

Virgin Media Business Limited

Financial Statements

31 December 2014

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Virgin Media Business Limited

Financial Statements

Year ended 31 December 2014

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Virgin Media Business Limited

Company Information

The board of directors	T Mockridge R D Dunn M O Hifzi P A Buttery
Company secretary	G E James
Registered office	Bartley Wood Business Park Hook Hampshire RG27 9UP
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Virgin Media Business Limited

Strategic Report

Year ended 31 December 2014

Principal activity and business review

The principal activity of the company during the year was, and will continue to be, the marketing and sale of data telecommunication services and systems.

The company is a wholly owned subsidiary undertaking of Virgin Media Inc. (Virgin Media) which is itself a wholly owned subsidiary of Liberty Global plc (Liberty Global).

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

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

The group provides mobile services to our customers using a third-party network through an MVNO arrangement.

In addition, through the Virgin Media Business brand, the group offers a broad portfolio of B2B voice, data, internet, broadband and managed services solutions to small businesses, medium and large enterprises and public sector organisations in the U.K.

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

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

Virgin Media Business Limited

Strategic Report (continued)

Year ended 31 December 2014

Key performance indicators (KPI's)

The company's key financial and other performance indicators for the year are considered below.

	2014	2013	Comments
Turnover (£000)	172,292	155,652	Turnover has increased by 10.7%, primarily due to growth across three major revenue streams; National Ethernet, Managed Internet Access and IPVPN solutions.
Operating profit (£000)	13,030	2,693	Operating profit has increased by 383.8%, primarily due to an increase in gross profit, driven by an increase in turnover and underlying cost of sales.

The company reported a decrease in net current assets and an increase in total assets less current liabilities for the year ended 31 December 2014 as a result of normal operations. During the year, no new external finance was arranged and there was no movement in the called up equity share capital of the company. Operations were financed through the company's inter-company balances with fellow group undertakings.

Future outlook

The directors will continue to review management policies in light of changing trading and market conditions. Further detail of the future outlook of the group is provided in Virgin Media Inc.'s financial statements and annual report for 2014, which are available from the company secretary at Virgin Media, Bartley Wood Business Park, Hook, Hampshire, RG27 9UP.

Principal risks and uncertainties

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

Signed on behalf of the directors



G E James
Company Secretary

Approved by the directors on 1 July 2015



Virgin Media Business Limited

Directors' Report

Year ended 31 December 2014

The directors present their report and the financial statements of the company for the year ended 31 December 2014.

Results and dividends

The profit for the financial year, after tax, amounted to £10,003,000 (2013 - profit of £1,364,000). The directors have not recommended an ordinary dividend (2013 - £nil).

Directors

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

T Mockridge	
R D Dunn	
D M Strong	(Resigned 31 January 2015)
M O Hifzi	(Appointed 31 March 2014)
P A Buttery	(Appointed 1 February 2015)
C B E Withers	(Resigned 31 March 2014)

The directors of the company have been indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force for directors serving during the financial year and as at the date of approving the Directors' Report.

Going concern

After making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

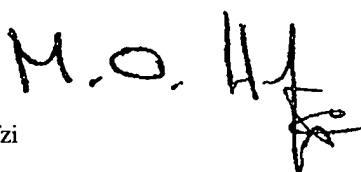
Disclosure of information to the auditor

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

Auditor

KPMG LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors



M O Hifzi
Director

Approved by the directors on 1 July 2015

Virgin Media Business Limited

Directors' Responsibilities Statement

Year ended 31 December 2014

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Member of Virgin Media Business Limited

Year ended 31 December 2014

We have audited the financial statements of Virgin Media Business Limited for the year ended 31 December 2014 on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report to the Member of Virgin Media Business Limited (continued)

Year ended 31 December 2014

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.



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

8 July 2015

Virgin Media Business Limited

Profit and Loss Account

Year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover		172,292	155,652
Cost of sales		(55,218)	(51,475)
Gross profit		117,074	104,177
Administrative expenses		(104,044)	(101,484)
Operating profit	2	13,030	2,693
Other interest receivable and similar income	4	1,122	1,217
Interest payable and similar charges	5	(3,995)	(2,121)
Profit on ordinary activities before tax		10,157	1,789
Tax on profit on ordinary activities	6	(154)	(425)
Profit for the financial year	14	10,003	1,364

The company has no other gains or losses and therefore no separate statement of total recognised gains or losses is presented.

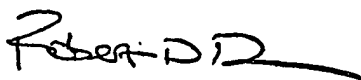
All results relate to continuing operations.

The notes on pages 10 to 16 form part of these financial statements.

Virgin Media Business Limited**Balance Sheet****31 December 2014**

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	7	<u>78,544</u>	<u>65,167</u>
Current assets			
Debtors due after one year - Deferred tax	8,9	330	484
Debtors due within one year	8	<u>149,726</u>	<u>151,954</u>
		<u>150,056</u>	<u>152,438</u>
Creditors: Amounts falling due within one year	10	<u>(20,388)</u>	<u>(19,396)</u>
Net current assets		<u>129,668</u>	<u>133,042</u>
Total assets less current liabilities		<u><u>208,212</u></u>	<u><u>198,209</u></u>
Capital and reserves			
Share capital	13	1	1
Profit and loss account	14	<u>208,211</u>	<u>198,208</u>
Shareholder's funds	14	<u><u>208,212</u></u>	<u><u>198,209</u></u>

These financial statements were approved by the directors on 1 July 2015 and are signed on their behalf by:



R D Dunn
Director

The notes on pages 10 to 16 form part of these financial statements.

Virgin Media Business Limited

Notes to the Financial Statements

Year ended 31 December 2014

1. Accounting policies

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

Basis of accounting

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

Cash flow statement

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

Turnover

Turnover represents the value of services provided, stated net of value added tax, and is attributable to continuing activities, being the sale of data telecommunications services and systems, all of which is derived from operations in the United Kingdom. The directors consider this to be a single class of business.

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

Turnover in respect of installations is recognised over the term of the related agreement.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than land, so as to write off the cost of a tangible fixed asset on a straight line basis over the expected useful economic life of that asset as follows:

Network assets	3 - 30 years
Freehold property	30 years
Other	3 - 12 years

No depreciation is provided on freehold land.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Capitalised labour

Labour relating to the design, construction and development of the network, capital projects, and related services have been capitalised. Depreciation of capitalised labour is provided on a straight-line basis over 15 years or the life of the relevant assets.

Virgin Media Business Limited

Notes to the Financial Statements

Year ended 31 December 2014

1. Accounting policies (*continued*)

Deferred tax

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

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

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

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

Trade and other debtors

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

Future accounting pronouncements

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

2. Operating profit

Operating profit is stated after charging:

	2014	2013
	£000	£000
Depreciation of owned tangible fixed assets	<u>16,784</u>	<u>13,174</u>

Auditor's remuneration of £19,000 (2013 - £19,000) represents costs allocated to the company by fellow group undertakings that pay all auditor's remuneration on behalf of the group.

The directors received no remuneration for qualifying services as directors of this company. All directors' remuneration is paid by and disclosed in the financial statements of Virgin Media Limited.

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.

3. Staff costs

The company does not have any directly employed staff but is charged an allocation of staff costs by the group. Details of staff numbers and staff costs of the group are disclosed in the group accounts of Virgin Media Finance PLC.

Virgin Media Business Limited

Notes to the Financial Statements

Year ended 31 December 2014

4. Other interest receivable and similar income

	2014	2013
	£000	£000
Interest on amounts owed by group undertakings	<u>1,122</u>	<u>1,217</u>

5. Interest payable and similar charges

	2014	2013
	£000	£000
Interest on amounts owed to group undertakings	1,060	1,019
Other finance charges	<u>2,935</u>	<u>1,102</u>
	<u>3,995</u>	<u>2,121</u>

6. Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014	2013
	£000	£000
Current tax charge:		
Current tax on profit for the year	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	154	307
Effect of tax rate on opening balances	-	118
Total deferred tax (note 9)	<u>154</u>	<u>425</u>
Total tax charge on profit on ordinary activities	<u>154</u>	<u>425</u>

The tax assessed on the profit on ordinary activities for the year is lower than (2013 - lower) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014	2013
	£000	£000
Profit on ordinary activities before tax	<u>10,157</u>	<u>1,789</u>
Profit on ordinary activities multiplied by rate of tax	2,183	416
Effects of:		
Expenses not deductible for tax purposes	-	28
Accelerated capital allowances	(160)	(354)
Group relief claimed without payment	<u>(2,023)</u>	<u>(90)</u>
Total current tax	<u>-</u>	<u>-</u>

Virgin Media Business Limited

Notes to the Financial Statements

Year ended 31 December 2014

6. Tax on profit on ordinary activities (continued)

Factors affecting current and future tax charges

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

7. Tangible fixed assets

	Freehold Property £000	Network assets £000	Other £000	Total £000
Cost				
At 1 January 2014	1,455	106,664	546	108,665
Additions	–	29,713	448	30,161
Disposals	–	(1,670)	–	(1,670)
At 31 December 2014	1,455	134,707	994	137,156
Depreciation				
At 1 January 2014	1,113	42,258	127	43,498
Charge for the year	2	16,620	162	16,784
On disposals	–	(1,670)	–	(1,670)
At 31 December 2014	1,115	57,208	289	58,612
Net book value				
At 31 December 2014	340	77,499	705	78,544
At 31 December 2013	342	64,406	419	65,167

8. Debtors

	2014 £000	2013 £000
Amounts owed by group undertakings	149,726	151,954
Deferred tax (note 9)	330	484
	150,056	152,438

Virgin Media Business Limited

Notes to the Financial Statements

Year ended 31 December 2014

8. Debtors (continued)

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

	2014	2013
	£000	£000
Deferred tax	<u>330</u>	<u>484</u>

The analysis of amounts owed by group undertakings is:

	2014	2013
	£000	£000
Loans advanced to group undertakings	19,300	19,300
Other amounts owed by group undertakings	130,503	132,731
Impairment provision on amounts owed by group undertakings	<u>(77)</u>	<u>(77)</u>
	<u>149,726</u>	<u>151,954</u>

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

9. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2014	2013
	£000	£000
Included in debtors (note 8)	<u>330</u>	<u>484</u>

The movement in deferred tax during the year was:

	2014	2013
	£000	£000
Balance at 1 January	484	909
Profit and loss account movement arising during the year	<u>(154)</u>	<u>(425)</u>
Balance at 31 December	<u>330</u>	<u>484</u>

The deferred tax balance consists of the tax effect of timing differences in respect of:

	2014	2013
	£000	£000
Depreciation in excess of capital allowances	<u>330</u>	<u>484</u>

A deferred tax asset has been recognised as it is considered, based upon all available evidence, more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Virgin Media Business Limited

Notes to the Financial Statements

Year ended 31 December 2014

10. Creditors: Amounts falling due within one year

	2014	2013
	£000	£000
Amounts owed to group undertakings	<u>20,388</u>	<u>19,396</u>
The analysis of amounts owed to group undertakings is:		
	2014	2013
	£000	£000
Loans advanced by group undertakings	19,399	19,359
Other amounts owed to group undertakings	<u>989</u>	<u>37</u>
	<u>20,388</u>	<u>19,396</u>

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

11. Contingent liabilities

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

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

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

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

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

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

Virgin Media Business Limited

Notes to the Financial Statements

Year ended 31 December 2014

12. Related party transactions

In accordance with the exemptions offered by FRS 8 "Related Party disclosures" there is no disclosure in these financial statements of transactions with entities that are part of Liberty Global plc and its subsidiaries (see note 15).

13. Share capital

Allotted, called up and fully paid:

	2014		2013	
	No	£000	No	£000
Ordinary shares of £1 each	<u>1,000</u>	<u>1</u>	<u>1,000</u>	<u>1</u>

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

	Share capital	Profit and loss	Total share-
	£000	account	holder's funds
	£000	£000	£000
At 1 January 2013	1	196,844	196,845
Profit for the year	–	1,364	1,364
At 31 December 2013 and 1 January 2014	1	198,208	198,209
Profit for the year	–	10,003	10,003
At 31 December 2014	<u>1</u>	<u>208,211</u>	<u>208,212</u>

15. Parent undertaking and controlling party

The company's immediate parent undertaking is Filegale Limited.

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

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

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

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