COMPANY REGISTRATION NUMBER 3173552

Virgin Media Investment Holdings Limited

Financial Statements

31 December 2008

Virgin Media Investment Holdings Limited

Financial Statements

Year ended 31 December 2008

Contents	**Pages**
Company information	**1**
The directors' report	**2 to 3**
Statement of directors' responsibilities	**4**
Independent auditor's report to the member	**5 to 6**
Profit and loss account	**7**
Statement of total recognised gains and losses	**8**
Balance sheet	**9**
Notes to the financial statements	**10 to 25**

Virgin Media Investment Holdings Limited

Company Information

The board of directors	R M Mackenzie R C Gale
Joint company secretaries	G E James R M Mackenzie
Registered office	160 Great Portland Street London W1W 5QA
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

The directors present their report and the financial statements of the company for the year ended 31 December 2008.

Principal activities

The principal activity of the company during the year was, and will continue to be, that of a holding company. The material investments of the company are shown in note 18.

The company is a wholly-owned subsidiary undertaking of Virgin Media Inc. The Virgin Media group is a leading UK entertainment and communications business providing a "quad-play" offering of television, broadband, fixed line telephone and mobile telephone services.

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

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

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

Through Virgin Media Television, the Virgin Media group also provides a broad range of programming through its wholly-owned channels, such as Virgin1, Living and Bravo; through UKTV, its joint ventures with BBC Worldwide.

Future developments

The Virgin Media group's deep fibre access network has enabled it to take a leading position in the roll-out of next generation broadband access technologies in the UK. During 2008 the Virgin Media group further invested in its cable network with the deployment of the next generation of wideband cable broadband technology, which significantly increased both upstream and downstream transmissions speeds. This technology enables the Virgin Media group to offer high-speed broadband services of 50Mb and higher and provides a platform for incremental upgrades in line with consumer demand. The investment in the next generation broadband access technologies is the latest in a series of infrastructure investments to support entertainments services in the UK. In 2009, the group expects to complete the roll-out of wideband cable broadband technology, allowing 50Mb services to be made available to over 96% of its network.

Results and dividends

The loss for the financial year amounted to £1,215,609,000 (2007 - loss of £609,595,000). The directors have not recommended an ordinary dividend (2007 - £nil).

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

R M Mackenzie
R C Gale

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

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

Auditor
Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

Small company provisions
This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed on behalf of the directors

R. Mac

R M Mackenzie
Director

Approved by the directors on 29 October 2009

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

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

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

29 October 2009

Virgin Media Investment Holdings Limited

Profit and Loss Account

Year ended 31 December 2008

	Note	2008 £000	2007 £000
Administrative expenses		**(1,246,213)**	(325,471)
Operating loss	**2**	**(1,246,213)**	(325,471)
Attributable to:			
Operating (loss)/profit before exceptional items		**(113, 737)**	26,329
Exceptional items	**2**	**(1,132,476)**	(351,800)
		(1,246,213)	(325,471)
Interest receivable and similar income	**4**	**378,870**	112,784
Interest payable and similar charges	**5**	**(352,978)**	(400,932)
Loss on ordinary activities before taxation		**(1,220,321)**	(613,619)
Tax on loss on ordinary activities	**6**	**4,712**	4,024
Loss for the financial year	**15**	**(1,215,609)**	(609,595)

All of the activities of the company are classed as continuing.

The notes on pages 10 to 25 form part of these financial statements.

Virgin Media Investment Holdings Limited

Statement of Total Recognised Gains and Losses

Year ended 31 December 2008

	2008 £000	2007 £000
Loss for the financial year	**(1,215,609)**	(609,595)
Gain on cash flow hedges taken to equity	**38,685**	13,065
Total gains and losses recognised since the last financial statements	**(1,176,924)**	(596,530)

The notes on pages 10 to 25 form part of these financial statements.

Virgin Media Investment Holdings Limited

Balance Sheet

31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments	7	5,762,817	6,895,290
Current assets			
Debtors due within one year	8	1,329,959	66,829
Debtors due after one year	8	341,166	1,048,208
Cash at bank		98,128	160,612
		1,769,253	1,275,649
Creditors: Amounts falling due within one year	9	(1,775,589)	(119,752)
Net current (liabilities)/assets		(6,336)	1,155,897
Total assets less current liabilities		5,756,481	8,051,187
Creditors: Amounts falling due after more than one year	10	(4,266,887)	(5,384,669)
		1,489,594	2,666,518
Capital and reserves			
Share capital	14	–	–
Share premium account	15	15,125,544	15,125,544
Hedging reserve	15	55,963	17,278
Profit and loss account	15	(13,691,913)	(12,476,304)
Shareholder's funds	15	1,489,594	2,666,518

These financial statements were approved by the directors on 29 October 2009 and are signed on their behalf by:

R C Gale
Director

The notes on pages 10 to 25 form part of these financial statements.

1. Accounting policies

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

Group accounts
The company has taken advantage of the exemption from preparing group accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of another company incorporated in Great Britain which prepares group accounts (see note 17). These financial statements therefore present information about the company as an individual undertaking and not about its group.

Investments
Investments are recorded at cost, less any provision for impairment. The company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there was an event not foreseen in the original impairment calculations, such as a change in use of the assets or a change in economic conditions. The reversal of impairment loss would be to the extent of the lower of the recoverable amount and the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Cash flow statement
The company has taken advantage of the exemption under FRS 1 (revised) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate parent undertaking (see note 17).

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

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

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

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

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

1. Accounting policies *(continued)*

Derivative financial instruments and hedging

The company uses derivative financial instruments in the form of interest rate swaps, cross currency interest rate swaps and foreign currency forward contracts, to hedge its exposures to foreign exchange and interest rate fluctuations. The Virgin Media group policy is not to undertake any trading activity in financial instruments.

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

The fair value of foreign currency forward contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and cross currency interest rate swap contracts is determined by reference to market values for similar instruments.

For those hedges for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the risk being hedged and how effectiveness will be measured throughout its duration. At inception such hedges are required to be expected to be highly effective.

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to the variability in cash flows that is due to the risk associated with a recognised asset or liability or a forecast transaction. The company discontinues hedge accounting if the hedging instrument expires, is terminated, exercised, no longer meets the criteria for hedge accounting or the company revokes the designation.

Cash flow hedges which meet the conditions for hedge accounting

Any gains or losses arising from changes in fair value of the hedging instruments that are deemed to be effective are recognised in equity, through the Statement of Total Recognised Gains and Losses, and are recycled into the Profit and Loss Account in the same period that the underlying hedged item impacts net income or loss. The ineffective portion is recognised in the Profit and Loss Account immediately.

Derivatives that do not qualify for hedge accounting

Any gains or losses arising from changes in fair value are taken to the Profit and Loss Account.

Trade and other debtors

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

2. Operating loss

Operating loss is stated after charging/(crediting):

	2008	2007
	£000	£000
Net loss/(profit) on foreign currency translation	**113,591**	(26,329)
Exceptional item:		
Amounts written-off investments	**1,132,476**	351,800

The directors' remuneration is paid by Virgin Media Limited and disclosed in the group accounts of Virgin Media Finance PLC.

The impairment review of investments concluded that their carrying value was in excess of their recoverable amount. As a result investments have been written down by £1,132,476,000 (2007 - £351,800,000). The primary driver for the change in the provision is a decline in the valuation of the underlying assets in the Virgin Media group as shown by a third party valuation as at 31 December 2008.

Auditor's remuneration disclosed of £7,000 (2007 - £8,000) represents costs attributed to the company by the fellow group undertakings that pay all auditor's remuneration on behalf of the Virgin Media group. The company is exempt from disclosing additional information regarding non-audit services, as the disclosures required under Regulation 4 (1) (b) of Section 390B of the Companies Act 1985, are made in the group accounts of Virgin Media Finance PLC on a consolidated basis.

3. Staff costs

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

4. Interest receivable and similar income

	2008	2007
	£000	£000
Bank interest receivable	**4,548**	–
Recharge of deferred finance costs and bank fees to group undertakings	**7,125**	9,742
Interest from group undertakings	**79,100**	103,042
Gains from derivative instruments	**288,097**	–
	378,870	112,784

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

5. Interest payable and similar charges

	2008 £000	2007 £000
Interest payable on bank borrowing	**181,921**	201,715
Loss on debt extinguishment	**6,526**	1,985
Losses on derivative instruments	**–**	11,216
Interest on loan notes due to group undertakings	**164,531**	186,016
	352,978	400,932

6. Taxation

(a) Analysis of credit in the year

The tax credit is made up as follows:

	2008 £000	2007 £000
Current tax charge:		
Consortium relief	**(4,721)**	(4,024)
Deferred tax:		
Origination and reversal of timing differences	**-**	-
Total tax credit on loss on ordinary activities	**(4,721)**	(4,024)

(b) Factors affecting current tax charge

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

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

	2008 £000	2007 £000
Loss on ordinary activities before taxation	**(1,220,321)**	(613,619)
Loss on ordinary activities multiplied by the rate of tax	**(347,791)**	(184,086)
Expenses not deductible for tax purposes	**322,631**	105,540
Group relief surrendered without payment	**19,673**	73,712
Tax losses surrendered at less than the standard rate	**766**	810
Total current tax (note 6(a))	**(4,721)**	(4,024)

6. Taxation *(continued)*

(c) Factors that may affect future tax charges

Deferred tax assets of £412,000 (2007 - £412,000) in respect of tax losses 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.

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

7. Investments

	Subsidiary undertakings
	£000
Cost	
At 1 January 2008	19,038,885
Additions	3
At 31 December 2008	19,038,888
Value impaired	
At 1 January 2008	12,143,595
Written off in year	1,132,476
At 31 December 2008	13,276,071
Net book value	
At 31 December 2008	5,762,817
At 31 December 2007	6,895,290

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

The company has taken advantage of the exemption under Section 228 of the Companies Act 1985 not to disclose the aggregate amount of capital and reserves and the result for the year for each of the subsidiary undertakings on the basis that their results are included in the group accounts of Virgin Media Finance PLC (see note 17).

The material investments in which the company holds at least 20% of the nominal value of any class of share capital, all of which are unlisted, are shown in note 18.

8. Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	**1,076,145**	1,045,035
Derivative financial assets	**576,798**	58,208
Consortium relief recoverable (see note 13)	**2,929**	2,081
Prepayments and accrued income	**15,253**	9,713
	1,671,125	1,115,037

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

	2008 £000	2007 £000
Amounts owed by group undertakings	**921,537**	990,000
Derivative financial assets	**408,422**	58,208
	1,329,959	1,048,208

The analysis of amounts owed by group undertakings is:

	2008 £000	2007 £000
Loan notes due from subsidiary undertakings	**921,537**	868,857
Other amounts owed by subsidiary undertakings	**89,053**	121,143
Interest receivable from group undertakings	**65,555**	55,035
	1,076,145	1,045,035

Loan notes due from subsidiary undertakings are unsecured and repayable on demand but are not expected to be recovered in full within one year. The rates of interest on the loan notes due from group undertakings are in the range of 4.73% to 10.22% (2007 - 5.32% to 10.37%).

All other amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

9. Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Derivative financial liabilities	**84,157**	–
Amounts owed to group undertakings	**1,632,167**	44,555
Accruals and deferred income	**59,265**	75,197
	1,775,589	119,752

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

	2008 £000	2007 £000
Bank loans and overdrafts	1,985,540	2,191,530
Amounts owed to group undertakings	2,269,811	3,076,438
Derivative financial liabilities	11,536	116,701
	4,266,887	5,384,669

The bank loans (other than the £300 million Tranche C of the senior credit facility) have the benefit of a full and unconditional senior secured guarantee from Virgin Media Finance PLC as well as first priority pledges of the shares and assets of substantially all of the operating subsidiaries of the company (see note 18) and of receivables arising as a result of inter company loans to those subsidiaries. The senior secured guarantee of Virgin Media Finance PLC is secured by a first priority pledge of the entire share capital of the company and the receivables under any intercompany loans from Virgin Media Finance PLC to the company. The guarantee of the £300 million Tranche C of the senior credit facility will share in the security of Virgin Media Finance PLC granted to the senior credit facility, but will receive proceeds only after other tranches and will not benefit from guarantees or other security granted by other members of the group.

The annual rates of interest payable on the bank loans are the sum of the London Intrabank Offer Rate (LIBOR), US LIBOR or European Intrabank Offer Rate (EURIBOR), as applicable, plus the applicable interest margin and the applicable cost of complying with any reserve requirement. The margins charged range from 1.625% to 3.625% (2007 - 1.25% to 2.75%).

The analysis of amounts owed by group undertakings is:

	2008 £000	2007 £000
Loan notes due to parent undertakings	1,836,561	1,098,337
Loan notes due to subsidiary undertakings	433,250	607,155
Other amounts owed to subsidiary undertakings	–	1,369,570
Other amounts owed to group undertakings	–	1,376
	2,269,811	3,076,438

Loan notes due to parent undertakings are repayable on demand, but are not expected to be settled in full within five years. The rates of interest charged range from 5.24% to 10.22% (2007 - 5.24% to 9.75%).

Loan notes due to subsidiary undertakings are repayable on demand, but are not expected to be settled in full within five years. The rates of interest charged range from 4.85% to 7.99% (2007 - 5.03% to 10.37%).

All other amounts owed to parent and subsidiary undertakings are interest free, have no fixed repayment date and are not expected to be settled in full within 5 years.

10. Creditors: Amounts falling due after more than one year *(continued)*

Borrowings are repayable as follows:

Amounts falling due:

In more than five years:

	2008 £000	2007 £000
Bank loans (including deferred finance costs)	–	300,000
Loan notes due to parent undertakings	1,836,561	1,098,337
Loan notes due to subsidiary undertakings	433,250	607,155
Amounts owed to subsidiary undertakings	–	1,369,570
Amounts owed to group undertakings	–	1,376
	2,269,811	3,376,438

11. Derivative instruments and hedging activities

The company's principal financial liabilities, other than derivatives, comprise bank loans (senior credit facility) and loans owed to Virgin Media Finance PLC on terms matching the issued Senior Notes with third parties. The company has various financial assets such as cash and short term deposits together with loans to subsidiary companies generally on terms matching the related third party funding.

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

The company's policies in relation to managing these risks are predominantly driven by the terms of the senior credit facility, which requires the use of hedging instruments to ensure that the group has limited exposure to fluctuations in interest rates and foreign exchange movements. As a result the group enters into derivative transactions, primarily interest rate swaps, cross-currency swaps and forward currency contracts.

It is, and was throughout 2008 and 2007, the company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Virgin Media group's management reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk
The company is subject to interest rate risk because it has substantial indebtedness at variable rates of interest. At 31 December 2008, before taking into account hedging instruments, interest is determined on a variable basis on £4.0 billion or 67% of indebtedness for the Virgin Media group, of which the company owes £2.0 billion.

The Virgin Media group is required by the terms of the senior credit facility to ensure that interest is payable at fixed rates on not less than 66.6% of its financial liabilities, when taking into account the effect of hedging instruments, for at least 3 years from the date of the merger with Telewest on 3 March 2006. The group was in compliance with this requirement throughout the year ended 31 December 2008. Whilst the group is no longer required to fix interest rates on 66.6% of its borrowing it has continued to do so. This approach will be reviewed on a regular basis.

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

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation.

The company only has inter-company debt with other wholly-owned fellow group companies. 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.

Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if a counterparty failed to perform as contracted. Management seeks to reduce this risk by monitoring on a continuing basis the long-term credit rating of deposit counterparties and placing limits on exposure to any counterparty.

Liquidity risk
The company's financial instruments mainly comprise bank loans, and payable and receivable inter-company debt. The main purpose of these financial instruments is to raise finance for the company's operations, and then to centralise funding within the Virgin Media group. Capital management policies are operated at a group level by management of Virgin Media Inc. The agreements that govern the group's indebtedness set out financial maintenance tests and restrictive covenants, and it is the policy of the Virgin Media group to maintain adequate headroom against these tests and covenants.

As of 31 December 2008, the Virgin Media group had £6,308.2 million of external debt outstanding compared to £5,958.5 as of 31 December 2007 and cash and cash equivalents of £181.6 million compared to £321.4 million at 31 December 2007. The increase in debt since the previous year is primarily attributable to the £590.0 million unfavourable exchange rate movement on debt denominated in currencies other than sterling together with a greater use of finance leases. This was partially offset by a £300.0 million voluntary prepayment of the group's senior credit facility using existing cash balances.

The Virgin Media group's business is capital intensive and the group is highly leveraged. The group has significant cash requirements for operating costs, capital expenditure, interest expense and debt repayment requirements. The level of the group's capital and operating expenditures are affected by significant amounts of capital required to connect customers to the network, expand and upgrade the network, offer new services and integrate billing systems and customer databases.

Currency risk
The Virgin Media group is also subject to foreign currency exchange risks, because substantially all of its revenues and operating expenses are paid in pounds sterling, but interest and principal obligations with respect to a portion of its indebtedness are paid in US Dollars and Euros. To the extent that the pound declines in value against the US Dollar and the Euro, the effective cost of servicing US Dollar and Euro denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses. As of 31 December 2008, £1,714.8 million, or 27% of the Virgin Media group's external indebtedness, was denominated in US Dollars and £617.8 million, or 10% of the Virgin Media group's external indebtedness, was denominated in Euros. When taking into consideration forward currency contracts, all external debt is hedged against foreign currency exchange rate risk.

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

Fair values of financial assets and liabilities
The company has obligations in a combination of US dollars, euros and sterling at fixed and variable rates of interest. As a result, the company is exposed to variability in its cash flows and earnings resulting from changes in foreign currency exchange rates and interest rates. The company has entered into a number of derivative instruments on behalf of itself and other group companies with a number of counter-parties to manage these exposures, to the extent required by the terms of the Virgin Media group's senior credit facility.

Interest Rate Swaps
The company has entered into interest rate swap agreements to manage the exposure to variability in future cash flows on the interest payments associated with £3,150 million (2007 - £2,450 million) of the Virgin Media group's outstanding senior credit facility, which accrue at variable rates based on LIBOR. The interest rate swaps allow the company to receive interest based on three and six month LIBOR in exchange for payments of interest at fixed rates of between 5.09% and 5.38% (2007 - 4.68% and 5.38%).

Cross-Currency Interest Rate Swaps
The company has entered into cross-currency interest rate swaps with principal amounts of US $2,528 million (2007 - US $1,625 million) and €653 million (2007 - €725 million).

The company hedges the pound sterling value of interest payments on the Virgin Media group's US dollar denominated 8.75% senior notes due 2014, its US dollar denominated 9.125% senior notes due 2016, the US dollar denominated 6.50% convertible senior notes due 2016 and its euro denominated 8.75% senior notes due 2014. Under these cross-currency agreements the company receives interest in US dollars at a fixed rate of 8.75% on the 2014 senior notes, 6.50% for the 2016 convertible senior notes and 9.125% for the 2016 senior notes. In addition, the company receives euros at a fixed rate of 8.75% for the 2014 senior notes. In exchange the company makes payments of interest in sterling at fixed rates of 9.42% for the US dollar denominated senior notes due 2014, 6.93% for the US dollar denominated convertible senior notes due 2016, 8.54% for the US dollar denominated senior notes due 2016 and 10.26% for the euro denominated senior notes due 2014. The cross currency interest rate swaps in relation to the US dollar denominated convertible senior notes due 2016 are not accounted for as accounting hedges.

Foreign currency forward contracts
At the balance sheet date the company had outstanding foreign currency forward rate contracts to purchase $425 million, maturing in April 2009. These contracts economically hedge changes in the pound sterling value of the US dollar denominated principal obligation of the 8.75% senior notes due 2014 caused by changes in the US dollar and pound sterling exchange rates.

The foreign currency forward rate contracts are not accounted for as accounting hedges. As such, the contracts are carried at fair value on the company's Balance Sheet with changes in fair value recognised immediately in the Profit and Loss Account. The forward rate contracts do not subject the company to material volatility in its earnings or cash flows because changes in the fair value directionally and partially mitigate the gains or losses on the translation of its US dollar denominated debt into its functional currency of sterling.

12. Contingent liabilities

The company, along with fellow group undertakings, is party to a senior secured credit facility with a syndicate of banks under which it has guaranteed the amount outstanding, which as at 31 December 2008, excluding amounts included on the company's own Balance Sheet, amounted to approximately £2,303 million (2007 - £2,713 million). Borrowings under the facility are secured against the assets of certain members of the group including those of the company.

On 3 June 2009 and 21 July 2009 Virgin Media Finance PLC, a parent undertaking, issued 9.5% Senior Notes due in 2016. The proceeds of the issues, together with existing cash balances, were used to repay £1,012.1 million of the Virgin Media group's obligations under its senior credit facility. Included within this amount was £236.9 million of the company's own obligations under the senior credit facility.

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

13. Related party transactions

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with group undertakings as it is a subsidiary undertaking which is at least 90% controlled by the ultimate parent undertaking.

As shown in the taxation note (see note 6) and in the debtors note (see note 8), losses surrendered by way of Consortium Relief to certain other parties to joint ventures with the Virgin Media group gave rise to amounts recoverable totalling £4,596,000, of which £2,929,000 was recovered after the end of the year.

14. Share capital

Authorised share capital:

	2008	2007
	£000	£000
1,000,000 Ordinary shares of £0.001 each	**1**	1

Allotted, called up and fully paid:

	2008		2007	
	No	**£000**	No	£000
Ordinary shares of £0.001 each	**224,552**	**-**	224,552	-

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

	Share premium account	Hedging reserve	Profit and loss account	Total shareholder's funds
	£000	£000	£000	£000
At 1 January 2007	15,125,544	4,213	(11,866,709)	3,263,048
Loss for the year	–	–	(609,595)	(609,595)
Increase in fair value of cashflow hedges	–	13,065	–	13,065
At 31 December 2007 and 1 January 2008	15,125,544	17,278	(12,476,304)	2,666,518
Loss for the year	–	–	(1,215,609)	(1,215,609)
Increase in fair value of cashflow hedges	–	38,685	–	38,685
At 31 December 2008	15,125,544	55,963	(13,691,913)	1,489,594

16. Post balance sheet events

On 3 June 2009, the company's immediate parent undertaking Virgin Media Finance PLC, issued $750 million aggregate principal amount of 9.50% senior notes due 2016 and €180 million aggregate principal amount of 9.50% senior notes due 2016. On 21 July 2009, Virgin Media Finance PLC issued an additional $600 million aggregate principal amount of 9.50% senior notes due 2016 under the same terms as the notes issued on 3 June 2009.

A portion of the net proceeds were loaned to the company and used, together with existing cash on hand, to make repayments totalling £236.9 million of its own obligations under the senior credit facility.

17. Parent undertaking and controlling party

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

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

The company's ultimate parent undertaking and controlling party at 31 December 2008, was Virgin Media Inc., a company incorporated in the state of Delaware, United States of America.

Copies of all sets of group accounts which include the results of the company are available from the Secretary, Virgin Media, 160 Great Portland Street, London, W1W 5QA.

18. List of investments

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

Name of Company	*Country of Incorporation*	*Holdings*	*Proportion Held*	*Nature of Business*
Virgin Media Payments Limited	UK	Ordinary	100%#	Holding
Virgin Media Limited	UK	Ordinary	100%	Telecoms
Telewest UK Limited	UK	Ordinary	100%	Holding
Virgin Mobile Holdings (UK) Limited	UK	Ordinary	100%	Holding
VMIH Sub Limited	UK	Ordinary	100%	Holding
ntl Business Limited	UK	Ordinary	100%	Telecoms
ntl Victoria Limited	UK	Ordinary	100%	Holding
Diamond Cable Communications Limited	UK	Ordinary	100%	Holding
ntl Business (Ireland) Limited	UK	Ordinary	100%#	Telecoms
ntl Funding Limited	UK	Ordinary	100%#	Telecoms
ntl Irish Holdings Limited	UK	Ordinary	100%#	Telecoms
DTELS Limited	UK	Ordinary	100%#	Telecoms
ntl Rectangle Limited	UK	Ordinary	100%#	Holding
ntl Midlands Limited	UK	Ordinary	100%#	Telecoms
Virgin Media Dover LLC	UK	Common Stock	100%#(i)	Holding
NTL (Triangle) LLC	UK	Common Stock	100%#(i)	Holding
ntl Cambridge Limited	UK	Ordinary	100%#	Telecoms
BCMV Limited	UK	Ordinary	100%#	Telecoms
ntl (South Hertfordshire) Limited	UK	Ordinary	33%#	Telecoms
ntl CableComms Bolton	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Bromley	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Bury and Rochdale	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Cheshire	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Derby	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Greater Manchester	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Macclesfield	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Oldham and Tameside	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Solent	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Staffordshire	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Stockport	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Surrey	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Sussex	UK	Ordinary	100%#(ii)	Telecoms

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

18. List of investments *(continued)*

Name of Company	*Country of Incorporation*	*Holdings*	*Proportion Held*	*Nature of Business*
ntl CableComms Wessex	UK	Ordinary	100%#(ii)	Telecoms
ntl CableComms Wirral	UK	Ordinary	100%#(ii)	Telecoms
ntl Wirral Telephone and Cable TV Company	UK	Ordinary	100%#(ii)	Telecoms
ntl Communications Services Limited	UK	Ordinary	100%#	Telecoms
X-Tant Limited	UK	Ordinary	100%#	Telecoms
Virgin Net Limited	UK	Ordinary	100%#	Telecoms
Virgin Mobile Group (UK) Limited	UK	Ordinary	100%#	Holding
Virgin Mobile Telecoms Limited	UK	Ordinary	100%#	Telecoms
Virgin Media Television Limited	UK	Ordinary	100%#	Holding
Flextech Rights Limited (changed name to Virgin Media Television Rights Limited on 22 June 2009)	UK	Ordinary	100%#	Holding
sit-up Limited (disposed of on 1 April 2009)	UK	Ordinary	100%#	Holding
Interactive Digital Sales Limited	UK	Ordinary	100%#	Holding
Bravo TV Limited	UK	Ordinary	100%#	Holding
Living TV Limited	UK	Ordinary	100%#	Holding
Challenge TV	UK	Ordinary	100%#	Holding
Cable Finance Limited	UK	Ordinary	100%#(iv)	Telecoms
Blueyonder Workwise Limited	UK	Ordinary	100%#	Telecoms
Imminus Limited	UK	Ordinary	100%#	Telecoms
Birmingham Cable Limited	UK	Ordinary	100%#	Telecoms
Birmingham Cable Finance Limited	UK	Ordinary	100%#(iv)	Telecoms
Cable London Limited	UK	Ordinary	100%#	Telecoms
Cable Camden Limited	UK	Ordinary	100%#	Telecoms
Cable Enfield Limited	UK	Ordinary	100%#	Telecoms
Cable Hackney & Islington Limited	UK	Ordinary	100%#	Telecoms
Cable Haringey Limited	UK	Ordinary	100%#	Telecoms
Eurobell (Holdings) Limited	UK	Ordinary	100%#	Telecoms
Eurobell (Sussex) Limited	UK	Ordinary	100%#	Telecoms
Eurobell (South West) Limited	UK	Ordinary	100%#	Telecoms
Eurobell (West Kent) Limited	UK	Ordinary	100%#	Telecoms
Eurobell Internet Services Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications (South West) Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications (Cotswolds) Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications (London South) Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications (South East) Limited	UK	Ordinary	100%#	Telecoms

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

18. List of investments *(continued)*

Name of Company	*Country of Incorporation*	*Holdings*	*Proportion Held*	*Nature of Business*
Telewest Communications (South Thames Estuary) Limited	UK	Ordinary	100%#	Holding
Telewest Communications (Midlands) Limited	UK	Ordinary	100%#	Telecoms
M&NW Network Limited	UK	Ordinary	100%#	Telecoms
M&NW Network II Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications (Telford) Limited	UK	Ordinary	100%#*	Telecoms
Telewest Communications (North West) Limited	UK	Ordinary	100%#*	Holding
Telewest Communications (Central Lancashire) Limited	UK	Ordinary	100%#*	Telecoms
Telewest Communications (Liverpool) Limited	UK	Ordinary	100%#*	Telecoms
Telewest Communications (St Helens & Knowsley) Limited	UK	Ordinary	100%#*	Telecoms
Telewest Communications (Wigan) Limited	UK	Ordinary	100%#*	Telecoms
Telewest Communications (Fylde & Wyre) Limited	UK	Ordinary	100%#*	Telecoms
Telewest Communications (Southport) Limited	UK	Ordinary	100%#*	Telecoms
Telewest Communications (Midlands & North West) Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications (Cumbernauld) Limited	UK	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Dumbarton) Limited	UK	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Dundee & Perth) Limited	UK	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Falkirk) Limited	UK	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Glenrothes) Limited	UK	Ordinary	100%#(iii)	Telecoms
Telewest Communications (Motherwell) Limited	UK	Ordinary	100%#(iii)	Telecoms

* wholly owned trading companies which will become dormant following the transfer of their business operations, assets and liabilities to a fellow wholly-owned group undertaking as part of a group reorganisation on 31 December 2008.

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

18. List of investments *(continued)*

Name of Company	*Country of Incorporation*	*Holdings*	*Proportion Held*	*Nature of Business*
Telewest Communications (Scotland) Limited	UK	Ordinary	100%#(iii)	Telecoms
Telewest Communications (North East) Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications Group Limited	UK	Ordinary	100%#	Telecoms
Telewest Communications Networks Limited	UK	Ordinary	100%#	Holding
Theseus No. 1 Limited	UK	Ordinary	100%#	Holding
Theseus No. 2 Limited	UK	Ordinary	100%#	Holding
Yorkshire Cable Communications Limited	UK	Ordinary	100%#	Telecoms
Barnsley Cable Communications Limited	UK	Ordinary	100%#	Telecoms
Doncaster Cable Communications Limited	UK	Ordinary	100%#	Telecoms
Halifax Cable Communications Limited	UK	Ordinary	100%#	Telecoms
Sheffield Cable Communications Limited	UK	Ordinary	100%#	Telecoms
Wakefield Cable Communications Limited	UK	Ordinary	100%#	Telecoms
Middlesex Cable Limited	UK	Ordinary	100%#	Telecoms
Windsor Television Limited	UK	Ordinary	100%#	Telecoms
Bluebottle Call Limited	UK	Ordinary	100%#	Service

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

The company has taken advantage of the exemption under Section 228 of the Companies Act 1985 not to disclose the aggregate amount of capital and reserves, and the result for the year for each of the subsidiary undertakings on the basis that their results are included in the group accounts of Virgin Finance PLC (see note 17).