Registered number 3707664

Virgin Mobile Telecoms Limited

Report and Financial Statements

For the year ended 31 December 2009

CONTENTS

Company Information

Directors
R C Gale
R M Mackenzie

Company Secretary
G E James

Registered Office
160 Great Portland Street
London
W1W 5QA

Auditor
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2009

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were, and will continue to be, the sale of mobile phone handsets (both direct to end customers and to retailers) and the provision of mobile telecommunication and mobile broadband services

The company is a wholly owned subsidiary undertaking of Virgin Media Inc The Virgin Media group is a leading provider of entertainment and communications services in the UK, offering "quad-play" television, broadband internet, fixed line telephony and mobile telephony services

As at 31 December 2009, the Virgin Media group provided services to approximately 4 8 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 and at 31 December 2009 provided mobile telephone services to approximately 2 2 million prepay mobile customers and approximately 950,000 contract mobile customers over third party networks As of 31 December 2009, approximately 60 5% of residential customers on the group's cable network were "triple-play" customers, receiving broadband internet, television and fixed line telephone services from the group and approximately 10 7% were "quad-play" customers, also receiving the group's mobile telephone services

The Virgin Media group believes that its advanced, deep fibre access network enables it to offer faster and higher quality broadband services than its digital subscriber line, or DSL, competitors As a result it provides its customers with a leading next generation broadband service and one of the most advanced TV on-demand services available in the UK market.

Through Virgin Media Business, the Virgin Media group provides a complete portfolio of voice, data and internet solutions to leading businesses, public sector organisations and service providers in the UK

During the year the Virgin Media group also provided a broad range of television programming through Virgin Media Television (VMtv), which operated wholly owned television channels, such as Virgin1, Living and Bravo The Virgin Media group sold its VMtv operations on 12 July 2010

The Virgin Media group continues to provide television programming through UKTV, its joint ventures with BBC Worldwide

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Total customers served by the company are outlined in the table below

	31 December 2009	31 December 2008	Net (loss)/additions
Prepay	2,225,000	2,694,000	(469,000)
Contract	950,000	649,000	301,000
Total Mobile	**3,175,000**	**3,343,000**	**(168,000)**

Customer information is for active customers only Prepay customers are defined as active if they have made an outbound call or text in the preceding 30 days Contract customers are defined as active if they have entered into a contract with the company for a minimum 30 day period and have not been disconnected

The growth in the number of contract customers reflects the group's efforts to sell more 'quad-play' packages through cross-selling to users of the Virgin Media group's cable products The decline in the number of prepay customers reflects increased competition in the pre-pay market and the Virgin Media group's strategy not to focus on the lower value end of the prepay market

Directors' Report (continued)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Total turnover for the year fell by 5 1% to £538,718,000 (2008 - £567,520,000) The decrease in revenue was primarily attributable to lower prepay revenue as a result of a decline in the number of prepay subscribers during 2009, partially offset by increased contract revenue driven mainly by an increase in the number of contract customers of 301,000 in the year and a small increase in equipment revenue Mobile revenue was also adversely impacted by lower mobile termination rates that came into force following regulatory changes in April 2009, which resulted in the reduction in revenue generated by certain call types through the company's mobile services

The gross profit margin for the year decreased to 33 7% (2008 – 38 2%), predominantly due to the increase in contract customers, which incur higher subscriber acquisition costs

Administrative expenses fell from £128,137,000 in 2008 to £119,565,000 in 2009 The decrease was predominantly due to an increased loss on disposal of fixed assets, partially offset by and a reduction in expenses recharged by the Virgin Media group due to the lower turnover in 2009 and lower amortisation charges relating to intangible assets

Operating profit has decreased from £88,432,000 for the year ended 31 December 2008 to £62,091,000 for the year ended 31 December 2009, predominantly due to the reasons stated above

The company reported a decrease in net assets as at 31 December 2009 as a result of normal operations and the payment of a dividend of £230,000,000 No external finance was arranged or settled and there was no movement in the called up equity share capital of the company during the year ended 31 December 2009 Operations were financed through the company's own working capital and inter-company balances with fellow group undertakings

During the forthcoming year the company will focus on attracting new contract customers, including new customers using its mobile broadband offering This will be done primarily through new, competitive offers and further cross-selling to users of the Virgin Media group's cable products

RESULTS AND DIVIDENDS

The company made a profit for the year ended 31 December 2009 of £62,119,000 (2008 – £89,572,000) The directors recommend a dividend of £230,000,000 (31 December 2008 - £nil)

PRINCIPAL RISK AND UNCERTAINTIES

Telecommunications Supply Agreement

The company's ability to provide services is dependent on maintaining its Telecommunications Supply Agreement (TSA) with its mobile network provider or securing agreement with other operators for network services The company currently relies solely on its long-term TSA 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 liquidity, interest rate, and credit risks

Liquidity risk

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

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

Interest rate risk

Virgin Media's group policy is to manage its interest cost using a mix of fixed and variable rate financial instruments and to hedge all or part of the exposure to increased interest rates The group's policy is not to hedge against interest rate risk in respect of inter-company debt However, the company may reduce all or part of the risk by loaning funds to other group undertakings and charging interest at the same rate as the original borrowing

The company's financial instruments mainly comprise interest-free inter-company debt and as a result it is exposed to limited risks in respect of interest rates

Directors' Report (continued)

Credit risk

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

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

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

ENVIRONMENTAL POLICIES

The Virgin Media group is committed to building an environmentally sound business and has taken a number of steps to understand its impact on the environment and how best to reduce that impact

Virgin Media released its Corporate Responsibility Report in July 2009 Full details of Virgin Media's environment programme can be found in that report along with details on how, in a wider context, Virgin Media is passionate about becoming a truly responsible business The report is available for download from the website at the following address

www virginmedia com/about/cr/

The CR report outlines the Virgin Media group's approach to carbon management, its commitment to a CO_2 reduction target (15% by 2015 of the 2007 base year) and how it intends to achieve these targets (including increasing energy efficiency of its product set, efficiencies in property and infrastructure, the Virgin Media group's fleet of vehicles and other equipment, creating new ways to work and investing in external programmes)

In addition the report outlines Virgin Media's commitment to the development and implementation of a group wide Environmental Management System (for ISO 14001 certification) as well as the steps taken and planned by the group in order to reduce the amount of resources used and increasing the amount of waste recycled

CREDITOR PAYMENT POLICY

The Virgin Media group's policy concerning the payment of trade creditors is to agree the terms of payment with suppliers when negotiating the terms and conditions of each transaction Creditors are paid in accordance with the group's contractual and other legal obligations Trade creditors, at the year-end, represented 48 days (2008 - 45 days) of purchases

DIRECTORS

The directors who served during the period, were as follows

R C Gale
R M Mackenzie

Virgin Media Inc has indemnified the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision is in force as at the date of approving the directors' report

Directors' Report (continued)

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

Ernst & Young LLP are deemed to be re-appointed under Section 487(2) of the Companies Act 2006

By order of the board

R M Mackenzie
Director

30 September 2010

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 (IFRSs) 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 IFRSs as adopted by the EU

The financial statements are required by law and IFRSs 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 in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors 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 IFRSs 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 IFRSs, 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 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

Independent Auditor's Report to the Member of Virgin Mobile Telecoms Limited

We have audited the financial statements of Virgin Mobile Telecoms Limited for the year ended 31 December 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and the related notes 1 to 25 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 auditors

As explained more fully in the Statement of Directors' Responsibilities 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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements

Independent Auditor's Report to the Member of Virgin Mobile Telecoms Limited

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

adequate accounting records have not been kept, 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

Ernst & Young LLP

Michael Rudberg (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

30 September 2010

Income Statement
For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Revenue		538,718	567,520
Cost of sales		(357,062)	(350,951)
Gross profit		181,656	216,569
Administrative expenses		(119,565)	(128,137)
Operating profit	4	62,091	88,432
Finance revenue	7	28	1,012
Profit before taxation		62,119	89,444
Tax credit	8	-	128
Profit for the year	19	62,119	89,572

Statement of Comprehensive Income
For the year ended 31 December 2009

There are no other recognised income and expenses other than those disclosed in the Income Statement for the years ended 31 December 2009 or 31 December 2008

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

Statement of Changes in Equity
For the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2008	19	34,700	141,434	176,153
Profit for the year	-	-	89,572	89,572
At 31 December 2008 & 1 January 2009	19	34,700	231,006	265,725
Profit for the year	-	-	62,119	62,119
Dividends paid	-	-	(230,000)	(230,000)
At 31 December 2009	19	34,700	63,125	97,844

Balance Sheet
As at 31 December 2009

	Notes	31 December 2009 £'000	31 December 2008 £'000
Non-current assets			
Intangible assets	10	746	12,070
Property, plant and equipment	11	7,570	5,664
		8,316	17,734
Current assets			
Inventories	12	6,581	6,874
Trade and other receivables	13	155,046	369,312
Cash and short-term deposits	14	6,383	8,658
		168,010	384,844
Total assets		176,326	402,578
Current liabilities			
Trade and other payables	16	(78,482)	(136,853)
Total liabilities		(78,598)	(136,853)
Total net assets		97,844	265,725
Capital and reserves			
Ordinary share capital	17	19	19
Share premium	18	34,700	34,700
Retained earnings	19	63,125	231,006
Total equity	20	97,844	265,725

The financial statements were approved by the Board on 30 September 2010 and signed on its behalf

R C Gale

R C Gale
Director

Cash Flow Statement
for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit for the year		62,119	89,572
Adjustments for			
Income tax		-	(128)
Non cash charge in respect of employee share schemes		-	531
Depreciation of plant, property and equipment		2,570	1,637
Amortisation of other intangible assets		5,392	9,930
Loss on disposal of plant, property and equipment		3,416	7
Loss on disposal of intangible asset		-	45
Net finance revenue		(28)	(1,012)
Decrease/(increase) in inventories		293	(2,587)
Increase in receivables		(15,734)	(95,238)
Decrease in payables		(58,371)	(13,943)
Cash expenditure from operations		(343)	(11,186)
Current tax received		-	1,315
Net cash flows from operating activities		(343)	(9,871)
Investing activities			
Interest received		28	1,012
Purchase of property, plant and equipment		(1,885)	(3,323)
Purchase of other intangible assets		(75)	(9,523)
Net cash used in investing activities		(1,932)	(11,834)
Net decrease in cash and cash equivalents		(2,275)	(21,705)
Cash and cash equivalents at start of the year	14	8,658	30,363
Cash and cash equivalents at end of the year	14	6,383	8,658

Notes to Financial Statements
for the year ended 31 December 2009

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 year ended 31 December 2009 were authorised for issue by the board of directors on 30 September 2010 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 2006 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 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

Key sources of estimation uncertainty

The key assumptions concerning the future and key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

Share based payments
The cost of equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted Estimating fair value requires a determination of the most appropriate valuation model for the grant of equity instruments, which is dependent on the terms and conditions of the grant This also requires a determination of the most appropriate inputs to the valuation model including the expect life of the option, volatility and dividend yield and making assumptions about them The model used and assumptions made are disclosed in note 22

Deferred tax assets
Deferred tax assets are not recognised due to the uncertainty over future group profits against which they may be relieved Details are provided in note 8

Provision for doubtful debts
Trade receivables are stated at the outstanding gross balance, less a provision for doubtful debts Provisions for doubtful debts are estimated based on the current ageing of trade receivables, prior collection experience and future expectations of conditions that might impact recoverability Movements in the provision for doubtful debts are shown in note 13

Provision for obsolete inventory
Provision against obsolete inventory is based on judgements using currently available information about obsolete, slow moving or defective inventory Based upon these judgements and estimates, which are applied consistently from period to period, an adjustment is made to the carrying amount of inventory held for resale to the lower of cost and net realisable value

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 25) These financial statements therefore present information about the company as an individual undertaking and not about its group

Notes to Financial Statements
for the year ended 31 December 2009

2. Significant Accounting Policies (continued)

New standards and interpretations

The following standards and interpretations have been issued with an effective date after the date of these financial statements

International Accounting Standards (IAS/IFRS)		*Effective date*
IFRS 1	First Time Adoption of International Reporting Standards	1 July 2009
IFRS 1	Amendments to IFRS 1 – Additional Exemptions for First-time Adopters	1 January 2010
IFRS 1	Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 disclosures	1 July 2010
IFRS 2	Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 9	Financial instruments Classification & Measurement	1 January 2013
IAS 24	Related Party Disclosures (Revised)	1 January 2011
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 32	Amendment to IAS 32: Classification of Rights issues	1 February 2010
IAS 39	Eligible Hedged Items	1 July 2009
	Improvements to IFRS	Various dates
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 14	Amendment Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The effective dates are for accounting periods beginning on or after the date stated The dates are those given in the original IASB/IFRIC standards and interpretations As the company prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed in the EU via the EU Endorsement mechanism In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the group's discretion to early adopt standards

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

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 The following specific recognition criteria must also be met before revenue is recognised

Service Revenue

Mobile service revenues include airtime, data, roaming, and long distance revenues and are invoiced and recorded as part of a periodic billing cycle Service revenues are recognised as the services are provided Adjustments are recorded at the end of each period to defer revenue billed in advance and accrue for earned but unbilled services Contract customers are billed in arrears based on usage and revenue is recognised when the service is rendered and collectibility is reasonably assured Revenue from non-contract pre-pay customers is recorded as deferred revenue prior to commencement of the services and is rendered as the services are rendered or usage expires

Sale of goods

Revenue from the sale of handsets and other equipment is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on delivery of the goods

Bundled services

Bundled services revenue is recognised depending on whether the components of bundled services are separately identifiable For bundled packages that have separately identifiable components, the total consideration is allocated to different components based on their relative fair values Where the fair value of a delivered component cannot be determined reliably but the fair value of the undelivered component can be, the fair value of the undelivered component is deducted from the total consideration and the net amount is allocated to delivered components based on the "residual value" method

2. Significant Accounting Policies (continued)

Interest income
Interest income 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

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
Leases where the leasing 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

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

Notes to Financial Statements
for the year ended 31 December 2009

2. Significant Accounting Policies (continued)

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 Amortisation charges are included in administrative expenses in the Income Statement

Property, plant and equipment
Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses Such costs include those 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

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 the price receivable for the handset, excluding any commissions Net realisable value is based on judgements using currently available information about obsolete, slow moving or defective inventory Based upon these judgements and estimates, which are applied consistently from period to period, an adjustment is made to 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

Notes to Financial Statements
for the year ended 31 December 2009

2 Significant Accounting Policies (continued)

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 company 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
Virgin Media share-based compensation plans
The company is an indirect, wholly owned subsidiary of Virgin Media Inc The company itself has no share-based compensation plans Certain of the company's employees participate in the Virgin Media Inc Stock Incentive Plan, which is described in Virgin Media Inc 's Annual Report and summarised in note 22 below

Certain employees of the company receive an element of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award The fair value of share options is determined using the Black-Scholes option pricing model The cumulative expense recognised for equity settled transactions at each reporting date reflects the extent to which the vesting period has expired and management's estimate of the number of awards that will ultimately vest No expense is recognised for awards that do not ultimately vest

To the extent that the expense for share-based payments is recharged by the ultimate parent company which issues the shares, no expense is separately identifiable in reserves as it is included within inter-company debt

3. Segments

The company's operations and markets are located with the UK and comprise a single segment

4. Operating profit

This is stated after charging/(crediting)

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Cost of inventory recognised as an expense	84,210	73,345
Write down of inventories	3,722	2,382
Depreciation of property, plant and equipment	2,570	1,637
Amortisation of other intangible assets	5,392	9,930
Operating lease payments	1,440	1,440
Own costs capitalised attributable to the development of other intangible assets	-	(957)
Loss on disposal of property, plant and equipment	3,416	7
Loss on disposal of intangible assets	-	45

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

Notes to Financial Statements
for the year ended 31 December 2009

5. Auditor's 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

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Auditor's remuneration for audit services	55	67

Auditor's remuneration disclosed above represents costs allocated to the company by the fellow group undertakings that pay all auditor's remuneration on behalf of the Virgin Media group Following guidance from Statutory Instrument 2008/489(6)(2)-(3), the company is not required to disclose amounts in respect of non-audit services, as it is a subsidiary of Virgin Media Finance PLC and the group accounts of Virgin Media Finance PLC are required to disclose this information on a consolidated basis

6. Staff costs and directors' emoluments

(a) Staff costs

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Wages and salaries	-	20,620
Social security costs	-	6,329
Other pension costs – defined contribution	-	395
	-	27,344

Included in wages and salaries is a total expense for share-based payments of £nil (2008 - £531,000) 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 year was

	Year ended 31 December 2009	Year ended 31 December 2008
Distribution	-	221
Marketing	-	39
Administration	-	540
	-	800

Effective 1 July 2008, employee contracts were transferred to and then managed by, Virgin Media Limited, and from that date employee costs relating to the company have been recharged back to it Such costs are included within administrative expenses in the Profit and Loss Account

(b) Directors' emoluments
The directors' remuneration is paid by Virgin Media Limited and disclosed in the group accounts of Virgin Media Finance PLC

7. Finance Revenue

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Bank interest receivable	28	1,012
Total finance revenue	28	1,012

Notes to Financial Statements
for the year ended 31 December 2009

8. Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Current income tax:		
UK corporation tax – continuing operations	-	(128)
UK corporation tax credit /(charge)	-	(128)
Deferred tax		
Origination and reversal of temporary differences	-	-
Total deferred tax charge	-	-
Tax credit	-	(128)

(b) Reconciliation of the total tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK. In 2009 the average tax rate was 28% (2008 – 28 5%)

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

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit from continuing operations before taxation	62,119	89,444
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008 – 28 5%)	17,393	25,492
Effects of		
Expenses not deductible for tax purposes	40	270
Other short term timing differences	(110)	260
Decelerated capital allowances	4,644	3,456
Group relief claimed without payment	(21,967)	(29,478)
Adjustment in relation to prior year	-	(128)
Tax credit	-	(128)

(c) Factors that may affect future tax charges

Deferred tax assets of £14,218,000 (2008 - £13,947,000) in respect of depreciation in excess of capital allowances have not been recognised as there is currently no persuasive evidence that there will be suitable taxable profits against which these timing differences will reverse

(d) Change in tax rate

In the 2010 Emergency budget the UK government announced its intention to set out legislation for Parliament to reduce the UK corporate income tax rate from 28% As at the balance sheet date the change in the tax rate was not substantively enacted

9. Investment in Subsidiaries

Virgin Mobile Telecoms Limited has a £2 investment (31 December 2008 – £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 Financial Statements
for the year ended 31 December 2009

10. Intangible Assets

	Software £'000
Cost	
At 31 December 2007	91,423
Additions	9,523
Disposals	(17,302)
At 31 December 2008	83,644
Additions	75
Disposals	(71,926)
Reclassification	(6,007)
At 31 December 2009	5,786
Amortisation	
At 31 December 2007	78,901
Charge for the year	9,930
Disposals	(17,257)
At 31 December 2008	71,574
Charge for the year	5,392
Disposals	(71,926)
At 31 December 2009	5,040
Net book value	
At 31 December 2009	746
At 31 December 2008	12,070
At 31 December 2007	12,522

Assets under construction included in software is £nil (31 December 2008 - £7,100,000)

11. Property, Plant and Equipment

	Leasehold improvements £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 31 December 2007	497	23,305	23,802
Additions	-	3,323	3,323
Disposals	(497)	(3,825)	(4,322)
At 31 December 2008	-	22,803	22,803
Additions	-	1,885	1,885
Disposals	-	(20,190)	(20,190)
Reclassification	-	6,007	6,007
At 31 December 2009	-	10,505	10,505
Accumulated depreciation			
At 31 December 2007	497	19,320	19,817
Charge for the year	-	1,637	1,637
Disposals	(497)	(3,818)	(4,315)
At 31 December 2008	-	17,139	17,139
Charge for the year	-	2,570	2,570
Disposals	-	(16,774)	(16,774)
At 31 December 2009	-	2,935	2,935
Net book value			
At 31 December 2009	-	7,570	7,570
At 31 December 2008	-	5,664	5,664
At 31 December 2007	-	3,985	3,985

Notes to Financial Statements
for the year ended 31 December 2009

12. Inventories

	31 December 2009 £'000	31 December 2008 £'000
Finished goods held for resale	6,581	6,874

13. Trade and other Receivables

	31 December 2009 £'000	31 December 2008 £'000
Trade receivables	38,879	34,602
Amounts owed by fellow subsidiaries (see note 23)	113,663	331,483
Other receivables	2,504	3,227
	155,046	369,312

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

Concentrations of credit risk within respect to trade receivables are limited because of the large number of customers and their dispersion across geographic areas The Virgin Media group generally performs credit checks on new customers

Movements in the provision for impairment of receivables were as follows

	31 December 2009 £'000	31 December 2008 £'000
At 1 January	1,715	1,661
Charge for the year	1,683	1,272
Utilised	(1,748)	(1,218)
At 31 December	1,650	1,715

The ageing analysis of trade receivables is as follows

	Total	Neither past due nor impaired	<30 days	30 – 60 days	60 – 90 days	>90 days
	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2009	38,879	36,801	629	273	901	275

14. Cash

	31 December 2009 £'000	31 December 2008 £'000
Cash at bank and in hand	6,383	8,658
	6,383	8,658

Cash at bank earns interest at floating rates based on daily bank deposit rates The fair value of cash and cash equivalents is £6,383,000 (31 December 2008 - £8,658,000)

Notes to Financial Statements
for the year ended 31 December 2009

15. Obligations under leases and hire purchase contracts

Finance lease agreements where the company is lessee

At 31 December 2009 or 31 December 2008 the company did not have any outstanding obligations under finance leases

Operating lease agreements where the company is a lessee

The company has entered into commercial lease on a property which is due to expire in 2015 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 2009	31 December 2008	
	Land and buildings	Land and buildings	Other
	£'000	£'000	£'000
Within one year	1,440	1,440	637
In the second to fifth years inclusive	5,759	5,789	922
After five years	690	2,130	-
	7,889	9,359	1,559

During the prior year all operating leases (other than property) were transferred to Virgin Media Limited, a fellow group undertaking

At 31 December 2009 the company had no capital commitments contracted but not yet provided for (2008 - £63,000)

16. Trade and other payables

Current	31 December 2009 £'000	31 December 2008 £'000
Trade payables	1,477	1,337
Amounts owed to fellow group undertakings (see note 23)	8,666	60,467
Accruals and deferred income	68,339	72,870
Other taxes and social security costs	-	2,179
	78,482	136,853

Amounts owed to fellow group undertakings are interest free and repayable on demand

17. Share Capital

	31 December 2009 £'000	31 December 2008 £'000
Authorised		
5,019,901 (31 December 2008 – 5,019,901) ordinary shares of £1 00 each	5,020	5,020
Issued and fully paid		
19,574 (31 December 2008 –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

The company is part of the Virgin Media group and as such its capital is unlikely to change unless there is a group reorganisation Where additional funds are required for expansion or other purposes it is likely that they would be raised through borrowings from fellow group undertakings

Notes to Financial Statements
for the year ended 31 December 2009

18. Share Premium Account

	Share premium £'000
At 1 January 2008, 31 December 2008 and 31 December 2009	34,700

19. Retained Earnings

	Retained earnings £'000
At 1 January 2008	141,434
Net profit for the year ended 31 December 2008	89,572
At 31 December 2008	231,006
Net profit for the year ended 31 December 2009	62,119
Dividends paid	(230,000)
At 31 December 2009	63,125

The dividend was settled through inter-company debt

20. Reconciliation of Movement in Total Shareholder's Equity

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Net profit for the year	62,119	89,572
Dividends paid	(230,000)	-
Net movement in total shareholders' equity for the year	(167,881)	89,572
Total shareholder's equity at the beginning of the year	265,725	176,153
Total shareholder's equity at the end of the year	97,844	265,725

The dividend was settled through inter-company debt

21. Pensions and other post-retirement benefits

The company operated a defined contribution retirement benefit scheme for all qualifying employees until all employee contracts were transferred to Virgin Media Limited, a fellow group undertaking, during 2008 The assets of the scheme were held separately from those of the company in funds under the control of trustees During the prior year the total cost charged to the income statement was £395,000, representing contributions payable to the scheme by the company at rates specified in the rules of the plan As at 31 December 2008, £106,000 was due in respect of the current reporting period that had not been paid over to the scheme

22. Share-based payments

Equity-settled share-based payments
The company is an indirect, wholly-owned subsidiary of Virgin Media Inc Accordingly, the company has no share-based compensation plans of its own although certain of the company's employees (including directors) participate in the share-based compensation plan of Virgin Media Inc , as summarised below

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

Notes to Financial Statements for the year ended 31 December 2009

22. Share-based payments (continued)

All options have a 10 year term and vest and become fully exercisable within 5 years of continued employment For the Virgin Media Stock Incentive Plan, Virgin Media accounts for these plans under the fair value recognition provisions of IFRS 2 - Share-based Payment Virgin Media Inc the ultimate parent company has re-charged the costs of the share based payment scheme to the appropriate employing entities The cost has therefore been expensed through employee costs in the Income Statement rather than through reserves.

The fair value for the options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions

	Year ended 31 December 2009	Year ended 31 December 2008
Risk free interest rate	-	2 43%
Expected dividend yield	-	1 0%
Expected volatility	-	33 65%
Expected lives of options	-	4 7 years

A summary of the activity and related information of the Virgin Media share option plans, pertaining to the employees of the company for the year ended 31 December 2009 is as follows

	Options	Year ended 31 December 2009 Weighted average grant date fair value	Options	Year ended 31 December 2008 Weighted average grant date fair value
Outstanding – beginning of period	-	-	213,433	$24 86
Transferred in	-	-	-	-
Granted	-	-	274,220	$12 51
Expired	-	-	(9,603)	$26 07
Forfeited	-	-	(20,221)	$26 95
Transferred out	-	-	(457,829)	$17 34
Outstanding – end of year	-	-	-	-
Exercisable at end of the year	-	-	-	-

The weighted average fair value of options granted during 2008 was $3 82 All employee contracts were transferred to Virgin Media Limited during2008 and the costs of future share based transactions will be met and recharged by that company

23. Related party transactions

Trading transactions
During the year, the company entered into the following transactions with related Virgin Media Inc group parties

Fellow Subsidiaries of Virgin Media Inc Year to 31 December 2009	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	-	-	-	8,666
Virgin Mobile Group (UK) Limited	-	-	99,848	-
Bluebottle Call Limited	-	1,440	865	-
Virgin Media Limited	-	38,851	12,950	-
	-	40,291	113,663	8,666

During the year the company paid a dividend totalling £230,000,000 to Virgin Mobile Group (UK) Limited

Notes to Financial Statements
for the year ended 31 December 2009

23. Related party transactions (continued)

Fellow Subsidiaries of Virgin Media Inc. Year to 31 December 2008	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	-	-	-	8,666
Virgin Mobile Group (UK) Limited	-	-	329,848	-
Bluebottle Call Limited	-	1,440	1,635	-
Virgin Media Limited	-	20,838	-	51,801
	-	22,278	331,483	60,467

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

Key management personnel are employed by the Virgin Media group and details of their remuneration can be found in the group accounts of Virgin Media Finance PLC

24. Contingent liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks under which it has guaranteed the amount outstanding, which as at 31 December 2009 amounted to approximately £3,213 million (2008 - £4,289 million) Borrowings under the facility are secured against the assets of certain members of the group including those of the company

On 19 January 2010 Virgin Media Secured Finance PLC, a fellow group undertaking, issued $1 0 billion aggregate principal amount of 6 50% senior secured notes due 2018 and £875 million aggregate principal amount of 7 00% senior secured notes due 2018 Subject to certain exceptions the senior secured notes due 2018 share in the same guarantees and security which have been granted in favour of the senior credit facility The net proceeds from the issuance of the senior secured notes were used to repay £1,453 million of the group's obligations under its senior credit facility

On 19 April 2010, the Virgin Media group drew down an aggregate principle amount of £1,675 million under its new senior credit facility dated 16 March 2010 and applied the proceeds towards the repayment of all amounts outstanding under its old senior credit facility and for general corporate purposes The new senior credit facility comprises a term loan A facility in an aggregate principle amount of £1,000 million, a term loan B facility in an aggregate principle amount of £675 million and a revolving credit facility in aggregate principle amount of £250 million The group also utilised £20 4 million of the new revolving credit facility for bank guarantees and standby letters of credit. The new senior credit facility dated 16 March 2010 shares substantially the same guarantees and security as the senior credit facility which was in place at the balance sheet date

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

25. Parent undertaking and controlling party

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

The smallest and largest groups of which the company is a member and for which group accounts have been drawn up are those headed by Virgin Media Finance PLC and Virgin Media Inc, respectively

The company's ultimate parent undertaking and controlling party at 31 December 2009, was Virgin Media Inc, a company incorporated in the state of Delaware, United States of America

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