of Virgin Mobile Telecoms Limited (known as the 'company') for the 9 months ended 31 December 2006 were authorised for issue by the board of directors on 29 October 2007 and the Balance Sheet was signed on the board's behalf by R C Gale Virgin Mobile Telecoms Limited is a limited company incorporated and domiciled in England & Wales The company's shares are not publicly traded

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 1985 The principal accounting policies adopted by the company are set out below in note 2

2 Significant Accounting Policies
Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union

The accounting policies which follow set out those policies which apply in preparing the company's financial statements for the 9 months ended 31 December 2006

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds except when otherwise indicated

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 revenue and expenses during the period The nature of estimation means that actual outcomes could differ from these estimates

Change in accounting policies
The accounting policies adopted are consistent with those of the previous financial year with the exception of the following items The company has amended the accounting policies to bring it in line with those policies adopted by other Virgin Media group companies

Subscriber acquisition costs for contract customers are now recognised in the income statement as incurred Previously they were recorded within other receivables prior to the commencement of the contract and then charged to the income statement over the length of the contract (see note 23 for the impact on the prior year financial statements)

The company has a loyalty and retention scheme whereby customers are entitled to receive a discount from the purchase price when they upgrade their handset, the discount being based on their spend in the preceding twelve months The liability for the propensity of customers redeeming their rewards has now been recorded In the balance sheet (see note 23 for the impact on the prior year financial statements) Previously the liability was disclosed as a contingent liability but not quantified by management

Key sources of estimation uncertainty

The key sources of uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of the deferred tax asset and the estimation of share-based payment costs The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest and the continuing participation of employees

Revenue
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for handsets and airtime services provided in the normal course of business, net of discounts and sales related taxes

Sale of goods
Handsets and other equipment revenue is recognised when the goods are delivered and title has passed

Notes to the Financial Statements
for the 9 months ended 31 December 2006

2 Significant Accounting Policies (continued)

Service Revenue
Service revenue derived from customers is recognised based on the usage of the network in the period Contract and non-contract post-pay customers are billed in arrears based on usage and revenue is recognised when the service is rendered Revenue from non-contract pre-pay customers is recorded as deferred revenue prior to commencement of services and is recognised as the pre-pay services are rendered

Interest income
Revenue is recognised as interest accrues (using the effective interest method - this is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset)

Subscriber acquisition costs
Subscriber acquisition costs for non-contract pre-pay, post-pay and contract customers, which include the commission costs and other incremental costs of customer acquisition, are recognised in the income statement as incurred

Leases
Company as a lessee
Assets held under finance leases, which transfer to the company 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 fair value of the leased asset or, if lower, the present value of the minimum lease payments Lease payments are apportioned between the reduction of the lease liability and finance charges in the company income statement so as to achieve a constant rate of interest on the remaining balance of the liability Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term

Leases where the company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term

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 income statement

Pension and other retirement benefits
The company operates a defined contribution pension scheme For defined contribution schemes, the amounts are recognised in the income statement in the period in which they become payable Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Tax
The tax expense represents the sum of the tax currently payable and deferred tax The tax currently payable is based on the taxable profits for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible

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

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

Notes to the Financial Statements
for the 9 months ended 31 December 2006

2 Significant Accounting Policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity Otherwise income tax is recognised in the income statement

Intangible assets
Intangible assets are carried at cost less accumulated amortisation and impairment losses

Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the year in which it is incurred Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives up to a maximum of 3 years

Property, plant and equipment
Property, plant and equipment is stated at historic 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 attributable to assets under construction are recognised as an expense as incurred

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, less estimated residual value based on prices prevailing at the balance sheet date, of each asset over its estimated useful life up to a maximum of 3 years

Impairment of assets other than goodwill and intangible assets with indefinite lives
The company 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 company makes an estimate of the asset's recoverable amount An asset's recoverable amount is the higher of an asset's or cash generating unit's 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 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 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 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

Notes to the Financial Statements
for the 9 months ended 31 December 2006

2 Significant Accounting Policies (continued)

Inventories
Inventory consists of goods for resale Consumer goods for resale 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, based on 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 the carrying amount of inventory held for resale to the lower of cost and net realisable value

Cash and cash equivalents
Cash and short-term deposits 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 cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Trade and other receivables
Trade receivables, which generally have 30-90 day terms, 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

Share-based payments
(a) Virgin Mobile share option schemes
The company is an indirect, wholly owned subsidiary of Virgin Mobile Holdings (UK) Limited Certain of the company's employees participated in the share-based plans of Virgin Mobile Holdings (UK) Limited following the admission of that company's shares to the London Stock Exchange in July 2004 The share-option plans were

Pre-IPO plan
Under the Pre-IPO plan share options were granted to the certain employees to acquire 8,099,495 shares at an exercise price of £1 45868 per Ordinary Share

Performance share plan (PSP)
Under the PSP plan share options were granted to certain employees to acquire 453,503 shares for a consideration of £nil

Discretionary share option plan (DSOP)
Under the DSOP share options were granted to the certain employees to acquire 1,501,999 shares at an exercise price of £1 91 per Ordinary Share

Savings related share options plan (Sharesave)
Under the DSOP share options were granted to the certain employees to acquire 1,036,428 shares at an exercise price of £1 683 per Ordinary Share

(b) Virgin Media share-based compensation plans
The company is an indirect, wholly owned subsidiary of Virgin Media Inc Certain of the company's employees participate in the share-based compensation plans of Virgin Media Inc which are described in Virgin Media Inc 's Annual Report and summarised in note 25 below, whereby employees render services in exchange for shares or rights over shares (equity-settled) transactions of Virgin Media Inc common stock

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted The fair value was determined using the Stochastic model for the Virgin Mobile Holdings (UK) Limited plans and using the Black-Scholes model for the Virgin Media Inc plans The transaction costs are recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, which ends on the date 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 will ultimately vest, in the opinion of the directors at that date and based on the best available estimates

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

Notes to the Financial Statements for the 9 months ended 31 December 2006

2 Significant Accounting Policies (continued)

New standards and interpretations not applied

At the date of authorisation of the financial statements, the following standard and interpretations, which have not been applied in these financial statements, were issued but not yet effective

International Accounting Standards (IAS/IFRS)		*Effective date*
IFRS 7	Financial Instruments Disclosure	1 January 2007
IAS 1	Amendment = Presentation of Financial Statements Capital Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 11	IFRS 2 – Group and Treasury Share Transaction	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial statements in the period of initial application

Upon adoption of IFRS 7, the company will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to More specifically the company will need to disclose the fair value of its financial instruments and its risk exposure in greater detail There will be no effect on reported income or net assets

3 Segment Analysis

The company's operations and markets are located within the United Kingdom and form a single segment with two types of product service and equipment

At the gross profit level the business is managed by type of product, separately identifying revenue and cost of sales between service and equipment products Administrative costs are not allocated between the two products and are managed as part of the single segment Accordingly they are not allocated between service and equipment

Similarly, the balance sheet is managed as a single segment and there is no allocation between service and equipment

The results of the business, split by product type are as follows

	9 months ended 31 December 2006			Year ended 31 March 2006		
	Service £'000	Equipment £'000	Total £'000	Service £'000	Equipment £'000	Total £'000
Revenue	412,625	28,496	441,121	518,009	39,393	557,402
Cost of sales	(164,265)	(130,202)	(294,467)	(204,833)	(169,973)	(374,806)
Gross profit (loss)	248,360	(101,706)	146,654	313,176	(130,580)	182,596
Administrative expenses			(113,871)			(124,786)
Operating profit			32,783			57,810

4 Operating profit

This is stated after charging

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Cost of inventory recognised as an expense	65,622	76,082
Write down of inventories	4,006	1,722
Depreciation of property, plant and equipment	472	3,796
Amortisation of other intangible assets	9,518	11,462
Loss on disposal of plant, property and equipment	-	7
Staff costs (see note 6)	33,279	44,600
Own costs capitalised attributable to the development of other intangible assets	(1,773)	(2,519)

Notes to the Financial Statements
for the 9 months ended 31 December 2006

5 Auditors' remuneration

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

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Auditors' remuneration for audit services	215	10

Audit fees for the prior year are in respect of the company's previous auditor, Deloitte Touche LLC The company is exempt from disclosing additional information regarding non-audit services, as the disclosures required under Regulation 4 (1) (b) of Section 390B of Companies Act 1985, are made in the group accounts of Virgin Media Finance PLC on a consolidated basis

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

6. Staff Costs and director's emoluments

(a) Staff costs

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Wages and salaries	29,671	39,646
Social security costs	2,755	3,830
Other pension costs – defined contribution	853	1,124
	33,279	44,600

Included in wages and salaries is a total expense for share-based payments of £1,092,000 (Year ended 31 March 2006 - £1,556,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions

The average monthly number of employees (including executive directors) during the period was

	9 months ended 31 December 2006	Year ended 31 March 2006
Distribution	389	357
Marketing	73	54
Administration	1,084	1,073
	1,546	1,484

(b) Director's emoluments

The directors' remuneration is paid by Virgin Media Limited (formerly ntl Group Limited) and disclosed in the group accounts of Virgin Media Finance PLC

Notes to the Financial Statements
for the 9 months ended 31 December 2006

7 Finance Revenue

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Bank interest receivable	715	702
Total finance revenue	715	702

8. Finance Costs

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Interest payable on		
Bank loans	-	95
Obligations under finance leases	-	2
Total finance costs	-	97

9 Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Current income tax		
UK corporation tax – continuing operations	(763)	12,083
UK corporation tax credit /(charge)	(763)	12,083
Deferred tax		
Origination and reversal of temporary differences	13,897	1,516
Total deferred tax charge	13,897	1,516
Tax charge	13,134	13,599

Tax relating to items charged or credited to equity

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Charge/(credit)		
Current income tax		
Share based payments	-	(448)
UK corporation tax	-	(448)
Deferred tax		
Share based payments	2,403	(1,680)
Total deferred tax	2,403	(1,680)
Tax charge/(credit) in the statement of recognised income and expense	2,403	(2,128)

Notes to the Financial Statements
for the 9 months ended 31 December 2006

9. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax expense in the Income Statement is higher than the standard rate of corporation tax in the UK of 30% (31 March 2006 – 30%) The differences are reconciled below

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Profit from continuing operations before taxation	33,498	58,415
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	10,049	17,524
Effects of		
Expenses not deductible for tax purposes	3	2,540
Capital allowances in excess of depreciation	(701)	(1,604)
Deductions in respect of share options	(2,297)	-
Group relief losses claimed for no charge	(7,054)	(6,240)
Adjustment re prior year	(763)	1,379
Derecognition of deferred tax asset	13,897	-
Tax charge	13,134	13,599

(c) Deferred tax asset

The deferred tax included in the balance sheet is as follows

	31 December 2006 £'000	31 March 2006 £'000
Accelerated capital allowances	-	12,696
Temporary difference in respect of financial derivatives	-	-
Temporary differences in respect of share options	-	3,604
	-	16,300

(d) Factors that may affect future tax charges

Deferred tax assets of £12,017,000 in respect of depreciation in excess of capital allowances have not been recognised as there is insufficient certainty as to the availability of future taxable profits

In Finance Act 2007 the UK government announced its intention to reduce the UK corporate tax rate from 30% to 28% with effect from 1 April 2008 As of 31 December 2006 the tax rate change was not substantively enacted If this change had been substantively enacted the deferred tax asset not recognised at 31 December 2006 would be £11,216,000

10. Dividends

Amounts recognised as distributions to equity holders in the year

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Proposed Final dividend for the nine months ended 31 December 2006 of £nil (31 March 2006 – £2,043 5271) per share	-	40,000
Interim dividend for the nine months ended 31 December 2006 of £nil (31 March 2006 – £2043 5271) per share	-	40,000
	-	80,000

11. Investment in Subsidiaries

Virgin Mobile Telecoms Limited has a £2 investment (31 March 2006 – £2) representing a 100% holding in Bluebottle Call Limited, a subsidiary undertaking, the principal business of which is property investment Bluebottle Call Limited is registered in England

Notes to the Financial Statements
for the 9 months ended 31 December 2006

12 Intangible Assets

	Software £'000
Cost	
At 1 April 2005	59,367
Additions	11,735
At 31 March 2006	71,102
Additions	12,291
At 31 December 2006	83,393
Amortisation	
At 1 April 2005	44,368
Charge for the year	11,462
At 31 March 2006	55,830
Charge for the 9 month period	9,518
At 31 December 2006	65,348
Carrying amount	
At 31 December 2006	18,045
At 31 March 2006	15,272
At 1 April 2005	14,999

Software for the Group includes £2,457,000 (31 March 2006 – £3,047,000) of assets in the course of development Software is amortised using the straight line method, over 2-3 years

13 Property, Plant and Equipment

	Leasehold improvements £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 April 2005	497	20,795	21,292
Additions	-	2,227	2,227
Disposals	-	(285)	(285)
At 1 April 2006	497	22,737	23,234
Additions	-	434	434
Disposals	-	(446)	(446)
At 31 December 2006	497	22,725	23,222
Accumulated depreciation			
At 1 April 2005	447	14,785	15,232
Charge for the year	50	3,746	3,796
Disposals	-	(278)	(278)
At 1 April 2006	497	18,253	18,750
Charge for the 9 month period	-	472	472
Disposals	-	(446)	(446)
At 31 December 2006	497	18,279	18,776
Carrying amount			
At 31 December 2006	-	4,446	4,446
At 31 March 2006	-	4,484	4,484
At 1 April 2005	50	6,010	6,060

Notes to the Financial Statements
for the 9 months ended 31 December 2006

13 Property, Plant and Equipment (continued)

Assets held under finance leases

Included in the net book value of fixtures and fittings is £nil (31 March 2006 - £4,000) in respect of assets held under finance leases and similar hire purchase contracts Accumulated depreciation on these assets is £nil (31 March 2006 - £17,000) and the charge for the year is £4,000 (31 March 2006 - £7,000)

14 Inventories

	31 December 2006 £'000	31 March 2006 £'000
Finished goods held for resale	6,920	3,476

15 Trade and other Receivables

	31 December 2006 £'000	31 March 2006 £'000
Trade receivables	34,073	14,781
Amounts owed by related companies (see note 26)	8	893
Amounts owed by fellow subsidiaries (see note 26)	119,013	91,751
Other receivables	2,300	2,655
	155,394	110,080

Trade receivables are non-interest bearing and are generally on 30-90 days terms Inter-company receivables are interest free and repayable on demand

16 Cash and short-term deposits

	31 December 2006 £'000	31 March 2006 £'000
Cash at bank and in hand	25,272	19,779
	25,272	19,779

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 company, and earn interest at the respective short-term deposit rates The fair value of cash and cash equivalents including overdrawn cash book balances is £25,272 (31 March 2006 - £19,779)

17 Obligations under leases and hire purchase contracts

Finance lease agreements where the company is lessee

At 31 December 2006 the company did not have any outstanding obligations under finance leases (31 March 2006 - £7,000)

Operating lease agreements where the company is a lessee

The company has entered into commercial leases on certain properties The leases have an average duration of between 2 and 4 years The Landlord & Tenants Act provides, under most normal circumstances, automatic rights for the tenant to renew their lease at expiry at the current market rent

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

	31 December 2006 £'000	31 March 2006 £'000
Within one year	1,136	691
In the second to fifth years inclusive	2,334	769
After five years	1,842	-
	5,312	1,460

Notes to the Financial Statements
for the 9 months ended 31 December 2006

17 Obligations under leases (continued)

The company has £719,000 (31 March 2006 – £990,000) of capital commitments contracted but not yet provided for

18. Trade and other payables

Current	31 December 2006 £'000	31 March 2006 £'000
Trade payables	14,273	18,899
Amounts owed to related companies (see note 26)	301	1,696
Amounts owed to fellow subsidiaries (see note 26)	10,544	-
Other payables	108,865	81,917
	133,983	102,512

Non-current	31 December 2006 £'000	31 March 2006 £'000
Other payables	15	12
	15	12

19 Share Capital

	31 December 2006 £'000	31 March 2006 £'000
Authorised 5,019,901 (31 March 2006 – 5,019,901) ordinary shares of £1 00 each	5,020	5,020
Issued and fully paid 19,574 (31 March 2006 –19,574) ordinary shares of £1 00 each	19	19

The company has one class of ordinary shares which carries no right to fixed income

20 Share Premium Account

	Share premium £'000
At 1 April 2005	30,036
Issue of share capital	85,228
Reclassification of share premium account	(80,564)
At 31 March 2006 and 31 December 2006	34,700

Notes to the Financial Statements
for the 9 months ended 31 December 2006

21 Retained Earnings

	Retained earnings £'000
At 1 April 2005	61,595
Net profit for the year ended 31 March 2006 (1)	44,816
Dividends paid during the year ended 31 March 2006	(80,000)
Charges incurred during the year ended 31 March 2006 in respect of employee share schemes	1,556
Current tax on share options recognised directly in equity	448
Deferred tax on share options recognised directly in equity	1680
At 31 March 2006	30,095
Net profit for the 9 months ended 31 December 2006	20,364
Charges incurred during the 9 months ended 31 December 2006 in respect of employee share schemes	1,092
Deferred tax on share options recognised directly in equity	(2,403)
At 31 December 2006	49,148

(1) As restated – see note 23

22. Reconciliation of Movement in Total Shareholder's Equity

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 (1) £'000
Profit for the period	20,364	44,816
Dividends paid	-	(80,000)
Charges in respect of employee share schemes	1,092	1,556
Current tax on share options	-	448
Deferred tax on share options	(2,403)	1,680
Net movement in total shareholders' equity for the period	19,053	(31,500)
Total shareholder's equity at the beginning of the period	64,814	96,314
Total shareholder's equity at the end of the period	83,867	64,814

(1) As restated – see note 23

Notes to the Financial Statements for the 9 months ended 31 December 2006

23 Retrospective restatements

(a) During the year ended 31 March 2006 the company introduced a loyalty and retention scheme whereby customers are entitled to receive a discount from the purchase price when they upgrade their handset, the discount being based on their spend in the preceding twelve months In the financial statements for the year ended 31 March 2006 the liability for the propensity of customers redeeming their rewards was disclosed as a contingent liability but not quantified by management The liability as at 31 March 2006 and 31 December 2006 has now been quantified and the prior year financial statements have been restated

(b) Following a review of deferred revenue carried out during the 9 months ended 31 December 2006 management have discovered that the closing balance at 31 March 2006 was incorrectly calculated and accordingly the financial statements for that year have been restated

(c) Subscriber acquisition costs for contract customers are now recognised in the income statement as incurred Previously they were recorded within other receivables prior to the commencement of the contract and then charged to the income statement over the length of the contract This change in accounting policy has been adopted to bring the company in line with the policy for other Virgin Media Inc subsidiaries

The effect of these non cash adjustments on the income statement, balance sheet and statement of changes in equity is set out below

Effect on income statement

	Loyalty scheme £'000	Deferred revenue £'000	Subscriber acquisition costs £'000	Impact on income statement £'000
Changes to revenue	(6,955)	3,400	(2,124)	(5,679)
Changes to cost of sales	-	-	(22,123)	(22,123)
Changes to tax charge	-	(1,020)	7,274	6,254
(Decrease)/increase in profit for the year	(6,955)	2,380	(16,973)	(21,548)

Effect on balance sheet

	As previously reported £'000	Loyalty scheme £'000	Deferred revenue £'000	Subscriber acquisition costs £'000	As restated £'000
Trade and other receivables	134,217	-	-	(24,137)	110,080
Trade and other payables	(98,847)	(6,955)	3,400	(110)	(102,512)
Income tax payable	(8,300)	-	(1,020)	7,274	(2,046)

Effect on statement of changes in equity

	£'000
Retained earnings as previously reported	51,643
Loyalty scheme	(6,955)
Deferred revenue	2,380
Subscriber acquisition costs	(16,973)
Retained earnings as restated	30,095

Notes to the Financial Statements
for the 9 months ended 31 December 2006

24 Pensions and other post-retirement benefits

The company operates a defined contribution retirement benefit scheme for all qualifying employees The assets of the scheme are held separately from those of the company in funds under the control of trustees The total cost charged to the income statement during the period of £853,000 (year ended 31 March 2006 – £1,124,000) represents contributions payable to the scheme by the company at rates specified in the rules of the plan As at 31 December 2006, there were no contributions (31 March 2006 – £nil) due in respect of the current reporting period that had not been paid over to the scheme

25. Share-based payments

(a) Virgin Mobile share option plans

The company had the following share options, which become exercisable on the change in ownership (see note 29), to purchase ordinary shares in Virgin Mobile Holdings (UK) Limited

Date options granted	Exercise price per share £	Exercisable From	Expiry Date	Number of options outstanding 31 December 2006	Number of options outstanding 31 March 2006
Pre-IPO Plan					
8 July 2004	1 45868	26 Jul 2004	8 Jul 2014	-	756,604
8 July 2004	1 45868	31 Mar 2005	8 Jul 2014	-	1,621,080
				-	5,428,674
PSP					
27 July 2004	nil	27 Jul 2007	27 Jul 2017	-	354,425
DSOP					
26 July 2004	1 91	26 Jul 2007	26 Jul 2017	-	1,281,831
Sharesave					
1 October 2004	1 683	1 Oct 2007	1 Apr 2008	-	844,407
Total options outstanding				-	4,858,347

The fair value for these options was estimated at the date of grant using the stochastic model with the following weighted average assumptions for the year ended 31 March 2006

	Pre-IPO Plan	PSP	DSOP	Sharesave
Share price	£2 00	£1 91	£1 9125	£1 7625
Risk free interest rate	5 2%	5 1%	5 2%	4 72%
Expected dividend yield	2%	2%	2%	2%
Expected volatility	43%	43%	43%	43 %
Expected lives of options	3 years	3 years	6 years	3 25 years

A summary of the activity and related information of the Virgin Mobile share option plans, pertaining to the employees of the company for the 9 months ended 31 December 2006 is as follows

Pre-IPO Plan

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Outstanding at the beginning of the period	2,377,684	5,428,674
Exercised during the period	(2,377,684)	(3,050,990)
Outstanding and fully exercisable at the end of the period	-	2,377,684

25 Share-based payments (continued)

Under the Pre-IPO Plan share options were granted to employees to acquire 8,099,495 Ordinary Shares in Virgin Mobile Holdings (UK) Limited at an exercise price of £1 45868 per Ordinary Share Options granted under the Pre-IPO Plan were not subject to performance conditions and 50 per cent of the options granted became exercisable on 26 July 2004 with the remainder becoming exercisable on 31 March 2005

Performance Share Plan (PSP)

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Outstanding at the beginning of the year	354,425	453,503
Forfeited during the year	(127,152)	(85,702)
Exercised during the year	(227,273)	(13,376)
Outstanding at the end of the year	-	354,425

Under the PSP, on 27 July 2004 options were granted to employees to acquire 655,629 Ordinary Shares in the Virgin Mobile Holdings (UK) Limited for nil payment

Discretionary Share Option Plan (DSOP)

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Outstanding at the beginning of the year	1,281,831	1,501,999
Forfeited during the year	(27,988)	(188,448)
Exercised during the year	(1,253,843)	(31,720)
Outstanding at the end of the year	-	1,281,831

Under the PSP, on 27 July 2004 options were granted to employees to acquire 1,501,999 Ordinary Shares in Virgin Mobile Holdings (UK) Limited at an exercise price of £1 91 per Ordinary Share

Savings Related Share Options Plan (Sharesave)

	9 months ended 31 December 2006 £'000	Year ended 31 March 2006 £'000
Outstanding at the beginning of the year	844,407	1,036,428
Granted during the year	-	-
Forfeited during the year	(289,450)	(184,807)
Exercised during the year	(554,957)	(7,214)
Outstanding at the end of the year	-	844,407

Under the Sharesave, on 1 October 2004 options were granted to employees to acquire 1,036,428 Ordinary Shares in Virgin Mobile Holdings (UK) Limited at an exercise price of £1 683 per Ordinary Share

The company recognised total expenses of £830,000 related to equity-settled share-based payment transactions for the Virgin Mobile plans in the 9 months ended 31 December 2006 (Year ended 31 March 2006 - £1,556,000) based on the vesting period originally expected when the share option schemes were introduced

Notes to the Fınancıal Statements for the 9 months ended 31 December 2006

25 Share-based payments (contınued)

(b) Vırgın Medıa stock optıon plans

Certaın of the company's employees partıcıpate ın the stock-based compensatıon plans of the ultımate parent company Vırgın Medıa Inc , as summarısed below

The Vırgın Medıa Stock Optıon Plans are ıntended to provıde ıncentıves to certaın employees of the group and ıts subsıdıarıes to foster and promote the long-term growth of the group and to better alıgn such employees' ınterest wıth those of the group Under the Vırgın Medıa Stock Optıon Plans optıons to purchase up to 29 0 mıllıon shares of the Common Stock of the company's ultımate parent undertakıng Vırgın Medıa Inc may be granted from tıme to tıme to certaın employees of the group

The followıng tables cover the perıod for the 9 months ended 31 December 2006 All comparatıves for the year ended 31 March 2006 are nıl

All optıons have a 10 year term and become fully exercısable over a perıod of 3 to 5 years of contınued employment For the Vırgın Medıa Stock Optıon Plans, the group accounts for these plans under the faır value recognıtıon provısıons of IFRS2 – Share-based Payment

The faır value for the optıons was estımated at the date of grant usıng the Black-Scholes optıon-prıcıng model wıth the followıng weıghted average assumptıons

	Nıne months ended 31 December 2006
Rısk free ınterest rate	4 97%
Expected dıvıdend yıeld	0%
Expected volatılıty	26 93%
Expected lıves of optıons	4 3 years

A summary of the actıvıty and related ınformatıon of the Vırgın Mobıle share optıon plans, pertaınıng to the employees of the company for the 9 months ended 31 December 2006 ıs as follows

	Nıne months ended 31 December 2006	
	Optıons	Weıghted average grant date faır value
Outstandıng – begınnıng of perıod	-	-
Granted ın perıod	152,003	$24 90
Forfeıted	(23,830)	24 74
Outstandıng – end of year	128,173	$24 93
Exercısable at end of the year	-	-

The weıghted average faır value of optıons granted durıng the perıod was $7 64 The range of exercıse prıces for optıons outstandıng at the year end was $24 29 to $26 42

Notes to the Financial Statements for the 9 months ended 31 December 2006

26. Related party transactions

Trading transactions

During the period, the company entered into the following sale transactions with related Virgin Media Inc group parties

Fellow Subsidiaries 9 months to 31 December 2006	Services rendered to related party £'000	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Virgin Mobile Holdings (UK) Limited	-	-	-	9,178
Virgin Mobile Group (UK) Limited	-	-	116,581	-
Bluebottle Call Limited	-	-	2,432	-
Virgin Media Limited	686	-	-	666
Yorkshire Cable Communications Limited	-	700	-	700
	686	700	119,013	10,544

Fellow Subsidiaries 12 months to 31 March 2006	Services rendered to related party £'000	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Virgin Mobile Holdings (UK) Limited	-	-	14,430	-
Virgin Mobile Group (UK) Limited	-	-	74,665	-
Bluebottle Call Limited	-	-	2,656	-
	-	-	91,751	-

The company settles all transactions on behalf of the Virgin Mobile Holdings (UK) Limited and its other subsidiaries Such transactions include payments to suppliers and employees and dividend settlements

In the normal course of business the company has been recharged expenses from Virgin Media Limited and Yorkshire Cable Communications Limited

Transactions are made on terms equivalent to those that prevail in normal arm's length transactions

Notes to the Financial Statements
for the 9 months ended 31 December 2006

26 Related party transactions (continued)

During the year, the company entered into the following purchase transactions with related Virgin Group parties who are not members of the Group

Virgin Group Companies 9 months to 31 December 2006	Services rendered to related party £'000	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Virgin Limobikes		19		2
Virgin Atlantic		7		
Virgin Management	153	100		43
Acorn Sports (t/a Virgin Vouchers)		90		1
Virgin com		19		
Virgin Enterprises		479		
Virgin Holidays		1		
Virgin Megastores		3,040		255
Voyager Group		289		
Virgin Retail	35			
Virgin Clubs				
Virgin Hotels	14			
Virgin Mobile Canada	2		1	
Virgin Mobile France	96			
Virgin Net	32		7	
Virgin Trains				
Virgin Cosmetics	1			
Virgin Drinks	9			
	342	4,044	8	301

Virgin Group Companies 12 months to 31 March 2006	Services rendered to related party £'000	Services charged by related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Virgin Limobikes		13		2
Virgin Atlantic		18		3
Virgin Management	94	430		410
Virgin Money	12	8		
Virgin com		33		6
Virgin Enterprises		1,435		113
Voyager Group		304		118
Virgin Retail		3,998	891	1,044
Virgin Hotels	10			
Virgin Mobile USA	2	9		
Virgin Trains		232		
Virgin Cosmetics	3			
Virgin Drinks	20		2	
Floe Telecoms	11			
	152	6,480	893	1,696

Transactions are made on terms equivalent to those that prevail in normal arm's length transactions

27 Contingent liabilities

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

Notes to the Financial Statements for the 9 months ended 31 December 2006

28 Parent undertaking and controlling party

The company's immediate parent undertaking is Virgin Mobile Group (UK) Limited

The company's results are included in the group accounts of Virgin Media Finance PLC

The company's ultimate parent undertaking and controlling party at 31 December 2006 was NTL Incorporated, a company incorporated in the state of Delaware, United States of America NTL Incorporated changed its name to Virgin Media Inc on 6 February 2007

Copies of all sets of group accounts are available from The Secretary, Virgin Media, 160 Great Portland Street, London, W1W 5QA.

Revenue share transactions

The company has entered into a number of revenue share deals with certain channels in the normal course of business Based on historic information, management estimate the contingent liability to be £510,000 as at 31 December 2006 (31 March 2006 – £1,762,000)

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